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International Business and Globalisation

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ABSTRACT

The world is evolving, and with it trade and businesses are undergoing huge changes. Goods and services from any country are easily available all over the world, and while the roots of globalisation are pretty old, this facet is quite new. Globalisation describes the ways in which "National and regional economies, societies, and cultures have become integrated through the global network of trade, communication, immigration and transportation". Globalization has come under fire in recent years, with people in some countries becoming increasingly frustrated with the uneven distribution of its gains. But weaknesses in management or execution should not be allowed to obscure globalization's far-reaching potential benefits, including its promotion of productivity-enhancing technology transfer and innovation worldwide. As the April 2018 issue of the International Monetary Fund's World Economic Outlook points out, globalization – encompassing freer trade, increased foreign direct investment, and the international use of patents and copyrights – has substantially bolstered the diffusion of knowledge and technology. The increased international competition associated with globalization may also contribute to overall prosperity, as it strengthens incentives to adopt new technologies and to innovate.

Keywords: Economic growth, emerge, integration, international business, investment

INTRODUCTION

What is globalisation?

Globalisation is the process by which the world is becoming increasingly interconnected as a result of massively increased trade and cultural exchange. Globalisation has increased the production of goods and services. The biggest companies are no longer national firms but multinational corporations with subsidiaries in many countries.

Globalisation has resulted in

- Increased international trade
- A company operating in more than one country
- Greater dependence on the global economy
- Freer movement of capital, goods, and services
- Recognition of companies

Reasons for globalization

- Improvements in transportation.
- Freedom of trade
- Improvements of communications
- Labour availability and skills

Transnational corporations

Globalisation has resulted in many businesses setting up or buying operations in other countries. When a foreign company invests in a country, perhaps by building a factory or a shop, this is called **inward investment**. Companies that operate in several countries are called multinational corporations (MNCs) or transnational corporations (TNCs).

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Objectives

- To understand what is Globalisation
- To develop understanding on the Global change
- To understand the impact of globalisation on TNCs
- To understand how globalisation is affecting on international business and investment with an innovative approach

Research Methodology

It is mainly based on secondary data.

Factors attracting TNCs to a country may include

- Cheap raw materials
- Cheap labour supply
- Good transport
- Access to markets where the goods are sold
- Friendly government policies

Positive impacts of globalisation

- Inward investment by TNCs helps countries by providing new jobs and skills for local people.
- TNCs bring wealth and foreign currency to local economies when they buy local resources, products and services. The extra money created by this investment can be spent on education, health and infrastructure.
- The sharing of ideas, experiences and lifestyles of people and cultures. People can experience foods and other products not previously available in their countries.

Negative impacts of globalisation:

- Globalisation operates mostly in the interests of the richest countries, which continue to dominate world trade at the expense of developing countries.
- There are no guarantees that the wealth from inward investment will benefit the local community. Often, profits are sent back to the MEDC (more economically develop country) where the TNC is based.
- An absence of strictly enforced international laws means that TNCs may operate in LEDCs (Less Economically Developed Country) in a way that would not be allowed in an MEDC. They may pollute the environment, run risks with safety or impose poor working conditions and low wages on local workers.

International Businesses

International business is a world rife with possibilities as well as cut-throat competition. In order to compete it is very important that the products or services of a particular business are better than its competitors. Businesses are evolving. Globalisation has opened up the world of opportunities as well as created a host of other factors that an organisation has to consider if it has to survive in this new world.

The volume of world trade has increased many folds since the 1950s. The opening up of economies as well as the creation of new opportunities has resulted in an increase in productive potential as well as evaporating the barriers to economic investment. The world has become a global market.

There are various ways through which the world of international business operates. It is quite important to note that all these ways have something in common, and that is the urge for global outreach.

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How is international business done?

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- **Import and export of merchandise**

Merchandise means tangible goods that are brought in from a foreign country or that are sent over to a foreign country for sale.

- **Import and export of services**

Services are intangible or non-merchandise products. They include transportation and tourism. For example, a British citizen travelling to India using Air India and staying in an Indian hotel represents service export income for India and service import expenses for Britain.

Global Investments

The foreign investments are of two types: FDIs or Foreign Direct Investment and Portfolio investment. Foreign direct investment is used when the company wants to gain a controlling interest or the sole ownership of a business. Portfolio investment is a form of non-controlling interest.

International businesses have made the world much smaller and also had a huge impact on the way business is conducted. This is visible in the various ways that have been adopted to transact business all over the world.

EFFECTS OF GLOBALISATION ON BUSINESSES – POSITIVE

Competition

Globalisation leads to increased competition in businesses. The competition can be related to product and service cost or price, target markets, technological adaptation etc. When a company produces with less cost it is able to increase its market share. Due to competition growth companies and foreign brands have been compelled to improve their standards and consumer benefits which have positively affected many people globally.

Innovation

The desire to make a profit has always been an urge to expanded trade, innovation, and the communication of ideas.

Rise in Technology

Globalisation has also allowed a significant rise in the level of technology used in today's world. Many entrepreneurial and internationally oriented firms have obtained the help of technology to exploit new business opportunities. A good example of this would be the increasing usage of E-commerce procedures in majority of businesses.

Technology is also one of main tools of competition and the quality of goods and services. Most companies in capital intensive markets are at risk and that's why they need good and efficient technology and R&D management.

IMPACTS OF GLOBALISATION ON BUSINESSES – NEGATIVE

Fluctuation in Prices

Globalisation has led to fluctuation in price across the globe in various areas.

Due to increase in competition, business firms in developed countries are forced to lower their prices for their products. A big example of this is countries like China produce goods at a much lower cost than other countries which lead other firms and organizations in other parts of the world lower their prices to maintain customer satisfaction and loyalty.

Job Insecurity in Business

In developed countries, the risk of job insecurity is increasing. Globalisation has led to firms outsourcing their jobs to developing countries, which have led to lesser jobs in developed countries. Outsourcing occurs

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because businesses want to manufacture their products at a cheaper rate, which is possible in developing countries such as India, China where manufacturing costs and wages are lower than highly developed countries.

CONCLUSION

To summarize globalisation can be said to be good, bad and inevitable. People want the good to outweigh the bad but prolonged exposure to globalisation is something that is inevitable. The idea of globalisation is making everything available at places hitherto considered difficult for business, as well as the utilisation of resources that are useful, but are not easily available. In a real sense globalisation ushers in an era of oneness that was not there before. The only solution is to make use of resources of the world in the best manner possible for both the betterment of businesses and society.

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