

Chapter 1: Globalizing Business

(Mike Peng & Klaus Meyer, International Business)

PROF. DR. NORIFUMI KAWAI, MPIA (Pittsburgh)

Special Topics in Internationalization

Università degli Studi di Bergamo

Dipartimento di Scienze Aziendali

Bergamo, ITALY

Course Description



■ Self-Introduction Form

Please submit your self-introduction form by 19:00 on 23.02.2024 (Friday) via moodle.

Chapter 1: Globalizing Business

(Mike Peng & Klaus Meyer, International Business)

PROF. DR. NORIFUMI KAWAI, MPIA (Pittsburgh)

Special Topics in Internationalization

Università degli Studi di Bergamo

Dipartimento di Scienze Aziendali

Bergamo, ITALY



- 1. Introduction**
2. Why Study International Business?
3. A Unified Framework
4. Understanding Globalization
5. A Glance At The Global Economy
6. Implications for Practice



■ Learning Objectives

- Explain the **concepts** of international business & global business.
- Identify **one fundamental question & two core perspectives** that provide a framework for international business.
- Participate in the debate on **globalization** with a reasonably balanced & realistic view.
- Have a basic understanding of the **global economy & its broad trends**.
- Draw **implications for action** around the world & recognize your own likely biases.



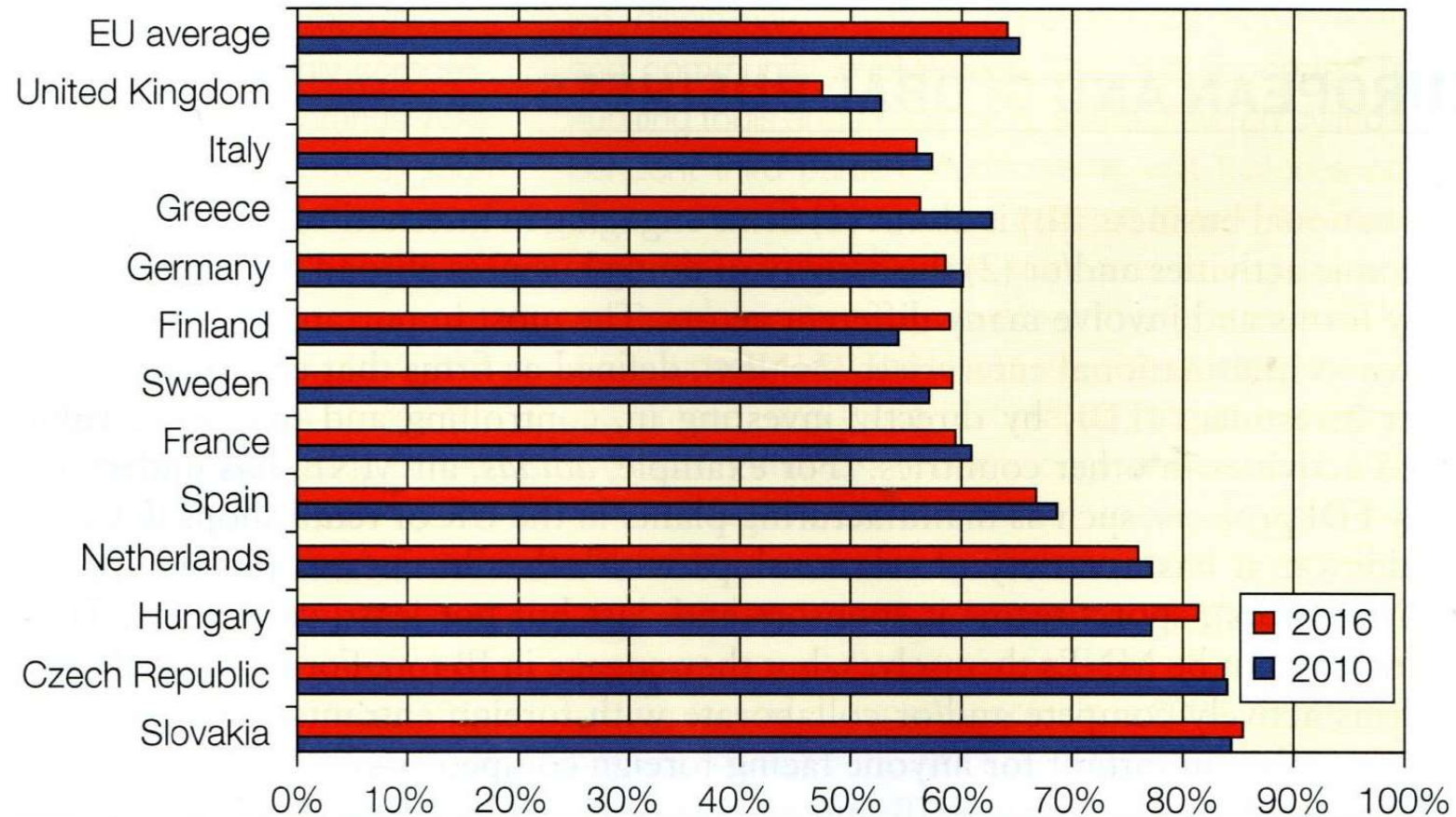
■ Comparison of Top MNEs & Selected Countries in 2016

Company	Revenues (US\$ Millions)	Company Rank	Country	GDP (Current US\$ Millions)	Country GDP Rank
Walmart	482,130	1	United States	18,036,648	1
State Grid	329,601	2	China	11,007,721	2
China National Petroleum	299,271	3	Japan	4,123,258	3
Sinopec Group	294,344	4	German	3,363,447	4
Royal Dutch Shell	272,156	5	Nigeria	481,066	23
ExxonMobil	246,204	6	South Africa	314,572	31
Volkswagen	236,600	7	Denmark	295,091	35
Toyota Motor	236,592	8	Finland	231,950	42
Apple BP	233,715	9	Hungary	121,715	55
BP	225,982	10	Jamaica	14,262	112
Samsung Electronics	177,440	13	Moldova	6,568	142

Source: Bartlett & Beamish (2018: 16).



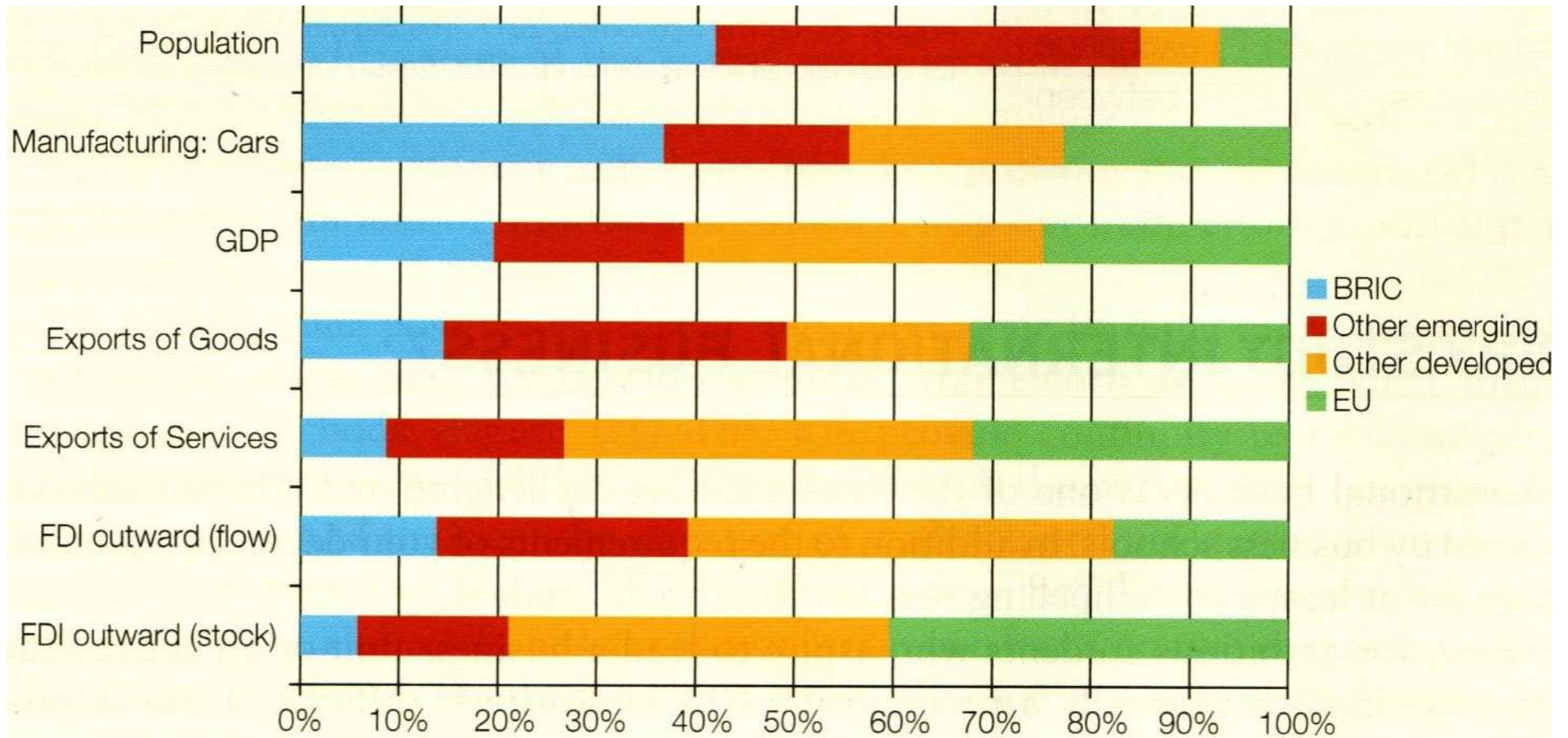
■ % of Intra-EU Exports & Imports by EU Member Countries 2010 & 2016



Source: Peng & Meyer (2019: 6).



■ The Contributions of Emerging Economies



Source: Peng & Meyer (2019: 7).



1. Introduction
- ▶ 2. **Why Study International Business?**
3. A Unified Framework
4. Understanding Globalization
5. A Glance At The Global Economy
6. Implications for Practice

Why Study International Business Strategy?



■ One of the most exciting, challenging & relevant subjects !

- Difficulty in finding **top managers with international competences** (particularly, in SMEs)
- Mastery of the knowledge of IBS that leads you to promote your first-track **career development** in MNEs
- Rich **opportunities** to get involved in **expatriate assignments** – job assignments located abroad
- Better understanding of **how to deal with** foreign-invested suppliers & buyers & compete with foreign rivals

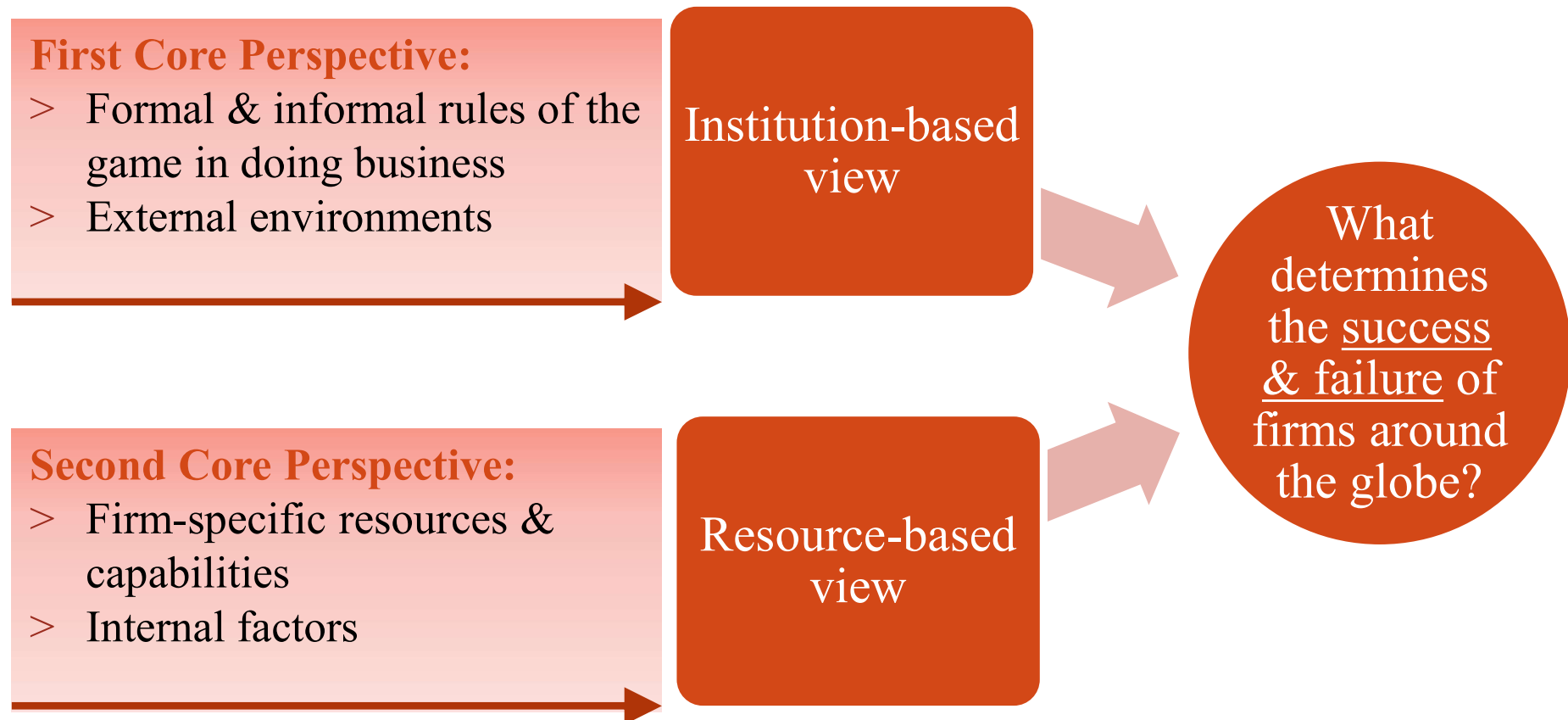


1. Introduction
2. Why Study International Business
-  3. **A Unified Framework**
4. Understanding Globalization
5. A Glance At The Global Economy
6. Implications for Practice

A Unified Framework



■ Understanding the Behavior & Strategy of MNEs





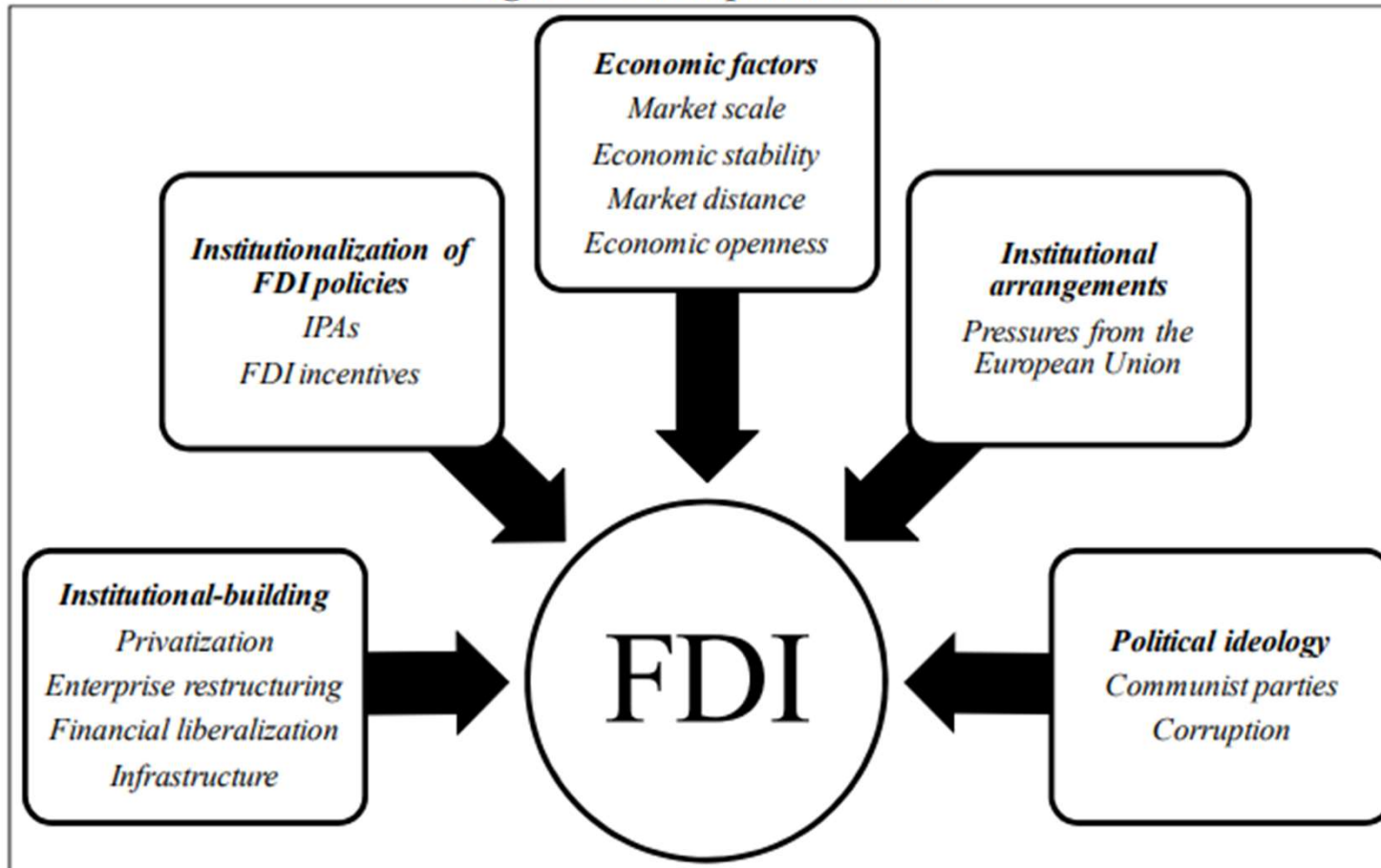
■ First Core Perspective: An Institution-Based View

- ❖ Institutions are the ‘rules of the game’.
- ❖ **Formal rules** of the game: Economic, political & legal systems
 - ~~Hong Kong: The requirements to treat domestic & foreign firms as equals.~~
 - CEE: Ideological transformation from socialism to capitalism => FDI (↑)
- ❖ **Informal rules** of the game: Culture, norms & values
 - **Individualistic societies** (AUS, UK, US): Higher levels of entrepreneurship
 - In contrast, **collectivistic societies** (JPN) : Lower levels of entrepreneurship, but easier to mobilize teams to work towards common goals (e.g., Toyota Production System).
- ❖ **Institutions** play a critical role in shaping MNE performance.



■ First Core Perspective: An Institution-Based View

Figure 5-1: Proposed Model



Source: Own illustration.

A Unified Framework



■ First Core Perspective: An Institution-Based View

Table 5-12: Summary of Empirical Results

Variables	1	2	3	4	5	6	7	8	9	10	11	12
<i>Economic Variables</i>												
GDP	(+)***	(+)***	(+)***	(+)***	(+)***	(+)***	(+)***	(+)***	(+)***	(+)***	(+)***	(+)***
MISERY	(-)***	(-)***	NS	(-)***	(-)*	(-)*	(-)***	(-)***	NS	(-)***	(-)***	(-)***
DISTANCE	NS	NS	NS	NS	NS	NS	NS	NS	NS	NS	NS	NS
OPENNESS	(+)***	(+)***	(+)***	(+)***	(+)***	(+)***	(+)***	(+)***	NS	(+)***	(+)***	(+)***
<i>Non-Economic Variables</i>												
<i>Political Ideology Formation</i>												
IDEOLOGY	-	(-)***	(-)***	(-)***	(-)***	(-)***	(-)***	(-)***	(-)***	(-)***	(-)***	-
CORRUPT	-	-	-	-	-	-	-	-	-	-	-	NS
<i>Institutionalization of FDI Practices</i>												
IPA	-	NS	(+)***	(+)***	(+)***	(+)***	(+)***	(+)***	(+)***	(+)***	(+)***	(+)***
CORTAX	-	-	-	-	-	(-)*	-	-	-	-	-	-
<i>Institutional Arrangements</i>												
EU	-	NS	NS	NS	NS	NS	NS	NS	NS	NS	NS	NS
<i>Progress in Institution-Building</i>												
LARGEPRI	-	-	(+)***	-	-	-	-	-	-	-	-	-
SMALLPRI	-	-	-	(+)***	-	-	-	-	-	-	-	-
RESTRUCT	-	-	-	-	(+)***	-	-	-	-	-	-	-
PRICE	-	-	-	-	-	-	(+)***	-	-	-	-	-
COMPETE	-	-	-	-	-	-	-	(+)***	-	-	-	-
BANK	-	-	-	-	-	-	-	-	(+)***	-	-	-
SECURI	-	-	-	-	-	-	-	-	-	(+)***	-	-
INFRA	-	-	-	-	-	-	-	-	-	-	(+)***	-
Obs.	190	190	190	190	190	115	190	190	190	190	190	130
Group.	14	14	14	14	14	10	14	14	14	14	14	14
R-squared	0.10	0.23	0.33	0.25	0.25	0.53	0.32	0.22	0.35	0.22	0.22	0.53
Prob>chi2	***	***	***	***	***	***	***	***	***	***	***	***

Note: NS indicates not significance. (+/-): Sign of causal association.



■ Second Core Perspective: A Resource-Based View

❖ **A firm's internal resources & capabilities** are key to success.

- **Why** some firms perform well in times of uncertainty, while others are failing? (*e.g.*, European & Japanese automakers vs. GM during the global financial crisis).
- Winners (*e.g.*, Ryanair, easyJet) & losers in the global airline industry.

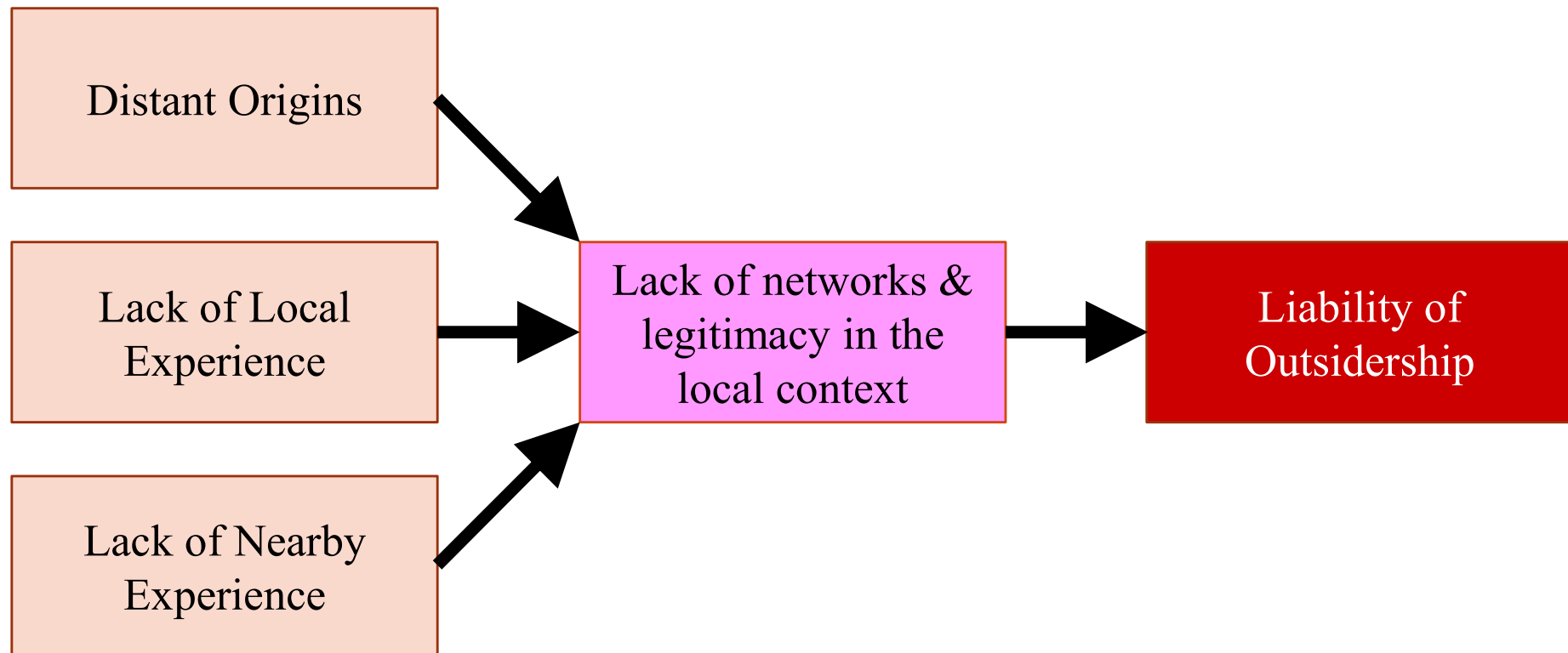
❖ **A Liability of outsidership (or foreignness)**

- Doing business outside one's home country is challenging ! **WHY?**
 - > All the differences in regulations, languages, cultures & norms.
- MNEs should have firm-specific resources & capabilities to offset the liability of outsidership.

❖ Think about **Coca-Cola, Apple, Toyota, Starbucks** etc.



■ Liability of Outsidership (Foreignness)



Source: Peng & Meyer (2011: 14).



1. Introduction
2. Why Study International Business?
3. A Unified Framework
-  4. **Understanding Globalization**
5. A Glance At The Global Economy
6. Implications for Practice

Understanding Globalization



Professor Dr. Mauro Guillen

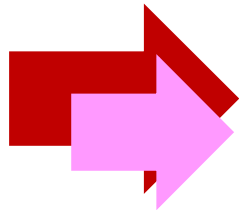
Dr. Felix Zandman Professor

Director of the Joseph H. Lauder Institute

Wharton, University of Pennsylvania, USA



WHAT is “Globalization”?



Globalization is defined as:

A process leading to greater interdependence & mutual awareness among economic, political & social units in the world, & among actors in general.

Understanding Globalization



■ '4' Views on Globalization

1

IT Revolution

- > **Communicate** with people beyond the border.
- > Facebook, Twitter, Youtube.



- > Consumers become **more alike** & MNEs sell the same products everywhere on the globe (e.g., Cola).



Cultural Convergence

3

2

Rising Power of MNEs

- > MNEs have strong **bargaining power** with national governments.
- > Growing inequality in the world.



- > Low skill workers fear that their job is **offshored** to India, China, Poland or Romania.



Losing Jobs

4



■ GE Innovates from the Base of Pyramid



**GE Healthcare: Portable
ultrasound machines**
developed for India & China

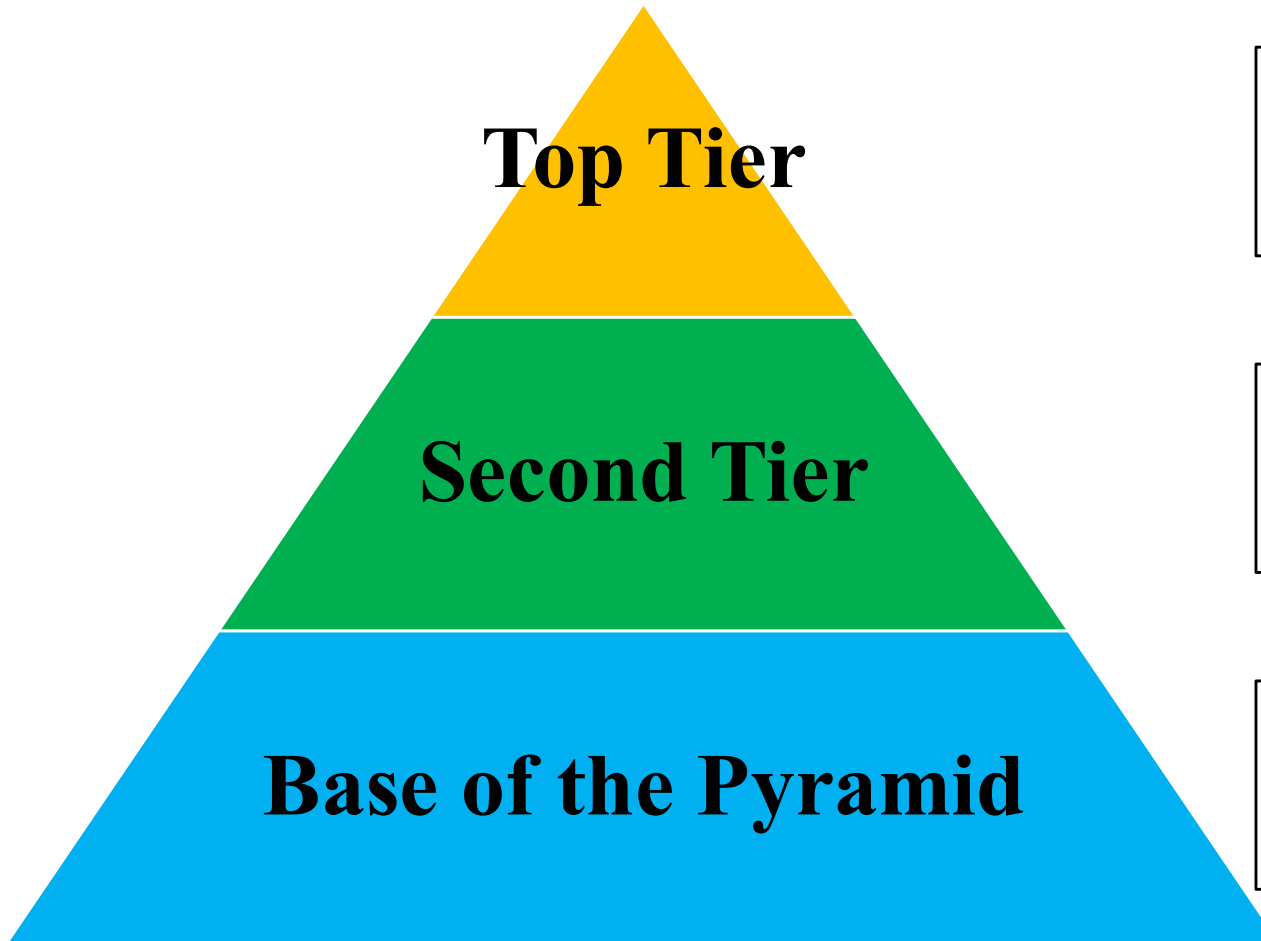
Business model innovation:
A mix of portability & cost
competitiveness

Source: Peng & Meyer (2018: 17).

Understanding Globalization



■ The Global Economic Pyramid



Per capita GDP > 15,000 Euro
Approximately 1 billion people

Per capita GDP
1,500 Euro – 15,000 Euro
Approximately 1 billion people

Per capita GDP < 1,500 Euro
Approximately 4 billion people

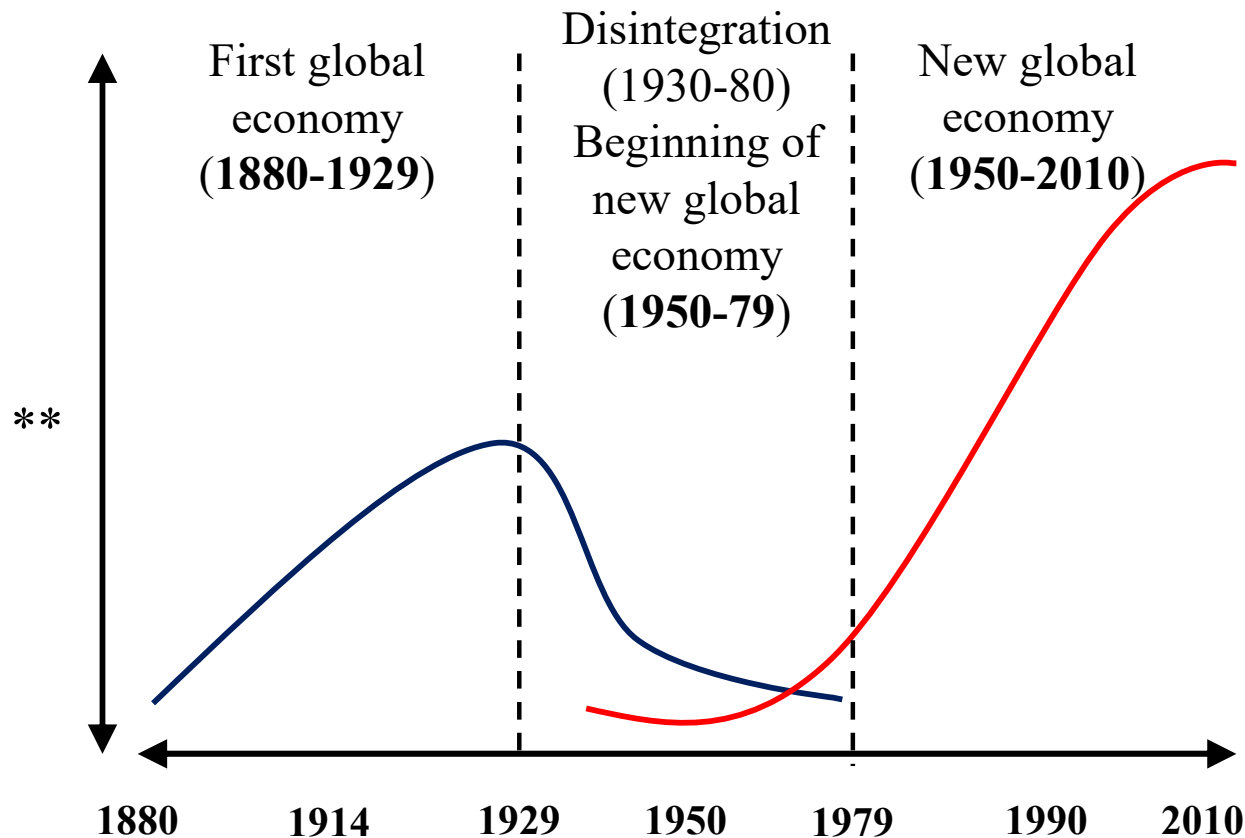
Source: Peng & Meyer (2018: 18).

Understanding Globalization



■ Trends of Globalization (**Vertical axis: MNEs & cross-border integration)

Waves of Globalization



COMMENTS

- > Globalization accelerated in the 19th with the invention of the **steam engine & railways networks**.
- > During the 1920s, many countries **raised tariffs**.
- > Int'l trade declined due to the Great Depression & WWI as well as WWII.
- > Many LDC **nationalized** natural resources investments between the 1930s & 1960s.



1. Introduction
2. Why Study International Business?
3. A Unified Framework
4. Understanding Globalization
- ▶ 5. **A Glance At The Global Economy**
6. Implications for Practice

A Glance At The Global Economy



Rise and fall

GDP at purchasing power parity (PPP) rankings

2009 rank	GDP at PPP*	2050 rank	Projected GDP at PPP*
1	US	1	China
2	China	2	India
3	Japan	3	US
4	India	4	Brazil
5	Germany	5	Japan
6	Russia	6	Russia
7	UK	7	Mexico
8	France	8	Indonesia
9	Brazil	9	Germany
10	Italy	10	UK
11	Mexico	11	France
12	Spain	12	Turkey
13	South Korea	13	Nigeria
14	Canada	14	Vietnam
15	Turkey	15	Italy
16	Indonesia	16	Canada
17	Australia	17	South Korea
18	Saudi Arabia	18	Spain
19	Argentina	19	Saudi Arabia
20	South Africa	20	Argentina

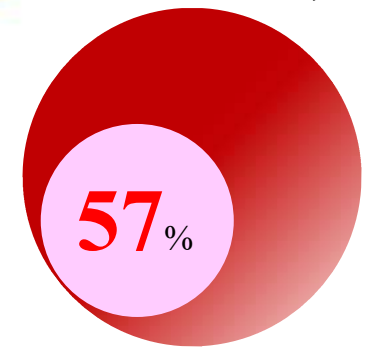
SOURCE: WORLD BANK ESTIMATES FOR 2009; PwC MODEL ESTIMATES FOR 2050

Economic growth

Projected average annual real growth in GDP, 2009-2050

Vietnam	8.8%
India	8.1%
Nigeria	7.9%
China	5.9%
Indonesia	5.8%
Turkey	5.1%
South Africa	5.0%
Saudi Arabia	5.0%
Argentina	4.9%
Mexico	4.7%
Brazil	4.4%
Russia	4.0%
Korea	3.1%
Australia	2.4%
US	2.4%
UK	2.3%
Canada	2.2%
Spain	1.9%
France	1.7%
Italy	1.4%
Germany	1.3%
Japan	1.0%

G7 vs E7 (GDP at PPP in 2050)



G7: 70.6 trillion US\$
E7: 124.2 trillion US\$

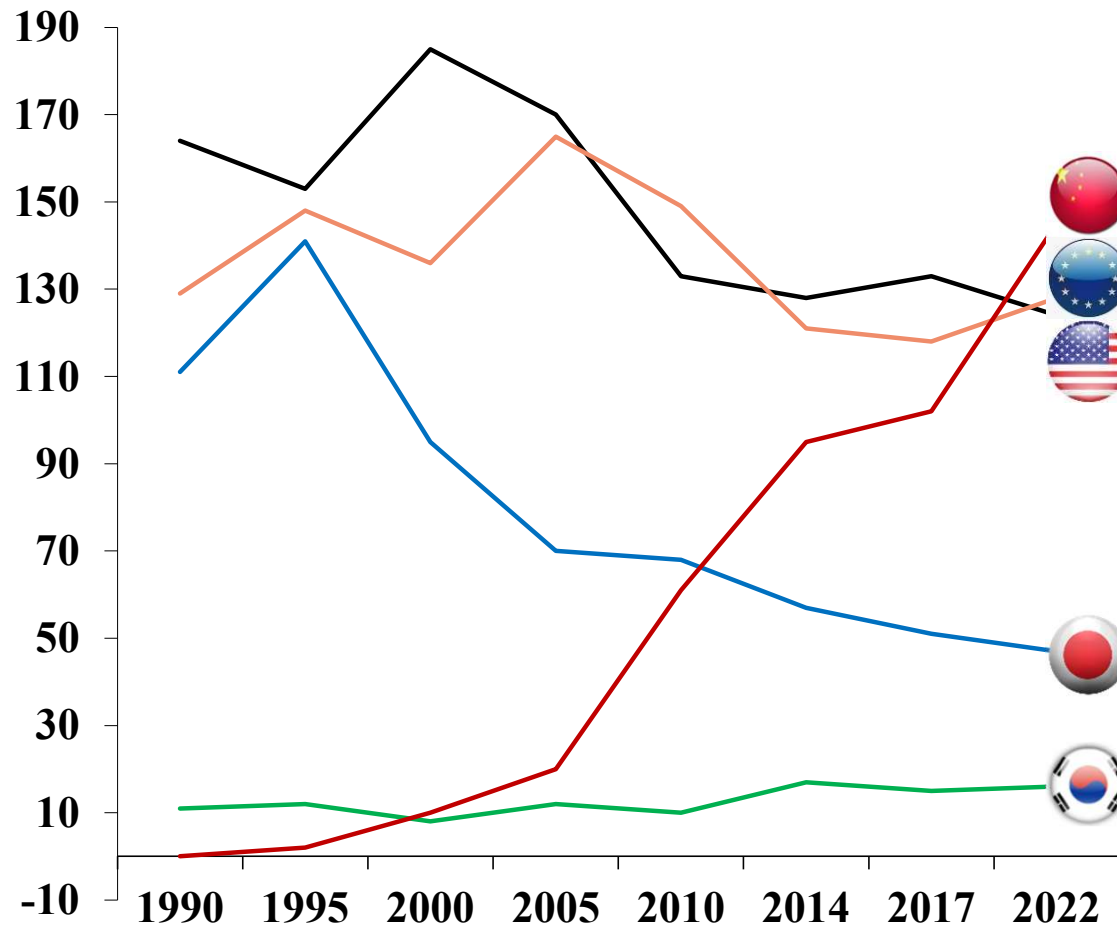
SOURCE: PwC MODEL ESTIMATES

Source: www.gurdian.co.uk based on World Bank for 2009, PwC main scenario model projections for 2010-50.

A Glance At The Global Economy



■ Global Fortune 500 , 1990-2022



Source: Fortune Global 500.

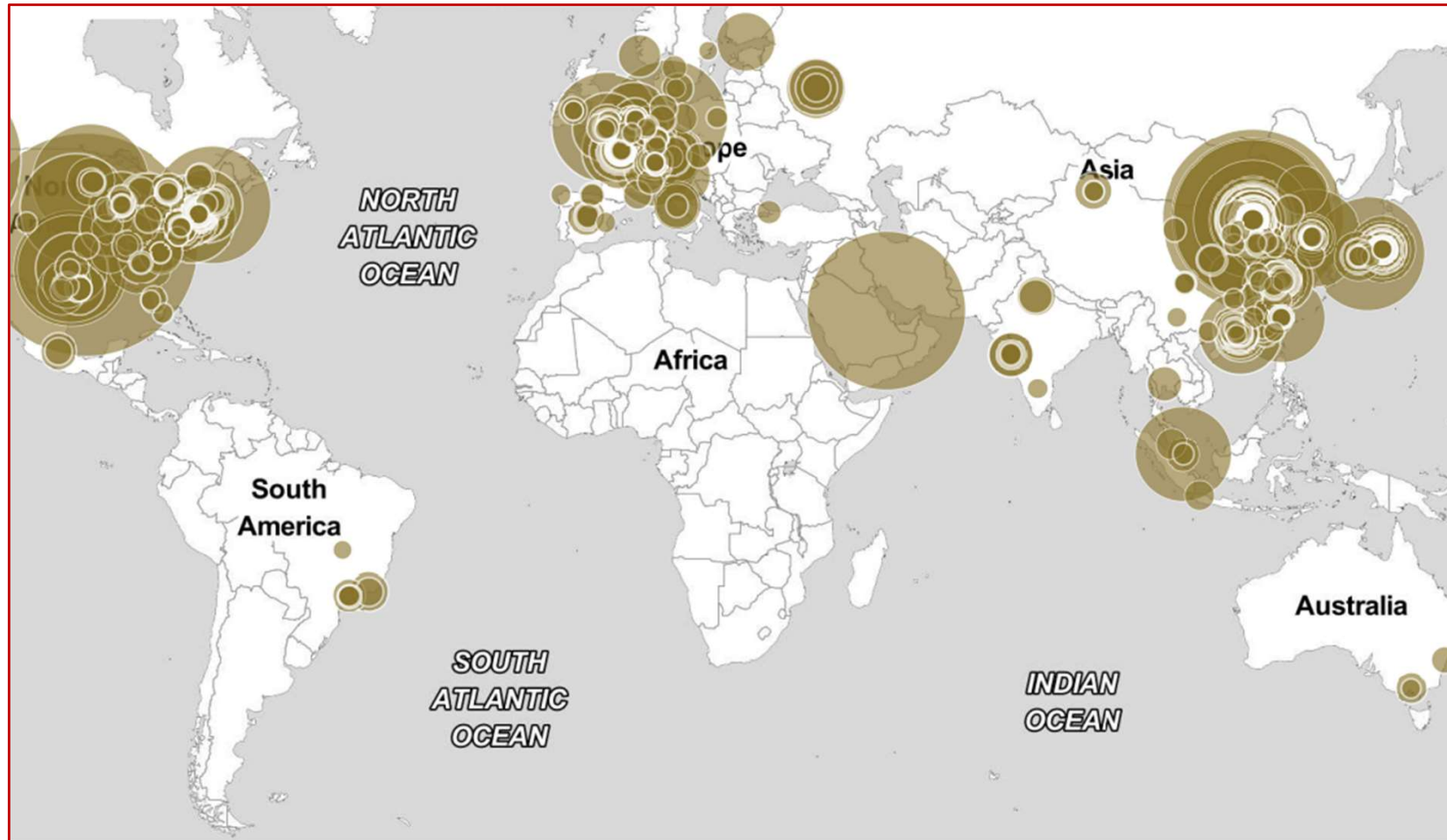
KEY POINTS

- > MNCs from **Triad countries** account for **60%** of Fortune Global 500.
- > The number of **Japanese MNCs** has declined (**111 in 1990 to 47 in 2022**).
- > **Chinese MNCs** have rapidly grown in significance (**0 in 1990 to 145 in 2022**)
- > **16 Korean MNCs** are ranked in Fortune Global 500 as of **2022**.
- > **Japanese firms** maintain strong competitiveness in **capital goods & intermediate goods**.
- > Korean & Chinese companies still rely heavily on **highly added-value components made by Japanese companies**.

A Glance At The Global Economy



■ Mapping Global Fortune 500 (As of 2022)



Source: Fortune Global 500

A Glance At The Global Economy



■ The Criteria for Top 100 Global Innovators Award 2014

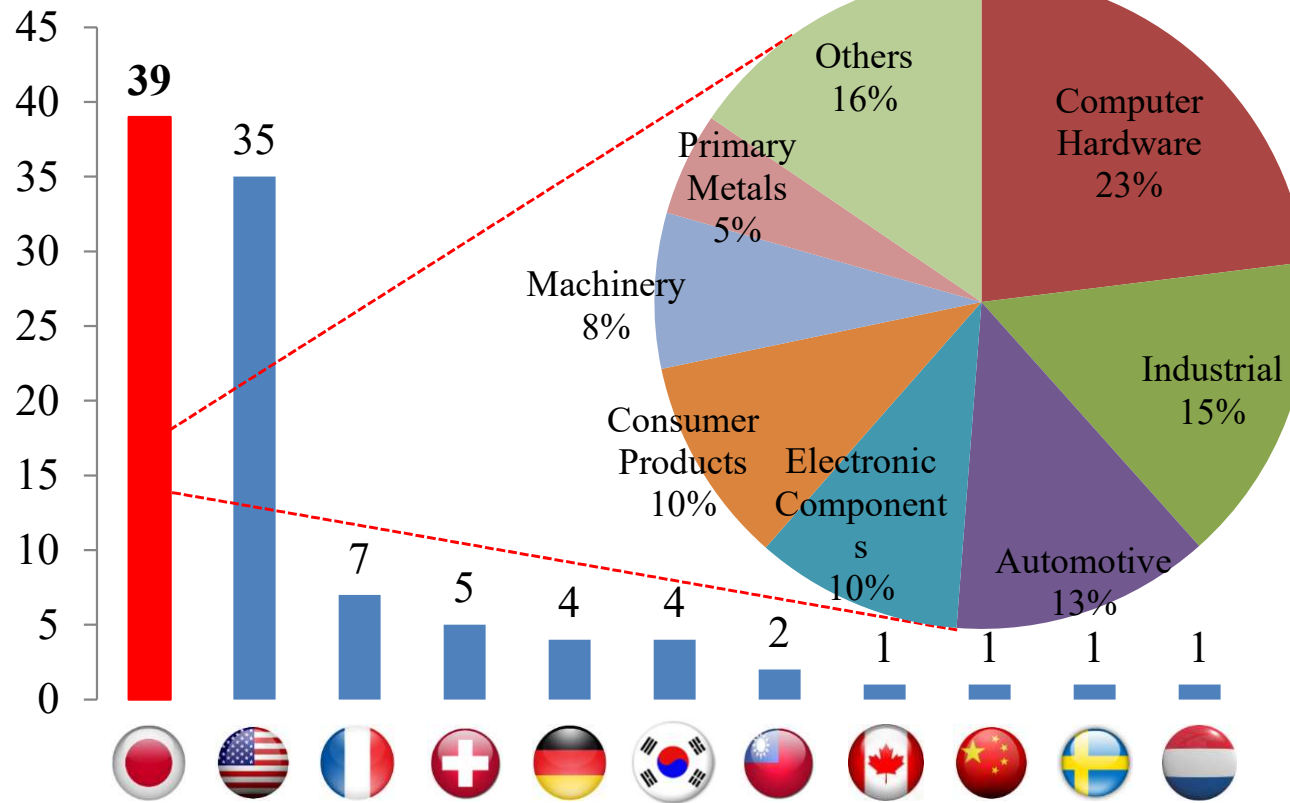
1	VOLUME	<ul style="list-style-type: none">> All organizations with 100 or more patented new inventions from the most recent five years are included in the analysis.> The analysis counts unique inventions only.
2	SUCCESS	<ul style="list-style-type: none">> The success metric measures the ratio of inventions described in published applications to inventions protected with granted patents over the most recent five years.
3	GLOBAL	<ul style="list-style-type: none">> The number of basic inventions that have quadrilateral patents in their patent families is calculated to create a ratio that shows which companies value their portfolios in major world markets.
4	INFLUENCE	<ul style="list-style-type: none">> The impact of an invention “downstream” can be determined by looking at how often it is subsequently cited by other companies in the patenting of their inventions.

Source: Own illustration based on Thomson Reuters Top 100 Global Innovators.

A Glance At The Global Economy



Top 100 Global Innovators



KEY POINTS

- ❖ The number of Japanese firms has jumped from **28 in 2013 to 39 in 2014**.
- ❖ Japan's significant jump represents its **focused national innovation policy**.
- ❖ Japanese Prime Minister Shinzo Abe launched his **'third arrow'** of economic reform which includes fiscal policies designed to promote innovation.
- ❖ Japanese firms enjoy their innovativeness, particularly in the **computer hardware** sector.

The shift of power on innovativeness has been taking place from West to East.

Source: Own illustration based on Thomson Reuters Top 100 Global Innovators.

A Glance At The Global Economy



■ 39 Japanese Global Innovators



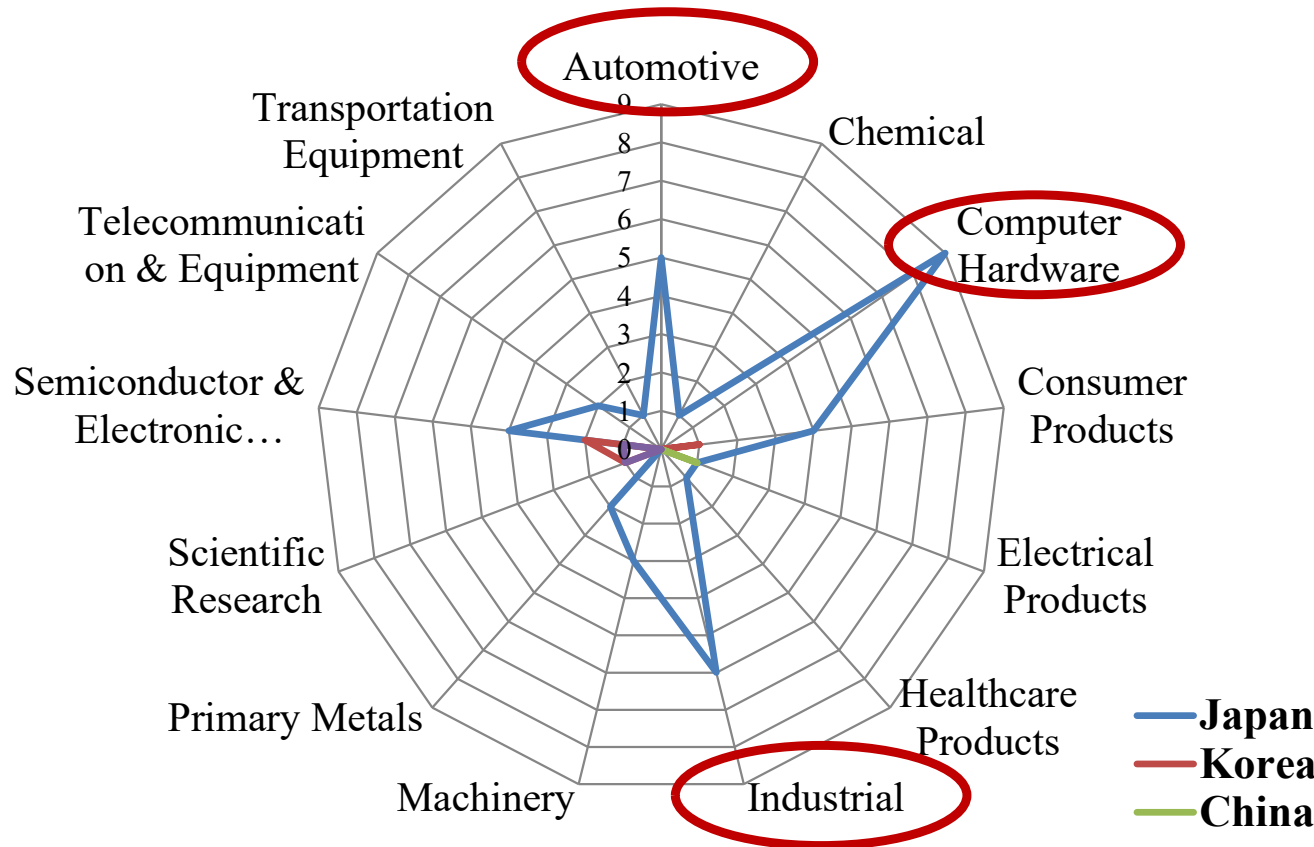
A number of top-ranking Global Innovative J-Firms have been in the Czech Republic.

Source: Own illustration based on Thomson Reuters Top 100 Global Innovators.

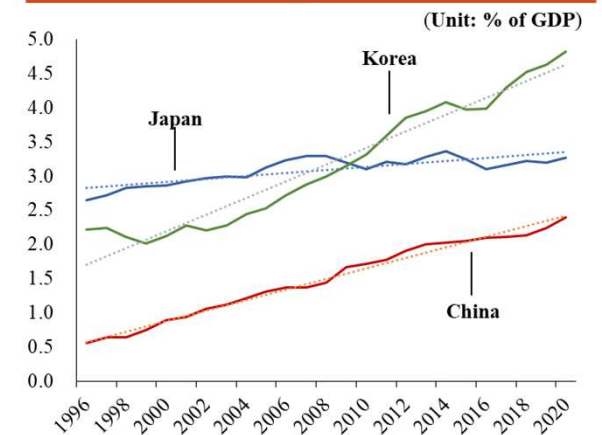
A Glance At The Global Economy



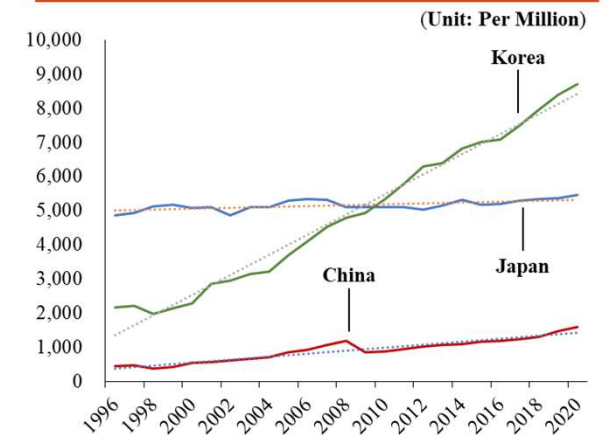
■ Top 100 Global Innovators Award



R&D Expenditure



Researchers in R&D



Japanese firms are now facing huge competitive pressure by Korean & Chinese firms.

Source: Own illustration based on Thomson Reuters Top 100 Global Innovators (2015).



1. Introduction
2. Why Study International Business?
3. A Unified Framework
4. Understanding Globalization
5. A Glance At The Global Economy
- ▶ 6. **Implications for Practice**



■ '3' Sets of Events that Affect MNEs' Behavior



- > **Anti-globalization protests** against:
 - Job losses due to foreign competition
 - Downward pressure on unskilled wages
 - Environmental protection
- > MNEs need to work with other NGOs to take the problems.



- > **Exposure to global risks**, including
 - Epidemics (like SARS or Avian flu)
 - Natural disasters (e.g. earthquakes, typhoons, tsunamis)
- > These global risks damage MNEs' global supply chains across countries.



- > **The global financial crisis** in 2008-2009 caused:
 - Liquidity squeezes
 - Support for protectionism
 - As a manager, you have to react to such economic changes & their political & economic consequences.



■ Globalizing Business

- ❖ *“Adidas: Sales, Suppliers & Stakeholders around the World”* (pp. 3-5 in P&M).
- ❖ *“Global Business in the Digital Age: Airbnb”* (pp. 26-27 in P&M).
- ❖ *“Should We Manage Political Risks Proactively or Passively”*.



■ Adidas

- ❖ **WHAT** is this case all about? Any specific arguments?
- ❖ **HOW** would you evaluate the degree of Adidas's internationalization?
- ❖ **TO WHICH EXTENT & HOW** would you consider that global sports shoes & clothing industry is competitive?
- ❖ **WHAT PRACTICAL RELEVANCE** can you identify based on this small case?



■ Airbnb

- ❖ **WHAT** is the business model of Airbnb? In other words, **WHAT** does this company do to be profitable?
- ❖ **WHAT** challenges do they have to overcome?
- ❖ **WHY** do Airbnb need to run their local offices even though they can do their business over the Internet?
- ❖ As a traveler, **WHAT** do you see as the main pros & cons of using Airbnb for your next trip to an unfamiliar country?
- ❖ Do you think this type of business is very sustainable in a long run? If yes, **WHY**? If no, **WHY NOT**?



■ Political Risk Management

Would you agree that **political risk management** should be **an active strategy**?

Reading Assignments



■ Globalizing Business

❖ “*Managing Business Risks in Turkey*” (pp.29-31 in P&M).

❖ “*Carlsberg Faces Political Risk in Russia*” (pp. 53-54 in P&M).

➔ Please make sure that you understand the content of these articles & summarize your opinions.

The End of Today's Lecture



ご清聴有難う御座いました。

Thank you so much!

Vielen Dank für Ihre Aufmerksamkeit!

Grazie mille !

【Contact Address】

ADDRESS: 208 in Via dei Caniana 2, 24127 Bergamo, ITALY

E-mail: norifumi.kawai@unibg.it