11.2: The Global Firm

The Global Firm

What do Apple, Coca-Cola, Amazon, and Toyota have in common?

They are all successful global companies. A multinational corporation, also known as a global company, is coined from the base term' global,' which means all arworldwideakes sense to assume that a global company is a company that does business in at least one country other than the country where it originated.

The new era of globalization allows any business to become international. By accessing this new platform of technologies or networks, Castells' vision (Castells, 2000) of working as a unit in real-time on a planetary scale can be a reality. He believed the collective could benefit society. Some of the advantages of this include the following:

- **Access to expertise and labor around the world**. Organizations are no longer limited by viable candidates locally and can now hire people from the global labor pool. This also allows organizations to pay a lower labor cost for the same work based on the prevailing wage in different countries.
- **Operate 24 hours a day**. With employees in different time zones worldwide, an organization can operate around the clock, handing off work on projects from one part of the world to another. Businesses can also keep their digital storefront (their website) constant time.
- **Access to a larger market for firm products**. Once a product is sold online, it is available from a worldwide consumer base. Even if a company's products do not appeal beyond its own country's borders, being online has also made the product more visible to consumers within that country.
- **Achieve a diversity of the market**. It helps companies to stabilize their overall revenue sources. The company could experience a gain in revenues in one country and be down the other side of the world, which will help stabilize its revenues.
- **Gain more exposure to foreign investment opportunities.** Globalization helps companies become more familiar with opportunities in the new areas they are expanding into.

Fun Fact: Coca-Cola - From a startup to a global company

All contemporary global companies once had been mere startups. Coca-Cola was once a drugstore in Atlanta, Georgia. On May 8, 1886, Dr. John Pemberton brought his perfected syrup to Jacobs' Pharmacy in downtown Atlanta, where the first glass of Coca-Cola was poured. By World War II, Coca-Cola was 50 years old and had proudly maintained its price at 5 cents to enable many people to afford the beverage. The company would sell its drink to U.S. soldiers worldwide for 5 cents a bottle, but no more. Coca-Cola now sells its beverages in more than 200 countries. The Coca-Cola Company sells its popular fizzy drinks such as Coke, Fanta, Sprite, and some 3,800 other products, including soy-based beverages enriched with vitamins. The Coca-Cola Company also sells juices, iced teas, bottled water, and more. One of the reasons Coca-Cola has seen such monumental success in nearly every country in which it has established itself is that it never had a standardized view of all countries. The company will ensure it only provides products that fit the local community's tastes and culture.

To fully take advantage of these new capabilities, companies must understand that there are also challenges in dealing with employees, customers from different cultures, and other countries' economies. Some of these challenges include:

- **Infrastructure differences**. Each country has its own infrastructure, many of which are not the same quality as the U.S. infrastructure. Americans are currently getting around 135 Mbps of download speed and 52 Mbps of upload speed through their fixed broadband connections — good for eighth in the world and around double the global average. For every South Korea (16 average speed), there is an Egypt (0.83 MBps) or an India (0.82 MBps). A business cannot depend on every country having the same Internet speeds. See the sidebar called "How Does My Internet Speed Compare?"
- **Labor laws and regulations**. Different countries (including the United States) have different laws and regulations. A company that wants to hire employees from other countries must understand the various rules and concerns.
- **Legal restrictions**. Many countries restrict what can be sold or how to advertise a product. A business needs to understand what is allowed. For example, in Germany, it is illegal to sell anything Nazi-related; in China, it is illegal to put anything sexually suggestive online.
- **Language, customs, and preferences**. Every country has its own (or several) unique culture(s), which a business must consider when trying to market a product. Additionally, different countries have different preferences. For example, in some

parts of the world, people prefer french fries with mayonnaise instead of ketchup; in other regions, specific hand gestures (such as the thumbs-up) are offensive.

- **International shipping**. Promptly shipping products between countries can be challenging. Inconsistent address formats, dishonest customs agents, and prohibitive shipping costs are all factors that must be considered when trying to deliver products internationally.
- **Volatility of currency**. This could occur when you are buying or selling goods; the currency has significant fluctuations in value when converting to a different country's currency, such as the euro, yen, and dollar.

The Challenges of Technology Infrastructure Abroad

When expanding operations to a new country, companies must carefully evaluate the on-the-ground realities of the technology infrastructure they will encounter. Factors like average Internet speeds, reliability of electricity, and access to technical support will impact performance. For example:

- Internet speeds may be significantly slower than what a company is used to. Peru averages 22 Mbps, while Taiwan sees 85 Mbps.
- Power outages may be more frequent, disrupting operations and forcing reliance on generators. Outages averaged 4.5 hours per month in India vs. 1.5 hours in France.
- Technical support resources may be less readily available. Singapore has one I.T. support personnel for every 90 residents, while Honduras has one for every 3,000.

Up to speed on these infrastructure differences will allow companies to set realistic expectations and develop workarounds. Finding local telecom partners to provide redundancy for Internet and electricity can mitigate risks. This knowledge can help to facilitate a smoother expansion process.

? Exercise - Supporting Global Operations 11.2.1

ShutterQuick (a fictitious company) is a US-based company that produces high-end electronic camera shutters. They want to expand internationally, specifically Brazil and Indonesia. What should they consider to evaluate the technology infrastructure in potential new markets to support the global operations?

Answer

As they looked to expand internationally, they carefully evaluated the technology infrastructure in potential new markets.

They found average Internet speeds of 25 Mbps in Brazil, suitable for normal operations. But electricity reliability was a concern, with average power outages occurring nearly three hours per month. ShutterQuick addressed this by working with a local partner to set up generator backups for their facilities.

In Indonesia, ShutterQuick was attracted by the low engineering labor costs. But technical support was scarcer, with only one I.T. support person for every 5,000 residents on average. ShutterQuick overcame this by hiring and training local support teams to service their office's needs.

ShutterQuicks successfully tailored its strategies by proactively understanding infrastructure conditions, allowing it to build thriving operations in new countries. Factoring in on-the-ground realities before expanding sets companies up for global success.

Because of these challenges, many businesses choose not to expand globally for labor or customers. Whether a company has its website or relies on a third party, such as Amazon or eBay, the question of whether to globalize must be carefully considered.

Globalization has changed dramatically in the last several decades. It has seen positive development, with associated costs and benefits, such as organizations have seen their fortune changed and progress and modernization are brought into various parts of the world. However, its benefits are not necessarily evenly distributed across the globe. With the global pandemic of 2020 (COVID-19), globalization is now viewed by many as risks to the national supply chain of goods and services, job losses, increased inequality, and health risks. It is expected that globalization post-Covid will need to mitigate these risks to move to a more balanced approach between independence and integration between countries (Kobrin, 2020).

Sidebar: How does my Internet Speed Compare?

Internet speed varies by geography, such as states and countries, as reported by Statista.com. For example, as of April 2023, Singapore's internet speed is ~242 Mbps, while Romania's is ~174 Mbps. Please visit Statista.com for more details.

Statista.com also reported that as of June 2020, over 42% of U.S. households did not know the down and speed of their household internet service. The download speed varies from 10 Mbps or less to over 100 Mbps. There are several free tools that you can use to test your household internet upload and download speed, such as the app speed test, a free download (as of this writing).

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