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# Exploring the Impact of Globalisation on Contemporary Business

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## Globalisation and Business Practice

While globalisation became a phenomenon of major interest in the 1990s, it is increasingly recognised as having a powerful influence upon business, governments and societies across the globe. As globalisation impacts all areas of modern life, any review of the literature on globalisation and its imputed effects will demonstrate that its conceptualisation and effects are contested (see, e.g., Beck, 1999; Bhagwati, 2004; Hirst & Thompson, 1996; Giddens, 2000; Stiglitz, 2006). Following Beck (1999), we hold that globalisation should be understood as something more than growing interconnectedness of economies, people and processes between nation-states. For while nation-states and businesses have long experienced deep global interconnections, it is apparent the transcendence of space and time (Giddens, 2000) associated with 'transnationalism' differentiates globalisation from past movements of goods, services, capital, people, processes and ideas. Indeed, globalisation has witnessed complex and multiple processes that are often linked to a decline in the power of nation-states, even their 'transcendence', and the emergence and growth of 'transnational' actors, and flows of capital, products, people and information that are unprecedented in history. Interregional trade and financial cooperation are currently increasing rapidly (Ahn & Cheong, 2007) and the consequences of this are far-reaching.

Major drivers and effects of globalisation include:

- increased international trade
- economic competition, changes in economic policies, including deregulation and tax reform
- transnational economic agreements
- technological advancements, including sophisticated communications and IT
- increased movement of businesses in search of lower costs of production and lower tax regimes.

However, despite the existence of transnational actors and increasing flows of capital, goods, services, people, ideas and information, it is clear that globalisation is variously having fragmenting, uneven and homogenising effects (see, e.g., Bauman, ??1995). Globalisation is having an uneven impact upon the economies, governments and societies of the world. Businesses and organisations encounter variable pressures and effects, and new opportunities are not equally accessible. While it is not our intention to address the numerous theories and accounts of cultural, economic and political globalisation in detail, given the focus and content of subsequent chapters in this book, we do wish to focus attention upon the critical importance of globalisation for businesses and other

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organisations in the Asia–Oceania region (comprising countries in the region including Australia, China, Hong Kong, India, Japan, Indonesia, New Zealand, Philippines, Singapore, Taiwan, Thailand).

At the most general level, the greater cross-national flows of capital, goods, services and people mean that organisations and populations within Asia–Oceania are exposed to increasing competition. Survey research among senior executives around the world (Bandyopadhyay, 2006) shows that this trend is likely to result in the need for more complex risk management, and continuing development of markets with unequal stages of maturity and varying customer knowledge and expectations in the region. The recent trend in financial globalisation has also created political tensions between those who welcome the associated changes and those who perceive the change negatively.

At the regional level, the increased flow of investment has resulted in significant improvement in economic efficiency and growth (Bandyopadhyay, 2006). It has also been observed that increased economic ‘freedom’, and associated increased flows of trade, is a significant and robust determinant of foreign investment flows in the Asia–Oceania region (Quazi, 2007).

Clearly, globalisation is affecting all businesses, even if only indirectly through its impact upon the policies and practices of governments. Indeed, government policies and practices have changed in response to globalisation and businesses in many countries are being freed from past levels responsibility vis-a-vis taxation, wages and employment conditions for workers. Arguably, the power of governments has diminished in the face of businesses that are increasingly able to move operations, funds and profits to locations around the globe that are deemed more desirable because of such factors as lower costs of production, greater government support, proximity to major markets and lower taxation.

At a range of levels, globalisation is variously associated with internationalisation, the decline of barriers to trade and capital movements, the rise of supranational bodies such as the International Monetary Fund, the World Trade Organization, and the World Bank, and westernisation of ideas and practices. There is a greater connectedness across the globe that is productive of, and produced by, the intensification of social and economic relationships that are uncoupled from particularities of territory. There is also notable resistance to change in the face of the decline of local tradition, culture and practice in the face of universalising forces. Indeed, such resistance can stimulate a strengthening of local tradition and even the rise of fundamentalist thinking. That said, despite resistance and uneven effects across populations, globalisation has seen marketisation continue its ascendancy at an intellectual and practical level in many nations, especially developing nations. There are potential costs as well as benefits, but businesses, organisations and nations can ill afford to eschew globalisation and so be excluded from its many benefits.

#### **Asia–Oceania: A Key Site of Globalisation**

As noted above, the impact of globalisation and the associated changes are critical to the success of businesses all over the world, and this is no less the case within the Asia–Oceania region. The impact of globalisation is evident in, and illustrated through, the

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changing ways of doing business across the region. The current pace of change in the region is unprecedented and there is a strong compulsion to remain current with new practices and processes or risk marginal status within the region. The harsh reality is that the socially marginal, within and across nations, are at greatest risk from the negative effects of globalisation. It is highly desirable for nations to support their populations moving up the international division of labour, yet this is no simple task within this increasingly competitive region. Nations and their businesses must be increasingly competitive within, and beyond, the Asia–Oceania region.

The chapters that follow represent a response to the need for businesses and organisations to understand their context of operations, learn and change so that they, and the various populations across the region, may fully benefit and prosper from the opportunities of globalisation. Organisations and governments within the region must develop sound strategies to respond to globalisation and the opportunities it offers, for they can ill afford to restrict their thinking and action to the local. In so many respects, this is no longer even possible despite the fact that globalisation is always experienced in a local context.

Harnessing the potential benefits of globalisation is more important now than ever before. Ongoing change and innovation are critically important in a Exploring the Impact of Globalisation on Contemporary Business context where competition from overseas and domestic competitors continues to grow, and capital, goods and services move ever more freely across national borders. We hold that there is no real choice but to engage with the rest of the region and the world. Businesses and other organisations with the region must address globalisation and respond to change in an informed and timely manner. Economic growth, even survival, compels businesses to expand their horizons.

### **Insights into Contemporary Business Practices**

Developed from the best papers presented at the Third International Conference on Contemporary Business<sup>1</sup>, each of the chapters that follow make a contribution to the enhancement of understanding and practice of business in the Asia–Oceania region. The processes and issues addressed in each of the chapters are impacted by the multiple processes and flows we associate with globalisation. In terms of identity and identification, the significance of regionalism is rather limited beyond the existence of common space, but regionalism and increasing regional integration are evident in such initiatives as free trade agreements and common markets, are more important at the economic and political and level.

In subsequent chapters, when discussing the issues, processes, theories and practices that are addressed, globalisation is a key contextual issue. While not addressed at length, globalisation is accepted by each of the authors as a powerful force of change and opportunity for organisations operating within the Asia–Oceania region. Further, globalisation, be it cultural, political or economic, is recognised as a key contextual issue and driver of change in management, economics, accounting and finance theory and practice. While reflecting multiple disciplinary traditions, the chapters speak to the common theme of contemporary business experience in the region. Each offers academic

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critique, commentary and insight into issues of considerable importance to businesses in the Asia-Oceania region.

### **Overview of the Contents**

As noted above, the contributions included in this book examine key issues facing business in the Asia–Oceania region and reflect the major discipline areas of business — management, economics, finance, accounting and marketing. Several chapters have multidisciplinary perspectives, and here the authors cross disciplinary boundaries in order to address the complex issues being discussed. The chapters are diverse in nature, with the aim of giving the reader a holistic view of the world of business in a global environment. Such complexities and fast-paced issues are brought into play through the phenomenon of globalisation and this complexity is reflected in the chapters collected herein. We trust that the readers will find each chapter insightful and thought provoking.

This book has been divided into four parts as per the major focus of chapters included. The first part deals with China — its role in the global market and Australia’s relationship with China. The second part explores issues relating to Human Resource Management in a globalised workforce context. The third part deals with accounting and finance issues with Australian and international focus. The final section looks at cultural change and its effect on management and performance.

China, the emerging superpower of the new world market, is the focus of four chapters included in the first part of this compilation of chapters. The first two chapters deal with economic and business relationships with China. The first chapter by Tisdell provides a broad overview and examines the nature of China’s economic globalisation. It also examines the importance of Australia’s link with China in terms of merchandise trade, increasing importance of service trade and China’s continuing reputation in the area of attracting foreign investment. In the second chapter, Basu, Sappey and Hicks attempts to assess the possibilities of future benefits to Australia of Chinese growth and associated risks in the long term. It argues that so long as the commodities boom continues, Australia benefits. However, any disruption to that boom may have severe consequences for the Australian economy. At the same time, the continuation of the boom may be distracting Australia from other potential opportunities that exist in China. Both chapters argue that Australia needs to take advantage of new opportunities in China, particularly in the service sector.

Still within the first part of the book, the focus then shifts from financial and economic relationships to the subject of culture. Hutchings deals with the practical issue of multicultural management. There is no doubt that China is a major economic force in the current global climate. However, the ability of an organisation to be successful in China can significantly depend on knowledge of the cultural nuances that define the culture. The level of cultural awareness of senior managers from within or outside China can significantly influence major deals, depending on their knowledge and understanding of the different ways their cultures work. Hutching argues that cultural intelligence of senior managers play a very important role in success of business ventures in China. In the last chapter in this section, Tierney examines a similar issue in more specific surroundings

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and identifies a negative aspect of globalisation. The chapter attempts to establish the relationship between immigration and racism in Taiwan by analysing the guest worker program, where divergent nationalities of guest workers are expected to engage in different kinds of work. Tierney argues that the product of this expectation is racism and stigmas. Guest workers are also found to be excluded from the mainstream society for being seen to be responsible for local unemployment.

Seven chapters in the second part of this book explore human resource management and the changes occurring in this field due to the ever-increasing integration of the global labour market. In the first chapter, Smith explores some assumptions that have been made about Australia's 'lacklustre' performance in providing training to staff. Traditionally, performances of Australian employers have not been considered as satisfactory in this area compared to other nations. This chapter challenges this belief and argues that unreliable comparative data might have caused this view. In reality, Australian employers are possibly not shirking their responsibilities in relation to training. Siemionow's chapter deals with one of the most debatable areas in Australia at present — workplace relations. It analyses the perceptions of senior executive officers of the Australian Public Service in their transition to individual contracts under Australian Workplace Agreements (AWAs). It observes that SES AWAs were implemented with high degrees of coercion on template-based one-size-fits-all approaches.

Some challenges for the university sector are explored in the next three chapters. Bone looks at the relationship between universities and industry, in particular, exploring the demand from industry for 'work-ready' graduates. The role of universities in producing profitably employable graduates is assessed. With increasing competition at global, national and local levels, industries have developed very specific needs. The chapter argues that universities must produce graduates with the right skills and attributes to meet these needs. The next chapter by Krivokapic-Skoko, O'Neill, Travaglione and Foundling explores the impact of the psychological contract between academics and their employers. It explains the nature of the psychological contract in detail, focusing on one faculty in an Australian university. Still within the same area, the next chapter by Tipples and Verry analyses the situation in New Zealand. It deals with the question on how research on this topic developed, how the contract provides useful guidelines for managers, and the implications for the newly individualised employment situation in Australian universities.

Hosie, Sevastos and Travaglione attempt to establish a link between job satisfaction and performance of managers. Although a strong relationship exists in theory, empirical evidence seems to be inadequate. Using quantitative methods the chapter provides an empirical support to the theory. The World Trade Organization Agreement on Trade-Related Intellectual Property Rights (TRIPS) has created a new world legal order concerning intellectual property as part of world trade. The purpose of Ardagh's chapter is to stimulate further debate on intellectual property criteria and standards and on improvements for restructuring the TRIPS legal environment. Ardagh argues that it is necessary to achieve a better balance between the needs of developed and developing countries.

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The third part of this volume includes five chapters relating to finance and accounting issues. In the first chapter, Calitz discusses the economic or resources approach of financial management involving the issues of stability, efficiency and equity. It also explains the dynamics within the organisation in relation to their role in shaping its financial management. In a more focused area, Gupta explains the size and volatility of equity capital flows to emerging markets from Australia, especially into Asia. Hoque explores the plight of developing countries and the role of development banks. The chapter argues that persistent loan default can be reduced significantly if the development banks adopt a development role with a paternalistic approach.

Bowrey, Murphy, Smark and Watts describe the establishment and later repeal of the Public Accountants Registration Act, and its replacement with a self-regulating accounting profession as an example of the regulatory capture theory. The chapter also illustrates the possible dangers faced by accountants and the public operating in a nonregulated framework. Duncan developed a model to explain why we may observe regulatory structures cycling between periods of increasing complexity toward periods of reform. It also explains changes in regulatory structures over time.

Seven chapters in the last section of the book look at various social and relationship issues that managers should consider. Diversified issues such as cultural and generational differences, change and its effect on workplace performance, impacts of innovation, ethics, and employee engagement and performance are considered in this section of the book.

The first chapter by Herkenhoff argues that the arrival of the iGeneration in the workplace has resulted in new issues for those who plan to lead them. It observes that successful leaders require both cognitive and emotional capabilities. In the next chapter, English discusses the Innovation Development Early Assessment System (IDEAS) as a means of applying a consistent methodology to the early assessment and planned development of a new product, process or service idea. The complex area of moral decision-making in management is the focus of Macklin's chapter. It argues that ethical judgments require managers to use practical reasoning when applying normative criteria to the inevitably unique circumstances of any case. Sharkie's chapter explains that employees' perceptions of the level of organisational support given to them will be a significant determinant of their willingness to reciprocate and engage in discretionary extra-role behaviour to assist the organisation to reach its objectives. How the employees view the organisations' acknowledgment of their contributions and the organisations' care and concern for its employees' wellbeing plays a large part in how the level of organisational support is perceived.

In the next chapter, Frost and Crockett highlight the potential benefits of industry-based collaboration to promote sustainable regional development of industry collaboration in regional settings, particularly in terms of marketing, economies of scale related to production and in lobbying. It is based on a pilot study within the mining and engineering industry sector in the Central-West region of New South Wales in Australia. The value

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and use of mentoring and the current concerns associated with the increasingly difficult challenge of achieving work–life balance is discussed in the next chapter by Mathews and Jenkins. The use of mentoring and the achievement of work–life balance are viewed as effective means of enhancing performance. This chapter argues that bringing the two together may prove to be much more beneficial for an organisation.

The qualities of international marketing managers have been linked to effective export marketing information and, more generally, to the international success of companies. The last chapter of this book, by Williams and Heffernan, explains the results of an investigation into the backgrounds and marketing intelligence behaviour of export managers in small- and medium-sized enterprises (SMEs). It observes that the experience of living and working overseas has a greater effect on information-gathering and decision-making than linguistic ability, while experience with exporting has the least effect.

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<sup>1</sup> The conference theme was 'Engagement and Change: Exploring Management, Economic and Finance Implications of a Globalising Environment'.