GLOBALISATION AND THE ROLE OF INTERNATIONAL ORGANISATIONS

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ABSTRACT

We are now living in a global economy in which social, political and cultural aspects of people and companies are interconnected. There has been an increase in international trade and world finance has grown over the past two decades. Financial flow in developing countries has risen; the number of multinational corporations has soared, and global production has increased. Globalization is not just an economic phenomenon, but it also has political, social and cultural dimensions. This paper aims to answer the question, "Why is globalization significant to organization?" In order to understand why globalization is significant to organizations, it is essential to understand the terms. Therefore, this paper will define the terms globalization, organization and global organization. It will explore the types of global organizations; discuss the ongoing aspects driving globalization and discuss factors which force globalization. In addition, this paper will examine many of the roles of global managers/leaders and analyze ways of managing. This paper will research the role of the international business environment in the context of global strategy and lastly, it will discuss the globalization and organizational culture diversity.

Keywords: Globalization, international business, global managers, global leaders, organizational cultural diversity
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1 INTRODUCTION

The world is becoming smaller as countries are connected through globalization. These trends include an increasing number of international corporations, increase the power of global economic competition, define new types of business, change business structure and leadership styles and affect the increasing diversity within labour. [1] Smaller, meaning that countries are interconnected through trade, communication, and the assimilation of cultures.

Since the early 1990s companies began to realize that they could extend their profit margins if they extended their businesses into other countries. Thus, started the race for companies to have a global presence and capture their portion of the global profit.

Additionally, by expanding into foreign markets companies are less dependent on their home economy [2]. However, globalization is easier said than done. Attempting to turn a company into a global company takes a lot of planning, leadership, and solid strategies. At the same time, doing the business globally and in diversified environment, companies should put an emphasis on such concepts as "global managers" and cross-cultural management.

Also, in parallel with the globalization process, new fields of economy have been created, which are defined in literature as knowledge-based economy, knowledge economy, economy based on information and the information economy [3].

Network communications is one of the modern ideas in the field of organizational behavior in international companies (Fig. 1)

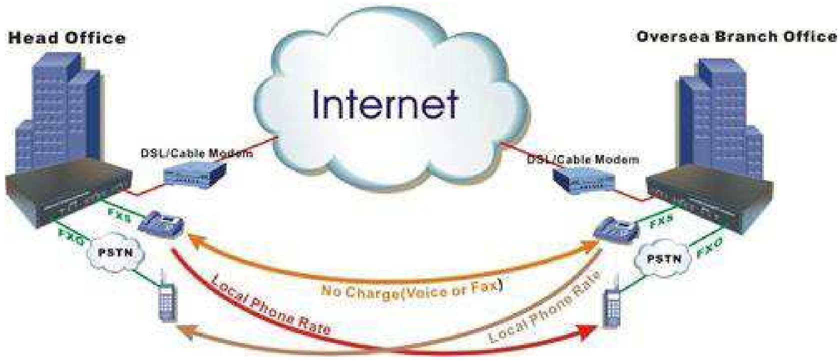

Fig. 1. Network communication
Source: http://netrescue.net/communications-networks/

On the other hand, the ability to communicate with employees and understand the cultural differences between them in a multicultural environment is one of the key skills that managers and employees need them in the nowadays organizations [9]. In accordance with that, the aim of our paper was to examine what are the features that modern managers should have so they could be able to keep up with changes and manage them. In new context, "disruptive innovation, creativity and think out-of-the box, advanced technology, social media, international mindset, and passionate entrepreneurship are the new buzz words" [8]. In some of the most eminent theoretical overviews the special attention is paid to the significance of human capital in creating the sustainable competitive advantage of an enterprise through modern information and communication technologies. [10]. According to literature," whether an organization is as small as a household (a family unit) or as large as the most successful industrial empire in the universe, information management is of great relevance" [13].

2 CHARACTERISTICS OF GLOBAL ORGANIZATIONS

Entering into a foreign market for entrepreneurs is not an easy task as it may appear. So, few companies are ready to build and run truly global organizations, despite it may be their goal. Namely, only a small number have the capabilities needed to bring that strategy to go global. The move to dive into a new market requires that the entrepreneur must familiarize himself or herself with the culture and regulatory policies of the new business environment. It means that companies that want to get it right need to consider this opportunity from many angles. (Fig. 2).

Fig. 2. Strategy to go global
Source: https://soulcrazy.org/small-business-spotlight-genovesi-web-design-and-marketing/

Despite few companies are ready to run global organizations ,"international companies have become in recent years one of the most important drivers of continuous globalization and constant developments in the global economy", p. 221. [3] In line with this, they face to an organization needs to determine what their global presence will be; trade, alliances, licensing, or investment. Trade or exporting consists of a company selling products to a foreign agent. Once the product is sold to an agent the company has no control over what happens to the product. There are positive and negatives to this approach. First, a large amount of capital investment is not needed for this approach, however once the products are released to agent the company does not have any control. This may present a problem if the agent markets the product in a negative way thus damaging the company's image. That being said this is probably the easiest way to enter the global marketplace.

The next minimal capital investment method is licensing agreements. This allows a foreign company to use the brand name or image of a company. It also allows for a foreign company to reproduce a product. Again, there is minimal investment on the part of the company licensing their product, but brand image can easily be damaged under this scenario.

The final globalization approaches involve a significant amount of capital and investment in the foreign market.

There are various types of alliances that can be created. A joint venture would include two companies in different countries that allow one another access to their market. Under this scenario a company now has control over its brand image. Global strategic partnerships consist of two companies partnering to create a product that will dominate the global market within that products field. Wholly owned subsidiaries occur when a company purchases a foreign company. Generally, the company is still operated by foreign workers, but the control remains with the new owners. Companies engaging in this approach are taking large financial risks. Vertically integrated wholly-owned subsidiaries occur when a company not only purchases a foreign company but also purchases the distribution and retail channels for a product. This requires a huge capital investment and the goal is to dominate the global market within the product field. The risk for this scenario is also significant.

The most popular globalization approach is with multinational corporations. This occurs when a company has facilities in one or more foreign countries. This involves a high degree of capital investment and commitment to globalization. The company has to invest in foreign facilities and organize workers. But, the payoffs can be large in terms of profits if the labor is cheaper in said foreign country. Additionally, these multinational companies are now dependent on the world economy and have to have clear strategies in order to survive and a clear view of the international business environment.

The multicultural organizations are characterized by six features:

- pluralism,
- full structured integration,
- integration of informal networks,
- absence of prejudice,
- equal identification with goals and minimal intergroup conflict [11].

3 INTERNATIONAL BUSINESS ENVIRONMENT

Today due to embracing globalization and trade liberalization policies in the world, the business environment has become more competitive. [2] In this context, companies require a clear understanding of the foreign market they are entering. So, there are several components to the business environment that need to be analyzed and strategies developed based on the information gathered. These components include the economic, technological, socio-cultural, and political-legal environments.

The economic environment looks at the earning potential within a foreign market. A company should look at the country's GDP, per-capita income, the country size, and its stage of economic development [4]. If the population of a given country cannot afford the product there is no use in marketing the product in that country. Wealthier nations are better environments for industrial goods. Furthermore, it may be difficult to find workers for the production facilities in poorer nations. A countries economic development stage affects the infrastructure present. Developing nations may not have a developed road, rail, or port system that a company needs to transport its goods to the market. The power and utility grid may not be developed making it difficult to produce goods, as well as the communication network.

Other economic factors that need to be considered include tax structure, currency, and inflation. Within some countries companies may be required to pay higher tax rates. This may or may not affect a company's decision to locate within the country, but the information needs to be part of the decision-making process. The currency exchange rate of a country needs to be monitored because if the value drops companies can take huge losses. The currency exchange rate can be affected by the inflation rate. The inflation rate is the rise of cost for goods over a period of time. When goods cost more people tend to buy less affecting the bottom line of companies.

The technology environment revolves around innovations used to make production easier.

A company needs to ensure that they locate in a country that has a workforce that is willing and capable to work in a high-tech environment. A company needs to partner with a country that utilizes similar technology.

The socio-cultural environment is a very important part of the international business strategy. This environment includes the social norms of an area; such as language, customs, education, religious attitudes, and social values. All of these aspects of a country's culture should be studied before placing a business or advertising within the country. Companies and those working within a country need to understand those they are working with and have an open mind in regard to new customs. Additionally, they need to learn a country's cultural taboos. Examples include: the French love to debate, in China it is insulting to be late, and the Swedes do not use humor in negotiations.

Language is a major area where mistakes can be made. Companies need to understand and use appropriate language, often there are errors in translation. In China, KFCs 'finger lickin' good' translates to 'eat your fingers off', and the Coors slogan 'get loose with Coors' translates to 'get the runs with Coors' in Spanish. These language mistakes can be very embarrassing for a company at the very least. It is very important for a company to try and understand the cultural differences, not doing so can create mistrust between the consumers in the foreign nation and the company.

The political-legal environment consists of the political stability of a nation as well laws and trade regulations. The political stability of a country will ultimately determine if a company chooses to locate another facility in that country. However, the political environment can and does change quickly in nations around the world, like African and Middle East countries. Civil unrest is not only dangerous for company personnel but also not good for business.

Another aspect of the political environment includes labor laws. Labor laws of each country differ as do the manner in which employees are treated. If a company uses child labor or pay its foreign workers an extremely low wage, just because it is legal in a foreign nation, this can damage a company's brand. These issues need to be considered before choosing a nation to expand into.

Within the legal environment companies need to understand international laws, U.S. laws, trade barriers, and laws of the host country. International law takes in to account treaties or agreements among nations. One such internationally recognized law is ISO (International

Organization for Standardization) certification. These are a set of standards that ensure a product meets established quality levels [4]. Another aspect of the legal environment includes trade barriers, such as tariffs. Tariffs are taxes placed on imported products. Two examples include revenue and protective tariffs. Revenue tariffs raise money for the importing government and protective tariffs are designed to protect domestic products. The tariff is placed on an imported product designed to raise the price to match or exceed that of the domestic product [4]. This tariff attempts to support domestic companies by eliminating the ability of a foreign company to compete at the same price point.

By establishing what type of global presence is wanted and understanding the business environment before entering the global market a company is trying to ensure its success.

However, that is not all that needs to be done to ensure success. Managing a global team is not the same as a domestic team. Companies need a solid management team and strategies in place for a global company.

4 GLOBAL MANAGERS AND MANAGING

Globalization makes an impact on cultural diversity of workforce and the increasing need of new and different skills and qualifications. [3]. So, leadership skills are important components found in global managers [4]. Running a global company is very demanding and requires a special skill set. Successful global managers exhibit these leadership competencies.

Business leadership includes having the ability to create successful alliances in the global network, business that create alliances have a higher success rate. A successful alliance would include sharing transportation networks thus lowering costs. Further examples include a leader who is able to create a new global organization structure. It is not enough to mirror the domestic structure of an organization but create one that reflects the foreign environment you are in. This environment must take into account all of the business environments.

Additionally, the leadership needs to create an environment that reflects the organizations own culture, values, and vision.

Functional leadership describes a leader who is connected to the employees, the local area, his role as a manager of a foreign facility, and the corporate home office. This type of manager is not a figurehead, they need to know, understand, and display their knowledge of the operations of the facility they manage. Furthermore, they need to stay connected to the home office and relay information between countries efficiently. This type of hands on competent leader can make for a very successful global firm.

Team leadership is important in any business but is critical in a global environment. A manager is in a foreign environment where the social and cultural norms may be completely different than what they are used to. Yet they still need to mentor and motivate their employees but with a different approach. This takes a tremendous amount of leadership skills and not every manager can do it, so a company needs to choose wisely when selecting someone for a global assignment. Additionally, a team leader needs to be able to think on their feet and keep everyone focused as political-legal environments often change quickly in global settings.

Personal leadership is the final competency that sets successful global managers apart.

When a manager is based in their home country they have a support network of family, church, community, and general familiar lifestyle. However, all of that disappears when they are in a foreign country and the successful manager needs to have a strong sense of self. They exhibit characteristics such as discipline, focus, and maturity. Additionally, a successful global manager has the ability to relate and understand the local culture, while maintaining their cultural values. It is a fine balance, but the most successful managers can show respect and understanding for the host culture but still maintain their identity. Finally, global managers are often times in remote locations but still need to focus on their own professional development. They cannot become isolated from the home office and need to always keep in mind their personal growth.

All of the above competencies are needed in any corporation but are crucial in a global environment, with personal and team competencies being of the utmost importance.

Additional, qualities and circumstances that need to be addressed to create a successful global manager include:

- A willingness to communicate, form relationships with others, and try new things
- Good cross-cultural communication and language skills
- Flexibility and open-mindedness about other cultures
- The ability to cope with the stress of new situations
- The spouse's career situation and personal attributes
- The existence of quality educational facilities for the candidate's children
- Enthusiasm for the foreign assignment and a good track record in previous foreign and domestic moves.

With the needed competencies and qualities for a global manager established. There is also a manner in which global companies should manage to ensure success. There should be an increased level of communication and employee involvement, along with flexibility because of changing global environments. In a global environment the managerial functions of planning, organizing, staffing, and directing are carried out a bit differently in a global setting.

As stated earlier planning for a globalization entails determining what your global presence will be; alliance, joint venture, etc. Another aspect of the planning stage that a good manager needs to determine is whether the company will have a global or multi-domestic strategy.

This is a crucial management decision that affects whether a product is successful or not.

The global strategy means that there is one marketing strategy for a product no matter the country it is being sold in. This approach definitely saves the company money and helps with brand recognition and may be a great approach for luxury items. However, it does not always work due to differences in cultural and social traditions within a country. The multi-domestics approach has a different marketing approach for different countries. This will cost a company more but due to cultural differences is often the best marketing approach. A good global manager needs to look at all of the business factors and especially the target audience and plan and manage accordingly.

Managers must organize their foreign facilities a little differently than their domestic versions. Due to cultural differences a company cannot place an exact replica of itself in a foreign country. A manager needs to be prepared for changes that occur within the foreign nations and react quickly to its customers, employees, and suppliers. Additionally, an open communication style of management is necessary. Employees and suppliers should feel they can address their issues to the company and feel like their problems are quickly resolved.

With this type of management style employee opinions are welcomed and a company can grow tremendously with local support.

In order to survive in this global economy, managers must foster creativity and competitive growth [12]. Global managers are also faced with decisions on how to staff the foreign facility. Many companies find that only having a few upper level foreign managers with the rest of the workforce coming from the local environment to be an effective management strategy. First, this strategy saves the company a lot of money in relocation expenses for employees and their families brought from the U.S. Additionally, it shows that a company is investing in the local population and economy. However, when hiring from the local area a company needs to be well versed in the nation's labor laws.

Directing one's employees becomes all that more challenging in a global environment.

Managers are dealing with different culture and different languages. Mangers need to incorporate a great deal of patience and respect into their managing style when operating in a foreign country. Many companies are sending management personal to cross cultural training seminars. This is crucial in teaching managers to respect other cultures and diversity, as well as avoiding ethnocentrism. These trainings can also teach managers which management style is best suited to the nation they are managing in. For example, incentives work best in the U.S. and perhaps not so much in Japan where working is considered an honor and part of their culture. In Sweden and Japan informal relationships are the norm and a hands-on leadership style is used; whereas in Germany informal relations are discouraged. These subtle differences can really make or break a manager's relationships with its employees or suppliers.

There is a lot to manage in a global organization. A company can be geographically all over the world and have multiple languages and laws to deal with, which can make it difficult for managers to control their business environment. This is just another example of the complexity today's global manager face.

5 ORGANIZATIONAL CULTURE DIVERSITY

Another challenge managers face is the changing organizational culture of today's global market. Globalization itself is the assimilation of cultures, economies, and politics, so it only makes sense that today's organizational culture needs to embrace diversity. These factors are involved in the effectiveness of implemented changes such as changes in organizations.

According to Malakshah [6], one of these factors is the readiness for change. Readiness is reflected in beliefs, attitudes and intentions regarding the extent of required changes and organization's capacity for successful implementation of these changes.

Communication scholars Deal and Kennedy [7] defined four aspects of a strong culture: values, heroes, rites and rituals, and a cultural network. Deal and Kennedy defined the aspects as follows: values are beliefs and goals of members within an organization, heroes are people identified by the organization that exhibit the values, rites and rituals celebrate the organizations values, and the cultural network is simply the communication system for the values. They theorized that if all of these aspects are present in an organizations culture then they have a greater potential for globalization success. These aspects of a strong organizational culture are loosely defined and open the door for a diverse workplace.

Today's organizational cultures are constantly changing as a direct result of globalization.

The employees that work within an organization define the culture, so if the employees are changing then so is the culture. The global companies have a great diversity of people working for them and as such the organizational culture needs to reflect this shift. This diverse workforce has many benefits for both the employee and the organization as a whole.

Organizations with diverse workforces are better organizations to work for. Additionally, if an organization is diverse they are more likely to hire from a diverse applicant pool. The benefits of diversity for a company are great. When a company has a diverse workforce they have access to a lot of varying opinions and perspectives. A company can use these new perspectives to gain a greater understanding of the local culture, employees, and other clientele. This is invaluable information for a company and much better than any cross cultural training, because it is real first-hand information. Also, a diverse workforce promotes tolerance and acceptance among cultures when they work together on a daily basis. All of these characteristics make for a strong and successful global company. However, managers need to be aware that when a workforce becomes diverse quickly there is the potential for cultural clashes among different groups of workers in the beginning. With this awareness managers can start with cross cultural training programs.

6 CONCLUSION

Globalization is not something that companies take lightly. The issues surrounding globalization demonstrated in this paper are just a fraction of the issues that need to be considered before a company embarks on a globalization process. That being said it is not an impossible process, many of the biggest companies we are familiar with have global organizations and are quite successful at it. Coco-Cola receives roughly 80% of its profits from outside the U.S. and is an example of an organization with a large global presence.

Organizational model creation is highly dependent on different cultures by determining business strategy, leadership style, motivation etc. So, an organization needs clearly defined goals and the ability to clearly communicate the organizations goals and vision. Additionally, as demonstrated in the paper an organization needs to perform a great deal of market research before anything else. One organization may just need to strike an alliance with another foreign company, whereas another organization may benefit from multinational locations.

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