

RISK AND OPPORTUNITIES IN BUSINESS MANAGEMENT IN GLOBALIZATION

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Abstract

Globalization is a term used to describe how countries, people and businesses around the world are becoming more interconnected, as forces like technology, transportation, media, and global finance make it easier for goods, services, ideas and people to cross traditional borders and boundaries. Globalization provides new business opportunities for companies all over the world and, at the same time, puts before them new challenges they need to adapt to in order to achieve success in the market. Also, global trends impose on the companies requirements for enhancement of competitiveness as a key determinant of their success in both local and international market. The global economic interaction is as old as it is old the society in its more or less organized form. From the industrial revolution until today, there is ongoing irreversible global economic integration. The reasons are simple, business and profits do not recognize borders, national and cultural unsurpassed characteristics, where more or less a mutual benefit of certain cooperation is recognized, a business connection is immediately established.

Keyword: Globalization, Opportunities, determinant, success, irreversible, interaction,

Introduction

Globalisation is one of the most commonly used terms in contemporary business and politics and has both positive and negative connotations. By 'globalisation' we mean the cross-border connection and integration of societies, economies and cultures. This is not new - what is new is the scale and speed of globalisation over the past 20 or so years. There has been a tidal wave of globalisation, which has been associated with a step-change in the level of integration of societies and economies. This has brought immense and unprecedented benefits and opportunities to many, but not all, of the world's inhabitants. Three key drivers of globalisation over the past two decades are political and economic reform, rapid technological change, and population growth, and urbanisation. The seismic shifts in politics have included the collapse of the Berlin Wall, the end of dictatorships in over two-thirds of emerging markets, the opening of China, and the enlargement of the European Union.

The period since 1990 has seen widespread global acceptance of market economics and a dramatic reduction in trade and investment barriers. Rapid innovation and the dissemination of new technologies, such as the internet and containerisation, have facilitated global change and integration. Population growth and urbanisation have led to much greater physical proximity, which in turn has spurred innovation and growth in markets. Globalisation has also led to greater virtual proximity, providing a springboard for a leap in the consumption of global products and services and for the establishment of global business. While the benefits associated with globalisation are poorly understood, so too are its negative impacts. In particular, the full risk implications of globalisation have not been addressed. This report focuses on the other side of integration, which is interdependence. It shows that it has given rise to a new type of risk, notably systemic risk. By systemic risk we mean risks which arise in one sector, in one country and quickly transmit to other sectors and other countries. The recent financial sector crisis was the first crisis of the global age. We examine whether this is an indication of future crises to come.

The traditional approach to international investment, which builds on insights from portfolio theory and finance, is that international diversification results in a collection of assets that reduces risk and allows the firm to optimize the tradeoff between risk and return (Shapiro (1978)). Following the work of Hymer (1960),

however, the traditional finance-based approach has increasingly given way to the view of the firm as a facilitator of international activities that reap the benefits of synergies and complementarities across tasks. Under this alternative approach, the international reach of business activities is viewed more in terms of resource and activity specialization through the assets that enable such activities, rather than in terms of market segmentation and diversification.¹ Indeed, Reeb, Kwok and Baek (1998) demonstrated that the risk profile of multinational corporations (MNCs) does not easily fit into the simple picture of risk diversification implied by the traditional finance-based approach. They showed that even if the correlation of profits across regions declines through greater diversification, an increase in the variability of profits could result in higher systematic risk, as measured by the beta of the returns of the multinational corporation.

Literature Review

Zlatija Jelenković (2016) Globalization, which represents an important transmission mechanism of the crisis, has led to the necessity for controlling various risks of business, setting a new line of management in companies, regardless of the main business activity they are engaged in. The economic crisis in general, and especially the global financial crises (2007 and the present one) led to bankruptcy, and thus to loss of funds of many businesses and individuals. Therefore, it was necessary, on the one hand, to ensure confidence in the financial system and to maintain its stability. On the other hand, the development of corporate governance and separation of functions of ownership and management insisted on the creation of functions that directly report to the owners of capital, such as risk management and internal audit. The value of this paper is in emphasizing the new management function and raising awareness of the scientific public and businesses about the need for introduction of risk management functions in order to facilitate effective management of enterprises, although the survey (2012-2015) has shown that the existence of legal obligations, in this regard penal policy, is the only thing that effectively establishes and promotes this area.

Herbert Nnamdi Okoye (2015) In the beginning the world was one and a united community. The birds flew freely across the seas, rivers and oceans. Men dominated the world and reigned over it. Each individual specialized on a single product and exchanged his surpluses with the surpluses of others. Men multiplied in number and partitioned themselves into groups. Multicultural differences, ethnicity and languages separated the world. As time went on, nationalism sprang up. These virtues or vices created artificial boundaries that restricted free movement and trade among the people of the globe. The return to the original norm and borderless community is what we call globalization. Globalization as we can see attempts to restore most of the attributes lost in the process of multiple creation of artificial boundaries. The advancement of technology brought in Information Technology. Information Technology has to a great extent facilitated information flow and international relationship. International politics has become more flexible and stable. Economic Depression has been a recurrent affair over the centuries. One thing certain is that when the key countries of the globe like the United State is economically struck, other countries linked up economically will be adversely affected. This does not suggest that the principal cause for the spread is globalization. The Industrialized nations gain through expanded demand and marketing network. The developing Economies also gain through exchange of expertise, improved welfare packages and exchange of improved commodities. Sports and music assist in uniting the world. Globalization assists in the war against racial discrimination, injustice and religious fanaticism. Globalization has also been a corner stone in eliminating the effect of international disaster, rescue operations and humanitarian services. The G 7 Summit holding in Germany in exclusion of Russia is an attempt to resolve salient strategic issues revolving on world peace and conflicts. Russia acts as tranquilizer but they should be careful to contribute and conform to global peace. Certainly there are some miscellaneous defects resulting from the process of globalization but the overwhelming benefits justify its continued application.

Ristovska Katerina (2014) The modern liberal, capitalistic and economic action becomes a conglomerate of factors and reasons, analysis, information, means, mediums, skills and predispositions. In terms of minimized barriers and openness of the world, the inevitable process of the globalization and the business actions represent projects that are facing success potentials, as well as risk and failure potentials. The indisputable accent on these aspects is certainly the success and the reliability of the business ventures for which the ultimate goal is the economic satisfaction, minimizing the risks as well as the establishment of long-term experiences in order to maintain a particular enterprise in a particular environment. The participation on the world's global markets, the internationalization and the transfer of the business activities on all geographic meridians, encountering different and often uncertain environments is a constant business story of the international economic activity for at least three centuries ago. The global economic interaction

is as old as it is old the society in its more or less organized form. From the industrial revolution until today, there is ongoing irreversible global economic integration. The reasons are simple, business and profits do not recognize borders, national and cultural unsurpassed characteristics, where more or less a mutual benefit of certain cooperation is recognized, a business connection is immediately established.

Ericlee Nyaga Muciimi (2014) Much of the debate on the alleged evils and merits of globalization has been based on after the fact argument. This paper takes an approach that globalization has implications for international business strategy and delve into these implications. The paper utilized library survey, which analyzed the available literature on the implications of globalization on international business strategy. The appropriateness of this method to the study was the ability to review a wide variety of secondary literature that is relevant to the research area. In this regard, four empirical cases were selected using Purposive sampling technique which enabled the researchers to select cases that had the desired information or the required characteristics that were useful in achieving the objective of the study. Content analysis method was used in view of the qualitative nature of much of the data collected. Findings indicate that globalization and especially the entry of Chinese firms significantly changed market contexts in Brazil. Brazilian executives responded to changes in market contexts by shifting from production to customer orientation, building brand equity, developing new products, and differentiating offerings. Further, the rapid spread of globalization and enormous developments in information technology (IT) has led to dramatic changes in the business environment and business education needs to be responsive to these changes. Moreover, the results confirm that the globalizing internationals, i.e. companies that first internationalize after the domestic period and then globalize their operations outside the domestic continent, develop towards standardized product strategy alternatives, wider product assortment and advanced product categories and that corporate real estate needs to develop new capabilities to support global business strategies. These include flexibility, network organization and managerial learning capabilities. The study contributes to the literature by showing that globalization has implications for international business strategy and that only those businesses that are able to appropriately respond to the global changes will be able to survive and flourish in the long term. Findings from this library survey can provide useful theoretical and strategic insights into how MNCs can cope with pressures emanating from globalization

Economic globalization

Economic globalization refers to the increasing interdependence of world economies as a result of the growing scale of cross-border trade of commodities and services, flow of international capital and wide and rapid spread of technologies. It reflects the continuing expansion and mutual integration of market frontiers, and is an irreversible trend for the economic development in the whole world at the turn of the millennium. The rapid growing significance of information in all types of productive activities and marketization are the two major driving forces for economic globalization. In other words, the fast globalization of the world's economies in recent years is largely based on the rapid development of science and technologies, has resulted from the environment in which market economic system has been fast spreading throughout the world, and has developed on the basis of increasing cross-border division of labor that has been penetrating down to the level of production chains within enterprises of different countries.

The advancement of science and technologies has greatly reduced the cost of transportation and communication, making economic globalization possible. Today's ocean shipping cost is only a half of that in the year 1930, the current airfreight 1/6, and telecommunication cost 1%. The price level of computers in 1990 was only about 1/125 of that in 1960, and this price level in 1998 reduced again by about 80%. This kind of 'time and space compression effect' of technological advancement greatly reduced the cost of international trade and investment, thus making it possible to organize and coordinate global production. For example, Ford's Lyman car is designed in Germany, its gearing system produced in Korea, pump in USA, and engine in Australia. It is exactly the technological advancement that has made this type of global production possible. Moreover the development of the networking-based economy has given birth to a large group of shadow enterprises, making the concept of national boundaries and distance for certain economic activities meaningless.

Globalization of the financial sector has become the most rapidly developing and most influential aspect of economic globalization. International finance came into being to serve the needs of international trade and investment activities. However, along with the development of economic globalization, it has become more and more independent. Compared with commodity and labor markets, the financial market is the only one

that has realized globalization in the true sense of 'globalization'. Since 1970's, cross-border flow of capital has been rapidly expanding. In 1980, the total volume of cross-border transactions of stocks and bonds of major developed countries was still less than 10% of their GDP. However, this figure had far surpassed 100% in 1995. The value of the average daily transactions of foreign exchanges has grown from US\$ 200 billion in the middle of 1980's to the present US\$ 1,200 billion, which is 85% of the foreign exchange reserves of all the countries in the world and 70 times as large as the value of the daily export of commodities and services. The process of economy globalization is also the process of global industrial restructuring and readjustment. With the development of science and technology and increase of income level, industrial structures of all the countries have been also undergoing readjustment and upgrading. In recent years, developed countries in the west are gradually entering the era of knowledge economy and have started to shift to developing countries many labor-intensive industries of weak international competitiveness. This process of cross-country shift is pushing forward an in-depth development of economic globalization.

Globalization, Economic Growth and Market Opportunity

Globalization creates opportunities for many countries to experience economic growth. Economic growth is the increase in the amount of the goods and services produced by an economy over time. It is conventionally measured as a percentage change in the Gross Domestic Product (GDP) or Gross National Product (GNP). These two measures, which are calculated slightly differently, total the amounts paid for the goods and services that a country produced. As an example of measuring economic growth, a country that creates \$9,000,000 in goods and services in 2010 and then creates \$9,090,000 in 2011 has a nominal economic growth rate of 1 percent for 2011. A way of classifying the economic growth of countries is to divide them into three groups: (a) industrialized, (b) developing, and (c) less-developed nations.

- **Industrialized nations** have economies characterized by a healthy climate for private enterprise (business) and a consumer orientation, meaning the business climate focuses on meeting consumers' long-term wants and needs. These nations have high literacy rates, modern technology, and higher per capita incomes. Historically, industrialized nations include United States, Canada, Japan, South Korea, Australia, New Zealand, and most Western European nations. Newly industrialized countries include Russia and most other eastern European countries, Turkey, South Africa, China, India, and Brazil, among others.
- **Less-developed nations**, also known as least-developed countries (LDCs) have extensive poverty, low per capita income and standards of living, low literacy rates, and very limited technology. Often these nations lack strong government, financial, and economic systems to support a healthy business community. Their economies tend to be focused on agriculture and production of raw materials (such as the mining and timber industries). There are many less-developed nations in the world, with most located in Africa and Asia.
- **Developing nations** are those that are making the transition from economies based on agricultural and raw-materials production to industrialized economies. They exhibit rising levels of education, technology, and per capita incomes. Governments in these nations typically have made strong progress to improve the climate for business in order to attract business and economic investment. There is a growing list of developing nations, including many countries in Latin America and Asia.
- Usually, the most significant marketing opportunities exist among the industrialized nations, as they have higher levels of income, one of the necessary ingredients for the formation of markets. However, market saturation for many products already exists in these nations.
- The developing countries, on the other hand, have growing population bases, and although most import a limited number of goods and services from other countries, longer-term growth potential exists in these nations. Often, marketers in developing nations must be educators, using marketing techniques to education populations about unfamiliar, new products and services and the benefits they provide. As the degree of economic development increases, so does the sophistication of the marketing effort focused on a country.

Benefits of Globalism for Business

Those in favor of globalization theorize that a wider array of products, services, technologies, medicines, and knowledge will become available, and that these developments will have the potential to reach significantly larger customer bases. This means larger volumes of sales and exchange, larger growth rates in GDP, and more empowerment of individuals and political systems through the acquisition of additional resources and capital. These benefits of globalization are viewed as utilitarian, providing the best possible benefits for the largest number of people.

For global companies, often referred to as multinational corporations (MNCs), common benefits of expanding into developing markets include unsaturated demand for new products, lower labor costs, less expensive natural resources, and other inputs to products. Technological developments have made doing business internationally much more convenient than in the past. MNCs seek to benefit from globalism by selling goods in multiple countries, as well as sourcing production in areas that can produce goods more profitably. In other words, organizations choose to operate internationally either because they can achieve higher levels of revenue or because they can achieve a lower cost structure within their operations.

MNCs look for opportunities to realize economies of scale by mass-producing goods in markets that have substantially cheaper costs for labor or other inputs. Or they may look for economies of scope, through horizontal expansion into new geographic markets. If successful, both of these strategies lead to business growth, with stronger margins and/or larger revenues. There is particularly strong opportunity for business growth in markets where strong economic growth is also projected. In these areas, incomes are rising. In many cases, local populations can now afford goods and services that were previously out-of-reach, including many goods produced in industrialized countries. Global companies stand to capture stronger growth and profitability if they can make headway into these markets.

Increasing standardization of the product strategy during globalization

The standardization of product strategies of the case companies evolved from localized towards modified (Salcomp, Tecnomen) or standardized (NMP, NET) during globalization. It was found that NMP evolved from region specific platforms and products first to global product platforms and then towards a standardized product strategy during the 1990s. NET entered and penetrated Europe in the 1980s with the NMT standard. The company's focus on GSM, and now recently on the 3G standard, enabled it to align strategies worldwide since the beginning of the 1990s. Salcomp entered the international markets with a highly adapted product strategy making fully localized electronic modules for its customers. At the end of the 1980s and the early 1990s, it developed mobile phone chargers and evolved towards standardized product platforms. The products were still customized to some extent as to the enclosure and also part of the electronics. Tecnomen entered and penetrated the international markets at the end of the 1980s and the early 1990s. It used a localized product strategy in which it tailored industrial automation systems to its customers. During the 1990s, it realized that a more standardized approach is beneficial and as a result a modified product strategy has been implemented that uses globally standardized product platforms and modularity to a great extent.

Widening of the product range during globalization

A few international product lines and products in each line were selected for global entry in all of the cases. Along with the advancement of globalization, the number of product lines and products in each line increased. The new product lines were highly related. NMP had a number of separate terminal product lines targeted at different telecommunication standards in the world and it also produced other products. At the end of 1980s, NMP focused entirely on terminal manufacturing. As the company globalized further, the number of product lines was increased and the scope broadened, first from business users to consumers and then in the late 1990s from voice centric telephony to new areas like games, music, and imaging. The global entry of NET was made by focusing on the GSM standard in the early 1990s and providing core elements for these systems such as switches, base stations, and transmission equipment. As the company globalized, it gradually expanded from conventional network infrastructure product lines to providing, e.g. packet data networks, multimedia platforms, and service-enabling equipment. Salcomp had a large number of product lines at the end of the 1980s, ranging from power supplies to different types of subcontracting. It focused on

switch mode mobile phone chargers and entered the global markets with these. Later in the globalization process, it expanded first to linear chargers and then also to other personal handheld device chargers. Finally, Tecnomen had a number of product lines at the end of the 1980s in telecommunications, industrial automation, and data collection systems. It decided to focus on telecommunication in the early 1990s and then gradually expanded the number of product lines to five when globalization intensified.

Conclusion

Today, the word international company is quite a common phenomenon, which reflects actual business transactions and large expanses between a number of people from different cultures and with different approaches. What unites them in the complex network of relationships is the need of development, rapid exchange of resources and tools and integrated cooperation, which should contribute to ensuring cooperation and ensure the transfer of capital. Can be concluded that today's decisions for crossing domestic borders and internationalize the business is a prerequisite for serious growth and development of a business entity. As such, he is always searching and analysis of potential areas where the company from small or medium business entity would become a corporate organization striving to constantly expanding and increasing its own portfolio. To make a decision to invest outside of the own borders is a complex and comprehensive process. This process is achieved through several stages and approaches that contain a longterm comprehensive analysis and scanning newly elected investment location. Positive global inter-connectivity and inter-relationship can perform the much desired miracle. This is a challenge to world leaders, the United State of American President, the Russian President, the President of Iran and Iraq, Egypt, the Presidents of North and South Sudan, United Arab leaders, Israel and the Palestinians, the Presidents of the West African countries, the presidents of Central and South Africa and Nigeria. It is better to fight hunger by spending on food production instead of spending on guns and bombs to slay human beings. Let us reason and be more realistic on how we initiate crisis

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