

# B200a tma fall 2012

Economics, Globalization



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 TMA Fall 2012
 

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QUESTION “ In today’s markets, corporations are directly affected by the impact globalization has on outsourcing decisions, as well as on macroeconomic factors in the business environment such as GDP, inflation, and the balance of trade. ” Discuss the above statement using examples from B200A material covered so far, and the study guide (such as the Nike case study and other examples), and also include business examples from your own country with which you are familiar. (100 marks)

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NOTES Cut-off date: Submit this assignment no later than 8 December 2012. Word count: Discuss the above statement in no more than 1500 words. Referencing: You must acknowledge all your sources of information using full Harvard Style Referencing (in-text referencing plus list of references at the end). Plagiarism: It is very important to use your own

words, Plagiarism will lead to a loss of marks and extensive plagiarism could mean that you failed your TMA. Answering: Your response to the question should take the form of a full essay format divided into a number of paragraphs with introduction and conclusion without subheadings and bullet points. Use reader one chapters 1 to 6 as well as Nike case, and examples from your own country whenever possible. Essay Guidance: \* Discuss concepts that you have learned from B200 module 1: Environments. \* Review each chapter's learning outcomes in the B200 study guide, module one. \* Plan what you will write, and have a well organized outline. Use E-Library (EBSCO) to get journal's articles and use in-text referencing. \* While answering the question, you should avoid descriptive writing, you are asked to discuss a statement relying on B200 materials. \* You should support your discussion by using examples from module one chapters and study guide. \* You should support your discussion by including examples from your own experience or from tutorial discussion. If possible, use examples from businesses in your own country.

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 ´ø±ùføšøª ù◆ùš ø"ù,, ø-ùf. A new global economic order deepens the  
 globalisation and increases the role of international economic institutions,  
 and highlights a number of structural features. Multinational companies  
 enjoy, which is one of the most important features of the phenomenon of  
 globalization, or the contemporary economic system with many of the  
 qualities and traits that set them apart and determined its role and its  
 impact on the global economic system. The most important of these qualities

is large size, these corporations are characterized by enormity size and represent economic entities giant, and indications of this, the amount of capital and investment volume and diversity of production and sales figures and revenues generated, and networking marketing owned, and the size of its spending on research and development, as well as their organizational structures and efficient management. the characteristics that multinational corporations have are large area of the market that they cover and its geographical reach, outside the mother country, with its huge potential in marketing, and branches and subsidiaries around the world. It should be noted that the tremendous technological advances helped these companies on this expansion. It is sufficient to note that the Swiss company ABB, now controls more than 1, 300 subsidiaries scattered in most parts of the world, knowing that the Swiss market does not absorb only a very small percentage of the company's total sales. Despite the magnitude of the international investments carried out by multinational corporations, more than two-thirds of its investments are concentrated in the United States and the European Union countries (England, Germany and France), Switzerland and Japan. This concentration is due to the following factors: - attractive climate for this kind of investment, - a high return on investment, - increasing the competitiveness of the host countries which is achieved typically through low cost component and availability of employment, the high level of production, the availability of infrastructure and transport facilities and provide communications networks, and the absorptive capacity of the national economy. A business is an open system, gets its resources from the environment and supplies its goods and services to the environment. these

environments include internal and external forces, and the external forces may be related to national level, regional level or international level. So any business can be influenced directly or indirectly by the changes over the world. The outsourcing strategy may be considered as a threat for an organization when dealing with its environments. The resources that the organization gets from the environment include: human resources, capital, technology, information, energy and raw material. It follows government rules and regulations, social norms and cultural values, regional treaty and global alignment, and economic rules and policies. And because of the globalization and the influences of multinational corporations we see changes in the strategies of the organization over the time. For more detail on the subject of the effects of globalization and multinational companies on the decisions of the Organization, I will take Nike as a case study. Nike is a sport shoes

Nike has long been viewed as the poster child for problems associated with globalization. Many have accused Nike of employing workers in sweatshop like conditions in poorer countries like China, and more recently Vietnam. In addition to the sweatshop claims, people often say that Nike employs child labor, often even claiming that the child labor is forced and takes place in sweatshops. These are just a few of the accusations that people often make against multinational corporations such as Nike

[http://www.tahawolat.com/cms/article.php?id\\_article=42](http://www.tahawolat.com/cms/article.php?id_article=42) -Critics opine that globalization has resulted in a fiercely-competitive global market, and unethical practices in business is a by-product of this. -globalization should have resulted in

creation of wealth and prosperity, but corporate greed and corrupt government has ensured that money is not distributed equally. - Many economists believe globalisation may be the explanation for key trends in the world economy such as: \* Lower wages for workers, and higher profits, in Western economies \* The flood of migrants to cities in poor countries \* Low inflation and low interest rates despite strong growth And globalisation has played a key role in the unprecedented increase in prosperity in the last 50 years, which is now spreading from the United States and Europe to include many formerly poor countries in Asia, including China and India. - In economic terms, globalisation refers to the growing economic integration of the world, as trade, investment and money increasingly cross international borders (which may or may not have political or cultural implications). | Globalisation is not new, but is a product of the industrial revolution. Britain grew rich in the 19th century as the first global economic superpower, because of its superior manufacturing technology and improved global communications such as steamships and railroads. But the pace, scope and scale of globalisation have accelerated dramatically since World War II, and especially in the last 25 years. The rapid spread of information technology (IT) and the internet is changing the way companies organise production, and increasingly allowing services as well as manufacturing to be globalised. Who leads in global IT outsourcing Globalisation is also being driven by the decision by India and China to open their economies to the world, thus doubling the global labour force overnight. Û, Ø±Ø§Ø±Ø§Ø± Ø§Ù,, Ø§Ø³Ø³Ø¹Ø§Ù†Ø© Ø¨Ù...ØµØ§Ø±Ø± Ø®Ø§Ø±Ø±ÙšØ©: In order to cut down costs, many firms in developed nations have outsourced their



manufacturing and white-collar jobs to Third-World countries like India and China, where the cost of labor is low. The most prominent among these have been jobs in the customer service field as many developing nations have a large English-speaking population - ready to work at one-fifth of what someone in developed world may call 'low-pay'. This has caused a lot of resentment among the people of developed countries, and companies have been accused of taking their jobs away. Another problem is that many Americans are not satisfied with the level of customer service that they are subjected to, and this has caused a lot of animosity among people and has added to the dissent that people already have against outsourcing. Read more at Buzzle: <http://www.buzzle.com/articles/negative-effects-of-globalization.html> Service sector globalisation It is not only the Western manufacturing industry that is under threat from globalisation. The services sector, which includes everything from hairdressers to education to accounting and software development, is also increasingly affected by globalisation. India dominates the global IT services sector | Many service sector jobs are now under threat from outsourcing and offshoring, as global companies try to save money by shifting many functions that were once done internally. What China has become to manufacturing, India has become to the new world of business process outsourcing (BPO) - which includes everything from payroll to billing to IT support. | India is the world's leading exporter of IT services, with its volume of offshore business doubling every three years. Every major international company in the IT industry now has a huge presence in India, and plans to expand its investments. The Bangalore Tigers Several dynamic new Indian companies are now challenging the

multinationals for global leadership in this area, including TCS, Infosys and WIPRO. | 1. 4 million people applied to work at Infosys in Bangalore last year

The IT services boom has helped to transform the Indian economy, which is now growing at more than 9% per year, the same rate as China. The new-found affluence of the young workers in the IT sector has in turn changed attitudes to wealth and consumption in India - with educated young people for the first time being able to afford such luxuries as motor cars and home ownership. The Western anxiety is a recent poll by Deloitte in November 2006 showed a sharp increase in worries about outsourcing of white collar jobs in the UK. Meanwhile in the US, the Democratic victory in the November Congressional elections had a lot to do with worries about the effect of globalisation on wages and jobs. The speed and scale of economic change has made it increasingly difficult for governments to keep their economic destiny in their own hands. And what is most disturbing for many people is that no-one seems to be in charge, or be able to agree fair rules for the new global economic order. . Crisis of legitimacy; The international institutions meant to deal with the globalising world are all in trouble. For example, the World Trade Organization (WTO) is now under fire for failing to take into account labour standards or the environmental impact of trade. And its efforts to break down global trade barriers are faltering. Meanwhile the International Monetary Fund (IMF) and the World Bank, set up in 1944 as part of the UN system to run the international monetary system and to co-ordinate aid flows to poor countries, have come under criticism for not giving a bigger role to emerging market countries like India and China. And the IMF has found it increasingly difficult to influence the world's capital markets,





The role of trade Trade has been the engine of globalisation, with world trade in manufactured goods increasing more than 100 times (from \$95bn to \$12 trillion) in the 50 years since 1955, much faster than the overall growth of the world economy. Since 1960, increased trade has been made easier by international agreements to lower tariff and non-tariff barriers on the export of manufactured goods, especially to rich countries. Those countries which

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have managed to increase their role in the world trading system by targeting exports to rich countries - such as Japan, Korea and now China - have seen dramatic increases in their standard of living. In the post-war years more and more of the global production has been carried out by big multinational companies who operate across borders. Multinationals have become increasingly global, locating manufacturing plants overseas in order to capitalise on cheaper labour costs or to be closer to their markets. And globalisation is even harder to track now that one-third of all trade is within companies, for example Toyota shipping car parts from Japan to the US for final assembly. More recently, some multinationals like Apple have become "virtual firms" outsourcing most of their production to other companies, mainly in Asia.