

Is globalisation a  
threat or an  
opportunity?



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Is globalisation a threat or an opportunity for business? The key objective for any business organisation is to maximise profit, if a manufacturing or service industry in any country is progressive in their field of practice, there maybe a need for them to invest or open other subsidiary operation in other country where there is a rising demand for their goods or services Sloma (2004).

Furthermore, (Post et al, 1999: 146) states that “ globalisation consist of assembling goods from components produced in several nations, buying of raw materials from overseas suppliers or selling finished goods or services to customers in other countries”, also (BBC, 2011) defines globalisation as the involvement of the world becoming highly interconnected as a result of increased cultural and trade exchange”. Therefore this essay would explain the cause/effect, opportunities and threat of globalisation on businesses.

The main causes of globalization may; trade liberalisation, transportation, and communication (Bhagwati et al, 1983). In trade liberalisation, legislation reducing trade and foreign direct investment have been relaxed. Some governments offer tax incentives to persuade overseas companies to invest in their country, this maybe linked to what is known as free trade (BBC, 2011). Transportation is relatively becoming cheaper, fast and easy to access. People travel for holiday, business, migrate and emigrate from one country to another. Businesses organisations can ship goods and raw materials between countries more easily - making goods and services from all over the world available to consumers. While communication, the internet, telephony and the television have paved way for free flow of information and ideas. Outsourcing is a example these, thus a businesses

organisation in a country can have a call centre in another country answering calls from customers of the main country.

One of the main effect of globalization is inequality, this refers to the income disparity that exist between countries across the world. It maybe argued that globalisation contributes in creating more wealth in developed countries, thus it does not help to close the gap between the world's richest nations and the world's poorest King & King (2005: 199).

The internet can be viewed as an opportunity of globalization for businesses. The internet can also be seen as a gateway to participate in the game of globalization (BBC, 2010). Through the Internet, business organisations have been able to go beyond borders, to reach their end customers with their goods or services, thus this could be referred to e-commerce.

Communications can be made quickly and easily to any anywhere in the world, but at the same time businesses are exposed to big competition, Holton (1998). There are millions of websites on the Internet, despite the seemingly easy participation, the reality of the Internet can be seen as oligopoly, Sloman (2004). Furthermore, with the internet playing a roll in globalization. It may be good for a business organisation to have access to anyone anywhere in the world, but it also exposes the business to competition. In the internet competition, winners are very few, which creates a big gap between the large and small business. However, there are still opportunities for small business in the world of globalization. This could be; the variety of cultures, languages, social systems and customs, etc.

Take the differences of language for illustrative example. Your website may not be seen by customers if it is only in English. Actually, many web pages in the Internet are written in English. However, the business should know there are many languages in the world. If a business website has a page in a different languages, their competitors may be reduced.

Another key opportunity for business, is the transfer of technological advancement and knowledge in globalisation. Corsi (2000) points out that this has led to growth in innovation and better techniques of production to business. The main result of this is the growing income and appreciation of the company's' economic achievement. Foreign migrants coming to work in multinational companies contribute to the knowledge of developing businesses thus which makes the business more efficient. Economic policies, management techniques and Increased knowledge about production methods present invaluable inputs in small businesses (SME) King & King (2005).

In globalization there are opportunities of cheap labour for business organisations, thus Jennifer (2005) argues that “ developing nations are encouraged to open their economies to international trade, with the aim that free trade would bring development and prosperity”. Opening its economy to international trade does not translate to economic development and instant prosperity for developing countries, but rather it signifies the exposure of the developing economy to multi-national corporations and foreign direct investors, many of which seek to expand their operations in developing economies because of the cheap labour available in these economies.

Growing portions of these cheap labour sources consist of women and MNCs

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have been accused of intentionally hiring economically and poor educated deprived women to reduce labour costs. With cheap labour “ a clothing company in the UK can sell a shirt for £60 that cost less than 10 pence in labour to produce”.

While globalisation may be seen as an opportunity for big businesses, it can also be argued to be a threat to big and small businesses (SME). Carper (2010) argues that “ energy and transportation costs increases when jobs are outsourced, as big businesses revise their business strategy and produce goods overseas. Customer service often decreases as companies pay for their goods to be transported from a foreign warehouse to their before being dispatched to the customer”. Call centers, are also affected by globalization, as its being flooded with clerks who do not speak fluent English. As energy use increases, domestic supply costs increase as more businesses compete for natural resources.

Intergovernmental relations between two countries can have an influence on multinational corporations. For example, If two countries are are war, there will be no trade between them. Furthermore, business operations may be influenced by the political ties of host and home country governments even when there is no war. The United States and Japan have had an important, but difficult, relationship since the end of World War 2. The United States helped rebuild Japan’s steel, auto industries and shipbuilding , and by the 1970s Japan’s productivity had increased massively. It used its efficiencies to export steel, automobiles, and semi-conducts to the big U. S. Market. The United States has shifting political relations with Great Britain, China, Russia and Brazil, and many other nations. Economic relations are affected, for <https://assignbuster.com/is-globalisation-a-threat-or-an-opportunity/>

better or worse, by political change, and national political priorities shape business relations. The United States, for example, banned U. S.

Manufacturing industries from selling military products to countries that government agencies believe may be a threat U. S. Security; it restricts high technology exports; and it has banned U. S. Companies from doing business dealings in Cuba (Post et al, 1999: 159).

Increased Competition is another main concern, as it is threat to domestic businesses. Government of developing countries are faced with this problem as they look to export more and import less to increase the country's GDP.

Globalisation threaten domestic companies as domestic businesses have to compete with foreign business organisation, they are forced to raise their customer satisfaction levels and standards in order to survive in the market.

In addition, In developing countries, this is disturbing for domestic companies as they are unable to contend with foreign companies as they are too dependent on the government for funds and therefore lack competitive edge. And also, this is were the government moves in to protect small companies by creating trade barriers and imposing tariffs on imported products. Protectionism does not apply to only developing countries but also developed countries also have the highest trading restrains, Borkakoti (1998).

In conclusion, it appears to the author, based on what this essay talks about to point out that globalisation can be an opportunity also a threat to large and small business. Furthermore, globalization has played a big role in the movement of goods and service, making resources available to consumer, it may be argued that globalisation has created global expansion for big

business as it has paved the way for small domestic businesses to export their goods or service. However globalization has its disadvantages as well, because of its vulnerability to intergovernmental relations (in the case of war) and its opens domestic businesses to foreign competition.

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