

Harnessing the Best of Globalization

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Abstract: The melting of barriers among nations and their increasing interconnectedness, accelerated by technology, has led to a change in the world order that has had a profound impact on global business management system necessitating managers to appropriately incorporate these trends within the strategies. The emergence of nations such as India and China has replaced the era of unquestioned dominance of the Western countries or any one particular region, paving the way for a flattened business arena where developments in one part of the other are certain to have a spiraling impact. Perhaps the best evidence of this is the recent financial crisis.

Keywords: Barriers, technology, flattened, spiraling.

1. Introduction

Economic globalization refers to the increasing interdependence of world economies as a result of the growing scale of cross-border trade of commodities and services, flow of international capital and wide and rapid spread of technologies. It reflects the continuing expansion and mutual integration of market frontiers, and is an irreversible trend for the economic development in the whole world at the turn of the millennium. The rapid growing significance of information in all types of productive activities and mercerization are the two major driving forces for economic globalization. In other words, the fast globalization of the world's economies in recent years is largely based on the rapid development of science and technologies, has resulted from the environment in which market economic system has been fast spreading throughout the world, and has developed on the basis of increasing cross-border division of labor that has been penetrating down to the level of production chains within enterprises of different countries.

2. Challenges of globalization

Organizations operate in a global economy that is characterized by greater and more intense competition, and at the same time, greater economic interdependence and collaboration. More products and services are being consumed outside of their country of origin than ever before as globalization brings about greater convergence in terms of consumer tastes and preferences. Yet at the same time, in the midst of greater convergence, there is the opposite force of divergence at work where companies have to adapt corporate and business strategies, marketing plans, and production efforts to local domestic markets.

The ease of modern globalization is often attributed to rapid

technological developments in transportation and communication. These form the central system of international exchange, allowing businesses to create meaningful relationships worldwide with minimal time investment and costs. Management is tasked with ensuring these resources are available to employees and properly leveraged to optimize the geographic reach of a business's operations. This has led to the existence of many multinational enterprises (MNEs), who argue that survival in the newly globalized economy requires sourcing of raw materials, services, production, and labor.

From a managerial perspective, the global workplace implies an enormous amount of diversity management. Estimates of the world labor pool in 2005 noted that multinational companies employed a stunning 3 billion workers cumulatively, which is nearly half of the entire world population. As a manager, this means developing a globally aware perspective that lends itself well to the specific geographic needs, values, and customs in which the business operates. Developing this global skill set is a powerful managerial skill.

Managers should also be aware of the best way to approach global demographics from a business to consumer perspective, taking an international product or service and localizing it successfully. This is a significant challenge, necessitating consideration for different tastes and branding strategies during the implementation process.

Managers must also be particularly aware of the current criticisms of a highly global society, particularly as it pertains to ethical and environmental considerations. A global economy is, in many ways, enforcing a global culture. This global culture is often criticized for taking the place of previously established domestic cultures (and motivating consumerism).

3. Facing challenges of globalization

Managers should carefully consider how to best localize products to retain cultural identity in the regions they operate. Environmental concerns are of large importance as well, as the constant energy utilization required for this interchange pollutes the environment and uses high quantities of valuable energy-creating resources. Minimizing the damage done to the environment and offsetting it as best as possible through philanthropic giving, is not only a wise marketing move but also a critical ethical consideration.

Globalization is impacting how organizations compete with each other. In combination with changing demographics, globalization is causing a rapid increase in diversity in

organizations. Never before have people been required to work together with colleagues and customers from so many different cultures and countries.

Globalization and diversity trends are forcing organizations to become more flexible and adaptable. To be able to function globally and to embrace diversity, leaders and employees in organizations have to become more flexible and develop a wider repertoire of skills and strategies in working with diverse groups of people in the workplace as well as in the marketplace.

In a greater competitive marketplace, speed or response time is critical. How organizations response to customers and other stakeholders or be the first to market may make a significant difference as time is at a premium. Organizations that can develop new technologies faster or can adapt to changes in the market faster are the ones that will survive the competition. To maximize response time, organizations have been flattening their hierarchies and structures, in addition to other initiatives such as downsizing and networking. Flat organizations make decisions more quickly because each person is closer to the ultimate decision-makers. There are fewer levels of management, and workers are empowered to make decisions. Decision-making becomes decentralized.

The debate over the centralization versus decentralization of operations in organizations is an enduring one. It is an age-old battle of standardization versus autonomy, corporate efficiency versus local effectiveness and pressure on costs and resources versus accommodation of specific local needs. Vacillation between centralization and decentralization is both non-productive and unnecessary. Organizations, as they desire to become flatter, will need to be clear about how they need to

respond to the tension between centralization and decentralization.

Organizations that flatten tend to encourage horizontal communication among workers. Rather than working through the organizational hierarchy, it is often faster for workers who need to coordinate with each other simply to communicate directly. Such organizations are highly networked.

4. Conclusion

Organizations are caught between the opposing forces of centralization and decentralization. They want to leverage the opportunities offered by decentralization and create more nimble and forceful organizations, but they cannot always do so because the forces of centralization come into play. There are obvious benefits to centralization as control is comparatively tighter and accountability is clearer compared to a flatter, more decentralized organizational structure. Being my mindful of the potential opportunities in a global economy, along with knowledge of how to localize and sidestep the negatives in an international marketplace, can capture large value for effective managers.

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