Explain what is meant by the term 'globalization'. Identify and analyse the key drivers of the process of globalization over the last 20 years.

Globalization is the defined as the "development of an increasingly integrated global economy". The term globalization defines the age we are living in. We have lived through various stages of globalization. The Economist (2000) illustrates the different perceptions of living through the different ages of globalization on their February front cover. It depicts us in relation to multinational organizations throughout the years; varying from the first illustration of dragon breathing fire before a helpless individual saying "I'm doomed", in contrast to a golden egg being laid before the individual by a goose, the individual now saying "we've boomed!". The cycle continues as globalization does. Globalization is an economic, cultural and social process that affects our everyday lives. Whether we look at the ever increasing interrelations religious groups have, or how is it possible to be on a flight within hours of booking it via the internet; that Starbucks and YoSushi are in the same food hall or how the English language is the lingua franca of globalization, all exude globalization’s prominence. This essay will identify a multitude of advancements that have occurred over the last twenty years and the impact they have had on globalization.

Our 'wants' are becoming increasingly similar. There is a convergence of tastes and lifestyles. International marketing campaigns ever promote this. No longer are we being sold just a product, but a lifestyle and way of thinking. This is branding. This is why we choose world brand products over local goods. It is not because they are cheaper, or even necessarily because of quality but to keep up with the 'fashionable' West. World advertisement of such brands begins in the home country, to later be adapted if necessary and employed in foreign markets. Growing markets have enabled firms to preserve their branded product for longer, continuing to market the product in other countries, despite its saturation in perhaps its home country. Therefore, the cost of developing the product in relation to its life span decreases. **In** this day **and** age, the process of expanding internationally is being pursued more quickly than ever, at the organizations inception, in the hope of gaining first mover advantage over the many competitors they face due to globalization. It is only inevitable that to operate in foreign markets is more challenging than in the home market. In entering a new market, how the organization portrays itself and its market 'know how' is key. The marketing strategies an organization uses must be interchangeable, the appeal must be wide. Practices such as corporate social responsibility offer this and is the reason for its growth. An example of such an organization which uses this is Unilever. It places much emphasis on presenting itself as an ethical organization, with a commitment to sustainable business practice. Organizations such as Unilever do not follow this practice merely because it is the correct thing to do but because they are aware it strengthens their image and thus their brand. As the consumer, our acceptance to world brand products in replacement of national ones has permitted the growth of distribution channels globally. MacGillivray (2006) refers to this acceptance using an example where the consumers are Indian immigrants and the product is Brazilian pepper. The consumers are sold the pepper as a German named product from a British brand by a US company under an Irish name. The global brands become so established that as consumers we do not query the goods we are being sold. There is a trust between the two parties because for the image of the organization which is invested so heavily in to be preserved, the consumer must continue to be satisfied with the product.

Infant firms are now even capable of globalizing. Much of the reason for this is that the cost to look for information and apply it has fallen. Advances in technology have enabled this, such as the use of computers and access to the internet, meaning that resources can be shared globally. This has allowed goods and services which once would have been seen as non-tradable now being actively traded, i.e. medical and research services. It also means that a firm in its home country can easily coordinate its activities with its host countries via such technology. Production and transaction costs thus fall, encouraging more business. Communication between industrialized and newly industrialized countries has allowed for growth in production and rise in profit margins. An example of this is an American firm is being to have its goods produced in China, where production costs are minimal due to manufacturing centers being relatively inexpensive to create and low labour costs. Once the goods are produced, the US can then import them. Such goods are presented to the final consumer as being 'value for money', when in fact for the organization they represent economies of scale and hence high profit margins. Another fundamental aspect to outsourcing/offshoring is the continual fall of transportation costs, owing to the progression of containerisation and airfreight. The supply-chain process continues to become more efficient with such influences. A result of this is the growing knowledge and confidence of developing nations economies, which is why a growth can be seen. Looking at the growth of China as an example, we can see a GDP real growth rate of 10.3% for the year 2010, whilst the year previous to this saw a 9.2% increase. Economies such as China’s, which were once dependent on the mature economy of the US for example, are now depended on by the US. This illustrates the result of globalization is an interdependence on each other. Looking at further examples of this, take innovative techniques such as just-in-time management which originated in Japan, foundered by Sakichi Toyoda, the founder of Toyota. Techniques such as there are now used worldwide and contribute largely to the efficiency that enables and drives globalization.

Organizations today are intent on becoming known worldwide. Being known nationally is no longer enough when there are global brands growing daily, taking significant proportions of each other’s market share. Despite this, rather than 'go it alone'; smaller, less well known organizations with good potential are teaming up with more established organizations. Foreign direct investment promotes this, for example, an American firm takes a large stake in a firm in China. The logical thought process being that the American firm is the more well known of the two but that the Chinese firm has greater innovative and productive ideas to offer for the future. In this sense both firms are gaining. Although the greatest flow of foreign direct investment is between industrialized countries, the flow between industrialized and newly industrialized is increasing, this is a measure of globalization. Not too dissimilar to this is the idea of comparative advantage, where rather than two firms or two countries working on the same ideas, they produce the goods which they are most efficient at and then trade. Our capabilities are different. Embracing this has enabled globalization. The importance of being aware of those with different capabilities is highlighted (by Aaby & Slater, 1988; Athanassiou & Nigh 200; Cavugsgil, 1984; Ibeh, 2003) through empirical evidence when looking at entrepreneurs who have worked abroad. These entrepreneurs become aware of the capabilities of entrepreneurs in the countries they visited. Those who had experienced the different cultures of organizations in foreign countries first hand were able to export much more for their firm than those who had not. They see the strengths of their competitors and apply it within their organization. This understanding is particularly key for small organizations with the hope of operating on a global scale as they lack the resources large organizations can easily acquire. The need to network is therefore also of importance. Whether the network is social or business related, contacts are built, contacts which may very well be competition of the future. The significance of improvements in technology in regards to networking with competition is therefore emphasized. Although used earlier, the example of how increased communication/networking has been facilitated by the falling cost of the internet and telephone calls is relevant here. To illustrate the extent is an example of the fall in cost to make a telephone call is an example from New York to London over several years. In 1951, a three minute call cost $50, compared to 2001 at $1 (Krueger; 2006) and $0.23 by 2007 (OECD, 2007).

Countries interdependence on each other has been largely encouraged by market liberalization and laissez-faire governing. Comparative advantage, as spoken about previously is only possible because of free trade. The mercantilist approach was replaced by free trade when countries began to see the positive effect the latter had on their economies. Free trade has since continued to grow. The World Trade Organization has assisted this growth; Das (2007) heralds the organization as creating a "new era in the globalization of trade". It was established in 1995, replacing the General Agreement on Tariffs and Trade, its role being to govern and regulate international trade of the participating countries. Whilst they will not eliminate trade barriers, such as tariffs, they aim to limit them; reducing restrictions on what can be imported and exported for all parties involved. To illustrate how not all trade barriers are eliminated, we can take the use of protectionist policies as an example, with a specific example being how agricultural subsidies are employed. The aim here being to create artificially low prices of the home countries agricultural products, attracting demand away from other countries agricultural goods. Some argue that the most noticeable growth of industrial countries is dependent on the exploitation of developing countries. This is one reason why the World Trade Organization has come under attack. Their most recent trade negotiation is Doha Development Round, its aim being to encourage participation of developing countries so that it is also equitable for them, as developing nations account for most of the world’s population. The manipulation of the Chinese Yuan is an example of making trading between China and the US equitable for both. This case illustrates the power intergovernmental trade agreements have on globalization. Whereby, both developed and developing nations are dependent on each other.

Now looking at the contempary era of globalization discussed and comparing it to the previous era (spanning from the beginning of the nineteenth century to the early twentieth century) emphasies the impact the drivers illustrated throughout have had. "The second great age of gloablisation" as quoted by Paul Krugman (2008), the contempary era of the1980s, was the first time that the governments of both developed and developing nations accepted market liberalisation policies. Where nautical technology and the creation of railroads/steamships initiated the fall in the cost of transportation in the first period, the use of airfreight travel in the latter was defining. Similarly, the advent of telegraph technology, particularly the transatlantic cable, commenced the fall in communication costs in the first period, for the latter the impetus was the advancements in computing and the internet. The connectivity we are now used to has become a way a life. Nations are dependent on each other. Our wants are satisfied by consuming from others. Must it therefore not be the case that for globalization to continue, as individuals we must be the single most significant key driver, continuing to consume from each other? Globalization continues to grow.

The collapse of communism twenty years ago left capitalism without an ideological competitor. The victory of capitalism was virtually 100%, not only in the Soviet bloc, but in China and Vietnam, which had anyway for a while had semi – capitalist systems. Russia now talks the global language of business and law. Even if businesses that have invested billions have had their business stolen from under them, their employes imprisoned, at least it is all done through the courts, with the bribery of judges.

Surely the biggest driver of globalization those is people. Tourists and tv show set a lifestyle choice to aspire too. See how the western business suit is now worn by almost every businessman in the world – even the Chinese, famously insular. People on the internet talking via free messaging services are persuading each other to a common frame of mind and set of aspirations, so that politics and systems in each individual country is subsumed by the need for communication.

The internet is making stocking agreements between retailer and manufacturer less relevant and making every product easier to find. The internet is at the moment in many countries the only source of sales growth, making it essential for companies to have an online presence. Some retail companies – eg Amazon - operate almost entirely over the internet. These companies do not need a local presence, so their capacity to grow is not restricted by this.

Many products are covered by copyright or patent protection, but new ways of doing things are not. A new method of making mosquito nets cannot be patented or copyrighted, and these inevitably spread as fast as they can without legal restriction. Henry Ford could not patent the produiction line. Critical path analysis – a method of organising a project to finish in the least time with the least cost, was a brilliant idea and deserved a patent for the originality it showed, but being only a method, patenting proved impossible, as did the Japanese 'just in time' method of manufacturing, now widely adopted in the west. New method like these are discussed and iterated now so that the end result is a collective process often across continents.