

Assignment 2, Question 4.

What do you consider to be the main challenges facing managers of globalisation?

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Today, we are living in a chaotic transition period to a new age defined by global competition, rampant change, faster flow of information and communication, increasing business complexity, and pervasive globalization. The pace of change has become so rapid that it took a different type of firms to be dominant and marked entirely new era of business. This new environment is also characterized by more far-reaching technological advances, and a consumer who has adjusted to this quicker pace and whose fickle preferences are revised with the speed of a television commercial (Pasternack & Viscio, 1998).

The challenge facing managers today are ever changing and more dynamic and thus required vary opportunity to tackle this issue. One such organisation that has responded successfully to the challenges of globalisation is The Li & Fung Group, a multinational group of companies headquartered in Hong Kong operating three distinct core businesses – export trading, retailing and distribution ([www.lifunggroup.com](http://www.lifunggroup.com)). In the future, China will not only represent a sourcing hub for Li & Fung but also a huge consumer market to tap into. Another organisation is The Unilever Group which has operations in around 100 countries and their products are on sale in around 50 more. Unilever is a multi-local multinational with consumers, employees, business partners and shareholders on every continent ([www.unilever.com](http://www.unilever.com)). As the world economy continues to integrate, Unilever understand that real fears arise about local impacts.

Virtually all business at some point will need to address the challenges brought about by the advancement in technology, the process of globalization and the trend towards a more knowledge-based economy. Technological advancements have within a short period of time

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produced the most far reaching changes on the modern economy. The trend towards liberalization has resulted in an increasingly highly integrated and globalize world. Against this trend, knowledge has become a vital element that is transforming businesses and becoming a major factor generating growth. These forces of change acting together are mutually reinforcing and are having a tremendous impact on the evolution of the modern economy.

Managers need new skills to meet these challenges in order to achieve professional success in the 21<sup>st</sup> century of globalization. “These skills include adaptability (e.g. quickness at recognizing and seizing emerging opportunities), the ability to adjust to culture shock, political and diplomatic savvy, and the ability to maintain smooth relations with foreigners in the shape of customers, suppliers, bosses, colleagues, subordinates and political and legal authorities” ([www.regresher.com](http://www.regresher.com)). Unilever updated on their progress on listen and learn from their consumers and other stakeholders, as they are strive to be both a successful business and a responsible corporate citizen. They believe that companies, doing business in a responsible and sustainable way, can help to raise the quality of life and standards of living in some of the poorest parts of the world. This is especially so where business works in partnership with governments, international agencies and others to tackle the wider social, economic and environmental challenges that arise ([www.unilever.com](http://www.unilever.com)).

Dramatic changes in competition, technology, and workforce values are causing organizations to search for new and more human ways of increasing productivity and competitiveness. The biggest changes have been due to the impact of information and communication technology. The ability to access vast information resources within a matter of minutes and to communicate across huge distances at ever lower costs and improving

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quality and convenience is transforming the way people and companies interact. The dimensions of Business Space keep increasing, adding complexity and furnishing attractive new opportunities for those who can successfully navigate in the new environment. This complexity also inhibits greater size and greater value creation (Pasternack & Viscio, 1998). The Li & Fung Group has a research centre specialising in the research of trading, distribution, retailing and logistics disciplines. The centre provides research analyses and consulting services to internal colleagues and external clients to assist them in their day-to-day decision-making & cope with competition.

Competition is now based more on capabilities than assets. New competitive dynamics led to greater instability in the profitability of companies. New products, services, and competitors are emerging with blinding speed. Competitive pressure has been intensifying and it is becoming harder to achieve market leadership and to stay on top. Therefore, it is not just change which organizations need to cope with - after all, change has always been a factor. It is the speed of change. The rapidity with which the business environment is changing has caught several organizations unawares. The result is an ever expanding list of companies that are experiencing unexpected and severe performance shortfalls. Coping with rapid change - or surviving in a fast changing world - has therefore become the new mantra for many managers.

Globalization creates new markets and wealth, even as it causes widespread suffering, disorder, and unrest ([www.globalpolicy.org](http://www.globalpolicy.org)). Economic agreements have an ever-increasing role in changing the rule of global trade, the General Agreement on Tariffs and Trade (GATT), the World Trade Organisation (WTO), the World Bank, the International Monetary Fund (IMF), plus regional trade agreements and customs unions such as the North American

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Free Trade Area (NAFTA), the European Union (EU) and the Asia Pacific Economic Community (APEC) bring in a trade and economic environment which countries, companies and managers had perhaps not even imagined before. A dynamic and ongoing process, globalization involves the integration of markets and nation-states enabling individuals, corporations and countries to reach the world farther, faster, deeper and cheaper (Rosen, Digh, Singer & Phillips, 2000). Unilever products are sold in 150 different countries. To succeed, they must listen to consumers and tailor their products to suit different markets, tastes, habits and pockets. Respecting these differences, not imposing a single global viewpoint, is at the core of their business approach. In both developed and developing countries, Unilever is active in projects that contribute to economic development. They add value in many ways, from sharing good practice, technology and training with their suppliers, to using their business expertise to create new distribution channels that enable the locals to become entrepreneurs.

No national economy is now an island. And every nation state is as interdependent as it is independent. As countries in the world decided to embrace market oriented development strategies and to open their doors to the world economy, the world has become one interdependent global market place.

For a company to be competitive, its supply chain must be flexible, agile, cost-effective and responsive. Nowadays it is more common for managers to collaborate in a global context where each of them focuses on their core competency and outsource the rest. As a consequence their success becomes increasingly dependent on how well they can orchestrate the different aspects and manage the external parties involved along the supply chain. Equally important are companies' abilities to satisfy their customers' needs, shorten production lead

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time and lower cost. By mastering the supply chain, Li & Fung can provide better customer service and establish long-lasting supplier relationships, which becomes an enduring competitive advantage over its competitors and leads to market share gains.

Under these circumstances, it is noted by Robert Reich (1991) that competitiveness will be decided on a country's or an enterprise's capacity to add value to global economic products, services and processes and a key contributor in this regard is the knowledge and skills of the workforce. The education and skills of the workforce has become the key competitive weapon for the 21st century. Peter Drucker (1993) also stated that knowledge becomes the critical resource in wealth creation of society in this post-industrial era. The foundation of the post-industrial society is built on managing knowledge and continuous learning. The effectiveness and efficiency of the organization is an important element in this global competition.

With the acceleration of global competition in the past decade, supply chain performance has become a critical source of sustainable advantage in many industries (Hoole, 2005). To a large degree, the success of these companies stems from their ability to reduce the complexity of their supply chain architecture. All aspects of the supply chain contribute to the problem: physical breadth and configuration, management, relationships with suppliers and customers, organisational structure, and information technology capabilities.

The overly complex state of supply chains stems from a number of causes. Competitive pressures that constantly drive businesses to expand their capabilities are partly responsible. The globalization trend and its resulting competitive pressures will continue to underpin the development of supply chain management. As consumers and suppliers increasingly demand

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for quality and efficiency along the entire supply chain, Li & Fung's track record as a pioneer in global supply chain management certainly reaffirms the company as the partner of choice to those who are keen on expanding their businesses. Li & Fung will take advantage of China's ever-growing consumer market, rising manufacturing standard and improving logistics infrastructure to optimize the country's supply-chain capability and integrate it with our existing global supply chain network. In the future, it is foreseeable that China's export expansion and domestic market potential will provide unprecedented opportunities for Li & Fung to grow its businesses in trading, commodity distribution, logistics and retailing.

Effective global competition requires more than creating a product in a home market and shipping it as is to new markets. It requires a network of global centers of excellence that draw on technologies invented in one location and shared worldwide; rapid movement of products, people, information and ideas around the world to meet local needs: and management of the paradox of global economies of scale and local responsiveness. It requires a global mindset and a local commitment: Thinking globally but acting locally. Thinking globally means extending the imagination from one-to-one models and relationships to multiple, simultaneous realities and relationships, and then acting skillfully in this more complex reality (Lane, DiStefano & Maznevski, 1997). In order to do this, organisations have got to have a highly educated, motivated and flexible workforce. Managers must recognize that there is a continuing need to learn and a necessity to adapt to changing conditions, often on short notice, with the ability to define the various options that are available and go ahead and take a chance--take action.

In today's intensely competitive and global marketplace, maintaining a competitive advantage is crucial. Competitive advantage lies not just in differentiating a product or

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service but in also being able to tap the company's special skills or core competencies and rapidly respond to customer's needs and competitor's moves. In other words competitive advantage lies in management's ability to consolidate corporate-wide technologies and production skills into competencies that empower individual businesses to adapt quickly to changing opportunities. Porter (1990) suggested that an industry is global when it can achieve a competitive advantage from being global. This still relates to the economic approach regarding globalisation and is related to trade advantages associated with efficiency and low cost labour. Therefore, there is a need for firms to manage operations world-wide as a result of globalisation and there is a management issue accompanied with globalisation rather than just the freeing up of international flows of labour and capital (Floyd, 2001).

Today there is greater recognition that distinctive competencies are obtained through highly developed employee skills, distinctive organizational cultures, management processes and systems. This is in contrast to the traditional emphasis on transferable resources such as equipment. Increasingly it is being recognized that competitive advantage can be obtained with a high quality workforce that enables organizations to compete on the basis of market responsiveness, product and service quality, differentiated products and technological innovation. There are many challenging tasks within the scenario of the future evolutionary way to an integrative management based on TQM elements in the high competitive global market environment of today. The necessary skills and experiences of a "strategic business manager" go far beyond those of a quality manager of today.

Rhinesmith (1991) believes that a company might consider itself a global organization in terms of strategy but not its managers' skills, attitude and culture. Often managers within the company do not have a clear understanding of how to make globalization work – that is, how

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to meet the challenges of managing people in the global environment. In order to turn the challenges posed by globalization into opportunities, the discipline of Human Resource Management (HRM) is progressively evolving into the broader, more complex discipline of International Human Resource Management (IHRM), a response to the diversity of national contexts and operations (Tung, 1993). The importance of expatriates in international business is now well recognised due to their central role as controllers, co-ordinators and knowledge transferrers within multinational and global firms (Bonache *et al.*, forthcoming). Due to this and the increasing globalisation of business it is becoming more and more usual for careers of business managers to include both short- and long-term international assignments. It may even be required that international experience should be a prerequisite for higher-level management positions in international companies, but on the other hand there is a lack of competent global leaders within companies (Gregersen *et al.*, 1998; Harvey *et al.*, 1999). At the same time, the difficulties related to expatriation including high costs, adjustment difficulties, premature returns, repatriation difficulties and career management problems are also widely noticed (e.g. Black *et al.*, 1991). From these standpoints, it has been stressed that the training of employees for their international careers is a very important HRM challenge. Unilever strives to provide a safe and healthy workplace and to maintain consistently high standards worldwide. The company goal is to achieve a safe working environment and a world-class reputation for health and safety at work. ([www.unilever.com](http://www.unilever.com)) These standards require each organisation to establish an occupational health and safety management system that will deliver continuous improvement. Based on the internationally recognised standard OHSAS 18001, they mandate the same global standards for all Unilever organisations worldwide. ([www.unilever.com](http://www.unilever.com))



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The world moves from the industrial economy to the networked and digital economy. Businesses and markets are no longer confined to geographical borders, but they are linked in a complex worldwide network (Lemoine & Dagnoes, 2003). The restructuring of companies is part of a worldwide process of change involving new patterns of production, distribution, communications, technologies, competition and co-operation. Within the global strategy firms source, produce, sell and access knowledge around the world. Products are "tailored" for the world market. The companies seek for economies of scope and scale, and operate "as if the entire world, or major regions of it, were a single entity", they "sell the same things in the same way everywhere" (Svensson, 2001, p. 7); this means that such firms emphasise the standardisation and homogenisation of their activities across the markets all over the world (Svensson, 2001; Lloyd, 1996).

The complexity of business international environment has forced companies to form collaborative agreements with their suppliers, buyers, competitors and allies. With such arrangements the firms create a network of complex business relationships, and these organisational relationships have become an integral part of globalisation. Mergers of companies, joint ventures, collaborative loose agreements and short-term or long-term alliances between firms (Arvidsson, 1997; Castells, 2000; Dennis, 2000; Jarrat, 1998; Ghauri, 1993; Strandskov, 1993; Zeffane, 1995) characterise the business world of today.

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