

Unit 7: Chapter 26

GLOBAL BUSINESS

Learning Outcomes from this chapter

On completion, you should be able to:

- Discuss why multinational companies choose to locate to Ireland
- Outline the benefits and challenges of multinational companies in Ireland for the Irish economy
- Explain reasons why Ireland should shift from relying on multinational companies and increase indigenous companies instead
- Explain the term 'global business'
- Analyse the impact of globalisation on the Irish economy
- Illustrate different developments in technology that have allowed for globalisation
- Distinguish between a standardised and an adapted marketing mix for a global business
- Illustrate what is meant by the 'global marketing mix'
- Discuss the different channels of distribution available to Irish businesses to sell in international markets

Multinational company

A business that has operations in two or more countries; operations are managed from the company's headquarters in their home country (e.g. Apple, Google, Facebook)



Why MNCs operate in Ireland

Corporation tax rate	Rate of 12.5% in Ireland vs rates in other EU countries (e.g. 30–33% in Germany)
Spin-off companies	Service providers and spin-off industries have developed to service growing industries (e.g. finance, pharmaceuticals)
IDA Ireland	Offer grants, advice and market research for FDI (foreign direct investment) to incentivise MNCs to set up in Ireland
Skilled/educated workers	MNCs want highly skilled workers; Ireland has a high third-level uptake
Member of the EU/EMU	Free trade within EU; common currency benefits within EU

What is the impact of MNCs on the Irish economy?

Benefits	Challenges
Direct employment: over 230,000 people employed by MNCs (2019)	Ireland's over-reliance on MNCs for corporation tax and jobs
Increased tax revenue from corporation tax, PAYE, VAT	Many profits are repatriated out of Ireland
Positive spin-off effects for local hospitality and suppliers	MNCs benefit from tax incentives that the Irish government must continue
Irish employees develop and learn from the latest technologies and developments	Changes in trading conditions in the US and the UK (protectionism, Brexit)
Improved balance of payments, as many goods are exported from Ireland	Small Irish firms can struggle to compete with lower-cost economies

Global business

A global business sees the world as one giant market and production location. It provides the same, undifferentiated product worldwide.

Globalisation

How businesses are expanding to sell worldwide and operating on an international scale



Developments in technology that have facilitated globalisation

CAD (computer-aided design)	Faster design of products: companies can react quickly
CAM (computer-aided manufacture)	Equipment can be controlled globally/remotely; can be used with computer integrated manufacturing (CIM)
EDI (electronic data interchange)	Cloud computing, online document storage/transfer, automated stock reordering: instant and global
ISDN (integrated services digital network)	Telephone lines to transmit and receive digital information (modems/internet)
Improved global marketing	Social media sales channels, company websites, Amazon, etc.

Global marketing

Global marketing is the idea that a global business tries to treat the world as one marketplace and that a product is marketed the same everywhere in the world.

Standardised marketing mix

This is the sale of a product with an undifferentiated approach to its marketing mix – it is identical wherever it is sold in the world.

Adapted marketing mix

The 4 Ps change based on where the product is sold in order to suit the relevant market.



Global marketing mix

Global product	Product adjusted for technical, legal and language requirements
Global price	Price adapted for tax differences, income levels, competition
Global place	Sold through direct export, agents, franchising, alliance
Global promotion	Adapted for target market, legislation, language, culture