Introduction to Business Administration Lesson 4

4. Globalization, its international role, and the challenges of the administrator

Globalization is important for business and industries of all types and sizes.

Businesses are becoming increasingly borderless, and Globalization provides corporations with a chance to supply growing markets.

It is a complex combination of opportunities and threats, due to many rules and regulations among many different countries.

Globalization has a direct role in international trade

Involvement includes

1. Import/Export
2. Direct Investment
3. Franchising
4. Contract Manufacturing
5. Joint Ventures & Alliances – to open new ventures alongside existing native companies. China requires this.
6. The multinational Corporation (MNC) – Corporations with different divisions/offices all over the world

The major players in the world economy is

1. United States
2. Europe
3. China
4. Japan
5. Germany

Ways a company can make an investment in another country and become global

1. Direct acquisition of a foreign firm
2. Ownership and operation of a foreign facility

3. Investment in a joint venture
4. Strategic alliance with a local firm

United States and France are the top two nations with investments in other countries.

Two types of International Development Strategies:

<mark>Multinational Strategy</mark>

- Customizing and adapting products, promotion and distribution to the local market.

<mark>Global Strategy</mark>

- Standardizing products, promotion, and distribution to one world market

<mark>Challenges of Globalization:</mark>

- Adapting to different cultures
- Operating under various legal systems
- Studying the markets of different nations
- Preparing and implementing appropriate strategies

It is encouraged to visit, and spend time in a country prior to starting a firm in a different country in order to get direct experience.

4.1 Communication in the organization and society

Knowing about organizational communication is important because organizational communication provides the basis for understanding virtually every human process that occurs in organizations.

<mark>Organizational communication structure</mark> – the system of pathways through which messages flow.
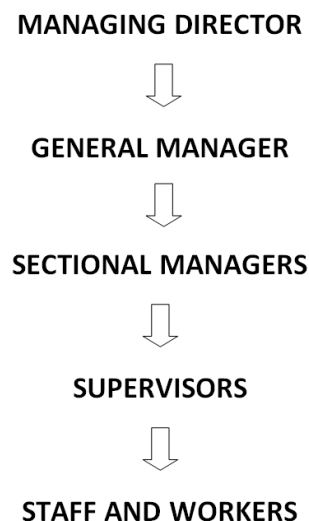
Two Types of Channels

1. Formal
2. Informal

==Formal Communication Structure== - Communication through officially designated channels of message flow between an organization positions.

Usually found in organizational charts, policy manuals, or hierarchical structures

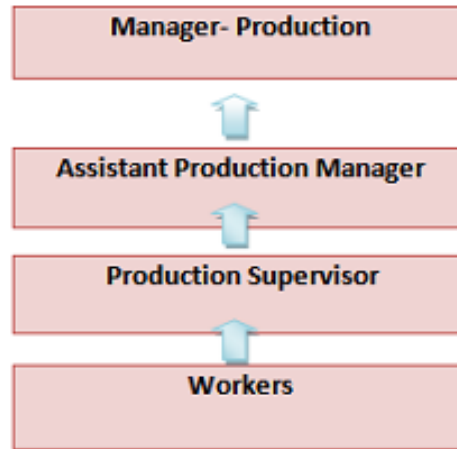==Three types of Formal Communication==

1. Downward Communication
2. Upward Communication
3. Horizontal Communication

==Downward Communication== - Communication that flows from upper to lower such as manager to employer or superior to subordinate.

MANAGING DIRECTOR

⇩

GENERAL MANAGER

⇩

SECTIONAL MANAGERS

⇩

**SUPERVISORS**

⇩

STAFF AND WORKERS

==Upward Communication== - Transmission of messages from lower to higher levels of the organization such as communication initiated by subordinates with their superiors.

UPWARD

Manager- Production

⬆

Assistant Production Manager

⬆

Production Supervisor

⬆

Workers

Horizontal Communication - Flow of messages across functional areas at a given level of an organization this permits people at the same level to communicate directly.

PRODUCTION MANAGER	⇒ ⇐	SALES MANAGER	⇒ ⇐	PURCHASE MANAGER
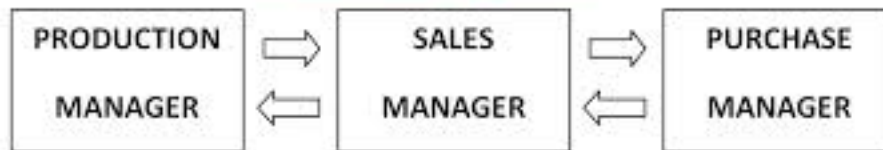
HORIZONTAL COMMUNICATION

Informal Communication - Episodes of interaction that do not reflect officially designated channels of communication.

The 'grapevine' emerges from social and personal interests of the employees rather than formal requirements of the organization. Informal communication is inherent and even a necessary aspect of organization life.

4.3 Better data analysis and decision-making

With today's technology, companies are able to collect tremendous amounts of data with relative ease. Indeed, many companies now have more data than they can handle. However, the data are usually meaningless until they are analyzed for trends, patterns, relationships, and other useful information.

Firms now gather and propagate knowledge from their consumers, suppliers, alliance partners, and competitors, make information available for management decision-making. Data-Driven Decision making (DDD)

Information-based strategy - New and broadly available software has enabled managers to conduct active experiments with their new business ideas and base their decisions on scientifically valid data.

Firms that adopt DDD have output and productivity that is 5- 6% higher than what would be expected given their other investments and information technology usage.

DDD and performance also appears in other performance measures such as asset utilization, return on equity and market value.