GLOBAL ECONOMY IN THE FUTURE

By

El Hadji Beye

Globalization allows access to quality products and services at lower prices because of competitive advantage found in various regions in the world; but it also allows access to newer markets with different demands and different contexts. Hence International business allows the creation and acquisition of quality goods at a competitive or favorable price. Several factors should be considered before engaging in international business: currency exchange rates, shipping, customs, associated costs, quality control, quality standards, language barrier, cultural differences. Various factors affecting international business will be discussed to map out possible trends in the future of global economy. **(Pearson, 2011).**

Today's organizations have realized how beneficial international business relations could be whether in procuring goods, processes and technologies or gaining new markets to export. Doing business abroad is an enriching experience for any firm: having to learn how to do business abroad because "***it will engage in modes of business...that differ from those in which it engages domestically***" can significantly increase the competitiveness of an organization **(Pearson, 2011).**

Such exercise of flexibility teaches a firm to become ***more agile*** and more capable of adjusting to changes or unforeseen scenarios. Export activities will open international markets to firms, which represents a much larger market than the domestic market by itself: this access signifies a larger consumer pool allowing an ***increase in sales***.

With technological advances such as social media, global economy is becoming a reality with consumers and corporations worldwide more connected and better informed than ever about new trends, technologies, products and services: everyone demands higher quality goods and services regardless of geographical location at competitive prices.

"***So increased sales are a major motive for a company's expansion into international markets, and in fact, many of the world's largest companies—including Volkswagen (Germany), Ericsson (Sweden), IBM (United States), Michelin (France), Nestlé (Switzerland), and Sony (Japan)—derive more than half their sales outside their home countries.*** " **(Pearson, 2011).**

Doing international business means conducting business in foreign nations where business is conducted very differently: this can teach new strategies and innovations that companies can successfully model in the United States.

It could range from a newer technology to improve production, or an operational strategy in the factory, to a new machine or equipment found in foreign markets: this **acquisition of resources** can help **American firms** gain a **competitive advantage** over its rivals **(Pearson, 2011).**

Doing business overseas also brings stability in the revenue portfolio of a company because the domestic and global market fluctuations rarely occur simultaneously: this creates a balancing effect that would offset domestic losses with international gains in sales or vice-versa. Engaging in international business minimize risks by **diversifying the revenue stream** of **global companies:** "*Smoothing sales and profits*" **(Pearson, 2011).**

But doing business globally is not an easy enterprise: it has its challenges and can go wrong if not carefully planned. "***Ford Motor Company had a very devastating experience when the government of Hungary took-over their properties in that country. Similarly, British Petroleum had the same bitter experience when Nigeria nationalized the company in the early 1980s. Such events caused managers to become concerned with political risks especially when doing businesses overseas.***" **(Ekpenyong & Umoren, 2010).**

These examples demonstrate how **political instability** in a region can compromise the business ventures of firms engaged in international business: governments can nationalize private firms hence take possession of assets of a private company, such risks exist in global markets. In this context, it is vital for firms to thoroughly investigate the current context of each region where the firm conducts international business:

"***According to Williams, political instability is associated with the risk of major changes in political regimes that can result in war, revolution, death of political leaders, social unrest or other influential events.*" **(Ekpenyong & Umoren, 2010).**

Such ***sudden changes of context*** can prevent companies from **collecting revenue, protecting assets and investments** in foreign markets, thus representing a real financial risk for the firm.

Corruption is also a major concern in international business because it is a dominant threat in certain parts of the world to not ignore.

"***corruption destroys the legitimacy of political institutions including the rule of law, discredits private businesses, misallocates resources and human skills, enhances social and economic inequalities, just as it is believed to serve as an impediment to long term economic growth.*" **(Hansen & Stachowicz-Stanusch, 2010).**

Corruption, similarly to political instability, brings high risk in several areas of business transactions from non-payment of goods sold overseas, to execution of operations, or even administrative and legal setbacks in regions where corruption is omnipresent. Various nations experience a different degree of corruption, whether the misconduct is due to political, social or economical conditions is irrelevant to the firm engaging in export activities: **firms** must perform a thorough due diligence to ensure foreign partners and operations are clear of corrupt practices. This analysis will greatly reduce the risk associated with corruption.

International business marketing is another challenge to address in doing business abroad. Instead of facing alone language barriers, currency exchange fluctuations or other issues, international organizations can form **strategic alliances** with local partners in targeted countries to conduct business with or through them: this strategy can save them the task and costs of international marketing, market research, market entry, learning the local culture to understand the local market, customs and tariffs…Forming alliances with foreign companies already established in target markets can save a lot of unnecessary obstacles for firms learning a new market. Doing business in uncharted territories can be risky but with the right alliances these risks can be alleviated. **(Pearson, 2011).**

Global manufacturing is the production of goods in different countries but it encompasses much more than this definition: ***"According to Ferdows (1989) manufacturing in different countries provides the following advantages (i) access to low-cost production input factors, with particular reference to labor as well as materials, energy and capital; (ii) proximity to markets, which allows firms to offer better customer service, lower the uncertainty related to currency and price fluctuations, and derive benefits rather than damages from trades barrier; (iii) use of local technological resources." (Pontrandolfo & Okogbaa, 1999)***

In this context, companies can benefit from sourcing some or all of its services or products from overseas at a lower cost, or import parts to be assembled in U.S. based plants.

"***We define the value chain as a set of linked, value-creating activities that the company performs to design, produce, market, deliver, and support a product. The supply chain is the network that links together the different aspects of the value chain all the way to the final consumer***." **(Pearson, 2011).**

Any firm providing a service or product plays a supplier's role in the supply chain of an industry: this means each company is part of a living network in the global economy. For example, the HVAC equipment manufactured by TRANE end up in government buildings, hotels, restaurants, factories, schools, hospitals, homes and other constructions facilities worldwide; an interdependence exists between all the actors in this network of supply chain. This relationship can be fruitful harmonious in a context of collaboration, coordination and rigorous planning. If TRANE equipment is installed in a facility, the residents will rely on the purchased equipment efficiency to provide them with a comfortable supply of fresh and cool air: not meeting those expectations could result in a loss of consumer confidence for TRANE products. ***"Supply-chain management in its broadest definition encompasses everything from supplier relationships to getting the product to the final consumer, with logistics as an important aspect of supply-chain management."*** **(Pearson, 2011)**

As global economy will continue to expand, the internationalization of workforce will be needed to perform this expansion. "***The related disciplines of anthropology, psychology, and sociology can help managers better understand values, attitudes, and beliefs in a foreign environment. In turn, such understanding can help managers make operational decisions in different countries.***" **(Pearson, 2011)**

Recruiting an international business team will ensure firms are adequately prepared to handle all international transactions in terms of communicating with foreign partners, conducting all activities related to merchandise exports including logistics, customs, and prospecting other markets on a global scale. The benefit of hiring a diverse team to handle these affairs will greatly facilitate international business activities because of their linguistic capacity as well as their cultural and social acumen to effectively communicate with foreign partners.

A challenge with human resource management in international business could occur in the recruiting strategy of a global team: (1) recruit expatriates, (2) recruit local talent for top management roles, (3) or recruit a mix of expatriates and local talent. All three recruiting methods present advantages and challenges but each particular context will provide the clues on which choice to make.

Aside of human resource issues, differences in accounting standards of global economies have to be recognized early in order to determine which guidelines to follow for various accounting processes including, but not limited to: income statement, balance sheet, cash flow analysis. A thorough implementation of a proper accounting practice can enhance organizations in terms of quality management because it will allow the firm to measure and analyze performance. ***"Accounting standards and practices vary around the world. Financial statements in different countries are different in both form (or format) and content (or substance)."*** **(Pearson, 2011).**

Ultimately, the global economy requires wide adoption of diversity and innovation because firms must simply adapt to the international market. ***"You get very different thinking if you sit in Shanghai or São Paulo or Dubai than if you sit in New York," noted Michael Cannon-Brookes, head of strategy for IBM's "growth markets" division***" **(Pearson, 2011).**

Cultural differences exist between stakeholders from different nations, they range from language, religion, culture, morphology, customs, clothing, cuisine, body language, conversation etiquette, table etiquette and the list goes on.

These cultural differences are a benefit if global teams embrace their differences as an added value: this diversity is actually a learning opportunity. Bridging cultural gaps can inspire new ways of thinking, reacting and doing business through critical observation of divergences in lifestyles: the process is enriching for all participants' **cultural intelligence**.

Although challenges will occur in various forms of misunderstanding, miscommunication, faulty interpretation, cultural missteps, or political setbacks, doing international business, as a whole, brings a lot of benefits to the global economy. Aside from the acquisition of markets overseas to accrue sales, doing business abroad teaches valuable lessons to corporations in terms of management strategies, operations management, emerging technologies and other innovations proven in foreign markets. Yes, challenges do exist but they can ultimately reinforce weak points in the operations management of corporations because it develops resiliency in the executive team. Global economy in the future shall allow a seamless integration of the most resilient corporations into international markets, for example firms capable of creating sustainable value to global markets such as renewable energy. International teams can pool resources from global teams to leverage capacity of whole corporation.

REFERENCES

Pearson. (2011). ***SKS 5000-Business strategies for organizational effectiveness within the global perspective*** (VitalSource eBook for Northcentral University). Pearson Learning Solutions.

EKPENYONG, D. B., & UMOREN, N. J. (2010). **POLITICAL RISK AND THE BUSINESS ENVIRONMENT: AN EXAMINATION OF CORE CHALLENGES**. ***Journal Of Financial Management & Analysis***, 23(1), 27-32.

Hansen, H. h. & Stachowicz-Stanusch, A. (2013, September). **Varieties of corruption control: introdcution to special issue.** ***Crime, Law & Social change.*** pp. 115-126

Pontrandolfo, P., & Okogbaa, O. G. (1999). **Global manufacturing: a review and a framework for planning in a global corporation.** ***International Journal Of Production Research***, 37(1), 1.