



# **V-LRN**

# **VIRTUAL LEARNING NETWORK**



# **INTERNATIONAL BUSINESS ENVIRONMENT**

**Block-2**

**Unit – 5**

**Globalization : An Overview**

**Virtual Learning Network**



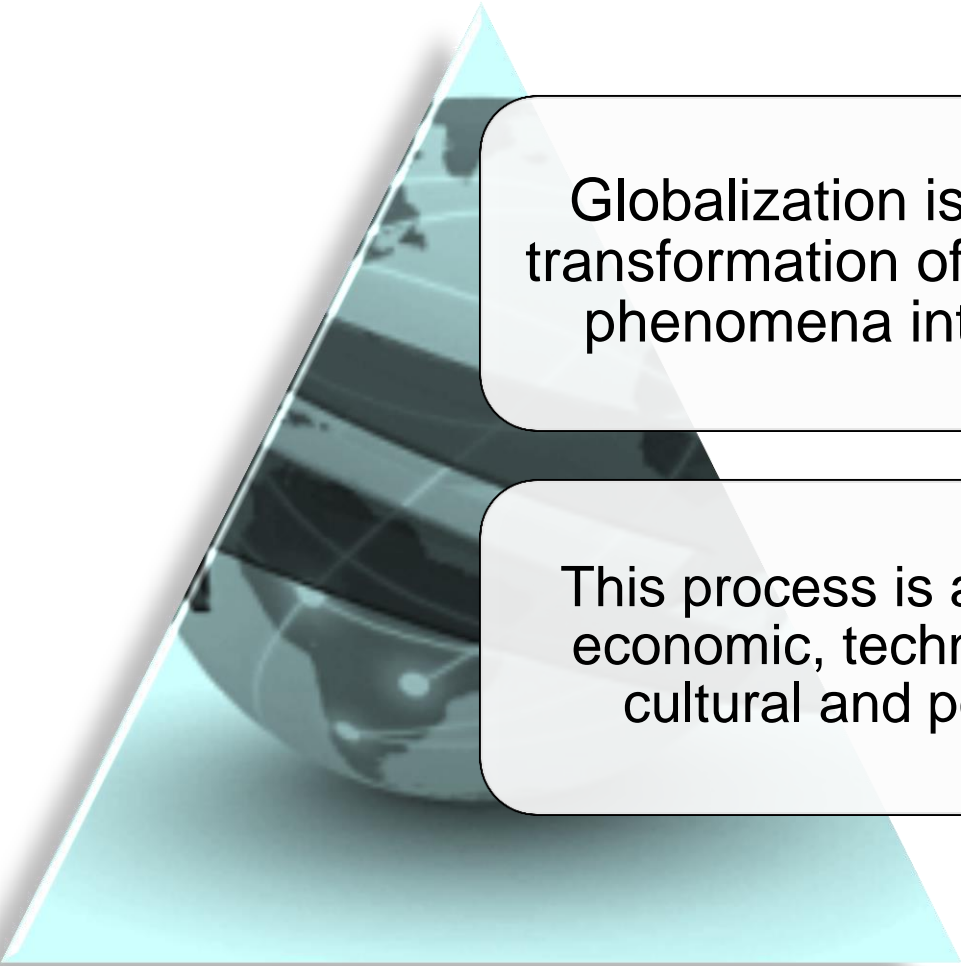
# Topics to be Covered

- Introduction
- What is Globalization?
- Major Forces of Globalization
- Effects of Globalization on the World Economy
- Globalization at the Firm/Corporate Level
- Cross Border Mergers and Acquisitions
- Indian Perspectives
- Glocalization
- Summary

# Introduction

- In the 1980s, a new catchword entered international business and nation states' policy objectives. This word, Globalization, refers to a number of changes in the world economy, such as increased international mobility of capital and growing incidence of mergers and acquisition and strategic alliances in firms not only within the country but also across the borders.

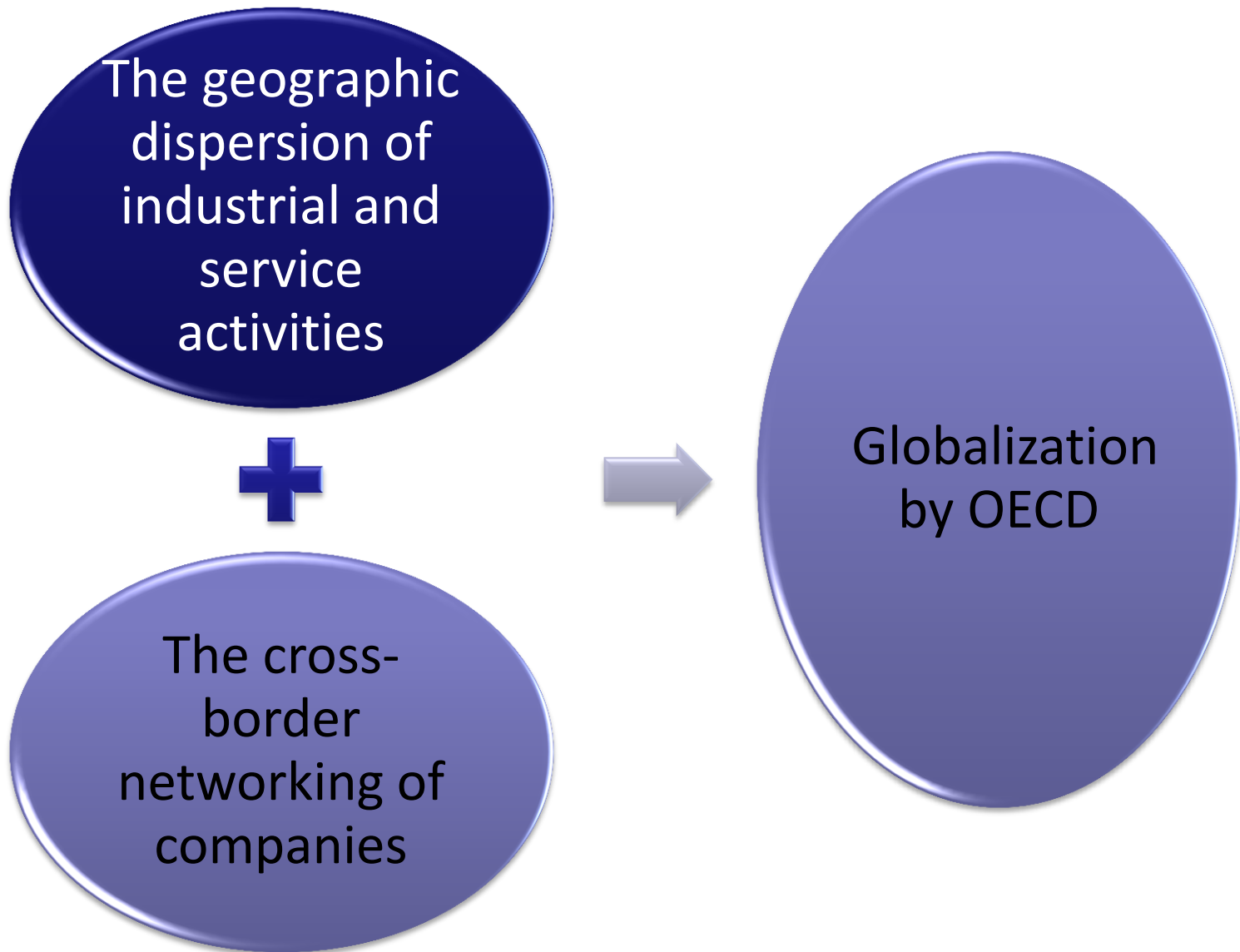
# Globalization



Globalization is the process of transformation of local or regional phenomena into global ones.

This process is a combination of economic, technological, socio-cultural and political forces.

# Globalization (Contd.)



# What is Globalization

Process of **deeper economic integration** between countries involving:

An expansion of **trade in goods and services**

An increase in **transfers of financial capital**

The development of **global brands**

High levels of **labor migration** within and between countries

New nations joining the trading system

Decline in tariff and  
non-tariff barriers to  
trade

Rising Living  
Standards – growing  
demand for world  
products

Fall in Transport  
Costs / effects of  
Containerization



Liberalisation of  
Domestic Markets –  
opened up to  
competition

Lower  
communication costs  
(broadband/cloud)

Entry of new  
countries into official  
world trade system





# Major Forces of Globalization

- International Trade and Globalization
- International Capital Flow
- Globalization and Technology



# Effect of Globalization on World Economy

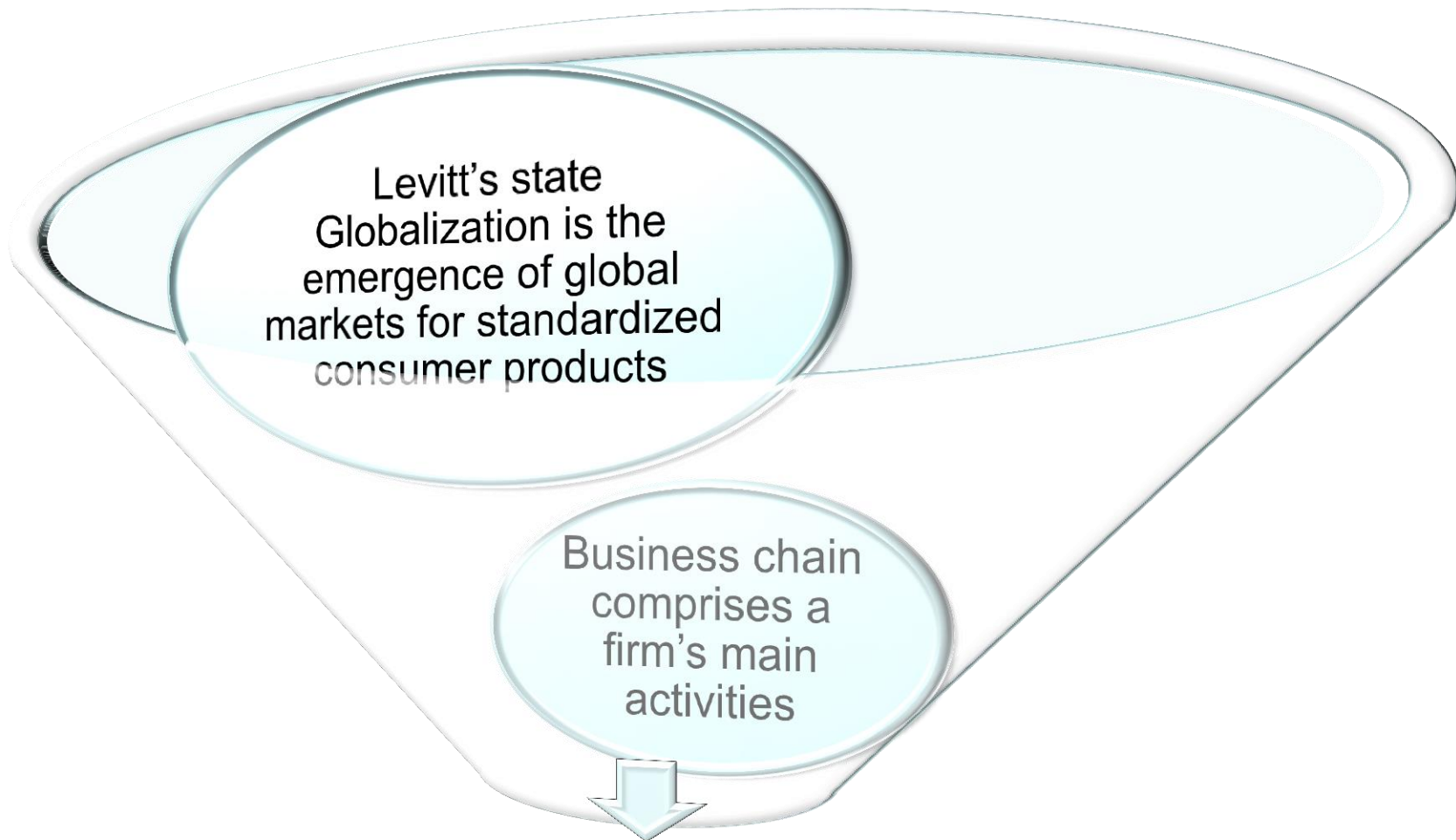
- Global economy is integrated day by day.
- Volume of world trade has grown at a faster rate.
- Foreign direct investment in global economy
- Multilateral trading system
- Trend of lowering the barriers to the free flow of goods, services & capital among countries.
- Growth of world trade
- Whole world is considered as a single market



# Effect of Globalization on World Economy(Contd.)

- Increasing opportunities for the firms
- Innovations have started spreading faster
- Imports are penetrating deeper into the world's largest economies as well

# Globalization at the Firm/ Corporate Level



# Globalization at the Firm/ Corporate Level

Globalization is also presented in management centered concepts

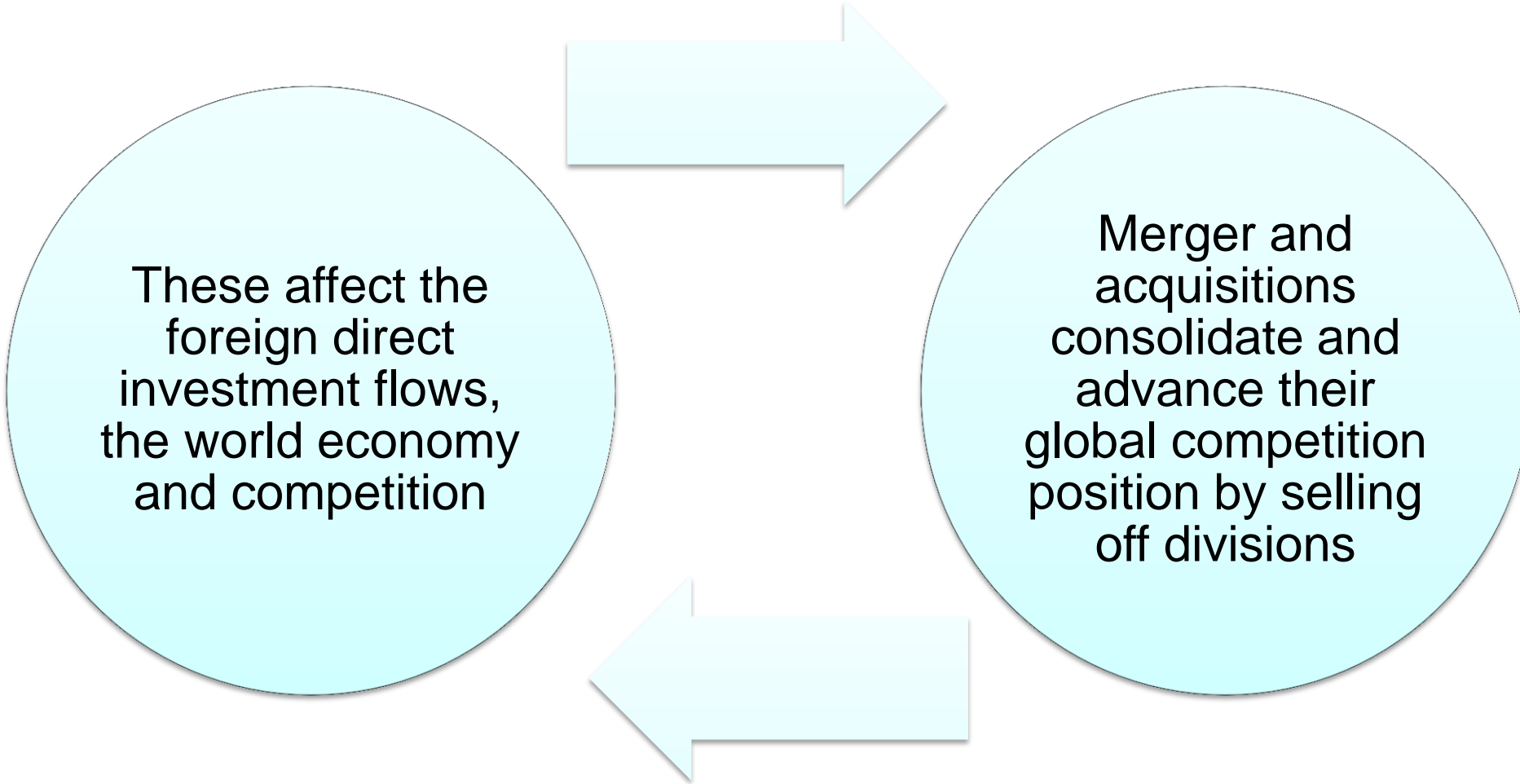
Management  
Centered  
around the  
head office,

Manageme  
nt delegated  
to overseas  
operating  
units,

Management  
centering  
overseas  
operating  
units with  
regional  
coordination,

Managing  
total  
system

# Cross Border Mergers & Acquisitions



These affect the foreign direct investment flows, the world economy and competition

Merger and acquisitions consolidate and advance their global competition position by selling off divisions



# Indian Perspectives

- India was not completely a closed economy although international transactions were not quantitatively important till 1990 for the Indian economy either in trade or finance. But since 1990, India has deliberately pursued a policy which will enhance the role of international transactions in trade, finance and technology.

# Glocalization

- Glocalization also leads to the concept of global firms meaning that large Finns cease to be national firms. Therefore, they can be treated as stateless Corporations. It is argued that time has not yet arrived to think of global firms.



# Summary

- The main indicators of globalization of the world economy is increasing growth of international trade. The rate of growth of international trade is higher than the growth of GDP. Deregulation of finances by countries has led to massive movement of capital among countries further strengthening the globalization process. Technological and communication revolution have provided further impetus to the globalization process. There are compulsions for large firms to globalize. There are a number of approaches to the globalization process of firm/industry.

*Thank  
You*