Mountain Top University

BUS 312

MANAGEMENT OF MULTI- NATIONAL CORPORATIONS

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- Regional trade-blocs foster global market because they achieve deeper economic integration among members.

- Regional trade-blocs increase the portion of the labour force that benefits from liberalized trade. This promotes political support for trade liberalization.

- As a result of enlarged market non-members are attracted to join and also receive same trade preferences as member nations

TYPES

1. ECONOMIC INTEGRATION: A process of eliminating restrictions on international trade payments. It results in uniting 2 or more national economies in a regional trading arrangement.

2. FREE TRADE AREA: An association of trading nations whereby members agree to remove all tariff and non-tariff barriers among themselves (But maintained against outsiders)

3. CUSTOMS UNION: An agreement between 2 or more trading partners to remove all tariff and non-tariff barriers from their trading relationship. In addition, each member nation must comply in imposing identical trade restrictions against non-participants. i.e. Free trade policy for members ONLY e.g. BENELUX (Belgium, Netherlands and Luxemburg) formed in 1948.

4. COMMON MARKET: A group of trading nations that permits:

- Free movement of goods and services among members nations.
- Free movement of factors of production across national borders within the economic bloc.

Note: Common market is a more complete and sophisticated form of regional trading arrangement from custom union or free trade area.

5. ECONOMIC UNION: Economic union is an agreement in which national, social, taxation and fiscal policies are harmonized and administered by a supra-national institution.

- Creating Economic Union is more ambitious than achieving the other forms of integration.
- This is because FTA,CU,CM all result primarily from the eliminating of existing trade barriers.
- Note that economic union requires an agreement to transfer economic sovereignty to a supra national authority.

- Attract Foreign investments
- Free flow of immigration
- Enhanced economic growth
- Foster specialization and learning
- Promotion of regional security
- Help and enhance domestic economic reforms.

IMPACT OF REGIONAL ECONOMIC DEVELOPMENT ON MNCs

- With the emergence and existence of MNCs, there is increased internationalization of business.
- Put differently, volume of trade has been increasing drastically the last few decades.
- In recent times, nations and higher number of companies are increasing their buying and selling activities in the international market place.
- Quite a number of development in region around the world have contributed to finally increasing internationalization.

GENERAL AGREEMENT ON TARIFFs AND TRADE (GATT)

- After the 2nd World War (39-45) the United States and some of its allies sought to impose order on trade flows.
- One of the first major post war steps towards liberalization of World trade was the establishment of GATT in 1947.
- ACCOMPANYING PRINCIPLES:

1. Normal Trade Relations: All member-nations are bound to extend favourable treatment in trade matters to each other as they extend to any other nation.

1. National Treatment: All member-nations must favourably treat other nations' industries in the same way they treat their own domestic industries i.e. Foreign goods should not be treated with bias

3. Settlement of trade Dispute: Improved dispute resolution process by formulating complaint procedures and providing a conciliation panel.

4. Prohibition of Quota: Member-nations are restricted from using quota for protection of their domestic industries but instead favour the use of tariff.

- GATT position was that quotas were more distorting and discriminating to trade than tariffs.

WEAKNESSES OF GATT”

1. Non-Compliance: To the agreement, that is; Most developing countries maintained protectionist policies (Use of quotas, embargoes, license restriction).
2. Lack of enforcement authority i.e. Resolution of conflicts.
3. While quota was prohibited for domestic industries, it exceptionally allowed members to use same quota to safeguard their balance of payments and development of domestic agricultural support programme.

WORLD TRADE ORGANIZATION (WTO)

- January 1, 1995 GATT (General Agreement on Trade and Tariff) was transformed into the World Trade Organization, WTO

- WTO?: A membership organization responsible for the conduct of trade relations among its members. WTO is not a government. Individual member-nations remain free to set their own appropriate levels of environment, labour, health and safety protections.

FUNCTIONS OF WTO:

A. Settlement of Trade disputes:

- USA vs Venezuela/Brazil on quality standards on gasoline imported into US.
- Discrimination between domestic and imported gasoline

B. Creation of a more efficient system for monitoring trade policies

C. Enforcement of rulings – on disputing member-nations or a violating nation through sanctions.

WTO CONT'D..........

- The WTO Agreement requires that:
  - Its members should keep to the GATT rules
  - Its members should comply with the trade parts that had been negotiated under GATT .

- This undertaking ended the free ride of many GATT members that benefitted from GATT but refused to join in new agreement negotiated under GATT.

- The WTO has our 150 member-nations with the objective of creating a hassle free world of trade and investment.

- World economic powers such as the EU, US, Canada, Japan etc. are now part of the WTO.

- WTO members account for about 90% of World Trade.

WTO Vs GATT: A COMPARISON

- WTO is a full-fledged international organization with headquarter in Geneva, Switzerland. The old GATT was basically a provisional treaty serviced by an adhoc secretariat.

- WTO has a wider scope than the old GATT covering for the first time, trade in services, intellectual property and investment.

- WTO also administers a unified package of agreements to which all members are committed; GATT on the other hand had some side agreement limited to few members nations (i.e. subsidies, anti-dumping).
- WTO reversed policies of protection in certain sensitive areas. E.g. Agriculture and textiles. These were tolerated under GATT.

ECOWAS(Economic Community of West African States)

- On 28th May, 1975 fifteen (15) West African countries signed the treaty for an Economic Community of West African States.

- Popularly called or referred to as the : Treaty of Lagos

- These countries are:
    1. Republic of Benin
    2. Burkina Faso
    3. Cote d'Voire
    4. Gambia
    5. Ghana
    6. Guinea
    7. Guinea Bissau
    8. Liberia
    9. Mali
    10. Mauritania
    11. Niger
    12. Nigeria
    13. Senegal
    14. Sierra Leone
    15. Togo

OBJECTIVES,,,,,

- To promote cooperation and integration in economic, social and cultural activity, ultimately leading to the establishment of an economic and monetary union through the total integration of the national economies of member states.
- To raise the living standards of its people, maintain and enhance economic stability, foster relations among members and contribute to the progress and development of the African continent.
- To ensure the achievement of a common market and single currency for member states
- To create a West African parliament (political), an economic and social council and an ECOWAS Court of Justice to enforce community decisions.
- To prevent and if they occur, settle regional conflicts

TRADE POLICY REFORMS……

- ISI, that is Import Substitution Industrialization strategies were at the heart of many developing countries development plans during the 60s and 70s, ECOWAS was not an exception.
- These adopted strategies were meant to produce locally lots of consumer goods which hitherto were imported from developed countries so as to enhance diversification of economies
- They were accompanied by a lot of restrictions, internal trade policies and considerable protection for emerging industries.
- Protection was designed to help emerging industrialists move up the learning curve during a transitional period when the domestic price of production exceeds international prices

EVALUATION…….

- Unfortunately, these strategies did not last…
- As a matter of fact, they FAILED……..Why?

1. Development of final goods production led to rapid increase in imports of intermediate and capital goods, which led to worsening trade imbalances and balance of payment deficits
2. Domestic markets did not generate sufficient demand for the products of emerging industries

- All these led to new reforms focused on new consensus on the importance of trade liberalization and exports in growth strategies.
- Trade liberalization within ECOWAS member nations is one fundamental benefit derived from this economic integration to improve economic growth and development of member nations through FREE inter regional trade and investment.

END NOTES…….

- There remains a lot of radical economic approaches to be taken by ECOWAS
- A case in point is that of Common Currency (ECO)
- Issue is: Economies of these countries are still closely tied to that of developed and industrialized countries.
- A lot of them are heavily import-dependent…… EG..Nigeria

THANK YOU FOR LISTENING

MNCs : DECISION MAKING & CONTROLLING

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DECISION MAKING PROCESS

- R -ecognition of the particular stimulus requiring decision
- A -analyse the stimulus critically
- D -evelop alternatives
- E -valuate all the alternatives developed
- S-ELECT AN ALTERNATIVE
- I-mplement the selected the alternative
- M-onitor your choice/selection
- M-odify it (if need be)

DECISION MAKING AND CONTROLLING ....

- DECISION MAKING IS A PROCESS OF CHOOSING A CAUSE OF ACTION AMONGST ALTERNATIVES.
- CONTROLLING IS A PROCESS OF EVALUATING RESULTS IN RELATION TO PLANS OR OBJECTIVES AND DECIDING WHAT ACTION, IF ANY, TO TAKE.
- These 2 are key management functions that play critical roles
- Successful MNCs made their landmark achievements through effective, efficient and dynamic decision making and control.
- With MNCs ,the decision making process comes in 2 broad ways:

DECISION MAKING & CONTROLLING….

- Centralized
- De-centralized.

- Centralized decision-making is when decision is made at the topmost level management or at the topmost echelon of organizational system

.

- De-centralized decision-making is when the middle management is delegated to exercise the power of decision making by Top Management.

D & C…….

- Put differently, it means the foreign subsidiaries of MNCs or its joint ventures can INDEPENDENTLY take certain decisions without first getting clearance from home office.
- NOTE: Decision making is highly influenced by cultural values in the foreign subsidiaries of the MNCs.
- Most British organizations traditionally make use of the decentralized decision-making authority.
- Most French organizations use centralized decision –making system.
- However, in comparison centralized decision making is the general trend all over the world for MNCs, with particular reference to key areas such as: Marketing, Finance, Personnel and determination of Production capacity.

FACTORS AFFECTING DM CHOICE…….

KEY FACTORS AFFECTING DECISION-MAKING AUTHORITY.

- SIZE: The larger the company the greater the need to integrate and coordinate operations using centralized decision-making.
- FINANCIAL STRENGTH: The greater the MNC's capital investment the more likely that its decision-making authority will be centralized.
- IMPORTANCE OF FOREIGN OPERATIONS: I f the operations is highly important to the home office the decision making is likely to be centralized.
- LEVEL OF COMPETITION: If there is a growing increase in competitive activities then decision-making is decentralized. i.e power is delegated to subsidiary companies to make decisions that will suit or address prevailing situation/or peculiarity without wasting valuable time in the face of threats .

FACTORS AFFECTING DM CHOICE……

- TECHNOLOGY: If technology is highly advanced and sophisticated there is the tendency for central control from the headquarters. This is particularly true for hi-tech, research-intensive firms such as computer and pharmaceutical companies.

- PROTECTION OF PATENTS/BRAND NAMES: If strong importance is attached to patent rights, brand names, then there is centralization of authority in the above area or overall management in the home office

.

- DIVERSIFIED PRODUCT BRANDS AND SERVICES: The greater the amount of products and services diversification, the greater the decentralization of the decision making process.

FACTORS CONTD……..

- If there is product proliferation(production of numerous and diversified products) centralization of management control in this case may not augur well.
- HETEROGENEOUS BACKGROUND OF HOST COUNTRY: If products and services are heterogeneous then differences often exist in the socio-economic, political, cultural and legal environments in the various countries that the firm is operating. To this end decentralized decision making is more likely.
- DISTANCE: The farther away the MNCs subsidiary the more tendency of having decentralized management decision from the headquarters and the close it is to the home office the more the tendency to have centralized management decision
- MANAGERIAL SKILLS& COMPETENCY: If the subsidiary has highly competent local managers then there will be decentralized authority because of the confidence which the home office will have in the management of the away company in terms of the individual quality of those at the helm of affairs—their knowledge and experience

FACTORS CONTD……

- INTERDEPENDENCY BETWEEN PRODUCT UNITS: The greater the degree of interdependent units the more decentralized decision making system. This is with a view to coordinating and integrating the management system into a more efficient one.

- INTERNATIONAL EXPERIENCE: If the firm has had a great deal of international experience then its operations will be centralized.

- It is most common for MNCs to centralize their decision –making system(and control) in the critical areas of :
- FINANCE
- RESEARCH AND DEVELOPMENT
- STRATEGIC PLANNING

THANK YOU FOR YOUR ATTENTION

MULTINATIONAL CORPORATIONS & FOREIGN EXCHANGE MARKET

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FOREIGN EXCHANGE

- Foreign Exchange (FX for short) is money denominated in the currency of another nation or group of nations.
- The market in which these transactions take place is the foreign-exchange market.
- **FX can be in form of the followings:
- *CASH
- *FUNDS AVAILABLE ON CREDIT AND DEBIT CARDS
- *TRAVELLERS' CHEQUES
- *BANK DEPOSITS (DOM ACCOUNTS)
- *OTHER SHORT TERM CLAIMS.

EXCHANGE RATE ?.............

***EXCHANGE RATE?

- An exchange rate is the price of one money in terms of another. It is the number of units of one currency that buys one unit of another and this number can change on a daily basis.
  E.g: N420.= exchanges for 1 dollar as at yesterday
- Or you can put this way: $1 is given in exchange for N420.00k
- An exchange rate makes international price and cost comparisons possible.
- The foreign exchange market is made up of many different players; Players buy and sell foreign exchange for a number of reasons:
- Exporting and importing of goods/services
- Foreign direct investments (investing capital or transfer of profits out)
- Portfolio investments – Buying up of foreign stocks and bonds with the plan to sell them off at a more profitable exchange rate later

SEGMENTS & FUNCTIONS………

SEGMENTS OF FX MARKET:

- Foreign Exchange market has 2 main segments:
- Over The Counter (OTC) market
- Exchange-traded market (securities exchange)

FUNCTIONS OF THE FX MARKET:

- The Fx market serves 2 main functions viz:
- Currency Conversion.. i.e To convert the currency of one country into the currency of another.
- Insuring against foreign exchange risk. i,e predicting against the adverse consequences of unpredictable changes in exchange rates.

PLAYERS IN FX MARKET

PARTICIPANTS IN THE FX MARKET:

- Basically 3 :
- TOURISTS (Minor)
- COMPANIES (Major)
- GOVERNMENT (Major)

USEFULNESS OF THE FX MARKET:

- Payment received from exports
- Income from foreign investments
- Income from licensing agreements
- Payment to a foreign company for its products or services in its country currency

HOW USEFUL?……….

- Investing spare cash for short terms in International markets. EG US dollars in South Korea to earn interest. Must be converted first and foremost
- Currency speculation : the short term conversion of one currency to another (N/$) to keep with the hope of profiting from fluctuations (shifts)in rates
- Insuring against FX risk (Hedging). Foreign exchange market is to provide insurance against possible adverse consequence of unpredictable change in exchange rates .

C/W ....

CURRENCY SWAP:

- A currency swap is the conversion of one country's currency to another currency at one point in time, with an agreement to reconvert it back to the original currency at a specified time in the future.

- Swaps provide an efficient mechanism through which banks or international traders can meet their Fx needs over a period of time.

THANK YOU FOR LISTENING

THINGS TO NOTE :CONTROLLING

CONTROLLING CONTD….

- The main types of control are:

- Internal and External
- Direct and Indirect
- Internal Control focuses mainly on production of goods and services the MNC offers
- External focuses mainly on marketing of goods and services. i.e Finding out first what the customers want and be prepared to respond appropriately

CONTROLLING ……

- Direct control is when you have a face to face or personal meeting to monitor operation. This is carried out firstly through management meetings at MNCs' headquarters. I t could also involve visits by top executives to foreign affiliates or subsidiaries. They get first hand information and decisions are taken.

- Indirect control is related to the use of communication to control operations. Monthly operational reports that are sent to home office constitute another form of indirect control.

- Such reports include:
- Financial statements
- Balance sheets
- Cash Budget
- Financial ratios

CONTROL TECHNIQUES….

CONTROL TECHNIQUES

- There are 3 types of control techniques in the literature :

- Financial performance
- Quality Performance
- Personnel Performance

CONTROL TECHNIQUES……

Volume of Profit and ROI (Return on Investment)

- Profit is calculated by deducting total cost of production(TC) from the total revenue (TR) i.e TR-TC = PROFIT
- ROI: Return on Investment is calculated as Profit divided by assets. Profit/Assets = ROI
- Note that financial performance is influenced by the followings :
- *Difference in tax rates in different countries of subsidiary operations
- *Currency devaluation or revaluation
- *Money transfer costs

CONTROL TECHNIQUES…..

QUALITY PERFORMANCE:

- QP is a major function of production and operation management.
- When a group of workers meet at/on regular basis to discuss ways of improving quality of work.

PERSONNEL PERFORMANCE:

- Simply, this is the periodic appraisal of work performance.
- Assessment centre is an evaluation tool used to identify individuals with potentials to be selected or promoted to higher level positions

THANK YOU FOR YOUR ATTENTION

MNCs AND GLOBAL COMPETITIVENESS

GLOBAL COMPETITIVENESS

MNCs AND GLOBAL COMPETITIVENESS

- Today, the best MNCs have actually become World Class Organizations, WCOs
- Enterprises that are able to compete with anybody, anywhere at any time
- In most cases, WCOs have operations all over the globe: Honda, IBM, GE, Xerox, Coca-Cola. Etc
- Concretely, WCOs are able to compete effectively against all companies whether foreign or domestic

INSTRUMENTS FOR MAKING IT WORK….

WHAT INSTRUMENTS?

- CUSTOMER-BASED FOCUS: Suppliers are now drawn nearer by manufacturers as an integral part of their system. More friendly to exchange information, business ideas, etc on how to reduce cost of products. WCOs are customer driven. They satisfy, delight and bond with their customers all over.

- CONTINOUS IMPROVEMENT: For MNCs (or as recently classified, WCOs) to retain their status and withstand competition their improvement has to be continuous or uninterrupted. Auto-makers are changing designs in shape and gadgeting. Even the aviation industry is not left behind.

INSTRUMENTS……

- CREATIVE HUMAN RESOURCES: The use of effective and efficient workers is another hallmark of MNCs. Experience has shown that at managerial level when relatively less efficient executives are changed for better ones with more skill, exposure and knowledge, the end results are always outstanding.

- EGALITARIAN CLIMATE: Egalitarian Climate is all about the development of good relationship with the customers, cheerfulness, humility and all what it takes to establish adequate human relation. E.g Within the International RITZ hotel chain, workers are not called employees but **Associates.** When a guest asks for a location within the hotel immaterial of your position as an employee you take him to wherever he/she desires to go instead of describing it. What a good customer service relationship practice !

TECH. SUPPORT…….

- TECHNOLOGICAL SUPPORT: Technology as an instrument of MNCs success cannot be overemphasized. All of them use diversified, latest modern and highly efficient technologies. A lot of resources expended on R &D (research and development) within and also on various laboratories across the globe. All these efforts save money and make their operations seamless and global nature.

T/SUPPORT……..

Technological support can be in any of these forms/types:

- *Computer-Aided Design (CAD)
- *Computer-Aided Manufacturing (CAM)
- *Telecommunication Network
- * Multi-Media System
- * Information Dissemination System

THANK YOU

LABOUR RELATIONS IN MNCs

LABOUR RELATIONS ?

- **LABOUR RELATIONS** can be defined as the process where management and workers identify and determine the job relationship that will take effect in the work place.
- It involves how management-labour agreement is negotiated and enforced. It also includes how individual conflicts are resolved.
- Labour relationship is communicated either verbally or sometimes written in form of contract particularly when workers are represented by a union.

ELEMENTS OF LR........

- The major element of labour relationship is COLLECTIVE BARGAINING. Collective Bargaining is simply the negotiation between the representative of the union and the management on wages, bonuses and conditions of service and how to administer the labour contract.

- ELEMENTS OF LABOUR RELATIONS:
- UNION: This consists of representatives of employees and for the collective bargaining to have the legal authority through which claims can be presented. It interprets and administers the labour contract.
- If the union cannot successfully negotiate on behalf of the employees on a particular issue, them the employees may ignore the union and directly put across their grievances through the use of force/other means.

LRs……..

- NOTE: GRIEVANCE?
- A grievance is a complaint from employees over treatment meted out on them that is incompatible to the terms in the labour contract

- MEDIATOR: A person who brings both sides (union and management representatives)together and helps them to reach a settlement that is mutually acceptable to both sides.

- ARBITRATOR: An individual who provides a solution to a grievance which both conflicting sides have been unable to resolve themselves, both sides agree to accept the solution

ILO.....

- **INTERNATIONAL LABOUR OFFICE**

- Consists of representatives of government, industries and unions. They support and promote the well-being of workers in terms of their health and safety, remuneration, pension matters, etc

- **ORGANISATION OF ECONOMIC CORPORATION AND DEVELOPMENT (OECD)**
- Founded in 1976 as a government industry and union group which has established a voluntary set of guidelines for MNCs.
- A key one here covers MNCs obligations to respect the laws and regulations of foreign countries.
- Foreign countries in return should provide national treatment to MNCs within their borders. They also cater for workers' well being in their territories.

ID…..

- **INDUSTRIAL DEMOCRACY?**

- In its simplest form, this is the RIGHT OF EMPLOYEES to participate in significant management decisions.
- This is with particular reference to the determination of wages, rewards, bonuses, profit sharing, disciplinary measures, etc etc
- The major aim is to embrace workers as part of the system (sense of belonginess) to share operations, ideas and great sense of belonging and togetherness with individual workers.

Key areas of participation include:

- FINANCIAL ISSUES
- COLLECTIVE BARGAINING
- WORK COUNCILS

THANK YOU

MNCs & DEVELOPING ECONOMIES

MNCs AND DEVELOPING ECONOMIES

- Different perspectives are certain and available in this regard :

MNCs as source of wealth creation.

- MNCs engage in very useful and morally defensible activities in 3rd world countries. More often than not they have received little or no credit
- Significant among these activities is their extension of opportunities for earning higher income as well as the consumption of improved quality goods and services to people in poorer regions of the world.
- Unfortunately because of the origin of these MNCs they are often seen negatively; as instruments for the imposition of Western cultural values on 3rd World countries, rather than as allies in their economic development. Consequently, reactions ranged from move for expulsion to close supervision or regulation of their activities.

PERSPECTIVE B……

B. MNCs as source of Disasters.

- A couple of incidents around the world had been used to uphold this claim:
- Baby milk formula manufactured by Nestle
- Gas leak from union carbide plant in India
- Alleged involvement of foreign firms in the overthrow of the President of Chile.
- They have used all these to perpetuate the ugly image of MNCs.

B SIDE….

NOTE:

- That some MNCs command assets worth more than the national income of their host countries also reinforces this fearful image.
- Some MNCs have paid bribes to government officials in order to get around obstacles erected against profitable operations of their enterprises

END NOTES.......

- Investment activities of MNCs in developing countries cannot be wished away.
- It is no accident that people in those 3rd world countries whose governments have been more open to the presence of MNCs have all experienced significant improvements in their standard of living (Bahamas, Hongkong, Singapore, Taiwan, South Korea)
- But those that remain hostile continue to languish in poverty (at least relatively)

END NOTES…….

- While this may not be a set out agenda or vision, but perpetuating poverty in the name of protecting their people from alleged exploitation by MNCs has little or no moral justification.
- NO STANDARD POSITION TO BE RIGID ABOUT EITHER OF THE VIEWS !!!

THANK YOU SO MUCH

MNCs & MULTI-CULTURAL MANAGEMENT

MULTI-CULTURAL MANAGEMENT

- When an organization crosses national boundaries and begins to operate in number of countries, it is faced with a wide of range of CULTURAL DIFFERENCES that can affect the attainment of business objectives
- It is always difficult to identify cultural differences because there is a tendency for people to observe and evaluate the behavior of others in terms of the cultural conditioning of their own country.
- International Managers must develop cultural sensitivity through living experience in different cultures. With cultural sensitivity a MNC will be aware of the need to identify cultural variables and to adjust its firm and its operations to align with the identified cultural differences.

CULTURE ?......

- In many situations, the MNC will have to promote and champion cultural change in order to achieve its business goals.

- CULTURE? :
- Is defined as the sum total of the beliefs, rules, techniques, institutions and artifacts that characterize human population.

- The key elements of culture include language, religious values, attitude, custom and norms of a group or society.

CC…….

- CORPORATE CULTURE?
- A term used to characterize how the managers and employees of a particular company tend to behave.

CROSS CULTURAL MANAGEMENT

- A manager from home country headquarters serving in a foreign subsidiary need to understand that local employees from the host-country may require different organization structure and Human resource management procedures.

CC……

- In mergers, structures and procedures should encompass both cultures in a balance way
- Cross border joint ventures, alliances or other relationship require cultural compromise.
- Culture influences the behavior and preference of clients and customers.

ADAPTATIONS…….

CULTURAL ADAPTATIONS:

- There is the need for managers to understand the culture of the country to which they are assigned; And when preparing managers for foreign assignments, MNCs rely on three (3) basic approaches:

1. Cultural Orientation: Familiarizing individuals with the country's cultural institutions and value system
2. Provision of Language Training: Individuals are trained and given a little time or orientation and acculturation. Essentially a visit is arranged.
3. Use of Cultural Assimilators : This is a programmed learning technique designed to expose members of one culture to some of the basic concepts, attitudes, customs and value of another culture.

THANK YOU FOR YOUR ATTENTION

GLOBALISATION &INTERNATIONALISATION

INTERNATIONALISATION AND GLOBALISATION…..

- Internationalization simply is the process by which a company enters a foreign market.

It could be arranged through a joint venture or a license

- LICENSOR: A company that provides access to some of its patents, trademarks or technology to another firm in exchange for a fee or royalty.

- LICENSEE: A company that pays fees or royalty for gaining access to patents, trademarks or technology of another firm.

OTHER FORMS OF ENTRY…….

- Appointment of a local agent or distributor as its representative.
- Later on, a subsidiary office or own sales representative
- If justified by sales flow, the firm can set up a separate export department.
- With adequate experience the next level is foreign production (using host country workers to engage in local assembly and packaging of its product lines)
- Finally, the firm now establishes foreign direct investment; i.e producing entire product line in the host country and either sells the product there or re-export back to home country.

ENTRY CHOICE…..

- NOTE: This is justified by robust knowledge and sufficient interaction /familiarity with the host country.

GLOBALIZATION……..

- Simply , globalization refers to the **shift** towards a more integrated and interdependent world economy

Usually broken down into two (2) facets:

- Globalization of Markets
- Globalization of Production

- MARKETS:
- The merging of historically distinct and separate national markets into ONE huge global market place .

GLOBAL MARKETS….

- Consumer products such as :
- Coca-Cola
- Pepsi-Cola
- McDonald's Hamburger
- Sonny Video Games
- Citicorp credit cards

Are typical examples of this trend.

- They are all **benefactors** of market globalization trend and they are also **facilitators** as well

- They offer **standardized** products world-wide. Creating a global market.

STANDARDIZATION…..

To achieve standardization, firms embark on **customization** of :

- 1. Marketing strategies
- 2. Product features
- 3. Operating practices

- -For instance, automobile companies will promote different car models using a range of factors which include:
- - Income levels
- - Traffic Congestion (Tropicalized)
- - Cultural values

In global markets, some firm frequently confront each other as competitors across nations:

- EG: COCA-COLA Vs PEPSICOLA

GMs........

- FORD Vs TOYOTA
- BOEING Vs AIRBUS
- CATERPILLAR Vs KOMATSU
- NINTENDO Vs SEGA, ETC

- If one firm moves into a nation that is not currently served by its rivals, those rivals are sure to follow soon to reduce the 'first' mover advantage.

GLOBALIZATION OF PRODUCTION …….

- **GOP** refers to sourcing of goods and services from location around the globe to take advantage of national difference in:
- QUALITY of production factors (Labour, Energy, Land and capita)
- SAMPLER: The Boeing 777 commercial model was built by receiving supplies of parts from 7 Japanese companies. A supplier in Singapore made the doors; while another in Italy handled the wings.
- By doing this companies hope to lower overall cost structure/ or improve the quality of their products thereby able to compete more effectively.

FACTORS FACILITATING GLOBALIZATION ....

Trends towards greater globalization is facilitated by two factors:

- General decline in barriers to the free flow of goods, services and capita
- Technological changes particularly in the areas of

Communication
Information processing
Transportation technologies.

- TYPICAL : A form might design a product in one country, produce components parts in 2 other countries, assemble it in another country and then export the finished products around the world

GOM & P………

- Globalization of markets and production and the resulting growth of world trade and FDI all point to the fact that firms are finding their home markets under attack from foreign competitors.

END NOTES.....

- Integration of the world economy into a single huge market place is increasing the intensity of competition in a range of manufacturing and service industries
- Internationalization involves thinking about National identities: With home base or headquarters in a country of origin. Ownership and control by nationals of that country
- But globalization is viewed beyond states and their various organizations.
- With globalizations firms lose their exclusive national identity but perform as actors on a world or global stage

THANK YOU FOR ATTENTION