

Lecture 3 Managing in a global environment

- Why do we go international?
- International agreements and economic alliances
 - GATT (General agreement on tariffs and trade)
 - GATT led the creation of Uruguay round
- Economic alliances among nations
 - Goal is to form regional cooperation for common interests.
- EU (European union)
 - 15 members mostly referred to as Western world.
 - Facilitate interstate commerce
- NAFTA (North American Free trade Agreement)
 - Formed in 1994; USA, Canada, and Mexico.

-ASEAN

-SAARC

-Multinational company (MNC)

-When a company does business in two or more countries.

-Products/services to offer

-Shot in the dark method:

-Phased internationalization:

-Gradual entry in foreign market.

-Mode of entry

-4 ways to entry mode:

-Sourcing:

-Its like sub contract

-Takes advantage of cheap labor, technical expertise.

-Export:

-Selling a product abroad without establishing any facility.

- Export intermediaries:

- Merger

- Join ventures

Acquisition

- Licensing

- Allows a firm to use the trademark, technology of exporter in exchange for fixed licensing fees and royalties per sales.

- Partners bind themselves into written contract about how to resolve disputes

- Franchising

- Foreign Direct Investment

- Heavy financial commitment

- Product is made start to finish into the foreign country.

-Environment of a MNC manager

-1. Culture:

-Represents values, beliefs, norms, rules, laws, habits etc that an individual acquires as a member of a society.

-2. Economics

-MNC should be concerned of host country's

-Income level

-Economic growth, GDP

-Rising direct investments

-3. Politics:

-reflect good relation between two countries.

-Conflicts occur because of

-Hiring local employees results in disputes

-Transparency into the product formula

-Ownership percentile disputes

-Fund transfer disputes-Remittance

-Political risk analysis:

- MNCs send reps to foreign countries.
- Reps meet with govt. officials, bureaucrats, and opposition leader.

-Management in a MNC

-Planning:

- Planning in domestic market cannot be same for international.

-Organizing:

- Organization structure must be as per local environment.

-Leadership:

- Individuals who influences the behavior of others positively.
- Managers must be good leaders in dealing with diverse people.

-Controlling:

- The more global you become the more its challenging to manage.
- Audit between actual performance and budgeted.

-Expatriate: