Globalization and Management

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Introduction

The recent era of globalization began in the 1980s driven by Margaret Thatcher and Ronald Reagan policies to end the state-enforced regulations that curbed corporate power. Because it is complex and multifaceted, globalization exerts wide-ranging positive and negative powers from economic transformation, to environmental impact, to capturing the minds of those it touches. Globalization alters the functional environment, adding more complexity, dynamics, uncertainty, politics, and cultural disruption than ever before.

Ideally, cross-cultural management reduces cultural disruption through practices that are reflective, receptive to alternatives, and interested other peoples’ societies. Cultures shape the context of management, influence, and are influenced by managerial roles. Employing open loop processes and strategies to balance thinking and acting globally is the essence of global management. Applying domestic management practices in other geographies and complex cultures will not be without issues, thus global or international management differs from domestic management.

The future of globalization is uncertain with a decidedly negative trajectory. 30 years of corporate expansions have distributed production resources around the globe, forcing managers’ perspectives to become and remain global, no matter the current or future state of globalization. This leads one to ask should managers develop skills for managing with a globalization mindset, accept that globalization is not in favor right now therefore it can be ignored, or focus on globalization 2.0 in order to plan for and guide the next version?. This paper describes the evolution of globalization, its market and
mental impacts, and suggests a three-frame approach for new and current business managers to continue production.

Describing Globalization

Whatever globalization is, it is not something easily definable or discerned (Brown, 2008). The multifaceted, multifocal, diverging, and converging processes, inputs, and outputs that compose globalization cannot be contained by one definition. Segments of the phenomenon, differing perspectives, or varying operationalizations may be defined, nevertheless globalization in its entirety can only be described. Current writing strives to castigate or support the multidimensional processes of globalization (Bell, 2003) as an alternative to defining or normalizing it. The “question becomes less about which approach provides a definitive conclusion about what globalization is, and more about how each approach is able to capture specific elements involved with the various processes of global interconnection” (Brown, 2008, p.51) that form the structure of globalization.

Authors define globalization segments with precision and abstraction. Thomas (2008) describes globalization as the sphere of shifting politics, culture, economies, and technology that managers must navigate in order to link countries, organizations, and resources (people) in pursuit of production. Globalization refers to the shift toward a more integrated and interdependent world economy, focusing on markets and production (Hill, 2002). Globalization is a phase of capitalism similar to capitalism of the late 19th century (Desai, 2000 cited in Bell, 2003) it is a form of capitalist expansion that involves the integration of local and national economies into an unregulated global market economy (Guttal, 2007). Globalization is a profoundly political phenomenon, as
well as both a result and a force of modernization bringing about the integration of all economic activity (local, regional, and national) into one global market (Guttal, 2007). Globalization is an indeterminate and multivocal concept that has emerged as a popular instrument of comprehending the alleged transformation of global order at the turn of the twenty-first century (Bell, 2003). Various local intersections and contexts help to inform our understanding of globalization and its effects once we accept that many components make up globalization. Globalization can be many things with various manifestations, connections and interrelated complexities combined to offer different meanings (Brown, 2008).

Globalization Origins

International commerce might have existed as early as 3,000 B.C. (Mendenhall, Punnett, & Ricks, 1995 cited in Thomas, 2008). Westernized advice emigrated half a millennium ago as European colonial powers spread the “three M's”, military, markets (money), and missionaries to “undeveloped” lands (Hooker, 2003). Between 1900 and 2000, the world population increased from 1.65 billion to over 6 billion while 55 sovereign nations became 192. Democracy expanded from 12% to 55% of world population and market-based economic systems funded the successful outcome of two wars, one war against fascism and another against communism (Hill, 2002). Between 1950 and 1999 world trade increased twentyfold while foreign direct investment (FDI) continued to set new records leading to more than 63,000 multinational corporations (Hill, 2002). The establishment of the euro zone in 1999 brought 11 European nations (at the time) under one currency and one monetary policy. Thus, lowering exchange
costs, enabling market price comparisons, lowering the cost of capital (Hill, 2002), and creating the third major economic zone along side of Japan and the US.

The magnitude of population and political growth combined with the USA as the only model to survive World War II intact created fertile ground for market and idea expansions. In describing the attitude and actions that contributed to early globalization, Hooker (2003) suggests that anyone who lives differently from “westernized” culture just needed some time or advice to develop properly. These ideas shaped the West and much of the world. Globalization resulted from specifically conceived and targeted neo-liberal policies and structural measures to bring all aspects of social, economic, and political life into the market capitalism scheme. The World Bank, international monetary fund (IMF), and regional development banks, that control development financing, served to establish globalization as the only development model available to developing countries (Guttal, 2007).

The current era of globalization began in the early 1980s when the Thatcher and Reagan era brought to an end the state-enforced regulations designed to curb corporate power. By the mid 1990s, 51 of the world’s top 100 economic entities were transnational companies (TNCs) (Guttal, 2007). Globalization may also be thought of as global capitalism or a delivery/entry mechanism to install economic democracy where voting with currency is considered a superior policy.

During the 1980s, as globalization policy, promise, and funding structures found worldwide acceptance, information and technology improvements acted as globalization accelerators. “Communications technology has always been a major driver of economic progress” (Hill, 2002, p.p-13). Information technologies impact the goods, services, and
business of civilization (Drucker, 2001). As the telegraph, radio, television, telephone, and eventually the Internet reduced global connection times to seconds, the reality and practicality of engaging people in other nations as a normal business practice, emerged. Improved information technologies have made markets work by bringing together buyers and sellers. Moreover, information technologies reduce time requirements and lower business transaction costs. Today, information is transnational and is the source of new communities of people who are in communion without ever seeing each other in the flesh (Drucker, 2001). With the shift in thinking and acting to accept information as a communal or common “source” rather than products or production, globalization arrived; carried into the 20th and 21st centuries by the electronic bits and bytes that give it sustenance.

Globalization today

When oceans and polar ice caps separated the world, all markets, production, and resources were bounded. Information technologies have reduced boundary penetration from years or months to mere seconds and delivered the most rapid expansion of international business in the 20th century (Thomas, 2008). Control of information by governments or others is no longer possible (Drucker, 2001) and low or lowering trade barriers continue to create a rising tide that floats all economic boats (Hill, 2002).

International companies play a role in the world economy with more than half of the world’s top 100 economic entities being international companies. The role of the state in individual countries may be overwhelmed by these top economic entities. Ideally, international institutions (1) address market failures to improve the efficiency of
the global economy, (2) affect liquidity by promoting macroeconomic stability, and (3) improve global income distribution among countries. Moreover, international institutions can coordinate international policies in individual countries (Dutt & Mukhopadhyay, 2009). With this level of financial and political power or influence, the organizations participating in globalization seem to be received as more than mere businesses or profit seeking entities; they hold another place in the minds of those they come into contact with.

Because it is complex and multifaceted, globalization exerts a wide range of power effects. Proponents suggest it is a natural and inevitable outcome of technology that joins positive economics and politics (Guttal, 2007). Globalization, industrialization, modernization, wealth, and technology are supposed to produce a universal civilization, including universal values (de Mooij, 2010), but how globalization is received and considered depends on the individual relationship with its processes and how these processes affect lives (Brown, 2008). There is no such thing as universal rationality, a person’s value system determines what is rational or irrational (Hofstede, 2010 writing in de Mooij, 2010). Globalization can be positive, negative, or null. As the global economy becomes ever more tightly integrated (Hill, 2002), perhaps Hooker’s (2003) three M’s- military, markets, and missionaries- need a fourth “M” to incorporate the mind.

Globalization is also a cognitive phenomenon in which people become conscious of the global, thus considering its affects beyond the international, regional, national, or local aspects of individual and collective life (Bell, 2003). The positive elements resulting from globalization do not matter; individual perceptions of globalization dictate what it means (Brown, 2008). Similar goods do not matter, what people do with them and their
reasons for buying them matter. The global village, where everyone behaves in the same way, does not exist (de Mooij, 2010), thus global is personal.

This dichotomy between global and personal extends to globalization itself. On one side, globalization promotes more interconnectedness, producing greater economic markets, supporting democracy and peace between states; on the other side, globalization introduces the possibility for greater economic inequality, ideology and ethnic conflicts, as well as human development failures (Brown, 2008). Globalization pledges improving living standards around the world, however, history teaches us to expect uneven progress and reversals (Hill, 2002). Thus, some think of globalization positively, because they have benefited or think they will benefit, while others, having received little benefit or suffered negative affects, view globalization negatively.

Globalization’s Future

The future of globalization is uncertain with a decidedly negative trajectory. Comparing perspectives spanning the uncertain, loss of momentum, and downward periods 2002, 2007, 2009 respectively, three authors capture snapshots of globalization. Will globalization continue through the 21st century? That is an open question. In 2002, Hill wrote, “The current task for the world community is to bring countries into the global trading system so they can share in its prosperity”. While corporations controlled markets and benefits outweighed or masked costs, the mental image, desire for more and better life, and the glow of globalization drew nations like moths to a flame, expanding the trading system was possible.

In 2007, Guttal captured a view of perhaps intelligent moths, those who understood the negative affects of the glow. More than half of the globe’s population
resists globalization because it is not capable of delivering on its promises of economic well being and progress for everyone. In fact, corporations are not advocates of genuine free markets with multiple market actors; instead, their interests seek to secure monopolistic control of markets (Guttal, 2007). In seeking control, corporations expose additional desires beyond profits; they expand their quest to include power, which is a political not a monetary measure. With power comes responsibility beyond profits.

Globalization created a stage for corporations to play politics. However, politics touch every aspect of human existence not just profits (money). When money could not solve all of society’s problems, which is one underlying promise of globalization, corporations began to lose power and the profits that it ensured.

In 2009, former U.S. Deputy Treasury Secretary 1993-94 Robert Altman wrote of globalization, “the era of laissez-faire economics has ended… global trade, capital flows, and immigration are declining… the role of the state is expanding again, together with a reregulation of markets… global economic and financial integration are reversing” (Altman, 2009, p.2-7). Brought about by the current economic crisis that revealed the fragility of purely profit based markets and their supporting power structures, “It is now clear that the global economic crisis will be deep and prolonged and that it will have far-reaching geopolitical consequences. Indeed, globalization itself is reversing” (Altman, p7).

With the possible end of globalization in sight, does management need to be concerned with managing globally, internationally, or transnationally? In other words, do new and current managers need to think beyond their current boundaries? The answer is yes. Having lived through four economic downturns, I suggest recovery will come and
the better parts globalization will survive. Much like pruning roses or crepe myrtle trees, cutting off the stray, weak, or uncontrolled parts makes the rest of the organism stronger. This period of globalization pruning will improve the process and allow time for reflection so that people can learn and plan for globalization 2.0. This will occur because globalization helped to create communities of people who by their nature are expansive.

Today, information is transnational and is the source of new communities of people who are in communion without ever seeing each other in the flesh (Drucker, 2001). Communion will continue to serve as the structure supporting globalization, whatever form it takes next.

The current state of globalization presents a three-issue juggling act for managers. Should managers develop skills for managing with a globalization mindset, accept that globalization is not in favor right now therefore it can be ignored, or focus on globalization 2.0 in order to plan for and guide the next version? I suggest a bit of all three. When systems, skills, or environments fail people return to basics. In sports, this is called choking because it impedes natural flow (Gladwell, 2009). Given that the flow of globalization has encountered impediments, resolving its failures might best be addressed by a planned return to basics. The world has not stopped; production still exists, people are connected, and exchange continues. Someone has to manage this.

Impacts to management (Still global, Basics, Prepare for the future)

The manner in which we interpret and frame the past creates our understanding and meaning of history’s flow and determines how we conceive the present and the future. Human experience is shaped by the structure and views of the past (Bell, 2003). Without regard to globalization’s current condition, managers need to manage today.
The expansions of the last 30 years have distributed production resources around the globe. Unless the company is going to take its toys and go home, resources and production management must continue. This means, the manager’s perspective remains global or at least international.

Globalization affects the managers’ functional environment, adding complexity, dynamics, uncertainty, and more competition than ever before (Thomas, 2008). In describing the responsibilities managers will continue to face, Drucker (2001) stated, “Internationalization is not limited to the spread of things. Social functions are equally impacted. The modern military, postal services, banking, education, and economics all experience the social impact of information”. The first round of globalization drew sustenance from information and changed the social functions wherever it spread. Management cannot turn back the clock.

The first round of globalization also intermixed cultures. Managers will continue to evaluate and adjust to varying cultures as long as resources remain global. Despite the old talk of globalization and the coming global village, global differences are profound, long lasting, and require different strategies, practices, and policies (Hill, 2002). Coburn (2006) suggested that culture is not easy to change, “…many technologists think that cultural change is easy once you’ve conquered the technology. I don’t agree at all. Cultural change is hard” (p.172). Stewart (1982 cited in Thomas, 2008) suggested that managers function as choice (decision) makers balancing multiple sets of job specific internal demands against multiple sets of external constraints; culture is one constraint. If culture does not change, management must.
Culture shapes the context of management and influences managerial roles. Managing and leading individuals from different cultures requires understanding social and intercultural interaction. Managing across boundaries involves the process of cross-culture communication (Thomas, 2008). Perhaps taking the “glocal” (Svesson, 2002 cited in Alimienė & Kuvykaitė, 2008) approach to join local, national, and global aspects “how things are done around here” (Martin, 2002 cited in Shafritz, Ott, Jang 2006) is an appropriate first step for global managers. Moreover, global managers need an appreciation for the locality of work. Where work is done determines in large measure how it is done and soundly affects what work is being done (Drucker, 2001).

Management must take steps to eliminate tensions between differing functions (Coburn, 2006). Another role of global management is to extend Coburn’s suggestion to include people in different locations and of different cultures. The manager must eliminate tensions as an active agent rather than a passive mediator.

A successful cross-cultural manager is reflective, open to alternatives, and interested in what makes people in other societies tick (Hofstede, 2010 writing in de Mooij, 2010). The roles of a global manager include decision maker, negotiator, and leader (Thomas, 2008). Actually, these seem to be the roles of any manager. It this analogy the basic functions of management appear. Without regard for, or perhaps in spite of, geography, communication platform, or other externalities, a manager must manage. To be successful, management requires basic (general) tools, perspectives, or attitudes found in management textbooks and practices common in western civilizations. Applying the tools, perspectives, or attitudes globally is a matter of implementation and practice. For example, Bolman & Deal (2008) suggest the need for
managers who love their work, organizations, the people whose lives they affect, and value management as a moral and ethical undertaking. In what way would this not apply globally?

Other basic tools, perspectives, or attitudes include developing a shared mindset to create a link between company values and business performance. This helps any, including global, workforce focus on common goals (Bellin & Pham, 2007). Coburn (2006) describes two types of organization management. The first type is fail-fire, where the search for a new job accompanies any failure. The second type is the learn-relearn organization where new mistakes introduce new learning opportunities. Successful management is not about making management right (fail-fire); it is about making management relevant for those being managed (learn-relearn), no matter their location, background, differences, or culture. Mintzberg (1973, cited in Thomas, 2008) suggested that managers have formal authority and divide activities into interpersonal, informational, and decisional roles. Successful management lies on the man, not on the work. Modify the equipment, materials, and methods, not the man (Gilbreth, 2008).

Applying management basics in other geographies will not be without issues, however basic, or fundamental management should apply to all resource and production decisions. Global or international management differs from domestic management in four ways. (1) Countries are different, (2) the range of problems is wider, (3) limits are imposed by other governments, and (4) currency conversion (Hill, 2002). New market, customer, and workforce interaction requires cross-border knowledge transfers (Bellin & Pham, 2007). Globalization refers to a shift toward a more integrated and interdependent world, focusing on markets and production. Along with
presenting new opportunities, globalization threatens yesterday’s business managers. As organizations engage in cross-border trade, managers should recognize the complexity required for international management differs from purely domestic (Hill, 2002). All decisions involve choices; international managers make decisions in highly complex environments (Thomas, 2008).

A final, critical, part of the global management function is workers. In capturing the changing roles, functions, and sources of workers Bellin & Pham (2007) suggest that talent no longer flows from developed countries to developing countries; talent must be recruited in-country to supply the global pool. Today, work moves toward the workers (Drucker, 2001) so that geography plays a decreasing role in productivity. The global manager cannot be a line enforcement supervisor when the employee is in another country. S/he must work to impart knowledge of desired outcomes and accept alternative inputs and production methods to achieve production outcomes using the best resource for the task while remaining in compliance with local laws and customs.

In seeking market changers Coburn (2006) asks, is your product disruptive, and if so why? Disruption, expanded beyond products into society and relationships, may be the essence of globalization/internationalization. In the broader area of management, ethnocentric approaches over the past 30 years have gradually lost support, because they proved ineffective (Hofstede, 2010 writing in de Mooij, 2010). There must be balance in thinking and acting globally. Employing open loop processes and strategies that evaluate the increased number of inputs to balance, across a wider scale, is the essence of global management. Through information and communication technology, globalization increased the geographic scale and decreased the temporal scale adding
one more cognitive barrier to management today; “international responsibilities and contact with other cultures are commonplace and might not even involve leaving the office” (Thomas, 2008, p.3). With the entire world to manage, a global manager may sleep in his own bed every night.

Summary and Conclusions

The reach of markets and business expanded across the globe more than half a millennium ago when Europeans conquered the seas. Since that time, communication and information technologies have reduced to span of the globe to the speed of electrons so that buyers and sellers can exchange in one second or less. Technology combined with favorable politics and exploding world populations ushered in the era of globalization. With production and commodity drivers, the globe transformed into a shopping cart for profits, power, and people (resources). Uncontrolled and unbalanced outcomes benefited some while harming others, leading to eventual backlashes and failed promises. Thus, the modern round of globalization has ended. The world's three largest economies, the United States, the EU, and Japan, cannot create a normal recovery. China, with its unique political-economic model, is the one clear winner, which will consequentially enhance its global position (Altman, 2009).

For global managers the end of this era does not mean global management has ended. Due to the scale of production displacement over the last 30 years, managers will continue to manage resources distributed around the globe. However, new and current managers should take this opportunity to strengthen current skills and practices, examine and apply basic management practices, and prepare for and actively design the next globalization round. The end of an era is not the end of responsibility. The ways
managers and the businesses they represent deal with the resources (people) affected by this transition period may hold the key to success in the next globalization round. With time and reflection, managers should strive to understand that the value of people, communication, and balance are the lessons to be learned from the previous era.


