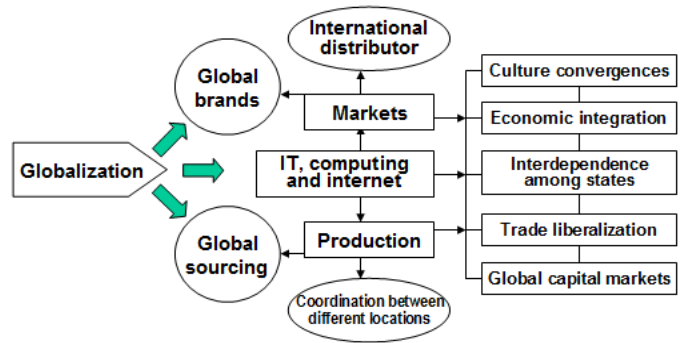


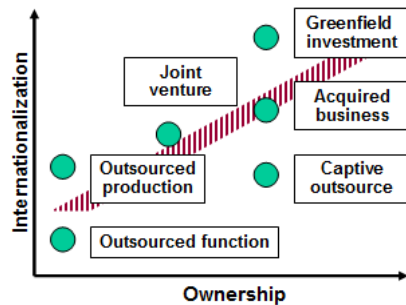
# Perspectives on Globalization

## Learning objectives:

- To evaluate contrasting views on globalization and its transformational effects on businesses and societies
- To gain an overview of the means by which organizations expand internationally, in both markets and production
- To appreciate leading theories of internationalization and foreign direct investment (FDI)
- To examine critically the impacts of globalization on societies



- Globalization has 'shrunk' the world, with distance no longer a major obstacle for those wishing to communicate or do business across the globe. Interconnectedness across national boundaries engulfs individuals, business organizations and governments. For businesses, the question of where to locate the production of goods or the provision of services, once assumed to be the home country of the company, now offers choice among many potential contenders in different parts of the world. There is also abundant choice in the means for organizing production, including outsourcing, joint ventures and FDI. MNEs have thus been able to build and coordinate operations in numerous countries, benefiting from location advantages. Likewise, while the home country was once the key market in which to sell their products, even young companies are now looking to markets across the globe. For the consumer, there is an unprecedented choice of products to buy, as well as unprecedented access to information, goods, entertainment and services via the internet. But then, while the means of delivering goods and services have become globalized, national markets continue to remain divergent.



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## Theories of globalization:

### (a) Janet Morrison's Book:

- Early theories of FDI were based on location and ownership advantages
- Product life cycle theory
- Theory of incremental internationalization
- Concept of 'psychic distance': Dunning's eclectic paradigm, known as the OLI paradigm – configuring ownership, location and internalization advantages



### (b) Other theories of globalization

<http://www.sociology.emory.edu/globalization/theories.html>

- **World-system theory:** Globalization is the process, completed in the twentieth century, by which the capitalist world-system spreads across the actual globe. Since that world-system has maintained some of its main features over several centuries, globalization does not constitute a new phenomenon.
- **World Polity Theory:** Globalization is the growth and enactment of world culture. Since at least the middle of the nineteenth century, a rationalized world institutional and cultural order has crystallized that consists of universally applicable models that shape states, organizations, and individual identities (J. Meyer et al., "World Society and the Nation-State," *Am. J. of Soc.* 1997).
- **World culture theory:** Globalization refers to "the compression of the world and the intensification of consciousness of the world as a whole" (R. Robertson, *Globalization*, 1992: 8).

See Also [Globalization and Its Discontents - Wikipedia, the free encyclopedia](#)

- For societies, MNE strategies of shifting production have brought jobs and opportunities for technology transfer to a wide range of countries. The developed world has attracted foreign investors wishing to locate near their largest markets, and now it is the turn of emerging economies. There are differing perspectives on these developments. Low-skilled workers in advanced economies are vulnerable, as MNEs are shifting low-skilled operations to lower cost locations such as China. Developing countries which have attracted significant FDI have seen rising incomes in manufacturing industries, as well as spillover effects of technology transfer. Development is uneven, however, and concerns over global inequalities and environmental degradation are being linked to globalization. Businesses and governments are recognizing that policies and strategies should be broadened beyond solely economic goals, to include qualitative impacts on societies.

