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Globalization

Introduction

Due to a number of unprecedented changes in communication, computer technology, money transfer, information sharing, transportation and other major areas over the past few decades, the world has become more interdependent than it ever was. Industrial advancement, technology transfer and sharing and the need to be relevant on a global scale has caused globalization to spread its wings in all organizations and it is a major factor that determines their functioning. The purpose of this essay is to discuss the term globalization and its meaning in the true sense while looking broadly at the effect it is having in shaping the organizations in the present era and the challenges faced by organizations due to such effects of globalization on their functioning. To answer the question, the essay will firstly define the term globalization in a broad context and then narrow down to various aspects of it. Then the essay will discuss in depth the various challenges that organizations are facing in the present world because of an increased impact of globalization, providing relevant material and examples throughout. To end with, the essay will summarize the various challenges faced along with some relevant solutions that organizations are adopting to overcome these challenges.

Globalization can be defined as the international integration among societies of humans brought about by an exchange of products, ideas, views, traditions, money and other aspects (Mussa, 2000). Globalization does not mean imitating other growth models or developed countries, eliminating differences or following the superior. But it refers to the combined efforts of people to integrate their differences, hone talents and capabilities and to put together their strengths for mutual benefit and advancement as a whole (Granell, 2000). It can be and is being achieved in a number of ways by transfer and improvement of technologies, exchange and optimum usage of physical capital, open market policies favoring transfer of new products and services, investments in human capital across borders, provisions of formal education, skill development and training for improving knowledge base and imparting specialized knowledge, more focus on industrial integration and expansion all over the world for ease of business and for reaching newer markets and allowing information to flow fluidly across boundaries and barriers (Griffin

and Khan, 1992). While one school of thought believes that globalization is an evil as it leads to poor countries becoming more poor since the developed countries try to capitalize on cheap labor, raw materials and land resource, the proponents of globalization see it as a win-win situation for everyone as it leads to the ease of access and uniformity in all the products and services everywhere. As is evident, globalization necessarily influences all levels of economy and the society across the world and is a major factor that drives organizations' performance.

One of the major challenges to an organization in this highly globalized economy is that of maintaining its performance and bettering it with time. With the opening up of markets, no company has a protectionist hold over anything and the closed market policies have undergone a huge change. Earlier, the success of a company depended upon its ability to produce; the more hold it had over production, the more successful it was. However, in today's business environment when globalization has touched the companies at all operational levels, the success is governed by the ability to sell and reach out to newer markets while being relevant at the same time (Mikusova, 2010). Many organizations which were major players during the closed market scenario and had the monopoly have been left behind by other new players after the economy opened up as they were unable to adapt to the changes required to function properly in such a market scenario. Today, more focus is on customer service and satisfaction and this is true not only for the salesmen and dealers but for people at all levels of the hierarchy. Earlier, people were loyal to their choice of brands or companies. But with the advent of many players in the same segment, both local and international, the competition is so fierce that quality and guarantee have been upgraded while costs have been slashed, allowing customers more freedom to migrate between brands. Another factor that determines success is the quality of the product rather than the cost. More stress is laid on innovation and creativity and efforts are made to be customer oriented while developing new products as compared to older times when the focus used to be ensuring low costs. Thus, maintaining the same performance and bettering it with time is a major challenge for organizations in this globalized economy.

Another challenge faced by the modern organizations is the need to have skilled and specialized workforce which translates into lesser number of employees as compared to earlier organizations which focused on having a larger number of employees. The growing importance of skill and training is because employees are required to give the best output as they are paid well and also

in order to keep the consumers happy, the companies need to continuously create and innovate new products for which they need trained employees. More stress is laid on the specialization of employees rather than training them in everything. Organizations are spending extra dimes on training the employees and in the development of their skills in order to make them ready to compete on a global scale. Another challenge that comes with this is that of being able to retain the talent in one's own company and being able to use it for a number of years. Globalization has opened up many doors of opportunity for individuals and as all companies want to hire talented professionals, it is necessary to have proper employee retention strategies in place so as to retain the talented and experienced people for the benefit of the organization. It has put extra pressure on the companies as they have to offer lucrative bonuses, more holidays, flexible timings and a much less rigorous workload in order to retain their employees who will go running to any other company if these requirements are not met as nowadays individuals focus more on standard of lifestyle rather than earning too much. So in order to be more competitive in the global scenario, efforts must be made to get skilled labor and a chunk of the expenditure should be on R&D and training of employees (Ali and Adnan, 1990).

One further challenge that companies face due to globalization is to stay relevant even in the face of competition from bigger companies and to prevent getting absorbed by the larger companies in that market segment. This is a prime challenge that every local company faces since the opening up of markets and loosening of the norms regarding the entry of foreign companies into local markets. Big companies having a larger presence and a solid brand name often prevent the growth and rise of the local and new players which often are not able to reach out effectively due to lack of capital, huge competition and less employees as compared to the bigger ones. As a result, when the larger companies enter such markets, the local players are often absorbed into the company or they become the local subsidiaries of the larger parent company. This leads to them working on the principles of the main company rather than creating and innovating their own products. In such a scenario, venture capitalists and private equity funds have played an important role in promoting the growth and development of newer companies and start ups which have a larger picture in their minds. The much required capital is provided by them while the company takes on the other giants in the industry with its own plan and vision, having a backing from their investors. A proper plan and strategy is of utmost importance for such companies as they often have a long way to go when it comes to giving competition to a major

company in that segment. Plus great quality products, competitive rates and excellent customer service have become the fundamental success formula of such companies in today's world.

Conclusion

The purpose of the essay was to discuss the term globalization as a whole and then discuss in depth the various challenges faced by the organizations due to the effect of globalization. One of the major challenges faces by the organizations is to maintain their performance even in the face of competition and reach newer markets. The importance of skill and talent development and subsequent retention have also become a challenge for the companies as they have to train employees meaningfully while maintaining their performance and overall ratings. Furthermore, globalization has put all the local players and new companies in the danger of losing their existence by merging with bigger companies that enter that sector. So globalization has surely worked wonders for improving the interaction and integration all over the world but it has also put pressure on organizations which have to continuously try to be different in order to stay in the race. Yet it is a good thing that the world has been turned into a Global Village where people are well connected and well informed as well as have equal access to products and services or are going to have it in the near future on a much bigger scale.

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