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Global Environment of Business and the Nature of Multinational Corporations

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ABSTRACT

The purpose of this study is to explain the worldwide trade environment, and nature of multinational businesses. Corporations that do not limit their activities to a single country are referred to as multinational corporations. Since 1950, global product commerce has expanded at a pace of more than 6% per year, which is more than 50% faster than output growth.

Globalization has been identified as one of the most important elements contributing to the expansion of global commerce. The financial markets have seen the most significant transformation since the beginning of globalization.

It combines worldwide connections, technology advancements, and other business activities into one comprehensive system (Hansen, 2008).

The global business environment has experienced major changes during the last several decades. Technology advancements, demographic changes, and new market developments are indications of these.

Keywords: Globalization, International Trade, Multinational companies, Technology advancements, Markets

Introduction

One of the most significant developments in recent decades has been the introduction of technology. After this, a number of new industries have emerged, while others have become irrelevant or even useless.

Because to technology advances, people now have a range of devices, the Internet, social media, and a number of other methods to exchange information rapidly and across borders.

Another major issue in the global environment is the increasing competitiveness of organizations.For a variety of factors, this may be attributed to technological development, population expansion, and, to a certain extent, the emergence of developing economies.

However, as Michaelson (2010, p. 239) points out, China, Russia, India, and the other BRIC nations are developing far faster than members of the European Union or the United States.

International commerce includes all economic activities that occur beyond country boundaries.

Every year, nations exchange billions of dollars in goods and services, demonstrating that international commerce is highly profitable. There are many methods for a business to participate in international commerce if it want to grow beyond national borders.

Global Business Environment

Businesses have a variety of possibilities thanks to international trade.

Following the trend of economic globalization, the number of multinational corporations continues to grow. This kind of globalization entails the interconnection of economic systems and markets, resulting in the formation of a global economy and a global marketplace, respectively. As a consequence, companies are looking for ways to take advantage of the possibilities offered by globalisation.

The term "environment" refers to the surroundings. The factors/activities that surround/encircle international business are referred to as the international business environment. In other terms, the business environment refers to the factors that affect or influence MNCs and transactional companies.

Environmental analysis, according to William F. Glueck, is "the process through which strategists examine the economic, political / legal, market/competitive, supplier / technical, geographic, and social settings to evaluate possibilities and risks to their companies."

Social and cultural variables, technical components, economic considerations, political and governmental issues, international factors, and environmental causes all have an impact on global business enviroment.

For example, most African customers choose lower-priced goods due to their poor economic position, while German buyers prefer high-quality, high-priced items due to their higher buying capacity.

The process of accessing a global economy and gaining access to the current market development infrastructure is a time-consuming and challenging undertaking. This activity involves the implementation of marketing infrastructure, in-depth understanding of the market prior to launching the plan, and the development of a well-developed worldwide strategy (Rugman and Verbeke, 2008).

International trade has created new possibilities for local businesses via joint partnerships with foreign companies. It allows domestic companies to offer goods and services in both domestic and international markets, while also helping foreign businesses in creating a market and obtaining approved products and services.

WalMart is an excellent example of how globalization is impacting business worldwide.

Everyone is striving to expand their company, and they are no different. Walmart is a wellknown domestic company that has been looking for new opportunities outside of the United States. Therefore, the business continues in many countries to be successful in exploiting both people and other resources. Walmart is an American multinational retailer with operations in more than 100 countries.

One of the things that contributes to Wal-Mart's success is a number of variables. The four guiding principles outlined by Wal-Mart, which include passion for the job, continual growth, customer focus, and improvement in the organization's overall performance, are values the company holds good fellow. An important factor in business success is growing rapidly in the era of globalization. (Bellman, E. and S. Misquitta 2009) Sam Walton founded the business in 1962 as a modest grocery shop in the city of Memphis, Tennessee (Soderquist 2005). Since then, the business has grown to include activities not just in the United States, but also in other parts of the world. Currently, the business has over 11000 stores in 28 countries and is present in 28 countries (Pope & Pope 2015). Walmart is the world's most valuable business in terms of revenue. In addition, the business is the world's biggest employer, providing employment for 2.3 million individuals. Walmart operates under 59 distinct brand names around the world (Pope & Pope 2015). In the United Kingdom, the business is known by the brand name ASDA (Asda Supermarket). The business has been successfully integrating its strategy with the forces of globalization, and this has resulted in significant success.

The nature of multinational corporations

Numerous corporations with operations in several nations and territories emerging up as a result of globalization. Multinational corporations are the term used to refer to these organizations (MNCs). They may be recognized by their substantial financial, technical, and human resources, which allow them to compete.

Dornier et al. argue that the trend towards globalization is based on four factors.(1998):

• Global Marketplace Factors

• Global Technological Strengths

• Cost drivers across the globe

• Financial and political forces.

Over the past several decades, globalization and economic liberalization have aided the growth of multinational corporations, allowing them to transcend the power of national governments in terms of economic power (Pellow, 1999; Pellow, 2001).

"The profits of the world's biggest companies are equivalent to or even greater than the GDP of many industrialised nations" (Crane, 2008, p. 418), a fact that is reinforced in developing economies (Child and Tsai, 2005).

Regardless matter where the headquarters are located, multinational companies transfer resources, goods, services, and talent across national borders. Many of these companies are rich and employ a lot of people, which causes them to resemble little nations.

Multinational companies arise because unique economic circumstances and distinctive advantages make it beneficial and possible for them to economically produce an item or offer a service in another country.This occurs when a business creates a plant or service delivery facility in a foreign country for the purpose of marketing in that market while still producing the item or service in the country of origin. Horizontal expansion is the most important instance in foreign direct investment.

Multinational businesses are distinguished by their competitive or superior commercialisation, says Haller (2016). This is because these businesses in many nations usually have efficient networks and distribution systems. They also achieve their goals and duties extremely effectively. This is accomplished through executing projects effectively. For example, competent leaders seek to train people in providing the services or goods they need (Haller, 2016).

Chen (2016) reports that multinational companies succeed because they operate globally. They also have traits or characteristics which make them competitive. For example, these organizations operate in different areas of the globe. Because they have several subsidiaries, branches or facilities, companies can service many consumers.

Multinational companies (MNCs) have a significant influence on the international economy. In the US, large MNCs, for example, play a substantial role in the national economy, making up a small percentage of overall businesses, but they provide a significant proportion of the country's GDP, its trade, its imports, and R&D, as well as remuneration of its private sector workers. Specifically, in 2016, large MNC parent firms in the US made up 24 percent of total private-sector GDP (value-added) and 26 percent of private-sector employee compensation (Bureau of Economic Analysis 2018a).

There are a variety of benefits that motivate existing businesses or companies to expand their operations internationally. The first thing to note is that these companies are present in many nations, and thus, they are very profitable. Secondly, MNCs provide overseas job possibilities to expatriate residents (Haller, 2016).

Third, the majority of the targeted personnel may acquire or build better leadership, management, and production abilities. As a consequence, this group of employees will become more competent and efficient in their positions.

The fourth benefit is that many MNCs profit from a variety of economic variables. For example, they find it simpler to monitor transportation expenses, logistical operations, storage and stockpiling, and production. These qualities are investigated in order to get favorable outcomes or revenue.

An excellent example of a Multinational Corporation is Coca-Cola

Coca-Cola is an excellent illustration of how a multinational corporation may expand globally in order to take advantage of economic possibilities across the globe. Coca-Cola works in more than 200 countries across the globe as a global business. Coca-Cola Company is also highly respected with Apple and Google. Coca-Cola implements the ―one brand‖ strategy by seeking to combine three separate brands under one brand—Coca-Cola Zero, Diet Coke, and Coca-Cola Life. Coca-long-term Cola's strategy is on increasing nocalorie beverage sales to account for half of total sales by 2020. Corporation executives think that a 'one brand' strategy via advertising will allow worldwide customers to have complete awareness of all of the product options (Hepburn, 2015).

Through a series of corporate-level initiatives, the brand has had time to develop, which is all achievable thanks to the brand's purpose and vision statement (Pendergrast, 2013). It is a corporate-level strategy that seeks to improve the lives of shareholders by fulfilling their responsibilities. The business also identifies with workers, customers, and shareholders, and this commitment to fulfilling their long-term interests has motivated the organization. Because of this, Coca-Cola currently has more than 500 different brands in its system, all of which are geared toward certain target markets (Pendergrast, 2013).

Conclusion

The globalization of markets and manufacturing has been increasing in recent years. The globalization of business is affected by a variety of variables, including political, social and cultural, economic, and financial considerations. They generate both opportunities and dangers that have an impact on company strategy. In addition to providing a growth route, human resource possibilities, access to finance, and innovation prospects, globalization of markets and production has many other advantages. Human resource issues, political dangers, financial hazards, and competitive challenges are some of the most serious threats facing the company. It is essential for every company, whether operating locally or globally, to have an effective global business strategy in place. International trade allows each business to optimize its earnings while also benefiting from economies of scale due to the availability of a wider market in which to operate. Choosing between a wider variety of products and services becomes simpler for people as a result of this development. As a result of the possibility that some nations may implement laws that are unfavorable to their counterparts, global trade practices make it easier to do business across international boundaries. It is necessary to consider foreign financial and monetary policy when making business choices involving capital investments or other long-term financial obligations on behalf of the parent enterprise. It is always more effective and efficient to act in a consistent and efficient manner when dealing with international commerce. Take into account all of the procedures that should be taken into account while conducting foreign relations. Regardless of whether you are exporting or importing, the most essential aspect to consider is how your products are accepted into the market both inside and outside of the nation. Market failure, on the other hand, is a situation where the problems are neither foreseeable nor definite. It is only possible for a business to offer all it has to ensure that its goals are met at the end of the day. International commerce has increased in recent years, resulting in a shift in the markets. The improvement in the local population's quality of life as a consequence of the MNC's activities in the area would boost the confidence of prospective workers, guaranteeing a healthy labor market. The availability of resources will subsequently be guaranteed via the implementation of sensible environmental regulations. Globalization, technological development, and the rise of developing markets have helped the creation of a new kind of MNE in which foreign direct investment is driven not just by the exploitation of firm-specific capabilities but also by the discovery of new patterns of innovation and market access. Furthermore, the new MNCs have advanced at rapid pace, contradicting the policy of gradual and progressive globalization.

Multinational corporations are now confronted with a complicated, demanding, and dangerous international monetary system. Financial managers, particularly treasurers, play an important role in global financial management. Because worldwide finance and accounting operations often have a significant impact on company, it is critical for international marketers to grasp these tasks. All business decisions requiring capital investment or other kinds of long-term financial commitment on the parent firm's side must ultimately be assessed in the context of international finance and monetary policy.

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