



**Colbourne Changes Lives**



# UNIT 18:GLOBAL BUSINESS ENVIRONMENT

LO 3: EVALUATE HOW OPERATING IN A GLOBAL MARKET INFLUENCES AN ORGANIZATION'S STRUCTURE, CULTURE AND FUNCTIONS



# UNIT 18: GLOBAL BUSINESS ENVIRONMENT

M3: CRITICALLY ANALYSES THE IMPACT THAT KEY FACTORS HAVE UPON THE GLOBAL BUSINESS ENVIRONMENT IN TERMS OF BENEFITS AND CHALLENGES.

# THE INFLUENCE OF ETHICAL AND SUSTAINABLE GLOBALISATION.

- Ethical decision-making in business is influenced by various factors, including the external environment, organisational factors, and society. Business ethics in many countries have changed in the last few decades, predominantly as a result of globalisation. However, such changes can take some time to start to manifest, which is seen in the delay between policy changes and tangible changes in the approach to intellectual property rights, as observed in the patent application trends many countries. A change in approach to intellectual property indicates to what degree various countries have embraced the opportunities presented by globalisation.

# THE INFLUENCE OF ETHICAL AND SUSTAINABLE GLOBALISATION.

- Globalisation and its effects, have traditionally been seen as an economic phenomenon associated with the development of the global market, have started to influence all aspects of community life, from culture to crime, and from finance to religion. This has entailed new problems and challenges for society.

# THE INFLUENCE OF ETHICAL AND SUSTAINABLE GLOBALISATION.

- The International Monetary Fund (IMF) describes globalization as “the growing economic interdependence of countries worldwide through the increasing volume and variety of cross-border transactions in goods and services and of international capital flows, and also through the more rapid and widespread diffusion of technology.” Globalisation can be through a process in which business decision, production processes, and markets gradually exhibit more ‘international’ characteristics and less ‘national’ ones.

# THE INFLUENCE OF ETHICAL AND SUSTAINABLE GLOBALISATION.

- Globalisation implies a lot of structural reforms. (eg. Business organisation, the public-private interface, and altered consumption pattern). The Government can influence the pace and direction of globalisation. The tools that facilitated this growth were international transportation, technology, and telecommunications that became cheaper, quicker, and of higher quality and now the Internet. Globalization is also influenced by international organizations like the World Bank, the IMF, and the World Trade Organisation (WTO), devoted to increasing trade and development. The result is multinational enterprises (MNEs) with budgets larger than the economies of many countries.

# THE INFLUENCE OF ETHICAL AND SUSTAINABLE GLOBALISATION.

- The sustainable development for organizations means that the development that lasts. The key features that are required for sustainable development are:
- Make wider use of markets
- Strengthen decision-making processes
- Harness latest technology
- Manage links to global economy

# THE INFLUENCE OF ETHICAL AND SUSTAINABLE GLOBALISATION.

- To grow the sustainability of a business along with the implementation of organizational measures, the following elements must be ensured:
  - Improving the quality of services and the relationships with suppliers;
  - Improving the human resources management along with the requirements of organizational change;
  - Implementing the organizational change process to increase the business sustainability will consider the diversification of activities and human resource training;

# THE INFLUENCE OF ETHICAL AND SUSTAINABLE GLOBALISATION.

- The sustainability of globalization may or may not be in the same direction for all nations. Some countries may experience an improved local environment as a result of the globalization process whereas others experience a deteriorating one. The same applies for social or economic effects of the globalization process. Furthermore, sustainable development in one domain may not necessarily relate to a sustainable development in another domain and what is sustainable for a country may be not for the global environment.

# THE INFLUENCE OF ETHICAL AND SUSTAINABLE GLOBALISATION.

- The following are the main dimensions of Organizational Sustainability that is required:-
  - Strategic Sustainability -- Ensures Realistic Vision and Goal
  - Personnel Sustainability -- Ensures Personnel Can Effectively and Reliably Perform
  - Product and Program Sustainability -- Ensures High-Quality Products, Services and Programs
  - Financial Sustainability -- Conducts Financial Reserve and Contingency Planning.

# FACTORS IN RELATION TO COST, MARKET, ENVIRONMENT AND COMPETITION.

- The business environment is greatly influenced by global forces and trends that tend to define how organizations interact with customers and respond to competition. From advances in technology to religious fundamentalism, business culture has come to be defined by events dictated by these forces, leaving companies with little choice but adapt to their dynamics. Globalization has brought with it both uniformity and fierce competition and businesses will have to devise strategies that enhance compliance with prevailing market trends.

# FACTORS IN RELATION TO COST, MARKET, ENVIRONMENT AND COMPETITION.

- In an effort to mitigate global warming, governments, manufacturing industries and small businesses worldwide are focusing on sustainability by encouraging environmentally friendly practices. Going green is a powerful global force that comes at a cost to small business. Every company product must have a stamp of approval proclaiming its production and disposal processes are green. The service industry must observe stringent environmental laws that add to administrative overheads. The net effect is a rise in production costs incurred by the manufacturing sector and the business community as a whole.

# FACTORS IN RELATION TO COST, MARKET, ENVIRONMENT AND COMPETITION.

- The environment has long been a factor in firm strategy, primarily from the standpoint of access to raw materials. Increasingly, this factor is best viewed as both a direct and indirect cost for the firm.
- Environmental factors are also evaluated on the footprint left by a firm on its respective surroundings. For consumer-product companies like PepsiCo, for instance, this can encompass the waste-management and organic-farming practices used in the countries where raw materials are obtained. Similarly, in consumer markets, it may refer to the degree to which packaging is biodegradable or recyclable..

# FACTORS IN RELATION TO COST, MARKET, ENVIRONMENT AND COMPETITION.

- Developing countries often struggle to compete with developed countries, therefore it is argued free trade benefits developed countries more. There is an infant industry argument which says industries in developing countries need protection from free trade to be able to develop. However, developing countries are often harmed by tariff protection, that western economies have on agriculture.

# FACTORS IN RELATION TO COST, MARKET, ENVIRONMENT AND COMPETITION.

- One problem of globalisation is that it has increased the use of non-renewable resources. It has also contributed to increased pollution and global warming. Firms can also outsource production to where environmental standards are less strict. However, arguably the problem is not so much globalisation as a failure to set satisfactory environmental standards.

# FACTORS IN RELATION TO COST, MARKET, ENVIRONMENT AND COMPETITION.

- Globalisation enables workers to move more freely. Therefore, some countries find it difficult to hold onto their best-skilled workers, who are attracted by higher wages elsewhere.
- Globalisation has led to increased economic and cultural authority. With globalisation there is arguably less cultural diversity; however, it is also led to more options for some people

# FACTORS IN RELATION TO COST, MARKET, ENVIRONMENT AND COMPETITION.

- Multinational companies like Amazon and Google, can set up offices in countries like Bermuda and Luxembourg with very low rates of corporation tax and then pass their profits through these subsidiaries. This means they pay very little tax in the countries where they do most of their business. This means governments have to increase taxes on VAT and income tax. It is also seen as unfair competition for domestic firms who don't use same tax avoidance measures.
- The greater mobility of capital means that countries have sought to encourage inward investment by offering the lowest corporation tax. (e.g. Ireland offers very low tax rate). This has encouraged lower corporation tax, which leads to higher forms of other tax.

# FACTORS IN RELATION TO COST, MARKET, ENVIRONMENT AND COMPETITION.

- Global business enhances business competition therefore enterprises enter foreign markets, a face-off with local businesses is inevitable. To outperform competitors and gain a larger market share, businesses are forced to create products of higher quality and sell them at relatively cheaper prices. This is advantageous to consumers, as they are able to access a wider variety of quality products at lower prices.

# FACTORS IN RELATION TO COST, MARKET, ENVIRONMENT AND COMPETITION.

- Through global business, businesses can access new markets and customers. For example, if the United States enters into a Trans-Pacific Partnership with China and other Asia-Pacific countries, the U.S.-based businesses will have a greater incentive to export and sell their products in these countries. With a wider customer base and market reach, a business has a higher potential to make more sales and earn more profits, which it can then use to expand operations into other foreign markets.

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