Suggested Discussion Questions and Answers

* What will determine the success or failure of New Balance?
  + Text: The success and failure of firms is infused in two core perspectives: an institution-based view and a resource-based view. An institution-based view suggests that the success and failure of firms are enabled and constrained by institutions or the rules of the game (formal and informal) or the external environment. A resource-based view suggests that the success and failure of firms occur because of their internal resources and capabilities and their uniqueness compared to competitors.
  + Success or Failure: New Balance is faced with changes in the rules of the game or in its external environment by way of the Trans-Pacific Partnership. New Balance says it will continue to compete on price or its production if the partnership trade agreement impacts their business. With this said, New Balance has already begun to take a proactive approach toward their success. Having done so, they recognize that their production processes (resources) and capabilities to improve exist for making them more competitive against potentially low-cost labor from Vietnam. New Balance’s success will be determined through their continued approach toward a resource-based view and looking inward at opportunities to become unique and enviable to the competition. Without such action and being vulnerable and constrained by the external environment, New Balance is doomed for failure.
* What view of globalization is suggested through the New Balance Company?
  + Text: The three views on globalization are: (1) it is a new force sweeping through the world in recent times, (2) it is a long-run historical evolution since the dawn of human history, and (3) a pendulum that swings from one extreme to another from time to time.
  + New Balance View of Globalization: The pendulum view; While New Balance is faced with how to remain competitive, it appears the company has bounced back before through improving its processes. And according to its associates, they continue to find ways to make the company better. This kind of reaction is not equivalent to abrupt change or historical evolution exhibited by the other two views of globalization.
* What impact will emerging economies and the Trans-Pacific Partnership have on New Balance?
  + Text: Emerging economies contribute approximately 45% of the global GDP. The emerging BRIC economies generate 17% of world exports, absorb 16% of FDI inflows, and contribute 28% of world GDP. The BRIC economies contribute 62% of the GDP of all emerging economies and generate 8% of world FDI outflows.
  + Impact: The Trans-Pacific Partnership, which includes emerging economies like Vietnam, will reduce the domestic competitiveness of New Balance because it will reduce tariffs on imported shoes from Vietnam (low-cost labor), thus, lowering their price in the US market. With American workers already 10 times more costly than Vietnam workers, New Balance is faced with losing domestic market share and production demand.
* With regard to New Balance, what are the costs and benefits of globalization?
  + New Balance Costs of Globalization:
    - Constraints by other country institutional frameworks (formal and informal)
    - Domestic job losses
    - Risk
    - Profitability
  + New Balance Benefits of Globalization:
    - Improved resources and capabilities
    - More cultural integration
    - Greater growth
    - Profitability
* Is globalization the solution to profitability?
  + Text: The global economy at the beginning of the 21st century is an approximately $60 trillion economy. Over 77,000 MNEs controlled at least 770,000 subsidiaries overseas. Total annual sales for the largest 500 MNEs exceed $20 trillion (about 1/3 of global output).

Solution to Profitability?: Student answers may vary as they sort out their biases. However, they should reflect and be based on the costs and benefits of globalization. Students should consider social, political, and environmental costs associated with globalization alongside the seemingly significant sales and output.