

# 1

---

## *Introduction*

**G**lobalization is so much in the news that it risks being considered a fad. News reporters often use the word as a catch-all to describe various changes taking place in how we live and how events impact us. It is not only a noun but also an adjective, such as when we hear about our “globalized” world.

Everyone draws a connection to globalization these days. Thus, outsourcing, global warming, war on terrorism, the clash of civilizations, and a new world order all seem to have something to do with globalization. You can begin most issues with a “due to globalization” or “thanks to globalization” to make it seem current. The word has also been hijacked to connect to several issues. If you did a Web search for the word *globalization* you will be amazed at the thousands of hits and the obscure connections made to the term.

Although globalization seems a recent phenomenon, poets and philosophers from early times have thought beyond their national borders and have seen the world as one. A couplet in the ancient Sanskrit text the Rgveda (circa 1500 B.C.) declares, “Narrow-minded people say ‘This person is ours, that one is yours,’ whereas people of noble character consider the whole world as their family.” A noble sentiment, for world history is full of battles that have been fought by people claiming others’ property and territory as their own. Therefore, even as we try to understand globalization as a transnational phenomenon, it will inevitably be contrasted with nationalism and national interests.

As we sit in front of the television watching live news feeds from around the world, we may well believe that the globe is one place, and it is right there in our living rooms. We see a Coca-Cola bottle everywhere we travel (the company says that its products are available in over 200 countries). However, one still needs to obtain a visa to visit most countries, one has to change currency at the borders of most countries, the mobile phone that we carry from home does not work everywhere, and our electric shaver or hair dryer may get burned out because of voltage differences (assuming we are able to get it into the different power socket). In several ways, we maintain our differences, and we haven’t even begun talking about language and culture.

## 2 GLOBALIZATION

Globalization also raises strong emotions and is often viewed in either negative or positive terms. Images of protests in various parts of the world fill our screens as people attribute the poor prices for their crops to decisions made in faraway places or the insult to their religious sentiments to the insensitivity of other cultures and connect it all to the negative effects of globalization. On the positive side, our grocery stores pleasantly surprise us with the variety of foods they offer through all seasons, and from all parts of the world, which is also attributed to globalization. Arguments in favor of freer trade, a component of globalization, is credited with helping to reducing unemployment and aiding economic development around the world. Many have begun to view globalization as inevitable and attribute it to larger forces that are beyond their control. Such a feeling of helplessness may also lead them to shun responsibility for globalization's effects.

The terms that are used in the discussion often reflect the position of the individual. Thus, we see people refer to the world as a "global village," which is meant to suggest something warm, fuzzy, and involving close relationships with people helping each other as in the popular image of a village. If you have lived in a village, you can wonder what a village with over 6 billion people would look like! Others see globalization as standardization, resulting in the same music, clothes, and shops with the same products all over the world. Some fear it is Americanization.

A World Trade Organization (WTO) meeting in Hong Kong in December 2005 attracted representatives from the organization's 149 member countries. There were also about 9,000 protestors from several countries who were on the streets demanding that the WTO be scrapped. If one can draw a fault line that divides the issues for and against globalization, then on the one side we would have the macroeconomic trade theory arguments that globalization is a good thing, and on the other side we would have the arguments that the costs of globalization don't make it worthwhile. Those who are for globalization would talk about competitiveness, availability of goods and services at a lower price, and gradually increasing employment that new businesses provide. Those against would talk about growing inequality of income distribution, threats to indigenous culture and the environment, and negative effects of the power of multinationals on smaller businesses.

Scholars from different academic disciplines have been debating the issues of globalization for some time. Yet, none of the traditions has agreed on what are, or are not, its implications. Heldt et al. describe three main streams of arguments in the debate. The "hyperglobalizers" are those who look upon the current globalization trends as a new era and believe everyone is becoming subject to a new set of rules and the discipline of a global marketplace. The "skeptics" are those who think globalization is a myth, the nation-states are still strong, their governments powerful, and the world economy is dominated by major regional trading blocs. The "transformationists" see globalization as a

force that is bringing about unprecedented change in a historical perspective, and nations try to adapt and adjust to these trends while the nature of the trends remains uncertain. This description neatly encompasses the range of opinions we see in the scholarly literature and in the real-world debates on what is happening due to globalization. There are merits to the arguments on both sides of the debate, and it is important to understand them.

A television program broadcast in the United States in 2006 introduced to the audience a software engineer whose job had been outsourced to India. He was upset at the loss of his job and was challenged by the producer of the show to visit India for 30 days and examine the situation from the other side. He travels to Bangalore and takes a job with a call center there and gets acquainted along the way with the human story of the hopes and tribulations of the people getting these well-paying jobs. He sees the contrast of the poverty in India with the plenty of America and arrives at a more nuanced appreciation of his situation. He is glad to be back in the United States, which allows him the opportunity to redefine his career and pursue new opportunities while being glad that others have benefited from his job loss since they seem to have needed the job more than he did. This episode leaves you wondering if globalization is a zero-sum game (with one person's loss another's gain) or a win-win situation where all benefit.

Most students in business schools today are required to take courses that provide them with an overview of international business. They study trade theories, the role of the WTO, and how multinational corporations enter new markets and organize their businesses. However, they do not get to appreciate the burden of history or the trends in society and politics that have important implications for business.

There are several good books on globalization available today. You will be surprised at the number that appears when you do a Web search. Then, you may ask, why one more? I found that most books have taken a unidisciplinary perspective. For example, economist Jagdish Bhagwati (2004), in his book *In Defense of Globalization*, explained that he was looking at only economic globalization, which includes issues of foreign trade, foreign direct investment, movement of short-term portfolio funds, and so on. On the other hand, philosopher John McMurty (2002), in his *Value Wars: The Global Market Versus the Life Economy*, sees globalization as overriding policies and laws of elected governments and negating the social goods that have been won over time. Globalization is considered by some to have been hijacked by a neo-liberal ideology that believes in free markets, individual freedoms, economic efficiency, and democracy, as one complete package.

Other books argue for or against free trade, warn us about global warming, or draw out the geopolitics of terrorism. Moreover, the dominance of the economic or business perspective drives their approach to globalization as either a positive or a negative phenomenon.

#### 4 GLOBALIZATION

This book is neither pro- nor anti-globalization. Actually, it would be too simplistic to think of globalization in those two categories since people define it differently. The objective of this book is to introduce the multidimensionality of globalization, reveal its complexity, and provide a systems framework that can help you understand the context and guide decision making.

I have tried to tell the story of globalization by knitting these various perspectives together. I kept in mind a “thinking manager” as I wrote this book. I see this person as one who is interested in the current debates while wondering “what does this mean for me and my work?” This perspective is of use to the business student, too, who is a potential manager. World events have indirect and direct ways of affecting businesses. Unhappiness with U.S. foreign policy leads to American icons like McDonald’s fast food restaurants being set on fire in Pakistan. When France strongly opposed the U.S. invasion of Iraq, sales of French wines in the United States suffered. A global manager needs to have a perspective on events that go beyond the conventional business or economic theories and be able to connect and synthesize the diverse bits of information.

This book will argue that globalization is an evolving phenomenon and is all around us. It is a process and not a state of affairs. As nations face this process, some prosper while others suffer, but they are all faced with a two-step impact. The first-order effects of globalization are the measures a country takes to adjust itself to the rest of the world. This may come about because of pressures from other countries, actions required due to membership of international organizations, or consequences of bilateral and multilateral agreements that have been signed. It could also come from domestic desires to seek better opportunities for its people, both business and non-business. The second-order effects arise when the country sees the consequences of its adjustments to fit with the rest of the world on its own people and either voluntarily or involuntarily takes measures to deal with these consequences by helping the people adjust to the changes or retracing its steps. The movement back and forth by nations caused by the simultaneous play of the first- and second-order effects makes many wonder whether the nations are moving one step forward and two steps backward.

The problems and issues that were making the front pages of the business and general papers required an examination from the perspective of more than one discipline. I use the approach of systems analysis for this purpose as it provides the tools for a multidisciplinary examination of issues. The book does not provide an answer or take a position on whether globalization is good or bad but is interested in acquainting you with an understanding of the complexity of the phenomenon and to develop skills to sort through the issues. I will impress upon you the need for a sense of historical continuity as you view events and see parallels from a multidisciplinary perspective. Looking at globalization as inevitable or irreversible begs the main issue. It is more important

to understand and examine how one can chart a course of action to resist its disadvantages and benefit from its opportunities. The central questions addressed by this book are as follows:

- How does one conceive and understand globalization?
- How can one take a comprehensive view and analyze the issues in the context of the multiple dimensions of the globalization process?

Writing this book provided me with many hours of enjoyment as I explored different fields. I have tried to convey that sense of complexity and excitement that topics associated with globalization have. In the interest of being reader friendly, I have largely avoided the academic practice of footnotes and frequent references to the literature. The purpose of this book is not to serve as a source of reference but to provide the reader an introduction to a complex subject, while yet retaining a connection to theoretical arguments. However, for those interested in pursuing the arguments further, a bibliography for each chapter gives the sources I have used in my writing, as well as others that would challenge the reader with arguments in more specialized areas. Discussion questions at the end of most chapters are meant to stimulate debate beyond the content of the chapter.

The book begins with a discussion of the historical trends that have sought to tie different nations and cultures together, especially the significant phenomenon of colonization (Chapter 2). This will help us bring to the present the implications of history and the interconnections of the past and also help us arrive at a definition of globalization that we will use throughout the book. In Chapter 3, I discuss different approaches to systems analysis, borrow from them, and develop the ACE framework to provide a systematic approach to the analysis of issues of globalization. This perspective will be reinforced in the end sections of all the remaining chapters.

I then take up several issues that have been closely intertwined in the debate on globalization and thus present themselves as the issues that are contestable. These are areas that interact and thus invite closer examination. In Chapter 4, the issues that arise from the fears of standardization and “unification” of cultures are discussed. The impact on political institutions, terrorism, and their consequences for the world, which view simultaneous trends of collaboration and conflict, are considered in Chapter 5. In Chapter 6, I consider the economic arguments of growth and development of nations and the consequent implications for reduction of poverty. Chapters 7 and 8 direct our attention to the business effects of globalization and its implications for global industries and the management practices followed around the world. In Chapter 9, the changes taking place in our physical environment, the one truly interconnected arena, and the issues of sustainability are considered. The

## 6 GLOBALIZATION

institutional features of our world that make it one place and the geopolitical implications of having one superpower are examined in Chapter 10. I conclude the arguments made throughout the book in Chapter 11 by reviewing the debate for and against globalization. A case on port management company DP World, which is used to illustrate the systems approach in Chapter 3, is provided in the Appendix.

### **Acknowledgments**

I would first like to thank all the scholars on whose works I have relied for my arguments in this book. Apart from those who directly inspired the content of each chapter (and listed in the Bibliography), there are many more, too numerous to list, whose work has shaped my views over time, and I am grateful to them. I also thank all my students at Suffolk University, Boston (U.S.), and at the Institute d'Administration des Enterprises, Aix en Provence (France) for letting me try out my arguments on them and for the feedback they provided. Several colleagues at various institutions helped me by reading the chapters and providing useful comments. They include Carol Connell, Michael Behnam, Tom Burke, Dick Hoffman, Mark Lehrer, Charles Mambula, Tatiana Manolova, Pracheta Mukherjee, Bob Murray, and Rich Torrissi. They greatly helped to improve this work, and I am grateful to them. I also wish to thank Al Bruckner, editor at Sage, who believed in the need for this book from the start and has been a source of encouragement. Finally, I thank my wife, Nalini, and my sons, Dasharath and Bharadwaj, for their support of my endeavor.