

# Global/INTERNATIONAL BUSINESS

Chapter 26.

"There will be two kinds of chief executive officers who will exist in the next five years;

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**Transnational = business which has its head office in one country and branches in many others.**

National -	operates at home
International -	sells abroad but is based in home country
Transnational/ Multinational -	operates in a number of countries but still managed from headquarters in home country
Global	everything (marketing, production, finance) is done on a worldwide scale

Transnational is a relatively new "term" and is often associated with the term multinational - the major difference is in the number of countries they operate in - transnational operates in fewer countries than multinational. A transnational is sometimes called an International Corporation.

## HOW DO TRANSNATIONALS DEVELOP?

- Home market saturated
- Growth in exports
- Foreign branches open

HOW DO THEY DEVELOP? *Culture the reasons for the development of TNC'S.*

- Desire to increase sales and profits
- Economies of scale
- Combat competition
- Diversify into diff. markets.
- Tax and grant incentives available
- Exploit countries that have lower wages
- Relaxation of exchange controls - easier to transfer capital
- Technology - improvements makes it easier to control foreign subsidiaries
- Manufacture in other countries to avoid tariffs.
- Increase profit & sales.

Transnationals focus on differences to be found in markets. They aim at these differences and so manufacture and supply a wide range of locally adapted products. Marketing is done separately from one country to the next.

A global business tries to sell one product in the same way worldwide. It attempts to sell the same product in the same way in the entire market.

### **The Earth is becoming one huge marketplace. How?**

- Competition (due to size of domestic market)
- Breaking down of trade barriers (e.g. World Trade Organisation)
- Consumer desires for uniformity of products worldwide
- Tools for promotion of growth are available – information and production technology

### **Globalisation means the world is becoming one large marketplace.**

Examples:

- Ford Truck: European made cab, North American built chassis, assembled in Brazil and imported into USA for sale
- Coca Cola is exactly the same worldwide

Thinking globally saves money in the long term.

#### **REASONS FOR GOING GLOBAL:**

1. Economies of scale: mass production allows goods to be produced much cheaper.
2. Product uniformity: same product is capable of being sold worldwide.
3. Contacts in other countries: facilitating establishment there
4. Development in Information Technology

#### **PROBLEMS IN GOING GLOBAL:**

1. Language barriers
2. Different price strategies
3. Cost of Market Research
4. Differences in rules/regulations regarding product labels etc
5. Monitoring competition
6. Differences in cultures and politics

Slogans or wording may have to be altered e.g.

- \_\_\_\_\_
- A beer company advertised "Turn it Loose" but it was mistranslated in Spanish to read "Get diarrhoea"
- Kentucky Fried Chicken advertised "Finger licking good" but it was mistranslated to "\_\_\_\_\_"

#### HOW DO GLOBALS OPERATE?

1. Production and distribution facilities in several countries
2. Sub-Contracting
3. Use of logistic firms which store and distribute
4. Same product sold in the same way worldwide
5. Advantage is taken of tax rates in different countries
6. Efficiency through TQM is enhanced
7. Product dumping – selling off goods at cheap price to get rid of excess.

#### INFORMATION TECHNOLOGY

Allows data to be accessed from anywhere in the world day/night

- Use of e-mail
- Video-conferencing
- Internet – shopping on-line
- Allows managers to run a business efficiently and react to changes