

Question No.2 b) Explain various approaches to globalization of the firm



Solution: From the point of view of international business globalization of the firm is very important. There have been a number of approaches to globalization of the firm which are given below:

1. The Globalization according to Levitt of Harvard Business School was referred to as an alleged consequence of markets in the world. It is the emergence of global markets for standardized consumer products enabling a firm to benefit from enormous economies of scale in production, distribution, marketing and management. The impact of technology would be toward further standardization. According to Levitt a successful globalized corporation does not abjure customerization or differentiation and for the requirements of markets that differ in product preferences, spending patterns and shopping preferences. Global Corporations accept these differences only reluctantly.
2. In the Japanese view as presented by Ohame Kenichi Globalization is understood as a 'business chain'. A business chain comprises a firm's main activities such as Research and Development, engineering, manufacturing, marketing and sales and services. He distinguishes five steps in globalization of a firm. Each of these steps involves the transfer of activities in the business chain to a foreign location. it is in reference to development in the 1980s. Since 1980s had been dominated by unprecedented flows of foreign direct

investment as has been seen, mergers and acquisitions and strategic alliances as well as by ever-fiercer competition from Japanese and South East Asian firm.; Ohame argued that these developments would constitute a new era in international business. Companies and customers horizons would stretch, 'beyond national borders', they would become global citizens.

- a) Export: The entire range of activities is performed at home. Exports are often handled by an exclusive local distributor.
- b) Direct Sales and Marketing: If the product is accepted in the overseas market, it will lead to establishment of an overseas sales campaign to provide better marketing, sales and service & functions to the customers.
- c) Direct Production : This step involves the establishment of local production activities.
- d) Full Autonomy : All activities of the business chain as mentioned above are transformed to the key national markets.
- e) Global Integration : In the ultimate stage of globalization. according to Ohame, companies conduct their R & D and finance their cash requirements on a worldwide scale and recruit their personnel from all over the world.

3. Globalization is also presented in management centred concepts especially of Japanese firms (i) Management Centred around the head office; (ii) Management delegated to overseas operating units (iii) Management centering overseas operating units with regional coordination; and (iv) Management with a global perspective and conscious integration of total system and sub-system.

4. The fourth globalization strategy that of global supplies is one of export centred global expansion. All systems such as R & D, procurement, sales, marketing, distribution and the organizational structure are designed so as to enhance export of products manufactured in the home country in such an operation.

This process consists of four stages: (i) creation of a global vision, (ii) integration of overseas organization and establishment of multiple corporate headquarters; (iii) promotion of a global hybridization process; and (iv) globalization of personnel administration and the cultivation of entrepreneurial middle management.

5. Porter's View of Globalization: An industry can be defined as global if there is some competitive advantage to integrating activities on a worldwide basis. To diagnose the sources of competitive advantage in any context, domestic or global, it is necessary to adopt a disaggregated view of the firm which Porter calls 'Value Chain'. "Every firm is a collection of discrete activities performed to do business in its industry", which he calls 'value activities'. The activities performed by a firm include such things as sales people selling the product, service technicians performing repairs, scientists in the laboratory designing products, processes or accountants keeping books. These functions are technical and physically distinct. The firm's value chain resides in a larger stream of activities termed as value system. Suppliers have value chains that provide the purchased inputs to the firm's chain, buyer's have value chains in which the firm's product or service is employed, channels have value chains through which the firm's product or service passes. The connections among these activities become essential to competitive advantage. Value chain concept needs the notion of competitive scope. Competitive scope is the breadth of activities the firm performs in competing in an industry. There are four basic dimensions of competitive scope. They include: Segment scope, industry scope, vertical scope and geographic scope.

6. Michael Taylor and Nigel Thrift considered that the emerging global corporation was the result of the complex process of interlocking between the relatively autonomous development sequences of subsidiaries, branches and affiliates. These firms grow into complex international economic network.

7. Globalization: A Macro-Fordist view: This approach has been developed by Wisse Dekker, former president of Philips who calls it "transnationalization of business". Dekker defines globalization as a relatively early stage in the internationalization of the firm. According to him transnationalization takes place in the following steps.

The local enterprise produces and sells in one and the same country.

FOR MORE NOTES VISIT: <http://eduspeaks.com/>

The international enterprise still produces entirely or predominantly in the parent country but establishes sales in foreign markets. International firms are characterized by a strong central organisation.

The global enterprise is transferring part of its production process abroad – often limited to assembling – to circumvent input barriers or because of transportation costs;

Multinational enterprise has complete production facilities, sometimes even R & D in a host of countries. The MNC often has a federal structure, a network organisation in which synergy plays an important role. Production in many cases is no longer local for local.

FOR MORE NOTES VISIT: <http://eduspeaks.com/>