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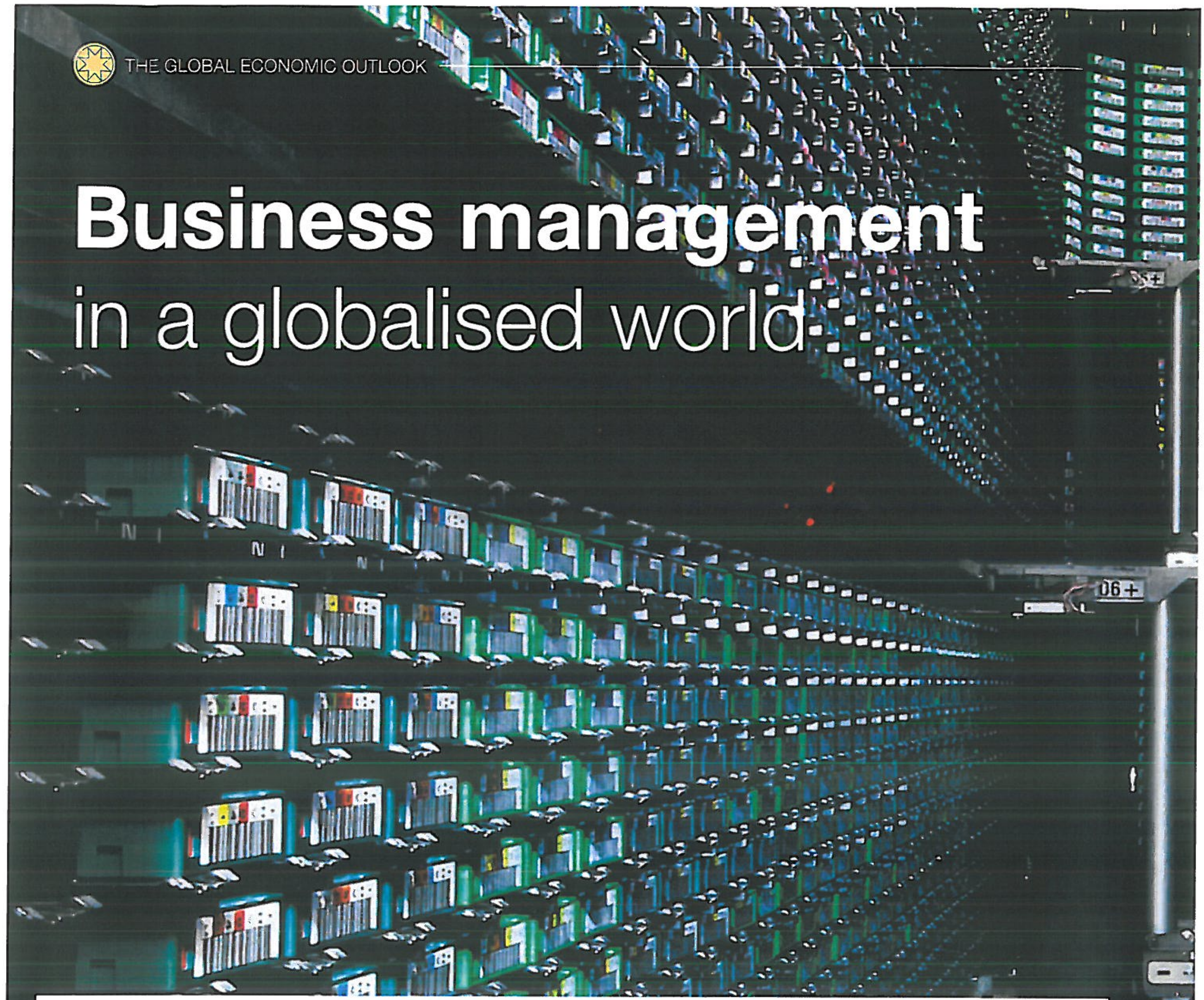
Business management in a globalised world



For businesses, globalisation brings opportunities and challenges in equal measure. In order to succeed, they must address issues of human resources, leadership and cultural differences, writes **Will Rankin**

A Google data centre in South Carolina. Technology is one of the key drivers of globalisation

Globalisation has been shaping the business world for longer than we might realise. Yet, it is a concept that remains misunderstood, and feared, by many. As the world becomes increasingly interconnected, owing to increased trade and cultural exchange, we have seen a shift away from the 'old ways' of doing business.

In business terms, globalisation means looking long and hard at competition on a global scale. The biggest companies are no longer national firms, but multinational corporations with a strong presence globally. The internet has shaped commerce into a level playing field, and heralded a new era of greater, easier communication.

Improvements in transportation – such as larger cargo ships – have lowered the cost of transporting goods and allowed businesses to take advantage of new economies of scale. Goods and people can now travel more quickly than ever before.

One of the greatest knock-on effects of increased globalisation is greater freedom to trade. Entities such as the World Trade Organisation are rigourously promoting free trade between countries, helping to remove barriers – both physical and legislative.

Companies are now able to leverage cost-effective labour in less economically developed countries and produce goods tens of thousands of miles away from the intended markets, while still ensuring giant-sized profits. These changes, some inevitable, some the result of legislative manoeuvres, bring a host of challenges, opportunities, risks and threats. Yet, whether or not you fear the impact of globalisation, it is here to stay.

Indeed, when Clare Short, former UK Secretary of State for International Development, quipped: "People have accused me of being in favour of globalisation. This is equivalent to accusing me of being in favour of

the sun rising in the morning," she captured the spirit of governments worldwide, the majority of which see globalisation as a good thing.

Furthermore, globalistion is not a new concept. Since the early days of industrialisation, people have noticed the inevitable rising tide of globalisation. The 19th-century missionary David Livingstone was quoted as saying: "The use of railroads, steamships [and] telegraphs break down nationalities and bring peoples geographically remote into close connection commercially and politically. They make the world one, and capital, like water, tends to a common level."

Today, the affects of globalisation can be felt more than ever, and companies are consciously adapting their management styles to take advantage of the possibilities open to them. However, Albert Goldson, Executive Director of Indo-Brazilian Associates, a New York-based global advisory think tank, believes that while increased globalisation with respect to business is inevitable, one true border will remain – cultural identity, which he considers a permanent fixture.

"This is a form of psychologically protecting oneself from losing their cultural or family identity to others and maintaining one's cultural values," he explains. "Social media and pop culture give the perception that most of the world is coming closer together by providing a wider area of commonality. This aspect is positive because business people have more to discuss to establish and strengthen relationships on a personal level."

However, when it comes down to business, executives fall back to their default culture, warns the analyst. "That is why 'millennials' doing business internationally are astounded when they can chat endlessly with their foreign counterparts about pop culture and believe that they're just like them, but when the business negotiations commence their counterpart seems to be a different person altogether – Jack is now Jacques," he explains.

The people factor

While the internet breaks down physical borders, other less tangile borders remain. Goldson feels the heart of the problem with globalisation is not business culture clashes, nor regulation, but people – their ability to adapt to the rapidly changing world of business in a globalised context.

Complicating matters further, Goldson suggests, is the surge of the 'mega-rich' – people raised and educated in many countries and cultures, and who are ultimately stateless – without a base country. He explains: "Negotiating with executives at this level is an unworldly challenge, because they are global chameleons, changing their colours contingent on the culture they interact with; and never having any strong emotional ties to any one of them."

MAERSK LINE

EDWARD SMITH/EMPICS ENTERTAINMENT/PRESS ASSOCIATION IMAGES

(Above) Improvements in transportation have changed the very fundamentals of global trade

(Left) Smartphones and social media have lowered social barriers

James Berkeley, an expert in profitable expansion and Managing Director of UK-based Ellice Consulting, also feels the biggest challenge is people – particularly business leaders. "People can see most of the globalisation risks, at least the experienced people. In many cases they know how to address them. What they struggle with is maintaining the right level of focus and discipline in their organisations to [overcome or circumnavigate challenges], and, most importantly, the right level of resolve in senior and mid-management to see the job through to its conclusion," he says.

Berkeley adds that, all too often, people fall prey to a single failed attempt and the mindset that the challenge is too tough for them personally, or as an organisation, to attempt again. He feels the problem is one of leadership. "It comes down to knowledge, skills and behaviour. Leaders need to find talent that's aligned with their beliefs. An establishment can open in another country; but [locally acquired] staff may not share the same ethos as management."

He says modern organisations must create alignment between their core beliefs and operating

CHRISTIANE OELRICH/DPA/PRESS ASSOCIATION IMAGES

A classroom in Jakarta, Indonesia, a country that is fast becoming a key education market as globalisation extends its reach

beliefs, driven by strong leadership: "this is the crucial point as to whether an organisation will do well or poorly in other markets."

Communicating with the consumer

One example of the kind of challenge globalisation presents to modern businesses is the evolving landscape of the education sector. There used to be six to eight core global markets, but now the industry is moving into new markets, such as Indonesia, Nigeria and Mexico, where attitudes towards education vary considerably, demanding localised marketing strategies.

> **The heart of the problem with globalisation is not business culture clashes, nor regulation, but people**

Berkley argues that marketing in the sector is now owned by the consumer – with the rise of the internet, reaching a global audience is easier than before, and consumers take a much more active role in seeking the services they need. "You need to consider the value proposition, the ideal customer and how to best influence them," he says.

Online learning and virtual classrooms are also a result of globalisation, enabled by advances in information and communication technology. People often prefer to study close to home; now the classroom can be in their home.

On every level, globalisation is radically altering our environment and lifestyle, and creating new opportunities as well as challenges for businesses.

While Goldson and Berkeley view people management and communication as a hurdle to globalisation, James E Lalumiere, President of Florida-based Project Development International, has a different perspective.

Crossing cultural borders

As a programme management service provider, creating social infrastructure projects in developing countries, he sees his biggest issue as the vetting of local partners. "Our clients are generally in the public sector, so the involvement of local partners who don't represent political, ethical, or personal obstacles for us is time consuming, but vital to entering into any business opportunities. They also provide us with an intimate understanding of local cultural idiosyncrasies," he says.

Lalumiere also sees borders as more cultural than physical, citing the example of Nigeria, a country split along religious lines with a concentration of Muslims in the North and Christians in the South. Ethnic, religious and cultural differences need to be taken into account in business interaction, even within the same country.

While cultural differences can be viewed as a hurdle for some, Lalumiere stresses the opportunities and benefits that they bring: "We should celebrate differences. The cultural and historical backgrounds of the people and businesses that interact globally create an array of talents, capabilities, and preferences. It is a true opportunity to learn and grow by interacting with diverse cultures."

Modern management is still 'growing into' globalisation, particularly in mid-size to small firms, while global multinationals have, of course, been pursuing it for decades. "Smaller firms... are learning to make the best use of management resources to operate and compete in international markets. It takes time, but it can be done properly, effectively and profitably," Lalumiere concludes.

The main challenge in managing a business in a globalised world revolves around one key idea: ensuring your talent pool is ready, able and willing to take on the challenges.

But Lee Kuan Yew, the Singaporean politician and former Prime Minister, often described as the founding father of Singapore, which is an example of a successful multiethnic and multicultural society, should offer the final words of wisdom: "The perennial challenge is to remain competitive. To be competitive, we must remain a cohesive, multi-racial, multi-religious nation based on meritocracy. We have to strengthen our national consciousness at a time when the forces of globalisation are deconstructing the very notion of nationhood."