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MBA ASSIGNMENT

Globalization

Examining the advantages and disadvantages of globalisation: The tension between corporate expansion and the countries' societal norms

Introduction

The aim of this assignment will be to examine the dimensions of globalisation by looking at its advantages and disadvantages as they are discussed in the literature. In particular, the paper seeks to examine the particular economic benefits that corporations are thought to gain from trading within and between countries. We also want to assess the effects that such trend to globalisation practices have on the societal norms and values of people, and, which have widely been characterised for being the disadvantages of globalisation (O'Higgins, 2003; Zekos, 2004). It is argued how corporation are not only business units that simply undertake economic activities through the production and distribution of products (Hammond and Grosse, 2003). Corporations also represent social institutions through the exercise of their own cultural values, ideology and corporate ethics, that can influence the social system of a country (Roukis, 2006; Geyer, 2003; Harris, 2002). As a result, it is widely argued how the expansion of corporations in India, for example, has had a dramatic effect in the westernisation of the people to values and ideas they were not acquainted with in the past (Waters, 2001; *Daily Mail*, 2005). Women, for example, were not supposed to work during night shifts, but, now have to do so when in call centres, as this is a requirement of their contract. Also, the family relations are also thought to have changed as women have become more independent from their family, with the result, of often challenging already existing traditional cultural norms and values. The issue of whether such social changes can be regarded as 'disadvantages', varies in the discussion between authors (Palpacuer, 2002; Spich, 1995). Some authors for example argue how the existing social norms and value have to be appreciated for what they mean to the people, and that, economic pursue of financial growth should not regulate how such values should be lived in the first place (Roukis, 2006). Nevertheless, it is generally accepted how the capitalistic drive to economic pursue and growth, often, means the lack of *regulation* between business practices, and, which often leads to an exploitation of employees or the creation of a skill-gaps between employees (Brinkman and Brinkman, 2002). Our aim is not to provide definite answers to the above questions, but, to address them in their own context as represented in the literature. The first part of the essay will examine the advantages of globalisation. In particular, the areas of: a) standardisation of product and marketing practices, b) the creation of global value chains, and the c) created linkages by corporations with the different financial markets within the different countries. The second part will look at the disadvantages of globalisation. In particular the areas of a) lack of regulation for how corporations trade in different countries, and, b) the wider social impact that globalisation has when often bypassing the existing norms and values within a society. Also the type of responsibility corporations should be keen to address, as social institutions, and not just as business units.

The Presence of Globalisation

Globalisation is a term used to characterise the growing tendency between firms to perform their trading practices by moving outside their geographical and economic boundaries in which they exist (Waters, 2001; Brinkman and Brinkman, 2002). Globalisation is used to describe the nature of international trading that dominates corporations, and, how they are not longer limited to serving specific groups of consumers in one country (Leavy, 2004; Hammond and Grosse, 2003). The growth of globalisation is attributed to the economic expansions and the capitalistic drive to achieve growth, by utilising existing resources, as well as increasing the degree of efficiency in which operations are conducted. As a result, globalisation has also been very closely associated with outsourcing operations in which companies seek to transfer existing units of their production to different countries, where, the wages of the workforce are more economically sensitive A recent and widely study phenomenon of such outsourcing activities has been the creation of call centres in India where large banking firms have moved their customer service support there (see Table 1).

Table 1- The number of jobs that companies have moved to India

Company	Employees
Aviva (by 2007)	7,000
HSBC	4,500
Lloyds TSB	2,500
BT	2,200
Vertex	2,000
National Rail Enquiries	1,700
Royal & Sun Alliance	1,200
Centrica	1,000
Barclays	640
Ventura	160
Capita	200

Source: *Daily Mail* (2007)

In addition to the above, it is argued how corporations endeavour to capitalise on the regulative and financial system between countries and which can differ to various degrees (Jimenez, 2000). The degree of bureaucracy and the amount of taxation that companies have to pay, for example, differs between countries. Developing countries offer less heavy taxation than developed countries, and, keen to offer less bureaucratic ‘red tape’, with the result of making them more attractive targets (Snow, 2005). Furthermore, the rise of globalisation is also attributed to the fact that corporations do not have to be restricted within the consumers of one country for selling their products (Gereffi, 1996). By targeting a different consumers and also wider markets firms can maximise their financial profits by achieving economies of scale. An important aspect to the above is the standardisation practices that they follow, and, which are cost effective as the companies do not have to dramatically change the specifications of a product. As a result, by designing advertising and marketing practices that are believed to meet the consumers’ individualistic needs and culture, companies can eliminate excess of their stock and increase sales (Sliwa, 2007). Apart from the above issues on globalisation, it is important to acknowledge how the term has been difficult to define in the literature, because of the plurality of its meaning. Walter (2001) for example, state that: “Although the word ‘global’ is over 400 years old…the common usage of such words as ‘globalization’, ‘globalize’ and ‘globalizing’ did not begin until about 1960” (p.2). Also, authors can attach different interpretations to it in a homogenous way, even though, they can mean different things (Spich, 1995). As a result, authors might want to attach colorful meaning to the term and without using a consistent description that is widely adopted, or, that it represents an accepted set of ideas. At the same time, authors are keen to argue for how globalization captures the overarching trend of expansion beyond localized boundaries (Walter, 2001; Robertson, 2004). Even though, it is difficult to assign a homogenous meaning, authors underline how we can still appreciate an overarching representation of its meaning while acknowledging the complexities that govern it as a term. In this context, authors (Palpacuer, 2002; Geyer, 2003; Brinkman and Brinkman, 2003) tend to see discussions of globalization in a more positivistic way than the one described by Spich (1995), and, who argues for ‘discourses’ of globalization as they are shaped by myth and self-made assumptions. Having provided a short description about globalization and the key dimensions that is thought to encompass, as a term, we now move to examine in more detail its advantages and disadvantages. We are interested in exploring how globalisation is not only characterising the internal trade between firms, but also, the influence that corporations have on the societal norms and values of a people. In the below section, we will look at the advantages of globalisation, by examining the economic benefits that it generates for firms. Secondly, we will look at the influence of globalisation at a social level, and how authors discuss its disadvantages in the context of having a negative impact. We discuss each of the above dimensions in turn.

Advantages of Globalisation

The advantages of globalization are characterised for the new competing relations that are created between firms, and which, also help serve the consumers' needs by offering equal or better services. Firms are thought to offer more competing value for the products that consumers buy, while, maintaining similar levels of quality and low prices (Gereffi, 1999). This is because of the pressure as it is resulting from competition and which compels firms to identify more efficient ways of managing their existing resources. The fact that companies are not restricted by their geographical and economic boundaries, helps create opportunities for people that may not have been possible, otherwise (Geyer, 2003). For example, we find how the technological growth in Asian markets as part of offering more attractive wages to corporations, has also meant an intense growth of education and learning that contributed to the development of new skills (Gereffi, 1996). The peoples' accumulated learning helps strengthen a country's social capital and knowledge economy, and, this can have a positive effect in the growth of the country for the long term. As a result, people might not see the need to immigrate to a different country in order to study/work with the result of helping sustain current employment rates. A complementary effect to the above is when people make domestic investments, which, contributes to the country's annual Gross Domestic Productivity (GDP). In addition to this we also have the issue of knowledge transfer which is possible when a firm moves its production/operations plants to a different country. The corporations' presence is argued to provide a kind of 'knowledge spillover effect' to the local people (see Battu, et. al., 2004; Jaffe, et. al., 1993).

It is also argued how firms are being privileged by the increasing trends of globalization, but, how they are equally *threatened* by it. This is because the strategic scope between firms is not just dependent on their good or bad productivity of one market, and, firms cannot simply out-compete others with having knowledge of their performance of a particular market segment (Sliwa, 2007, Abeles, 2001). On a similar tone, firms can outperform competitors by finding innovative ways of production and with making a better utilisation of resources. As a result, the long history of a firm's strong presence in a market does not provide assurance in that that it will continue to maintain its growth (Waters, 2001). This means, how companies are facing the continuing pressure of developing innovative ways for staying ahead, and, with not relying on they already existing market-share (Robertson, 20004). Furthermore, corporations can make very different use of tangible or intangible resources through practices of globalisation. For example, by reducing operational costs in one country, firms can invest on the marketability of the products and manage to increase profits, without jeopardising quality. However, it is also recognised how companies operating in the service sector have experienced a greater difficulty for maintaining the consumers' trust when shifting their operations abroad from manufacturing companies (Budhwar, 2002). A distinct example of the above is the cases of Abbey National and Barclays in England. The bank had moved large parts of their customer service to countries like India and Bangladesh. Abbey National faced criticism by its customers, because of the communication language problems they experienced and which are culturally related.

In having provided a broad overview of the advantages of globalization, we now concentrate to discuss, in more depth, three particular dimensions that are thought to have led to its growing presence. The fist dimension concerns standardisation practices where the design and manufacturing processes contribute to the production of the same product. Such products are sold to different consumers and in different countries with little or not modification on their making. Standardisation practices are particularly dominant in food related products. Firms have managed to reduce their operational costs and concentrated on creating global brands/ products that corresponds to a general consumers' needs (Gereffi, 1999). For example, Palpacuer, (2002) states how Nestle and Uniliver are firms that focused on "homogenous consumption patterns across countries and macro-regions" (p.46). By heavily investing on the marketing and advertisement sides of the products such companies endeavour to help maintain the consumers' interest to the brand. Coca-Cola is an additional example, as the features of its products do not change, regardless of whether the drinks products are channelled to. Palpacuer, (2002) also argues how companies that have such a global presence can also influence the consumers' *habits* of consumption at a large scale. This idea indicates the presence of power that the companies can exercise through their corporate global presence, and, this is an issue we will discuss in more detail later in the essay. A similar company to above is also McDonalds, and, whose competitive advantage in the market is dependent on its standardised practices that make its food services efficient. It is important to qualify, how corporations that promote such standardised practices, fulfil a common need that is widely represented in the market. Corporations that could want to target a niche segment of consumers, instead, are not favoured by standardised practices. As a result, we argue how practices of standardisation may favour particular firms very much depends on the nature of needs that they serve. Also, to what extent common products are threaten substitutes. According to Porter (1998) global firms that promote standardised products are threatened by substitute products, and, this is why they concentrate on marketing their brand, so that, consumers can show loyalty to the firm and not jus the product. Also it is argued that this will help sustain the consumers' buying behaviour in the long-term (Brinkman and Brinkman, 2002). Apart from standardised practices, however, another advantage of globalization is in related to the creation of global value chains and this dimension plays a critical role to the operational functions of manufacturing-related firms (see Leavy, 2004). The notion of 'global value chains' is used to characterise the creation of different production parts of a corporation, and, which are partly responsible for the production of different segments of a product (Gereffi, 1999). The creation of such value chains has been partly led by the fact that corporations want to capitalise on the tangible or intangible resources of a country (Leavy, 2004). Also, to spread out the risk of potential causes of failure that could be concentrated in one manufacturing plant (Leavy, 2004). The footwear manufacturer Nike has largely capitalised on this initiative by spreading out its design plants to in European or American countries, and then, managing the manufacturing parts of the products in countries like China and India (*Crossboarder Monitor*, 1997). In this context, Nike footwear products are sold at premium prices even though the manufacturing costs have been very cost-effective. Palpacuer (2002) provides a similar example stating how: “a garment might today be designed in New York, produced from a fabric made in South Korea, spread and cut in Hong Kong, assembled in mainland China, and eventually distributed in Canada” (p.46-47). Automobile manufacturers have also capitalized on such practices with the assembly plants distributed between countries. Particular components are manufactured at plans that maintain expertise and good history on the quality of specific production units. For example, car manufacturers can use German plants that specialize in the manufacturing of engines while the cars are assembled elsewhere. Another trend to globalization, in addition to the above, has been the financial links that corporations create with the financial markets in the countries they operate. Corporations can benefit from changes/differences, between the economic regulations between countries. For example, issues related to property rights, financial infrastructure, and corporate governance laws, the regulation of work practices, or, issues regarding taxation and bureaucracy vary between such financial systems. By developing knowledge and links while exercising such regulations, firms develop experience and can often benefit from them.

Disadvantages of Globalization

Apart from our discussion on the advantages of globalization we now turn to examine how authors have discussed the negative affect of globalization. The discussion about disadvantages, and in a similar way to discussion about advantages, is subject to interpretations between authors. There is not a widely acknowledged consistency for what the disadvantages of globalization are. Nevertheless, there is a general trend of discussion which contains common features. Such discussion concentrates on the social impact of globalization and its influence on the people’s culture, values and traditions (Sliwa, 2007). As a result authors refer to the notions of corporate social responsibility. It is argued, how businesses are not simply representing mere economic units that simply fulfill capitalistic needs (Waters, 2001). Corporations are also social systems that contain their own ideology, culture and values that can have a wider social impact. As a result, employees do not simply constitute a mere workforce that is detached from such culture, but they are influenced by such activities (Budhwar, 2002). Corporations, in turn, have a greater social responsibility for being aware of how their activities influence the societal norms and values of people (Waters, 2001). Disadvantages of globalization have mainly been discussed in the context of an absence of a regulative system that monitors business practices (Roukis, 2006). Even though companies are subject to social and legal laws for how they conduct their practices, the pursue to economic expansion, has showed how employees can often become vulnerable recipients of such activities. Roukis (2006) makes an interesting argument at this point stating that "a careful analysis of the nexus between fast paced technologically driven globalization and dysfunctional organizations reveal that the uncertainties created by globalization produce societal conspiracy thinking and opaque organizational structures that facilitated the emergence of criminal and dissonant behavior". The swift pace of growth and change that governs business practices is not well known, and, it is often neither effectively regulated by public bodies. How corporations manage to legitimize their practices as a result, becomes a politicized process. In the heart of it, there is a competition of power between the management and the workforce, but also, between the corporations against a government's policies/procedures. In this sense, authors argue for how an important disadvantage of globalization is the unrealized impact that corporations have to the environment (Sliwa, 2007). Also, the organizational difficulties governments face to negotiate with such corporations, and especially within developing countries that seek maximized inputs of investment. In an article by *Crossboarder Monitor* (1997), for example, it is stated how Nike's outsourcing practices severely damaged its image to the public because of the way its management were treating employees. The article states how consumers often tried to boycott Nike when learning about such cases of exploitation. The article states in particular how: "In the aftermath of reports of underpaid, ill-treated workers at the plants of subcontractors in Indonesia and Vietnam, Nike scrambled to repair its public image. The negative publicity forced it to retain Andrew Young, a former US ambassador to the UN and a human rights activist, to investigate the alleged abuses. These included managers' limiting workers to two drinks of water per shift and inflicting corporal punishment on workers" (*Corssboarder Monitor*, 1997, p.8). The above example is one among others that indicate how the drive to economic expansion and the competitive pressure that firms face has had negative consequences, and especially, to those most vulnerable. Furthermore, the image behind Nike's management is also damaged by such events, even though, there might not be direct involvement or knowledge of it. Furthermore, Sliwa (2007) argues that the disadvantages of globalization need to be seen in the context of social power between institutions. How the more powerful parties have invested interests to maintain unequal relationships, with, less powerful social institutions, in order to maintain control. In particular Sliwa (2007) articulates the above thought in the following statement: “not only do the rich still need the poor, but, as those who manage multinational organizations belong to the category of “the rich”, they are also in the position to decide how poor the poor are going to remain. Because of this, the gap between those who serve global companies as “cheap labor” – and hence are largely excluded from participating in the global consumption; and those who – thanks to their high purchasing power, are important consumers at a global level, continues to exist” (p. 115). The creation of a skills-gap that is produced between, the current and future workforce, is another dimension that has been underlined in the literature (O’Higgins, 2003). It is argued how the large number of job losses has had a negative effect on the lives of the people of a society. This can also lead to an increased fragmentation between classes, and, it becomes an important economic parameter, the particular country will have to live with, in the future. In addition, to the above, authors have also pointed to the environmental impacts of globalization (Waters, 2001). In particular, to the consumption of natural resources that is made at an unprecedented rate, and, where little effort is made to recover the loss that is created in the environment. Robertson (2004), for example, points how “environmental problems are also both cumulative and global, they can only be addressed by co-operative global strategies that employ technology in environmentally sensitive ways. The machinery for developing and implementing such strategies barely exists…” (p. 564). As a result, companies have not developed policies for how to respond to the increasing environmental concerns, which leave people nationally or globally, vulnerable. Authors have also pointed to out other types of social changes that corporations help introduce by often challenging already established traditional values and norms. The question is not so much about whether such changes help create a positive impact or not. It is rather the fact that corporations do not take into account the types of changes they want to introduce, and, how this posses an increasing social challenge to the employees.

The social type of changes that Indian workers had to undergo in the last decade, as a result of the huge increase of call-centers is a good example to illustrate the above point. Snow (2005) states how “Call centers today employ over 800,000 people and occupy upwards of 65 million square feet of commercial property. These figures are predicted to rise further over the remainder of the decade as more public and private sector organizations seek to access to new ways of interacting with their customers” (p.525). One of the social challenges that Indians had to face during the country’s economic expansion, and which was coming out of the huge incoming of foreign investments, concerned their family life and issues of identity and status within society (Venkata and Jain, 2002). By following the pursue to wealth families are become more oriented to following Western ideals and paradigms (Singh, 2005; Snow, 2005). Traditional family values are gradually being replaced with a more individualistic culture which is characterized for its independence (Pradip, 2007). The older generation is argued to have much more difficulty with adapting to such swift changes than the younger generation. The lure by individuals to increase their economic wealth by working longer hours, is also argued to affect relations within family lives and particularly between women. Even though the introduced changes are believed to have positive effect for the life of the people, it is also argued, that promote a Western sense of identity and culture that often bypasses their own values. Such trend of globalization is viewed as having a disadvantageous affect to the society (O’Higgins, 2003).

Conclusion

The economic growth and development between corporations over the last two decades, has signalled increased pursue of corporate economic expansion, while adopting competitive strategies that go beyond geographical boundaries (Watters, 2001). Companies are not longer restricted within their economic and geographical arenas for promoting their products and for capitalising their potentials to maximise revenues. Changes in the environment and the need to gain a competitive advantage, has also meant that corporation need to capitalise on their resources by becoming more efficient in the design, production, and also distribution of products. The study of globalisation has signalled the increased competition between firms, the economic benefits that can be obtained from such practices, but also, the socio-political effects that such practices have in the broader environment (Waters, 2001). The study of globalisation does not concern only the need to understand how companies exercise their competitive practices, but also, the need to appreciate the greater influence that they create, and which, go beyond the needs of the immediate consumers that they serve (Gereffi, 1994; Gereffi, 1996; Roukis, 2006). Authors, for example, have argued for how globalisation has had a significant impact on the cultural norms and values of the people in the developing countries, like India or China, where corporations try to capitalise on the lower wages of the workforce (Budhwar, 2002). The aim of this assignment has been to examine the nature of globalization by looking at its advantages and disadvantages. We have concentrated on discussing the economic benefits that are believed to be gain by the various types of international trading but also their impact on the people at a social level. Here we have argued how organisations are thought that need to more accountable for their social corporate responsibility. We have seen how firms often bypass cultural norms and values in countries like India. Even though the people might benefit from trends of globalisation they are also threatened by it in a social way. This is because their status and notions of identity change that affect how they related within their own society.

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