

# The impact of globalization business essay



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**Globalization: An Insight**

In recent years, swiftly escalating global competition, a sharp focus on quality, and an ever increasing zest and quest for higher productivity, led to new circumstances for a large number of organizations which are operating on a Global platform. Globalization (economic or otherwise) has led to a total makeover of every phase of business. The scope of these effects ranges from manufacturing, to product development, vendor support, integration, upto logistics and even best manufacturing practices. Thus, globalization is a mixed bag of opportunities and challenges. Today, doing business at the global platforms is no longer a luxury. It is a necessity if businesses want to survive in the long run.

**About the Organization**

The organization chosen for this response is coded as VR Shoes Inc., a leading name worldwide in sports gear & shoes. To protect the identity of the organisation, I have assigned it this name. I shall use the case at hand to demonstrate how, in a real life organisation, globalization affected the operations, code of conduct, strategy, trade union behavior, organizations' outlook and response to corporate social responsibility (CSR) and other aspects of business. The approximate time span, for which I have discussed the case, is from mid 1980s to the end of 1990s.

**The Dangers of Globalization:**

Leveraging the advantages of global out-sourcing opportunities so as to produce optimally-costing sports gear and shoes, alongwith sound investments into newer designs and marketing campaigns, VR Shoes drove to severe criticism for outsourcing products to nations where low wages, bad

labor conditions, human rights violations were rampant. These were challenges, which VR Shoes had not envisaged as part of their “ Go Global” campaign. (Locke, R., 2002). Initially, VR Shoes’ top and middle level managers refused to accept responsibility on account of the multitude of labor and environmental concerns raised globally by adversaries, human rights groups, and environmentalists. By early 1992, VR Shoes devised a Code of Conduct, which mandated that the suppliers’ observed basic labor and environmental norms as per the law of the resident country where plants and facilities were located. New and existing suppliers, both, were warranted to adhere to this code. This is directly attributable to the effects of global business mandates, which VR Shoes had to fall in line with.

### **The Impact of Globalization:**

The impact of globalization in businesses has been discussed under the following nine heads:

1. Globalization & Challenges to Product Design
2. Globalization & Newer Training Regimes for Staff
3. Globalization & Increased Monitoring of Suppliers & Supply Chains
4. Relationships with Global ‘ Not for Profit’ Organizations & Globalization
5. Globalization & Trade Unionism
6. Globalization & Meeting of Consumer Expectations
7. Multi-National and Multi-Cultural Managements in Globalised Businesses
8. Economies of Scale & Globalization

### **Globalization & Challenges to Product Design**

In the 1990s, design was also thrown up by globalization as it took a quick seize of the Asia-Europe-America axis. Asian corporations from Japan and Taiwan acknowledged very early on the importance of design for their intensive marketing efforts. Consequently, VR Shoes Inc. opened contact offices in Asia & Europe, which functioned as probes in their respective markets.

### **Globalization & Newer Training Regimes for Staff**

As part of the changes mandated by globalization efforts, VR Shoes created newer functional departments like those for catering to the specific needs of training for the employees. This was a grey area in the sense that VR Shoes had never considered a need for the training of its employees. Globalization efforts made the organisation to think on such lines. Some of the newer departments were finally clubbed under Corporate Responsibility and Compliance Department. As of now, VR Shoes has 100 employees specifically dedicated to ensure the compliance of labor and environmental norms. These are located in all countries where VR Shoes' products are being manufactured. However, but for the impact of globalization, business in VR Shoes would not have evolved to cater to such an important aspect.

### **Globalization & Increased Monitoring of Suppliers & Supply Chains**

Another effect which globalization of production activities resulted in for VR Shoes is its heightened monitoring of its suppliers who are located around the globe. This is necessitated by stiff global competition from rival players in this field. With suppliers located around the globe, and competition not allowing for any lapse in quality, whatsoever, organizations are fast realizing

the need to keep quality tabs. Inspection is carried out by VR Shoes' own production staffs who are deputed for this purpose from any facility in the world map. VR Shoes' own labor specialists and third party consultants like PriceWaterhouseCoopers (PWC) are also engaged in such activities. This level of serious and committed concern for quality is the offshoot of global competition and newer business ethics and norms.

### **Relationships with Global 'Not for Profit' Organizations & Globalization**

Over and above developing internal skills, capacity, and expertise in standards and Corporate Social Responsibility (CSR), working on its vendors & suppliers, VR Shoes has been active in supporting many different global Non-for-Profit organizations, which are directed at improving standards for employees in various under developed & developing nations. For instance, VR Shoes is involved in the United Nations Global Compact, a program that seeks to promote CSR amongst international business organizations (Locke, R., 2002). Such relationships would never have been possible in localized business environments, which we had witnessed for centuries prior to the present day Globalization wave.

### **Globalization & Trade Unionism**

Trade unions are broadening their agenda items so as to include emerging issues like as engaging with international business giants & organizations. This has made competition the absolute regulatory principle at the world business platforms. (Bieler, A, 2008). At VR Shoes also, in the ever on-going search for lower labor costs & competitive business strategies, production has increasingly been restructured and organized on a trans-national

platform across borders. Consequent to this, there is an increasing pressure to de-regulate labor markets. (Cohen, E., 2006)

### **Globalization & Meeting of Consumer Expectations**

Usually, consumers across the globe are better informed, have higher incomes and hence have more exacting requirements. This phenomenon compels business houses to strive and meet better product and service standards. This also happened with VR Shoes who had to continuously improvise and excel to meet the ever increasing quality and service needs of its customers.

### **Multi-National and Multi-Cultural Managements in Globalised Businesses**

Another challenge faced by businesses and their managers is a multi-national business environment. A multi-cultural employment policy is needed to tackle employees from various countries, ethnicities, languages, religion & culture. Their responses to reward, recognitions, motivational mechanisms etc. are very varied. In the case of VR Shoes Inc., the Japanese managers were disappointed with their Thai subordinates who didn't respond well to Japanese methods of building up corporate loyalty and motivation. But, as soon as they converted production targets into a game, the Thais excelled over Japanese peers!

### **Economies of scale & Globalization**

One of the advantages of globalization has been the fact that selling into a global market allows room for huge economies of scale. VR Shoes did successfully leverage this to beat rivals who were not truly global in operations.

## **Challenges posed by Globalization to Data Management & Information Exchange**

Many recent advances in mankind's ability to store, manage, process & share information in digital forms has lead to a total reshaping of economies and social infrastructures of many countries around the world. (Information Technology and Globalization, 2006). Information is the emerging currency of global businesses. Moreover, its security is a worrisome challenge to global operations. Globalization is flattening the world. The threat to information while being stored or exchanged is getting real by the day. Already, China is testing U. S., U. K, and other national cyber-defenses. Economic systems may be distributed globally, operating in a variety of environments. (Olzak, T., 2008). There are specific threats to critical business secrets and databases. In the global business scenario, rival organizations seek to pry on their competitors and peers. Data security and management is thus fast turning into a business threat. However, Information technologies are the backbone of globalization.

## **Meeting the Challenges posed by Globalization to Data Management & Information Exchange**

IT giants in global businesses are warranted by law that they must maintain and demonstrate compliance with a host of security standards, and guidelines. In the United States, the Federal Information Security Management Act of 2002 (FISMA) is the backbone. This act requires each federal agency to develop, document, and implement cost-effective programs to achieve information security on their systems (Olson, C., 2007). Some of the main postulates of the act are as under:

- Implement Repeatable Processes Based on Best Practices

- Provide a Comprehensive and Consistent View of the IT Ecosystem
- Implement Effective Change Management
- Automate Processes
- Facilitate Compliance Testing

### **Globalization: Its benefits to the end user of VR Shoes**

In the particular case we discussed above, for VR Shoes Inc., the organisation gained on many fronts and so did the society at large, as we discussed above. Nevertheless, I strongly feel that the winner at the end of the day is the End-User of the products being produced by VR Shoes Inc. Not only does the user get world-class products at local and highly competitive prices, but is also assured of good quality and is sure that the company follows safe manufacturing processes and does not use harmful chemicals. The competition ensures that users of the products of VR Shoes Inc. get fabulous after sales service from the leader in sports gear and shoes. In the stray event of a bad product reaching the customer, the global image of the manufacturer compels it to offer hassle free replacement or refund, whichever the customer demands. Not all this would have been possible in a regulated and closed business environment. It is a fruit of globalization, which is finally served to the customer.

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