

International Business Strategy

Lecture 12

Emerging Trends in International Business

Introduction

In week 11 we looked at competitive advantage and how firm can achieve it. While firms are trying to achieve international competitive advantage, the environment is not static. No doubt global trade and international business are experiencing a transformation that could result from various sources such as digitization, shifting geo-political environment, and ever-changing business models among others. In this lecture we will focus on some of the key trends that businesses need to pay attention to.

Learning Outcomes

- Identify and analyze current trends in international business and predict future market developments and their potential impact on global businesses.
- Evaluate various strategic responses to challenges faced in international business, such as supply chain disruptions or regulatory changes.

Emerging Trends

These are key areas that are currently influencing international business dynamics. In the next section we look at some of the key trends and how they are influencing business, what they mean for the future of business, especially in the context of competitive advantage.

1. Digital Transformation

No question that the pace of technological advancement is permeating through every sector and aspect of global trade. This is impacting how business operates and markets themselves. On the bare minimum, technology has allowed us to eliminate traditional market barriers. We now do not talk of market space as the traditional physical place rather, the global market can be your market if you have online presence. This has been showcased by e-commerce and social media.

Blockchain

- This is a decentralized payment system where trust is based on transparent and cryptographic, proof is used to validate a transaction rather than a trusted third party.
- It is peer to peer exchange where the role of humans, government, and financial institutions is to be eliminated or minimized.
- The result is that it speeds up the process, smooths out logistics, increases transparency, and allows tracking of trade, all of which tends to increase international trade and business engagement.

Internet of Things (IoT)-

- This represents the interconnection of devices that allow them to share data and communicate with the system and among them through the internet.
- All these are made possible through sensors and actuators.
- IoT is having tremendous changes in business including changing their business models, increase in production of smarter devices, simplifying automation process, easy asset tracking, reduction of machine downtime, cost reduction, some business model may as well disappear.

Artificial Intelligence (AI)

- This refers to computer software that engages in human-like activities such as learning and problem-solving.
- The technology being used in self-driven cars is AI, basically deep learning.
- Some areas where AI is helping firms develop competitive advantage include;
- **Machine learning** -Where it can analyze vast amount of data and help in decision-making,
- **Cyber security**- by monitoring the system AI can detect and even backtrack to identify the source of the attack
- **Customer relationship Management (CRM) system** -the adoption of AI is reducing the need for human intervention and there is much that can be automated.
- **Personal assistant and research**- AI is changing how we manage our work and research as well.
- AI is now helping us take minutes in meetings, it is helping manage our calendars, helping us do research through the likes of ChatGPT.
- Bottom line it is increasing our efficiency and productivity in the organization.

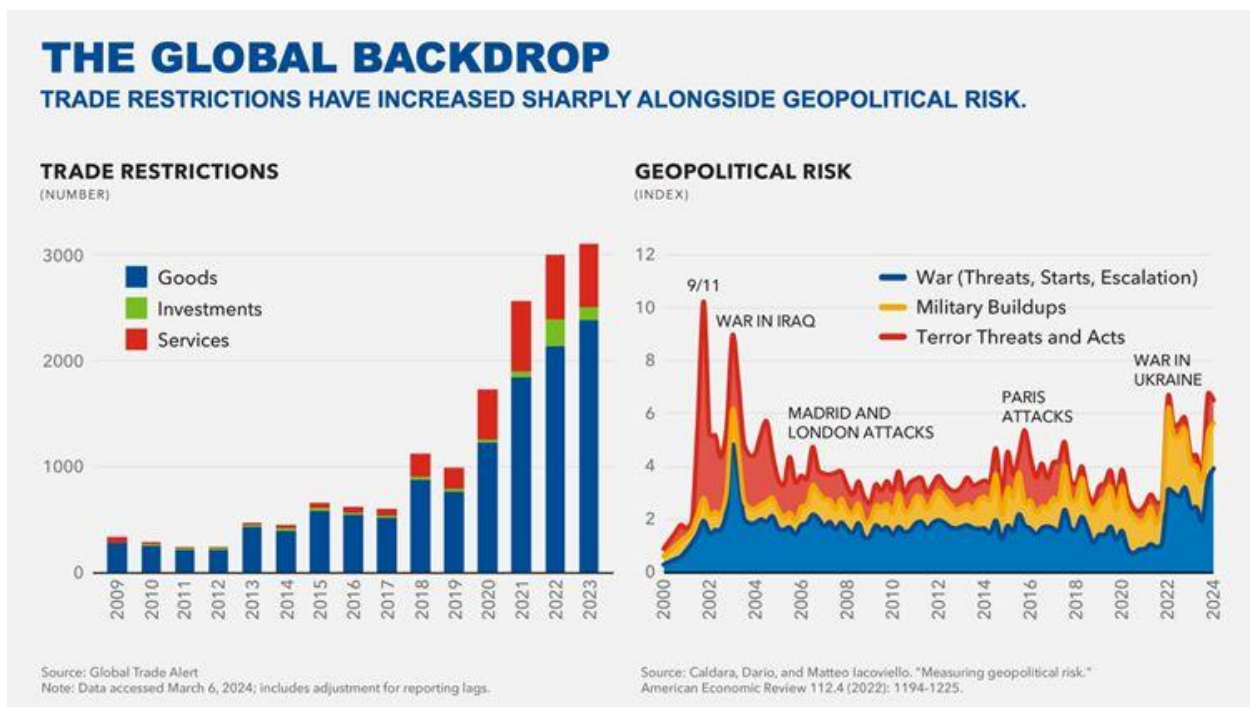
2. Geopolitical Shift and Trade policies

Evidently, global ties and trade partners are changing or being re-evaluated by many players of international trade. After COVID-19 pandemic and Russia-Ukraine war, we have seen countries re-evaluate their trade partners, investment flows, and even heavy reliance on dollar based on economic and national security.

According to Speech: Geopolitics and Its Impact on Global Trade and the Dollar, (2024), the geopolitical risk index spiked in 2022 because of Russia-Ukraine tension (see the **Graph 1**). The same speech noted that the share of China in U.S imports declined by 8% points

between 2017 and 2023 following their trade tension. The worry with such a trend is trade fragmentation which is not good for anyone.

Graph 1: Geopolitical Risk



Source: <https://www.imf.org/en/News/Articles/2024/05/07/sp-geopolitics-impact-global-trade-and-dollar-gita-gopinath#:~:text=The%20geopolitical%20risk%20index%20has,deglobalization%20at%20the%20aggregate%20level>

3. Emerging Markets

These are the markets characterized by considerable economic growth and processes but not all characteristics of developed economies. They are basically transitioning from

developing to developed countries. Some of the countries are Argentina, Brazil, China, India, Indonesia, Mexico, Poland, South Africa, South Korea, Turkey, Egypt, Iran, Nigeria, Pakistan, Russia, Saudi Arabia, Taiwan, and Thailand. Critical to this phenomenon is the spillover effects that these economies have on their neighboring economies, which continues to soar. Similarly, these economies have increasingly been integrated into the global supply chain and their effect on international business is evident in areas such as cheaper sources of raw materials.

The characteristics of emerging markets

- Offering investors a wide option for investment
- High growth potential economies
- They are on the forefront of innovation and development in different sectors

- They have youthful populations, urbanizing population and rising middle class
- They are witnessing increased FDI flow
- The markets are increasingly becoming accessible
- Wake of policy reforms geared toward increasing foreign inflow

4. Innovation and role start-ups

The growth in innovation in different fronts and countries is a critical trend in international business. Largely, innovation amounts to development of ideas, processes, products, and services that will result in improvement or new transformations in an industry. Different markets are experiencing different innovations, and this is resulting in waves that are being felt across the globe and/or new start-ups that are going global at their early stage.

Impacts of innovation

- Driving rapid economic growth to the firms and countries that are innovating
- Transformations of industries such as financial, manufacturing, and healthcare

- Changing business and work environments, we are now embracing remote work and collaboration
- Start-ups are adopting new business models because of innovation, and this is transforming traditional business. Recall we talked about Airbnb, Uber, and booking.com

5. Cultural diversity and Intelligence

More than ever before in international business, cultural diversity and intelligence is becoming an important factor for success. Cultural diversity refers to different cultural backgrounds, values, languages, religions, perspective, norms, and traditions in the workplace. Diversity is crucial for a global business as it aids in understanding and meeting the needs of diverse markets.

Firms that have embraced diversity enjoy benefits such as enhanced creativity and innovation, improved problem-solving, and attracting diverse talent. Cultural intelligence, however, normally called CQ, entails the ability to work and relate effectively across different cultures. This too is becoming an area where businesses are building their competitive advantage from. Having a workforce that high on CQ would help a firm maneuver through different markets that they are operating in. By embracing and effectively managing cultural differences, companies can unlock new opportunities, foster innovation, and build stronger, more inclusive organizations.

6. Future of work

With technology development and increased globalization, how people will work in future and indeed even today is changing. Remote work, digital transformation, automation, the gig economy, and a focus on well-being, access to global talents, sustainable practices, reskilling and continuous learning are redefining how, where, and why we work. Embracing

these trends will not only enhance productivity and innovation but also ensure a resilient and future-ready workforce.

Strategic Responses to these Trends

In this section, we briefly look at some ways a firm can go through or proactively embrace these trends without being rendered irrelevant or obsolete.

- Fostering a culture of innovation and collaboration within the organization will ensure that the firm is always a first mover when it comes to new product developments.
- Investing in research and development, to be ahead of peers through innovation a firm must put investment in research and development
- Have diversity and inclusion programs that will attract and retain diverse workforce
- Cultural competence training and mobility. A firm must invest in training its people to work effectively in a culturally diverse environment, in addition they must be deliberate in creating global mobility programs to develop culturally aware workforce.
- Employee well-being must be prioritized
- Adopting flexible work schedule including remote working
- Investing and embracing the place of technology in a business. Big data, robotics, AI and IoTs are phenomenon that businesses cannot afford to ignore, instead they should ride on them if they are to stay competitive.
- Support employees in their quest for re-tooling and continuous learning
- Adoption of sustainable and green practices

Strategic responses to current trends in international business require a holistic approach that includes flexibility, technology adoption, employee well-being, diversity, sustainability, and strategic global expansion. By addressing these areas, businesses can navigate the complexities of the global market, leverage new opportunities, and build a resilient, future-ready organization.

Topic Recap

- In this topic we have looked at the major trends that are being witnessed in international business and what they mean to their competition.
- We have finished by looking at possible strategies that businesses can employ to respond to these eminent trends.
- In our next and last lecture, we will look at globalization versus glocalization.

References

Speech: Geopolitics and its Impact on Global Trade and the Dollar. (2024, May 7). IMF. <https://www.imf.org/en/News/Articles/2024/05/07/sp-geopolitics-impact-global-trade-and-dollar-gita-gopinath#:~:text=The%20geopolitical%20risk%20index%20has,deglobalization%20at%20the%20aggregate%20level.>

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