

Business and Marketing Strategies - Globalization, Internationalization, and Multinational Enterprises

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These are industry-specific norms and practices that might not be codified but are accepted as standard in a particular country or industry. Informal practices also influence how businesses manage their employees, relationships with suppliers, and their brand image.

Example: Walmart failed in Germany in part due to its lack of understanding of informal business practices and cultural expectations around customer service and labor management. Walmart's American-style cheerleading sessions and rigid labor policies did not resonate with the German workforce, leading to dissatisfaction and eventual withdrawal from the market.

3.3 - Political Risk

Political risk refers to the uncertainty businesses face due to changes in a country's political environment, which may lead to instability, policy changes, or shifts in the regulatory landscape. These risks can significantly affect foreign investments and operations, especially in countries with less stable political systems.

Types of Political Risks:

- **Regulatory Changes:** Sudden changes in laws and regulations, such as new tariffs, tax laws, or environmental regulations, can affect profitability.
- **Governmental Instability:** Coups, civil unrest, or transitions of power can disrupt business operations or lead to nationalization (government takeover of foreign-owned assets).
- **Expropriation:** Governments may seize or nationalize foreign-owned businesses, especially in sectors deemed crucial to national interests.
- **Corruption:** High levels of corruption increase costs and risks as businesses may need to navigate bribery and informal networks to get things done.

Example: In Venezuela, the government expropriated several foreign-owned oil companies' assets as part of its socialist economic policies. This resulted in massive financial losses for those companies and deterred further foreign investments.

SUMMARY INSTITUTIONS:

Understanding the interplay between formal and informal institutions is critical for businesses looking to operate internationally. Whether adapting to legal frameworks, navigating cultural nuances, or managing political risks, businesses must consider the institutional environment to succeed in foreign markets.

4. Multinational Enterprises (MNEs)

4.1 - What are MNEs?

Multinational Enterprises (MNEs) are large companies that operate in multiple countries through a network of subsidiaries, affiliates, or branches. Unlike domestic firms that only function within their home country, MNEs engage in cross-border economic activities such as foreign direct investment (FDI), trade, and joint ventures. MNEs often seek to expand their operations to capture new markets, access cheaper resources, or leverage local expertise.

- **Example:** Major MNEs like **Unilever**, **Apple**, and **Toyota** have offices, factories, and sales networks in multiple countries. These companies often maintain their headquarters in one