9

Globalisation, challenges and changes

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Learning outcomes

On completion of this chapter you should be able to:

- understand the impact of globalisation;
- understand the move towards greater dynamism, complexity and uncertainty (turbulence) in the international business environment of most firms;
- speculate about the future prospects for organisations, individuals, governments and groups in society as a result of environmental turbulence;
- outline the nature of chaotic and turbulent environments and the implications of these for long-term planning and flexible working;
- reflect on the differences between predictable and unpredictable change and the implications of this for organisations;
- understand the characteristics of the advantages and drawbacks of flexible working;
- discuss the influences that the changing international business environment and, in particular, the trend towards flexible working, have upon individuals and groups in the social community;
- explore environmental scenarios;
- discuss the future role of government and understand the environmental forces acting on public sector organisations.

Key concepts

- dynamism, complexity, uncertainty and turbulence
- predictable and unpredictable change
- chaos theory
- futurology
- long-term planning
- environmental scenarios and planning
- flexible working
- demographic time bomb
- social inclusion and exclusion
- interventionist and laissez-faire government.
Chapter 9  Globalisation, challenges and changes

9.1 Introduction

This final chapter will, in significant measure, depart from the format of the bulk of this text. It is more exploratory in nature, focusing to some extent on the future. It is hoped that you will develop your imagination and differentiate between the more certain and the speculative aspects of the future world. We look at both reasonably predictable changes, such as the aging of many societies, as well as more speculative change. The pace of change is also discussed. However, whether predictable or not, the greatest challenge is actually coping with change. The chapter explores various responses to macro-environmental change, such as flexible working. It examines the impact of change on organisations, groups, individuals and government.

We are constantly reminded that the pace of change is speeding up and, by other commentators, that ‘we’ are moving in unpredictable directions. Of course if we fully accept the ‘unpredictable thesis’ then there would be little point in attempting to plan for change and we would just have to accept whatever came our way! Futurology is the name often given to the art of imagining or at least reflecting upon likely future scenarios for change. Ironically, futurology is probably one of the oldest arts we have – people have attempted to predict the future, no doubt, since the origins of our species, with varying degrees of success. Some cultures adopt a broadly accepting position regarding the future, suggesting that, for example, it is God’s will, while others have a greater tendency to believe that mankind can forge its own future. We will not enter that particular debate here. Instead, we will explore some of the previous ideas and reflect on more current visions of our future. These visions for change in the business environment may have a profound impact on organisational activity and our social and work lives.

Minicase 9.1  Dealing with unexpected changes

Twice in the last decade events have shown how vulnerable an advanced society can be. On both occasions fuel prices in the UK had risen substantially above the general price index due to government tax policies and global price increases. Businesses, in particular farmers and hauliers, for whom fuel costs are especially important, protested against continuing rises by picketing fuel refineries. The normal flow of tankers to petrol stations was affected. In some areas many stations ran dry as consumers fearful of long-term shortages filled up. The sudden rise in demand for fuel made the supply situation worse. Supermarkets reported ‘panic’ buying of foods. The government was suspicious that the oil companies were not doing all they could to get tankers out, in the hope that the government might cave in and reduce taxes, something it pledged not to do. Oil company executives were summoned to Number 10 and the Cabinet’s emergency committee met regularly. Troops were on standby to move fuel supplies. After about a week the protestors gave up their picketing and normality resumed. The Home Secretary was quoted as saying, ‘as a consequence of these protests, essential services, the basic fabric of our society and national life, were brought to the brink’.

Such is the extent of the integration of critical resources and concerns about vulnerability that the UK government created the Centre for the Protection of National Infrastructure. The Centre advises on the security of essential services such as food, water, energy and other services that if compromised would lead to severe economic or social consequences. The threats, they say, are largely from terrorist groups or espionage by foreign powers. Terrorism is not just about bombs and bullets; electronic or chemical attacks are capable of causing massive disruption and harm.

Questions
1 Identify the ways in which businesses and consumers may be affected by industrial action or terrorist attacks.
2 How might governments deal with this increased vulnerability to global events?
Globalisation can be referred to as a phenomenon, a process, a state or a concept. It has evolved partly due to the trend for increasing international trade across national boundaries and the conduct of business activities in more than one country - and because of the changes in the various aspects of the international business environment discussed throughout this book. Put simply, it is a process that refers to the growth of inter-dependencies between national markets and industries on a worldwide scale. This growing interdependence between national economies has resulted in a trend towards global markets, global production and global competition. There are many theories and models that try to explain the process of globalisation; we will look at some of them.

Many commentators take the view that globalisation probably started some way back in the nineteenth century. From this perspective, it is possible to identify four phases of globalisation. The first phase, which peaked in about 1880, was mainly due to improvements in transportation and automation that enabled reliable long-distance trade. Telephone and telegraph communication in the late 1800s facilitated information transfer, which many firms found to be especially useful in managing their supply chains.

Phase two reached its height in the first decades of the twentieth century, when territories under the control of European colonial powers were seen as sites to establish multinational subsidiaries. This period also saw some overseas expansion by American corporations into profitable European markets. This phase is perceived to have ended with the economic crash in 1929, which caused a global depression and a move to inward-looking policies by many governments.

The third phase was based on the lowering of tariff barriers and the resultant increase in international trade after the end of World War II. As individuals, particularly in the richer economies, became wealthier and the austerity of the war years faded, there was massively increased demand for consumer goods. As the largest and least war-damaged economy post 1945, it was, perhaps, inevitable that the USA would become the most dominant power in terms of globalisation.

The fourth (and final) phase of the process has depended largely on two of the changes discussed in this book. These are, first, changes in technology, such as the widespread availability of the personal computer (PC) linked to the internet/world wide web, the increasing use of mobile communications and the development of robotics both for tracking components and finished goods and in the automation of production. Bear in mind, also, that these factors have not only affected manufacturing industry; the service sector, for example banking and tourism, have also benefited from these changes. Distance is no longer an issue – the world has shrunk to a manageable size. The second factor is the change in political attitudes and economic policies that have allowed companies (and consumers) to take advantage of these technological advances. It is apparent that there has been much convergence of global thinking, with many more countries moving towards an acceptance of liberal, free-market ideas. Social trends changed, too, as consumers apparently became less concerned with products' national identities. Table 9.1 shows these phases.

Figure 9.1 shows some factors in the macro-environment that have had an impact on globalisation.

Theodore Levitt (1983) was one of the first academics to write about globalisation. In 1983 he said that technology is the driving force behind the globalisation of markets and, thus, a ‘converging commonality’ in countries around the planet. He suggested that:

- communications (e.g. TV);
- transport;
- travel;
- products; and
- processes;
were all leading to an ‘irrevocable homogenisation’ of demand. Levitt’s key assumption or hypothesis was that local tastes and preferences will vanish if the product is cheap enough. The implication of this is that:

- identical products will be sold in all markets; and
- industries will be dominated by global corporations benefiting from huge economies of scale.

An alternative view is put forward by writers such as Douglas and Wind (1987) and Ohmae (1989) who suggest that some products are ‘global’, others are not. They point out that there are many barriers to standardisation and that companies cannot ignore local consumer needs. Indeed, companies can gain considerable benefits by making minor changes to suit different national markets. That is not to say companies should ignore the attractions of standardisation. If companies can standardise, even to a small extent, then they will be able to avoid duplication of effort in, for example, research and development and provide the same products in markets where this is acceptable. The emphasis is, perhaps, best summed up by Kenichi Ohmae’s famous phrase ‘Think globally, act locally’. In essence, this can be seen to mean that companies should regard the globe as one market, but should make changes to their products and services when necessary, to better serve each local market.

It is clear that some markets are in line with Levitt’s ‘converging commonality’ e.g. designer clothing where consumers are more than happy to buy the latest exclusive design. A second example would be CDs, which are produced to identical technical specifications the world over. Other markets are, however, locally differentiated. This can be seen in the variation in menus that McDonald’s, for instance, offer around the world, even while the core image and branding of the company remain constant. While it is possible to recognise both of these viewpoints, one thing is clear: customer needs are becoming more complex and so are markets. This so-called convergence/divergence debate is also discussed in Chapter 5.

George Yip’s (2003) model provides further insight into the forces driving globalisation. It helps us to understand the pressure that industries are under to globalise: see Figure 9.2.

Yip also says that an understanding of the global forces assists a company to identify the critical success factors in a global industry and market.

Market drivers:

- similar customer needs and tastes;
- the existence of global customers;
- transferable marketing between different countries.

<table>
<thead>
<tr>
<th>Phase of globalisation</th>
<th>Period</th>
<th>Trigger</th>
<th>Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>First phase</td>
<td>1830–1890</td>
<td>Rail and ocean transport</td>
<td>Automated manufacturing; cross-border trading of commodities</td>
</tr>
<tr>
<td>Second phase</td>
<td>1900–1930</td>
<td>Electricity and steel</td>
<td>Emergence of European and American manufacturing and extracting industries</td>
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<tr>
<td></td>
<td></td>
<td>production</td>
<td></td>
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<tr>
<td>Third phase</td>
<td>1948–1970s</td>
<td>GATT, end of World War II</td>
<td>Efforts to reduce trade barriers. Rise of Japanese multinationals, triad nations and branded products</td>
</tr>
<tr>
<td></td>
<td></td>
<td>rebuilding</td>
<td></td>
</tr>
<tr>
<td>Fourth phase</td>
<td>1980–Current</td>
<td>ICT, automation, consultancy, privatisation</td>
<td>FDI fuelling growth in LDCs, technology and transport innovations, global media and branding</td>
</tr>
</tbody>
</table>

Table 9.1 Four phases of globalisation

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Competitive drivers:
- competitors' global strategies;
- country interdependence.

Cost drivers:
- scale economies and scope including product development costs - experience curve;
- favourable logistics;
- country-specific differences.

Figure 9.1 Selected factors in the macro environment that impact on globalisation
Government drivers are numerous and include:

- trade policies; tariff barriers; subsidies to local companies; ownership restrictions;
- local content requirements; controls over technology transfer; intellectual property regimes; currency and capital flows;
- marketing regulations; host government concerns; technical standards.

Overall, then, it can be seen that there is a great deal of evidence that globalisation has been on the rise, increasingly rapidly as the twentieth century came to an end and the twenty-first began. Even the turbulence and the problems of the 2008 credit crunch have not stopped the process. It may have slowed some international expansion by companies, indeed, that is certainly the case, but there is little evidence of any reversal of the trends of the previous three decades. On the contrary, policy-makers around the world have called for a global response to a global problem, acknowledging the inter-connected nature of the global economy (and global societies). As we have shown throughout this book, it is possible to use the PESTLE C model to look at these forces driving globalisation (and some of the obstacles too).

At a political level the formation of world institutions such as WTO, UN, the World Bank, OECD and IMF have been necessary to facilitate globalisation. We can also see global legal entities such as the International Court of Justice based in The Hague, as well as countries becoming more willing to share criminal intelligence to fight against global crime. The increase in the number of global standards including patent protection and electrical standards also break down barriers to international trade.

At an industry level the emergence of worldwide markets, including new businesses based on internet trading, is a good indicator. Global production, global competition and global brands, e.g. McDonald’s, Coca-Cola, Toyota and Adidas, are now commonplace across all the continents, not just the richer parts of the world. There has also been an increase in cross-border mergers and acquisitions throughout the 1990s and beyond until the economic downturn of 2008 has (temporarily, perhaps) slowed the process. Even so, this activity has resulted in even more global corporations, some (such as India’s Tata) based in developing economies. World financial markets have developed to support all this activity.

Technological change, often based on developments in information technology and the fall in the cost of computer processing (widely accepted to have fallen at around 30 percent per year for 20 years), have been vital in pushing globalisation. IT developments allow companies to produce new goods and reduce production costs through advances in CAD and robotics. Now even the smallest SME (e.g. a musician in a bedroom) can reach a global market. This in turn alters industry structure and markets.
The increase in information flows between geographically remote locations has been made easier by high-speed global telecommunications. Satellites and submarine fibre-optic cables enable high-speed data transfer vital to support global business. Satellites are vital for mobile communication and tracking goods in the supply chain. Innovation has provided access to information through search engines that provide information for huge numbers of people and provides for more rapid research and development. Some countries are clearly further advanced in this process than others. For example, South Korea, which has almost 100 percent internet access and some of the fastest broadband networks in the world, could be in a position to take more advantage of the changes than countries with less fully developed systems.

We can illustrate how communication has speeded up over the centuries:
- in 1492 it took five months for the King of Spain to hear that the voyage of Christopher Columbus to the Americas had been a success;
- in 1865 two weeks passed before news of the assassination of Abraham Lincoln in Washington, DC reached Europe;
- in 2001 it took two seconds for the world to witness the collapse of the twin towers of the World Trade Center in New York City.

Social and cultural developments, such as the increased amount of travel by citizens of many nations with low-cost flights and fewer restrictions, have increased awareness, interaction and the desire to experience foreign cultures; Levitt’s idea of converging lifestyles may be getting closer. And to this can be added the increase in personal connectivity, e.g. MySpace and Facebook give the impression of a globalising world.

Ecological awareness is also developing a global reach with international treaties. For example, the Kyoto Protocol agreed in 1992 and ratified by the majority of the world’s national governments (but not the USA) indicated a growing international agreement to recognise and combat the threat to humanity from increasing economic activity. This, and the meeting at Copenhagen in December 2009 to discuss and decide upon a replacement for Kyoto, have been criticised by environmental campaigners as being insufficient to tackle the problems that exist. Nevertheless, the very existence of such agreements and conferences indicates an increasing recognition of the problems and a desire, however limited in some cases, for action – internationally agreed and co-ordinated action – to tackle those problems.

In short, it can be seen that there are both costs and benefits, and advantages and disadvantages, in the process of globalisation. That is why the topic is one that arouses much passion and much debate. Supporters of globalisation see it as being of benefit to all, if not now, then at some point in the future. Opponents worry about the inequalities they perceive as being inherent in the process (the rich get richer, the poor get exploited) and nationalists are concerned about what they see as the diminishing power of the nation state. These issues are discussed in a little more detail in the next section.

### 9.3 The consequences of globalisation

As can be seen from Tables 9.2 and 9.3, there are many contentious issues involved and much debate about the consequences of globalisation. Much has been written about the consequences of globalisation – both good and bad. Table 9.2 outlines some advantages of globalisation for businesses, customers and countries; Table 9.3 some disadvantages.

Let us begin this part of the discussion by concentrating on one of the main worries expressed by many governments (and individuals) around the world, the view that globalisation can threaten a country’s national sovereignty and capacity for independent action in a number of ways. These may include such issues as:
- the size and scale of multinational companies, which gives them significant influence over policy making of governments;
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Table 9.2  Advantages of globalisation for businesses, customers and countries

<table>
<thead>
<tr>
<th>To business</th>
<th>To customers</th>
<th>To countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access to mass markets – increased sales</td>
<td>Lower prices</td>
<td>Improved standards of living in both developed and developing countries</td>
</tr>
<tr>
<td>Economies of scale and reduced costs</td>
<td>Wider choice</td>
<td>Increased democracy – fall of communism</td>
</tr>
<tr>
<td>Access to resources</td>
<td>Improved quality</td>
<td></td>
</tr>
<tr>
<td>Access to finance and tax savings</td>
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</tbody>
</table>

Table 9.3  Disadvantages of globalisation for businesses, customers and countries

<table>
<thead>
<tr>
<th>To business</th>
<th>To customers</th>
<th>To countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased competition</td>
<td>Standardisation</td>
<td>Exploitation</td>
</tr>
<tr>
<td>More demanding consumers</td>
<td></td>
<td>Loss of national culture and identity</td>
</tr>
<tr>
<td>Increasing volatility</td>
<td></td>
<td>Uneven benefits</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Environmental factors</td>
</tr>
</tbody>
</table>

- increased international competition may necessarily mean that some countries miss out;
- the increasing number and variety of international laws and standards may be difficult for some countries to keep up with;
- governance issues are coming to the fore, which may cause problems for some countries with less developed legal frameworks.

A second area of concern for government is that companies may take advantage of changes to move their activities to cheaper locations, an activity known as offshoring. However, it must be remembered that offshoring can also create employment. Offshoring is typically defined as the establishment of a business or part of a business overseas. We can see it in the relocation of manufacturing from more developed economies to those that are less developed, or in the transfer of call centres from the UK to India or from the USA to Puerto Rico. Offshoring will inevitably involve the loss of employment in the country that the business leaves. As costs increase in one country then companies can move their operations to cheaper and cheaper locations as they chase lower costs. The result is that new jobs could be only temporary.

The effect on the workers, who in many less developed nations may be poor, needs to be taken into account. A number of multinational companies have been accused of offering very poor rates of pay and forcing employees to work in sweatshop conditions. Some have also been accused of employing child labour, which means that these children could be missing out on education. There is pressure on global companies such as Gap, Next, Nike and Matalan to enforce rigid standards throughout their supply chains.

It is not all bad news. Conditions do seem to improve in many countries over time. In Vietnam it has been estimated that wages have increased five-fold in recent years. Developing
countries such as India, China, Vietnam and Bangladesh have all benefited from global production. The World Bank (Dollar, 2004) found that wages have generally been rising faster in globalising developing countries than in rich ones, and faster in rich ones than in non-globalising developing countries: see Figure 9.3. The point is that the fastest wage growth is occurring in developing countries that are actively increasing their integration with the global economy.

The impact on the environment is rather more difficult to accurately quantify. Growth brought about by increased economic activity does have a negative impact: see section 6.3.1 ‘Externalities’. Pollution is some countries is reaching critical levels; at certain times of the day it may be dangerous for some people to leave their homes. China’s economy has grown at a spectacular rate over the last 15 years. Rising energy needs led to the building of the Three Gorges Dam, used to produce hydro-electric power. While this is a spectacular achievement, it has been at the expense of flooded agricultural lands, flooded cities, the displacement of millions of people and the loss of vital habitat for wildlife. Increased carbon emissions could in the medium to long term have a catastrophic impact on the planet, which we are already starting to see now.  

The impact on national cultures will vary from country to country. Writers warn of the ‘McDonaldisation’ of society and Western companies and brands gaining a dominant position. There is even a chance that familiar national foods could be replaced by their global counterparts and even languages may be affected by the global use of English.

### 9.4 Changes in the international business environment

Here we identify, by way of a summary or stock-take, a number of dynamic environmental issues that have been raised in this book. These critical environmental trends include:

- globalisation in manufacturing and service provision;
- large-scale geographical changes in the distribution of manufacturing (e.g. vast increase in parts of South East Asia and stable, even declining, outputs in much of North America and Europe);
- some economies specialising in manufacturing while others specialise in service industry and consumption;
- global recession and vastly differential national economic growth rates creating rapidly shifting patterns of global wealth and income distribution;
- growth in the power and influence of economic and political unions, such as the EU, and countries, such as the BRIC economies – Brazil, Russia, India and China;
- the spread of nuclear weapons capability;
- religious fundamentalism;
- the threat of international terrorism;
- changing emphasis from multilateralism (e.g. power lying with the UN) to unilateralism (e.g. power with the USA or others);
- increasing debate on the future role of government;
- failed states;
- the prevalence of long-term unemployment and under-employment;
- the continuing integration of Europe and of other regional blocs;
- atmospheric, water, space, land and noise pollution, resource depletion and water shortages;
- global warming;
- increasing availability of information and ease of communication;
- technological advances, including ICT, biotechnology, genetics, robotics, virtual worlds;
- the demographic transition typified by declining fertility rates and increasing life expectancy leading to an ageing population in most countries – the so-called ‘demographic time bomb’ – with serious long-term implications for caring for the old, levels of taxation and government and individual indebtedness;
- dynamic national and international cultures, mass migration and cultural interaction, tolerance and intolerance; and
- changing attitudes towards the family, health, crime and society.

This list provides ample food for thought. Many of the issues raised have crucial implications for all governments and organisations, groups and individuals. Collectively, these environmental forces are fundamentally influencing, and being influenced by, patterns of economic growth, employment and investment.

### 9.5 The nature of the international business environment

The first chapter of this book identifies dynamism and complexity as two key factors in the business environment of many organisations. These are the prime characteristics of a turbulent environment (see Mini cases 9.1 and 9.6). The models discussed in Chapter 1 help us to categorise environmental influences (using the PESTLE C model) and to devise lists of key organisational opportunities or threats (the ‘O’ and ‘T’ in SWOT analysis). However, Johnson et al. (2008) argue that organisations need to understand the nature of their environments before they audit the individual environmental factors. Such an analysis might be expected to help an organisation decide upon the sorts of systems which are required to monitor and respond to environmental change.

New technologies and increased globalisation of many markets encourage environmental turbulence, such that organisational planning cannot be seen as a continuous ‘rolling out’ of previous plans. Merely from scanning a quality daily newspaper, it is possible to catalogue a range of increasingly ‘commonplace’ surprises which threaten today’s organisations, such as major global accidents, terrorism, kidnappings, hostile company takeovers, sabotage via
product tampering, investigative journalism, equipment breakdowns, political upheaval and pressure group activity.

If environmental factors are less predictable, then planning needs to be seen as a more flexible, adaptive and responsive process. It is these two key areas, that is, the planning process and the need for organisational flexibility, which are given considerable attention in the next section. However, during this discussion we should be aware of the impact an organisation can have on its environment and the operation of the market by way of its strategic, tactical and operational actions. If dynamism and complexity are key factors in analysing the nature of an organisation's business environment it seems reasonable to ask whether there are any academic models which may be of assistance to us. Miles (1980) devised a useful series of questions for evaluating the nature of an organisation's environment. The suggested process involves mapping an organisation's environment using a series of continuums, for example, from simple to complex and static to dynamic.

There is a growing field of literature on crisis, chaos and shock event management. Underlying analysis of such 'shock events' in the business sphere, however, is the developing body of knowledge about the concept of chaos. Gleick (1987), in a seminal work, offered some fascinating insights into the discoveries about the behaviour of things in the natural world. These included the graphically termed 'butterfly effect' in global weather forecasting: the notion that a butterfly stirring its wings today in one part of the world might transform weather systems next month in another far-off area. He also said that these ideas have begun to 'change the way business executives make decisions about insurance, the way astronomers look at the solar system, the way political theorists talk about the stresses leading to armed conflict.'

A number of largely American researchers have looked for such chaotic patterns in the movements of the stock market, in an attempt to predict its behaviour. However, this work has been criticised because:

- any small errors made at the start of the process would be likely to result in huge forecasting errors over time;
- huge amounts of data are required to model chaotic systems and these were unavailable in most markets; and
- the ability to spot chaotic patterns is small given the large number of variables which influence the markets – particularly if we think that new factors are now affecting performance.

Writers such as Stacey (2007) have looked at the business impact of chaos theory. He notes the tendency in many business cycles towards the sort of 'non-linear feedback loops' observable in the natural world. Although the value of chaos theory may be questioned, it is possible that the mathematical models designed to explore non-linearity will generate useful analytical tools for managers in the future.

9.5.1 Implications for individuals and groups

When environmental change demands organisational change, as it almost continuously does, then we as individuals have to respond. It is becoming increasingly uncommon for people to work within a stable environment and undertake similar tasks and responsibilities for any length of time. Individuals are required to change at least as rapidly as the business environment if they are to remain effective. They need to continually develop their capabilities in order to function effectively within changing organisations. As the now clichéd saying goes: 'standing still is not an option'. We have to develop new skills and behaviours and, perhaps more importantly, new attitudes and ways of thinking, as the environment demands flexibility and the capacity and willingness to seek personal development opportunities.

Moves towards greater flexible working and the growth of the flexible firm are of direct relevance to individuals in the workplace. It is individuals who are being made 'flexible' and it is they who will, or will not, cope with the changes in working patterns outlined above. In
developing economies, many people who work in factories are on short-term contracts and/or fear for their jobs as costs increase or demand drops. In developed economies, many people in higher-paid jobs now have what has been called a ‘portfolio career’. This is multifaceted and may include holding a number of ‘loose’ employment contracts, with a number of employers. For example, a management consultant might work on a few short-term projects with a number of organisations, undertake to write a management textbook for a publishing company and work for a university business school as a part-time lecturer.

Most individuals (particularly in the richer countries of the world) have been accustomed to regular 9 to 5, permanent, pensioned employment, so that new developments present personal challenges in balancing work and life patterns. Changes in employment and career patterns have important and far-reaching consequences for pension provision and some welfare payments. With an ageing population, government fears the rising burden of pension and welfare demands upon the public purse. The picture is more pronounced in some Western countries. By 2030, people over 65 in Germany, the world’s third-largest economy, will account for almost half the adult population, compared with one-fifth now. Unless the country’s fertility rate recovers over the same period, its population of under-35s will shrink about twice as fast as the older population will grow. The total population, now 82 million, will decline to 72 million while the number of working age will fall by a quarter, from 40 million to 30 million. The pattern is similar in Japan, Italy, France, Spain, Portugal, the Netherlands and Sweden. Curiously, perhaps, China faces a similar concern due to its long-standing ‘one-child’ policy (see Minicase 1.4 in Chapter 1).

Increasing numbers of middle-aged and older people are having to adjust to changing employment patterns. The OECD has calculated that only just over a third of UK citizens aged over 55 years are in paid work. The equivalent figure for France is 27 percent while for Italy it was just 15 percent. Redundancy, early retirement opportunities and the lack of employment prospects for those over 55, together with youth unemployment and increasing numbers in higher education, ensure that the vast bulk of the workforce in Western Europe is between 25 and 55 years old. Many people’s working life is restricted to just 30 years, which seems at odds with the much reported increases in life expectancy and the demographic time bomb most countries are facing. Minicase 9.2 explores these quite contrasting demographic trends.

Increasingly governments and commentators are suggesting that people (especially in European countries with aging populations) will in fact have to consider working into their 70s in order to continue to enjoy an acceptable standard of living. This may be taking us back a generation or two. In the 1960s in the UK, for example, the majority of young adults started work aged 15 or 16 and were expected to retire at 65 (male) or 60 (female) – a working life of up to 50 years (albeit one which started at an earlier age than is likely to be the case in the future). For some people changes in this regard have been unwelcome and have led to a reduction in their standard of living. Many have had to adjust their work-life expectations. Increasingly, the lack of adequate pension provision for vast numbers of now young and middle-aged people suggests that early retirement, or indeed retirement at all, may not be an option in the near future. Whereas retirement has not been an option for many in developing countries, increasingly, especially in the USA and even Europe, more are opting to work post-retirement age (and age discrimination legislation is supporting this trend).

Previously predictable life-cycle patterns have, in the last two decades, changed considerably. The Sigmoid Curve, see Figure 9.4, is an analytical model for depicting a person’s working life cycle. It is often suggested that people start life falteringly, then make steady and consistent progress before peaking and enjoying a ‘decline’ during retirement. However, the timeframe for the Sigmoid Curve, rather like many product life cycles, is now being squeezed. This means people need to develop new options for a second or even third career during their working lives. Evidence suggests that an increasing number of people (especially in developed economies) switch careers at least once during their working life and undertake a seemingly different occupation (e.g. from executive to management lecturer). Figure 9.4 shows this secondary curve superimposed on the Sigmoid Curve, indicating that many people can sustain personal growth by developing a second career.
Minicase 9.2  A parting of the ways

Demographic forces are pulling America and Europe apart. If the trend continues America’s strong position in the world may grow further. The population in the USA is rising faster than many had expected. The fertility rate in the USA remains buoyant while in Europe it is low and decreasing. Even America’s immigration rate is higher than in Europe and immigrants are reproducing faster than native-born Americans. The population of Europe is ageing rapidly; in the USA its median age is far more stable. It is estimated that the median age of Americans in the year 2050 might be 37–40 (very close to the current state at about 35) while in Europe it could easily be over 50 (currently it is about 39). This represents a stunning difference largely accounted for by the ageing of Europe’s population. To move within just 40 years to a difference in median age of about 15 years represents a major parting of the ways with far-reaching cultural, social, economic and political implications. If the trend continues, America’s population will overtake that of Europe (excluding Russia) well before 2050. Unlike Europe, America’s older people, their ‘seniors’, will remain a more stable proportion of the total population than in Europe.

The fertility rates in most of Europe are below replacement level which is about 2.1 children per woman. In some countries, for example Germany, it is only 1.3, meaning that natural population change in Europe is rapidly downwards (the population of Germany and Italy, for example, is in decline). Inward migration does reduce such falls to an extent. Immigrant populations usually have higher fertility rates. For example, in the USA the non-Hispanic whites’ fertility rate is 1.8 (below replacement levels) while for the black population it is 2.1 and 3.0 for the Hispanic population. In many areas in the south of the USA (e.g. Los Angeles and Houston) Latino groups account for well over half of the under-14-year-olds. Whereas traditionally America’s cultural ties with Europe have been strong, things might change. The majority of immigrants come from Latin America or South and East Asia and this might, in time, pull America’s attention away from Europe.

Questions
1 Discuss the likely implications of these changes on richer economies (e.g. Europe, the USA, Japan and Australasia) for organisations, individuals and governments.
2 Discuss the likely implications of these changes on the poorer economies of Asia, Africa and Latin America for organisations, individuals and governments.

This discussion has highlighted a trend in society towards greater life and employment uncertainty. For many people flexible working improves choice and freedom while for others it constrains or sidelines them. Unfortunately, as individuals we are powerless to change societal trends or governmental policy. Globalisation and technological change conspire to transform our social and working worlds. What we can do is exercise some control.
over our own patterns of living. The paradox is that fragmentation and flexible working can offer new freedoms for those able to take advantage of them.

One further aspect of this needs to be discussed: the impact on groups of people as distinct from individuals. Over a generation ago, Pawley (1974) considered that Western society was withdrawing from ‘the whole system of values and obligations that has historically been the basis of public, community and family life’. He was of the opinion that technological developments such as televisions in children’s bedrooms, computers, games consoles and MP3 players which he termed ‘socially atomising appliances’, were fuelling a retreat into ‘private lives of an unprecedented completeness’. During the 1980s the then UK Prime Minister Margaret Thatcher famously denied that there was such a thing as society, as distinct from groups of individuals. Pawley’s assessment has, perhaps, proved to be particularly pertinent, especially in Western countries in the twenty-first century.

Concern has been expressed about the degree to which young people feel ‘disconnected’ from the political and social system and about the generally acknowledged scale and growth of an underclass of permanently or long-term unemployed, poorly educated, living on benefits and surviving at the fringes of society. Many other, particularly young, people have been attracted by single-issue campaigning on such matters as animal rights and environmental protection. The mainstream political parties have struggled in many democracies to energise people and motivate them even to vote. Election turnout in the European parliament elections held across the EU every four years, has progressively fallen in the last two decades to below 50 percent. However, this is not always the case, as demonstrated by the enthusiastic participation of many in the 2008 USA presidential election that brought Barack Obama to power.

9.5.2 Implications for organisations

Whatever their objectives and legal status, organisations have, almost without exception, changed over the last decade. Very many have restructured internally, realigned their business processes to improve customer service, made focused strategic changes to their management control systems, developed their staff, improved their technological positioning to achieve competitive advantage and adjusted their product market portfolio. Most of these changes reflect a conscious response to turbulence in the business environment, including recession, and a deliberate effort to influence that environment. Many organisations have undergone fundamental change because the environment has itself transformed. The global forces for change really are profound.

A number of researchers, among them some notable management ‘gurus’, have attempted to predict the ways in which organisations will change in the next decade and beyond. Such predictions are often based on current trends and collective expectations together with a pinch of ‘educated’ guesswork. To a large extent it is the changing nature of the international business environment that will dictate the nature of these changes and, in turn, the way organisations respond to change will alter the nature of the environment for all. The next section will first look at the implications of the changing business environment for long-term planning and will then explore one particular organisational response to environmental turbulence, that is the growth of flexible working, touching on its different forms in different countries.

Operational plans have always been distinguished from strategic plans on the basis of the time period they cover and the scope and detail they contain. Strategic plans have tended to imply a planning horizon of about five years and to cover the organisation as a whole. To be able to plan over this sort of period implies a reasonable level of certainty about the environment in which the organisation operates. However, turbulence in the environment leads to an increasing lack of stability and predictability which, in turn, makes long-term strategic planning hazardous. This has led many writers on strategy to question whether organisations should adopt long-term, centralised approaches to planning. Mintzberg (2000) believes that incremental and emergent approaches to the process of strategy formulation should increasingly be considered by organisations. Increased environmental turbulence also
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suggests that systems of planning which devolve responsibility to individual business units are likely to make organisations more adaptable and responsive to environmental change.

Stacey (2007) questions many of the underlying assumptions used by firms in the process of long-term planning. He points out that many of these assumptions are based upon a range of quantitatively based analytical techniques. These techniques contribute to an underlying assumption, on the part of some theorists and many managers, that there is a ‘best way’ to plan. However, as noted above, long-term organisational planning is becoming less and less reliable or valid in today’s turbulent environments.

Perhaps we should not over-react; after all, Mintzberg (2000) reminded us that each succeeding generation tends to perceive its present situation as more turbulent than its predecessors. He suggests the key factor is whether organisations can learn to think strategically and avoid inappropriately formal processes of planning. He reminds us that:

> changes that appear turbulent to organisations that rely heavily on planning may appear normal to, even welcomed by, those that prefer more of a visionary or learning approach. Put more boldly, if you have no vision but only formal plans then every unpredicted change in the environment makes you feel that the sky is falling.

Mintzberg also suggests that the perceptual filters discussed in Chapter 1 may operate differently in different countries. However, turbulence demands an organisational response. One such ‘reaction’ has been for organisations to attempt to develop far greater flexibility; hence the growth of the concepts of the ‘flexible firm’ and of ‘flexible working’, discussed in section 9.6 ‘Flexible working’.

9.5.3 Implications for governments

This section explores some of the implications for government of environmental change before looking at the ongoing debate concerning the role of government; see also Chapter 7. Government at local, national, regional and global levels is a powerful environmental force which influences the business environment of all organisations. However, there is a range of environmental phenomena which are themselves of major concern to governments at various levels. Many of these are listed in the introductory section of this chapter. We will look at just two of these changes and briefly assess the consequences for governments; these are international competitiveness and technological change.

**International competitiveness**

As we have seen, progress towards the globalisation of production and trade has been rapid in recent decades. It has been hastened by the successes of the GATT, replaced in 1994 by the WTO, by market and political union between countries, and by many genuine attempts on the part of world leaders to reduce ‘distance’ between nations and communities. Moreover the growth of reasonably unfettered capitalism has made the world a very different place today than it was just a couple of decades ago. Figure 9.5 shows the estimated GDP of the top ten economies in 2050. Note the enormous growth of China and India, significant growth in Brazil and Mexico, and the relative decline in most Western economies such as the USA. The recession from 2008 to date will only serve to hasten the change in world order.

Despite the volatility in economic growth, the last two decades have witnessed large increases in global income and in levels of international trade in both goods and services. Many protective barriers have been removed or reduced, such that competition between nations and companies is, by and large, more fierce than in previous decades. It is now important for companies and governments to consider the level of national and regional competitiveness. Undoubtedly, some countries enjoy political, social, technological and economic advantages which encourage multinational, transnational or global companies to invest in them. A number of organisations and researchers have attempted to calculate
national competitiveness and produce ‘league tables’. They consider such things as average wage rates, workforce skills and capabilities, income and corporation tax rates and the degree of political stability. The World Economic Forum Global Competitiveness Index (GCI) ranking for 2006–2007 and, for comparison purposes, 2001–2002, are shown in Table 9.4.

Many individuals, groups and organisations in most countries argue that government should play a major part in attempting to maintain or improve their national competitiveness. By so doing they may facilitate the achievement of comfortable economic growth rates, better and secure employment opportunities and improvements in standards of living. Although most governments actively pursue policies which they believe will enhance the competitiveness of their country and its organisations, there is considerable disagreement

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on how best to achieve this aim (see Chapter 7). Some argue for a heavily ‘interventionist’ policy in which government plays a major role, for example by:

- directly investing in industry;
- providing training;
- building state-of-the-art infrastructure;
- facilitating international trade.

Conversely, other arguments favour a more laissez-faire approach, such as was traditionally the case in the USA or Hong Kong. Broadly, government’s role in this scenario is to ‘free’ private enterprise from many ‘constraints’, such as high social costs and taxes, and to allow it to compete in free markets. In this scenario government does not significantly intervene, for example to subsidise public transport or to invest directly in industry.

Both broad schools of thought can claim successes. The USA, for example, flourished by adopting a predominantly laissez-faire approach, while Singapore has experienced rapid economic growth, in part, it is argued, by active government interventionist policies. Whatever one’s views, it is clear that national and/or regional competitiveness is increasingly becoming an important determinant of the material well-being of a population. Consequently, government has an obligation to its citizens to ensure they share in global successes.

Technological change

Technological change has a significant influence over economic growth (see Chapter 4). Government, therefore, has a role to play in the development of conditions suitable for technological advances to be made and transformed into economic wealth-creating opportunities. The approach governments adopt will largely depend on their ideological stance, as indicated above. One government may, for example, invest a significant element of revenue collected from taxation into research which might lead to economic wealth-creating opportunities largely for private industry. Another may prefer to allow market mechanisms to dictate research and development spending levels within industry. Clearly, the role of government, although crucial, varies considerably across the world. It is reported, for example, that in Hong Kong multinational organisations have for decades been invited to invest, irrespective of the technological benefits they might bring to the province. However, the government of Singapore has been somewhat more vigilant and active in encouraging companies which bring transferable technological advances to their country.

Although there is often government involvement, private sector organisations are the major sources and users of new technologies. The extent of their involvement varies from industry to industry. One notable example is discussed in Minicase 9.3, which illustrates the impact of technological developments in the petroleum industry.

In addition to creating the ‘right’ conditions for technological development and diffusion, government also has a regulatory role to perform. This role may involve prohibiting, or otherwise regulating, potentially unethical research and technological development. Many countries are currently debating issues concerning the advances in genetic engineering which have been made in recent years. There are important and far-reaching ethical consequences of many technological advances. Although self-regulation, by researchers and professional bodies for example, is important, many people expect governments to adopt an ideological and regulatory stance in this regard.

9.6 Flexible working

Given the dynamic nature of the business environment outlined throughout this book, it is clear that there has been, and will continue to be, a major impact on all the actors discussed,
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Chapter 9

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that is governments, organisations, groups and individuals. We need to look at one of the most common responses to these pressures in the environment, the move towards greater flexibility in working practices.

There are a number of highly contentious issues associated with flexible working. For example, government policy may favour a reduction in the legal restrictions on the hiring and dismissal of workers, which would most certainly increase flexibility. However, this could have significant, often harmful, consequences for many groups and individuals. This is a key issue for many developing and advanced economies. Many countries have a legally enforceable minimum wage, but the consequences may be higher unemployment levels among low-skilled, particularly young, people. In many countries governments are considering age-discrimination legislation, in particular to prevent discrimination in the employment of older people. Although it is recognised that government has a role to play, the impact of often unintentional consequences of government intervention, can be damaging. Getting it ‘right’ is rarely straightforward.

It is evident that this real or perceived need for flexibility is increasingly influencing employment conditions. Within organisations, people are both the most vital and the most costly resource. Traditionally, however, people have often been seen, rightly or wrongly, as being prone to inflexibility and inertia. As a consequence many organisations have sought to achieve greater flexibility in employment conditions in recent decades. Both employers and employees lead the trend, with governments often regulating, sometimes supporting, developments via legislation. That said, ‘flexibility’ often means different things to individuals as opposed to businesses. It is also true to say that the concept has an ethnocentric quality so that the very concept of flexible working and the flexible firm is more familiar in, say, the

Minicase 9.3 Making the earth move – seismic shifts in the petroleum sector

Companies in the oil exploration business look for oil. One way of finding it uses a relatively new technique of three-dimensional seismology. This uses sound waves to map underlying layers of rock to create a picture of what it is like deep underground. Seismology helps explorers to find deposits that previous exploration methods would not have discovered. It therefore improves the success rate for drilling oil wells, which is an expensive business, especially if the bores turn out to be either dry or don’t produce enough oil to make them worthwhile. Shell, Amoco and Exxon among others all use three-dimensional seismology to cut the costs of exploration that have to be recovered in prices per barrel. Other effects of the technology of the industry are:

- The formation of new companies that assist in collecting data from three-dimensional seismology surveys and also companies that support them.
- Sophisticated computing systems are needed to analyse data and specialist software, and hardware companies have evolved to fill this niche. Earth Vision is one such system.
- The fast pace of technology development and investment costs catalysed consolidation among companies providing seismic surveys – the numbers of companies declined.
- Mergers among big oil exploration companies brought about a more concentrated industry. Mergers were a way for big firms to maintain their relative standing in the industry. The big seven firms of the 1960s reduced to four, e.g. Exxon Mobil combined as did BP and Amoco.

Source: based on Voola (2006)

Questions

1. How has the use of technology changed in the oil/petroleum industry in the last 30 years?
2. What are the costs and benefits to society of the widespread use of these techniques to discover ever more remote sources of oil?
UK than in France, whereas the term is far less in common usage in China or India than in Western countries. Nevertheless, globalisation has a tendency to ensure that methods of coping with turbulence are replicated across national boundaries and cultures. For example, despite the cultural resistance to flexible working in France, many forms of such working, outlined below, are increasingly practised. The same may well be true of practices in the developing world in the coming decades.

In the richer Western economies, the old ‘industrialised’ scenario of reliable employment, which allowed families shared times for shopping, travel and leisure, together with patterns of work and retirement within the nuclear family, is metamorphosing into what some have called a ‘post-industrial’ age. Alvin Toffler (1985), a well-known writer about the future shape of work and of organisations, termed such a society a ‘super-industrial’ age or a ‘third wave’. More and more countries are now moving into this new phase of development. Toffler suggests that this new wave follows on logically from the ‘first wave’ – the Agricultural Revolution and the ‘second wave’ – the Industrial Revolution. Others have referred to it as post-Fordism – that is, following Henry Ford’s mass-production era. In this evolutionary phase certain types of work are in decline as other types of work are emerging. However, it is at least arguable that newly industrialising economies in the developing world are still in the process of entering the second wave as they industrialise, usually on the basis of mass-production techniques.

It is clear that as new waves occur it can cause us to think again about our underlying assumptions about the nature of work. Key characteristics of this new age are expectations on the part of employers that workers will be very flexible (examined in some detail below) and be able to adapt products and services, almost at will, to meet the particular needs of individual customers. The enhanced capabilities of many organisations to customise products and services have been strongly influenced by developments in, for example, microprocessor technology and management techniques. Computers enable us to process and communicate data and information extremely rapidly. Advances in telecommunications technology have delivered significant improvements in the quality of data about life and work throughout the globe. These technologies have been harnessed by organisations which wish to operate in a range of countries.

As long ago as 1995, Bridges identified some rather ruthless ‘new rules’ which are still evolving but apply to many parts of the global economy today. The rules are divided into three key points:

- everyone’s employment is dependent on the organisation’s performance and, as a result, employees need to continuously prove their worth to the organisation and to behave more like an external supplier than a traditional employee;
- workers should, therefore, plan for career-long self-development by taking primary responsibility for their development, their pension and by renegotiating their compensation arrangements with each organisation when, and if, the organisation needs to change; and
- wise companies will need to work closely with these new-style workers to maximise the benefits for both parties and to bring a range of projects to satisfactory completion.

**9.6.1 Forms of flexible of working**

Having looked at some of the assumptions which underlie recent trends we can now examine the different forms of flexible working which may be found. All of these are driven by external forces. First, we can identify various types of ‘numerical’ flexibility, which generally affect employees’ hours of work. These include long-standing practices such as:

- overtime;
- home working;
- shift work;
- part-time work;
A few of these require some further explanation.

Some companies offer employees work as and when required by the employer, these ‘zero-hours’ contracts enable the organisation to adjust staff levels in line with customer demand. Employees on these types of contract are likely to be less than satisfied with this arrangement as it introduces considerable uncertainty into their working lives. Another market-driven change is apparent in the electricity generating business. One company encourages some employees to engage in ‘winter/summer stagger’, where they work longer hours in the winter to accommodate increased demand. Hence people are employed on an annual hours basis. There has also been an increasing number of people employed as temporary and agency labour over the last few decades in many developed economies.

The hours employees in different countries work vary considerably, although increasingly legislation has been put in place to restrict excessively long hours working in most developed and many developing economies. Throughout the twentieth century many developed economies established firstly a 48-hour working week, as the norm, reducing to a 40-hour week. This ‘rule of thumb’ remains today. In 1995 the People’s Republic of China adopted the 40-hour week as its recommended ‘normal’ working week. Most developing economies in Asia have now adopted a 40- to 48-hour working week. The European Union Working Time Directive of 1993 established a maximum working week as 48 hours, with the added intention of restraining the use of overtime above this limit. There are of course many exceptions to these practices. In both Pakistan and Thailand, for example, it is suggested that over 40 percent of employees work in excess of 48 hours a week. Hours worked impacts on individual and family life directly and is particularly significant in considerations of work–life balance. This is true of all employees but particularly significant to many women who also find that they are ‘required’ to assume a major role in the provision of unpaid work in the home. Female participation in paid work has increased significantly, especially since the 1980s, in most countries with the lowest participation rates being in the Middle East, North Africa and South Asia.

Home working is not new, although the scale of this activity is increasing. However, teleworking goes a step further by connecting home-based employees by the use of computer modems to the organisation and/or other teleworkers. The availability of communications technology has also led to the ‘virtual office’ where laptop computers, the internet and mobile phones enable people to work in any location. Linked with this is the practice of ‘hotdesking’ where employees ‘touch base’ at the office and use whatever workspace is available, picking up messages on email. ‘Telecottageing’, where a local venue acts as a central point for teleworkers, may be one way of solving the problem of isolation. From an ecological perspective an increase in teleworking, which is particularly commonplace among management consultants, computing and sales personnel, may help reduce rush hour traffic and air pollution.

A second form of flexibility, referred to as ‘distancing’, is where employees are replaced by subcontractors and employment contracts are replaced by contracts for service. Again this has been commonplace in many industries, such as construction and manufacturing, for many decades. However, the process is increasingly popular in other types of activity, including service industries, and in the public sector.

A third form of flexible working is broadly termed ‘functional flexibility’. Although in many organisations strict lines of demarcation exist between jobs, these are seen as offering little flexibility and often prove obstacles to effective teamwork and subsequent productivity gains. Hence multi-skilling, where individuals are trained to undertake a broader array of tasks, is becoming more commonplace.
A fourth form of flexibility, pay flexibility, is increasingly commonplace. This may involve the harmonisation of terms and conditions, including the removal of artificial barriers between white-collar and blue-collar workers, such as differences in pension, sick pay and holiday entitlements.

Many flexible working practices find their ultimate focus in the concept of a virtual business or virtual enterprise. Amazon.com was an early example of a virtual business, competing with traditional high-street booksellers without such a physical presence, relying purely on electronic, internet interaction with its customers. Clearly, however, there is also a physical location, for the various warehouses store the items and a physical distribution system is used to deliver to the consumer. Despite some early doubts about the viability of such a business model, Amazon has survived, prospered and expanded its activity to include CDs/DVDs and an ever-wider range of consumer goods. Of course, it still operates without a shop presence. Other businesses rely even more heavily on the virtual world, as consumers move from buying physical products that need to be delivered to their homes to simply downloading items over the internet. Apple's iTunes uses just such a system – although Apple does still retain a high-street presence in many cities to sell the devices onto which music, games, photos and so on are downloaded.

Finally, there are a number of related concepts including career breaks, paternity and maternity leave, secondments, domestic leave for careers, childcare assistance and school holiday leave. Many of these measures may be considered as ‘family-friendly’ and are intended to help motivate and retain staff.

Minicase 9.4 explores the two-tier ‘flexibility’ found in Spain.

About 17 percent of the workforce in the EU works part-time, growth in this respect being most notable in Germany, while rates have always been well above average in the UK (refer to Figure 9.6).

### Minicase 9.4  
**Spanish two-tier flexibility**

There is strong evidence to suggest that flexible work practices are on the increase, although less agreement concerning whether this is part of a strategically planned reaction to changing environmental circumstances, including employee needs/wants, a result of short-term economic expedience or the outcome of a shifting balance between capital (employers) and labour (employees). Recent studies into flexible working in Europe suggest that, although there is an overall trend towards greater use of flexible working patterns, there is considerable variation in practice between countries, sectors and sizes of organisation.

In very broad terms there are two tiers of employees or workers in Spain. About two-thirds of workers have very secure permanent contracts while the rest simply do not. Unemployment in Spain is among the highest in Europe (around 20 percent in 2010) and increased significantly throughout the recession in 2008 onwards. The vast bulk of those losing their job were employees on short-term, non-permanent employment arrangements. Employers have been wary of employing new staff on permanent contracts or of training or developing these people. They provide flexibility in the system – a source of labour that can be turned on or off at short notice. Meanwhile those on secure contracts continue to be shielded from the harsh economic environment. They are usually highly unionised and continue to enjoy pay rises despite the recession. But, for how long?

**Questions**

1. Is a unionised system of working sustainable in rapidly changing global circumstances where competitive forces for change are significant?
2. What benefits could flexible working bring to employers and employees?
Figure 9.6
Percentage of total workforce with part-time contracts
Source: OECD, www.oecd.org/

Non-permanent employment has increased as has subcontracting. Figure 9.7 highlights the vast differences in this regard within the EU with Spain (see Minicase 9.4) having almost a third of its workforce on temporary contracts. The majority of part-time workers are female. Around 50 percent of women employees in the UK work part-time; the EU average is just 30 percent.

The UK has the most flexible workforce in the EU with over 10 million people (almost 40 percent of all employees) either:

- part-time workers;
- temporary workers;
The international business environment

- self-employed;
- on a government training scheme;
- unpaid family workers.

This represents an increase of almost 2 million in a decade. Over 80 per cent of all medium-sized and large organisations in the United Kingdom employ some temporary staff. The BBC, for example, now offers the majority of new recruits only short or fixed-term contracts, as do many universities. In the UK there has also been an increase in the number of men working flexibly, from 23 per cent in 1994 to about one-third today, while the proportion of women in this category remained stable and high at 50 per cent. Over a million employees work school term-time only while about 200,000 people job-share. These family-friendly measures attempt to motivate employees and help parents balance work and family demands. They also facilitate the retention of competent and well-trained staff.

Changes in the international environment, which may have encouraged the moves towards flexible working, ensure that the flexible firm and flexible working will become an increasing reality. Summarised here, they include:

- increased national competition;
- globalisation and consequent competitive pressures;
- uncertainty created by market volatility and, in part, from recessionary periods;
- government intervention to support and extend employees’ and/or employers’ rights;
- technological change, particularly in information technology and communications, which facilitates some forms of flexible working;
- investment in new plant requiring new and ever-changing skills;
- greater awareness of the need to pursue active policies and practices to ensure environmental sustainability (and to reduce the traffic congestion on many roads and in most cities);
- a move from Fordism to post-Fordism, from mass production to flexible specialisation;
- continued emphasis on costs and budgets and financial stringency in the public sector;
- political influence, particularly in the public sector;
- reductions in trade union power;
- increasing numbers of women and other employee groups ‘demanding’ alternative employment conditions; and
- a change in attitudes to work and life, to levels of organisational loyalty (both ways) and responsibility for personal and career development.

In summary, it has been noted that as the business environment becomes more turbulent many organisations have sought ways of managing change. This has encouraged them to seek increased short-term operational flexibility and more adaptive approaches to long-term planning.

9.7 The public sector

Both the scale of the public sector and the rate of change within its environment make it a valuable but often neglected field of study. The theme of environmental change or dynamism, together with ever-increasing complexity and uncertainty, prevails in the public sector as well as the private sector. Given this, it is not surprising that the nature of the public sector and its business environment has fundamentally changed in recent decades. This has created a state of flux where many organisations have changed ownership from public to private sector (and back) and others have been so transformed as to be virtually unrecognisable. There is little doubt that the complex range of political, social and economic objectives of governments over the last two decades has created enormous pressures for change within publicly owned organisations, creating a state of near-permanent tension.
between different interest groups. Minicase 9.5 illustrates how these forces impact on a public sector organisation in the UK.

Public sector organisations often conduct government business, are largely funded from the public purse via taxation and are usually accountable to government at some level. As a result it is the duty of government to ensure that proper care is taken when allocating resources. Hence, government at local, national and international levels has an all-encompassing and powerful influence over public sector bodies.

The environmental changes are themselves part of a global transformation in the nature of public sector organisations. In most countries the public sector is a major employer and service provider. Governments wishing to cut back on their spending face substantial difficulties. An ageing population, as discussed in Minicase 1.4 in Chapter 1 and in Chapter 5, continues to put increased demands upon healthcare, state pension and welfare systems, necessitating increased government expenditure. What is more, as the population ages there will be fewer people working and potentially fewer taxpayers.

9.7.1 The changing scope of the public sector

It can be argued that the existence of the public sector is due to the failure of the free-market system to provide all the services required by the general public and by government. However,

Minicase 9.5 Change in a National Health Service hospital

An objective expressed in the hospital’s plan is to ‘produce a multi-skilled workforce’, more specifically, ‘to introduce teams of generic hotel service assistants at ward level so as to improve flexibility and responsiveness to patient needs by combining the role of porters, domestics and catering staff’.

At the hospital all domestics, unqualified nurses and ward clerks are to be based at ward level, a relocation which is involving severing many existing formal and informal relationships. Most of the 260 personnel are being trained in patient care, cleaning and portering skills in order to develop multi-skilled competencies. Staff will then undertake a wider array of tasks and be required to embrace flexibility and teamwork. There may be reduced role certainty. They will need to manage the interface with clinical and other staff groups on the ward. All existing formal status and pay differentials between the hitherto separate groups will be removed. Some staff will be required to change their shift pattern and the total hours they work within any one week.

It is argued that successful implementation will help to ‘provide good value for money’ and ‘make cost savings’. It will ensure, for the time being at least, competitiveness with external commercial players. The single grade and pay spine will reduce status differentials and simplify the highly complex bonus schemes that had evolved. From an operational point of view it will bring benefits of flexibility and simplify work scheduling. It will serve to even out the workload for staff and improve efficiency by avoiding waiting-for-action time and duplication of effort. Managers believe it will improve worker motivation as people will feel part of a team. They will, it is believed, take a pride in their work at ward level.

In conclusion, the philosophy underpinning the care assistant concept is a familiar one. A multi-skilled, flexible workforce is thought to facilitate operational planning and enhance both the efficiency and effectiveness of service provision. The assumption is that employees benefit from the resultant job enrichment and co-operative teamwork, cost savings are there for the making, via enhanced efficiency, and patient care is improved.

Questions
1 What are the benefits and drawbacks to the employer of these changes?
2 What are the benefits and drawbacks to the employee of these changes?
both the scope and scale of the public sector in any country are in part the result of prevailing political ideologies, or those that prevailed in the past (see Chapter 7). A multitude of other factors also influence both the level of government involvement in the economy and the scale of public expenditure. However, there is no indisputable law of economics which argues that the public sector should, for example, operate the wide range of services found in most developed countries. Neither is there, at any time, a ‘correct’ or indisputable level of government expenditure.

There are a certain, strictly limited, number of services which most politicians, academics and the general public agree should be delivered by the government or at least be under its tight scrutiny. Relatively uncontroversial examples include the judiciary, the police and the armed services. However, there are a large and growing number of activities which are the subject of considerable public debate in many countries regarding the most appropriate form of ownership and operation.

Throughout the nineteenth and twentieth centuries, the trend towards a mixed economy (see Chapter 3), where economic activity is shared via both public and private ownership, proceeded apace in the developed industrialised world with the introduction and growth of government-owned services. The scope of government activity in most countries grew to include responsibility for education, health, law and order, defence and more. Additionally, many industrial organisations were nationalised, meaning that they were not owned by private shareholders but by government on behalf of the nation, e.g. the coal-mining, steel, gas, railways, electricity and water supply businesses.

There has been a major reversal of this trend since the 1980s. In the last two decades of the twentieth century there was a tendency in many countries, both developed and developing, for governments to move away from direct provision of goods and services towards a focus on regulating more and producing less. The range of mechanisms which governments have employed includes:

- privatisation;
- deregulation;
- contracting-out public sector services;
- establishing non-governmental-organisations (NGOs – often paid for by government) in order to perform a service;
- quality charters, league tables and published performance targets;
- tougher and more independent inspectorates; and
- private/public sector financial partnerships.

Many politicians, businesspeople and academics still believe that private markets are capable of providing some services that are (or were) more usually regarded as ‘public goods’. They would argue that in many circumstances the market is a sound and appropriate mechanism for the allocation of scarce resources (see Chapter 6). As such the marketplace, via the price system, allocates goods and services to individuals and organisations. These include healthcare (supported by private insurance) and education (backed with means-tested student loans and private schools). Although the market economy is far from faultless, the alternatives are not necessarily guaranteed to be more efficient or effective in servicing the needs of society or individuals.

Others argue that the marketplace would lead to a multi-tiered system and a restriction of access to high-quality services for a significant section of the community. Additionally, objectors to the idea of a pure market economy argue that competition in the provision of many public services, such as healthcare, is morally unacceptable and practically unworkable.

Although the move to more market-friendly policies was pursued vigorously in many countries, the global recession of 2008 onwards has caused a rethink by policy-makers in many quarters. This is based on the belief that deregulation has gone too far, particularly in respect of the banking sector, which has seen a number of nationalisations and other public involvement, especially in the UK and USA.
Chapter 9: Globalisation, challenges and changes

The political forces outlined above are themselves driven by powerful economic, social and technological changes within the global arena. Wider environmental changes inform political agendas and mould ideologies. However, the mechanism of influence between the wider environment and political activity is two-way as government decisions profoundly influence those environmental forces. For example, whereas changing social needs create dynamism to which government and public organisations have to respond, those same social changes are, in part, the result of government policy and behaviour. The relative poverty of some groups has contributed to many social problems such as urban deprivation, long-term unemployment, crime, drug abuse and social exclusion and unrest. As a result government and public sector organisations are faced with a social environment which is, in part, a consequence of their previous activity.

9.8 Future trends?

Let us start this look forward by looking backwards. By going back 30 years, approximately one generation, well within the lifetime of a majority of the European and North American populations and close to the mean age of global population, we can see the changes that have occurred. (Mean age in Western Europe is about 40 years of age.) Thirty years ago the majority of current industry and public sector senior leaders at national level, had already left school. Thirty years ago the world wide web did not exist. How many times in the last week have you used the internet to facilitate your learning, your social life and your work or commercial well-being? The answer to that question for all leaders of the top 20 countries in the world, the G20, when they were at university is a resounding ‘none’. In fact it is unlikely that anyone would have recognised the word ‘internet’ when they were first at university. As well as the world wide web, there were no PCs – or at least anything we would recognise today as a PC. As well as this now taken-for-granted form of communication, there were no mobile phones or, of course, PDAs, iPods, laptops, smart phones or email. Communications have been revolutionised in recent decades and greater change is yet to impact the fundamentals of our working and social lives.

Politically, the world has changed equally as dramatically. Thirty years ago, highly authoritarian Communist governments ruled Eastern Europe, Russia and its ‘empire’, and many other countries. The threat of world war between the Western powers and the Communist bloc was very real. China was isolated and economically backward, India remained in a perilous economic state and the European Union had only just begun to expand. Globalisation, as we know it today, was in an embryonic state and the WTO did not exist. There was no global ‘war on terror’; most terror organisations were nationalist groups ‘fighting’ within one country.

Environmentally, there was concern about the destruction of the rain forests and the potential exhaustion of natural resources. However, concern about the existence or impact of global warming was in its infancy; in fact the fear of a new ice age was frequently discussed. Genetic engineering was a fringe activity, HIV/AIDS was unknown and world population was around 2.3 billion lower than today, i.e. about two-thirds its current size.

Looking back at these points we can see just how much and how quickly the world has changed. The question then becomes: what of looking forward 30 years?

Perhaps the most significant factor regarding these dramatic changes is that most were not predicted. Had someone 30 years ago outlined the nature of the fundamental advances or changes in communication technologies or of global politics that have actually occurred, they would have been considered (at best) a dreamer. The history books are littered with examples of poor forecasting or predictions. We need only go back to late 2007 to note that the bulk of governments, economists and commentators around the world completely failed to predict the extremely devastating and deep economic crisis which the world plunged into just months later. On a lighter note, many commentators have got it wrong regarding the
The international business environment

likely popularity of new technologies. Lord Kelvin, an eminent scientist of his day, said, in 1895 that ‘heavier-than-air flying machines are impossible’ and ‘there is nothing new to be discovered in physics ...’. A journalist wrote in 1939 in the USA that ‘TV will never be a serious competitor for radio because people must sit and keep their eyes glued on a screen ...’. Minicase 9.6 demonstrates some of the changes to key social and ecological global concerns over a ten-year period by way of illustration.

It is remarkably difficult to hypothesise or predict discontinuous change. For example, it might be considered reasonable to assume that there will be an increase in the number of so-called ‘failed states’. Some countries around the world are struggling with democracy and often violent extremist groups challenge for power. But what would a discontinuous global political change actually look like? A world of total peace and harmony perhaps, or one which saw a major nuclear-armed, Islamic mega-state challenge the existing global order? Perhaps it might be China assuming political and economic dominance in all aspects of global activity. Are these scenarios fanciful? Perhaps. Nevertheless, it is interesting to consider what one influential organisation predicts when looking at the global economy. Goldman Sachs have a view that the continuing growth in developing economies will result in a very different global distribution of wealth (and power and influence) by the middle of this century. As was seen in Figure 9.5, their idea of what the world will be like in 2050 shows it to be a very different place, with the US economy, currently the world’s largest being overtaken by China – and with India not that far behind.

There are some trends which are already in place and which are to a large extent predictable. One such change is the aging of population in developed economies. How governments, organisations, groups and each of us as individuals cope with those changes, however, remains uncertain. For example, the global demographic situation is shifting with a rapidly ageing population in most of Europe, and to an extent in much of the developed and developing world, as life expectancy increases and birth rates contract. Will we see increasing retirement ages, major skill and talent shortages, ever-increasing taxation to pay

Minicase 9.6 The pace of change

Over the ten years to 2010 world population has grown by about 750 million. That growth figure alone represents more than double the total population of the world at the time of the Romans or ancient Greeks (when it was about 300 million). It was not until about 1750 that world population actually reached a total of 750 million. So, in just ten years we have added to world population what previously had taken many millennia to produce and support. In many ways this might be considered a great achievement of the modern world but it has its negative consequences. About 80 per cent of that increase is accounted for by growth in the developing world, where living standards are far lower than in the developed world. In the same time period the concentration of greenhouse gases has increased. Chlorine concentrations acting with other chemicals in the atmosphere have opened a hole in the ozone layer above the Antarctic, a hole which is now three times the size of the USA. Deforestation of tropical forests (never, realistically, to be reversed) proceeds at about 2 percent a year. Over half of all mangrove forests have been lost. Fish stocks have collapsed in many of our oceans, in some cases to irretrievable levels. Oil consumption and that of most finite mineral resources have increased by about 50 percent in the decade. Known reserves have fallen. More oil (and many other minerals) has been consumed in the lifetime of today’s baby boomers (about 60-year-olds) than in the history of the world up to the time of their birth. A lot more!

Questions
1. To what extent are these trends predictable and how might they continue?
2. Could currently unknown factors radically alter future trends?
for extra pension payments and healthcare provision? The answer is quite likely to be yes. Again socially, are we experiencing the early decades of the increasing dominance of women in society? Women achieve better than men in education, are released in many societies from many of the 'burdens' society previously placed upon them and, by all accounts, are increasingly ambitious. Women conduct around 70 percent of online banking in the USA, while two-thirds of wealth is owned by over-60-year-olds; the majority of this age group are women. By 2050 women may control around 60 percent of the total wealth in the UK. Will the top boardrooms and parliaments be female-dominated in 30 years times as they are male dominated today? And, then there is technology. What will technological changes in the next 30 years mean for industry, commerce and the public sector? Can we realistically predict that?

9.9 Conclusion

Our approach has been to focus on many of the environmental (PESTLE C) factors outlined in this text and on the increasing dynamism and uncertainty in the global business environment. In doing this we have commented upon some of the major changes that surround both the concept and impact of globalisation. We have also explored the implications of all this for organisations, groups, individuals and governments. In this final chapter we have concentrated on examining currently developing trends that we expect to continue to have a significant impact.

We have attempted to identify issues that may be important for organisations in the future, but have made few predictions, other than commenting on the unpredictable nature of many of the changes that have occurred and will continue to occur. We have used much factual data throughout this chapter – and the rest of the book. However, in a rapidly changing environment, there is a tendency for such data to become obsolete very quickly. This will, undoubtedly, mean that when you read this book there will be some information which no longer holds true. This will make it necessary for you to undertake your own research to update the figures as the world around you changes.

For this reason we recognise that the most lasting impact of the book will be your understanding of the processes and models used to examine the business environment. We have placed strong emphasis on ways of evaluating and understanding the business environment. For example, we have stressed the importance of examining problems from different perspectives. This includes a consideration of the individual, the group and the organisation at various different geo-political scales from local to global. The reason for this is simple: it seems to us that an analysis of the international business environment cannot confine itself to examining environmental factors in any one of these ways, as each influences all the others.

Summary of main points

This chapter has focused upon the nature of change in the business environment and organisational, individual, group and government responses to environmental dynamism. The main points are:

- The international business environment is increasingly complex, dynamic, uncertain (turbulent) and even chaotic for many organisations, individuals, groups and governments.
- Major economic, political, technological and social changes have transformed the business environment in the last decade, necessitating organisational change and increased flexibility.
There may be a trend towards high-profile ‘shock events’ and non-linear chaotic patterns in many areas of the natural world (to some extent such patterns are also observable in the business world) which suggests that organisations might do well to make contingency plans.

The nature of the international business environment calls into question the validity of organisational approaches to long-term planning and suggests the need for processes which build in flexibility and adaptability.

There has been a rapid increase in previously considered ‘non-standard’ temporal and contractual patterns of work such as part-time work, teleworking, contracting-out, self-employment and temporary work as a means of enabling organisations to adapt to change.

People of different generations have very different expectations and behaviours; culture is changing.

Turbulent environments demand government attention.

The future role of government is likely to remain a fiercely debated issue for some time.

Global problems, such as climate change, demand global solutions.

Discussion questions

1. What are the implications of increased turbulence and chaos in the business environment for the ways in which organisations plan for the future?

2. Discuss the opposing ideological positions concerning the role of government in encouraging national competitiveness and technological development.

3. Assess the implications for individual workers of the increased use of flexible working practices by organisations.

4. Contrast your parents’ work–life experiences with those of your grandparents. How do you expect your work–life experiences will differ from those of your parents?

5. Outline the ways in which the increasingly interconnected ‘global’ environment represents both a threat and an opportunity for business.

Further reading/sources of information

BBC (http://news.bbc.co.uk/): The BBC website provides up-to-date information on business topics, economics, politics, technology and much more from around the world.


Friends of the Earth (www.foe.co.uk): The website of one of the main green pressure groups, frequently updated with current issues. You may also want to look at www.greenbiz.com/ which looks at the business end of the debate. Innovation (www.innovation.gov.uk/rd_scoreboard): UK government site giving details on R&D.

Legal information can be found at www.statutelaw.gov.uk/, the UK statute law database which enables you to view UK laws and trace how they have changed over time. You can also consult www.law.cornell.edu/world/ and www.jus.uio.no/lm/index.html, two excellent sources of material on international law and trade law by country.
OECD, The [www.oecd.org](http://www.oecd.org/). The OECD website covers the main industrialised countries. It provides a wide range of economic statistics and forecasts on these economies. It is good for most aspects of country data. Follow links to science and technology for information on effects on economic development.


This article focuses on the marketing mix of McDonald’s and highlights how the company combines internationalisation and globalisation elements according to various fast-food markets. It illustrates the effect of McDonald’s on the global environment and how it adapts to local communities.

Newspapers

Newspapers are a good source of information on many topics. Three of the more important UK papers may be found on the following sites:

- Financial Times [www.ft.com](http://www.ft.com)
- The Guardian [www.guardian.co.uk](http://www.guardian.co.uk)
- The Telegraph [www.telegraph.co.uk](http://www.telegraph.co.uk)

References


