

Responsible business assignment



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Global Context of Modern Business 3) Critically evaluate the impact of globalisation on a particular business or industry in a country of your choice.

Introduction The purpose of this assignment is to evaluate to what extent globalisation has affected a business. I have chosen to examine the effect of globalisation on Manchester United Football Club in the United Kingdom.

According to the International Monetary Fund globalisation is defined as follows:- “ The process through which an increasingly free flow of ideas, people, goods, services and capital leads to the integration of economies and societies” (Tutor2u). United have transformed from a local football team from Newton Heath to a worldwide brand and this has been aided by globalisation. The official website states that the club is now worldwide , “... enabling us to develop what we believe is one of the world’s leading brands and a global community of 659 million followers” (manutd. com) This shows how the team has world-wide followers.

It has been reiterated in lectures that there are six aspects of globalisation. These are international trade, globally organised trade and investment flows, migration, communication flows, culture flows and rapid technological change (Sandover, 2012) Branko Milanovic argues that football could lead the way in terms of globalization. “ Soccer (football in the non-American terminology) is the most globalized sport. Free circulation of players has markedly increased during the last ten to fifteen years as limits on the number of foreign players in the European leagues have been lifted, and clubs have become more commercially minded. (Globalization and Goals)

International Trade As previously stated, Manchester United has transformed from a U. K. business to a globally recognised brand and this has been aided

by globalisation but not all the impacts are positive. “ Manchester United has reported a 3.3% fall in revenue to £320.3m for the year to 30 June. ”

However, “ Revenue from sponsorship and merchandising rose by 13.7% to a record £17.6m for the year. ” (BBC news) This revenue comes from around the world because the Club has gained followers in every continent (figure 1).

Therefore, globalisation has helped United’s profits due to increased name awareness followed by increased merchandise sales. Also the Club has attracted worldwide sponsors such as AIG for the team shirt between 2006 and 2010. Nike has paid a huge sum to be the Club’s official merchandiser and with the deal ending in 2015 the Club still expects more money. Ed Woodward (chief of staff) said in 2012 the club are looking for a “ major increase” in the new deal from Nike (www.dailymail.co.uk/football/Manchester-United-line-1bn-Nike-kit-deal.html).

However, this has a negative impact on U.K. business because most of Nike’s factories operate abroad depriving U.K. citizens. A negative to United being known all over the world because of globalisation is that the Club now has to deal with a lot more fake merchandise. On a match day United flags and scarves can be bought outside the ground but these are replicas. This problem is bigger abroad where the sale of replica shirts is high and often the trading laws are more relaxed. MUFC-659m.jpg Showing Manchester United followers from around the world. Globally Organised Trade and Investment Flows The biggest investment into United comes from its owners.

The current owners are American showing how globalisation has helped United improve their infrastructure. Luke Martell of The University of Sussex <https://assignbuster.com/responsible-business-assignment/>

said “ Many corporations are seen now to be multinational rather than national in their ownership and internationally distributed production facilities, workforces and consumers. “(The Third Wave in Globalisation Theory) Having American owners also helps the team because the money invested by the owners keeps the Club competitive with other world-class teams. However, the current owners (Glazier family) have used the Club’s profits to pay off their personal debt. The club paid £1 2. 2m in interest and other financing charges, and £5. 3m paying off some actual debt, which nevertheless remains over £400m” (The Guardian) This is a downside to globalisation because many would argue that United would have more money to spend on the infrastructure and players if they refrained from paying off their personal debts. On top of this, if the personal debts were not paid out of the Club, Manchester United would make more profit and this could be reinvested in the Club. A benefit from globalisation can be seen, however, with United’s sponsorship.

The most notable of these is AIG who are American and sponsored the shirts between 2006 and 2010. A benefit of having American owners is that they can use their contacts from the States in order to approach other American companies for deals. United do have sponsors from all over the world and not just the U. K. and America, for example Singha which is brewed in Thailand. Although the sponsorship is positive for United, there is a downside when companies in Manchester have to pay massively to sponsor because multinational firms can afford to pay higher prices than they can.

This leads to local businesses suffering through not having the invaluable business link with United. Globalisation is also said to have an impact on the

U. K. as well. “ A growing body of evidence suggests that it has a quantitatively important impact on a countrys ability to attract foreign direct investment and on its vulnerability to crises. ” (Economic and Political Weekly) Migration Generally, football would not have a huge effect on the numbers of people migrating to the I-JK.

However, the Club does offer a large variety of Jobs such as players, coaches, physiotherapists, commercial Jobs and chefs etc and this could attract applicants but that locals have less chance of securing work. Many of the first team are not U. K. nationals but originate from elsewhere. Some examples are Robin Van- Persie (Netherlands), Shinji Kagawa (Japan) and Anderson (Brazil). “ The global migration of footballers to and within the top professional leagues in Europe has greatly accelerated in the last decade. (Journal of Sport & Social Issues) These world- class players make for a better team than just using home-grown talent, which means the team will progress further in major tournaments such as the European Champions League which brings in high revenue for the Club. Another positive of globalisation and the fact that players sign from abroad, is Manchester United can gain more followers. For example, the Club is well supported in South Korea because of a previous player, Park Ji Sung. “ Sales of United merchandise in Korea, including but not exclusively Park-emblazoned shirts, is now a ‘ multi-millionpound’ earner each year, say the club. (Daily Mail)

Flows Communication Recently we have seen a massive improvement in communication flow. We have seen advancement in transport, communication and the media. This has helped globalisation because Manchester United can now communicate with other clubs and fans all over

the world. This allows them to approach clubs about players from different countries as well as communicate with fans from every continent using the media, internet and television. Manchester United even has its own TV channel called MUTV which can be accessed worldwide. "... ur global television channel, MUTV, delivers Manchester United programming to 54 countries around the world. " (manutd. com) Along with improved communication, transport has also had a massive impact on Manchester United and its globalisation. The team can now play atches in Europe in the Champions League midweek and still fulfil their Premier League fixtures the following weekend because of the improvements in flying. " transport improvements have been able to create a ' shrinking world, which, in turn, creates a much more interconnected world. (Study mode) This shows how globalisation has helped Manchester United play in big competitions which in turn has a positive impact on their revenue. For example, because they can fly to destinations in Europe in the Champion's League, they can generate a minimum of 7. 2 million Euros of income merely for qualifying. In recent years, The Club has been helped by improved transport therefore meaning it is quicker and easier for the team to go on pre- season tour. Recent destinations have been South Africa and China.

This not only allows fans from these countries to watch their heroes play but also helps promote the Manchester United brand. Transport is important when Manchester United buy and produce merchandise. They can purchase shirts through Nike at cheaper prices because transport from Nikes factories in countries such as Indonesia is a lot cheaper because of advancements in containerisation. . a shipping costs have dropped an order of magnitude, and

airborne trade has grown rapidly as a result. As a result, international trade has also experienced a significant rise in speed. (The Journal of Economic Perspectives) This can impact the U. K. in both a positive and negative way. The positive way is it pushes the government to keep up with leading countries so that the U. K. ' s transport system is equal to leading Utd produced the kits through a company based in the U. K. it would provide extra jobs and income for the people living in the U. K. The media has also aided lobalisation at Manchester United. News corporations such as Sky News report on United's results and this raises awareness about its brand, especially when the team have won a trophy.

Sky has helped promote the Premier League and Manchester United all over the world. However the drawback of news corporations now reporting all over the world about Manchester United is that if there is bad publicity about a player or the club then the world hears about it. The effect this has on United is customers will not want to spend money in the company. An example of this is when t was broadcast that the Glazier family were using the Club's profits to pay off their own personal debt.

This led to the fans boycotting buying the official club scarf and instead buying the gold and green scarf in protest of the owners, the profits from this scarf do not go into the Club. Culture Flow "... globalization has brought together people with different cultural beliefs" (The Business Environment) On the official website, United encourages international trade by allowing followers of the Club to change the language and currency facility. Because of globalisation, the club has had to invest in the website making sure it is ser friendly for many different languages.

This shows that local actions impact the money the club makes all over the world. "... the term glocalization which seeks to stress the relationship between local actions and the global economy' (The Business Environment) However, this is a positive of globalisation, because it encourages fans from all over the world to make purchases. Focussing on the business aspect of culture flow, we know that in the U. K. sport, and especially football, has become more influenced by America and especially the NFL. In the NFL every aspect of the game is ponsored from the coin toss to the match camera.

It has now become so extreme, that in the Superbowl (NFL's big event), they have breaks in the stadium and a single sponsor fills the slot. Although not yet as extreme in the U. K. , this could be a glimpse of the future. Many years ago, teams would have one single sponsor for the kit. As Castells said in 2001, times have now changed and " strategically crucial activities and economic factors are networked around a globalized system of inputs and outputs". Now every club tries to capitalise on sponsorship to maximise revenue. Manchester

United, have a kit sponsor (AON), player's sponsorship, and the seats that the managers sit on are sponsored by Audi. In the past, Vodafone have had their name across spectators' seats. In 2010 DHL sponsored the training kit for E40m per annum which is more than any other club got paid by their main shirt sponsor. From a business point of view, globalisation has had a positive influence on Manchester United because with so many companies involved in the Club and lots of sponsorship deals running simultaneously they can maximise their revenue stream without relying on one single company or country.

Technological Change One technological change which has impacted massively on the globalisation of Man United is Sky T. V. Sky Sports pay each Premier League Club E6. 53m per game for broadcasting rights of live games. "... most watched sporting league, followed worldwide by over half a billion people in over 200 countries. " (Telegraph) Sky TV therefore makes a massive contribution towards the money that helps keep United as over the world to watch the team they follow. However, one downside of Sky TVs investment is many people argue that Sky has ruined football because without their investment players wouldn't be paid such high wages.

The recent advancements in the speed of the internet mean that fans from all over the world can access the Club's official website. This allows fans to purchase merchandise from the online shop 24 hours a day and this increases the Club's revenue. This is how technology has aided globalisation.

Conclusion To conclude, globalisation has had a massive impact on Manchester United. Many would argue that the Club would have less debt, less worries about fake merchandise and less issues with bad publicity without globalisation.

However globalisation has enabled Manchester United to build a worldwide brand. It has allowed the club to sell merchandise all over the world as well as many fans paying money to watch united play live or on television.

Globalisation now means the team can play all over Europe and this generates large amounts of money which helps attract the best players and staff. In turn, these players and staff come from all over the world.

Manchester United now generates huge amounts of money from sponsorship

with many of these companies head quarters not based in the United Kingdom.

Overall I think globalisation has had a positive impact on Manchester United and this has enabled them to become the most recognised sporting team in the world. References BBC News (2012) Manchester United's Revenue Falls to 320. BBC News [online] [accessed 12th January, 2013] <http://www.bbc.co.uk/news/business-19633967> Briggs, S. (2011) Heroes or villains? After 20 years of Sky Sports coverage, the Jury gives its www. telegraph. co. uk/sport/football/competitions/premier-league/8464745/Heroes-or- villains-After-20-years-of-Sky-Sports-coverage-the-Jury-gives-its-verdict.... html Conn, D. 012)Cost of Glaziers' takeover at Manchester United reaches 500. The Guardian. [Online] 22nd February 2012[accessed 12th January 2013] <http://www.guardian.co.uk/sport/david-conn-inside-sport-blog/2012/feb/22/manchester-united-glazers-debt> Harris, N. (2011) Park: The United cash machine who owes it all to a diet of boiled frogs and antlers! The Daily Mail[Online] 17th September 2011 [accessed 12th January 2013] <http://www.dailymail.co.uk/sport/football/article-2038633/Park-Ji-sung-Manchester-Unioteds-Korean-cash-machine.html> Hummels, D. (2007) Transportation Costs and International Trade in the Second Era of Globalization, The Journal of Economic Perspectives, Volume 21. Pp131-1 54. Manchester United Official website (no date) About Manchester United-Business Model [online]{Accessed 20th December 2012} [http://ir.manutd.com/phoenix.zhtml?Manchester United Official website \(no date\) About Manchester United \[online\]{Accessed 20th December 2012\)](http://ir.manutd.com/phoenix.zhtml?Manchester%20United%20Official%20website%20About%20Manchester%20United) [https://assignbuster.com/responsible-business-assignment/](http://ir.https://assignbuster.com/responsible-business-assignment/)

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