

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 21:00 on 19.02.2025 (Wednesday) via moodle.

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- 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.



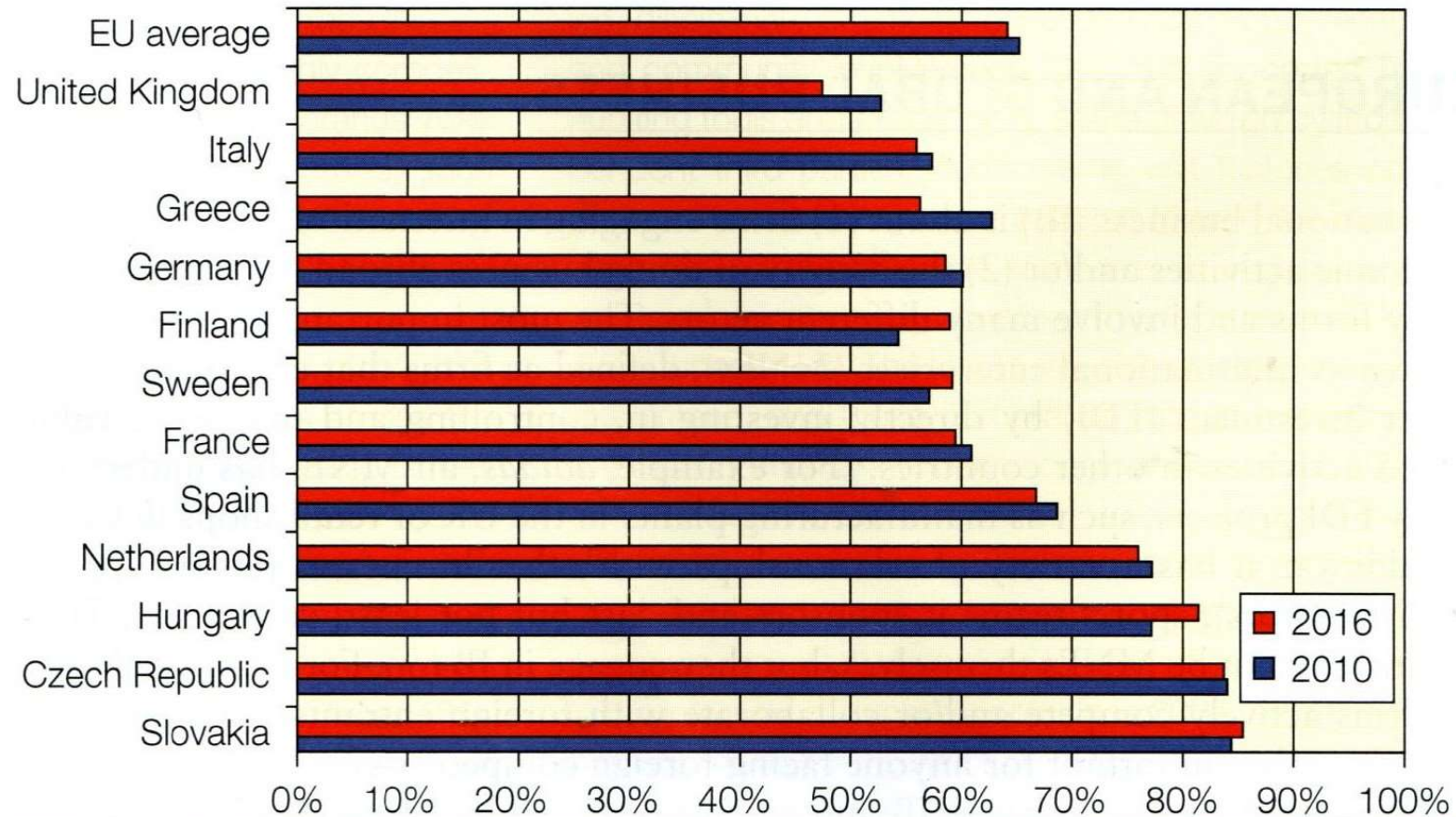
■ Comparison of Top MNEs & Selected Countries in 2016

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).



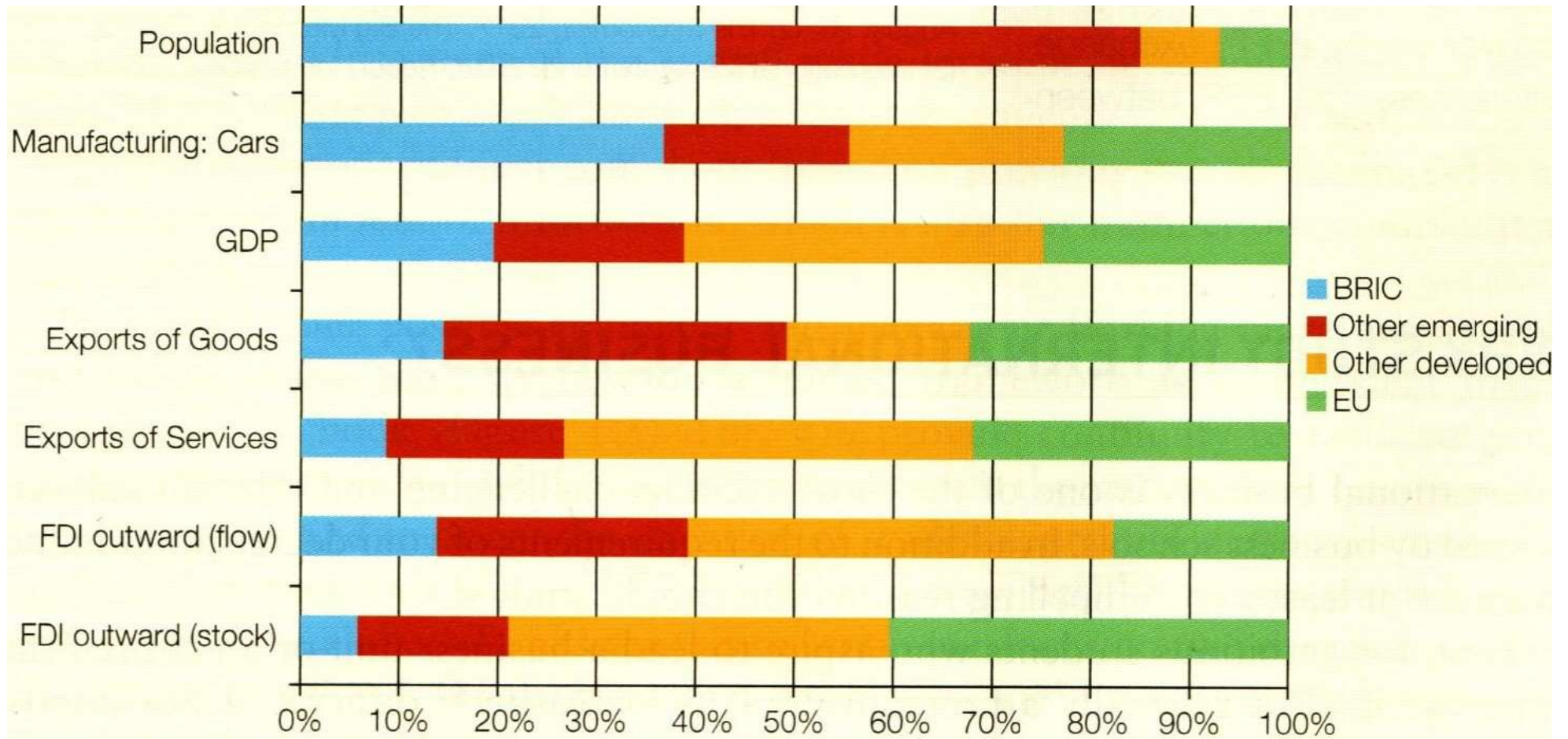
■ % of Intra-EU Exports & Imports by EU Member Countries 2010 & 2016



Source: Peng & Meyer (2019: 6).



■ The Contributions of Emerging Economies



Source: Peng & Meyer (2019: 7).



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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

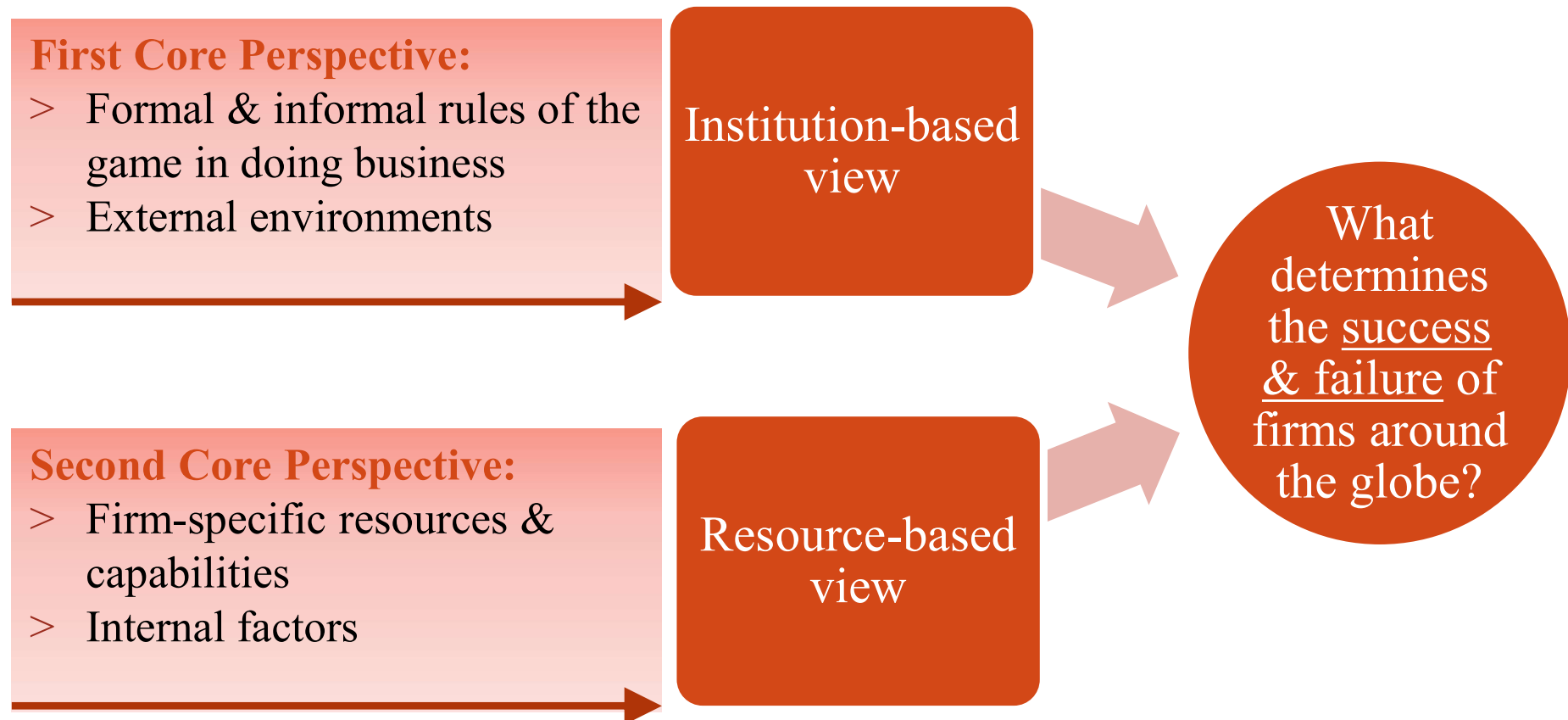


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A Unified Framework



■ Understanding the Behavior & Strategy of MNEs





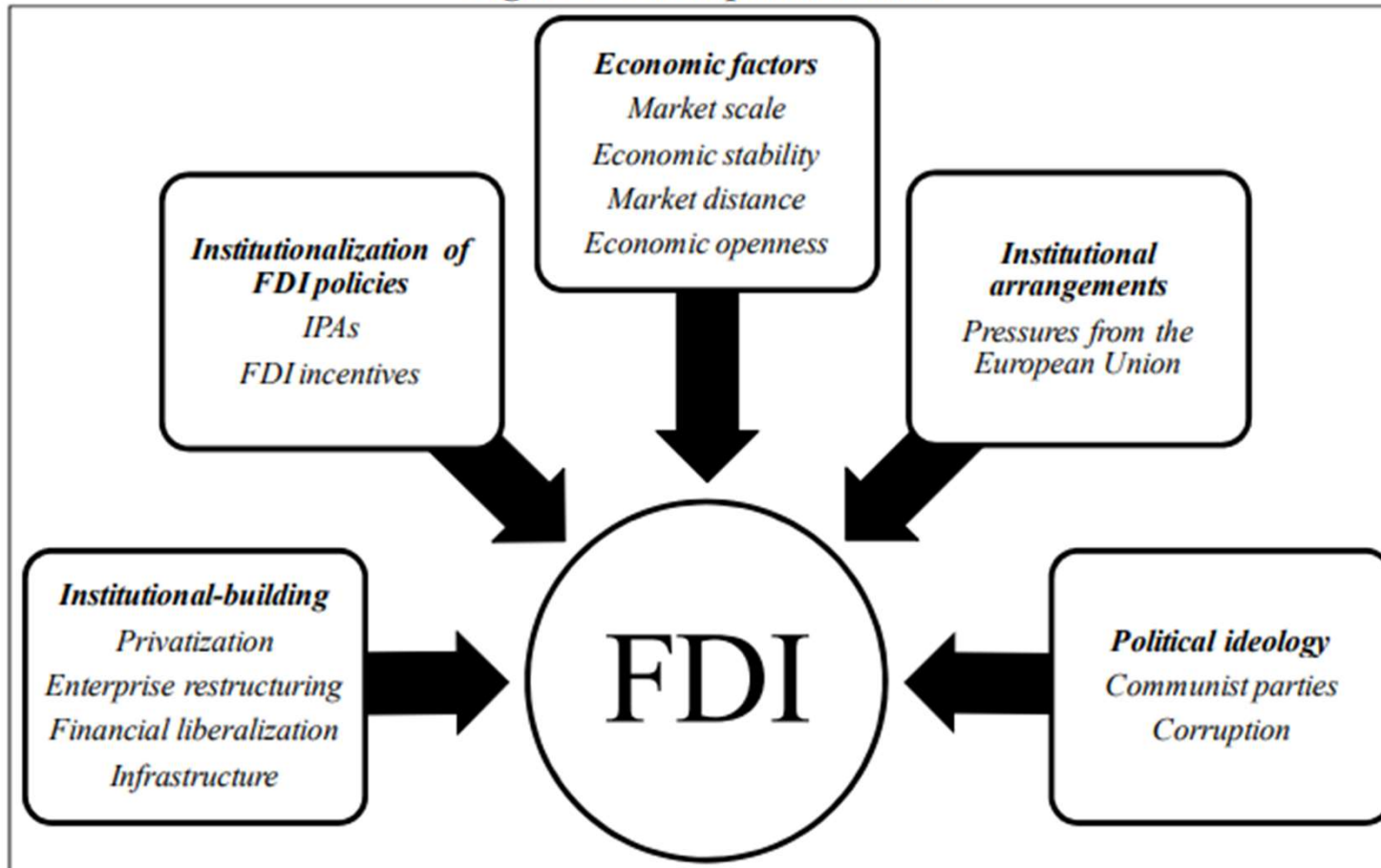
■ First Core Perspective: An Institution-Based View

- ❖ 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.

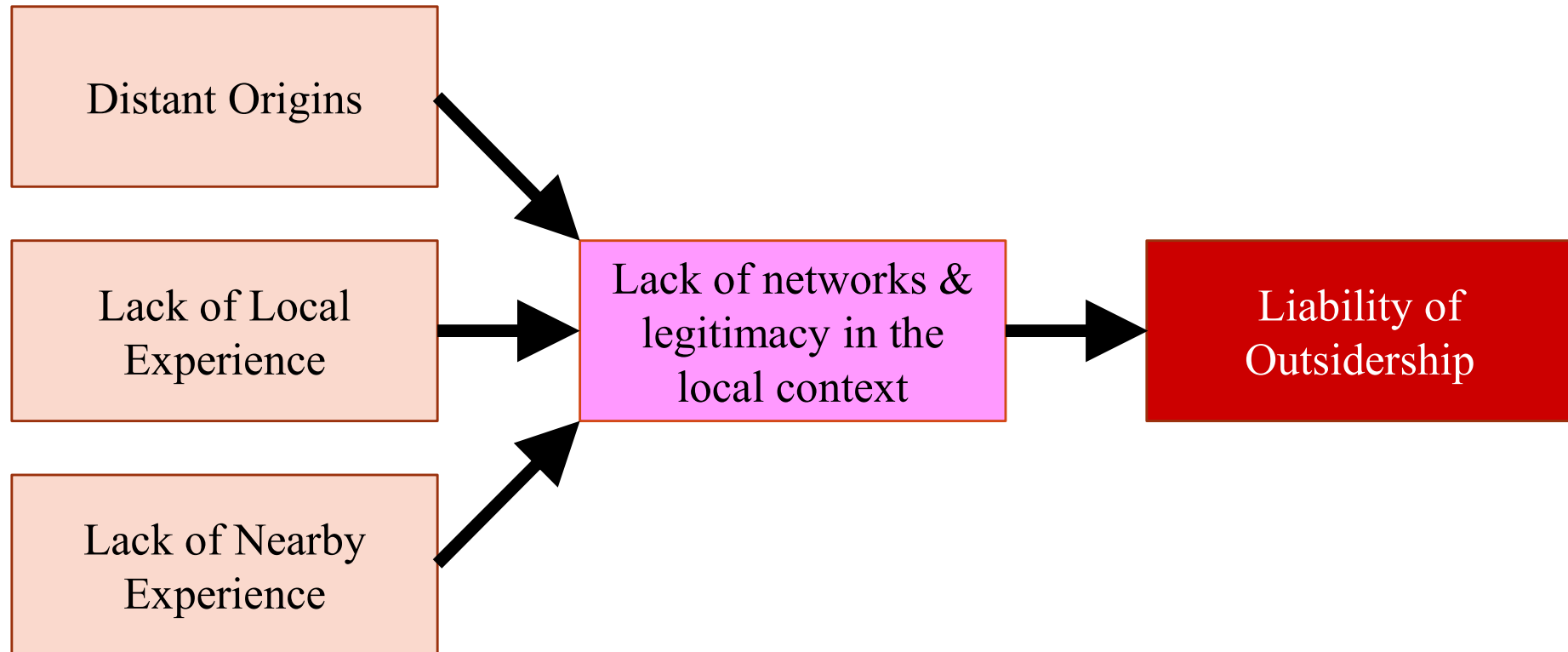
❖ **A Liability of outsidership (or foreignness)**

- 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).



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Understanding Globalization



Professor Dr. Mauro Guillen

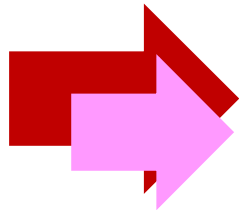
Dr. Felix Zandman Professor

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

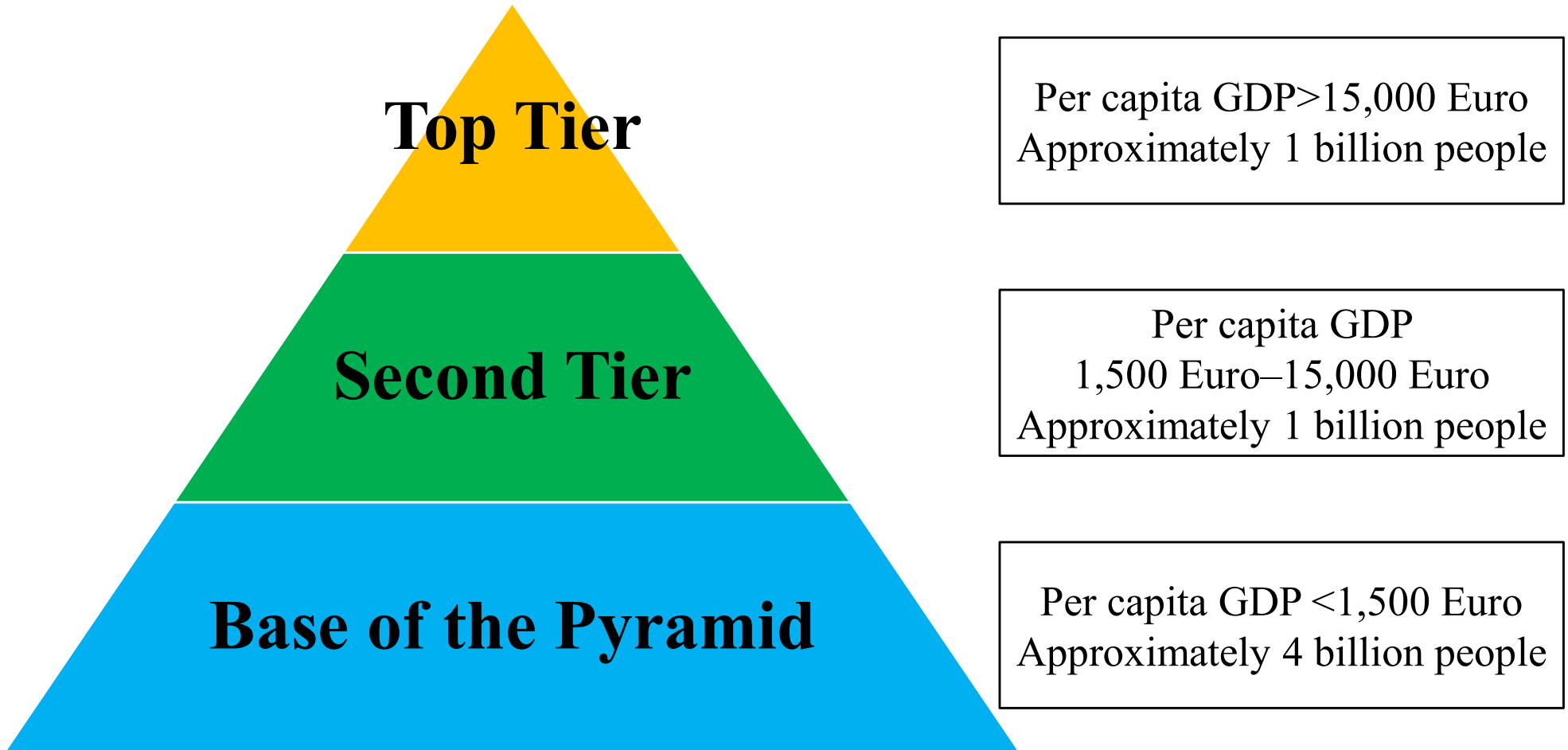
Business model innovation:
A mix of portability & cost
competitiveness

Source: Peng & Meyer (2018: 17).

Understanding Globalization



■ The Global Economic Pyramid



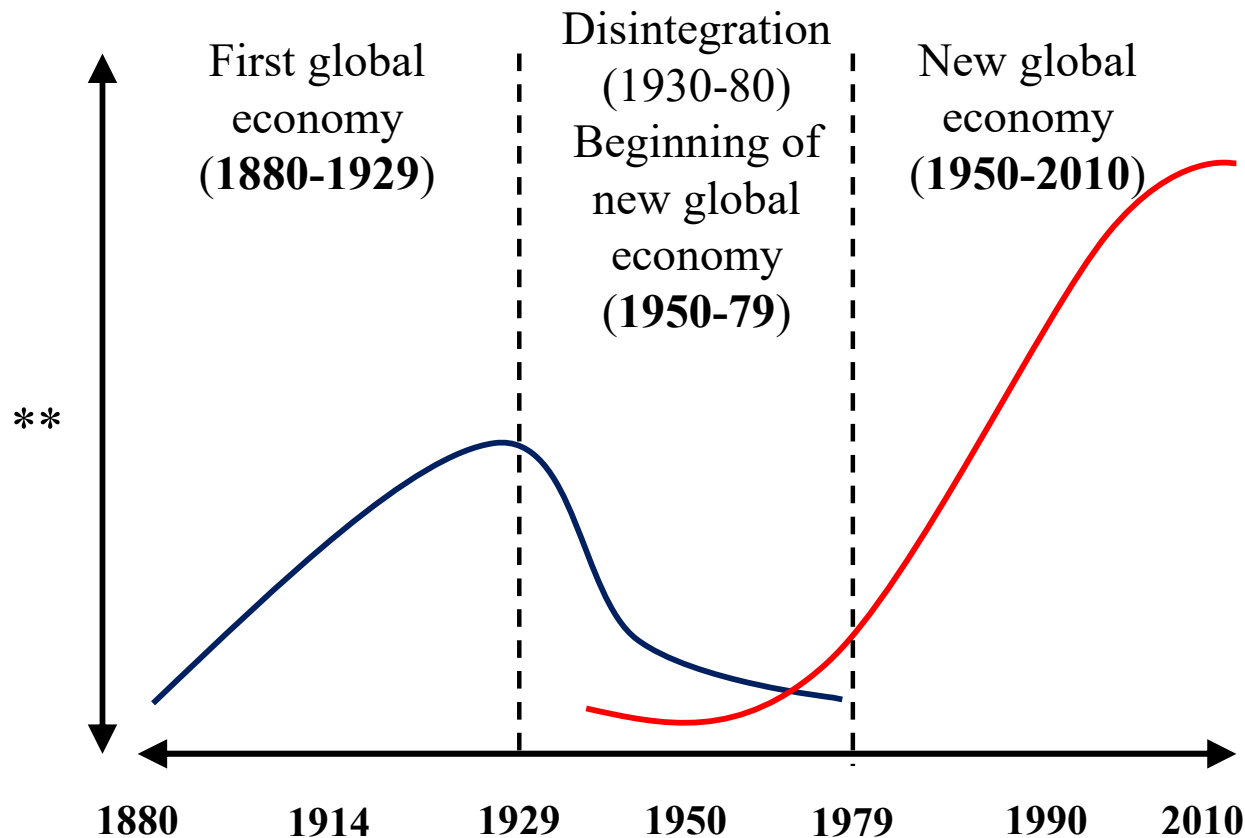
Source: Peng & Meyer (2018: 18).

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.



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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 \$14,256bn	1	China \$59,475bn
2	China \$8,888bn	2	India \$43,180bn
3	Japan \$4,138bn	3	US \$37,876bn
4	India \$3,752bn	4	Brazil \$9,762bn
5	Germany \$2,984bn	5	Japan \$7,664bn
6	Russia \$2,687bn	6	Russia \$7,559bn
7	UK \$2,257bn	7	Mexico \$6,682bn
8	France \$2,172bn	8	Indonesia \$6,205bn
9	Brazil \$2,020bn	9	Germany \$5,707bn
10	Italy \$1,922bn	10	UK \$5,628bn
11	Mexico \$1,540bn	11	France \$5,344 bn
12	Spain \$1,496bn	12	Turkey \$5,298bn
13	South Korea \$1,324bn	13	Nigeria \$4,530bn
14	Canada \$1,280bn	14	Vietnam \$3,939bn
15	Turkey \$1,040bn	15	Italy \$3,798bn
16	Indonesia \$967bn	16	Canada \$3,322bn
17	Australia \$858bn	17	South Korea \$3,258bn
18	Saudi Arabia \$595bn	18	Spain \$3,195bn
19	Argentina \$586bn	19	Saudi Arabia \$3,039bn
20	South Africa \$508bn	20	Argentina \$2,549bn

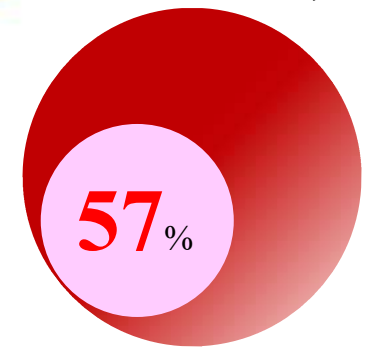
SOURCE: WORLD BANK ESTIMATES FOR 2009; PwC MODEL ESTIMATES FOR 2050

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\$

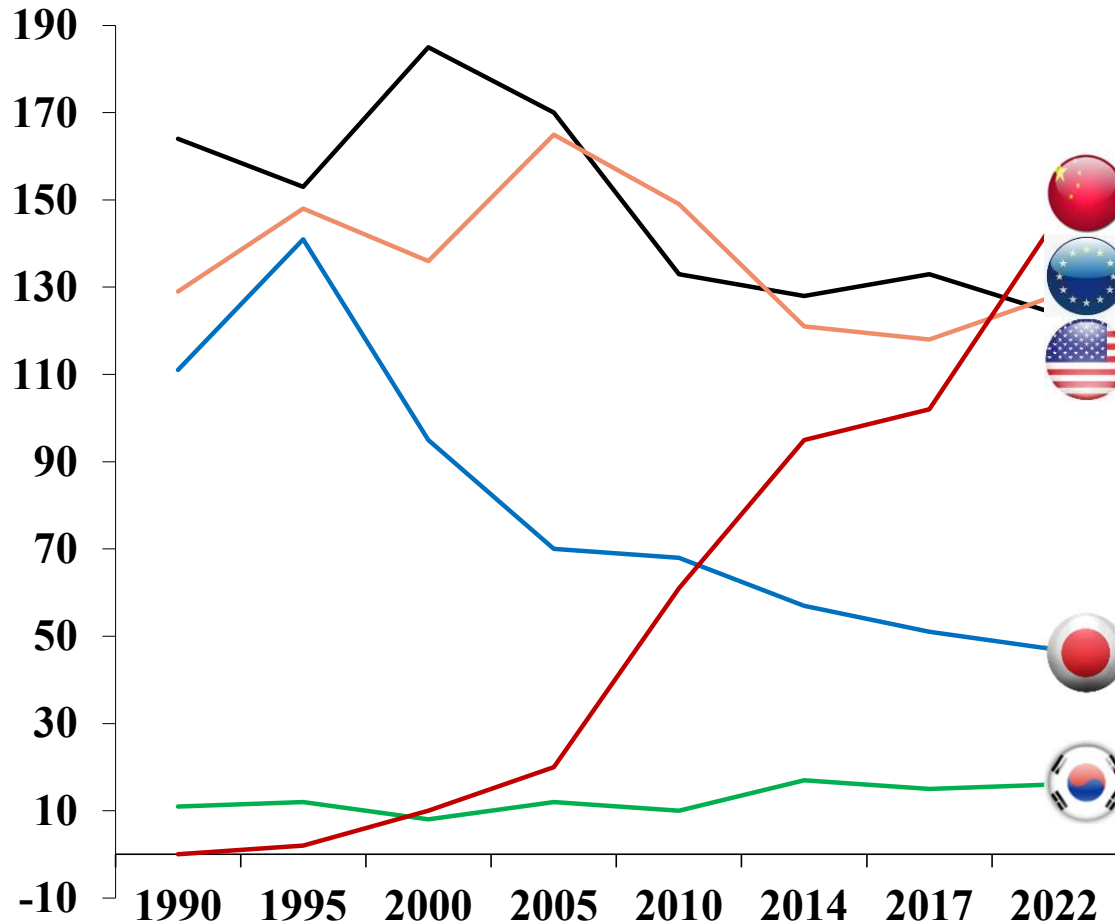
SOURCE: PwC MODEL ESTIMATES

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.

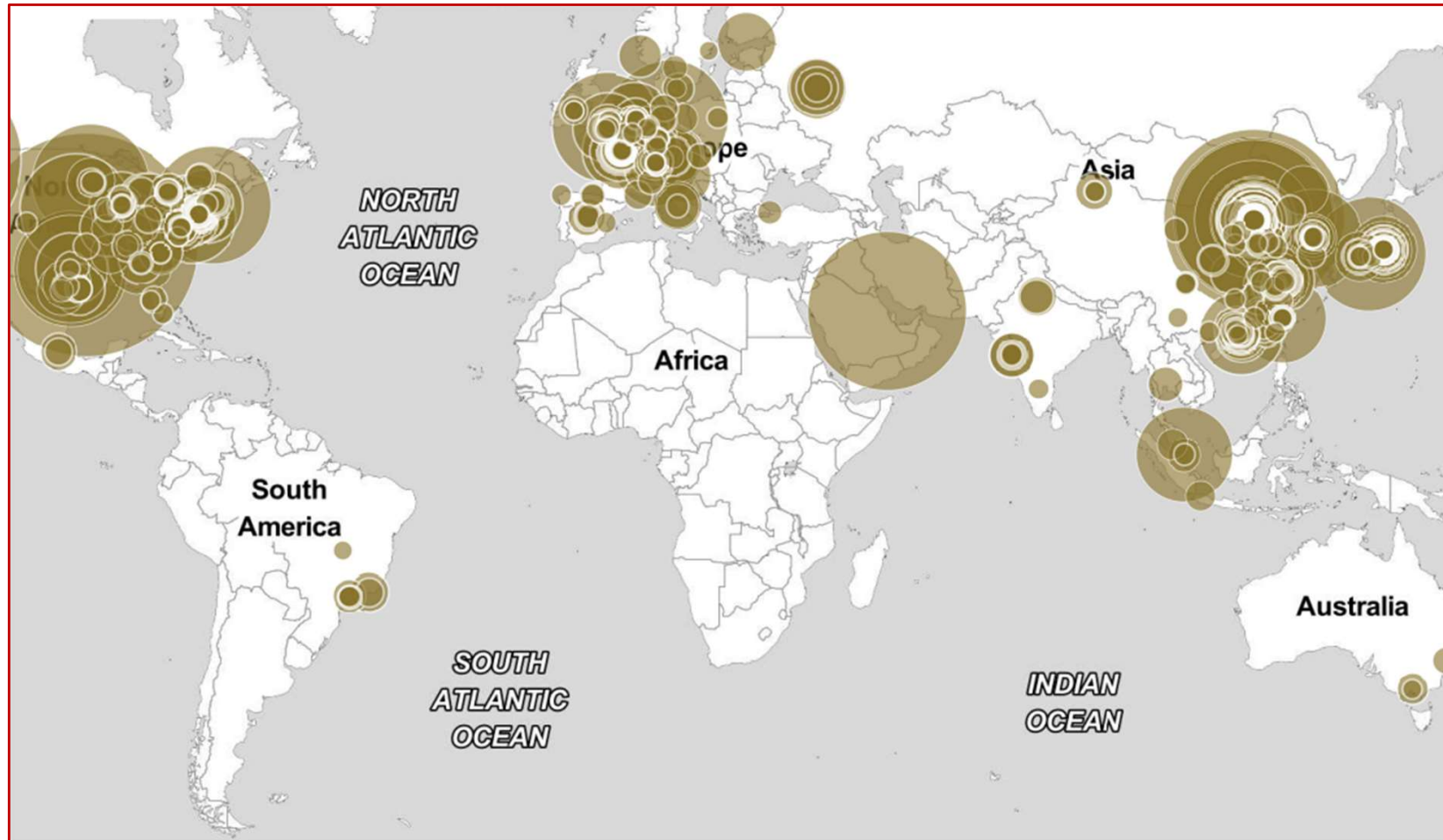
KEY POINTS

- > 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

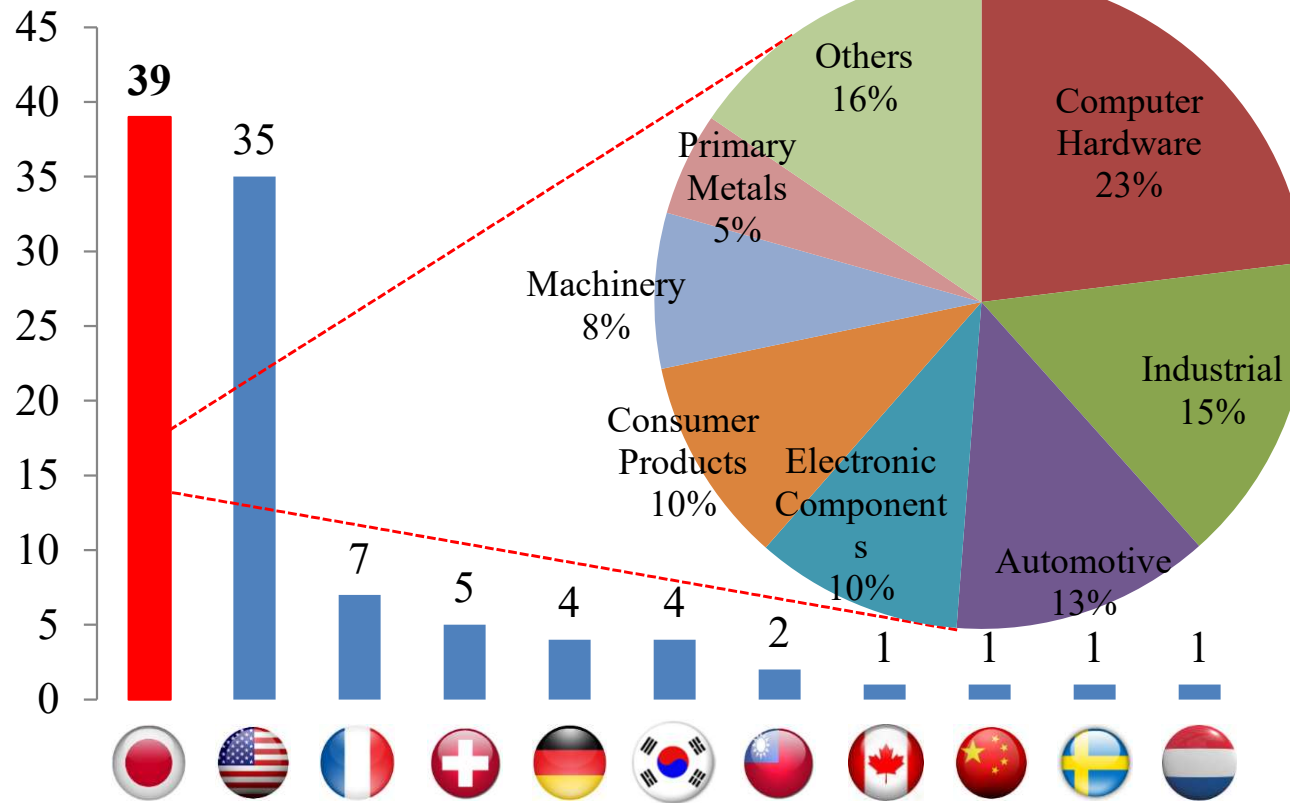
1	VOLUME	<ul style="list-style-type: none">> All organizations with 100 or more patented new inventions from the most recent five years are included in the analysis.> The analysis counts unique inventions only.
2	SUCCESS	<ul style="list-style-type: none">> The success metric measures the ratio of inventions 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



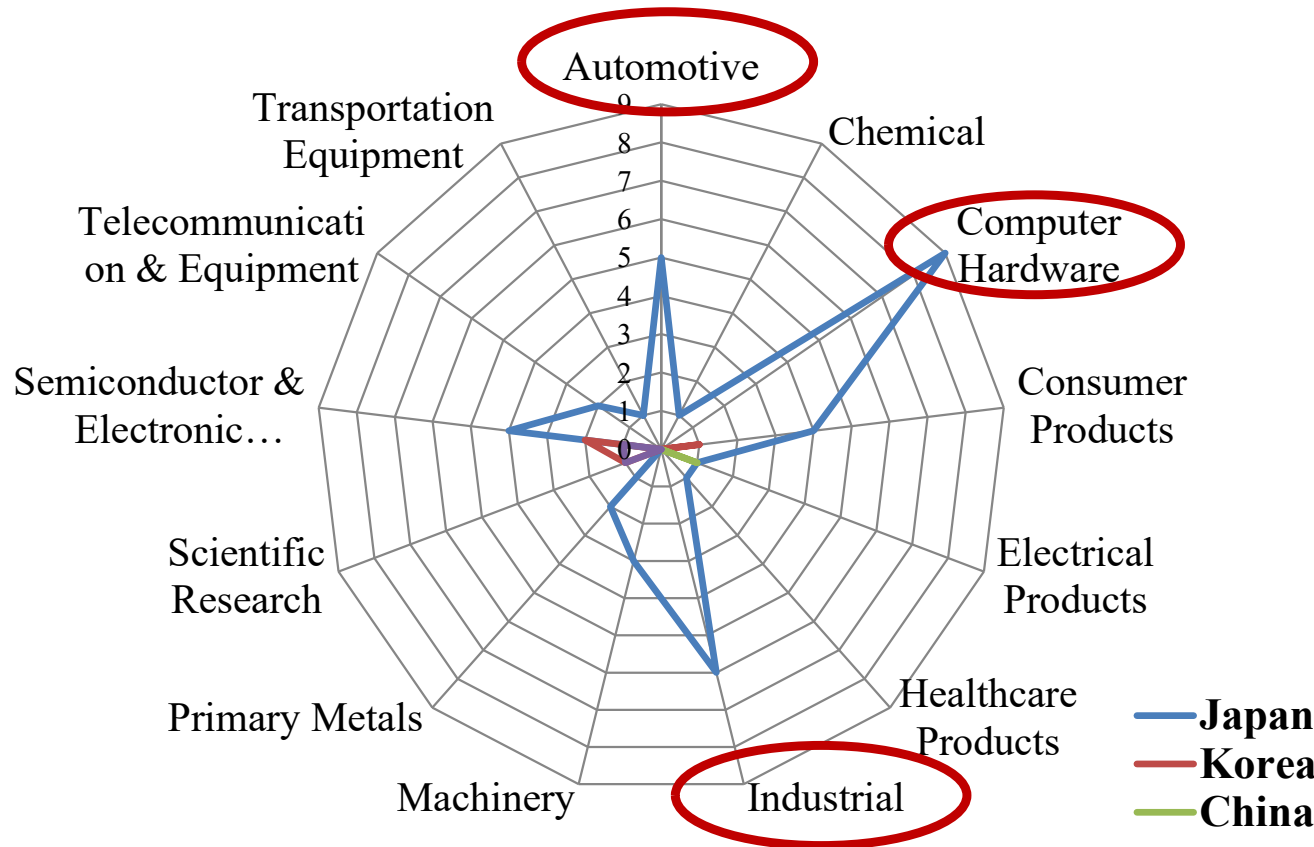
A number of top-ranking Global Innovative J-Firms have been in the Czech Republic.

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

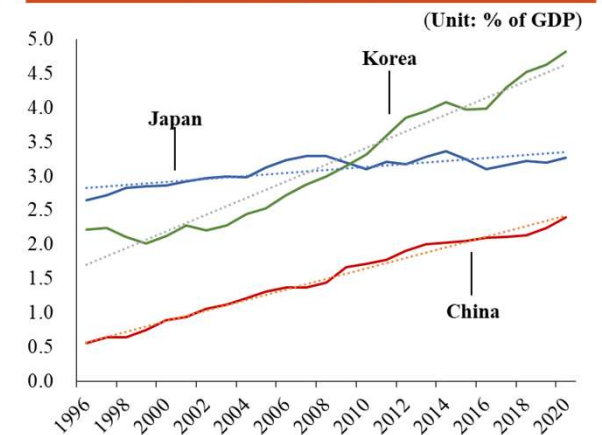
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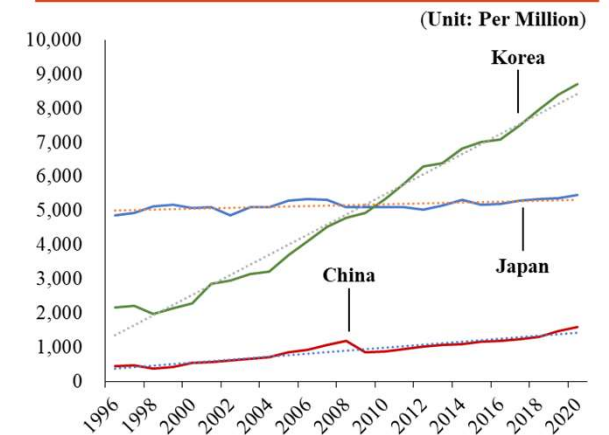
■ Top 100 Global Innovators Award



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).



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■ '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