

# Investigating the Impact of Globalisation on Business Strategy

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## Abstract

*This research explores how globalization's interconnectedness transforms business strategy. Technological advancements dismantle barriers, forcing companies to adapt in a competitive global environment. The study examines both the positive (economic growth) and negative (income inequality) impacts of globalization on businesses and societies. Case studies highlight the need for strategic adaptability and a nuanced understanding of diverse markets to thrive. It concludes by emphasizing the importance of balancing global integration with local responsiveness for sustainable success.*

**Keywords:** Globalisation, Business Strategy, Economic Growth, Trade Liberalisation, Technology, Culture Exchange, Market Entry, Supply Chain Management, Global Integration, Competitive Strategies

## Introduction

Globalization has significantly transformed the landscape of business strategy, ushering in an era of unprecedented interconnectedness and interdependence among economies worldwide. This multifaceted phenomenon has been fueled by advances in technology, communication, transportation, and trade liberalization, breaking down traditional barriers and reshaping the way companies operate. As businesses navigate this globalized environment, they must adapt and evolve their strategies to thrive in an increasingly competitive and dynamic world.

Imagine the world as a vast web, with threads representing trade, investment, information flow, and cultural exchange. Globalization strengthens these threads, making international connections faster, deeper, and more widespread than ever before.

This phenomenon has far-reaching consequences, impacting everything from the clothes we wear to the food we eat, the jobs we do, and the news we consume. While globalization offers numerous benefits like economic growth and cultural exchange, it also presents challenges like increased competition and job displacement.

The impact of globalization on business strategy is profound, influencing various facets of organizational decision-making, from market entry and product development to supply chain management and customer relations. The global marketplace offers both

opportunities and challenges, requiring businesses to carefully navigate the complexities of diverse cultures, regulatory environments, and economic conditions.

In this context, businesses often find themselves compelled to adopt strategies that transcend traditional boundaries. The ability to harness global resources, tap into new markets, and leverage diverse talent pools has become essential for sustained success. However, globalization also poses risks such as geopolitical uncertainties, currency fluctuations, and the need to address cultural nuances, demanding a strategic approach that balances global integration with local responsiveness.

### **Review of Literature**

Modern capitalism involves a complex interplay of factors, marked by globalization and the dual potentials of success and failure for ventures. (Ristovska Katerina, Ristovska Aneta (2014)) The core objectives include economic satisfaction, risk minimization, and ensuring long-term sustainability in diverse environments. Centuries of global economic integration persist, driven by the borderless nature of business and profits, shaping the ongoing narrative of international economic activity.

Globalization influences the behavior of both family and non-family firms. Using data from European companies, findings indicate that both types are affected, but family firms exhibit better adaptability to globalization challenges. (Qin, Y., Wang, X., Xu, Z., & Skare, M. (2023)) Despite some limitations, non-family firms could learn from the adaptability of family firms in navigating a globalized environment

A firm's global market commitment influences B2B practices and outcomes. Surveying 439 firms reveals that a market globalization orientation positively affects organizational practices, B2B networks, and performance. (Hong, P., Jagani, S., Pham, P., & Jung, E. (2022)) Macro-level factors don't rigidly dictate firm responses, highlighting the crucial role of market globalization orientation in shaping competitive strategies. Successful globalization aligns with firms addressing essential needs beyond national boundaries.

In international business research on globalization (1993–2018) through bibliometric analysis, gaps in understanding its impact on social issues and the rise of anti-globalization sentiments are identified. (Dabic, Marina, Jane Maley, and Ivan Novak (2021)) The aim was to guide scholars by mapping the intellectual structure, noting a shift from the transformationalist to a sceptical viewpoint, and emphasizing the need for further exploration in this field.

Globalization, identified as a potent force since the 1990s, influences various global aspects (O'Neill, Grant, Parikshit Basu, and Antonio Travaglion, 2007). It challenges the conventional view of mere interconnectedness, portraying globalization as transcending nation-state power. The exploration delves into the rise of 'transnational' actors and unprecedented flows of capital, products, people, and information

Exploring globalization's impact on Nigeria's manufacturing sector, using indicators like inflation, FDI, and trade openness. (Ogosi, Francis, et al., "Globalisation and The Performance of Business Organizations," Algerian Journal of Management Sciences 2.1 (2023): 01-21) Based on the 2021 World Bank data spanning 2000-2020, positive effects on business performance are revealed. Recommendations include targeted FDI and guided trade policies to support the manufacturing sector

The impact of economic, social, and political globalization on the economic growth of Asia-Pacific countries from 2000 to 2014 panel data regression reveals significantly positive influences of economic and political globalization on growth, while social globalization has a negative impact. (Titalessy, Pisi Bethania, 2018) This sheds light on the relationship between globalization and economic growth, offering insights relevant to Asia-Pacific governments.

In the globalized business landscape, organizations need to adapt to changing market conditions for success. Establishing a fitting organizational culture, aligned with internal and market needs, is key for a sustainable competitive advantage. Research on organizational culture, dating back to the 1960s, has explored this dynamic (Palovaara, Katja. “The Impact of Globalisation on Organisational Culture.” (2017)). Globalization brings new demands in economic, political, and cultural aspects. The dissertation examines evidence of globalization’s impact on organizational culture within a specific framework.

The study on Pakistan (1980-2007) assesses globalization’s impact (Iftikhar, M. Naveed, Iqtidar Ali Shah, and Sami Ullah. (2010)). It finds improved education and health but worsening income distribution. Foreign direct investment (FDI) and Private Investment (PI) positively influence the Human Development Index (HDI) in both short and long runs, while financial sector liberalization (PSC) has a short-run effect. Trade openness (TOP) shows no significant impact. The model suggests convergence.

Globalization impacts product quality in Zimbabwe’s banking sector. It assesses whether globalization boosts confidence, improves services, and reduces fraud. (Njanike, Kosmas. 2003-2008)) Findings indicate that while traditional challenges persist, globalization introduces new technologies and risk management techniques, enhancing efficiency and trust in the banking sector.

### **Effect of Globalisation**

Globalization, the interconnectedness of economies and cultures across the world, has had a profound impact, shaping both positive and negative consequences [1].

### **Positive Impact**

Globalization has ushered in an era of expanded markets, fostering increased trade and investment. This dynamic has fuelled economic growth by enabling businesses to reach larger consumer bases and access resources with greater efficiency. The resulting surge in global markets has not only created new employment opportunities but has also played a crucial role in reducing unemployment rates in many regions. By allowing developing countries to specialize in the production of goods and services they can efficiently provide, globalization has been instrumental in lifting millions of people out of poverty. These nations have found a more active role in the global economy, contributing to their overall progress.

The seamless flow of information and technology across borders has not only accelerated innovation but has also facilitated technological advancements. Developing countries can readily adopt and adapt technologies from more advanced economies, propelling their own progress. This technological exchange has contributed significantly to narrowing the gap between nations. Moreover, globalization has led to a rich tapestry of products and services available to consumers. This diversity stems from companies strategically sourcing materials and inspiration globally, offering consumers a wide range of options at varying price points. Such diversity fosters healthy competition and ensures that consumers have access to a plethora of choices.

Culturally, globalization promotes the exchange of ideas, customs, and traditions, fostering greater understanding and tolerance between different societies. This intercultural interaction contributes to the creation of a more interconnected and harmonious world, where diversity is celebrated. Additionally, globalization often attracts foreign investments, serving as a catalyst for the development of infrastructure in less developed regions. This, in turn, enhances the overall quality of life for the local population, creating a positive cycle of growth and progress.

On the educational front, the free flow of information globally allows people from all corners of the world to access valuable educational resources and stay informed about global events. This

has the potential to bridge knowledge gaps and empower individuals in various regions, promoting a more informed and connected global community. In essence, globalization has become a transformative force, shaping our world in myriad ways and presenting opportunities for mutual benefit on a global scale.

### **Negative Impact**

While globalization has undeniably brought about economic growth and increased productivity, it also harbors significant drawbacks, notably the exacerbation of income inequality. The benefits of this economic expansion often accrue disproportionately, widening the chasm between the affluent and the disadvantaged. Consequently, social tensions arise, and a pervasive sense of economic exclusion takes root among substantial segments of the population. One facet of globalization contributing to this disparity is the outsourcing of jobs to countries with lower labor costs. While businesses may reap cost savings, the flip side involves job displacement and economic insecurity for workers in developed nations. The relocation of manufacturing and service jobs to regions with lower production costs can contribute to unemployment and wage stagnation in specific sectors, intensifying the economic divide.

Beyond economic ramifications, the increased flow of goods and services across borders bears environmental consequences. Globalization can be a catalyst for environmental degradation through heightened transportation, deforestation, and resource extraction. The relentless pursuit of economic growth and efficiency sometimes occurs at the expense of sustainable and environmentally friendly practices.

Another facet is the cultural impact. Globalization has ushered in the spread of Western culture and values, often overshadowing local traditions.[2] The dominance of global media, multinational corporations, and popular culture can result in cultural homogenization, eroding unique traditions and identities. This cultural shift prompts concerns about diversity and the potential loss of heritage.

Developing countries heavily reliant on exports and foreign investments face vulnerabilities during global economic downturns. Such dependent economies are susceptible to fluctuations in global demand, commodity prices, and currency exchange rates. This interconnectedness exposes nations to economic volatility and financial crises. The rapid changes brought about by globalization can lead to social dislocation and upheaval. Traditional industries and communities may grapple with adaptation, resulting in social unrest, migration, and challenges in maintaining social cohesion. This phenomenon is particularly evident in regions transitioning swiftly from agrarian economies to industrial or service-oriented structures.

Moreover, it's crucial to acknowledge that globalization does not uniformly benefit all countries and communities.[3] Some regions may lack the necessary infrastructure, education, or resources to fully participate in the global economy, perpetuating existing disparities between developed and developing nations.

### **Impact on Countries**

In terms of growth Singapore's economic success epitomizes effective globalization strategies. Positioned strategically at Southeast Asia's trade crossroads, the nation capitalized on increased global trade by becoming a key shipping and logistics hub. With an export-oriented approach, it attracted foreign investment, fostered a business-friendly environment, and saw rapid industrial growth. Heavy investments in education created a skilled workforce. Actively pursuing free trade agreements, Singapore expanded its market reach. Transitioning to services and innovation, it remains a global economic player, serving as a gateway to Southeast Asia with robust infrastructure and a stable political environment [4].

Vietnam's garment industry stands as a powerful testament to globalization's positive impact on poverty reduction. Before embracing globalization, the country's economy heavily relied on limited income-generating opportunities in agriculture, trapping many in poverty. The surge in international trade and foreign investment, driven by globalization, transformed Vietnam into a key player in the global garment manufacturing sector. This shift created a multitude of job opportunities, particularly benefiting women in rural areas with significantly higher wages than traditional agricultural work. Consequently, millions of Vietnamese families experienced improved living standards, gaining access to better housing, education, and healthcare. The result was a remarkable decline in Vietnam's national poverty rate, plummeting from 58.1% in 1993 to just 6.8% in 2018, according to the World Bank.[5]

While it has had positive outcomes for some countries, it is also important to understand that globalization has led to the downfall of others, such as Bangladesh. The garment industry in Bangladesh has experienced a boom due to globalization. While this growth has created jobs, many workers face challenges like low wages, long hours, and unsafe working conditions. The wealth generated by the industry often does not trickle down to the broader population, exacerbating income inequality. Further globalization played a pivotal role in dissemination the COVID-19 pandemic. The ease of international travel, a hallmark of globalization, inadvertently accelerated the swift transmission of the virus as infected individuals traversed borders undetected before comprehensive testing and travel restrictions could be enforced. Simultaneously, highly integrated global supply chains, efficient in normal circumstances, faced vulnerability during the pandemic. Lockdowns and travel restrictions disrupted the seamless flow of goods and people, impeding the transportation of vital medical equipment and raw materials crucial for combating the virus. Consequently, shortages of critical supplies like Personal Protective Equipment (PPE) arose in some regions. This highlights the intricate challenges of globalization in the context of a global health crisis.

### **Business Strategy of Companies**

In the contemporary business landscape, staying attuned to economic dynamics is essential for companies aiming to thrive. Harnessing the forces of globalization becomes pivotal in securing a competitive foothold in the market. Numerous companies have recognized this imperative and successfully propelled their brands to the zenith of the market. A compelling case in point is the comparative study of Blockbuster and Netflix. Blockbuster primarily focused on the North American market, missing the opportunity to expand its reach as internet connectivity improved globally. In contrast, Netflix recognized the potential of the global market and actively expanded its service internationally. This move provided Netflix with a broader customer base and economies of scale. Blockbuster's market share plummeted as customers flocked to Netflix. Its late entry into the online market and its inability to adapt to changing consumer preferences sealed its fate.[6]

E-commerce giants, driven by convenience and competitive pricing, reshaped the toy retail landscape, impacting traditional players like Toys "R" Us. Globalization empowered platforms like Amazon to broaden their customer base, challenging regional market dominance. Their data-driven marketing outperformed traditional strategies, while discount chains like Walmart, benefiting from globalization, offered competitively priced toys sourced directly from overseas manufacturers. Changing consumer preferences towards digital entertainment also affected traditional toys.

Moser Baer's decline in the face of globalization offers insights into challenges companies encounter today. Shifting consumer preferences, marked by the rise of digital media and a decline in piracy, impacted the demand for physical media like CDs and DVDs. Global competition intensified as established international players, such as Sony and Samsung, outmatched Moser

Baer in production capacities and distribution networks. Strategic missteps, including slow adaptation to digital trends, limited innovation, and a substantial debt burden, further weakened Moser Baer's position. Globalization played a role in facilitating the rapid spread of digital technologies, rendering physical media obsolete. It also allowed international competitors to enter emerging markets more easily, intensifying competition and pressuring Moser Baer's market share and profitability. The case underscores the importance of agility and innovation in navigating the challenges of a globalized business landscape.

Similarly, another company that faced negative consequences due to its non-adaptability was Kodak. Once a dominant player in the film and photography industry, known for its film cameras and photographic film products, Kodak struggled to adapt to the advent of digital technology and globalization. The company faced significant challenges as it failed to adjust to the shift from film to digital photography, and its traditional film-based business model became increasingly obsolete. Kodak experienced financial difficulties, filed for bankruptcy in 2012, and ultimately had to restructure its business. The story of Kodak serves as an example of how companies that fail to adapt to the changing global landscape and technological advancements can face negative consequences, ultimately impacting their competitiveness and survival in the market.

### **Conclusion**

In summary, globalization has profoundly altered the business landscape, creating a globally interconnected environment with both positive and negative consequences. The metaphorical web of trade, investment, and cultural exchange has reshaped economies and societies. Positive impacts include expanded markets, economic growth, and poverty reduction, as seen in countries like Singapore and Vietnam. However, globalization has also led to income inequality, environmental degradation, and cultural homogenization.

For businesses, strategic adaptability, innovation, and understanding diverse markets are crucial in navigating this globalized world. Case studies of companies like Netflix and cautionary tales of Blockbuster and Kodak highlight the importance of embracing globalization and staying attuned to evolving consumer preferences. As the world evolves, a delicate balance between global integration and local responsiveness is essential. Responsible and sustainable business practices are crucial in addressing challenges like income inequality and environmental impact, fostering a more inclusive and harmonious global community.

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