

DBA 304

International Business Finance



Week 3

Globalization

- Unstoppable integration of markets, technologies, etc enabling businesses to reach around the world faster, farther, deeper and cheaper than before.

Globalization

Divided into:

- Strategic Imperatives/importance; to motivate globalization
 - leverage a firm's core competencies
 - acquiring resources at low cost
 - expanding into new markets
 - competing with industry rival
- Environmental changes; to facilitate globalization
 - changes in political environment

Leverage A Firm's Core Competencies

- Distinctive strength/advantage central to a firm's operations
- Firms able to increase or maintain their revenues and profits
- E.g. Nokia, SIA

To Acquire Resources And Supplies

- To acquire material, labour and technology
- Sources are either scarce or unavailable
- E.g. Oil from Middle East

To Seek New Markets

- Common motive for expansion
- Lowering costs and increase production
- Diversifies firm's revenue stream; less dependent on sales to one country in case economy falls
- E.g. Colgate, Unilever

To Better Compete With Rivals

- Leading firms continuously attack and counterattack each other to prevent their rivals from monopolizing the country
- E.g. Coca-Cola and Pepsi