

Global business environment

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Lecture objectives

- Understand the major components and nature of global business environment
- Identification of the driver/forces of globalization
- Develop insights into the environmental impacts on international business

Components of global business environment

- Country specific political ideologies and economics
- Community specific culture
- International trade agreements and institutions

Political ideologies and economies

- Political ideologies (*democracy, totalitarianism*)
- Economic system (*market-driven, centrally-determined, mixed economy*)
- Government controls of assets (*privatization, nationalization*)
- Government-business cooperation
- Economic integration (*global, regional, local*)

Cultural diversity

- Socialization process and ethical standards
- Corporate culture and business etiquettes
- Cultural configuration (*working patterns, foods and taste, timing and situation, events and festivals, custom rituals, learning and wisdom, etiquette and manner*)
- Cultural comfortability and compatibility

International trade agreements and institutions

- Bilateral agreements (between two countries)
- Multilateral agreements (among more than two countries e.g. OPEC)
- Regional agreements (among the regional countries e.g. SAFTA)
- World Trade Organization (WTO) agreements
- The World Bank and International Monetary Fund
- United Nations Conference on Trade and Development (UNCTAD)

The drivers of globalization

- **The paradigm change** (*political ideologies, economic systems, cultural diversity, trade agreements, and institutions*)
- **The spread of international governance and regulation** (*global interdependence*)
- **The spread of capital and resources** (*the growth of international financial markets and institutions*)
- **The diffusion of information and communication technology** (*technology transfer, outsourcing*)
- **Social and cultural convergence** (*elimination of barriers like language, new social order and cultural merging*)

Assignment and exercise

- Identify the major components of global business environment that are most likely affecting and least likely affecting the international business of your home country
- Discuss the role of the drivers of globalization in the modern days business of a least developed country and a highly developed country
- Visit the WWW pages of the organizations (as discussed above) and make a comparison of their commitments for the promotion of international business)

Further readings

Chapter 1 from : Johnson, D., & Colin, T. *International Business: Themes and issues in the modern global economy*. New York: Routledge.

Suggested readings

Chapter 4-7 from Rugman, A. M., & Collinson, S. *International Business* (4th ed.). London: FT Prentice Hall.