

## GLOBALISATION

### What is globalisation?

*Increase in the interconnectedness between areas of the world*

- Roman empire, Parthian empire and Han Dynasty are examples of globalisation based on the notion that there was an increase in interconnectedness through culture, language and improved transport
- Expansion of European power through the discovery and conquest from 1600 onwards is an example of globalisation – amongst states
- Industrial revolution – emergence of firm, company and organisation
- World War II – decrease in barriers to trade, emergence of international institutions and increase individual freedom
- Globalisation of markets
  - Led to new increased opportunities for businesses who have previously have only considered domestic market as the only viable market
  - Led to competition
- Globalisation of production
  - Most goods and services have parts or components that are from multiple countries

### Drivers of Globalisation

- Declining barrier to trade and investment
  - Allowed companies and countries to become more interconnected
- Technological factors
  - Internet has led to gains and advantages
  - Technological developments in transport had led to different and more efficient delivery modes
- Civil society
  - Leads to greater collaboration and increased focus on certain issues such as refugees or climate change
- Global governance and institutions
  - Economic based:
    - World Bank
    - World Trade Organisation
    - International Monetary Fund
  - United Nations
- Globalisation of culture
  - Homogenisation of culture in the form of media, cinema and music

### Globalisation Debate

- Jobs

- Increased in efficiency through competition and factors of production combined with the fact that while higher value added industries required increasingly higher skills and led to increased wages which is beneficial from employees who receive further training and those in other industries are left behind
- Jobs in developed countries have been offshored which have led to significant issues such as poverty and inequality
- Inequality and poverty
  - Improvements in comparative advantage have led to an increase in standard of living
  - Dramatic growth of middle class in a lot of developing countries
  - Huge decline of poverty rates in populous countries – China and India
  - However in other areas such as Africa, increase in poverty
  - Due to globalisation, the rich have ended with a larger share of the wealth and inequality is prevalent amongst gender
- National sovereignty and cultural diversity
  - Big institutions can enhance the political power of people
  - Increase in cultural diversity due to skilled migration and greater access to art, music
  - Fear of cultural homogenisation
- The natural environment
  - Over the last 30 years, 30% of the world's natural environment has been destroyed

### **Outcomes of globalisation**

- Decreased poverty and increased inequality

### **What does globalisation mean for the...**

- Nation
  - All economies are interdependent which is demonstrated through the various global financial crisis, terrorism
  - Nations now compete with each other within global capital and labour markets
- MNE
  - Prefer deregulated economies where there are opportunities to take advantage of favourable market conditions
  - Globalisation
- Citizen Individual
  - Lower prices for goods and services are an advantage
  - International competition for jobs means there is a huge market for skilled workers in developed countries
  - Not a huge market for unskilled workers
  - Increase in populism and nationalism

### **What does globalisation mean for business**

- Interconnectedness
- Competition
- Opportunity
- Greater need to appreciate and understand the international environment
- A need to internationalise

## **INTERNATIONAL BUSINESS**

### **What is an International Business?**

- Any firm that engages in international trade or investment
- Distinct from domestic firms
  - Culturally
  - Politically, economic and legal systems
  - Labour and environmental standards
  - Foreign exchange
  - Strategies and entry modes

### **Key drivers of International Business environment**

- Political
- Economic

## **WORKSHOP**

### **Synopsis**

- International trade
- Investment
  - FDI – Foreign Direct Investment
  - Return of investment
  - More income in an economy – more business activity
  - Boost or injection to economy
- LEGAL
  - Open door policy
  - Closed door policy – protectionism
- Comparative advantage
  - What one country is good at compared to another
  - Land, capital, enterprise, labour
  - Australia – agriculture, education, natural resources, tourism
- POLITICAL
  - Political stability of a country
- CULTURAL
  - Norms, values, traditions, social practices which define people

- TECHNOLOGICAL
  - o Communication technology
  - o Use of internet for business – ecommerce
- Forms of operation
  - o Structure or layout of a business
- Internationalising organisations
- Multinational Enterprises – MNE
  - o Concept of triple bottom line
  - o E.g. Body Shop
- International strategic planning
  - o What is the most effective and efficient way to achieve the goals you want to achieve?
  - o SWOT analysis
  - o Why, where, how to expand?
  - o Why – increase sales, cutting costs, manage risks, learn new things
  - o Where – consider geographic, cultural, administrative and economic differences
  - o How – multidomestic or global arbitrage
- Comparative advantage: ability to produce goods or services at a lower cost