



Higher National Diploma
Accounting DA 1142 – Global Business Environment

GLOBALIZATION OF BUSINESS



Content

- ▶ Globalization as a worldwide economic moment
- ▶ Characteristics of globalization
- ▶ Positive and negative aspects of globalization
- ▶ World trade organization

Types of Globalization

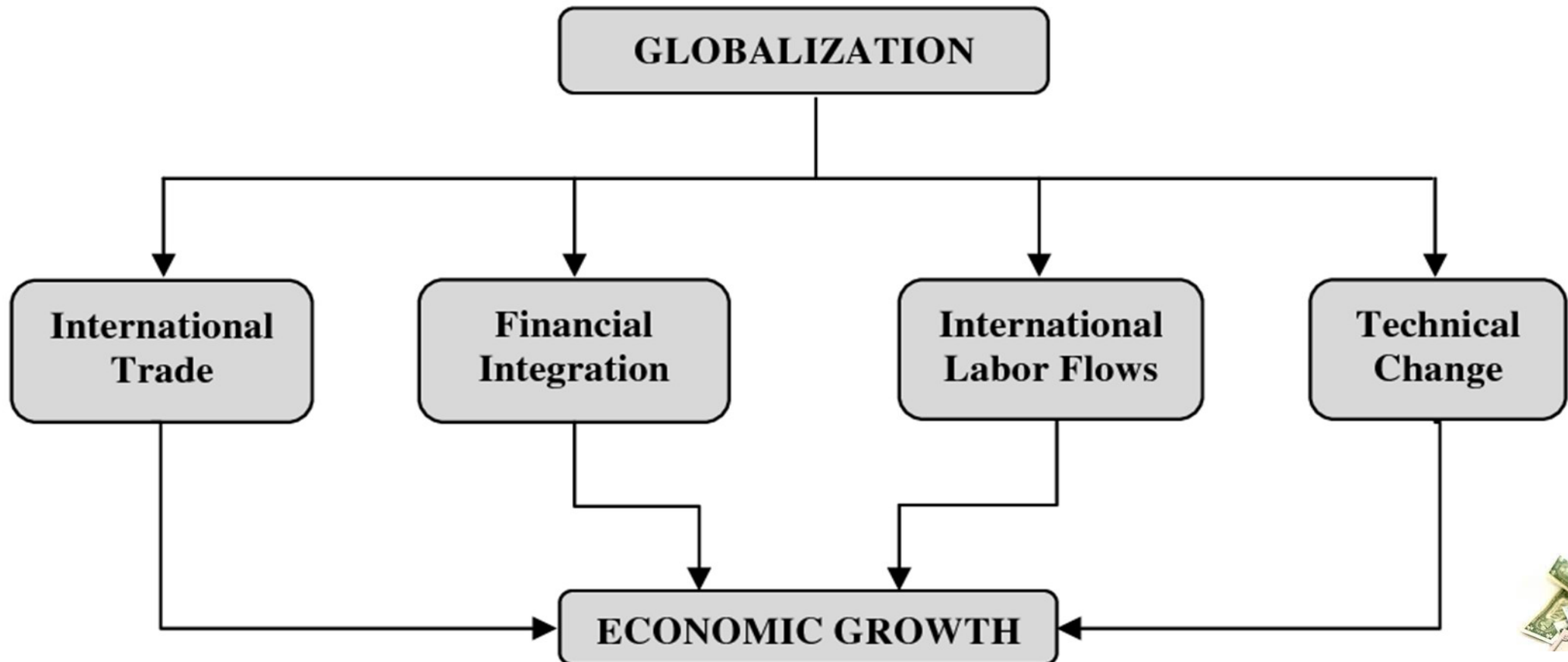
1. **Economic globalization.**
2. **Political globalization.**
3. **Cultural globalization.**

Economic globalization

- ▶ Economic globalization refers to the widespread international movement of goods, capital, services, technology and information.
- ▶ Economic globalization primarily comprises the globalization of production, finance, markets, technology, organizational regimes, institutions, corporations, and people.

Globalization as a worldwide economic moment

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Globalization as a worldwide economic moment

- ▶ It refers to the increasing integration of economies around the world, particularly through the movement of goods, services, and capital across borders.
- ▶ The goal of globalization is to boost economies around the world by making markets more efficient. It increased global trade will lead to more competition, which will spread wealth more equally.
- ▶ Global markets offer greater opportunity for people to tap into more and larger markets around the world. It means that they can have access to more capital flows, technology, cheaper imports, and larger export markets.
- ▶ However, there are downsides to boosting trade between countries. Some critics point to globalization as a factor in rising nationalism and income inequality, among other issues.

The main features(characteristics) of Globalization

1. Globalization involves expansion of business operations throughout the world.
2. It leads to integration of individual countries of the world into one global market thereby erasing differences between domestic markets and foreign markets.
3. It creates interdependency between nations.
4. Buying and selling of goods and services takes place from to/any country in the world.
5. Manufacturing and marketing facilities are set up anywhere in the world n the basis of their feasibility and viability rather than on national considerations.

The main features of Globalization

6. Products are planned and developed for the world market.
7. Factors of production like raw materials, labour, finance, technology and managerial skills are sourced from the entire globe.
8. Corporate strategies, organizational structures, managerial practices have a global orientation. The entire globe is viewed as a single market.
9. Globalization does not take place overnight. It proceeds gradually through several stages of internationalization.

Positive and negative aspects of globalization



Positive aspects of globalization

▶ **Foreign Direct Investment**

Foreign direct investment (FDI) tends to grow at a much greater rate than world trade does. This can help to boost technology transfer, industrial restructuring, and the growth of global companies.

▶ **Technological Innovation**

Increased competition helps inspire new technology development. The growth in FDI helps improve economic output by making processes more efficient.

▶ **Economies of Scale**

Increased global trade enables large companies to realize economies of scale. This reduces costs and prices, which in turn supports further growth. However, this can hurt many small businesses trying to compete at home.

Positive aspects of globalization

▶ **Access to New Cultures**

Globalization makes it easier than ever to access foreign culture, including food, movies, music, and art. This free flow of people, goods, art, and information is the reason you can have Thai food delivered to your apartment as you listen to your favorite UK-based artist or stream a Bollywood movie.

▶ **Better Quality and Variety**

Competition from different countries drives firms to improve their products. Consumers have better quality products and more variety as a result.

Negative aspects of globalization

► **Interdependence**

Interdependence between nations can cause local or global instability. This occurs if local economic fluctuations end up impacting a large number of countries relying on them.

► **National Sovereignty**

Some see the rise of nation-states, global firms, and other international organizations as a threat to sovereignty. Ultimately, this could cause some leaders to become nationalistic.

► **Equity Distribution**

The pros of globalization can be unfairly skewed toward rich nations or individuals, creating greater economic inequalities.

Negative aspects of globalization

► Job Insecurity

Globalization provides a double-edged sword when it comes to jobs. It creates jobs for people in developing countries who provide cheaper manufacturing jobs. For example, many companies are setting up in India and China because wages and manufacturing jobs are cheaper there which means fewer opportunities in developed worlds.

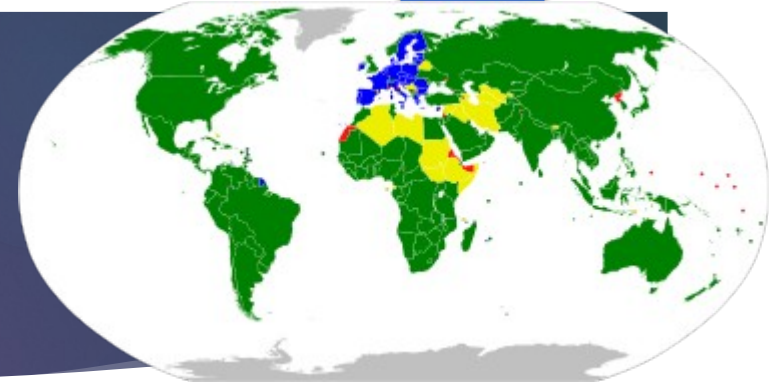
► Environmental Damage

Globalization has led to increased production for businesses in order to meet global demand. Increased production means more natural resources are used and this can be used up before they are regenerated leading to a negative impact on the environment.



WORLD TRADE
ORGANIZATION

World Trade Organization



- ▶ The **World Trade Organization** (WTO) is a global, intergovernmental establishment located in Geneva, Switzerland that handles trade between nations.
- ▶ The WTO's creation on 1 January 1995
- ▶ The WTO has 164 members and 25 observer governments (most of which have applied for membership), and members represent over 98% of world trade
- ▶ It stands for the advancement of trade between countries by opening non-discriminatory trade that is transparent and protects the environment.

FUNCTIONS OF WTO

- ▶ Administering WTO trade agreements
- ▶ Forum for trade negotiations
- ▶ Handling trade disputes
- ▶ Monitoring national trade policies
- ▶ Technical assistance and training for developing countries
- ▶ Cooperation with other international organizations

THE END