

Pearson BTEC Level 5 Higher Nationals in Business (RQF)

**Unit 25**  
**Global Business Environment**  
**Information Pack**



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# INTRODUCTION

As globalisation of business continues the world is becoming smaller, this means developing complex opportunities and risks for business operations as organisations expand and transform in this dynamic environment. Understanding business from a global perspective is about being open to new ideas, issues and solutions, and opening business up to new opportunities and growth.

The aim of this unit is to explore the wider position that some organisations have in the global environment. Students will gain an appreciation of the complexities of operating in a global environment, enabling them insight into an organisation's current or aspirational global presence.

On successful completion of this unit, students will understand the wider global environment in which organisations operate. This enables students to add value to an organisation as they will be able to apply their knowledge in such a way that they could advise senior managers (in large and small organisations) on global matters that they might not have otherwise considered.

## GUIDANCE

This document is prepared to break the unit material down into bite size chunks. You will see the learning outcomes above treated in their own sections. Therein you will encounter the following structures.

### Purpose

Explains *why* you need to study the current section of material. Quite often learners are put off by material which does not initially seem to be relevant to a topic or profession. Once you understand the importance of new learning or theory you will embrace the concepts more readily.

### Theory

Conveys new material to you in a straightforward fashion. To support the treatments in this section you are strongly advised to follow the given hyperlinks, which may be useful documents or applications on the web.

### Example

The examples/worked examples are presented in a knowledge-building order. Make sure you follow them all through. If you are feeling confident then you might like to treat an example as a question, in which case cover it up and have a go yourself. Many of the examples given resemble assignment questions which will come your way, so follow them through diligently.

### Question

Questions should not be avoided if you are determined to learn. Please do take the time to tackle each of the given questions, in the order in which they are presented. The order is important, as further knowledge and confidence is built upon previous knowledge and confidence.

### Challenge

You can really cement your new knowledge by undertaking the challenges. A challenge could be to download software and perform an exercise. An alternative challenge might involve a practical activity or other form of research.

### Video

Videos on the web can be very useful supplements to your distance learning efforts. Wherever an online video(s) will help you then it will be hyperlinked at the appropriate point.

# Information Pack

## LO1 Analyse the key factors which drive globalisation

### Globalisation:

#### Definition of globalisation.

Globalization is the process of increasing interaction and integration among people, companies, and governments worldwide. This phenomenon encompasses economic, cultural, technological, and political dimensions, leading to a more interconnected global landscape. Economically, globalization facilitates the flow of goods, services, capital, and labor across borders, fostering international trade and investment. Culturally, it promotes the exchange of ideas, values, and practices, resulting in a blending of cultures and lifestyles. Technologically, advancements in communication and transportation have significantly accelerated globalization, making it easier for businesses and individuals to connect globally.

The roots of globalization can be traced back to historical trade routes and colonial expansions, but its modern form began to take shape in the late 20th century, particularly after the Cold War. This era saw a dramatic increase in global trade, driven by the liberalization of markets and the rise of multinational corporations. As countries became more economically interdependent, globalization also sparked debates about its impacts, including economic inequality, cultural homogenization, and environmental concerns. Critics argue that while globalization can drive economic growth, it may also exacerbate disparities and undermine local cultures.

Here are three academically accepted definitions of globalization:

1. **Thomas L. Friedman** (2005) describes globalization as “the inexorable integration of markets, nation-states, and technologies to a degree never witnessed before.” This definition emphasizes the interconnectedness of economic systems and the role of technology in facilitating global interactions.
2. **Manfred B. Steger** (2013) defines globalization as “a multidimensional process involving the expansion and intensification of social relations and consciousness across world-time and world-space.” This perspective highlights the social and cultural dimensions of globalization, beyond just economic factors.
3. **David Held and Henrietta L. Moore** (2002) state that globalization is “the widening, deepening and speeding up of worldwide interconnectedness in all aspects of contemporary social life.” This definition captures the comprehensive nature of globalization, encompassing economic, political, cultural, and environmental dimensions.

## The growth of international business and business activities.

The growth of international business has been a defining feature of the global economy over the past few decades. This expansion is driven by several factors, including advancements in technology, the liberalization of trade policies, and the increasing interconnectedness of markets. As businesses seek to tap into new markets, they often find opportunities in emerging economies where consumer demand is rising. This trend has led to a significant increase in cross-border trade and investment, allowing companies to diversify their operations and reduce reliance on domestic markets.

One of the key drivers of international business growth is technological advancement. Innovations in communication and transportation have made it easier for companies to operate globally. The rise of the internet and digital platforms has transformed how businesses interact with customers and suppliers, enabling real-time communication and efficient supply chain management. Additionally, advancements in logistics and shipping have reduced costs and improved the speed of goods movement, facilitating international trade. As a result, businesses can now reach customers in distant markets more effectively than ever before.

Another important factor contributing to the growth of international business is the liberalization of trade policies. Many countries have reduced tariffs and non-tariff barriers, making it easier for businesses to enter foreign markets. Trade agreements, such as the North American Free Trade Agreement (NAFTA) and the European Union (EU) single market, have further facilitated cross-border commerce. These agreements not only lower trade barriers but also create a more predictable regulatory environment, encouraging companies to invest abroad. As a result, international business activities have expanded significantly, with multinational corporations leading the charge.

Cultural exchange also plays a crucial role in the growth of international business. As companies expand into new markets, they encounter diverse cultures and consumer preferences. Understanding these cultural differences is essential for success in international markets. Businesses that adapt their products and marketing strategies to align with local customs and values are more likely to thrive. This cultural sensitivity not only enhances brand reputation but also fosters customer loyalty, which is vital for long-term success in global markets.

The rise of emerging markets has further fuelled the growth of international business. Countries such as China, India, and Brazil have become significant players in the global economy, offering vast consumer bases and investment opportunities. As these markets continue to develop, they attract foreign direct investment (FDI) from multinational corporations seeking to capitalize on their growth potential. This influx of investment not only benefits the host countries by creating jobs and stimulating economic growth but also allows companies to diversify their operations and mitigate risks associated with economic fluctuations in their home markets.

Lastly, the COVID-19 pandemic has reshaped the landscape of international business, prompting companies to rethink their global strategies. While the pandemic initially disrupted supply chains and reduced international trade, it also accelerated trends such as digital transformation and remote work. Businesses are now more focused on building resilient supply chains and exploring new markets to ensure continuity in the face of future disruptions. This shift highlights the importance of adaptability and innovation in navigating the complexities of the global business environment.

### Real-World Examples of International Business Growth

1. **Apple Inc.:** Apple is a prime example of a company that has successfully leveraged international business to drive growth. With a global supply chain that spans multiple countries, Apple sources components from various suppliers worldwide, including semiconductors from Taiwan and displays from South Korea. This strategy not only reduces production costs but also allows Apple to maintain high-quality standards. Additionally, Apple



has expanded its retail presence globally, with stores in major cities around the world, catering to diverse consumer preferences and enhancing brand visibility.

2. **Unilever:** Unilever, a multinational consumer goods company, exemplifies the benefits of international expansion. With a portfolio of over 400 brands, Unilever operates in more than 190 countries. The company has successfully adapted its products to meet local tastes and preferences, such as offering different flavours of ice cream in various regions. Unilever's commitment to sustainability and social responsibility has also resonated with consumers globally, further strengthening its market position and driving growth in emerging markets.
3. **Amazon:** Amazon's growth into international markets showcases the power of e-commerce in the global business landscape. Initially focused on the U.S. market, Amazon has expanded its operations to numerous countries, tailoring its offerings to local consumers. The company has invested heavily in logistics and fulfilment centers worldwide, enabling fast delivery and enhancing customer satisfaction. Amazon's ability to leverage technology and data analytics has allowed it to understand consumer behaviour across different markets, driving its success as a global e-commerce leader.

The concept and theory of globalisation in terms of cultural, economic, political and social dimensions.

Globalization is a multifaceted phenomenon that encompasses various dimensions, including cultural, economic, political, and social aspects. At its core, globalization refers to the increasing interconnectedness and interdependence of nations and cultures, driven by advancements in technology, communication, and trade. This process has led to the blending of cultures, the expansion of markets, and the emergence of global governance structures. Understanding globalization requires examining how these dimensions interact and influence one another, shaping the contemporary global landscape.

**Cultural Globalization** involves the exchange and integration of cultural elements across borders. This dimension is characterized by the spread of ideas, values, and practices, often facilitated by media and technology. For instance, the proliferation of the internet and social media platforms has enabled cultural products—such as music, films, and fashion—to reach global audiences. While this can lead to a richer cultural tapestry, it also raises concerns about cultural homogenization, where dominant cultures overshadow local traditions. Scholars like Arjun Appadurai have explored how globalization creates “ethnoscapes,” where people, ideas, and cultures flow across borders, reshaping identities and cultural practices.

**Economic Globalization** refers to the integration of national economies through trade, investment, and capital flows. This dimension has been significantly accelerated by the reduction of trade barriers and the rise of multinational corporations. Economic globalization allows companies to operate on a global scale, sourcing materials and labor from different countries to optimize production and reduce costs. However, it also raises issues of economic inequality, as benefits may not be evenly distributed. Theories such as world-systems theory, proposed by Immanuel Wallerstein, emphasize the hierarchical nature of global economic relations, highlighting how core countries often exploit peripheral nations for resources and labor.



**Political Globalization** encompasses the increasing influence of international institutions and norms on national governance. Organizations like the United Nations, World Trade Organization, and International Monetary Fund play crucial roles in shaping global policies and regulations. This dimension reflects a shift towards multilateralism, where countries collaborate to address global challenges such as climate change, terrorism, and human rights. However, political globalization can also lead to tensions, as national sovereignty may be compromised in favour of international agreements. Critics argue that this can result in a democratic deficit, where local voices are marginalized in favour of global governance structures.

**Social Globalization** focuses on the impact of globalization on social structures and relationships. This dimension examines how global interconnectedness affects social norms, values, and practices. For example, migration patterns have intensified due to globalization, leading to diverse societies where multiple cultures coexist. While this can enrich communities, it can also lead to social tensions and challenges related to integration and identity. Theories of social globalization emphasize the importance of understanding how global processes influence local realities, shaping social dynamics in profound ways.

The interplay between these dimensions of globalization creates a complex web of interactions that shape the global business environment. Businesses must navigate cultural differences, economic disparities, political regulations, and social dynamics to succeed in international markets. This requires a nuanced understanding of globalization, as companies that adapt to local contexts while leveraging global opportunities are more likely to thrive. Theories of globalization provide frameworks for analysing these interactions, helping businesses strategize effectively in a rapidly changing world.

In summary, globalization is a dynamic and multifaceted process that encompasses cultural, economic, political, and social dimensions. Each dimension influences and interacts with the others, creating a complex landscape that shapes the global business environment. Understanding these dimensions is essential for businesses seeking to operate successfully in an increasingly interconnected world.

### **Real-World Examples of Globalization**

1. **Coca-Cola:** Coca-Cola is a prime example of a company that has successfully navigated the complexities of globalization. With operations in over 200 countries, Coca-Cola adapts its marketing strategies and product offerings to suit local tastes and preferences. For instance, in India, Coca-Cola introduced a range of beverages that cater to regional flavours, such as mango and lychee. This localization strategy not only enhances customer engagement but also strengthens brand loyalty in diverse markets. Additionally, Coca-Cola's global supply chain allows it to source ingredients from various countries, optimizing production efficiency while contributing to local economies.
2. **McDonald's:** McDonald's exemplifies the cultural and economic dimensions of globalization through its global franchise model. The fast-food giant operates in over 100 countries, adapting its menu to reflect local culinary preferences. For example, in India, McDonald's offers vegetarian options and avoids beef products to respect cultural sensitivities. This approach not only broadens its customer base but also demonstrates how globalization can lead to cultural exchange and adaptation. Furthermore, McDonald's supply chain integrates local suppliers, contributing to economic development in the regions where it operates.
3. **Alibaba:** Alibaba, a leading e-commerce platform in China, showcases the impact of globalization on business operations and consumer behaviour. By connecting buyers and sellers