



Universidad
Tecmilenio®



International Business Management

Globalizing businesses
and marketplaces

Week 1



Mindfulness on breathing

Before you begin, do the following mental activity that will help you to improve your concentration.

<https://youtu.be/JNCVDK2thZI>





In this first week, we will learn about globalization, the cultural differences between countries, ethics, and social responsibility in international business and its theories.

Also, we will learn how we are moving away from a world in which countries used to be relatively self-contained entities, isolated by physical barriers, distance and cultural differences to a world where everything is moving so fast that every decision in business matters.



Globalization is a real thing. This global expansion of enterprises has been facilitated by favorable political and economic trends, most of them oriented toward the free markets. Globalization has also created **new threats for businesses** focused on dominating their domestic markets: foreign companies have entered many formerly protected industries in developing nations, thus increasing competition and driving down prices.





Globalization is transforming industries with advances in technology, lower transportation costs, and a higher sophistication in workforce demographics, and creating anxiety among those who believed their jobs were protected from foreign competition (both in the manufacturing and service industries).

Understanding how globalization works is particularly important for enterprising individuals like you, who, despite living in Mexico, now have the same opportunities to be as good and successful as those living in the so-called First World.




Globalization, according to Charles Hill (2014), has two main facets; the globalization of markets and the globalization of production.



The globalization of markets refers to the merging of individual national markets into one huge global market.

For illustration, tastes and preferences of consumers in different nations are beginning to converge, thereby helping to create a global market.



The globalization of production, on the other side, refers to the sourcing of goods and services from locations around the globe to take advantage of cost and quality of factors of production (labor, energy, land, capital) in other nations.



Institutions are needed to help manage, regulate, and police the global marketplace, and to promote the establishment of multinational treaties that govern the global business system.

It is primarily responsible for policing the world trading system and making sure that every country adheres to the rules laid down in trade treaties signed by WTO member states.

World Trade Organization

The IMF was established to maintain order in the international monetary system.

IMF

The World Bank was set up to promote economic development by focusing on making low-interest loans to cash-stripped governments in poor nations that wish to undertake significant infrastructure investments (dams, roads, and the like).

World Bank

Through the UN Charter, every country shall promote higher standards of living, full employment, and conditions of economic and social progress and development. Specific agencies like the United Nations Conference on Trade and Development are mostly related to the international business.

United Nations

Activity

Reflect on what you have learned and answer the following activity:

Choose an organization that operates successfully in two or more countries. Research the advertisements they make targeting these countries and the products they sell the most. What are the main differences and similarities from country to country? In your opinion, what makes them successful?



International Business Management

The importance of cultural
differences between countries

Week 1



International business is much more complicated than domestic business, mainly because countries differ in many ways, including their political, economic, and legal systems. They are currently at different levels of economic development and have different future economic growth trajectories. Cultural practices can vary dramatically, as the education and skill level of the population.



Political system

Political systems can be assessed according to two dimensions. The first is the degree to which they emphasize collectivism as opposed to individualism; the second is the degree to which they are democratic or totalitarian.

Economic system


In countries where individual goals are given primacy over collective goals, we are more likely to find market-based economic systems. In contrast, in countries where collective goals are given preeminence, the state may have taken control over many enterprises; markets in such countries are likely to be restricted rather than free.

Legal system

A country's laws regulate business practice, define the way business transactions are to be executed, and set down the rights and obligations of those involved in business transactions.

What is culture? Culture is a **system of values and norms that are shared among a group of people and that when taken together constitute a design for living**. By values, we mean abstract ideas about what a group believes to be good, right, and desirable (shared assumptions about how things ought to be). While factors such as social structure and religion clearly influence the values and norms of a society, the values and norms of a society can influence social structure and religion.

A society's **social structure** refers to its basic social organization. Two dimensions are particularly important when explaining differences among cultures.



The degree to which the basic unit of social organization is the individual as opposed to the group.

The degree to which a society is stratified into classes or castes, since some societies are characterized by a relatively high degree of social stratification and relatively low mobility between strata, while other societies are characterized by a low degree of social stratification and high mobility between strata.



On the other hand, the determinants of culture are the following:

— Religious and ethical systems —

Religion may be defined as a system of shared beliefs and rituals that are concerned with the realm of the sacred.

— Population and languages —

By language, we mean both the spoken and the unspoken means of communication. This is one of the most important aspects of international business, where fluency and accents frequently take a toll.

— Culture and the workplace —

How a society's culture affects the values found in the workplace is another very important issue for international business. Management process and practices may need to vary according to culturally determined work-related values.

— Education —

From an international business perspective, one important aspect of education is its role as a determinant of national competitive advantage.



Reflect on what you have learned and answer the following activity:

What about Mexico?

Explore Mexican culture through the lens of the 6D model to get a good overview of the deep drivers of Mexican culture relative to other world cultures.



International Business Management

Ethics and social responsibility
in international business

Week 1





The term **ethics** refers to accepted principles of right or wrong that govern the conduct of a person, the members of a profession, or the actions of an organization. **Business ethics are, therefore, the accepted principles of right or wrong governing the conduct of businesspeople, which are not to be violated.**



In the international business setting, the most common ethical issues involve the following elements.





1. Employment practices

When working conditions in a host nation are clearly inferior to those in a multinational's home nation, which standards should be applied? Those of the home nation, those of the host nation, or something in between? While few would suggest that pay and work conditions should be the same across nations, how much divergence is acceptable?



2. Environmental pollution

This kind of issues arise when environmental regulations in host nations are inferior to those in the home nation. Many developed nations have substantial regulations governing the emission of pollutant, the dumping of toxic chemicals, the use of toxic materials in the workplace, and so on. Those regulations are often lacking in developing nations, and according to critics, the result can be higher levels of pollution from the operations of multinationals than would be allowed at home.



3. Human rights

Questions of human rights can arise in international business. Basic human rights still are not respected in many nations, and those rights taken for granted in developed nations, such as freedom of association, freedom of speech, freedom of assembly, freedom of movement, freedom from political repression, and so on, are by no means universally accepted.



4. Corruption

Corruption has been a problem in almost every society in history, including ours. There always have been and always will be corrupt government officials. Transparency International is a worldwide organization that monitors and indexes corruption levels among countries.

The concept of **social responsibility** refers to the idea that businesspeople should consider the social consequences of economic actions when making business decisions, and that there should be a presumption in favor of decisions that have both good economic and social consequences. In its purest form, **social responsibility is the right way for a business to behave**. This has long been recognized by many businesspeople, resulting in a substantial and venerable history of corporate giving to society, with businesses making social investments designed to enhance the welfare of the communities in which they operate.



Activity

Reflect on what you have learned and answer the following activity:

- Look for information on Tyson's corruption case in Mexico.
- Compare the Tyson corruption case and the Walmart bribery case we reviewed before. What would you say are the moral gray scales in both cases? Do you consider this would have happened differently in another country or culture? Why?

- Imagine you are the social responsibility manager in one of these companies. What would you have done to make up for the crime? Why? What measures would you suggest avoiding something like this from happening again?
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International Business Management

International trade theory

Week 1



The economic arguments concerning the benefits of free trade in goods and services are not abstract academic ones; they have actually shaped the economic policy of many nations for the past six decades and have been the driver behind the formation of the World Trade Organization and regional trade blocs such as the European Union and our very own North American Free Trade Agreement (NAFTA).



Free trade refers to a situation where a government does not attempt to influence through quotas or duties what its citizens can buy from another country or what they can.



Mercantilism advocated that **countries should simultaneously encourage exports and discourage imports**. Although mercantilism is an old and largely discredited doctrine, its echoes remain in modern political debate and in the trade policies of many countries.

Consistent with this belief, it advocated **government intervention** to achieve a surplus in the balance of trade, recommending policies to maximize exports and minimize imports. To achieve this, tariffs and quotas limited imports, while exports were subsidized. Its main flaw, however, was that it viewed **trade as a zero-sum game** (where a gain by one country results in a loss by another).



Moreover, these are the main characteristics of absolute advantage and comparative advantage.

Absolute advantage

Free trade refers to a situation in which a government does not attempt to influence through quotas or duties what its citizens can buy from another country, or what they can produce and sell to another country.

Comparative advantage

It makes sense for a country to specialize in the production of those goods that it produces most efficiently and to buy the goods that it produces less efficiently from other countries, even if this means buying goods from other countries that it could produce more efficiently itself.



Michael Porter tried to explain why a nation achieves international success in a particular industry and identified four attributes that promote or impede the creation of competitive advantage.



Activity

Reflect on what you have learned and answer the following activity:

1. Is unrestricted free trade always beneficial?
2. All of these theories advocated free trade, except one, which one? Explain.
3. Which theory suggested that comparative advantage arises from differences in national factor endowments? Which are they?
4. Which other theory proposes that as products mature, the optimal production location will change?
5. Economies of scale and first-mover advantages are important to which trade theory? Explain.
6. Are there any theoretical conflict or contradiction between the new trade theory and Heckscher-Ohlin's? How do they differ in their definition of comparative advantage?





We have learned that government policies, culture, economic and legal systems have a huge influence on trade and the global competitiveness of their industries. Should businesses work to encourage governmental policies that support free trade? Should the government adopt policies that have a favorable impact on each component of Porter's diamond? **Think about it.**

