

# Global Business

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# *Global Business*

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JACOBUS BOERS

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# *Introduction*

During the Fall semester of 2014, the leadership of J. Mack Robinson College of Business set out to review and revise the BBA degree program under Project Catalyst. Along with a number of other innovations, and a new introductory course to business – Business, Value and You – offered early on in the curriculum and a new senior core course in “global business” was proposed. The material in this “book” was developed to serve as open educational resources (OER) for a new Global Business senior course sequence.

Most business decisions today are made in the context of global supply chains, global capital markets, and global interconnectedness. Tens of thousands of people work daily on tasks that involve global research and development, product development, marketing, sourcing, production, distribution, retail, and services. These individuals work in a global context in almost all of their daily activities, and yet most of these people hardly ever or never travel across a national border for purpose work. The same is true for those who managed them. Preparing students to be effective in this context requires reframing the context of these activities in a global framework.

Global Business course is therefore NOT a course in international business (IB), but reframes the content typically offered in an introductory course in IB by assuming that ALL business is global in nature. The rationale is that traditional international business discipline emphasizes cross-border business in the context of the



nation-state. This approach continues to be valuable and produces important scholarship.

Global Business was designed as a two-course framework, consisting of a 2-credit hour BUSA 4000 Global Business course as well as a 1 credit hour Global Experience course. Several options were proposed to allow students to meet this 1-credit hour Global Experience requirement, including General Management in a Global Business Context, Market Opportunity Assessment, and Global Competency. Other Global Experience courses can be proposed and developed as appropriate.

**CATALOG DESCRIPTION – BUSA 4000 Global Business:**

This course applies concepts, issues, and techniques needed for efficient and effective global business in the 21st Century. Integrating lower division and junior level course work, students apply learnings in the context of global trade and investment, global capital markets, national policies, and transnational agreements. The impact of political and cultural considerations, global risk analysis on the firm are explored, as well as personal and professional implications for foreign assignments, negotiation skills, and other considerations when doing business globally. This course is part of a required two-course sequence that includes a 2-credit hour Global Business course and a 1-credit hour Global Experience course.

**CATALOG DESCRIPTION – BUSA 400(X) Global Experience:**

This course allows the student the opportunity to engage actively in a learning experience where they can further explore concepts and issues in global business while developing some skills needed for efficient and effective participation in global business in the 21st Century. Integrating lower division and junior level course work, students actively apply what they learned about global trade and investment, global capital markets, national policies, and transnational agreements. Students also get the opportunity to observe the impact of political and cultural influences, global risk, as well as personal and professional implications for foreign

assignments. This course is part of a required two-course sequence that includes a 2-credit hour Global Business course and a 1 credit hour Global Experience course.

This material was developed to prepare managers to effectively discharge their responsibilities in the global business context. The realities in the global business context are rapidly changing and ever-changing it is therefore expected that this material will quickly become dated and will need to be updated frequently. Indeed, before the completion of the OER collected in this book a global pandemic brought massive disruption to global business. It is only reasonable to expect that the speed and scope of change and potential disruption will continue to increase.

## *Foreword*

The material presented in this collection is intended for use in teaching a business course that places all traditional disciplinary business course in a global context. However, this material could also be valuable to any instructor teaching a course such as global business, international business, leading a study abroad program, or a senior-level disciplinary course with international or global business elements in a business college.

We offer relevant, timely, and engaging content modules authored by faculty with international and global expertise. Any instructor can then use this professionally transformed and curated material in a course to bring contemporary global business context into their classroom. Given the nature of the material, faculty teaching in other colleges could also find the material valuable in courses such as economics, global studies, and even cross-cultural studies, political economy, and policy studies.

This work was a collaborative effort by a team of professionals at Georgia State University seeking to create open educational resources content that would be of high quality and save our students the expense of a textbook in a core course, while also offering relevant material in a rapidly changing global business context.

Little did we know that during the project a global pandemic would disrupt everything, including the global business covered in this material. We did list a global pandemic as a potential disruptor

in the first chapter, but we were naive in focusing on technological and geoeconomic change as the primary disruptive agents.

We are already working on a subsequent edition of this book to shift the emphasis to account for the COVID-19 pandemic and the subsequent dramatic changes in geopolitical and supply chain dynamics.

This will continue work will continue and we expect the revised edition to be available by the summer of 2021

## Acknowledgments

A special word of thanks to Dan Lê, MLIS, MBA, Business and Science Librarian, Georgia State University Libraries, Atlanta Campus for his fabulous support in finding existing OER material as well as other content in support of this work

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This OER was funded in large part by ALG Affordable Learning Georgia. We sincerely appreciate the work of Jeff Gallant and his

team do in order to make affordable material available to students in Georgia and elsewhere.

# *Framework*

## **FRAMEWORK**

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Globalization is not a new phenomenon and has indeed existed in some form or another for centuries, albeit often limited to only a portion of the world. However, early globalizers conquered and unified most of the world known to them at that time. Alexander the Great conquered the territory from Macedonia to Greece, Asia Minor as well as Egypt, and then further east words as far as Afghanistan and the Indus River. Similarly, by 1258, Genghis Khan created a global empire further expanded by his successors. Under Kublai Khan, the empire expanded southwards to include all of modern-day China as well as the Korean Peninsula. The Mongol Empire operated an advanced relay mail system spanning the entire territory, tolerated religious diversity and encouraged freedom of religion, had a parliamentary-style form of government, used paper currency backed by precious metals, and there existed a system of the financial backing of ventures similar to the modern-day corporation. The Silk Road became a massive free trade area from Europe through the middle east to Russia, China, and Korea. One could argue that these examples were not truly globalization because of their limited scope.

Most western observers look at globalization as a phenomenon that started during the Industrial Revolution<sup>1</sup>. Once manufacturing

1. The British Industrial Revolution in Global Perspective: How Commerce Created

machines were made of iron and steel, powered by steam, the final products needed markets and the demand for raw materials for the manufacturing processes expanded dramatically. The interventions that harnessed steam, allowed for the development of transportation technologies, rapidly and reliably moving heavy loads over long distances. Applied to terrestrial transportation in the form of railroads and on the steamship by water, nations were able to expand the reach to new markets and source raw materials.

Economic power and prosperity generated motivated nations to expand abroad, ringing in the era of rapid colonization and the first stage of Western globalization. The competition for resources and colonies to supply these needs led directly to World War I and more indirectly to World War II, restructuring the global world order profoundly. This second phase of Western globalization was primarily technologically driven. In the wake of the destruction brought on by the competitive forces of technology-driven globalization, world leaders determined to create multilateral institutions to mitigate the risks of a repeat of the early 20th century. In addition to introducing institutions of peace like the UN Security Council, created to reduce the risk of destructive war between nations, the Bretton Woods institutions were created to mitigate the risk embedded in financial institutions and currencies and also to spread prosperity to nations not part of the “developed” world. Applying the work of economists such as John Adams and Ricardo, with the help of the General Agreement and Tariffs and Trade, a new era of trade developed where nations would buy and sell resources and goods freely, leading to the increased interconnectedness and interdependence of nations. The combination of technology, renewable energy and open and free trade rang in the Third Industrial Revolution where automation, communication, and digital technologies dramatically changed the



world<sup>2</sup>. With the arrival of the Internet, the sharing of data and information expanded dramatically, leading to what is known as the fourth Industrial Revolution.



*Industrial Revolution*

2. Rifkin, Jeremy. The third industrial revolution: how lateral power is transforming energy, the economy, and the world. Macmillan, 2011.



## PART I

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# GLOBAL CONTEXT

## GLOBAL CONTEXT

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*The purpose of this learning material is to review the global business context within the future business leader needs to operate. This is therefore not a historical overview of globalization as much as it is a manual for managing a business in a global economy.*

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The role of management is to:

- optimize shareholder value,
- ensure continuation of the going concern,
- take care of the real, material, financial, intellectual and human resources assets entrusted to them by the owners.

In order to do this, business leaders need to evaluate resources, anticipate outcomes, plan activity and process as well as mitigate risks that could result in negative impacts. There are number of

possible situation-sets and scenarios, some more likely to happen than others. Your role is to be prepared for the high probability scenarios and anticipate others that may demand new plans. Understanding of the nature and scope of forces of change allow management to limit the negative impact, and in many cases, turn these challenges into opportunities.

Powerful forces are driving change on a global scale and managers need to be prepared to respond to these. These forces include, but are not limited to:

1. The global megatrends of urbanization, accelerating technological change, and aging population and increasing connectedness.
2. Growing data flows on a global scale,
3. Changes in the manufacturing and service economies as a result of innovation and productivity growth,
4. The novel and innovative ways in which entrepreneurs and inventors are harnessing their changing circumstances to create value.

There are certainly other forces at play, some of which we can identify and address and others that emerged unexpectedly. As the manager, your role is to anticipate that the former and to be prepared to come to terms and cope with the latter.

Technology and open borders together are the two major forces that changed the world over the past 50 years. Modern supply chains and open borders offered companies the opportunity to move production around the world to take advantage of labor and other arbitrage opportunities.

Transportation, communication, and computing technologies transformed much of our lives and how we do things. Over the same period, free-trade regimes between nations allowed companies to take advantage of enormous economies of scale,

thereby reducing the cost of many products. At the same time, digital marketing and mass media created opportunities to target consumers with products and services adapted to their specific needs. Communications technology allowed technology work-tasks to be shipped around the globe.

During the period between 2007 and 2016, manufacturers like the Ford Motor Company benefited from low inflation, low-interest rates, rapid technology development, and open borders. This allowed the company to focus on expanding its brand presence around the world, capturing economic Gains from manufacturing arbitrage by using reliable global supply chains based on free-trade. The main drivers in the industry included the development of early-stage autonomous vehicles, development, and manufacturing of hybrid electric vehicles. Increased pressure on companies to reduce carbon footprints and apply renewable energy greatly pushed the company into the development of more fuel-efficient and alternative fuel vehicles. The election of Donald Trump in 2016 brought the unexpected and unanticipated threat of tariffs and other impediments to free-trade, resulting in an anticipated \$1 billion impact on the company as a result of steel tariffs.



## CHAPTER 1

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# *Emerging Global Megatrends*

## EMERGING GLOBAL MEGATRENDS

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### Learning Objectives

LO 1.1 Identify the emerging global megatrends expected to impact business enterprises in the next decades

While the combined forces of technology and open markets led directly to the global context of business, the world is a dynamic place and many forces continue to shape the environment. Some trends that emerged during the final stages of globalization are accelerating and will continue to influence future direction while new influences emerge, sometimes as a result of the impact of previous forces. Managers need to not only understand global trends and forces but be ever vigilant about new directions as well as countervailing forces.

A number of organizations and individuals are studying emerging global megatrends and some of these resources include:

**McKinsey Global Institute-** [The four global forces breaking all the trends](#). April 2015 | Great

**McKinsey Global Institute-** [Global flows in a digital age](#). April 2014

**Federal Reserve Bank of St. Louis** – <https://research.stlouisfed.org/publications/economic-synopses/2018/02/07/manufacturing-and-service-sector-roles-in-the-evolution-of-innovation-and-productivity/>

**Open-Xchange** – OXS15 Jonathan MacDonald – Disrupting the Value-chain: Innovation at Scale and Technology-led Bravery



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## CHAPTER 2

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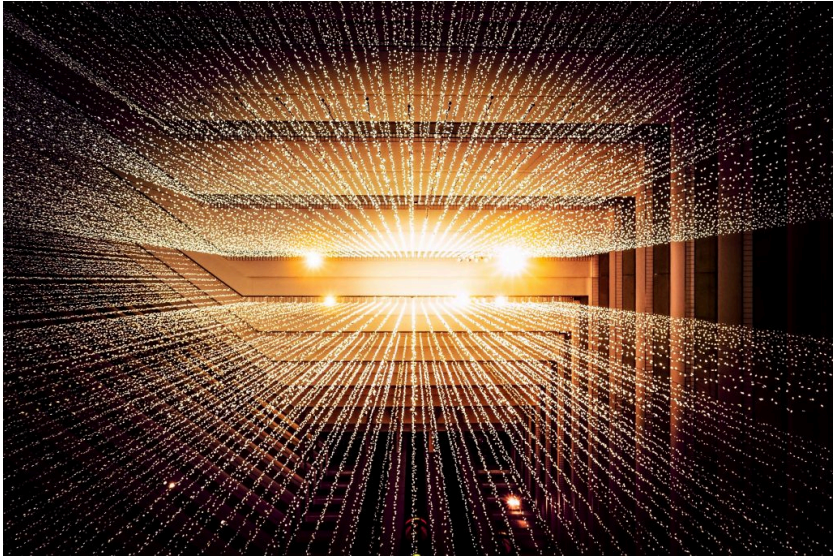
# *Technology and Global Business*

## TECHNOLOGY AND GLOBAL BUSINESS

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### Learning Objectives

LO 2.1 Explain the expected impact of technology on global business



The most visible impact of the combination of technology and open trade is the contemporary global economy. While there has been significant disruption in many sectors when companies shifted production of parts, components, subassemblies, products and also services to take advantage of arbitrage opportunities, there were important positive side effects. These include the dramatic reduction of poverty around the world by more than half, and the availability of affordable products and services to most of the world consumers. The processes of integration of economies around the world, commonly referred to as globalization, has matured bringing on some new challenges and opportunities.

The current mature phase of globalization leaves us in a global economy where products and services are readily produced, traded and consumed all around the globe. However, new challenges continue to emerge as technology further enables new techniques and capabilities, and governments and societies respond in order to adapt to a global reality.

We have witnessed some countervailing forces emerge in response to increased interconnectedness. Some of these

responses are driven by policies of the nation states concerned about sovereignty, while others are focused on addressing the impact of technology and connectedness on society and citizens. Others represent political forces harnessing the resentment of those left out or behind as a result of globalization. Examples of countervailing forces pushing back against the impact of globalization would include the protest against the WTO at the Seattle meeting in 1996, labor and social protests in France by the “gilets jaunes” (yellow vests), the rise of anti-free trade sentiments in the USA under Trump and the Brexit vote by the United Kingdom to leave the European Union.

**World Affairs** – Richard Baldwin: Globalization, Robots, and the Future of Work.



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Technology will certainly continue to have a major impact on the global economy. While the previous stages of technology development primarily displaced unskilled and blue-collar workers, new advanced technologies such as artificial intelligence and intelligent automation will increasingly displace skilled and professional workers as well as service workers, previously relatively immune to automation.

**Federal Reserve Bank of St. Louis – [Chinas Innovation and](#)**

[Global Technology Diffusion](#) by Ana Maria Santacreu and Makenzie Peake. 2019.

As technology development progresses from the current pattern-based recognition of structured data sets that inform decision-making, new technologies such as machine learning use experience-based recognition of unstructured data sets to support the better and more accurate decision-making. As a result, the role of the human worker will change as machines gain new capabilities.

We already witnessed the first stages of technology impact on the service sector when retail platforms such as eBay, Amazon and Ali Baba profoundly changed retail and wholesale business sectors. Online merchants replaced both a large number of retail giants and dramatically reduced the influence of wholesalers in the distribution of goods. This disintermediation had a powerful negative impact on the number of lower skilled and unskilled labor in the retail sector, and also started to reduce the number of more skilled workers managing product portfolios as well as those buying and contracting in retail companies. However, as machines gain the ability to diagnose illnesses, conduct diagnostic tests, and conduct discovery as well as analysis of legal documents, these tools will dramatically reduce the need for skilled specialist labor in many service and professional sectors.

Combined with impact of open borders, technology allows companies to gain influence and economies of scale that further disrupt the economies of many nations. In some cases, the winners in this disruption are advanced economy companies, but in a number of cases challengers emerged from less advanced countries. As a result of the power and influence gained by companies when they harness technology and cross border trade, the relative influence of the political leaders in many nation states decreased at the same time that multinational entities such as the European Union, NAFTA and the WTO came into their own. A number of political leaders around the world jumped on the opportunity to harness popular dissatisfaction among those that

were displaced or left behind as a result of the global economy. However, populist movements are not the only countervailing force.

Some nations such as the United Kingdom is opting to exit from the free trade regime of the European Union. China, seeing the power gained from becoming the world's factory during the 1990s slipping, is increasingly focusing on developing internal markets and consumption while fiercely protecting the data of its consumers. Fearful of the power and influence of large US companies gained from the large data sets collected from device and service users, the EU opted for strict privacy laws to protect European Union citizens and defend the positions of European companies in the retail and wholesale sectors.

Companies from emerging economies have challenged traditional leaders and several cases, both in product spaces and increasingly with service offerings. Chinese companies such as Huawei are leading the development of 5G mobile communications technologies while companies such as Alibaba, TenCent, and Baidu are pushing forward with the development and deployment of merchandising, social media, gaming, fintech, and artificial intelligence.

Companies like Baidu have invested enormous resources hiring computer engineers and data scientists to develop machine learning-based artificial intelligence that draws on the data and image capture technologies embedded in mobile and internet-of-things (IoT) devices. They see the automation enabled by the internet as a prelude to a future where business technology will transform from the business to consumer (B2C) based on business to business (B2B) based application. One important area where technology is enabling new business models in the field of finance where many existing and new players are investing in fintech. Some fintech technologies such as crypto-currencies are further reducing the impact of national and international regulatory regimes as payment instruments operate seamlessly across borders,

currencies, and legal frameworks when buyers and sellers engage in new forms of contracting.

**Bloomberg Global Business Forum** – IMF’s Christine Lagarde and Baidu’s CEO Robin Li on [Technology as a Driver of Global Growth](#).

Even well-established companies such as Ford are constantly looking at opportunities to reinvent themselves and generate new value-streams. As technologies such as 5G mobile communications, cloud-based computing as well as image and IoT data capture combine, the possibility of autonomous vehicles becomes a reality. While there would be significant value in large scale deployment of driverless cars alone, these vehicles and the technology embedded in them further make transportation much safer for all kinds of passengers.

**Bloomberg Markets and Finance** – Ford CEO Hackett: Tech is Key to Global Growth



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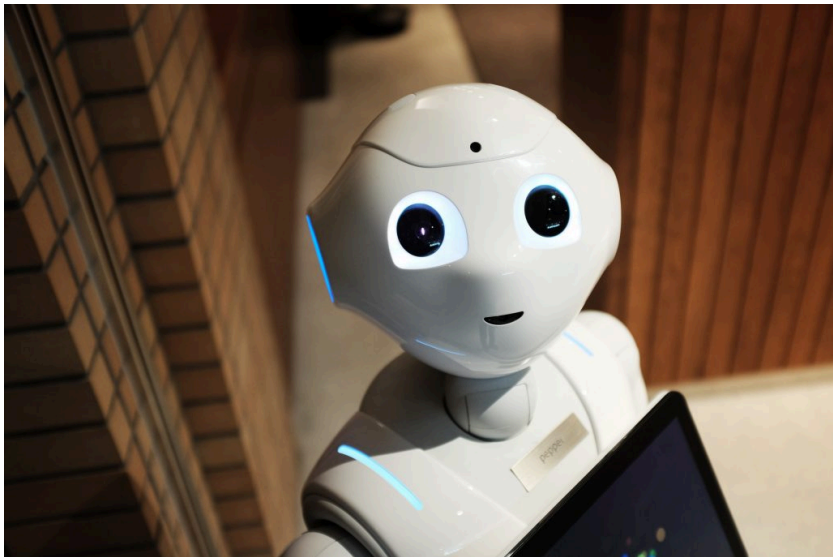
## CHAPTER 3

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# *Robots! Machines! Artificial Intelligence!*

## **ROBOTS! MACHINES! ARTIFICIAL INTELLIGENCE!**

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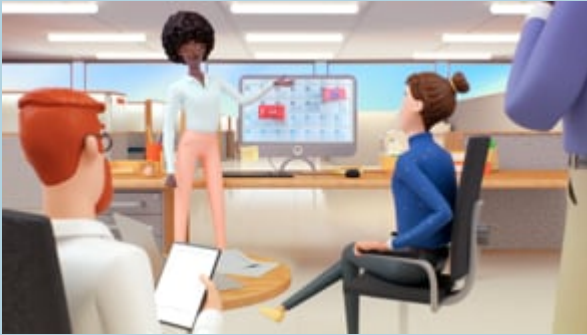


Automation was a critical component of the technology driven change that led to the Industrial Revolution. Automation at first replaced work and pack animals as a source of power, and subsequently the unskilled and semiskilled labor in factories. The economic impact of automation was enormous as it allowed for production on a scale impossible using animals and people. With the arrival of electronics, we saw automation further migrate up the value chain as semiskilled and some skilled labor were displaced by communications and information technologies.

The potential for further automation as machines become “smarter” and as artificial intelligence is applied to more knowledge intensive fields, is likely to transform the world of business in important ways. This time around the replacement is likely to include skilled knowledge and professional workers, and transform the role of management.

**Federal Reserve Bank of St. Louis** – [Will Robots Take Our Jobs?](#)  
January 2018 by Scott A. Wolla

**MediaMonks Animation** – IBM Industry's AI-powered supply chain solutions



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## CHAPTER 4

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# *Bitcoin, Blockchain*

## BITCOIN, BLOCKCHAIN

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Most business transactions involve not just the buyer and the seller, but also a number of intermediaries. Intermediaries are typical “go-between” actors such as bankers, lawyers, shippers, brokers, or wholesalers. It may also be useful to look at classifying

these between those that are truly intermediaries to the transactions and those that simply provide services that “move the transaction along.” True intermediaries such as wholesalers or certain types of agents and brokers are entities that legally take ownership of the traded goods and then “resell” these to the buyer. Service providers (sometimes called facilitators) also help the transaction but typically provide ancillary services such as bankers transferring the remittances, layers who draw up contracts, or shippers moving the goods on behalf of either the buyer or the seller.

Similarly, services are traded with the help of intermediaries and supported by service providers. Music platforms such as iTunes, Pandora, or Spotify host the music of artists around the world on their platforms. The listener pays a fee to gain access to the music and the platform provider pays a royalty to the artist when a listener plays his or her music. Your broadband or wireless service provider acts more as a service provider when you use their network to access the platforms trading in content.

In a global economy, there is a host of intermediaries and other enablers supporting the purchase transaction. These include layers, bankers, shippers, insurers, customs brokers, translators, and often chambers of commerce and government agencies supporting exports and trade.

An important component of almost every business transaction is a financial intermediary or service provider. This is the party that remits the payment for the purchase from the buyer to the seller. The financial services sector has created a host of instruments and processes to enable payment and ensure that the conditions of the transaction are met before the funds are transferred to the seller, including letters of credit, documentary collections, and networks of corresponding banks as well as international wire transfer services.

Because the typical global purchase transaction for goods also involves a time delay while goods are transported over long

distances, financial services firms and also subsidiaries of logistics service providers often support the buyers and sellers by financing the transaction during this delay, either by advancing working capital in the form of lines of credit or by discounting the invoices.

All along this chain between the seller and the buyer, a number of entities play a role, ensuring the safe passage of the goods, proper transfer across national borders in compliance with administrative procedures, storage, and delivery to the buyers. As this process unfolds a number of legal frameworks may apply as the goods or services pass through different jurisdictions. Typically, both the seller and the buyer engage legal services to protect their respective interests.

However, the bigger the distance between the parties to a transaction, the more important the intermediaries and others supporting the transaction become in establishing trust and accountability.

**Federal Reserve Bank of St. Louis – [Bitcoin: Money or Financial Investment?](#)** by Scott A. Wolla

As in many other areas of contemporary life, technology offers new ways of solving old problems and automating processes. The invention of cryptocurrencies offers an opportunity to bypass most, if not all, of the existing facilitators and intermediaries while simplifying and accelerating the processes.

Cryptocurrencies are designed to ensure that trust is established in ways similar to how intermediaries do it in traditional business transactions. Cryptocurrencies or blockchains, further promise new ways of creating value and may profoundly transform your business in the process. The impact on the financial sector would be profound as blockchains disintermediate transactions but also as blockchain asset bases transform and replace other types of assets.

**TED Talks** – Don Tapscott blockchain, the second generation of the internet and holds the potential to transform money, business, government, and society



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Blockchains could further transform a number of social and regulatory frameworks used to protect the reputation and integrity of not just the buyers and sellers, but also the supply chain itself.

**Eachmile Technologies** – Fishcoin – Blockchain Based Seafood Traceability



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## CHAPTER 5

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# *Data and Global Business*

## DATA AND GLOBAL BUSINESS

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### Learning Objectives

LO 2.2 Describe the anticipated role and scope of data on global business



One may want to argue whether data is the byproduct of the digital technology revolution or if data is the raw material enabling digital transformation. More accurately, the digital transformation we experience is the result of a close feedback loop where data enables the technology and, in the process, generates new data that is mined for value in a new cycle of digital transformation. Companies such as Amazon, Google, Alibaba, Niantic, Facebook and Apple have indeed generated significant value because of their ability to harness and harvest this dynamic. In a number of cases, the use of data by these companies have disrupted entire industries.

**McKinsey Global Institute** – [Report: The age of analytics: Competing in a data-driven world](#). 2016

This digital transformation by data is not only at play at the microeconomic level, but also at the macroeconomic level, and indeed on the scale of global trade. During the time since the end of the second world war, the emergence of the Bretton Woods institutions and trade liberalization started by the General Agreement on Trade and Tariffs (GATT), we witnessed a dramatic

growth in the trade of goods. The arrival of the Internet brought a dramatic growth in international trade in services and information and we currently see a dramatic growth of data crossing borders and driving business decisions in a global world.

The growth in data created a high demand for analytical talent that can transform the raw data into new value. The contemporary data scientists and data engineers are fast replacing that research and development scientists and industrial engineers as prime value creators. However, the role of data in business creation is still in its infancy and offers many opportunities for innovation.

It is important though to remember that technology has been transformative in general, and this is also true for digital technology. Even in the development, production, marketing and delivery of goods we can see the continued transformative power of technology, now extending further in the context of data.

**TED Talks** – Arindam Bhattacharya of BCG argues globalization is evolving, traditionally measured in goods traded but now measured in cross-border data flow.



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## CHAPTER 6

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# *Global Demographics and Global Markets*

## **GLOBAL DEMOGRAPHICS AND GLOBAL MARKETS**

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### Learning Objectives

LO 2.3 Explain the impact of changing demographics on global markets



Although we may be tempted to think of a global world as homogeneous, this would of course be a mistake. More accurate is that the global world is a complex place with a set of rapidly changing variables. Fortunately, in an era of proliferating data, we can get a pretty good understanding of patterns and developing trends.

Living in a global economy has been good for most people on the planet. People are much better off than ever before, healthier, and living much longer. Over the past 40 years, global poverty shrunk dramatically, with hundreds of millions of people leaving absolute poverty behind. During the past 15 years, the majority of people on the globe approached middle-class incomes.

This transition from poverty to making a better living was driven by trade, powered by technology. With open borders, people living in countries where their labor was relatively inexpensive when compared to the wealthy nations, were able to get jobs producing goods and services for those that could afford these. Governments saw an opportunity for economic development and actively worked to attract companies to their countries. As companies moved production capacity around the world, looking for labor arbitrage, people started earning larger incomes and gaining skills that would make them more attractive to other employers. Companies started competing for workers and slowly but surely transformed entire regions. Over time, as skillsets were developed, entire industries created clusters of suppliers in regions of the world. Transforming the concept of wealth generated through specialization first proposed by Adam Smith, regional specialization created wealth for workers as well as nations. The clustering of production capacity around specialized skills created increased competition for workers, further driving up incomes. Increased incomes, led to increased consumption and the onset of a virtuous cycle, lifting billions of people out of poverty.

**Gapminder Open Source Tools** – [https://www.gapminder.org/tools/#\\$state\\$time\\$value=2019;;&chart-type=mountain](https://www.gapminder.org/tools/#$state$time$value=2019;;&chart-type=mountain)

**TED Talks** – Hans Rosling, reviews global trends in health and economics with some surprisingly good news.



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This does not mean that the spoils of economic prosperity generated during the past 50 years have been divided equally. In developed economies like the United States of America, a significant amount of this increased prosperity accrued to a relatively small number of people, creating the perception of growing inequality not representative of the reality on a global scale. Indeed, much work remains to ensure that the frustration about the relative benefits of global prosperity is shared and does not undermine the entire endeavor.



**McKinsey Global Institute** – [Inequality: A persisting challenge and its implications](#). June 2019. Discussion Paper.

One of the reasons the spoils of the economic prosperity generated over the past decade is increasingly accruing to a subset of the population is the need for technology skills to benefit from the increasing influence of technology in our lives. The continuing trend of technology and technology-driven innovation, specifically digital technology innovation, will benefit those with technology skills favorably but disproportionately. As the workplace is transformed once again, this transformation will impact skilled workers, a subset of workers hereto rather protected from displacement by technology innovation, profoundly.

One of the most powerful transformative outcomes of specialization during the past two decades has been the dramatic growth of outsourcing by companies. Technology, specifically communications technology and the Internet, made it possible for companies to reliably transfer non-core business functions to outside vendors. This process allowed for increased value creation by the companies, now free to focus on core competencies, while the vendors offered specialized outsourced services such as information technology support, payroll, and accounting, helpdesk and customer support. These specialist firms were in turn able to create value by offering specialized expertise, improving the overall performance. While this process of outsourcing started within the advanced economies, free trade in services enabled by global communications networks led to rapid offshoring of many of the services to countries such as India, the Philippines, and Costa Rica specializing in services.

The transformation of the workplace by technology takes place in the context of both the global economy and the nation-state. Technology does not respect national borders and joined forces with the deliberate process of promoting multilateral and bilateral free trade to penetrate the most remote regions of the world. We

further saw that countries embraced technology-empowered trade to support economic development for national benefit.

However, the impact of this process of globalization produced differing results in national economies. While consumers worldwide reaped the benefits of high-quality low-cost products and services, the workers were at the mercy of economic forces looking for economies of scale, growth, and arbitrage. Not surprising, we are seeing a number of countervailing forces pushing back against free-trade and open borders, and in some cases against technology. It is therefore worth exploring the impact of global forces on different economies to better understand and anticipate potential outcomes.

In the United States of America, the digital technology transformation will continue to displace workers, also in jobs historically somewhat protected from displacement by technology on the scale experienced by manufacturing. Areas such as food service, retail, office administration, accounting, and customer service will see increased automation. Concentrations of workers in urban areas with technology skills, access to retraining, and other educational opportunities, will benefit. However, people with strong socio-emotional, creative, and higher cognitive skills are also likely to benefit from this transformation. STEM, healthcare, creative and business service sectors will likely experience growth.

Historically the USA has seen national labor mobility at very high levels. People however are increasingly reluctant to move to cities for work, and migration within the United States will be limited mostly to retirement age people moving to areas with concentrations of retirees. This will create economic growth opportunities in healthcare and services consumed by this population. However, many of these more affluent and skilled retirees are expected to remain active in the workforce for much longer.

An emerging trend is for companies to re-evaluate some of their earlier offshoring decisions as increased labor costs reduce or

eliminate labor arbitrage. Instead, companies are looking afresh at parts of the USA where the quality of life and the availability of skilled labor look increasingly attractive. This is leading to a growth in the component of the labor force doing mobile work, offering new opportunities for value creation.

**McKinsey Global Institute** – [The future of work in America: People and places, today and tomorrow](#). July 2019

**Federal Reserve Bank of St. Louis** – [A Cross-Country Comparison of Labor Force Participation](#) by Maximiliano A. Dvorkin and Hannah G. Shell.

While companies and nations compete in the global economy, people live in nations. Governments have collaborated for the past 70 years to open borders to free trade in goods, services, and capital. Today we have a delicate balance between the interest of national governments to support free trade to deliver the advantages of trade to their citizens, while at the same time, responding to the powerful economic forces at play in global business.

The makeup of a national labor force is driven by demographics, education, and training as well as migration. One component of demographics that shapes national labor force competitiveness in an important way is the birthrate. While people around the world have experienced unprecedented growth in their economic well-being over the past 40 years, people are healthier and living longer than ever before, they are also having fewer children. In 1964, the average birthrate per woman on the planet earth was just over 5.0, but by 1990 this dropped to 3.248 births per woman and by 2017 it was down to 2.432 births per woman.

While the birth rate in China has been constant at around 1.6 since 1997, in Germany the birth rate has been only 1.57 for women in 2017 after a low of 1.24 during 1994. The implications for companies doing business in either country is stark as the labor force will continue to shrink, driving up the cost of labor and reducing the number of consumers.

**TED Talks** – The workforce crisis of 2030 — and how to start solving it now by Rainer Strack.



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Another force that has an impact on national and regional demographics is migration. Migration occurs either because people move from one place to another to gain access to economic opportunity as with historical labor mobility in the USA, or guest labor from Turkey working in Germany for many years. Both of these examples occurred within the legal frameworks established by these countries. Further, there was a significant amount of labor migration from Mexico and other Central American countries into the United States since 1980, with these migrants also driven by a

search for economic opportunity and availability of jobs in the US. The US tacitly participated in this migration without creating legal frameworks and as a result, a large number of economic migrants living in the US for an extended period of time have tenuous legal status. There are also a number of examples of migration driven by conflict, war, or famine.

**McKinsey Global Institute** – [Europe's refugees: Refocusing on integration](#). May 2018.

Gender is another important component of the workforce demographic. The US started seeing changes in the gender-based participation in its workforce when women supported the world war effort and then again during the 1960s with the political successes of the feminist movement. Today women make up more than 46% of the US workforce. In Europe, the same trend started a bit later but today approaches parity. Growing the workforce of any country by adding a woman has been a powerful driver of economic growth. However, significant disparities continue to exist in the compensation rates between men and women in almost all countries.

During the past 25 years we have seen a dramatic change in economic fortunes in Asia and this is by and large mostly as a result of men earning family incomes. Should Asian countries add women to their workforce, we would see further dramatic growth. There remains significant idle economic capacity available to many countries where women do not currently participate in significant numbers and this could offer a solution to countries such as China and Japan with looming demographic deficits who will face dramatic workforce capacity reduction as a result of low birth rates over the past 15 years.

There are many reasons behind the historical under the participation of women in the workforce, with cultural and family values being the primary causes. In some parts of the world, the case is reversed with women as the primary earners of income.

**US Department of Labor, Women's Bureau** – [Women in the Labor Force: Civilian labor force by sex](#).

**Our World in Data, University of Oxford** – [Working women: Key facts and trends in female labor force participation](#).

**McKinsey Global Institute** – [The power of parity: Advancing women's equality in Asia Pacific](#). April 2018.

## CHAPTER 7

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# *Integrated Global Markets*

## INTEGRATED GLOBAL MARKETS

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## CHAPTER 8

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# *Global Supply Chains*

## **SUPPLY CHAIN SHIFTS: THE “KNOWN” AND THE “UNKNOWN”**

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### Learning Objectives

LO 3.2 Explain the impact of expected events on global supply chains





Trade is supported by a sophisticated global supply chain industry consisting of airlines, shippers, traders, rail lines, ports, customs brokers, insurers, financial intermediaries and a host of professional service firms. Technology has not only enabled the fast and reliable movement of goods, even perishable goods, around the world but also process management and tracking movement of inventories in real-time. The emergence of cryptocurrencies and block chains promise to dramatically alter and disintermediate international trade. In addition, the overall growth of data around trade flows and technologies such as the Internet of things (IoT) will continue to support the flow of goods and services across borders, while the rate and complexity of data produced will be unprecedented. As in many other areas of business, big-data holds much promise only if the data can be collected, stored, understood, interpreted, and used to impact decisions by management.

**EY Ernst & Young** – [Digital supply chain: it's all about that data](#)

Some countervailing forces are pushing back against the growth of free trade across open borders. For example, there is a common belief that the reduction in manufacturing employment and trade deficits in the United States are the result of companies moving offshore to take advantage of labor arbitrage. However, we have seen that the growth in free trade across open borders went hand-in-hand with the impact of technology in the later stages of the industrial revolution. A close study of the impact of technology on labor productivity shows that rapidly rising labor productivity was responsible for 85 percent of employment reduction while increased imports over exports explain only 15 percent of the change. (Kehoe, Timothy J.; Ruhl, Kim J., and Steinberg, Joseph B. "Global Imbalances and Structural Change in the United States." *Journal of Political Economy*, 2018, 126(21).). While one may be able to show that trade is only marginally responsible for job losses, companies will need to be ready to respond to policy changes that may result from common perceptions.

It is not clear if the political manifestations of this pushback in the form of BREXIT and the US tariffs on imports will be a longer-term trend, businesses will need to anticipate that there will be some change.

**Federal Reserve Bank of St. Louis** – [Trade Adjusts Gradually After Trade Liberalization by Fernando Leibovici and Jonas Crews](#)

**Federal Reserve Bank of St. Louis** – [Understanding the Trade Imbalance and Employment Decline in U.S. Manufacturing](#) by Brian Reinbold and Yi Wen

Regardless of the political support in the United States for addressing potential risks associated with climate change, the fact that most companies have at least an indirect global footprint by way of suppliers and customers, forces management to think about the issue. Since all goods moving around the world travel at least part of the time with transportation powered by CO2 emitting propulsion, supply chain operators are already looking at ways

to mitigate risks associated with CO2 emissions and engaging in a number of approaches to address their climate impact.

In a number of countries, companies also need to consider the reverse supply chain as governments seek solutions for waste reduction and addressing environmental concerns.

### Learning Objectives

LO 3.3 Identify causes of unpredictable events and the effects on global supply chains

No matter how careful the planning and thorough the implementation, supply chains are occasionally disrupted due to unforeseen circumstances. Sometimes disruptions are minor or temporary and at other times may be significant. Disruptions may result in a complete breakdown of the supply chain or at other times goods may continue to flow but with an anticipated additional cost. One example is the \$1 billion impact in unexpected tariffs on imported steel the Ford Motor Company incurred in 2018.

**Bloomberg Markets and Finance** – Ford CEO Says Metals Tariffs Took About \$1 Billion From Profits



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Tariffs and trade tensions between China and the US also had an unanticipated impact on soybean, agricultural equipment and fertilizer trade.

**IBISWorld Analyst Insights** – [Global US-China Trade War: Exposed Agriculture and Manufacturing Industries](#) by Nick Masters, Lead Industry Research Analyst Dec 10, 2019

A number of other potential disruptors of global supply chains include:

- Unexpected price change is due to tariffs or changes of ownership
- Geopolitical instability such as trade conflicts, terrorism, or war
- Labor disputes and strikes along the supply chain
- Cyber-attacks or drones threatening aircraft
- Health scares and pandemics.

## CHAPTER 9

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### *Foreword*

## **PART II**

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# **NATIONAL CONTEXTS**

## **NATIONAL CONTEXTS**

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## CHAPTER 10

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# *Integrated Global Business System*

## INTEGRATED GLOBAL BUSINESS SYSTEM

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### Learning Objectives

LO 4.1 Describe the interplay between political, social, cultural and economic systems in the creation of national policies



While we today live and operate businesses in a global economy, this is a system of institutions and nations, with collective rules created to support the free trade of goods services, capital, and ideas across borders. Some nations engage at a multilateral level through institutions such as the World Trade Organization (WTO), World Bank, International Monetary Fund (IMF), and the United Nations (UN). Other nations prefer some independence and engage bilaterally, on their own with one other nation at the time. Together, we have seen the emergence of a rules-based free-trade regime leading to borders much more open than ever before. Countries do still have their differences on policies, and certainly, globalization has not erased social, cultural, economic, or cultural differences.

Indeed, historically, nations were the power brokers, the entities that determined the relations, activities, rights, and privileges of all their citizens. Nations were also the entities that embarked on the road of creating cross border institutions and frameworks to facilitate trade between them as a way to achieve collective prosperity. In the process, empowered by technology, competition

shifted from between nations to between companies trading across the national borders. Today there are a number of companies with revenues and budgets larger than many countries, giving leadership in these companies extraordinary power and influence.

**TED Talks** – The global power shift by Paddy Ashdown



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At another layer, below that of the country, we find cities

increasingly rising to their own as they exert oversized power within nations because of their economic influence. Cities are not only important because of their economic influence within nations but there they forge new networks as urban centers cooperate and collaborate to solve common problems.

**TED Talks** – How megacities are changing the map of the world  
by Parag Khanna



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We have seen how the process of combination of technology and trade drove globalization and landed us in a global economy. Also examined how countervailing forces are at play. There is indeed today a trend of reversing some of the influence of globalization

with the reemergence of nationalism. This is to be expected as power shifts within a global system made up of cooperating nations, each with different interests and priorities.

**TED Talks** – Can nationalism and globalism coexist? by Wanis Kabbaj



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Because of the interplay between global forces and those at the national and sub-national levels, when a company makes decisions related to conducting business across national borders, it is important to look at a number of dimensions or variables, all interacting with various implications and outcomes. Over the years, a number of frameworks have been developed to assist decision-

makers in assessing the relative attractiveness of different national markets when doing business across borders.

One popular framework used in the discipline of international business is PESTEL for the framework.

**Saylor Academy** – [8.2 PESTEL, Globalization, and Importing](#). International Business

Another framework comes at the challenge with a somewhat different approach. Ghemawat argues that the challenges in cross-border activity are the result of distance or the difference between any two given nations on several dimensions. He proposed the CAGE framework to assist in assessing the attractiveness of different national markets.

**Saylor Academy** – [8.4 CAGE Analysis](#). International Business

## CHAPTER 11

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# *Laws and Legal Systems*

## LAWS AND LEGAL SYSTEM

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### Learning Objectives

LO 5.1 Compare and contrast the impact of different national legal systems and their implications for business decisions, investors and management



Different countries have different laws because each country has the ability to pass new laws based on the authority of the government. In some cases, these laws are made by democratically elected legislatures and in other countries purely at the will of autocratic leaders. However, these laws typically connect to other laws already in effect in the country and over time a number of legal traditions have developed that shape legal traditions within a country.

Countries also influence the legal traditions of other countries, often as a result of historical connections. For example, many former British colonies have some form of common law, while former French colonies use a legal code that underpins all legislation. In some countries, religious foundations and the power of religious leaders shape all laws to conform with the interpretation of religious authorities.

Legal systems in most countries are also subdivided into areas of influence. For example, businesses dealings and contracts in many countries are subject to commercial laws heavily influenced by the legal traditions of major trading partners, while family and



social legal matters may remain unchanged and dominated by deep cultural values.

There exist also a set of international legal frameworks that guide matters of international importance and in a number of cases regional legal frameworks. Whenever a company does business across national borders, management needs to understand that each jurisdiction has a different set of laws and that these need to be considered carefully.

Although it is important to make sure one does not violate the laws in any jurisdiction where you do business, it is also important to understand that there is a difference between not breaking the law and behaving in an ethical manner. There are many cases where behavior is clearly in violation of social values and standards while not breaking any laws. It is therefore important to understand that legal compliance is often a bare minimum level, but that higher standards need to be met to comply with cultural norms for behavior.

As technology empowered the development of the global economy allowing companies to conduct business around the globe it also empowered these to navigate the legal limitations created by national policies, rules and laws, creating opportunities to skirt around laws and select countries or jurisdictions favorable to certain types of business dealings. While companies are able to be efficient and effective in their global operations, others are empowered to operate illegally with little accountability.

**TED Talks** – Meet global corruption's hidden players by Charmian Gooch



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**TED Talks** – What really motivates people to be honest in business?  
by Alexander Wagner



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## CHAPTER 12

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# *Countries and Nations*

## COUNTRIES AND NATIONS

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### POLITICAL RISK AND CHANGING NATIONAL PRIORITIES

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#### Learning Objectives

LO 4.2 Identify examples of national government policies as sources of political risk



The nation-state remains the building block of the contemporary international political system. Each country in the world has, by definition, its own political system. Political leaders shape the priorities of national governments. When there is mismatch between the direction political leaders deem appropriate and those important to the polity, nations sometimes change their leaders to reflect their priorities. This is easier to do in some countries than in others.

In order to plan and ensure success, businesses interested in in any given country will need to understand the policies and political priorities of the target country. Sometimes there may be a mismatch between the intent of the company and the policy priorities of a nation and management needs to understand the political consequences and plan accordingly.

In a global world with interdependence and interconnectedness between national economies as well as the ubiquitous accessibility of news and information at all times, political priorities also span beyond the borders of any given nation, bringing a new set of considerations to play. Prudent management constantly monitors

changing situations, trends and issues to adjust plans accordingly. These forces may play out not just at a national level, but also at regional or subnational level.

**Federal Reserve Bank of St. Louis** – [Falling Oil Prices Create Winners](#) and Losers by Scott A. Wolla

As a result of the dramatic changes brought on by the technology revolution and free-trade, top management faces new challenges with respect to national political priorities.

**Federal Reserve Bank of St. Louis** – [Global Monetary Policy Amidst Deflationary Concerns](#) by Ana Maria Santacreu.

There is a fundamental shift in the political power taking place, away from national governments and in favor of business leaders. With access to global supply chains, companies can rapidly shift resources to take advantage of any new opportunities. Yet, as these business priorities shift people often find themselves unable or unwilling to adjust to the changes. The contemporary backlash against integration as evidenced by Brexit and the tariffs imposed by the United States since 2017, reflect the actions of politicians responding to these sentiments in making policies.

However, unless we are prepared to return to an era of national protectionism policies and isolation, business leaders need to become active participants in shaping new political agendas. This will need to start with asking the questions about how people and companies create value in an era of global business and how to create value that is embraced by national and global citizens.

**TED Talks** – What is economic value and who creates it? by Mariana Mazzucato



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**TED Talks** – The dirty secret of capitalism and the new way forward  
by Nick Hanauer



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## CHAPTER 13

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# *Culture and Values*

## CULTURE AND VALUES

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### Learning Objectives

LO 6.1 Explain the effect different cultural values have on business decisions



Countries are made up of people going about their business on a daily basis. The behavior of people is shaped by the values and mores of their parents, families and societies. While there are many cases of a close match between the value sets of people and national borders, this is not always the case. In a number of cases the cultures represented by specific value sets cross over national borders and in other cases multiple cultural value sets reside in one country.

While it may appear rather obvious that different groups of people have different cultural values and norms, it is not obvious to a person in a specific culture that what they hold dearly is not shared by others. It is indeed only when coming across someone from a different culture that this becomes apparent. The first signs are often misunderstandings where there should be none.

Operating across borders typically means doing business with people from different backgrounds and this poses significant challenges to businesses. Managers need to be aware that what appears obvious in many cases may be highly dependent on the cultural frameworks for the respective cultural representatives. Successful international managers are able to function in seemingly contradicting situations because they are flexible and comfortable with ambiguity.

**TED talks** – East versus west – the myths that mystify by Devdutt Pattanaik



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There are also times when a parent cultural differences at the surface level may require solutions that look just like those in a very different cultural context.

**TED Institute** – 3 Lessons on success from an Arab businesswoman by Leila Hoteit



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## **PART III**

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# **CROSSING BORDERS**

## **CROSSING BORDERS**

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## CHAPTER 14

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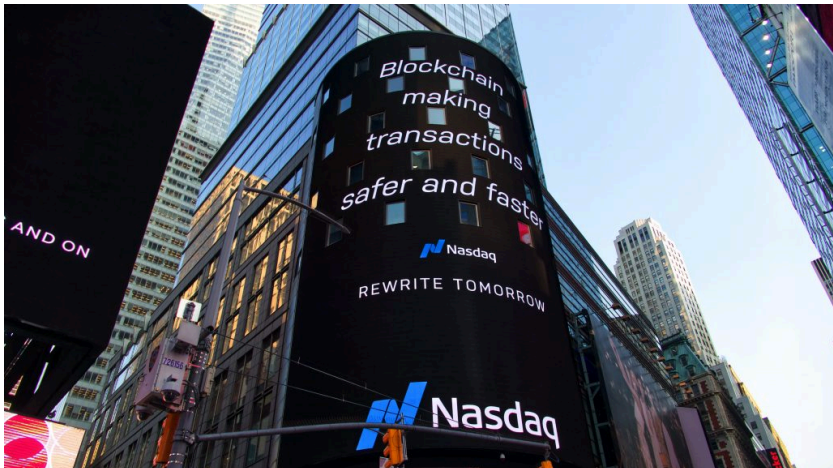
# *Global Supply Chains*

## GLOBAL SUPPLY CHAINS

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### Learning Objectives

LO 8.1 Explain the scope and the nature of contemporary global supply chains in terms of quantity



The dramatic growth in global trade over the past century initially occurred mostly in terms of goods. As measured by goods exports, trade today is more than 33 times higher than in 1950.

In 1950, exports also made up 9.6% of global production and today approximately 25% of global production is exported.

This trade in goods is supported by sophisticated global supply chain industry including planes, ships, trains, trucks, ports, customs brokers, and insurance companies, as well as financial and professional services.

**KILN** – [Shipmap](#)

Traditionally, international trade consisted of the flow of goods across borders. However, this changed dramatically after the Uruguay Round of trade negotiations opened services and capital flows around the world to free trade. Today, block chains promise to further dramatically disintermediate international trade as does the data available to understand trade flows.

There are a host of data sources and interesting analysis of international trade available from the World Bank, the WTO, United Nations COMTRADE database, at the University of Oxford.

**University of Oxford** – [Our World in Data: Trade and Globalization](#)

**UN Comtrade** – [Global Trade Data](#)

**World Bank** – [World Integrated Trade Solution \(WITS\)](#)

**World Trade Organization** – [Quantitative information on trade flows, tariffs, non-tariff measures \(NTMs\) and trade in value added.](#)

## CHAPTER 15

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# *Global Financial Markets*

## GLOBAL FINANCIAL MARKETS

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### Learning Objectives

LO 3.5 Explain the interaction between currency markets, interest rates, inflation and the value of local currency to support business decisions

**Federal Reserve Bank of St. Louis** – [Will Bitcoin: Money or Financial Investment?](#) March 2018 by Scott A. Wolla

**Saylor Academy** – [Understanding International Capital Markets](#).  
International Business

## CHAPTER 16

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# *Turbulence in Financial Markets*

## TURBULENCE IN FINANCIAL MARKETS

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### Learning Objectives

LO 3.6 Compare the implications of currency devaluation, appreciation and fluctuation in a given business sector





## **PART IV**

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# **INDUSTRY AND SECTOR CONTEXT**

## **INDUSTRY AND SECTOR CONTEXT**

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## CHAPTER 17

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# *Economic Complexity*

## ECONOMIC COMPLEXITY

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### Learning Objectives

LO 9.1 Compare the economic complexity of countries, industries and business sectors



In a global economy companies are able to move resources, production capacity and operations around to take advantage of talent and labor pools, production inputs as well as capital markets. This ability to leverage global supply chains allows for flexibility but also for value creation in ways and places previously at a disadvantage. In the process, the comparative advantage of nations is transformed into flexible resources for companies. National governments, in turn, develop incentives (and sometimes disincentives) to steer companies in directions under the guidance of policy priorities.

It is not only the comparative advantage a country has in specific fields that are important, but the need for a country to increase the role it plays in the value chains of industries and sectors. In the process, countries acquire know how that can be leveraged further to increase national participation in value creation. This process is akin to the transformation countries experienced as a result of companies seeking labor arbitrage opportunities during the 1980s and 1990s. Companies first entered places such as China looking

for cheap labor. As other companies followed looking for similar advantage, employees who gained some skills could compete for new jobs and participate at higher levels of economic value, setting off a process of transformation from low skilled low-wage environments to semi-skilled labor and even highly skilled specialized work. Along came prosperity, and also economic complexity.

**CID Harvard** – Why are some countries poor? by Ricardo Hausman



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### **CID Harvard** – What is knowhow? by Ricardo Hausman



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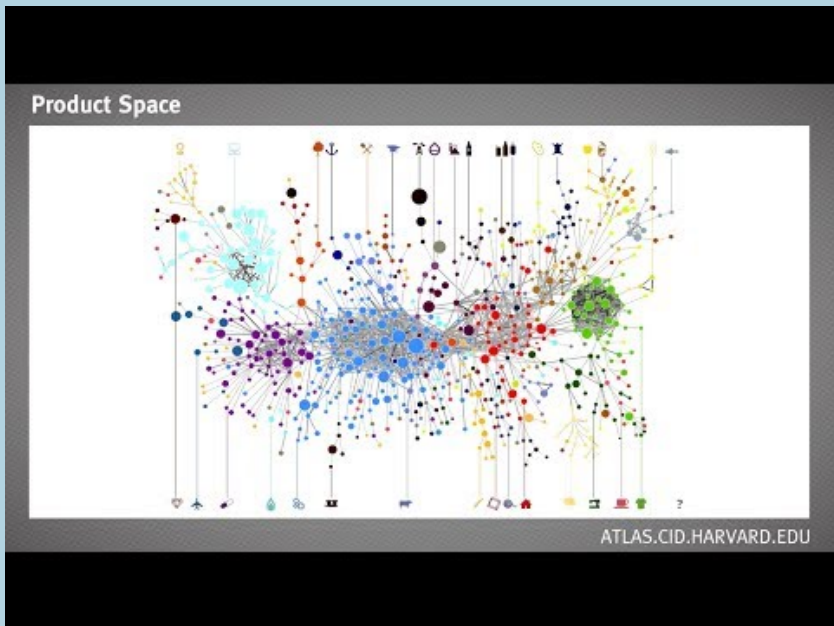
When studied closely, one can see the process of up-skilling and increasing economic complexity is not random but rather driven by national policies and incentives. Rather, skills develop in related task-sets and up-and-down the value chain an industry or sector. The resulting network of related activities leads to the development of economic clusters, with the companies with similar or related processes and technologies co-locating. This can lead to rapid increases in economic value produced in a country because of increased economic complexity.

**CID Harvard** – What is Growth Diagnostics? by Ricardo Hausman



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**CID Harvard** – What is the Product Space? by Ricardo Hausman



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**CID Harvard** – [THE ATLAS OF ECONOMIC COMPLEXITY](https://atlas.cid.harvard.edu/)  
[The Observatory of Economic Complexity](https://oer.gsu.edu/globalbusiness/?p=129) by Alexander Simoes

## CHAPTER 18

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# *Adapt, Aggregate or Arbitrage*

## **ADAPT, AGGREGATE OR ARBITRAGE**

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### Learning Objectives

LO 10.2 Determine the international aggregation, adaptation and arbitrage opportunities for a specific company





Companies have number of options available that allows them to create value. Three important strategy options include aggregation, adaption or arbitrage. Aggregation allows companies to compete by taking advantage of economies of scale or scope and typically allow for pricing advantages. Competition by adapting or differentiating an offering to the specific needs of the buyer allows companies to segment markets and demand a competitive advantage often associated with premium pricing. A third option often use in global business takes advantage of the ability of a company to offer jobs, sales opportunities, products or services to sellers and buyers typically facing some barrier that precludes them from easy access to markets. These opportunities last only for as long as the market impediments persist.

**Saylor Academy.** [Fundamentals of Global Strategy v. 1.0.](#)  
[Publisher:](#) Year Published: 2012

Technology will continue to offer novel opportunities to companies to boost employment, productivity and growth.

**TED Institute** – The next manufacturing revolution is here by Olivier Scalabre



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**PART V**

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**FIRM**

**FIRM**

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## CHAPTER 19

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# *Global Value Chains*

## GLOBAL VALUE CHAINS

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## CHAPTER 20

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# *Functional Experts*

## FUNCTIONAL EXPERTS

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## CHAPTER 21

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# *Technical Experts*

## TECHNICAL EXPERTS

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## CHAPTER 22

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# *Dynamic Global Competition*

## DYNAMIC GLOBAL COMPETITION

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## CHAPTER 23

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# *Ideas, Values and Global Competition*

## IDEAS, VALUES AND GLOBAL COMPETITION

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## CHAPTER 24

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# *Decisions and Complexity*

## DECISIONS AND COMPLEXITY

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# *Appendix*

This is where you can add appendices or other back matter.