

Chapter 1

Global Business Environment

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ABSTRACT

As globalization continues to be a reality around the world, the rules and context of business activity have been affected. Globalization increases the complexity of businesses and drives managers to be globally oriented. With globalization, people from various cultural backgrounds get together virtually and interact. National boundaries of countries are becoming less relevant. More significantly, the impact of technology and particularly information and communication technology (ITC), is the other characteristic aspect of the 21st century. ITC is essential in today's business and modern globalization as business partners are constantly in communication around the globe. This chapter discusses the effect of globalization and the global business environment as it is shaped by various economic and politic-economic blocks around the world.

INTRODUCTION

The internationalisation of businesses is not a new phenomenon. Since time immemorial, people from various parts of the world have been exchanging products with a purpose of making profits. With the introduction of formal countries' borders, the internationalisation of businesses has been regulated in order for each country and each party to benefit from trade. Rules about tariffs have been passed. Protectionism rules have been introduced while profit margins have been negotiated. However, technological advancements are currently changing this traditional way of doing business globally by the elimination of borders and making tariffs' control more complex, while forcing managers to be globally oriented.

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The study of contemporary multicultural orientations has to take into consideration, the current global business environment, with a purpose of understanding some of its major dynamics as well as the mechanisms around the ease of doing business in multicultural environments. Furthermore, the researcher believes that a thorough understanding of key players in global markets can be beneficial, not only for profits making, but also for the acquisition of the best management practices and best strategy formulations.

This chapter sets the tone of the global business environment within which, today's businesses and managers are operating. This environment is gradually becoming multicultural, with multinational organisations trading between each other, thereby requiring managers to have global leadership skills. This chapter discusses the concept of globalisation as well as the nature of the global business environment. Further topics of the chapter include classification of countries according to their economic development, multinational businesses as well as the challenges and opportunities of global business environment.

GLOBALISATION

Globalisation refers to the rising trade and financial integration of the world economy (Kose, Prasad, & Terrones, 2003). This suggests that governments as well as business people need to open their minds, as the failure of one nation's economy, does not affect that country's economy alone, but the entire world in some instances. At the same time, globalisation requires all economic players to consider the whole world as a market to buy from and sell their products. In this century, businesses are considerably made of global markets, together with competition, innovation as well as management processes. As a result, and in some instances, this trend is driving the convergence of individual tastes for worldwide brands at the expense of local preferences. This phenomenon is furthermore strengthening the position of political dominance of the most industrialized nations, and helping the emergence of new political and economic players. It is also resulting in the growth of nongovernmental organisations (NGOs), the integration of capital markets worldwide, the increasing ubiquity of communication and information around the world, and the spread of technology to the farthest reaches of the planet (Tallman, 2009).

The western world and the Europe in particular, have been experiencing rapid social, cultural and technological change over the past few decades (Catenacio, 2003). Additionally, wave after wave of immigration has resulted in diversity being a dominating feature of modern life, whether it is valued for its contribution to a cosmopolitan society, or its impact on critical thinking towards a new way of life. All these facts have implications on how businesses must run and require specific

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