

Globalisation and workplace diversity



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The ability to conduct business internationally is an absolute necessity if you hope to remain competitive in today's marketplace.

“ Globalization,” has served to stabilize business and financial markets in such a dramatic fashion that many industrialists have yet to reach an understanding of the depth and breadth of the impact it has had on lowering political, financial, and economic volatility.

Business globalisation [Def.] refers to a business expanding its sales and their assets over the national boundaries, involving a surge in capital, labour, goods and services. Andrew Jones, 2009, Dictionary of Globalisation,

Coca cola is a perfect example, as they have profitably expanded their business in the global consumer market. Coca cola has used various tactics to achieve this. To reduce their production costs, they have established transnational corporations. They have also focused on product branding and positioning, and revised their prices according to the competition.

In the past two decades, globalisation has greatly increased. It has had a significant impact on the management of businesses.

Globalisation [Def.], as defined by the OECD is “ The geographic dispersion of industrial and service activities, for example research and development, sourcing of inputs, production and distribution, and the cross-border networking of companies, for example through joint ventures and the sharing of assets” (OECD)

Globalisation is making the economy of the world increasingly interdependent. This can be seen in the growth of trade, increase in flow of

capital and also a boost in Multinational economic activity. For their macroeconomic health, world economies depend on each other. (September 2009, “ Globalization”. Oxford English Dictionary Online”)

Glimpse of the Past

Globalisation over time

Globalisation is not a new phenomenon. In reality, it has slowly and gradually been making its way in the world economy since the dawn of time. Until the recent times its impact has not been visible. The Chief Economist of the World Bank, Nick Stern, divided the expansion of globalisation into three phases:

Phase One: initiated in 1870 and ended during the 1920s and 1930s(interwar period), with a descent into global protectionism. This was a time of speedy growth in the international trade. This growth was increased by the economic policies that aimed to liberalise the flow of trade, and also by the rapid development in technology, this reduced the costs, such as of transportation.

Phase Two: After the Second World War, the second phase of globalisation was aided by a rise in the world trade and also the reconstruction of the economy. The establishment of new international economic institutions, supported this expansion.

In order to promote stability in the monetary system, provide a sound basis for multilateral trade and to help restore economic activity, the International Monetary Fund (IMF) and World Bank were created. Their aim was to promote economic co-operation between nations.

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Phase Three: The current wave of globalization is demonstrated by a quick rise in the ratio of trade to GDP for many countries and also by a continuous increase in the flow of capital between countries and the trade of goods and services.

<http://tutor2u.net/economics/revision-notes/a2-macro-globalisation-introduction.html>

Main Motivations and Drivers for Globalisation

Hamish McRae has argued, “ Business is the main driver of globalization!”

(Hamish McRae)

A large motivator of globalisation is the desire of MNCs to enhance their profits and returns. Globalisation is also driven by the enthusiastic approach that individual national governments have, to take full advantage of the wider macroeconomic and social benefits that are a result of increased trade of goods, services and the rapid increase in the flow of financial capital.

The main drivers of globalisation are as follows:

Technological change especially in communications technology. Example: UK taking their business and data to India due to cheaper skilled labour. There has been a massive reduction in the cost of transmitting and communication information- this is a huge factor responsible for the growth of trade using internet technology.

Quick and low costing transportation it also includes shipping containers also known as “ ISO” containers. This reduction causes the prices of the

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manufacturers to come down, and make competing with the local manufacturer uncomplicated and trouble-free.

The low costs are as a direct result of the advances in transport technology. The speed and reliability of the transport, makes new and developing markets in the grasps of companies all around the globe.

Deregulation of global financial markets the abolition of numerous rules and regulations, for instance, rules concerning foreign ownership (removed from UK in the 1800s). Privatisation also took place, as a result businesses were now open to purchase and/or take-over. This allowed businesses in one country to buy those in another. For example, many UK utilities are owned by French and US businesses.

Removal of capital exchange controls the opening up of the capital markets facilitates direct foreign investments. It also encourages freer flow of money across the borders.

Free trade numerous barriers to trade have either been removed or relaxed because of regional groupings such as the European Union (EU), where as some have been removed by the WTO making trade cheaper and more attractive.

Changes in consumer tastes and willingness to try foreign goods resulting from the arrival of the global satellite the awareness among the consumers has increased.

Advancement of the global consumer market; world demand and taste have greatly merged to global demand for numerous products. The second most
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recognized word in the English language is “Coke”. Americanization is often seen as a backlash against globalisation. As the products become for and more identifiable, comparatively cheaper and of higher quality it gives a boost to the global consumer.

Effects of Globalisation on Businesses

The effects of globalization vary from country to country, region to region and of course from business to business. Communications infrastructure is of high importance to modern business, but all countries do not have access to it. There is also the “non-traded” sector i. e. goods and services that cannot be imported or exported. For example, domestic services are provided where the house is; a clean house cannot be exported.

Competition

Foreign businesses buy into the domestic market. Deregulation opens up the markets to competition- it encourages innovation and creation of new markets hence challenging the traditional market leaders.

Meeting consumer expectations and tastes

The high awareness and exposure of the consumers, their high incomes results in them having greater and higher expectations hence forcing the businesses to meet their standard.

Economies of scale

Selling in the global market allows enormous economies of scale, though not all businesses benefit from it.

Choice of location

Businesses can now operate from cheaper and more efficient. UK has been seen as an attractive location specifically for financial services. Many businesses have located in UK, boosting their economy and also providing increased competition for the domestic businesses. The increased movement of businesses and jobs has forced the governments to compete with each other to provide attractive and low costing locations. Example Ireland offers “ Tax Holidays” to relocating businesses.

Multinational and multicultural management

This is one of the biggest challenges faced by businesses and their managers. A multinational business environment is complex and has more variables, thus difficult to manage. A multicultural employment policy results in employees of various nationalities, languages, cultures and religions, in various offices across the globe.

Globalization of markets

The importance of national borders grows less. Markets are stretching across the border and the MNCs are well placed to take full advantage of this.

Globalisation is directly proportional to the economic growth of a country, as it eventually contributes positively in reducing any country’s poverty level.

(<http://ishrathusain.iba.edu>.

pk/speeches/globalization/Impact_of_globalization_Mahboobul_Haq.pdf)

A- International & Regional Institutions, Policies, Governance

B – Domestic Policies, Institutions & Governance

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Diversity Explained

When used in business terminology, “ Diversity” [Def.] refers to a company that has hired a diverse workforce. In the employees they have men, women, and people of different racial and ethnic backgrounds.

In the global market such a company can understand the market conditions and demographics in a much better way. They can then use this information and equip themselves to thrive.

A company that has a diverse workforce is more likely to improve its productivity and their employees are more satisfied, than a company with a limited workforce.

The federal and state laws in the US, prohibits the companies to discriminate on the basis of race or ethnicity when hiring or assigning employees.

Workplace Diversity

Diversity in the workplace results in many benefits as well as challenges.

Benefits

Communication is a key element for the successful running of a diverse company. Along with diversity come substantial benefits. Such as:

Better decision making

Improvement in problem solving

Greater innovation and inspiration for creativity

Recognition of the employees talents

This leads to:

Improved product development

Successful marketing

Employees having a sense of belonging

Greater commitment and loyalty of the workers

Challenges

Management faces numerous problems in managing a diverse workforce.

Many organizational theorists have raised their concerns over the motivation and management of a diverse workforce. Diverse organizational work environment should be considered as low context cultures. Many challenges are to be faced by the management. Such as:

Miscommunication within the organization

Interpretation of messages can vary from person to person since no two people have the same experience of events

Cultural bias including prejudice and discrimination

Assimilation

UN Global Compact and Global Businesses

The UN Global Compact focuses on human rights, labour, and the environment and anti-corruption laws. They have universal consensus and have been derived from:

The Universal Declaration of Human Rights

The International Labour Organization's Declaration on Fundamental Principles and Rights at Work

The Rio Declaration on Environment and Development

The United Nations Convention Against Corruption

Companies are asked to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labour standards, the environment and anti-corruption.

Human Rights

Businesses should support, respect and protect the internationally proclaimed human rights; and making sure that they are not complicit in human rights abuses.

Labour

Businesses should uphold the freedom of association; they should focus on the elimination of all forms of forced and compulsory labour; abolition of child labour; and eliminate discrimination in respect of employment and occupation.

Environment

They should maintain a precautionary approach towards environmental challenges; take on initiatives to promote environmental responsibility; and promote the progress and circulation of environmentally friendly technologies.

Anti-Corruption

Businesses should get together and work against corruption in all its forms, including extortion and bribery.

Challenges of Globalisation and Diversity

(John Manzoni (2005))

The basic challenge that is faced by economic globalisation is to make the global system deliver economic growth more consistently and equitably, as the best way to reduce global inequality and poverty. Globalisation is faced with both region- and subject-specific challenges.

The performance of the industrial countries determines Global growth. Their attitudes towards globalisation shall act as a key to the future of the global economy. Thus the governments need to step up and support the right policies; help people deal with the consequences of economic change; and come through on the promises of trade, aid, and also of strengthening the international economic system.

In Asia, South Korea had led the way, China and India are also headed on the path to sustainable growth, and it is expected to continue to spread. Fierce competition for markets and talent, scrutiny and in some cases public doubt, the expectations of investors and the market pressures for sustained competitive performance.

All these issues will remain challenges, some ever intensified by globalisation.

In addition to these familiar themes there are new challenges driven by the changes that are taking place in the global economy.

Absence of a framework of global rules

No global framework of rules and regulations exists to match the global nature of business. The companies are required to operate by the laws of the country that they are located in.

Organization and management of companies

Companies must apply delegation of authority, to establish who is responsible for what and to ensure that everyone understands the framework of standards within which they are to do their job.

Cultural diversity

This is related to cultures and values. Historically business is monocultured. But now it is impossible to do business in this way. Locals have to be employed in senior staff roles so that they may bridge the cultural divide.

Corporate responsibility for the externalities associated with business activity

This issue is certainly not a new one, but has been intensified by globalisation.

Conclusion and Recommendations

In the 21st century, globalisation is changing the international framework conditions and, consequently, the fundamental conditions as well.

Globalisation presents a number of new challenges, for example:

The fight against international terrorism

Relations between the West and the Muslim World

Problems in the area of energy and the environment

Conflicts and the suppression of human rights

The prospects for continued global growth

The fight against poverty, especially in Africa

More non-state actors on the international scene

The world is moving in the direction of a global network and the new challenges are to be addressed accordingly. This requires strong partnerships and presence worldwide.

In the age of globalisation, it is the objective of businesses to contribute decisively to furthering their interests on the international scene and to enable them to pursue a policy internationally that will help foster broad and committing international cooperation regarding the challenges presented by globalisation.

The businesses must focus sharply on the challenges presented by globalisation

For example terrorism, relations between the West and the Muslim World, new challenges with respect to energy and the environment, global competition, poverty reduction).

Must establish open and strong partnerships in domestic markets as well as abroad

Implying, among other things, enhanced co-operation with civil society, enterprises, organizations and ministries.

They must be present in the hot spots of globalization

Implying, among other things, proposals for new embassies and the reinforcement of existing missions.

Some argue that globalization is driven by technology, and that it represents an unstoppable force. Perhaps – in the long run. We cannot take it for granted that the world will continue down the road of globalization, greater prosperity, and greater democracy. Political, cultural and religious forces play the dominant role in shaping the future of globalization. The world and the economic system we live in are highly imperfect. There is much that needs to be done to make it work better. But as we do that, we should maintain a perspective that reflects what Winston Churchill said of democracy (Democracy is the worst form of government, except for all the others that have been tried): “ The pro-market, pro-globalization approach is the worst economic policy, except for all the others that have been tried”

In conclusion globalisation creates an opportunity for businesses to expand revenue streams, diversify risk and increase brand equity. Many companies have successfully expanded their business as a response to the drivers of globalisation. There has also been a noticed development in the global strategies of companies as a response to globalisation.