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Note on the Global Business Environment

Globalization has changed us into a company that searches the world, not just to sell or to source, but to find intellectual capital - the world's best talents and greatest ideas.

Jack Welch, former General Electric CEO

We are moving toward a global economy. One way of approaching that is to pull the covers over your head. Another is to say: It may be more complicated - but that's the world I am going to live in, I might as well be good at it.

Phil Condit, former CEO and Chairman of Boeing

The global economy has undergone a vast transformation in the past 20 years:

- Economic linkages among countries are growing rapidly. Since World War II, the growth rates of both trade and cross-border investment have consistently exceeded the growth of economic output at the global and regional levels, and for nearly all countries.
- Since the late-1980s, economic liberalization has spread around the world. After decades of economic isolation, countries such as China, India, Russia, Brazil, Egypt, Mexico, and others have joined the global economy (see **Figure 1** for a graphical depiction of this phenomenon).
- More than half of global Gross Domestic Product (GDP) growth is projected to occur in developing countries in the next 25 years (see **Table 5**). In a recent study, Goldman Sachs projected that China, India, Russia, and Brazil will all be among the world's six largest economies by 2050 (this study is discussed in more detail below).
- The past decade has witnessed the rise of developing country-based multinational firms in sectors as diverse as pharmaceuticals, brewing, banking, white goods, and information technology. Until recently, nearly all global firms were based in the United States, European Union, or Japan (see the *Going Global* case series for several examples).
- Globalization is now occurring rapidly in service activities. Globalization has traditionally been concentrated in the natural resources and manufacturing sectors, which employ about 16% of U.S. workers. The services sector provides 78% of employment. (See **Exhibit 3** for a depiction of cost savings from moving an activity "offshore.") The globalization of services is causing firms to actively reengineer their global operations to better access and leverage global resources.

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