**1**

**Globalization**

 **Learning objectives**

* Understand what is meant by the term *globalization.*
* Recognize the main drivers of globalization.
* Describe the changing nature of the global economy.
* Explain the major arguments in the debate over the impact of globalization.
* Understand how the process of globalization is creating opportunities and challenges for business managers.

This chapter introduces the emergence of the globally integrated business world. Globalization has reduced the traditional barriers to cross-border trade and investment (distance, time zones, language, differences in government regulations, culture, and business systems).

To begin the discussion of contemporary issues in international business, macro-economic and political changes in the last 30 years are reviewed.

Information technology and other technological innovations have put global markets within the reach of even small firms in remote locations. Yet, in spite of all its benefits, globalization has an underside. Critics point out its adverse effects, including those on developing nations.

The opening case explores the rise of Ecuador’s rose industry over the past 30 years, spurred in part by the U.S. government’s decision to reduce tariffs on some South American imports. The closing case explores the advantages and disadvantages of Apple’s decision to shift the assembly of its iconic iPhone off shore to China.

OUTLINE OF CHAPTER 1: GLOBALIZATION

Opening Case: The Rise of Ecuador’s Rose Industry

Introduction

What Is Globalization?

 The Globalization of Markets

 The Globalization of Production

 Management Focus: Vizio and the Market for Flat-Panel TVs

 The Emergence of Global Institutions

 Drivers of Globalization

 Declining Trade and Investment Barriers

 The Role of Technological Change

 The Changing Demographics of the Global Economy

 The Changing World Output and World Trade Picture

 The Changing Foreign Direct Investment Picture

 The Changing Nature of the Multinational Enterprise

 The Changing World Order

 The Global Economy of the Twenty-First Century

Country Focus: India’s Software Sector

 Management Focus: China’s Hisense—An Emerging Multinational

The Globalization Debate

 Antiglobalization Protests

Globalization, Jobs, and Income

 Globalization, Labor Policies, and the Environment

 Globalization and National Sovereignty

 Globalization and the World’s Poor

 Country Focus: Protesting Globalization in France

 Managing in the Global Marketplace

 Summary

 Closing Case: Who Makes the Apple iPhone?

Classroom Discussion Point

Ask students to describe how international business has affected them in their day so far. Ask them about who made the clothes they are wearing, what type of food they ate for breakfast or lunch (muesli cereal, sushi, Italian-style coffee), what type of cell phone they have and where it was made, where their car was designed and manufactured, where the components for their computer were manufactured, and so on. Many students will be surprised at just how often international business affects their daily lives. Some will recognize that companies like Nissan have design facilities and manufacturing operations in the United States, but will be surprised to learn that Sodexho, a cafeteria operator for many universities, is a French company; or that many supermarket chains have been acquired by foreign operators (Stop and Shop by the Dutch Ahold, Trader Joe’s by the German Albrechts). The point to drive home is that our consumption patterns are already very dependent on international business.

Next, ask students the *why* aspect of this issue: Why, for example, are so many of our clothes made outside North America?

Finally, encourage students to think about the integrated world economy versus distinct national economies by asking about the type of car they own. Drive the discussion towards a consideration of whether talking about the nationality of a car makes sense. Is a Mercedes Benz assembled in Alabama an American car? Is a Chevrolet assembled in South Korea a Korean car? Volvo is now owned by Geely of China; Jaguar and Land Rover, which had been are part of Ford, are now owned by India’s Tata Motors; and BMW owns Rolls-Royce. Are there any cars that are truly made in a single country?

OPENING CASE: The Rise of Ecuador’s Rose Industry

Summary

The opening case explores the rise of Ecuador’s rose industry over the past 30 years when the U.S. government decided to reduce the tariffs on some South American imports, including flowers, to steer countries away from cocaine production. Today Ecuador is the world’s second largest producer of roses, and the flowers are the nation’s third largest export. Discussion of the case can begin with the following questions:

Suggested Discussion Questions

1. Discuss the factors that led to the shifting of rose growing from the United States to countries such as Ecuador. What makes Ecuador such an attractive location to grow roses?

2. How has the rose industry in Ecuador fostered a social revolution with regards to employing women in the growing fields?

3. Some of the large rose growers in the country have been accused of misusing a toxic mixture of pesticides and other chemicals to grow and export unblemished, pest-free flowers. How can government officials and active environmentalists work together to keep the rose economy growing while taking care of the workers?

Another Perspective: To explore more about issues related to fair trade activities around the world, visit the website of Fair Trade International, a global organization working to secure equitable deals and better working conditions for farmers and workers {[www.fairtrade.net](http://www.fairtrade.net)}.

LECTURE OUTLINE

This lecture outline follows the Power Point Presentation (PPT) provided along with this instructor’s manual. The PPT slides include additional notes that can be viewed by clicking on “view,” then on “notes.” The following provides a brief overview of each Power Point slide along with teaching tips, and additional perspectives.

**Slide 1-3** What Is Globalization?

Globalization is a shift toward a more integrated and interdependent world economy.

Globalization has two components: the globalization of markets and the globalization of production.

**Slides 1-4 and 1-5** Globalization of Markets

In many markets the emergence of a global marketplace has begun to occur. There are three causes: falling barriers to cross-border trade have made it easier to sell internationally; consumer tastes and preferences are converging on some global norm helping to create a global market; and firms are facilitating the trend by offering standardized products worldwide creating a global market.

**Slide 1-6** Globalization of Production

The **globalization of production** refers to the sourcing of goods and services from locations around the globe to take advantage of national differences in the cost and quality of **factors of production** (such as labor, energy, land, and capital). By doing this, companies hope to lower their overall cost structure and/or improve the quality or functionality of their product offering, thereby allowing them to compete more effectively.

**Slides 1-7 through 1-11** Emergence of Global Institutions

Globalization has created the need for institutions to help manage, regulate and police the global marketplace. Institutions that have been created to help perform these functions are the **General Agreement on Tariffs and Trade (GATT),** the **World Trade Organization (WTO),** the **International Monetary Fund (IMF),** the **World Bank,** and the **United Nations (UN),** and the **G20.**

Another Perspective: A comprehensive overview of GATT is available at

{<http://www.ciesin.org/TG/PI/TRADE/gatt.html>}.

The **World Trade Organization (WTO)** is primarily responsible for policing the world trading system and making sure nation-states adhere to the rules laid down in trade treaties. The **International Monetary Fund (IMF)** was created to maintain order in the international monetary system and the World Bank was set up to promote economic development. The **United Nations (UN)** was created to preserve peace through international cooperation.

Another Perspective: The World Trade Organization maintains an excellent web site at {<http://www.wto.org/>}. This site provides information about recent trade disputes, "hot" areas of international trade, and the status current talks.

**Slides 1-12 through 1-14** Drivers of Globalization

The two macro factors underlie the trend towards greater globalization: the decline in the barriers to free flow of goods, services, and capital; and technological change in communications, information processing, and transportation technologies.

**International trade** occurs when a firm exports goods or services to consumers in another country.

**Foreign direct investment (FDI)** occurs when a firm invests resources in business activities outside its home country.

**Slide 1-15** Globalization and Firms

The lowering of trade barriers made globalization of markets and production a theoretical possibility, technological change made it a tangible reality. Managers today operate in an environment that offers more opportunities, but is also more complex and competitive than that of a generation ago.

**Slides 1-16 through 1-18** The Changing World Output and World Trade Picture

In the 1960s: the U.S. dominated the world economy and the world trade picture, U.S. multinationals dominated the international business scene, and about half the world—the centrally planned economies of the communist world—was off limits to Western international business.

**Slides 1-19 through 1-21** The Changing Foreign Direct Investment Picture

The share of world output generated by developing countries has been steadily increasing since the 1960s. There has been a sustained growth in cross-border flows of foreign direct investment.

**Slide 1-22** The Changing Nature of the Multinational Enterprise

A **multinational enterprise** is any business that has productive activities in two or more countries.

**Slide 1-23** The Changing World Order

The collapse of communism in Eastern Europe represents a host of export and investment opportunities for Western businesses. The economic development of China presents huge opportunities and risks, in spite of its continued Communist control. Mexico and Latin America also present tremendous new opportunities both as markets and sources of materials and production

**Slide 1-24** The Global Economy of the Twenty-First Century

Firms should be aware that while the more integrated global economy presents new opportunities, it also could result in political and economic disruptions that may throw plans into disarray

**Slide 1-25** The Globalization Debate

Is the shift toward a more integrated and interdependent global economy a good thing?

Anti-globalization protesters now turn up at almost every major meeting of a global institution. Protesters fear that globalization is forever changing the world in a negative way.

**Slide 1-26** Globalization, Jobs, and Income

Critics of globalization worry that jobs are being lost to low-wage nations.

Supporters of globalization argue that free trade will result in countries specializing in the production of those goods and services that they can produce most efficiently, while importing goods and services that they cannot produce as efficiently.

**Slide 1-27** Globalization, Labor Policies, and the Environment

Critics of globalization argue that that free trade encourages firms from advanced nations to move manufacturing facilities offshore to less developed countries with lax environmental and labor regulations.

Supporters of free trade point out that tougher environmental regulation and stricter labor standards go hand in hand with economic progress and that foreign investment often helps a country to raise its standards.

**Slide 1-28** Globalization and National Sovereignty

Critics of globalization worry that economic power is shifting away from national governments and toward supranational organizations such as the World Trade Organization (WTO), the European Union (EU), and the United Nations.

However, supporters of globalization contend that the power of these organizations is limited to what nation-states agree to grant, and that the power of the organizations lies in their ability to get countries to agree to follow certain actions.

Another Perspective: To explore economic freedom and globalization, go to The Fraser Institute’s Economic Freedom of the World Report at {[www.freetheworld.com](http://www.freetheworld.com)}.

**Slide 1-29** Globalization and the World’s Poor

Critics of globalization argue that the gap between rich and poor has gotten wider and that the benefits of globalization have not been shared equally.

Supporters of free trade suggest that the actions of governments have made limited economic improvement in many countries.

**Slide 1-30** Managing in the Global Marketplace

Managing an **international business** (any firm that engages in international trade or investment) is different from managing a domestic business because countries differ, managers face a greater and more complex range of problems, international companies must work within the limits imposed by governmental intervention and the global trading system, and international transactions require converting funds and being susceptible to exchange rate changes.

Another Perspective: An interesting site for companies interested in exporting their services is available at {<http://www.ita.doc.gov/td/sif/exporting_services_overseas.htm>}.

CRITICAL THINKING AND DISCUSSION QUESTIONS

QUESTION 1: Describe the shifts in the world economy over the last 30 years. What are the implications of these shifts for international businesses based in Great Britain? North America? Hong Kong?

ANSWER 1: Over the last 30 years, there has been a shift away from a world in which national economies are relatively self-contained entities, isolated by barriers to trade and investment, and differences in government regulation, culture, and business systems and toward a world where barriers to trade and investment are declining, cultures are converging, and national economies are merging into an integrated, interdependent global economic system. As companies from Japan and emerging markets like China play a more vital role in the world economy, the dominance of companies from the United States and Western Europe has diminished. Significant implications for British firms involve their need to look beyond Europe and America for investment and opportunities. Consumer spending power is growing the most quickly in developing countries. British firms also face the opportunity (and the threat) of attracting Asian firms interested in Britain as a launch pad for the European market. For North American firms, the same holds true, although the importance of the increasing prosperity in Latin America suggests a potentially huge market in “their backyard.” Hong Kong, while losing its “independence,” is perceived as the gateway to the immense market of mainland China. While the free market freedoms Hong Kong firms have enjoyed are now less taken for granted, access to China is improving along with the move towards a market economy within China. International businesses based in all three locations are facing new opportunities and threats.

QUESTION 2: “The study of international business is fine if you are going to work in a large multinational enterprise, but it has no relevance for individuals who are going to work in small firms.” Evaluate this statement.

ANSWER 2: Globalization is changing the world economy. Firms, even small ones, can no longer ignore events going on outside their borders because what occurs in one country has implications for the rest of the world. Individuals who believe they can act in isolation by working for a small firm are not being realistic, but rather myopic and insular. Today, thanks to advances in technology, many small firms sell and source internationally very early in their evolution, those that fail to take advantage of international opportunities may not achieve their full potential, and ultimately may fail as competitors that do recognize the importance of international business dominate. In the United States, for example, almost 90 percent of firms that export employ fewer than 100 people. They also account for more than 20 percent of U.S. exports.

QUESTION 3: How have changes in technology contributed towards the globalization of markets and of production? Would the globalization of production and markets have been possible without these technological changes?

ANSWER 3: Technological change has made globalization a reality. Major advances in communication, information processing, and transportation have brought the world closer together. The development of the microprocessor is perhaps the single, most important innovation as it increased the amount of information that could be processed by individuals and firms. The Internet has facilitated the creation of a 24/7/365 marketplace where information is available in real time. Advances in transportation have enabled firms to take advantage of the savings associated with dispersing production to low cost production locations. Advances in communications have helped create a global culture of sorts, and the emergence of a global market for consumer products. Thanks to technological change, firms today can locate facilities wherever in the world it makes the most sense, coordinate activities among facilities, and ship products to customers worldwide more cost effectively than at any time in the past.

QUESTION 4: “Ultimately, the study of international business is no different from the study of domestic business. Thus, there is no point in having a separate course on international business.” Evaluate this statement.

ANSWER 4: There are at least four reasons why studying international business is important. First, countries are different; and managers must understand the reasons for the differences and their implications for business. Second, the range of problems confronted by a manager in an international business is wider and the problems themselves more complex than those confronted by a manager in a domestic business. Third, international companies must find ways to work within the limits imposed by government intervention in the international trade and investment system. Finally, international transactions involve converting money into different currencies. Managers who fail to appreciate these basic differences greatly increase their chance for failure.

QUESTION 5: How does the Internet affect international business activity and the globalization of the world economy?

ANSWER 5: Internet usage has exploded over the last two decades. In 1990, there were fewer than 1 million people connected to the Internet. Today, that figure has risen to more than 2.4 billion! One of the biggest implications of the Internet is its role as an equalizer. Firms are no longer constrained by size, location, scale, and time zones. Instead, firms operate in a 24/7/365 world with real time access. In the United States alone, more than $365 billion of goods and services are sold online. For companies, location is no longer an issue because the Internet makes it possible to reach customers anywhere in the world, operations can be linked via the Internet allowing firms to produce in advantageous locations, and global communications are facilitating a cultural convergence making it easier for companies to sell standardized products.

QUESTION 6: If current trends continue, China may emerge as the world’s largest economy by 2020. Discuss the possible implications for such a development for *(a)* the world trading system; *(b)* the world monetary system; *(c)* the business strategy of today’s European and U.S.-based global corporations; and *(d)* global commodity prices.

ANSWER 6: China is continuing to move toward greater free market reforms, and if it stays on its present track, could become an industrial superpower in the near future. China, with its 1.2 billion people, is a largely untapped market for firms. By some estimates, the Chinese economy could be larger than that of the United States on a purchasing power parity basis. Already, annual foreign direct investment has jumped from less than $2 billion in 1983 to $100 billion in 2010. China is also making waves in international markets as its firms like Hisense (see Management Focus: China’s Hisense—An Emerging Multinational) prove to be world class competitors.

QUESTION 7: Reread the Management Focus on Vizio and answer the following questions:

a. Why is the manufacturing of flat-panel TVs migrating to different locations around the world?

b. Who benefits from the globalization of the flat-panel display industry? Who are the losers?

c. What would happen if the U.S. government required that flat-panel displays sold in the United States had to also be made in the United States? On balance, would this be a good or a bad thing?

d. What does the example of Vizio tell you about the future of production in an increasingly integrated economy? What does it tell you about the strategies that enterprises must adopt to thrive in highly competitive global markets?

ANSWER

a: The market for flat-panel televisions is huge. U.S. consumers spend more than $35 billion annually on flat-panel televisions. However, competition is intense forcing producers to continually look for new ways to cut costs. In their quest for efficiency, most manufacturers have developed global supply chains. American-based Vizio, for example, outsources to various suppliers around the globe. Panels come from South Korea, components from China, and processors from the United States. Then, assembly takes place in Mexico. The goal for Vizio is to find the best source, wherever it may be, and bring all the pieces together.

b: Consumers are clearly benefiting from the globalization of the flat-panel television market. Thanks to the intense competition in the industry, prices have fallen dramatically. However, because manufacturers are continually looking for ways to cut costs and become more efficient, production changes and outsourcing is common, if not necessary, making jobs in the industry precarious. In addition, the intense competition has forced companies that still make traditional cathode ray televisions to lay off employees as well.

c: If the U.S. government required flat-panel displays to be manufactured in the United States, prices would almost surely rise. While such a requirement could bring new jobs to American workers, consumers would probably buy far fewer televisions, and therefore any new jobs that were created as a result of such a requirement could be jeopardized. In addition, because resources that could be put to better use would now be tied up in producing televisions, other areas of the economy could suffer.

d: Vizio could be considered a model of how to conduct business in a highly competitive global market. Vizio’s strategy involves a realization that there is no single best production location. Instead, production should take place wherever it makes the most sense. To that end, the company has broken the value chain for the flat-panel television into those parts that must be kept at home, and those that can be outsourced. Vizio, with a staff of fewer than 500 people, outsources most engineering work, all of its manufacturing, and nearly all of its logistics. As the example with Vizio demonstrates, flexibility, speed, and innovativeness are all important qualities for successful firms in highly competitive global markets. Vizio is never satisfied with the status quo. To remain competitive, Vizio continually looks for better ways to produce its product.

Another Perspective: Students can learn more about Vizio at the company website at

{<http://www.vizio.com/>}.

CLOSING CASE: Who Makes the Apple iPhone?

Summary

The closing case explores Apple’s decision to manufacture its iconic iPhone off shore. Components for the phone are manufactured around the globe and final assembly takes place in China by Foxconn, Apple’s major subcontractor. A discussion of the case can revolve around the following questions:

QUESTION 1: What are the benefits to Apple of outsourcing the assembly of the iPhone to foreign countries, and particularly China? What are the potential costs and risks to Apple?

ANSWER: In addition to labor costs being much lower in China than in the United States, Apple points out that the ability of its Chinese subcontractors to respond quickly to scaling production up and down has been critical to the company’s success. Another advantage is that it is much easier to hire engineers quickly in China than elsewhere. The company calculated that more than 8,000 industrial engineers were needed to guide the assembly-line workers in manufacturing the iPhone in China; it took 15 days to hire all the engineers. Despite its overwhelming success with outsourcing iPhone manufacturing, Apple has been criticized repeatedly for the poor working conditions that exist at some of its Chinese subcontractors.

QUESTION 2: In addition to Apple, who else benefits from Apple’s decision to outsource assembly to China? Who are the potential losers here?

ANSWER: In China, factories are clustered together. Many of the factories providing iPhone components for final assembly are located close to Foxconn’s assembly plant and benefit from Apple’s manufacturing decisions. Despite Apple’s claim that it supports more than 250,000 jobs in the United States, it also supports an additional 700,000 jobs *outside* of the U.S.—jobs that possibly could have been filled by workers in the United States.

QUESTION 3: What are the potential ethical problems associated with outsourcing assembly jobs to Foxconn in China? How might Apple deal with these?

ANSWER: Some of Apple’s major subcontractors in China have been targeted for their poor working conditions, including low pay for line workers, long work hours, mandatory overtime for little or no additional pay, and poor safety records. Apple should be pressuring its subcontractors to improve working conditions at their plants or go as far as threatening to move its business to other manufacturing facilities in China.

QUESTION 4: On balance, do you think that the kind of outsourcing undertaken by Apple is a good thing or a bad thing for the American economy? Explain your reasoning.

ANSWER: Students’ answers will vary. In some respects, outsourcing to China probably keeps company and consumer costs down, allowing Apple to spend more money on research and innovations to create more products here in the United States. Everyone would probably agree that Apple needs to continue monitoring the working conditions at its Chinese assembly plants to ensure that workers are being treated fairly and not subjected to poor living and working conditions as well as working long hours without additional pay.

Another Perspective: Students can find out about China Labor Watch, a non-profit NGO that monitors workers rights in China, including those employees who work at plants producing Apple products {[www.chinalaborwatch.org/](http://www.chinalaborwatch.org/)}.

INTEGRATING iGLOBES

There are several iGLOBE video clips that can be integrated with the material presented in this chapter. In particular, you might consider the following:

Title: World Bank: East Asia and Pacific Economic Update May 2012

Run Time: 3:41

**Abstract:** This video describes the positive economic situation in East Asia and the Pacific and the challenges ahead for the region as its export-oriented economic model becomes less viable in a troubled global economy.

**Key Concepts:** exports, global economy, globalization, World Bank, national trade policy, foreign investment, level of economic development

**Notes:** According to a recent report by the World Bank, the economic situation in East Asia and the Pacific good. Regional GDP in 2011 was up 8.2 percent, two percentage points higher than the global average for developing countries. However, the report also cautions that while the region had the strongest economic performance in the world, growth is actually following a downward trend.

A key reason for the slowing rate of growth is the economic slowdown in high income countries. East Asia depends on these markets for its export sales. In fact, some 40 percent of the region’s exports go to Europe, the United States, and Japan. Lower demand from high income countries translates into lower growth for East Asia and the Pacific. Questions are being raised as to whether the region needs to change its emphasis on the export-oriented growth policy that has proved to be so successful for many years. Increasing domestic consumption would help minimize the region’s vulnerability to changes in the global economy.

Changes in China are also beginning to affect the region. As the country moves up the income ladder, it is expected that it will shift from being a labor-intensive manufacturing location to be an importer of consumer goods and also a source of investment funds. This trend is likely to prompt a rebalancing of both political and economic clout in the region.

**Discussion Questions and Answers:**

1. Why is growth slowing in East Asia and the Pacific? How does growth in high income countries affect the region? What does this imply about the global economy?

**Answer:** Despite posting the strongest economic performance in the world in 2011, the World Bank is concerned about the slowing rate of growth in the East Asia and Pacific region. GDP grew at 9.7 percent in 2010, and while still positive, was only growing at a rate of about 7.6 percent by 2012. Much of the drop in growth is directly related to lower demand from high income countries that are still trying to get back on track following the recession that swept around the world in 2008. Most students will recognize that this economic interdependency is a clear example of how today’s global economy functions – events in one part of the world can have a direct impact on other areas.

2. Discuss the export-oriented model that has sustained East Asia and the Pacific for so many years. Is the model still viable? Why or why not?

**Answer:** For decades, much of East Asia has followed an economic policy focused on strong export performance and minimal imports. This model has been generally successful for the region, allowing it to capitalize on growth opportunities in high income countries and raise its standard of living. Today for example, Europe, the United States, and Japan account for some 40 percent of the region’s exports. Now however, questions are being raised as to the long-term viability of this model, and whether, in the face of falling demand from traditionally strong markets like Europe and the United States, it can still work. Many students will probably suggest that countries that still depend on this model will need to consider whether the sustained prosperity in high-income countries that helped make the policy successful for so many years is likely return, or whether a new economic policy, one that focuses on increasing domestic demand as well as maintaining some export sales, will be necessary.

3. Reflect on the changes in China. What does a more prosperous China mean for East Asia? What does it mean for the world?

**Answer:** Over the last few decades, China has moved from being a very poor, underdeveloped to being a thriving, prosperous, and increasingly powerful player in the global economy. Gone are the days when the country was primarily thought of as being a low cost manufacturing location. Today, China has moved up the income ladder and is now an attractive potential target market for exports from high income countries. Perhaps even more interesting is the country’s potential as source of investment. Students will probably recognize that as China continues to emerge as a global economic force, political relationships within the region and indeed the world will also begin to change.

4. How can companies in high income countries like the United States capitalize on the newly prosperous China and East Asia? How should companies approach the market?

**Answer:** Countries like the United States have been a key variable in Asia’s export-led growth. Now, high-income countries in Europe as well as the United States are hoping to turn the tables and revitalize their own economies by exporting to Asian countries and in particular to China. Many students will probably suggest that in addition to exporting, companies should consider opportunities to form strategic alliances or joint ventures with local firms. Some students may point out that at least for the moment people in China seem to be somewhat unwilling to increase their consumption of consumer products. Students may suggest that companies may also find that they need to lobby governments to pressure China to promote more domestic consumption as a mechanism for increasing exports.

INTEGRATING VIDEOS

There are also several longer video clips that can be integrated with the material presented in this chapter. In particular, you might consider the following from *International Business DVD Volume 6*:

Title: Rise of Twitter

Learning Objectives

The purpose of this video is to help you:

* Understand the role of technology in the globalization of markets.
* Identify how social media may be a force for cultural change.
* Explore how social media can provide insight into global trends and markets.
* Recognize how companies can leverage social media platforms in their marketing strategies.

Key Words

* Globalization
* Globalization of markets
* Technological change
* Culture
* Cultural change
* International marketing

Synopsis

Twitter appears to have caught the attention of the entire world. Politicians joke about it, yet use it to communicate their perspectives on the issues. Companies use Twitter to encourage consumers to try new products. Activist groups Tweet about their causes while lawmakers Tweet about the President’s speech to Congress. Even protesters in Iran used Twitter to get their message out to the rest of the world. But it is the average person who may be the most important user of the technology. Twitter has captured the imagination of millions of people everywhere who use it to provide their opinion on just about anything, let people know what they are doing at any given time, and generally provide information about themselves to others. Indeed, Twitter is changing the way the world communicates.

Twitter was created just a few short years ago by then 29 year old Jack Dorsey. It began with just fiver Tweeters, and now has a global following of some 40 million people, and it is gaining more users everyday. Twitter is essentially an instant messaging system that enables users to text messages to a single person or to thousands of other people simultaneously. Messages, which are called Tweets, begin with an answer to the question ‘what are you doing?’ Dorsey believes the success of Twitter lies in part with the way it makes people more approachable. He believes that while important messages can be conveyed via Tweets, it is the more mundane stream of updates about life’s little moments that makes the technology so accessible and popular. Knowing that a famous person does many of the same things as the average Joe brings the celebrity down to everyone else’s level and makes the individual more real and relatable.

While some may wonder whether Twitter has created a monster in which everyone can provide steady streams of information and opinions that are often of little interest to most people, Dorsey disagrees. According to Dorsey, because the technology is controlled by the recipient, individuals can choose to opt into a message stream or avoid it. It is this feature that could make the technology a key link between companies and customers, lawmakers and voters, and so on at some point in the future.

Discussion Questions

1. Consider the role of technology in the process of globalization. How does technology like Twitter facilitate globalization? In your opinion, can Twitter be an agent of cultural change across nations?

2. Consider the use of Twitter by lawmakers and other government officials. How can policymakers use Twitter in their decision making? What are the implications of social media for trade policies?

3. How are social media platforms changing the way companies and consumers interact with each other? What does your response tell you about how companies might incorporate Twitter into their marketing strategies? What are the advantages of using Twitter as part of the selling process?

4. While social media like Twitter offer companies new ways to reach their customers, they also create new challenges for companies. Discuss some of the disadvantages of Twitter from a company’s perspective. What unique challenges might multinational companies using Twitter as part of their marketing program face?

INCORPORATING globalEDGE™ EXERCISES

Use the globalEDGE™ site {[globaledge.msu.edu/](http://globalEDGE.msu.edu/)} to complete the following exercises:

# Exercise 1

Your company has developed a new product that has universal appeal across countries and cultures. In fact, it is expected to achieve high penetration rates in all the countries where it is introduced, regardless of the average income of the local populace. Considering the costs of the product launch, the management team has decided to initially introduce the product only in countries that have a sizeable population base. You are required to prepare a preliminary report with the top ten countries in terms of population size. A member of management has indicated that a resource called the “*World Population Data Sheet*” may be useful for the report. Since growth opportunities are another major concern, the average population growth rates should be listed also for management’s consideration.

# Exercise 2

You are working for a company that is considering investing in a foreign country. Investing in countries with different traditions is an important element of your company’s long-term strategic goals. As such, management has requested a report regarding the attractiveness of alternative countries based on the potential return of FDI. Accordingly, the ranking of the top 25 countries in terms of FDI attractiveness is a crucial ingredient for your report. A colleague mentioned a potentially useful tool called the “*FDI Confidence Index*” which is updated periodically. Find this index and provide additional information regarding how the index is constructed.

Answers to Exercise Questions

# Exercise 1

Numerous statistical databases and websites provide population information. The student may use any of these (including the CIA World Factbook or the globalEDGE Country Insights pages) to provide the answer. However, if the search term “World Population Data Sheet” is entered into the search box, located at [http://globaledge.msu.edu/ResourceDesk/](http://globaledge.msu.edu/ibrd/ibrd.asp), the resource that comes up is the *World Population Data Sheet* located at the Population Reference Bureau (<http://www.prb.org/>). This resource is found under the globalEDGE category “News & Periodicals: Publications”. Be sure to click on the Resource Desk link to search this area of the globalEDGE website.

Search Phrase: “World Population Data Sheet”

Resource Name: World Population Data Sheet

Website: <http://www.prb.org/Publications/Datasheets.aspx>

globalEDGE Category: “News & Periodicals: Publications”

# Exercise 2

The report can be accessed by searching for the term “FDI Confidence Index” at [http://globaledge.msu.edu/ResourceDesk/](http://globaledge.msu.edu/ibrd/ibrd.asp). The *FDI Confidence Index* is the only source in this search, and is published by *A.T. Kearney.* This resource is found under the globalEDGE category “Research: Rankings”. Be sure to click on the Resource Desk link to search this area of the globalEDGE website.

Search Phrase: “FDI Confidence Index”

Resource Name: A.T. Kearney: FDI Confidence Index

Website: <http://www.atkearney.com/index.php/Publications/foreign-direct-investment-confidence-index.html>

globalEDGE Category: “Research: Rankings”