

Week 2: Globalization

What is globalization?

- “The shift toward a more integrated and interdependent world economy” - Hill, 2009
- “The integration of world economies through the reduction of barriers to the movement of trade, capital, technology and people” - Daniels, 2010

Globalisation of Market

- The convergence in buyer preferences in markets around the world
- Falling trade barriers
- Facilitated by offering standardized products and converging tastes and preferences. For eg. Coca-cola, pepsi, McDonald's, KFC, IKEA, Starbucks

Globalization of Production

- The sourcing of goods and services from locations around the globe to take advantage of national differences in the cost or quality of factors of production (eg. labor, land, capital)
- Historically: primarily manufacturing firms
- Increasingly: outsourcing of service activities
- Companies are taking advantage of modern communication technologies

What are the drivers of globalization?

1. **Economic drivers**
2. **Technological change**
3. **Political drivers**
4. **Cultural drivers**

Economic drivers: New Competitors

1. Emerging markets:
 - Free market of reforms in emerging countries (i.e. Russia, China)
 - Industrialization, economic development and modernization
 - Many young and well educated people in emerging markets
2. Industrialized countries:
 - Foreign direct investment (FDI) by industrialized countries to benefit from low-cost labor
 - Transfer of technology to emerging markets (joint ventures are very popular)