

Globalization risk and opportunities for developing economies business essay



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Introduction and treatment

The term globalization refers to the procedure by which universe markets have become integrated through planetary communicating, transit and trade ties. The past two decennaries have witnessed rapid addition in globalization due to dramatic technological developments. Peoples find it easier to merchandise internationally due to improved agencies of transit and communicating. ([hypertext transfer protocol: //www. investorwords. com/2182/globalization. html](http://www.investorwords.com/2182/globalization.html))

Therefore the phenomenon of globalisation has become a really common in the recent old ages. Every company runing in any portion of the universe is lured by this phenomenon. Following are major subscribers to globalization viz.

Market drivers

One of the greatest subscribers to globalisation in the recent old ages is the convergence in the life manners and gustatory sensations of the people around the universe. Unlike twentieth century, people around the universe think in more or less the same manner. In twentieth century MTV was a channel watched by the western childs. Today it is liked by a immature adult male populating China every bit much as a immature adult male life in California. Burger male monarch and McDonald 's are no more eating houses merely found in America. We see burger male monarch and McDonald 's in Russia and China in great figure. Gucci, Armani, Coca Cola and Microsoft which were western trade names in the past have now gone planetary.

Cost drivers

One of the points of concern for the directors in the recent old ages has been cost. The demand to bring forth merchandises and supply service at lower cost is another ground for the increased globalisation. This has been a uninterrupted focal point around the universe on research and development and invention. This resulted in the costs to travel rise significantly. In order to cut down cost and run more expeditiously, companies had to travel planetary.

Government Drivers

In recent past states around the universe have followed the policies of deregulating and liberalisation. This resulted in decrease of duty barriers, unrestrictive trade and investing policies, compatibility in proficient criterions, denationalization in antecedently province dominated economic systems and displacement to open market economic systems from communist systems. This lured the companies around the universe to spread out their country of operations, gain the economic systems of graduated table and maximize their net incomes by traveling in these economic systems.

Competitive Drivers

Another factor that contributed to an increased globalized universe is the increased competition across the boundary lines and continents. More globalized rivals had advantage of cost over the less globalized 1s. This intensified the tendency of globalisation. (Knight & A ; Marshall, 2008)

The twentieth century was called the century of Europe and America as the most economic growing concentrated within this part. Europe and America was the hub of major economic activity where most houses based their operations and their merchandises and services were exported to the remainder of the universe. However, the recent old ages have seen a planetary power displacement therefore Europe and America are no more the exclusive leaders of the universe economic system.

This displacement of the power is directed from West to east basically due to the demographic, socio economic and political alterations within states like Russia, China, India and in-between E. These states are rich in natural resources and have emerged as the biggest victors. Therefore it is switching human ecology strongly suggest that the current century belongs to Asia.

(Meredith, 2007)

It is of import that we explore the factors that resulted in a power displacement from Europe and America to Asia with some relevant illustrations. Here we will take China and India as an illustration. Both India and China are rich in human capital with the population of over two billion. The human capital gives them a competitory advantage due to low cost labor. It is for this ground that most companies which had based their operation in Europe and America are now switching to India and China. Although Europe and America still are the biggest consumer markets and have the advantage of greater buying power which the companies with the Asiatic counties should work. On the other manus Asiatic states, with their increasing per capita income of the population are in a place to use their operations on planetary degree.

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However for planetary companies, the low cost labor will no longer be a beginning of competitive advantage in the long run as this competitive advantage will be diluted as more and more companies will travel their operations towards India and China. It is hence of import for the companies to travel planetary to accomplish economic systems of graduated table. This will besides enable them to cut down their concern hazard and increase their stockholders wealth.

Given the available chances to travel planetary, there are challenges that need to be dealt with. Many companies making really good in Europe tried to travel planetary but failed. The obvious ground behind this was that they did non make plenty research before making so. Three inquiries that companies need to inquire before traveling planetary are ; 1. Could the planetary scheme generate significant benefits plenty for our house? 2. Do we hold abilities to accomplish those benefits? 3. Will the benefits outweigh costs? (Alexander & A ; Korine, 2008) .

Given the land state of affairs, any good thought out move to travel planetary has its advantage. But any such move must be made maintaining in head the specific fortunes of the company. Otherwise such move can endanger the local concern every bit good. `` For illustration Redland, a UK maker of concrete roof tiles, expanded around the universe to leverage its proficient know-how beyond its place market. But it frequently sought chances in states (such as Japan) where local edifice patterns provided small demand for concrete roof tiles. Therefore, there was no value in reassigning its engineering to such markets. " (Alexander & A ; Korine, 2008)

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An analysis of a company's capabilities & resources is besides of import. Any move to travel planetary without analysis of capabilities & resources required would be self-destructive. For illustration Chinese consumer electronics company Ben Q's acquisition of Siemens's nomadic devices concern failed because Ben Q lacked integrating accomplishments. It could n't accommodate the two companies' incompatible civilizations or incorporate R & D activities across the two entities. Ben Q's German unit filed for bankruptcy in 2006. (Alexander & Korine, 2008). Here I will hold with the sentiment in Asfand's paper that a company traveling planetary demand to maintain in head the cultural differences of every state. While explicating a planetary scheme, formulators should maintain in head that the work force that they are traveling to engage in different states will hold their different on the job manner and different set of attitudes. In addition to this they should besides maintain in head the fact that the markets they are traveling to function hold different set of cultural values.

An effort to travel planetary entails immense costs. A careful analysis of the related costs and benefits is really of import. This analysis should be carried out maintaining in head the clip value of money, rising prices of specific state and competitory state of affairs in each state. Companies from India and China specialise in package, technology and fabrication. With the low cost work force available and research & development in these states, these companies so do measure up the basic standard for traveling planetary. As they are already running successfully in their place states, any successful enlargement will add to their net incomes. They surely do non

lake capablenesss and with equal scheme preparation and efficient operation, they can win cost benefit balance.

Therefore first measure to travel planetary is to specify a well-planned planetary scheme. The key to success to planetary scheme are ;

Development of nucleus scheme

Internationalizing the nucleus scheme

Globalizing the international scheme.

(Knight & A ; Marshall, 2008)

Development of nucleus scheme involves the determinations about the type of merchandises or services, type of clients, mark markets, core competitory advantage, how functional schemes will back up the nucleus concern scheme and determination about investing. Core scheme needs to be focussed and good defined. A focused scheme ensures the sustainable competitory advantage and growing in longer tally. The internationalisation of scheme begins with the enlargement of concern beyond the place lodgers. It involves the determination about choice of mark market. This choice is based on type of industry in which the company is runing, regional legal demands, duties & A ; quotas, local civilization, linguistic communication, clime and gustatory sensation. Internationalization of schemes is followed by the globalisation of the schemes in order to incorporate the competitory advantage. Globalization of scheme involves careful analysis of the peculiar facets which are to be globalized. The extent to which a company needs to globalise its scheme depends on the industry in which it is runing, difference <https://assignbuster.com/globalization-risk-and-opportunities-for-developing-economies-business-essay/>

between states and the merchandise or services offered. As to the full multi-local value concatenation may ensue in a company losing its competitive advantage based on a low cost leading but on the other hand multi-localisation may in itself be a beginning of competitive advantage.

For companies coming from developing states, it is not really easy to vie globally. In addition to a good formulated planetary scheme they need the backup of their authorities. Companies from India and China have lately made great planetary moves. In order to vie globally and remain competitive in longer their authorities need to explicate national schemes that help these companies.

It is a fact that there are countries where India and China need to collaborate with each other. China is 17 % of the universe's population but owns merely 0.8 % of the oil reserves. Its economic system is turning at a great velocity and with the transition of coal its energy demand will increase greatly. India is besides one of the greatest oil consumers. With the of all time consuming oil reserves, the energy crisis will go worst which can hold their economic growing. These developing states need to collaborate with each other to work out program to run into their energy demands. A good measure in this respect could be preparation of pool of oil importation states through which they can decide their issues associating to international oil market. (Ahmad, 2008)

India and China have long standing boundary line differences which need to be resolved. Restrictions over FDI and visa issue are other countries where these states can better. Good cooperation in economic system, trade,

scientific discipline and engineering and R & A ; D between these two states can put the foundations for the companies from these two states to boom globally. (Ahmad, 2008)

Decision

Globalization is a manner of systematic integrating, enlisting and redistribution of resources which can convey about complete or partial economic para amongst the members of the planetary system. No state of the universe can insulate itself through trade barriers, duties or limitations on FDI. The lone manner to run into this phenomenon in a good manner is to confront it by doing policies and scheme that aid confront it in a manner that is advantageous to each state. Economic boundary line will non be a world in the yearss to come. It is besides a world that we are witnessing a great economic displacement from west to east. The hereafter lies with Asia and fast turning economic systems like China and India. The greatest beginnings of economic displacement are qualified work force and R & A ; D, which greatly favour China and India. With the most critical resources in the universe, companies from China and India are best positioned to travel planetary and compete globally. However it is of import to see the appropriate globalisation scheme which minimises their hazards and maximises the development of chances offered by planetary markets.