Globalisation, the Environment and the Challenges Businesses May Face

Introduction

Bremmer's (2014) article about the possibilities of governments using 'state capitalism' to block opportunities corporations may otherwise be able to access because of globalisation may seem very different to Guttal's (2007) sharp critique of the phenomena. These two articles may also seem to be very different from Micklethwait and Wooldridge's (2001) response to globalisation critics. However, there are similarities within these articles that can be extracted upon close investigation. Namely, the content within these articles reflect the potential opportunities that are available for corporations in an increasingly globalised environment, while also touching on some of the problems they may encounter. The strategies that might help to overcome the issues identified are also addressed as the concern in Bremmer (2014)..

Examining the Environment for Opportunities

Globalisation, the result of capitalism, modernisation and the influence of highly political international institutions touting the neoliberal agenda (Guttal, 2007), presents corporations of potentially all sizes, as Micklethwait and Wooldridge argue (2001), the increasing ability to expand their operations overseas. The points made above by Micklethwait and Wooldridge(2001) and Guttal (2007) about the opportunities of globaliation suggests, as Bremmer (2014) argues, going global makes sense for companies of various sizes and places, especially when executives take the characteristics of the macro environment into consideration. Bremmer (2014) for instance shares how some regions may be particularly attractive, whether because of a wages, a good climate for business, population growth for other positive characteristics of the macro environment, factors of which are improving in regions all around the world because globalisation which helps to encourage development and consumption (even though, admittedly, there is evidence to show growth is uneven and poverty can increase) (Stiglitz, 2006). Thus Bremmer (2014) is pointing specifically to the macro environment characteristics of the business environment that were discussed in the course when the PEST model was introduced (Daft, 2015).

This seems to suggest that it is necessary for corporations that it is essential to engage in market selection () carefully, a process which involves analysing the environment, and possibly other characteristics like the industry like Porter's five forces, so that executives can make the right decision and avoid failure (Whitelock, 2002). Many scholars (Sakary et al., 2007) have discussed this 'rational strategy' in different frameworks they present in market entry selection literature (Ozturk et al, 2015), like Ghemawat's (2001) CAGE model, but it seems that there is little practical cases (that is, empirical work) to determine whether the rational analysis is actually applied or whether organisations simply, because of learning or experience, as some service firms have been found to do (Erramilli, 1991), create the strategy from decisions that are made over time like Mintzberg's emergent theory argues. It does seem however that if differences are ignored it is at the organisation's peril, where for instance Mattel failed in China not because the Chinese lacked an appetite for consumerism but because the Chinese had no desire for blonde, white Barbie dolls (Gao et al., 2013), meaning Mattel did not appreciate because they did not assess social and cultural differences before entering the market.

Possible Problems

Although globalisation does provide opportunities for corporations to expand across different borders, there are potential problems. Micklethwait and Wooldridge(2001) make a note of this by pointing out how many anti-glbalisation critics say companies harm that they have to the environment or local culture. Guttal (2007), like Micklethwait and Wooldridge(2001), also recongise sources of resistance, but alternatively suggests that because a governments are aware that corporations can take control over certain industries, they might be willing to engage in protectionist measures, like in Latin America where some countries in the region like Bolivia have nationalised energy resources. This is what Bremmer's (2014) entire article is concerned with, the possibility of governments to protect local interests and chose the sectors that they will allow foreign investment, while selecting very carefully the local or state-owned compares they want to promote, a strategy that Bremmer (2014) calls "guarded globalisation." Thus, all articles share the concern of possible problems, as assessed above.

To overcome some of the challenge of guarded globalisation (which is not the concern or a relation shared with Guttal (2007) or Micklethwait and Wooldridge(2001), Bremmer (2014) offers some strategies that companies might benefit. These include, as Bremmer (2014) argues, make the home environments more strategic or, if they find that the market is desirable even if the government is using protectionist measures, then they may want to look to ways to add value to the state or to strike an alliance so that the company's strategy becomes compatible with that of the government (Bremmer's example of Pfizer's strategy in China is an example of that). This Pfizer example would seem to suggest that, as was introduced in the models, the contingency approach (Daft, 2015), which argues that organisation should be arranged in such a way that is consistent with external demands to succeed.

Another example of the contingency perspective would be ABB's strategic approach in China (Bélanger et al., 2000). ABB is a leader in power and automation technologies for energy, and energy is a strategic segment of the government is working to protect in China, but ABB has engaged in a strategy over the last few decades whereby they are focusing on developing relationships with the government, creating alliances and joint partners with state-owned companies (Bélanger et al., 2000; ABB, 2016), and seriously localising its operations (90% of sales are locally made products, solutions, and services), a strategy which gives them the benefit of better understanding local conditions and consumer needs so that sustainable value creation becomes a core capability (Chunyuan, 2015).

This might suggest that, out of the four stages of going global (Daft, 2010) as introduced during a module, companies operating in strategically sensitive industries may do the best when they use global or transnational approach (Bartlett et al., 2008), as ABB does in China, because it recognizes the cultural sensitivity and local condition more so than the other strategies, like international. Using a more localised approach as ABB does could, moreover, help them to avoid some of the uncertainty and complexity of the environment (Daft, 2015), which is likely to be high in the context of emerging economies like China because of the rapid change the country is still experiencing.

Conclusion

Thus, the opportunities that companies have to expand across borders does seem to be a noble and desirable, because they can help firms to develop their market share, increase profitability, while also taking advantage of the growing incomes and up demographic changes in emerging regions especially. However, organisations must be aware that certain industries may be protected by the government. If this is the case, companies may do well to be very sensitive to the local needs of where they are operating and use their contingency approach to strategy, favouring a transnational or multi-domestic approach rather than a global one if they cannot engage in the latter, whether because of resource constraints or other factors, then it might be better to stay home.

References

ABB. (2016). SAC and ABB joint venture. [online] Available at: http://www.abb.com/cawp/seitp202/2d4948d459f650ff482579500046217b.aspx.

Bartlett, C., et al. (2008). *Transnational management (5th edition).* McGraw-Hill.

Belanger, J. et al. (2000). *Being local worldwide: ABB and the challenge of global management.* Cornell University Press.

Bremmer, I. (2014). The new rules of globalization. *Harvard Business Review*, 103-107.

Chunyuan, G. (2015). ABB China: Moving to the next level. ABB. [online] Available at: ttp://new.abb.com/docs/default-source/investor-center- docs/presentations/2015/20150522-morgan-stanley-china---abb.pdf?sfvrsn=2

Daft, R.L. (2015). *New era of management*. Cengage.

Erramilli, K.M. (1991). The experience factor in foreign market entry behavior of service firms. *Journal of International Business Studies*, 22(3), 470-501.

Gao, M.H. et al. (2013). Culture determines business models. *Thunderbird International Business Review*, 55(2), 173-191.

Ghemawat, P. (2001). Distance still matters*. Harvard Business Review*. 79(8), 137.

Guttal, S. (2007). Globalisation. *Development in Practice*, 17(4/5), 523-531.

Micklethwait, J., & Wooldridge, A. (2001). The globalization backlash. *Foreign Policy*, 126, 16-26.

Ozturk, A. et al. (2015). Delineating foreign market potential: A tool for international market selection . Wiley, 1-23.

Sakarya, S. et al. (2007). Market selection for international expansion Assessing opportunities in emerging markets. *International Marketing Review*, 24(2), 206-238.

Stiglitz, J.E. (2006). Making globalization work. W.W. Norton & Company.

Whitelock, J. (2002). Theories of internationalisation and their impact on market entry. International Marketing Review, 19(4), 342–347.