Globalization And Multinational Enterprises Essay, Research Paper

Globalization is changing the way of doing business in the world today. It is the new era of business opportunity. For many major companies, going global is a matter of survival, and it means radically changing the way they work. Economic globalization changes both spatial dimension of MNE s (Multinational Enterprises) and creates a need for more flexible production of marketing systems and new forms of organization. Firms trying to position themselves as global players face problems such as the cost of building a simultaneous presence in several product areas and foreign markets. They must also be able to manage cultural difference and be able to carry out effective cross-cultural communication. Global skills must be an integral part of an enterprise; these skills must be integrated throughout all operations of the company. Managements handling of diversity will be the most significant factor affecting MNE s success in the global marketplace. Whether a company is concerned about the supervisors of minority employees, world trade, joint ventures or global economic cooperation, culture will have a great impact on the relationships and the operations. Edward H. Schein states it perfectly:

Consider any complex, potentially volatile issue-Arab relations, the problems between Serbs, Croats, and Bosnians, corporate decision-making, getting control of U.S. deficit or health care coasts, labor/management relations, and so on. At the root of the issue we are likely to find communication failures and cultural misunderstandings that prevent the parties from framing the problem in a common way, and thus make it impossible to deal with the problem constructively (Schein 40).

Every company that becomes global should have global leadership. Culturally skilled leaders are essential for the effective management of emerging

global corporations. They should have persons in management that are capable of operating effectively in a global environment and they must be respectful of cultural diversity. In China, the conflict in management has been addressed as a major problem for the global-player, such as US and Chinese joint ventures. Joint ventures are designed to improve and eliminate misunderstanding of global-culture differences in management. Some Chinese and American companies try to adapt to one another, but it is not easy. Both sides have found that cultural difference is difficult to control. For example, Babcock & Wilcox joint-ventured with Grub and Lin. Workers evaluated Chinese managers by a simple standard: who ever quarreled with Americans the most aggressively would be considered comrade in arms, and whoever cooperated with the Americans would be nicknamed Er Gui zi (fake foreigners). The atmosphere became so tense that even the most trivial business dealings between the American and Chinese became bogged down in charges and counter charges (Tse 32). Differences in customs, behavior, and values result is problems that can be managed only through effective cross-cultural communication and interaction. All employees should learn about the about the influence of culture and be effective cross-cultural communicators if they are to work with minorities within their own society or with foreigners encountered home or abroad (Harris and Moran 59).

Globalization involves doing business around the world in a new way giving companies an opportunity to explore the world market. The idea of a global-player involves low-cost and new customer. In Asia, Europe, and many other parts of the world, there are thousands of service and product markets

waiting to be filled. The Chinese consumer market is one of the most attractive countries for the global-player. The Chinese economy has been growing rapidly in past decade under its open-door policy on foreign trade, investment and finance For example, China is one of the most discussed topics of a business opportunity for global-player around the world. This is because China has a huge and fresh consumer market waiting to be filled; “China is a major imperative for most big multinationals . Indeed for some, such as Coca-Cola, Ericson and Procter & Gamble, the country has become one of their largest markets in Asia or even the world” (Edward Tse, 11). China is the third largest country in the world and its population is about 20 percent of the world’s population. Since 1979, China has entered the new era of creating an open-door policy to carry out the construction of modernization. Opening the door to the outside world has developed a newly established special economic zone, which is on the coastal area and the area along the Changing River and much more. “With the progressive improvement of the investment environment and the completion of laws and regulation concerning foreign affairs, more and more foreign investors have come to China” (Fumio ltoh, 5). As a result, import and export have increased from $20.6 billion in 1978 to $195 billion US dollars in 1993. From the

report of China Ministry of Foreign Trade and Economic Cooperation (MFTEC), “during the first seven months of 1997, there were 26 billion U.S. investment dollars flowing into China and it is 15.75 % gain from last year” ( ChinaToday.com ). China’s G.D.P. has been growing at about 9 to 10 percent a year for last 15 years. Since the opening of China, people have been adapting to

new cultural values. Chinese consumers are willing to spend more money on purchasing goods and services. Many international products and services have been able to succeed in this revolution because most of the Chinese consumer’s decisions are influenced by promotion, and advertising through television and magazines ads. There are increasing numbers of china’s population that own their own televisions. By 1995, official statistics said that more than 80% of Chinese have their own televisions. The advertising spending in China has been growing at around 60% a year since 1990. In a survey, more than half of the people who responded, said that “television ads influenced their firs-time purchase of the brand they used most often for a home or care products” (Tse, 13). There are a lot of companies have been presented into China, such as Procter & Gamble, S.C. Johnson, Henkel, Unilever and Kao. I believe that companies going to China as a global-players need a powerful global vision to lead their organization into the future success. Arch McGill, the former president of AT&T Advanced Information System said that “Change in business starts with a vision” (Daniels, 18). Company should have a right global vision address such an important issue, such as how will they serve customer, finding local business partner and geographic concern. For example, ” Henkel has several join venture across China manufacturing cosmetics, detergents and other product” (Tse, 13.

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