

How has technology  
contributed to  
globalisation?



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## **Explain How Changes In Technology Have Contributed Towards Globalization Of Markets And Of Production?**

Technology has dramatically changed people's way of life all over the world and the world today has become a true manifestation of a global village. Not only the frequency of international travelling increased manifold but the possibilities of cross-border trading of goods and services have also increased exponentially. These impacts are collectively known as globalization.

(Hill, 2009) defines globalisation as a process which enables individuals, organisations and governments from different nations to come across each other and interact in an integrative manner. The end result of such integration would be an integrated globalised market system which can act as a melting pot of individual economies of different nations.

There are two ways in which globalisation can be envisaged, i. e. with the production perspective and the market perspective. (Hill, 2009) defines the markets' globalisation as melting down and convergence of individually independent market places into an amalgamated market place. Sharing of the sources of production from different geographical locations for leveraging the quality and cost of the goods and services produces is the idea behind the products' globalisation. (Hill, 2009)

Many institutions have been formulated to help manage, regulate and police the phenomena of globalization and to promote the establishment of transnational treaties for global trade. A few are as following::

- The World Trade Organization (WTO)

- The International Monetary Fund (IMF)
- The World Bank
- The United Nations (UN)

These institutions act on an international level to regulate and tackle any problems that the different countries, companies and individual may face when undergoing globalization e. g. The IMF provides monetary services and acts as a last resort for the members in financial distress (Gitman, 2008)

Now the question is how instead of what. How does globalization happen? What drives globalization? There are many drivers or rather changes that result in globalization. Generally, there are two macro drivers of globalization. These are the declining trade and investment barriers between countries and changes in technology

Organisations across the world now face lower level of obstacles to investing and trading in foreign lands. This flexibility allows the firms to choose global locations where they have to spend minimum on production costs and reap maximum benefits in return by strategically locating their production site, and service and product outlet locations. Design can thus be created in one global location, production at a second global site and the niche market can be a totally far off market at the other end of the world. Globalisation of production thus exploits cheap labour in the third world markets and rich buyers in the first world markets. (Arribas, 2009)

The technological changes are not just limited to the automation of the production line but it also includes the advancement in infrastructure and connectivity. The most important innovation has been the microprocessors.

The developments in communication technologies like wireless, optic fibre, satellite communications and the rapid growth of the internet have brought the global business to a previously unimagined level. Improvements have also occurred in the field of transportation technology resulting in the development of commercial jet aircraft, which has reduced the time for transit.

Globalization is not only resulting from declining trade barriers or changes in technology but upon scrutinizing two other factors come into play. These are Foreign Direct Investment (FDI) and increasing international trade.

Globalization is not a straight line event rather it has been maturing from many decades and the implications of this phenomenon are being strongly felt now. This has been going on since the 1960's. In the 1960's the US dominated the globe's economy and the international trade picture and it also led the front when it came to FDI, similarly the US multinationals ranked high in international business (Hill, 2009). This has all changed due to globalization and other countries, firms and individuals have risen to compete in the global market place.

Much has changed in the demographics of the world when looking at world GDP and trade. China did not have a share in the world's output in 1963, now has 11.5 % of the GDP in 2007 and 7.2% of the world's export in 2006. This shows the tremendous effect of globalization in the current world marketplace. China in 2008 was listed as the 3rd largest Economy based on Nominal GDP. The share of world output generated by third-world countries has steadily increased since the 1960's. There also has been a persistent

growth in cross-border flow of FDI and it does not come as a surprise that China has been the largest receiver of FDI (Hill, 2009).

There are many facets to globalization and on a closer look there is the multinational enterprise. A multinational enterprise (MNE) is a type of business which has operations in two or more countries. A multinational enterprise can also be referred to as an International Corporation. MNE's have powerful influence over local as well as the global economies and play an important role in international relations and globalization.

In the past the western market was closed for many economies but that trend has changed and many markets have opened up for the western market to invest in. The collapse of communism in Eastern Europe has created a host opportunities for export and investment. The biggest opportunity emerged in China due to economic developed even with the continuing communist control. Also the change in democracy and the free market reforms in Latin America have also given a possibility for investment from foreign investors.

Going over all what globalization has to offer, a question comes to one's mind that a shift towards a global marketplace a good thing? There many views on this particular question. Many experts believe that globalization is helping prosperity by providing more jobs, lower prices of labor, materials, land and thus resulting in more profitability. Whereas other experts suggest that globalization is not beneficial as managers who are managing transnational and multinational organizations have to take into account a lot more factors as compared to stereotypical administrators (Hill, 2009).

Managing an international business differs from a typical business in four notable areas:

Differences in countries require companies to employ different practices in different countries.

Administrators face greater and complex range of problems.

Companies have to follow the different limits imposed by different governments in countries and have to work within those limits.

International business requires converting funds and is very susceptible to fluctuations in the exchange rate.

To overcome these insights about managing international organizations managers have to use un-structured solutions and practices that may require additional resources in terms of labor, capital and land. This brings us to our next thought, why so many experts against what globalization have to offer. (Artis, 2009)

Globalization has occasionally been regarded as a solution to problems like underdevelopment, malnutrition and violation of human rights, and important human rights institutions have been set up and incorporated into the global human rights regime. Governments are finding it increasingly difficult to violate their citizens' human rights without attracting the attention of the media and international organizations as a result of developed telecommunications and global interdependence. Indeed, overall human rights practices have improved worldwide during the last decade or so.

However, this improvement has neither been universal nor linear. (Bardhan, 2006)

The contemporary world order owes its existence to a large degree to the information power unleashed as a result of the free flow of ideas and communications across geographical boundaries without any restriction or obstacles with help of the latest communication technologies. While globalisation has made it possible for the human rights bodies to react on human rights abuses in the remote societies of the world, the same globalisation has in fact also exposed the autonomous societies to human rights abuses at hands of the more powerful actors in the global scenario. What might be a collateral damage for a powerful actor in the emerging world order might be a human rights abuse involving victimisation of defenceless children and females for the recipient. Thus with respect to human rights, globalisation is a double edged weapon and it can work in both ways. Not only do the weaker players in this world order risk the wrath of raw power of the more powerful actors but the multinationals and conglomerates tend to act as mighty powers in their own right. The citizens of the weaker nations are left at the mercy of powerful yet unelected global giants like IMF, the World Bank , peacekeeping forces and first world NGOs who increasingly control the lives and fates of the denizens of the weaker nations of the world.

We've talked about what globalization is, what the key component drivers of globalization are, how it affects the production process. In doing so we've talked about the MNC's (MNE's) and also how the demographics have changed since globalization started. This also has provided us with a picture

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of how managers who are working for transnational organization take into account different factors for their, planning, organizing and leading decisions. Advancement in technology did not globalize the production and marketplace but it has increased the momentum of globalization manifolds. Although globalization is widely considered as a positive phenomenon but as always everything has its virtues and vices. It all depends on the perspective one employs to look at globalization

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