

### **What are some positive effects of globalization?**

1. Outsourcing to countries with cheaper raw materials and labor, resulting in reduced prices for consumers
2. More businesses lead to increased competition, which leads to lower prices and/or better quality products
3. Improved human rights in developing countries
4. Increased productivity when countries make products that they have a comparative advantage in
5. More innovation
6. Better jobs in developed countries
7. Increased capital (money) flow due to foreign investment

### **What are some negative effects of globalization?**

1. Loss of Canadian factory jobs due to outsourcing
2. Fear of job loss
3. Loss of comparative advantages
4. Exploitation of cheap labor in developing countries
5. Increased pollution due to weak environmental regulations in developing countries
6. Unhealthy products
7. Spread of disease
8. Increase in the income gap

## 9. Influence of multinational corporations on governments

### **Types of globalization strategies and their pros and cons.**

#### **1.Global Strategy:**

When an MNC treats the world as one big market. Their products are marketed the same across countries, and key decisions are made at corporate HQ in the home country.

This strategy is useful for products that fit a common need across all cultures.

Example: Levi Jeans (everyone needs pants regardless of culture)

#### **Pros:**

- Economies of scale
- Faster production

#### **Cons:**

- Lack of customized response to different cultures
- Communication challenges between countries

## **2.Multidomestic Strategy:**

When an MNC customizes their products and marketing to each local culture. Decisions are decentralized to the local management.

This strategy is useful for products that face different needs across different cultures.

Example: McDonald's (different cultures have different food customs and taste preferences)

### **Pros:**

- Less political risk
- Less exchange-rate risk
- Increased responsiveness to local needs

### **Cons:**

- Expensive and time-consuming to implement; need to research each new market's needs
- Unable to develop a consistent global image

## **3.Transnational Strategy:**

When an MNC tries to meet the needs of local markets while maintaining the efficiencies of a global strategy. Products are manufactured at the least expensive source, while HR and marketing decisions are made by local management.

This strategy is useful for products that mostly face the same needs across cultures but sometimes face different needs.

Example: Coca-Cola. The product is mostly the same across the world, but some places have different products. Also, each region uses different marketing and hires their own senior executives.

**Pros:**

- Meets needs of local markets
- Maintains some of the efficiencies of mass production

**Cons:**

- Very hard to execute in practice

## Summary

**Multidomestic Strategy:** Focuses on **local markets**, with products and strategies customized for each country.

**Focus:** **Local adaptation** is the priority.

**Key Idea:** Companies using a multidomestic strategy treat each country as a separate market, with products and operations tailored specifically for local tastes, cultures, and regulations.

**Transnational Strategy:** Balances **global efficiency** and **local adaptation**, aiming to **standardize where possible while still adapting to local demands**.

**Focus:** **Balancing** global efficiency with local adaptation.

**Key Idea:** Companies using a transnational strategy aim to be efficient globally while still adapting to some local market demands.