

# GOLDEN RESEARCH THOUGHTS

## GLOBALIZATION: SOME CHALLENGES



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### Abstract :

The concept of globalization of innovation is the zip between two fundamental phenomena of modern economies: the increased international integration of economic activities and the raising importance of knowledge in economic processes. This article focuses on selected features of the new economy, especially globalization, changes brought about as a consequence, new skills required for management, including a shift in the indicators for assessing business performance.

**Keywords:** New economy, globalization, changes, skill, management, performance, Economic Globalization, standard of living, new market, disparity in incomes and decreased employment, etc.

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### INTRODUCTION

The end of the eighties of the last century was marked by a sharp increase in the dynamics of the market environment. Turbulence increases in the threshold of chaos (Truneczek, 2003). "Our only certainty is that things will change" (Gibson, 1998, p.195). However, it is clear that some new phenomena can predict the future market, e.g. discovery of new consumers: The pension will not be a period of inactivity, children today will control the Internet, and wealthy people will discover luxurious things like plastic surgery, personal trainers or training courses. Previously negative reviews of the turbulent environment conceived as a threat are beginning to change. Discontinuities have begun to be considered a challenge - prepared companies can find new business opportunities. But it is clear that current management systems are not able to solve the problems of a new era. Corporate governance requires a new philosophy. Management has become a management of change, which does not only enhance the performance of the organization, but also the humanization of its work. This gained managerial control on two levels: the hard layer covers methodology and management techniques, the soft layer concerns attitudes. It is clear that no plane can be underestimated.

### New economy:

Advances in communication and transportation technology, combined with free-market ideology, have given goods, services, and capital unprecedented mobility. Northern countries want to open world markets to their goods and take advantage of abundant, cheap labor in the South, policies often supported by Southern elites. They use international financial institutions and regional trade agreements to compel poor countries to "integrate" by reducing tariffs, privatizing state enterprises, and relaxing environmental and labor standards. The results have enlarged profits for investors but offered pittance to laborers, provoking a strong backlash from civil society. This paper analyzes economic globalization, and examines how it might be resisted or regulated in order to promote sustainable development. The environment of the new economy is characterized by a shift in the structure of business resources. The growing importance of intangible assets and sources of potential change are explained in the following figure.

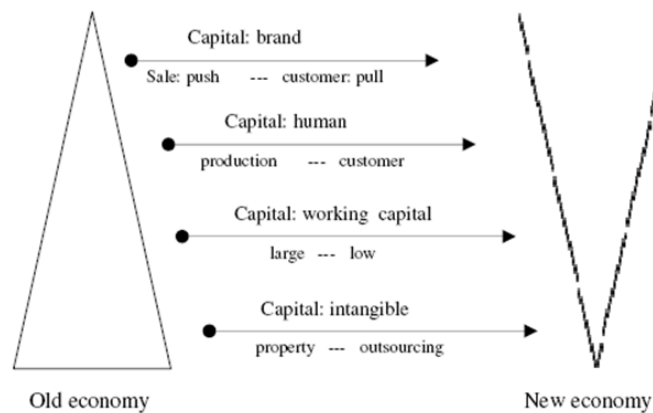


Figure 1. The De-Capitalization of the Company

\*Reworked from Ruthner (2002).

➤ The emerging competitive landscape of the new economy, aptly characterized by Prahalad (1998). Identifying eight discontinuities accompanying the new economy: environmental friendliness through control, standards, and vague boundaries between industries, convergence, fluctuations in demand, deregulation, privatization and globalization. Their businesses will be affected differently, but generally speaking, are all forced to include into their decisions the impacts of globalisation, they will be forced to form alliances, albeit sometimes only temporarily, they will be forced to take speed as a component of all accompanying processes and will be forced to reconsider their "business" model in order to meet the requirements of the new environment. In the management of discontinuity, managers will be confronted with complex new challenges. Enterprises in the new environment must cope with new skills. Management capabilities of the new global marketplace are a complex task, which has at least five different components (Prahalad, 1998):

- gaining access to new knowledge and learning to use it;
- integration of many different areas of expertise;
- collaboration within different cultures crossing large distances;

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- learning to jettison negative things - to overcome the routine;
- coordinated implementation of competence in many business units.

Creating new capabilities and selective use and protection of existing capabilities are very complex tasks for the company, both in terms of intellectual skills needed for workers in an organizational perspective. Minimum requirements include: a large investment in bringing together people of different cultures within the company, improving language skills, extensive documentation - not red tape, extensive training for both analytical and experimental site management.

### Globalisation:

Each year, the World Economic Forum ranks countries in the Global Competitiveness Index a rough gauge of which nations are best positioned to squeeze efficiency out of their businesses and to attract companies and investment from overseas. But if you look beyond the index and examine what countries are actually doing to earn their rankings, the bigger take-away is that globalization, inextricably linked to economic development, is very different from what it was only a few years ago.

All levels of the economy and society are fundamentally influenced by globalization processes. Between representatives of business and management theory, there are two directions for views of the implications of the effects of globalization. The first stream includes supporters of the view that globalization is a battle of “wits” taking place only among the most advanced countries: “the 21st century is the century of competition of all against all - one wins, others lose” (Thurow and Heilbrone, 1982, p. 38). Proponents of the second stream argue that in globalization all win, have the same opportunity and it depends only on them, how it can be used: “The global economy is a networked economy. The more companies there, the more space for new businesses. (Neumaierová and Neumaier, 2002, p. 20). “Globalisation creates greater risk and more opportunity for everyone” (Kotter, 1996, p. 56).

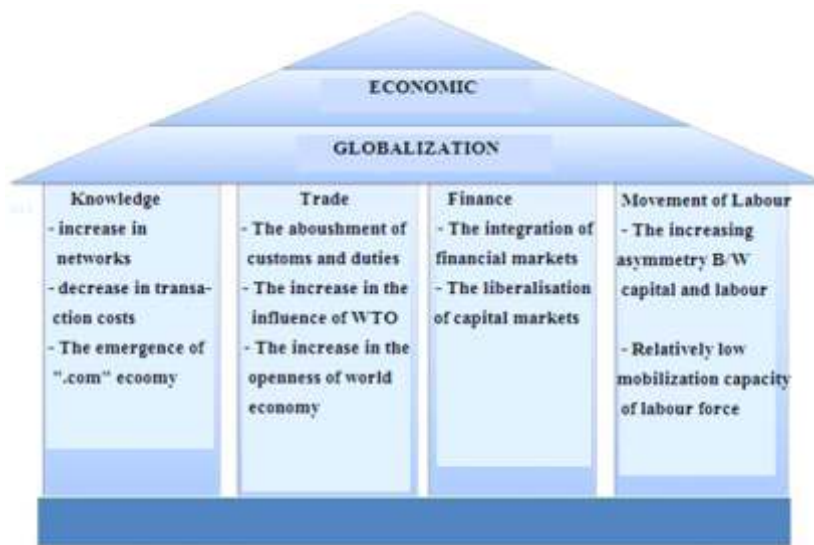


Figure 2 Economic Globalization

### Changes which globalisation brings:

Despite the fact that globalization is a universal trend today, with him acting as a centrifugal, disintegrating forces. There is a change in the traditional direction of movement of foreign capital. Instead of exporting capital to areas with cheap labour there is a preponderance of the exchange of capital between developed countries. Change in allocation criteria is due to growing demands for skilled labour, preferring to support the technological environment, increasing the importance of infrastructure and no less severe, monetary and political stability. Megatrends act on consumer behaviour. The result of which mean target groups frequently are unstable, which complicates the marketing conclusions. On the one hand, a global consumer model, in which it is necessary to work, on the other hand is reflected national and regional values (Borbasz and Szabo, 2006). Along with changes in consumer behavior, as well as the behavior of competitors. A new situation where multinational corporations have formed in some areas of their business, strategic alliances with those with whom they can in other commodities compete

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seriously. Globalisation can be understood in two ways (Basl,2002). First, it is a vision that would be called “inside - out.” This is dominance for business and often the user. From this perspective, globalization offers opportunities for further growth. On the other hand, mainly outside the business sphere brings a perspective “outside - inside, where are much more prominent limitations, implications and risks.

GLOBALISATION „INSIDE - OUTSIDE “	GLOBALISATION „OUTSIDE – INSIDE”
Globalisation = predominantly opportunity	Globalisation = alert to the threat
Almost unlimited growth	Limits of the planetary resources and capability of the country
The primary objective - revenue growth	The importance of increasing the cost of maintenance and elimination of adverse effects of new technologies
Homogenization-based company offered products globally	Heterogeneity (regionalization) of company
Dominating local optimization from the perspective of business and the consumer	Efforts to optimize the whole in a global sense

*Table: 1 Two sides of Globalization*

*\*Reworked from Basl (2002, p.16).*

The issue of globalization is a powerful incentive to think about sustainable development. When we contemplate the concept of sustainable development, we would need to respect the laws of nature, deliberate exploitation of natural resources and an awareness of the links between global and local issues. However, the term includes in addition to environmental issues as well as social, cultural, technical, but also economic aspects. And this touches every enterprise. Depending on how they set the parameters of the economic environment, the company maintained in the environmental. It is essential that the firm pays in improving economic performance reduce the environmental burden (Neumaierova and Neumaier, 2002).

Selection of strategic goals of company business activity	Management of human resources and leadership style of head employees
Realistically achievable, while challenging and motivating.	Strengthening the responsibility of each employee for the resulting quality of their business responsibilities.
Starting point for the choice must be strategic thinking by all the representatives of management.	Teamwork leading to participatory sub-work teams.
The choice of each of the strategic objectives must always respect the orientation of any business - customer orientation.	Efforts to achieve a high level of compliance with each worker's personal interests and the objectives of the business.
Objectives must be not immutable dogma, it must be periodically adjusted according to the results of controls and management of strategic business processes.	Continuous learning of individuals, work teams and companies as a whole from the results of failures, but also the successes of previous business.

*Table: 2 Principles for Achieving high company Business Performance*

*\*Reworked from Pitra (2001, p.17).*

EARLIER	NOW
Functioning in the existence of local and often protected markets.	Functioning of the global market with a reduction in protectionist measures.
Longer-term stability of product offerings.	Very short innovation cycles.
Guarantee of success is a tradition and company brand.	The entry of new firms in the market and their rapid success, but also possible early termination.
The relative balance of supply and demand.	Excess capacity in many industries.
Uncompromising attitude towards competition.	Specialized merger of competing companies in an alliance.
More loyal customers.	Customer demands increasing.
Employees must comply with regulations, to ensure low costs.	Employees must be more creative and more customer oriented.

*Table 3. Changes of Business Paradigm*



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*\*Basl (2002, p.15).*

### Shifts in indicators evaluating company performance

Entirely logically there is a shift in indicators evaluating company performance (Table 4). Understanding and ways to achieve the performance criteria vary with the development of a system of wealth creation in the company. A current concept of management, according to the current stages is value based management, based on the theory of management values. This concept

### Company performance

In the new environment, a company has to ensure its survival, and any subsequent developments, to accept the new conditions. Globalization touches the entire company. Practically, this means that the overall decline in protectionist measures in previously closed markets. A key success factor is the ability to produce, but of great importance is ability to sell. As a consequence, among other things, all employees are becoming more customer oriented, and this involves not only the dealer or sales people. Already includes measurement systems and overcomes some shortcomings of traditional accounting. Based on the premise that the criterion for the correctness of each decision and each action is an increase in market value. Focusing on value creation, is supported by measuring the added value arising from the performance of people, processes, suppliers and the customers. The basis for generating value is a sophisticated strategy. Performance measurement promotes the transformation of strategy into action.

Isolated companies	Companies in the global world
Autonomous	Used throughout the network
Opaque to the outside world	Transparent partner
Focusing on internal factors and focusing on each indoor unit	Focusing on external factors and focusing on the market
From a strategic point of view of the long-term	From a strategic point of view flexible
Hierarchical and information confidentiality	Bringing their knowledge and mutual exchange
With the technical limitations	Enabling the internet
Focused on achieving superior business performance	Aimed at achieving superior performance across the cooperating network

*Table 4. Shift of indicators evaluating performance*

*\*Reworked from Basu (2001).*

Goal	Importance of creating value
Strategy	Achieving goals
Measurement of performance	Selection of appropriate performance indicators
Company processes	Unifying indicators and processes
Strategic planning      Operative planning      Financial reporting      Quality management	
Operative management	Monitoring indicators

*Table 5. The various levels of management and their main focus according to value based management*

*\*Reworked from Ucen et al. ( 2001, p.27).*

This approach to the evaluation uses only financial indicators such as economic added value (EVA) and market value added (MVA). A tool for value based management is shareholder value analysis.

### The Effects of Economic Globalization on Developing Countries

#### Increased Standard of Living

Economic globalization gives governments of developing nations access to foreign lending. When these funds are used on infrastructure including roads, health care, education, and social services, the standard of living in the

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country increases. If the money is used only selectively, however, not all citizens will participate in the benefits.

### *Access to New Markets*

Globalization leads to freer trade between countries. This is one of its largest benefits to developing nations. Homegrown industries see trade barriers fall and have access to a much wider international market. The growth this generates allows companies to develop new technologies and produce new products and services.

### *Widening Disparity in Incomes*

While an influx of foreign companies and foreign capital creates a reduction in overall unemployment and poverty, it can also increase the wage gap between those who are educated and those who are not. Over the longer term, education levels will rise as the financial health of developing countries rise, but in the short term, some of the poor will become poorer. Not everyone will participate in an elevation of living standards.

### *Decreased Employment*

The influx of foreign companies into developing countries increases employment in many sectors, especially for skilled workers. However, improvements in technology come with the new businesses and that technology spreads to domestic companies. Automation in the manufacturing and agricultural sectors lessens the need for unskilled labor and unemployment rises in those sectors. If there is no infrastructure to help the unemployed train for the globalized economy, social services in the country may become strained trying to care for the new underclass.

## CONCLUSION

Within the global economy it is not low performance of the company which is the biggest threat to their business success, but its irrelevance to the changes in customer attitudes and the development of its surroundings. Typically, two key areas are highlighted in which at present lie the greatest potential for business benefits. First are the stimuli from the external environment, presenting new opportunities for information and communication technology, where the internet plays a key role. In this context, we can find such as the virtual company, supply chain, customer relationship management, etc. The second area lies in understanding and mastering new tools and methods for all workers, including changes in the methods and rules of behavior that affect the improvement of business processes. Here we find the new communication technologies, understood as an essential condition, even though their role is not so emphasized. These areas constitute the basic framework for creating a management plan of the new capabilities in an economy that is taking shape. The new economy in the near future will dominate the competitive landscape shaped by large discontinuities. These provide great opportunities for companies that can quickly respond to reassess the nature of their core competencies and focus on the acquisition of new capabilities that will shape their future. Acceptance of these areas within the company itself and also its surroundings are conditions which are formed from both external and internal elements, influencing the creation, implementation and use of performance measurement systems. Financial and industrial globalization is increasing substantially and is creating new opportunities for both industrialized and developing countries. The largest impact has been on developing countries, who now are able to attract foreign investors and foreign capital. This has led to both positive and negative effects for those countries.

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