Academic Competition of the Students and Postgraduates 'Top League' – 2023 educational year
«180. MANAGEMENT», direction «International Management»
Code – 180.3

Please, read the article[1] and answer the questions (in English) presented at the end of the document.

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1. Today's Global Economy & Global Business

Globalization is toward shifting a more interdependent and integrated global economy, both in markets and production. Globalization of markets is the merging of separate national markets into one huge global marketplace. Globalization of production allocates goods and services from different locations that benefit from national differences in the cost and quality of resources for a show like land, energy, labor, and capital. Consumer products such as Coca-Cola, Starbucks, McDonald's, and IKEA are frequently helping us as prototypical examples of the global markets. And the sample of globalization of production is Boing's 777, parts of the plane are made from different countries, including Japanese, Singapore, and Italy. (Hill, 2013)

Globalization involves the transmission of knowledge, cultural stability, economic integration, the transfer of policies across borders, reproduction, relations, and discourses of power. (Al-Rodhan, & Stoudmann, 2006)

The development of information-communication technologies and the reduction in trade barriers between countries lead to the relativization of geographical and cultural distance in globalization. The integration processes of the economics of different countries allow many companies to develop their business activities in international markets through the internationalization of business. It changes in the global economy enterprises in the international market. The globalization process leads to developing international markets' interconnection relations within the world economic system and involves the company performing business operations in various global markets. There is a relationship between economic and political systems of countries' impact on economic development. (Golo, 2015).

The forces to change the face of international business under the rubric of globalization are the expansion of the global finance & financial market, the spread of knowledge facilitated by improved communication, the widespread ability and use of technology. Moreover, the growth of multinational firms, the decentralization of economic activities, the blurring of the nationality, reductions in barriers to investment and trade are involved. The increased importance and power

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[1] Adapted from Siripipatthanakul S. (2021), Advanced International Business: A Review Article. Advanced International Business: A Review Article, Article in SSRN Electronic Journal. DOI: 10.2139/ssrn.3907266. Retrieved from https://www.researchgate.net/publication/354056467

of supranational organizations such as the European Union (EU) and the emergence of regions and regional identities that transcend borders are drivers. (Ricart *et al.*, 2004)

Globalization processes, driven by unrestricted flows of information, ideas, people, cultural values, capital, goods, and services, lead to the shift toward a more integrated world economy. Currently, the problem of globalization has become worldwide. Most successful companies are not survived on domestic sales alone. The global economy is a way for their survival. As an international business, the companies must operate in diverse foreign environments. Responses to global challenges surround the issues such as globalization, affecting the political, economic, competitive, and other environmental forces with providing favorable opportunities for the growth and development of local, multinational, and global business enterprises. Globalization drivers (global challenges) is a process in 1) Globalization of economies-increasing interdependence of national economies throughout the world 2) Globalization of markets-the increasing homogenization of consumers tastes and product reference in specific markets 3) Globalization of industries-the increasing globalization of the production process 4) Globalization of strategy-A global strategy will generally include a global brand name and products. The global company attempts to extend and coordinate internal production/operations to create new value through consolidation of manufacturing, reduced delivery costs, and economies of scale. (Jatuliavičienė, & Kučinskienė, 2005). The globalization drivers as shown in figure 1 below.

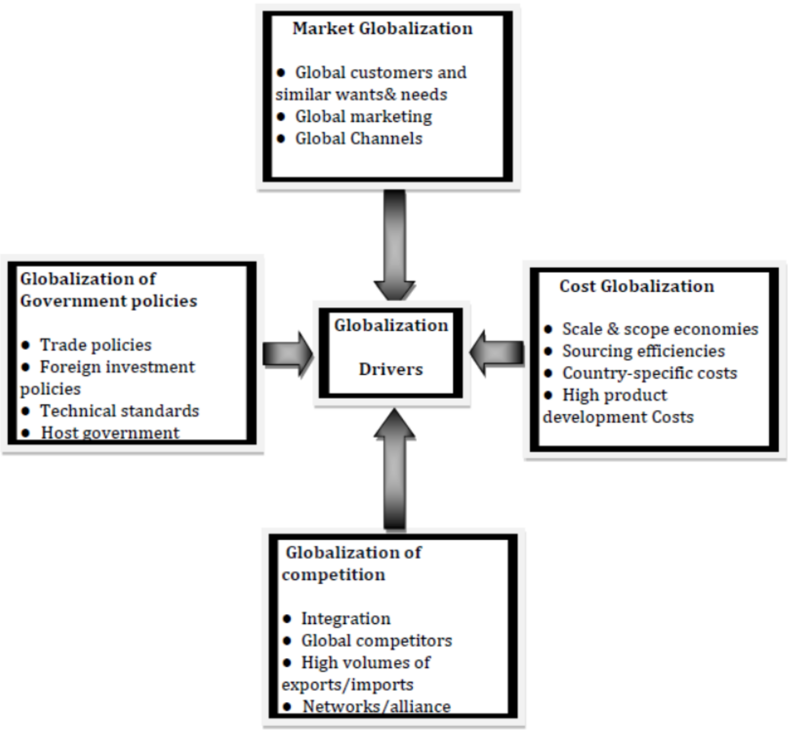

Figure 1 shows key drivers for global challenges (Globalization Drivers). (Jatuliavičienė, G., & Kučinskienė, M., 2005)

Bang & Markese (2011) suggested the drivers for globalization: lower trade barriers, lower transportation costs, lower communication costs, information, and communication technology (ICT) development, and the spread of technology. While Hill (2013) recommended the drivers of globalization are 1) the decline in barriers to the free flow of capital, goods & services, and 2) Technological change.

Therefore, globalization integrates the national economies into one world in a marketplace, both in markets and production. First is merging separate national markets into one huge global marketplace (globalization). Second, allocating goods and services from different locations of the world benefits from national differences in the quality and cost of resources like land, energy, labor, and capital (the integration of production). As a global business, the company must operate in diverse foreign environments such as political, economic, competitive, and cultural forces, providing favorable opportunities for the growth and development of local, multinational, and global business enterprises.

It attempts to extend and coordinate internal production/operations to create new value by consolidating economies of scale manufacturing and reduced delivery costs. It leads to increase interactions between different nations and citizens worldwide. The drivers of globalization are lower trade barriers, lower transportation costs, lower communication costs, technological changes.

2. Political & Economic Factors and Global Economy

Globalization, where technology, idea, factors of production, and goods are increasing mobile across national boundaries. Openness to international trade, finance, and technology is a choice that countries make. Globalization depends on political decisions of nation-states, has political limits, and that these are related to nationalism and militarism. (Acemoglu & Yared, 2010)

The global economy and trade face several restrictive measures countries apply to protect their domestic economies (such as quotas and tariffs). Therefore, both positive and negative effects are on the host country and the country of origin of investments. The regional integrations in the world, such as the North American Free Trade Agreement (NAFTA), the European Union (EU), the Association of Southeast Asia Nations (ASEAN) are examples (Golo, 2015).

The global economy in the twenty-first century in today, barriers to the free flow of goods, services, and capital have been coming down. The investment and volume of cross-border trade have been growing more rapidly than global output. The national economies are becoming more tightly integrated into a single, interdependent, and global economic system. As with costs, the risks of running a business in a country are determined by several political, economic, and legal factors. Political risk is the likelihood that politics affect the profit and the goals of a business enterprise. Financial risk is the likelihood that economic mismanagement will cause drastic changes in a country's business environment. The legal risk is the likelihood that a trading partner will opportunistically break a contract or expropriate property rights. (Hill, 2013)

Some examples of the political factors affecting the global economy are as follows.

Example 1: Trump's policies could develop into a crisis and result in a breakdown economy. These are the job-stealing by undocumented immigrants with terrorist tendencies, the climate change is fake, the US free trade agreement (FTA), and a dishonest China engaging in illegal activities. (Magcamit, 2017)

Example 2: According to CNN Business's report (Ghitis, 2019), around the world, economists, investors, political leaders, and consumers are watching anxiously as disruptive politicians, beginning with US President Donald Trump. Washington's trade war with China is topping the list, which is already sending shockwaves across the globe. Trump said, "Trade wars are easy to win." He maintains China is the one paying for the tariffs. He imposed on Chinese imports and said: "Mexico would pay for a border wall." All these claims are false. Multiple signs are pointing to trouble. Oil demands decrease, industrial output is declining indicators such as interest rests recession strongly. Trump's fondness for trade clashed shows no easing, adding to the headwinds already pushing against economic growth around the world. He claims that foreign car imports are a threat to national security. So, the trade war with China is not easy to win; he may be preparing to impose tariffs on European cars, significantly hurting German automakers.

Example 3: Since the Brexit and Trump shock of 2016, globalization's economic fundamentals and policy threats. The new obstacles from tariff tiffs to blocked acquisition. So, countries tightened screening of foreign company takeovers, progressive localized data policies, and champed immigration. Trade is still growing at a slower pace while foreign direct investment (FDI) decreases. New NAFTA (USA-Mexico-Canada agreement) reduced opportunities for automotive manufacturing by limiting the use of labor paid less than $16 per hour. Prevailing policy trends point to selective changes in the openness of the countries to international business. So, trade and investment between the USA and China are in tension. (Ghemawat & Altman, 2019)

An example of the economic factor affecting the global economy is as follows.

Example 4: COVID-19 outbreak impacts on the supply chain disruptions, travel restrictions, and lockdowns have had massive consequences. Many businesses reduced or temporarily closed operations, raising uncertainties and concerns on corporate and household debt defaults. Additionally, financial markets from the USA to Asia and Europe are volatile. Investors are concerned that the virus creates an economic crisis in ways not seen since the global financial crisis. (ASEAN, 2019)

3. Cultural Factors and Global Business

The difference in culture is different languages, different ethnicities, different religions, differences in national work systems, and different values, norms, and dispositions. (Ghemawat, 2001 as cited in Ricart *et al.,* 2004) Management of cultural change is fundamental to the process of internationalization. The challenges the implicit culture of the organization is changed. To change the organization into an international firm is the responsibility of the leaders. (Trompenaaars, 1996)

A common culture is a standard set of values and norms that a society (a group of people) bound together. The cultural norms and values do not emerge fully formed. They evolve in response to political philosophy, economic philosophy, education, language, social structure, and religion. One danger confronting a company that goes abroad the first time is the danger of being ill-informed. Doing business in different cultures requires it to adapt to conform with values and norms. Adaptation can embrace all aspects of an international firm's operations in a foreign country. Japan presents how culture can influence competitive advantage. Japan's emphasis on obligations, group affiliation, loyalty, honestly, and education all boost the competitiveness of Japanese companies. An ethic is a hard work between labor and management. Thus, cultural factors could explain the success enjoyed by many Japanese businesses in the global marketplace. For an international business, the connection between culture and competitive advantage is essential for the choice of countries in which locate production facilities and do business. (Hill, 2013)

International business endeavors require all participants to communicate across national and cultural boundaries, including cultures involving work habits and values, communication styles, and business patterns. Today global economy, cultural differences affect all facets of international business, such as culture-clash. Also, culture colors people's sense of identity and their perceptions of others. Differences in management style and organizational behavior can often be traced back to cultural influences. Cultural miscommunication is costly. Such communication can be intimate between two coworkers or more public, such as in an advertising campaign. (Frey-Ridgway,1997) Management practices may need to vary according to culturally determined work-related values. (Hill, 2013) Moreover, understanding cross-cultural differences and the nature of ethical issues or business ethics in international business is crucial to success. (Golo, 2015).

The cultural context variables need to be added to transaction costs because they impact managerial costs and uncertain evaluations in target markets. Cultural context helps to define profit potential and the risks associated with specific market entry. National culture is part of cultural context, but cultural context is much broader and includes investment risks associated with different host country economic, legal, political, and cultural systems, as well as market attractiveness. (Brouthers, 2002).

Some examples of the cultural factors affecting global business are as follows.

Example 1: In the convenience store business, "Konbini" is the Japanese language that means the convenience store. In Japanese culture, the idea of the convenience store as well-being may be oversimplistic to young Japanese consumers. Many food products in the Konbini are classed and less than healthy. In comparison, snacks remain popular, more beneficial, like onigiri (rice balls) and bread products are the options. Young consumers generally enjoy shopping in convenience stores and continue to do so regularly. The increasing diversity of innovative products and services provides the potential to connect with young consumers in their sense of well-being by being a convenient place to shop. (Marshall, 2018)

Example 2: The methodologies and findings of researchers (Awadh, & Alyahya, 2013) show that the organization's culture positively impacts job performance and leads to enhanced productivity. The values and norms of an organization based upon different cultures impact workforce management. Organizational culture enables effective and efficient management.

4. Asia in Global Marketplace

The interdependence of emerging Asian countries, the EU15, the United States, and Japan via trade and production linkages. There is evidence of increasing trade integration, both globally and regionally. One-third of Asia's GDP depends on exports. The economies of high import content of exports resulting from the increasing segmentation of production across the region. (Peltonen & Pula, 2009)

The 49th AEM or ASEAN Economic Ministers Meeting 49th in the Philippines, along with associated meetings with trade officials from China, Japan, and India, concluded Asian economies could increasingly influence the rules which govern global trade. Asia enhances regional trade and investment flows; the long-term implication is the ability of countries in Asia to attain a much higher impact on the global order. For the international business community, including both Western multinational companies as well as Asian, the ability of Asian countries to progress trade agreements in the region is one of the main drivers for continued commitment to trade openness. ASEN Economic Community (AEC), launched in 2016, is a broader trade agreement in free trade. Asia has benefited from the increasing open trade agreement and is also the most dynamic region for international trade and investment and maintaining regional economic integration. China is the biggest Asian economy with a significant interest in concluding a regional trade agreement. Businesses operating in the international markets cannot afford to ignore the development taking place in Asia. Asia is an essential source of foreign investment capital and is becoming an ever more vital part of the global economy. Companies with established commercial operations in Asia may benefit from the growing outbound investment flows from Asian countries. While Donald Trump and Brexit may be grabbing the headlined currently in the West, the steady progress of Asian trade talks and the expansion of Asian countries' investment in global markets may have a more far-reaching impact. (Humphrey, 2017)

In 2019, Asia's trade grew from 4.6%, slower than the 7.3% growth in 2017. Continue trade tensions between the US and China since 2018, and a weakening of global demand pose key downside risks to the region's trade. It affects global and regional trade growth. Several Asian economies recorded slower export growth due to weaker external demand from developed countries and the potential negative effect from trade tensions, which largely offset commodity export gains from higher global commodity prices. The region's export volume growth declined to 3.5% in 2018 from 6.8% in 2017. The import volume expanded at 4.7% in 2018, down from 8.1% in 2017. Strong domestic demand, mainly from net-importing countries, continued to support imports, even if the commodity price increase slightly restrained growth. (Asian Development Bank, 2019)

In 2020, growth in Asia was expected to stall at zero percent 2020. It is the worst growth performance in almost 60 years, including during the global financial crisis (1.3 percent). But Asia looks to better than other regions in terms of activity. (Rhee, 2020)

Therefore, the main features of today's global economy and business are integrating the national economies into one world in a marketplace, both in markets and production. The examples are merging domestic markets and allocating goods and services from other world locations into one huge global marketplace. The international business must operate in diverse foreign environments such as political, economic, competitive, and cultural forces to provide favorable opportunities for the growth and development of local, multinational, and global business enterprises. It attempts to extend and coordinate internal production/operations to create new value through consolidation of manufacturing, lower delivery costs, and economies of scale. It leads to increase interactions between different nations and citizens worldwide. A lower trade barrier, lower transportation costs, lower communication costs, technological changes are the main drivers for globalization. Asia has a significant role in enhancing the region's trade and investment flows to develop the global economy and business. The policies to reduce trade war changes globalization. Globalization is still crucial for the worldwide economy.

5. The International Business Strategies

International business is positioned as a competitive advantage. Added value life in a combination of global and local knowledge unavailable to and not imitable by its major competitors, economies, and strategy. Land choices are a crucial aspect of trade and foreign investment. (Shenkar, 2004).

Market capitalism encourages the globalization of finance and promotes the mobility of labor. Large financial markets offer investors greater liquidity, combined with greater legal security and more competitive pricing of stocks and shares. It leads to the aggregation of economic power in major metropolitan centers where financial dealings predominate. Peripheral regions of the integrated economy are plundered for their raw materials, formed intensively to feed the urban area, or relegated to unskilled labor-intensive work. The different pace of globalization across markets presents several challenges to policymakers in local, national, and regional governments and international institutions. It is also related to the location strategies of the global business company. (Buckley & Ghauri, 2004)

The basic strategies and modes for entering international markets are available for companies to use. Decisions on the organization of and logistics, production, and outsourcing are considered at the global level. It is one of the critical factors for gaining a competitive advantage and a much higher level of complexity in an international company compared to a domestic one. The process of strategy creation comprising the decisions on product, pricing, promotion, and distribution (marketing mix) in international markets is crucial. Human resource management (HRM) has strategic importance in international business for selection, training, and designing compensation packages, mainly because of employees with various cultural backgrounds. So, many regulations must be adhered to in different countries. The accounting and financial aspects of the business are some of the strategies. The differences in national accounting standards and investment decisions are affected by various tax regulations of countries. (Golo, 2015)

International business research focuses on the issues related to firm strategies such as industrial environments, market share-performance relationship, positioning and design, the target of the market and customer, and diversification. (Example of diversification such as geographic diversification, industry diversification, etc.) The international aspects of functional strategies are human resource management (HRM), Technology management, Sourcing, Marketing, Control & Accounting, Manufacturing, and Information Management. (Ricart *et al.,* 2004) According to Hagen (2012), the international strategy (strategic orientation) comprising Entrepreneurial orientation, Innovation orientation, Market orientation, Product orientation, and Sales orientation. (Hagen, 2012) A global strategy will include a global brand name and products. Globalization attempts to extend international production/manufacturing operations, reduced delivery costs and economies of scale. (Greasley, 2006 as cited in Jatuliavičienė & Kučinskienė, 2005)

The challenges of a global economy, lacking both the knowledge base and the tools that allow understanding of context not only in macro-economic terms but also in a historical, institutional, and geographical sense on the one hand and micro-behavioral terms to the other. In contrast, to develop a deep understanding of culture and develop a unique expertise in applying culture to business behavior is a strategy. (Shenkar, 2004)

Most technical barriers to trade are the different standards, testing, and certification measures for products and services. The EU has exported its trade principles to third-country markets. European companies have gained strategic advantages in influencing standards, both internally within Europe and externally at the international level. The benefits of standardization are reduced cost, providing product information, promoting market information, reducing liability and insurance cost, enabling firms to exploit economies of scale, lowering costs of learning if certain items are standardized and competitive corporate strategy. (Egan, 2002)

Much politics is about strategy, making alliances, setting the agenda threats, expanding, or restricting, spending political capital. The overall economic performance and allocation of resources are determined not by technological or resource constraints but by the location and shape of the political transformation. (Rodrik, 2014) Globalization, new potential markets it has encouraged the rise of new competitors. Increased competitors, the emergence of recent locations in the international economy, and firms' ability to decompose their activities ever more through global strategies. (Ricart, et al., 2004)

Some examples of the strategies for the International Business

Example 1: An example of a strategy is Rocket Internet. Its business model is the company's overall mindset regarding Globalization by matching the most advanced e-commerce with the most suitable locations. (The linkage of business models with geographic markets). Rocket internet frequently hires new MBAs from top business schools to return to their home regions, such as recruiting a graduate from Kenya to launch a business in East Africa. (Kerr, 2016).

Example 2: Foreign direct investment (FDI) occurs when a firm invests directly in a facility to market a product in a foreign country. There are two types. The first is a greenfield investment, establishing a new operation in a foreign country. The second is acquiring or merging with an existing firm in a foreign country. (Walmart’s entry into Japan was in the form of an acquisition)

Example 3: Referring to 7-Eleven Japan Co., Ltd, the relationship between franchisor and franchisee is a reciprocal obligation. The franchisee is an independent business that gives the company royalties and a long-term commitment. It concentrates on the tasks of effectively managing inventory and selling. The franchisee pays about 43% of its gross profit to the franchisor. Although higher than competitors, it often covers the trademark licensing fee, advertising fees, 80% of utility costs, fixtures, computer systems, and product supply services. The company also guarantees a minimum gross profit for poor-performing stores to support the owner. (Nagayama & Weill, 2004)

Example 4: The opportunity for a global business is the market expansion to globalization and involved a business model. The digital economy can enable the resources and optimal global footprint for the company. Globalization requires balancing the benefits from the business model against the accompanying costs. The company objectives are essential for the top management team to reflect the global business, the need to develop employment practices, and the organizational culture that operate effectively across the nation. A lower-wage country may offer its resources access to new clients in high-prices markets. The information enabled the business to provide specialized analytics to address financial, economic, and political questions, selling, product, and services in many countries and use global information resources to offer definitive answers. It is crucial to minimize the gap between an existing business model and what is required in a new market. (Kerr, 2016).

Example 5: The recommended strategy for competition through 1) how to compete for 1.1 international systems of aggregation (leveraging assets across countries) 1.2 arbitrage (exploiting difference, e.g., in labor cost) 1.3 and adaptation (adjusting to contrast). 2) where to compete, the firm should continue to prioritize markets countries against the cultural, administrative, political, geographic, and economic "CAGE" 3) how to organize. A competitive strategy like geographic footprint may need to follow and require bolstering the technological edge. The organizational changes in terms of what structure, who leads, and how do we work together. 4) how to engage better society, for a firm operating across political divides, such as US multinationals in China, requires a leader to walk a tightrope between competing national interests. And competing interests within countries exacerbate the challenge. (Ghemawat & Altman, 2019)

6. Conclusion

The cultural factors challenge an international company in cultural management and need to be added to transaction costs. They tend to impact managerial costs and uncertain evaluations in target markets. The company faces the challenge in its business model of global business to rapid change. Accompanied by these changes are higher expectations of social and environmental responsibility regarding global problems and challenges. It drives improved social well-being as the business thrives. The operations are in synchronization with the commitment to society and the environment. The advantage is focusing on promoting social welfare rather than solely on profits and recruiting and retaining high-quality personnel. This advantaged company achieves higher success in its business. The global business competition with international competitors is one of its challenges. The volume of market expansion is essential to the company for the planning process. Also, the network or alliance benefits the company as a competitive advantage. Global business expansion challenges the company in the host country in trade policies, foreign investment policies, technical standards, and host government policies. Global customer needs, global marketing, and global channels challenge the company to learn about cultural differences affecting consumer behavior and advertising. Global management strategy is related to human resources, financial resources, and technological innovation. The economic crisis from COVID-19 harms the health and safety of the employees. Also, a decreasing purchasing power of customers impacts a purchasing decision. It challenges the company if a new market is at risk for the investment.

Technological innovation challenges global business expansion. Low-cost network communication helps to create global markets. Artificial intelligence (AI) can save the cost of data analysis, and its results benefit its business strategies. Worldwide communication and technology challenge the company. Communication in English as the standard language is challenging. Improving employees' English skill performance is crucial for the company. Otherwise, it requires extensive customization and the hiring of translations. An international company challenges to save the cost of global business, such as economies of scale, from productive efficiency. Finally, the growing population would become another significant driver of growth in the convenience store industry.

Questions

1. What research questions did the article discuss?
2. What is the relationship between globalization and ICTs? Provide examples.
3. What effect does culture have on international business? Provide examples.
4. What managerial implications of the findings do you suggest?
5. What other areas might these research ideas be applicable to?