

GLOBAL ORIENTATION AS A CHALLENGE TO CONTEMPORARY ORGANIZATIONS AND THEIR MANAGEMENT

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Abstract. *One of the concepts which definitely reflects the character of contemporary organizations and the way of their business operations, is - globalization. In fact, it is about the process of forming a unique, independent or open world market where organizations from various countries directly compete with each other. The sole aim of involvement of the organization in the global arena is primarily coupled with the use of different possibilities (favorable conditions) which global business environment offers. The fact is, also, that the global way of dealing brings some difficulties. The successful reacting to these or many other challenges of the global affaires includes, moreover, a well organized management function within the global oriented organization.*

"You have no choice, but to operate in a world shaped by globalization and the information revolution. There are two options: Adapt or die"

*Andrew S. Growe,
Chairman, Intel Corporation*

It is a greater number of organizations which are searching for markets and resources around the world. Therefore, it can rightfully be said that the primary question for the majority of today's organizations is not - whether to take part in the process of globalization, but - how to do it?

Successful involvement of an organization in the process of globalization means, in addition, the good knowledge of the basic characteristics of the global way of business operations. The aim of this paper is to point out the nature and, also, the developmental character of global organizations, the complexity of their functioning, the possibilities and dangers brought about by that particular way of doing business and the global management organization.

THE GLOBAL ORGANIZATIONS CHARACTER

One of the concepts which definitely reflects the character of contemporary organizations and the way of their business operations, is - globalization. Globalization means a consciously directed and organized process, by which national and sovereign states are inter-related through transnational markets, global informational and communicational networking, market participants and further expansion of the power of transnational companies. The purpose is to abolish space and time distance and establish "organized simultaneity" and "organized closeness" for people and the whole globe (1, p. 25). In fact, it is about the process of forming a unique, independent or open world market where organizations from various countries directly compete with each other. In that sense, the open market, an independent flow of investment, trade and information are all the important assumptions of successful involvement of organizations in the global course.

Thus, one should keep in mind that globalization is not a new phenomenon. Since 1795 trade globalization and the integration of the world system has increased as the result of three waves of cross-cultural business contact. These waves are not cyclical business patterns, but are a trend toward increasing trade globalization explained, for the most part, by the dominance of Great Britain as the global power for the first wave of trade expansion, a rivalry among countries during the second wave, and dominance of the United States in the third wave (2, p. 2).

There are different levels of involvement of organizations in the global operations. So, according to the degree of their "global participation, "organizations can be divided into several categories (3, p.78). The following are in question (Figure 1):

- Domestic organizations,
- International organizations,
- Multinational organizations (or multinational corporations), and,
- Global (or transnational) organizations.

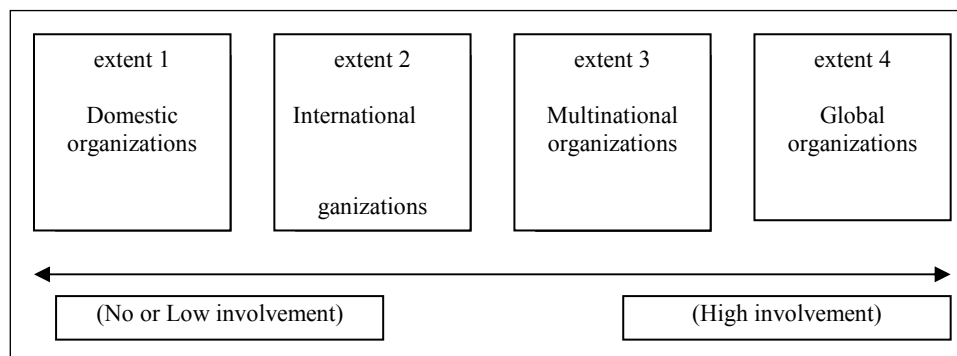


Fig. 1. Continuum of International Involvement of Organizations (Source: 3, p.78)

As can be seen from Fig. 1, the so-called "domestic" organizations are characterized by the lowest degree of involvement in the global operations. These are the organizations which are basically functioning within the frames of one single country. Not only do such organizations provide the necessary resources in their own country, but they also sell their

products and services in the same one. Although "domestic" organizations can, from time to time, have some business abroad (for instance, to provide some resources from foreign suppliers, periodically, or, sometimes, to place their goods to the foreign market), the major part of their business activities is in the country in which they are situated. Even though the category of "domestic" organizations is not defined in terms of their size, it should be kept in mind that today's "domestic" organizations are usually very small and, considering the intensive trend of globalization, they are increasingly rarer.

The organizations which are, in comparison to "home" ones, more intensively included into the global arena are called "international" organizations. These are the organizations which, in spite of their position inside the country, have permanent business transactions (for example selling and/or purchasing of raw materials) with some other country.

"Multinational" organizations (or multinational corporations) represent the third level of inclusion in the global affairs. "Multinational" are those organizations which achieve permanent transactions in more than one country.

The maximum level of inclusion in the international business is the characteristic of the so-called "global" or "transnational" organizations. The crucial feature of these organizations is that they observe the whole world as their own business territory. To carry out their activities, these organizations choose for themselves the most attractive places on the geographic map while their products, regardless of the place of their making or assembling, are sold on the global market, that is - they are sold wherever there is the need for them.

The categories of organizations which are mentioned (home, international, multinational, global or transnational) reflect, in good respect, the purposeful nature, in other words, the character of organizations which, truly in different degrees, take part in the global business arena.

Somewhat similarly do Donald Mosley, Paul Pietry and Leon Megginson (4, p.120) interpret the character of the global organizations; in their endeavor to represent the act of inclusion of an organization in the international arena as the developmental and evolutionary process, they emphasize its five critical phases (Figure 2).

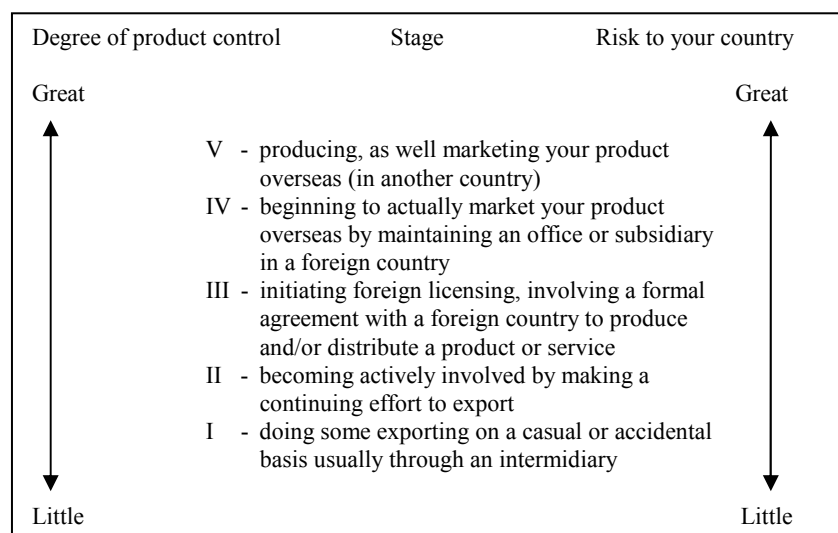


Fig. 2. Stages of Involvement in Global Operations (Source: 4, p.120.)

As can be seen in Fig. 2, the first or initial phase of involvement of, usually, a relatively small organization in the global business, starts with a casual or accidental exporting which is itself, as a rule, done through an intermediary. In the next phase, the organization which took part in the international arena becomes actively involved by making a continuing effort to export. This phase, after all, shows the reinforced attempts of the management of the organization to secure the permanent sale of products or provide services abroad. The third stage of global involvement is reached when a company makes a formal agreement with a foreign firm to produce given products under a licensing arrangement. In the fourth stage, the company sets and maintains a separate sales office of marketing subsidiary in a foreign country. At the fifth stage, the company begins to actually produce and sell its products in another country. It can do this by (1) setting up its own production and marketing operates as a subsidiary in the other country, (2) buying an existing company, or (3) forming a joint venture.

THE COMPLEXITY OF GLOBAL ORGANIZATIONS FUNCTIONING

Global organizations function within the frame of the so-called international or global sector of general external organizational environments. This sector involves the events from the other countries which influence the business of home organizations, as well as those events which influence domestic organizations situated in some other country.

International dimension represents the context that, directly or indirectly, influences all other sectors (economic, technological, legal - political, socio - cultural) of external organizational environment. Thus, the concretization of the influence of international dimension comes down to the questioning of relevant factors within economic, legal - political, socio-cultural and technological sector of organizational environment (Figure 3).

Economic	Legal - political	Socio - cultural	Technological
economic development, resource and product markets, per capita income, infrastructure, exchange rates...	political risks, laws, restrictions, government takeovers, tariffs, quotas, taxes, terrorism, political instability...	social values, beliefs, language, religion, formal education, literacy, time orientation...	equipment, product, process, quality, controls of production, inventory...

Fig. 3. Key Factors in the Global Environment (Source: 5, p. 53.)

The economic sector involves economic conditions in the country (countries) in which global operations take place. This part of the environment includes such factors as: economic development, infrastructure, resources and product market, per capita income, exchange rates, etc.

The legal - political sector includes legal - political conditions in the country in which global operations take place. The key factors of this sector of environment are: legal regulative, political risk, political instability, tariffs, quotas, taxes, etc.

The socio - cultural sector involves social values and beliefs, language, religion, education, the dominant model of behavior and the way of thinking among the society members. The socio-cultural sector may be the most complex set of factors on the global level. This, being culture, in the first place, is an intangible category which is very tough for understanding. Thus, the absolute imperative for the successful business on the global level is to understand the importance of the local cultures and effectively govern them.

The technical sector involves determinants which represent the result of new scientific and technological approaches to solving some problems not only in the field of industry but also in the society in general. Principally, this sector includes: equipment and procedures which are used for producing products or providing services, for governing operations, etc.

The successful involvement of an organization in the global arena, means, moreover, fairly good knowledge of all these sectors and their factors, that is, all the chances and the dangers which global business carries.

The sole aim of involvement of the organization in the global arena is connected, primarily, to the use of different possibilities (favorable conditions) which global business environment offers. Of course, it should be kept in mind that globalization primarily determines developmental interests of the most developed countries, and then, partially, the interests of the countries in the developing process. Nevertheless, the more indirect connection of these economies, through trade and investments, stimulates their economic growth.

Although, from the aspect of the developed countries, globalization is observed as a process which offers numerous opportunities for the betterment of the life standard, elimination of poverty, promoting of ecological maintenance and dimensioning of the growth in the all areas of the world, the advantages of this process can, principally, be reduced to (4, p.116):

- Expansion of market,
- Lower wages and labor costs in most countries,
- Availability and lower costs of certain desired natural resources,
- Potential for higher rates of return on investment,
- Strong demand for goods in many countries, and,
- Benefit to the receiving country: Investment can provide needed capital, technology, and /or resources.

The global or international manager has to be prepared promptly to recognize the chances for his/her organization in the global business arena, and to make use of these chances adequately.

Likewise, the managers who direct global operations have to be aware of the fact that the global way of dealing also brings some difficulties. Some of the most common problems the organizations face on the global level are the following:

- Higher possibility of loss of assets by nationalization, war, or other disturbances,
- High potential for loss of earnings, of difficulty or impossibility of retrieving the earnings from investment,
- Favored treatment usually given to local organizations by the host government,
- Rapid change in political systems, often by violent overthrow,
- Lower skill levels of workers in underdeveloped countries,

- Difficulties in maintaining communication and coordination with home office because of distance, time difference, and poor communication systems,
- Unfair competition, particularly from state - subsidized firms,
- Fluctuating foreign exchange rates, possibly resulting in lower profits (or lost), and,
- Cultural differences and misunderstandings.

THE GLOBAL MANAGEMENT ORGANIZATION

The successful reacting to these or many other challenges of the global affairs includes, in addition, a well organized management function within the global oriented organization. Although it includes many important questions, the organization of the so-called global management in particular comes down to:

- Selection of the suitable "source" of the managers resources; that is, solving the dilemma - from what personnel (own, "host" country's, other countries') to recruit the so-called global managers, and,
- Establishing the key qualities the global manager has to possess.

1) One of the key questions in the process of organizing management for the conditions of the global way of dealing is - from which rows to recruit the personnel for the corresponding management positions in the organization? The three sources of personnel are considered primary for recruiting of the so-called global manager (4, 129):

- The personnel from their own country,
- The personnel from the "host" country, and,
- The personnel from other countries.

The first alternative or the engagement of the personnel for the position of the so-called global manager from one's own country is, on the one hand, good because it contributes to the securing of the original interests of the organization. But, on the other hand, this alternative brings some restrictions, too. Those can manifest themselves in the lack of personnel whose professional (for instance, well understanding of the global environment within which his/her organization has to function) and personal (for example, physical mobility) characteristics correspond to the demands of the function of the global manager.

Certain number of the global organizations practice to engage, for the position of the global manager, people from the so-called "host" country. As with the former alternative, this way of electing manager for governing the global organizations brings some advantages as well as disadvantages. Some of the key advantages among all are contained in the fact that the engagement of the personnel from the "host" country is less expensive than bringing the manager from their own country. Besides, this way of electing manager contributes to the better understanding of the local culture (the culture of the "host" country), which results in better interpersonal relationships between the management of the enterprise and the employees (that usually consists of the local population - population from the "host" country).

However, choosing the manager from the so-called "host" country also brings some problems. They are evident in the eventual lack of personnel whose qualities (professional or personal) satisfy the demands of the global organization. One of the usually present problems, connected to this alternative is - how much to pay the so-called "local" manag-

ers. The problem actually lies in working out the so-called optimal height of the manager salary which would be, on one hand, coexistent with the salaries of the managers in the country from which the organization "comes", and, on the other hand, which would not be drastically different from the manager salaries in the "host" country.

The analysis of the upper mentioned personnel for the position of the so-called global managers and the seriousness of the dealings which global business carries, leads to the general conclusion - it is desirable that the global top manager should be recruited from their own personnel (from the country from which the firm "comes"), while for the managers from the middle and the first line it would be good to engage the personnel from the "host" country or from some other county.

2) Choosing the manager with the suitable attributes, that is testing them, represents an important segment of the contents of organizing global management. Although the list of these attributes is very long, some of these will be introduced here.

In order to be successful in this job, the global manager has to, primarily, be professionally competent. Additionally, the global manager has to be characterized by an adventurous spirit, optimistic perspective and personal philosophy which enthusiastically accepts different cultures. The global manager also has to possess a high degree of self-confidence. As such, he/she has more chance to succeed in comparison to those whose thinking "depends on others". The successful global manager has to constantly achieve good results not only in the professional but also in the other activities. It is considered that a person who is successful, for example, in sports or some other social activities, has more chances to succeed in running global operations. Likewise, eventual experience in the international activities, like, for instance, military, diplomatic, peace activities etc., is considered an important advantage of the global manager.

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GLOBALNA ORIJENTACIJA KAO IZAZOV SAVREMENIH ORGANIZACIJA I NJIHOVOG MENADŽMENTA

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Jedan od pojmova koji definitivno odražava karakter savremenih organizacija i način njihovog poslovanja jeste - globalizacija. U suštini, radi se o procesu formiranja jedinstvenog slobodnog i otvorenog svetskog tržišta na kojem organizacije iz različitih zemalja direktno međusobno konkurišu jedne drugima. Sam cilj uključivanja organizacije u globalnu arenu skopčan je, prvenstveno, sa iskorišćenjem različitih mogućnosti koje globalni poslovni ambijent pruža. Činjenica je, takođe, da globalni način poslovanja nosi sa sobom i izvesne teškoće. Uspješno reagovanje na različite izazove globalnog biznisa podrazumeva, pored ostalog, i dobro organizovanu menadžment funkciju unutar globalno orijentisane organizacije.