

# Intercultural Management

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# Outline

1. Basic Data on International Economics and Business
2. Theories of Corporate Internationalization
  - 2.1 Theories of International Trade
  - 2.2 Theories of Foreign Direct Investment
3. Environment of Multinational Enterprises
  - 3.1 Economic Environment
  - 3.2 Political Environment
  - 3.3 Cultural Environment
4. International Environment and Managerial Decision

# Literature

## Main textbooks:

- Hill, C.: International Business – Competing in the Global Market Place, 8<sup>th</sup> ed., 2010
- Daniels *et al.*: International Business – Environments and Operations, 12<sup>th</sup> ed., 2009

# **1. Basic Data on International Economics and Business**

## 2. Theories of Corporate Internationalization

### 2.1 Theories of International Trade

### 2.2 Theories of Foreign Direct Investment

## 3. Environment of Multinational Enterprises

### 3.1 Economic Environment

### 3.2 Political Environment

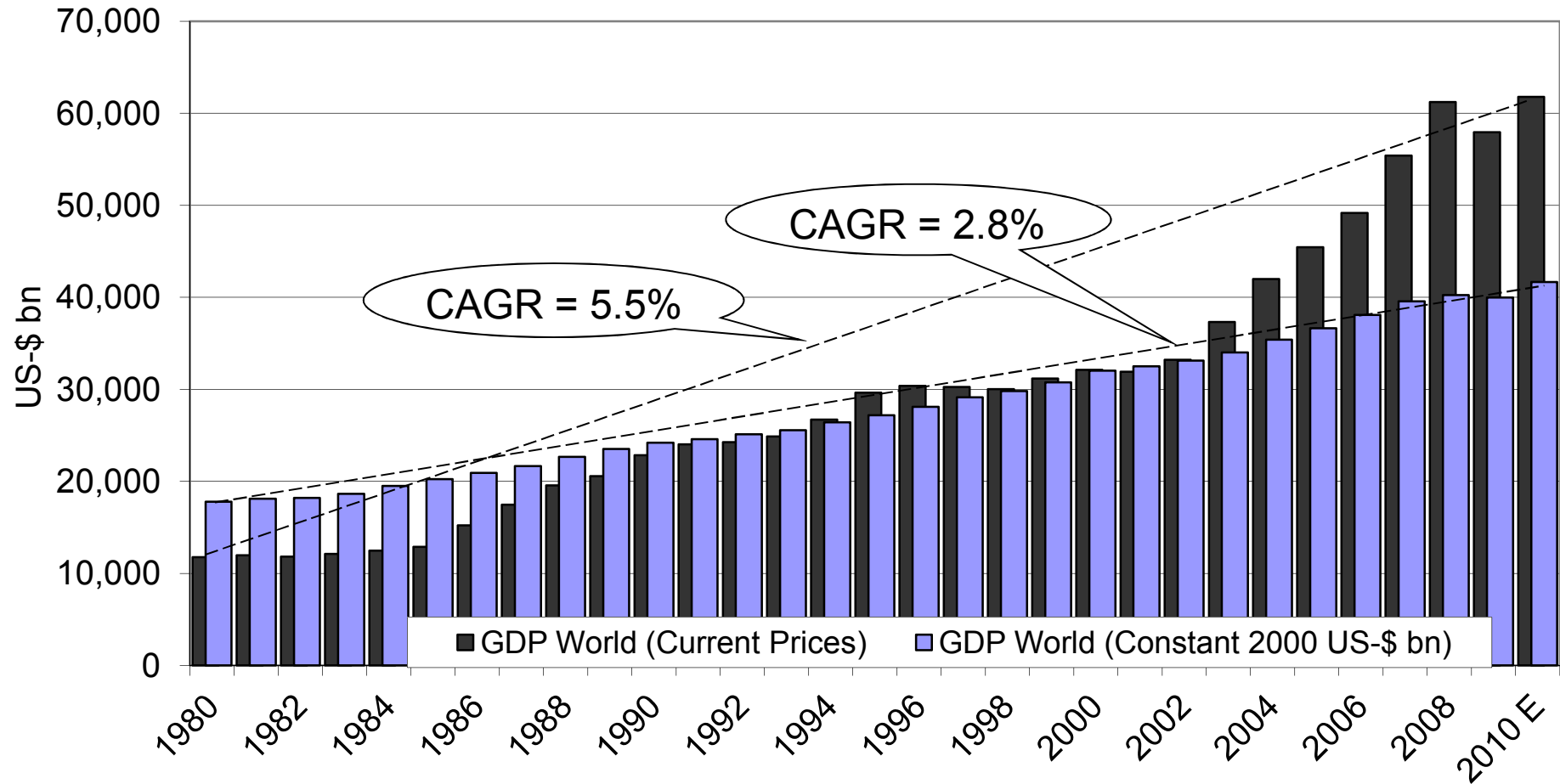
### 3.3 Cultural Environment

## 4. International Environment and Managerial Decision

# 1. Basic Data on International Economics and Business

- Aims of this chapter:
  - Short overview of relevant data
  - Recapitulate data definitions
  - Interpret data and understand links between data
  - Link globalization drivers to data discussion
- Core literature: Hill, Chapters 1 & 2

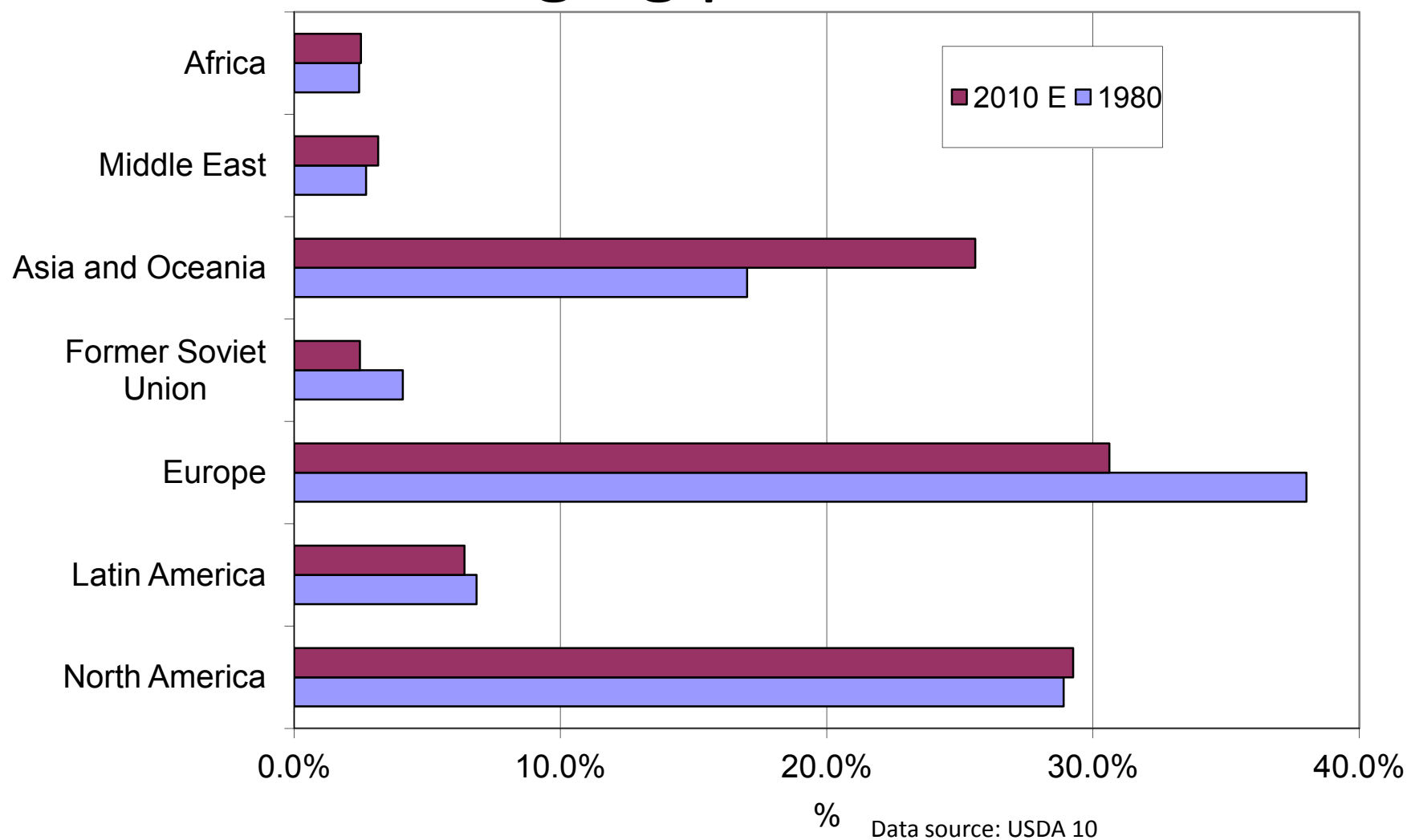
# I. Global growth – with and without inflation



Data source: WDI 2009 and WEO 04/10

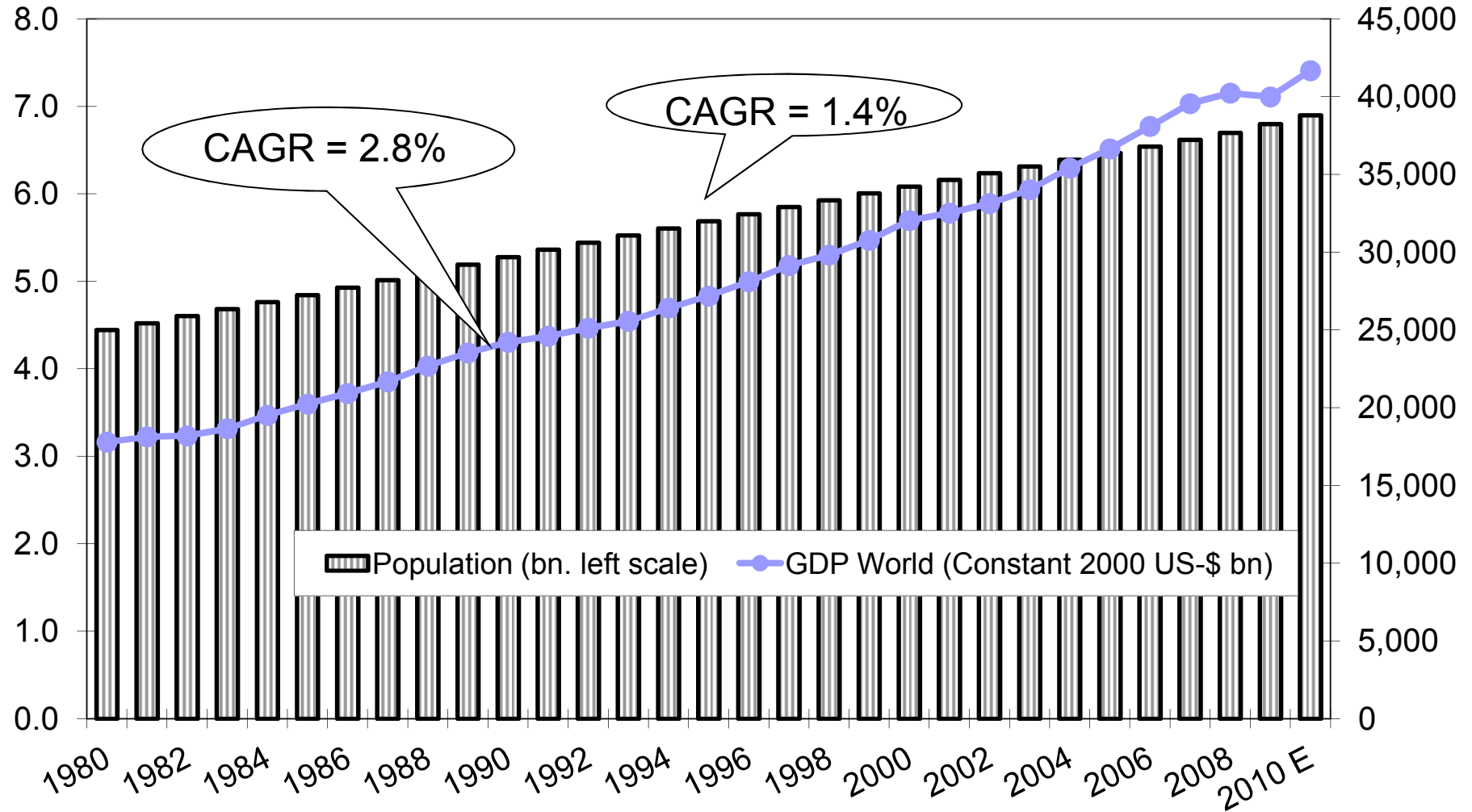
- World GDP has grown steadily
- Nominal GDP v. Real GDP
- “Real” growth close to zero in 2008-09
- Natural and “artificial” fluctuations
- Recent crisis / central banks / inflation

## II. Regional shares of global GDP – changing positions



- Losers and winners (?)
- Europe “big loser”
- Asia “big winner” (especially South East & China)
- Others:
  - US
  - Middle East
  - Former Soviet block
  - Latin America & Africa

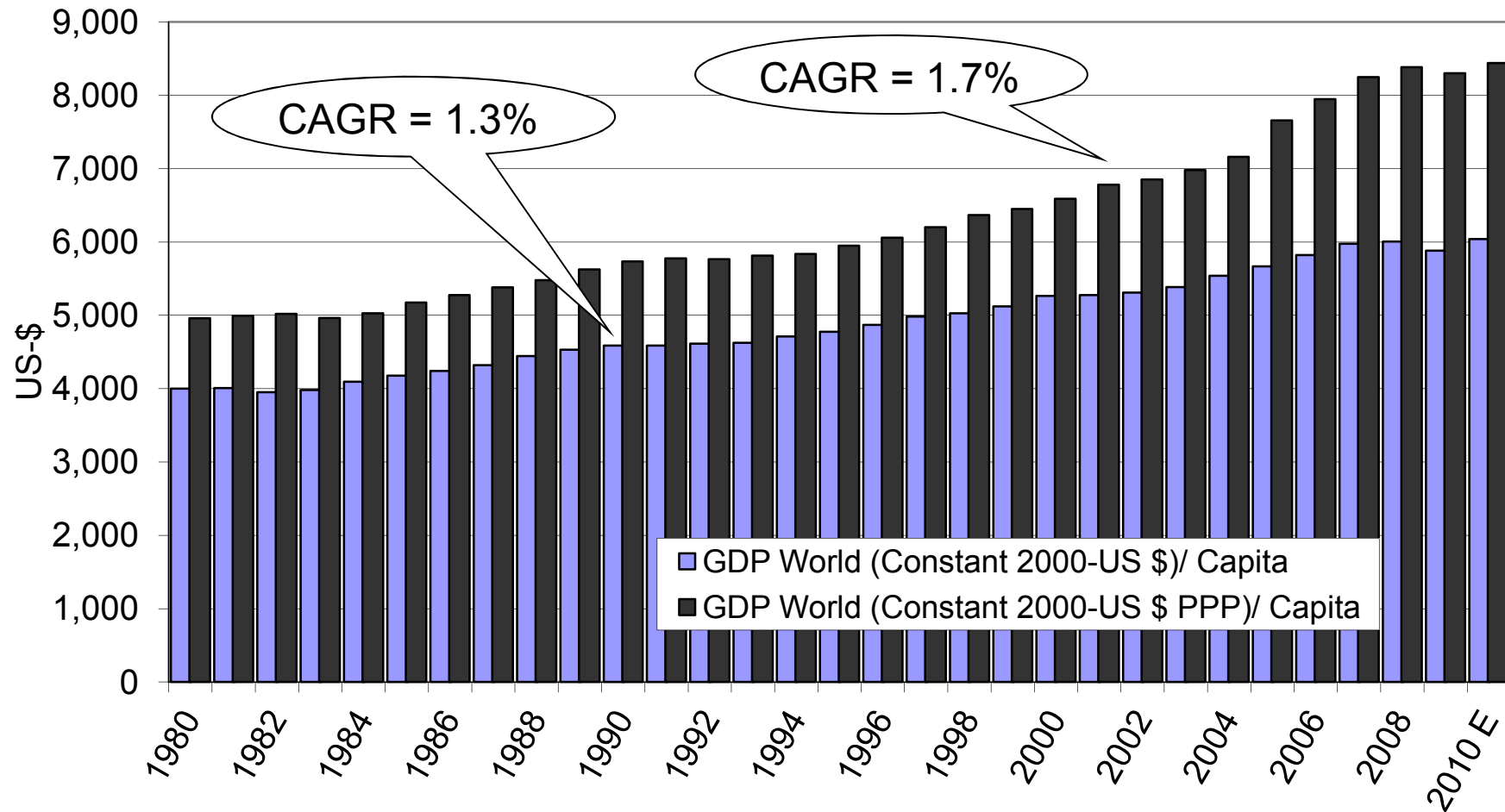
# III. Population and GDP growth



Data source: WDI 10 and WEO 04/10

- Population has grown, yet GDP has grown more
- Malthus – Marx → subsistence level (?)
- Economic sustainability
- Is the capitalist system flawed?
- Lots of things for granted (cars, trains, TV, Internet...)
- Benefits from trade

# IV. GDP per capita and adjustments for differing purchasing powers



Data source: WDI 09 and WEO 04/10

- GDP per capita also shows an upward trend
- When adjusted by PPP (reference: cost of living in US) the trend is steeper
- Higher standard of living worldwide
- GDP per capita is not all, but at least is something
- Other measures (HDI, corruption, unemployment, political and economic freedoms, etc.)
- Need to quantify

## V. GNI per capita and adjustments for differing PP (selected countries)

Country	GNI p.c. 2007 \$	GNI PPP p.c. 2007 \$	GDP g.r. % 1998-2007	Size, GDP 2007 \$ bill.
Brazil	5,910	9,370	2.76	1,314
China	2,360	5,370	9.52	3,280
Germany	38,860	33,530	1.57	3,297
India	950	2,740	7.12	1,171
Japan	37,670	34,600	1.15	4,377
Nigeria	930	1,770	5.18	166
Poland	9,840	15,330	4.21	420
Russia	7,560	1,440	5.73	1,291
Switzerland	59,880	43,870	1.94	416
UK	42,740	33,800	2.82	2,728
<b>US</b>	46,040	45,840	2.95	13,811

Data source: WDI 09

- GNI p.c. gives a hint on the living standards of a country
- But can be misleading → cost of living!
- GNI p.c. PPP: allows for a more direct comparison
- E.g. Swiss people have a higher GNI p.c. which affords them less goods & services than US citizens (Why?)
- E.g. \$2,360 in China would buy more than double in US (Why?)
- Differences in GDP growth and catching-up process

# Some recent figures: The crisis in the developed world

Spain and Ireland in a worldwide context:

	SPA	IRE	POR	ITA	GRE	EU13	DE	FR	UK	US	JP
<u><math>\Delta</math>GDP</u>											
2000-09	2.6	3.6	0.9	0.5	3.3	1.3	0.8	1.5	1.7	1.9	0.7
2000-07	3.6	5.8	1.4	1.5	4.2	2.1	1.5	2.1	2.7	2.6	1.7
2008-09	-1.4	-5.2	-1.3	-3.3	0.01	-1.8	-2.0	-1.1	-2.3	-1.0	-3.3
<u><math>u</math> (%)</u>											
2007	8.6	4.7	8.4	6.4	8.6	7.7	8.7	8.3	5.5	4.7	3.9
2009	19.9	12.5	10.0	8.2	9.9	9.8	7.7	9.5	7.9	9.8	5.2
$\Delta$ (p.p.)	11.3	7.8	1.6	1.8	1.3	2.1	-1.0	1.2	2.4	5.1	1.3

Source: OECD Economic Outlook no 87 (2010).

- Large GDP growth rates before 2007 and negative afterwards
- Steep rise in unemployment after 2007

# Summary of 1<sup>st</sup> session

- World GDP has grown steadily
- Natural and “artificial” fluctuations (inflation/crisis)
- Changes in *relative* shares by region
- Population has grown, yet GDP more (sustainability?)
- Higher standard of living worldwide
- GDP per capita PPP (international comparisons)