

# Globalization for society: analysing the pros and cons



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The world as we know it is slowly becoming progressively smaller. Academics and theorists like have pointed out that this occurrence may well be attributed to increasing intensity of globalisation of nations. This is particularly implicated in the context of business and commerce. However, one must first recognise the advantages and pitfalls of globalisation upon contemporary business. In the claim of Lasserre, he noted that Ricardo has indicated several pros and cons of globalisation. The following discussions will be covering the said attributes claimed by Ricardo. In the same regard, an analysis will be made on the claims of Ricardo based on recent circumstances on commercial and business milieu. On the other hand, the paper will similarly discuss the implications of globalisation on a particular multinational company. For the purposes of this paper, this multinational company will be Procter & Gamble. The discussions and observations made in this paper are all to be based on scholarly and academic journals directly related to the topic of globalisation.

Globalisation is essentially touted by a lot of contemporary academics and scholars as possibly one of the most influential concept among the existing theories known. (2004) The following discussions will be covering the noted advantages of globalisation as stated by Ricardo.

Ricardo pointed out in his classic work that globalisation is able to create an overall wealth for all nation because it induces specialisation for these countries. In the same regard, this increase in specialisation also triggers an increase in trade of these countries. Essentially, this is seen in the integration and coordination of companies in the global scale. Particularly, industries that involved in manufacturing and major industrial companies

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tend to engage specialisation in terms of their factories and shipment of inventory from their suppliers from different parts of the globe.

The problem in this category is that there is a recent study that indicates that there is no evidence of any trend that trade specialisation is present across countries. (2002) This is highlighted by the study's notion that the presence of global actors should constantly adapt to the local conditions of their host countries. Basically, these claims indicate that trade specialisation as indicated in the discussions of Ricardo may have been rather short in realising its objectives. This is rather connected to the concept that will be later discussed regarding the diminishing of the concept of the nation. The findings of (2002) manifest that there is no actual specialisation in trade that exist. To a certain extent, the theory of comparative advantage as indicated by Ricardo, which essentially creates specialisation, is offset by the drive of the modern organisation to diversify itself and immerse its marketing initiative based on the host countries where it operates.

## **B. Reduction of Cost Efficiencies**

Based on the claim of Ricardo, globalisation is able to create cost efficiencies for companies that intend to operate in the international setting. Basically, this creation of cost efficiencies tends to diminish the occurrence of inflation as well as the reduction of price in the market. In the context of inflation, Ricardo indicates that the increase in the money supply in the economy is proportionate to the increase in the supply of goods and services. This is mainly manifested by the increase in the players in the market with reference to foreign competitors and its local counterparts. Essentially, this scenario presented by Ricardo may have been an overly romanticised <https://assignbuster.com/globalization-for-society-analysing-the-pros-and-cons/>

version of the implication of globalisation. The problem in this claim is that may have assumed that globalisation automatically lessens the possibility of inflation. As indicated in the work of (1997) regarding the Canada-US Free Trade Agreement, the decrease in inflation is merely incidental occurrences. Basically, states that engage in trade with each other have to essentially amend their policies and state laws before inflation could be controlled. With mention of agreements between countries, the occurrence of globalisation nowadays also entails trade liberalisation measures between trading blocs, regional and international organisations. Among others, these trade liberalisation initiatives tend to induce management tools for the inflation. (2002) Thus, a major shortcoming on the assumption of Ricardo is the consideration of the cooperation of countries in the liberalisation and trading initiatives. Without this variable, inflation rates will continue to be erratic and out of control.

On the other hand, another implication of the infusion of cost efficiencies of globalisation is the reduction of price of goods and services. Essentially, this price reduction tends to similarly give benefit for the end-users and consumers. The presence of an intensified level of competition among both the local and international players in different industries has triggered this cost efficiency. The problem in this scenario is that the factor of trade liberalisation plays a huge part on this. In the same regard, issues on whether free trade is actually tantamount to fair trade still continue. There has been claim that the conditions held by globalisation essentially spell the end of the “ democratisation of wealth.” (1999) This also entails that

countries that have power and resources over the others tend to benefit more on the current manifestation of globalisation.

### **C. Better allocation of natural, financial, and human resources**

The claims of Ricardo also pointed out that globalisation have improved the possibilities of allocating the resources of organisations. To some extent, this may have been rather accurate as contemporary businesses do consider the reduction of costs as among their major concerns in their operations. For instance, the concept of outsourcing has become a major element in contemporary globalisation efforts of companies. Basically, the process of outsourcing tends to cover subcontracting endeavours of a business to another business. ( 2007) In this regard, the consideration of the price and possible costs that the parties involved will be taken highly as the price of a particular product or service tends to differ geographically. A fairly recent contribution to this model is the concept of strategic outsourcing. (2002) In this regard, the consideration of exchange rates and other location-specific attributes tend to contribute highly on the decisions of modern businesses.

As mentioned above, it appears that reducing the costs of operations is as important nowadays as gaining profit. Essentially, the intensification of the competition as manifested by the consequent intensification of globalisation and competitive positioning in the international market has triggered some level of change on the part of modern businesses. However, this practical set of circumstances may have some inconsistencies with the claims provided by Ricardo. For instance, the claim of Ricardo pointed out that a better allocation is imminent as globalisation flourishes. Possibly the sole element

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that may have been accurate in this sense is the allocation of financial resources. Essentially, globalisation encourages the provision of foreign direct investments from countries with capital to those that require it. (2007) The problem in this regard is that it has taken away the factor representing the propensity of man to exploit and abuse his resources. (2003) Basically, studies have been calls for sustainable development as major corporations tend to exploit the natural resources occupied by their subsidiaries. This is similarly true with regards to the allocation of human resources. This will be discussed in the later part of the paper.

#### **D. Reduces Corruption**

The work of Ricardo also indicated that globalisation tends to reduce corruption. Basically, he assumes that the free market trade will be sufficient to take on any form of corruption both from the states and from the corporations competing as well. Unfortunately, in the current setting of globalisation is far from being free from corruption. For instance, powerful nations have the propensity to bend the rules in their favour. A lot of articles have pointed to the inclination of the United States to engage in protectionists policies despite the fact that these policies directly contradict those that they have signed in international free trade agreements. (2001) This basically shows how major economies could implement rules on their favour and in doing so they tend to widen the polarity between them and developing and less developed nations. In the same regard, it is apparent that the claim of Ricardo regarding the reduction of corruption is attributable to the “invisible hand” mentioned in the early works of classical economists. (1998) Basically, the said concept came from Adam Smith claiming that

absolute free trade will be enough to regulate itself from any inconsistency. It claims that that the community will be able to manage it and rid of any wrongdoing. Again, this plainly indicates that the claims provided by Ricardo may have been based on pure theoretical assumptions without regard of the actual happenings in the real world. In reality, unethical practices do exist. From corruption to corporate bribery, this shows that the theory of the invisible hand is reduced to a mere myth. (2000)

### **III. Cons of Globalisation**

The consequent discussions will be covering the stated disadvantages of globalisation as indicated by Ricardo. Same as the claims of advantages above, the said disadvantages will be examined and related to the academic and scholarly journals.

#### **A. Imposes strain on labour force**

In the claim of Ricardo, there are also some shortcomings and adverse effects of globalisation in the imposition of strain in the workforce. Basically, Ricardo claims that globalisation tends to have an implication on both developing and developed countries. It has been said that developed countries tend to encounter possible abuses from the investors. There have been reports that sweatshops in India tend to employ children in their operations. (2004) Specifically, the said study indicated that companies with such operations still proliferate in countries like India and Pakistan.

Essentially, because of the failure of the laws protecting the rights of the labour force, particularly the children, abuses tend to become apparent. On the other hand, in the context of developed countries, the labour conditions of the country tend to encounter what is called job destruction. (1996)  
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Essentially, the phenomenon tends to highlight the shift of the attention of corporations towards the less developed countries with less costly labour.

## **B. Standardises customer tastes**

In the claim of Ricardo also indicated that globalisation tends to establish that at some point, the world will come to a level of standardisation. This means that every state or organisation will be taking on the closely the same elements that they contend. Basically, the claim focuses on the assumption that the customer tastes will become so standardised that companies will tend to be less diversified in terms of their products and services.

Specifically, the claim indicates that eventually in every industry, the companies will offer rather indistinguishable products and services which the consumers will have no regard on brand.

To some extent, this claim is true. The matter of it is that the modern business folk realised that if they do not differentiate their products, they will eventually meet their demise in the industry. For instance, the study of (2005) indicates that multinational companies tend to establish complex differentiation strategies to endure continued existence and possibly even market leadership. One could also be sure that the competitors of that particular industry will do the same. In this regard, the context of diversity tends to be the end result of such differentiation processes. Other multinational companies tend to extend their diversity by infusing both localisation and globalisation principles. (2004) This means that they tend to immerse themselves to the behaviour of the market.



### **C. Induces concentration of power in a few global corporations**

Globalisation tends to induce power into a chosen and privileged few. This is another claim given by Ricardo in his classical view of globalisation.

Basically, this indicates that international business tends to represent a certain type of inherent inequality. This is especially true for those that are a part of a trade liberalisation organisation like European Union (EU), Organisation for Economic Cooperation and Development (OECD), International Monetary Fund (IMF) and the World Trade Organisation (WTO). (2007) The problem in this setting is that those that have the capital and loads of it tend to wield it to those who may appear to succumb to their influence.

As mentioned in the discussions above, trend towards joining these trading organisations opens up their market to open competition with foreign companies. Specifically, the local business folks tend to suffer the implications of globalisation and the consequent opening up of their trade routes. As indicated by (1996, 40) there are other elements other than competition that comes into the picture when international businesses are concerned. Such elements included in the fray are those directly involved in the economy of the host country like the exchange rate, the policies of the land and other elements that are particular to that state.

### **IV. Practical Implications of Globalisation**

The discussions above have discussed the theoretical implications of globalisation in businesses. The following discussions will be focusing on the globalisation endeavours of an existing company. Specifically, the <https://assignbuster.com/globalization-for-society-analysing-the-pros-and-cons/>

discussions will be focusing on the conditions surrounding Proctor and Gamble (P&G). The company's bout with globalisation was dealt with proper strategy formulation. The said company is among the leaders in the consumer product industry. (2003) Based on the observation of recent articles, the company have conducted a fairly good diversification initiative. (1995) They have divided the company into several segments that will be battling it out with the rest of the brands present in consumer product industries. As indicated by (2003) the segments were divided into fabric and home care; baby, feminine, and family care; beauty care; health care; and food and beverage.

With these segments, it is anticipated that P&G will possess a culture with an innovative flair. However, the rest of the players in the industry have caught up with competencies of the company. This may be the grounds for (2003) to mention that the company is lagging off in its innovation levels. However, this rather perceptible weakness has been offset by the impeccable wherewithal of the company to operate its international machinery to their advantage. The installation of the global business units (GBUs) triggered their meteoric rise to the international product industry. ( 2003)

(2003) further claimed that the company have seized the opportunities in expanding the network of their operations in the other countries by putting in directly investing on plants and equipment in these areas. They have exploited the lower costs of labour in other nations provide the opportunity to cut the operational costs and allow the company to spend it to other areas. It is in this likely lessening of operational costs that increases the

likelihood of developing the existing top brands of company in major markets all over the world. ( )

In the later part of the operations of the company, they have acquired another major brand in the consumer product industry: Gillette. Basically, this is the company's attempt to alleviate its limited access to the market share of the male grooming industry. The buying of Gillette places a major shift on the all the company as over ½ of the existing market share in the said area is held by Gillette. ( 2004) Basically, Gillette possesses a substantial number of brands in the supposed market as equalled to P&G.

Basically, the intention of P&G to continuously improve and garner a huge proportion of its market share is based on the fact that its major competitors have been breathing down their necks. (2005) With the constant intention to gain favour on their marketing position, P&G has become one of the most successful companies in the world holding among the most popular brands known in recent history. And as observed by this researcher, this may only be the beginning for P&G on its quest to gain more brands and conquer the rest of the world with its products.

## **V. Analysis**

The discussions above have provided specific elements that deal directly with the actual implications of globalisation to society. Basically, the study provided the perceived obstacles to globalisation, effects on product/services and the labour market, and influence of culture. In the case of the perceived obstacles to globalisations, discussions on over-regulation and the imposition of trade barriers are noted. In the same regard, political implications of

individual states are indicated to be among the major obstacles for globalisation. Poor currency policies such that of the exchange rate as well as the existence of barefaced corruption allows for the advantages of globalisation to sink in. On the other hand, the study has also mentioned the effects on product/services and the labour market. Studies have been pointed out claiming that the labour market tends to suffer in developed countries as companies tend to find competitive advantage in finding less costly labour in developing and even in less developed countries. In the context of consumer tastes, the existing literature on literature indicates that globalisation will essentially make the demands of the consumers more similar. To an extent, this intensifies the competition between companies as their products and services become less and less distinguishable. Moreover, another factor emerged as a component in the success of globalisation: culture. In this regard, the regard of culture as a determinant of organisational and marketing success of multinational companies added complexity on the early provided theories like that of Ricardo. The discussions above have pinpointed the need for companies to engage in localisation initiatives in line with their globalisation endeavours to keep up with the demands of their individual market though monitoring and adapting to the subtle changes in its behaviour.

## **VI. Conclusion**

The discussions above have presented an examination of the advantages and disadvantages of globalisation as indicated in the work of Ricardo and Lasserre. Essentially, some of the theoretical claims of above may have been contradicted throughout time as numerous studies have similarly gone

against the said assumptions. At some point, one must realise that the concept of globalisation has changed since the times of Lasserre and Ricardo. They must realise that to some extent, the theories that they have formulated has become rather obsolete in the current setting. In any case, the fact remains that the constant changes in the environment as implicated by globalisation tends to similarly augment the demands on the individual businesses.

## **VII. Recommendation**

The following recommendations are to be based on the conclusion above as well as the arguments and observations held in the paper.

Take initiatives to gain fair trade in this era of free trade

Civic organisations as well as the individual member states of particular trading organisations like the EU and the WTO should take steps to minimise the occurrence of fraud and corruption in international trade. Basically, protectionist laws as well as rights encouraging competition should be drafted carefully such that those who are not privy to power and capital would not be subjected to abuse from their counterparts.

Studies should focus on the current trend of diversification among multinational companies

Multinational companies now realises the potential of implementing the paradox of globalisation and localisation. In this regard, the multinational companies nowadays have become more engrossed to diversification of the products and services that they offer to their consumers. In this regard,

studies should also focus on the said idea as this may indicate a shift in the definition of globalisation as it did in the classic definition of Ricardo.

Carry out further studies on the dynamic nature of globalisation

Related to the recommendation above, the findings of this study should serve as an impetus to find further explanation and possible forecasts on the possible path on which globalisation could take in the future.