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The Reality of Global Economy: Dynamics of Politics on International Business

Introduction

With the new reality of global economy, different global players have emerged and assumed dominant roles in shaping global business strategies, replacing more traditional organizations – for example, companies have shifted away from vertical and bureaucratic forms to flattened and empowered management structures. Some newer firms bypassed the gradual market expansion stage entirely, emerging as “born global” firms from their inception. Political dynamics become more intense and influence the way business are conducted globally. The aim of this chapter is to provide an introduction and overall view of the phenomenon of emerging global economy when political dynamics become more significant in international business decisions, both at the macro and micro levels. This chapter also highlighted the contributions of twenty (20) chapters written by thirty-two (32) authors from eight (8) different countries offering diverse and interesting insights from two dominant perspectives: International business and International Politics and Relations.

In the last few decades, the world has witnessed major unprecedented economic turmoil and disorder that has altered the political dynamics and socio-cultural landscape around the globe and has directly or indirectly affected international business activities. New markets have opened up in every corner of the world. The emerging markets collectively known as BRIC (Brazil, Russia, India and China) are the new economic powers, compared to a decade ago with the rise of “Asian Tigers” such as Taiwan, the Philippines, Malaysia, Singapore, Thailand, and Korea. Fifteen years ago, the “Asian Tigers” gave the world a different global economic outlook when China, India, Korea and Singapore gained political supremacy and a financial competitive edge over other economic blocs.

In a similar vein, some markets, which were well established in the past have now been closed or lag behind in terms of competitive advantage and economic power. With this rapid expansion of international trade, competition has greatly increased. While most consumers and exporting firms within individual nations benefit from relatively free trade, some firms may find themselves competing against foreign firms offering better products and services through technological breakthroughs or improved efficiencies. This has heightened both opportunities and challenges for national and international businesses. The recent domestic and global upheavals and challenges have in their wake produced widely divergent results: the emergence of more powerful states (China, India and the revival of Russia), the dilution of national sovereignty in preference to regional entities (EU, ASEAN), bankrupt states (Greece), failed states (Somalia and Afghanistan), anarchic states (Pakistan) and new hegemonic powers (China). Many
groups such as the Palestinians, the Rohingyas, the tribes of Northern Mali, and the peoples of the Central Republic of Congo have experienced ethnic political conflicts which have claimed many lives and driven regions into turmoil.

Apart from the rise of non-state actors and the weakening of nation-state roles, globalization has led to the emergence of diverse global business opportunities. This reality cannot be ignored: international business entities like multinational corporations (MNCs) need to employ global strategies in order to compete and survive, rather than adopting a monolithic approach to conducting international business. The questions that naturally beg to be asked are: How will a nation-state cope with these seemingly insoluble, insurmountable dilemmas, challenges and crises? How can global business players and international entities contribute in terms of responsibilities, roles, and policies when confronted with such a turbulent environment of constant change and challenge? Do both stakeholders—the nation-state and business entities—have the ability to deal with such challenges?

This book introduces a dual perspective that captures both the business and political perspectives involved when a nation aims to excel in the era of globalization. Its primary aim is to educate scholars, practitioners, and graduate students about the specific factors that influence success namely economy, culture and technology. The book also provides foundational knowledge about the macro- and micro-factors that firms need to manage. There are internal factors to be considered when conducting business internationally, as well as external local and national, and even international, relations.

In addition, this book is also intended to serve as a foundation text as well as a supplementary text for international studies program. At present there are few references or sources that integrate the dual perspectives inherent in a complete view of globalization as it impacts the business world. The purpose of the book is fourfold:

- To facilitate the exchange of ideas on contemporary issues in international studies, specifically with regard to national and regional transformation and its globalization challenges;
- To generate public interest in a wide range of global business issues that touch every aspect of international business;
- To provide broad networking opportunities between diverse stakeholders, including academics, individuals, businesses, NGOs, officials, politicians and policymakers;
- To facilitate the exchange of scholarly views and find practical approaches through debating global business issues.

The effect of globalization can be seen in the proliferation of information flows, the emergence of virtual geographical boundaries, the rapid movement of people and goods across frontiers, and the growing economic interdependence among the peoples of the world. The rapid development of information technology as seen in modern print and electronic media has also helped shape worldviews, as well as the attitudes of citizens towards the State. The manner in which states conduct business and diplomacy has also shifted from what was once the preserve of governments to greater participation by civil society groups. All these new phenomena are critically examined by the authors in this book.

The theme of the book addresses current and emerging issues that are quickly gaining traction in both academic and public discussions because of the relevance of globalization to societal issues such as energy, water, health care, diplomacy, security, management and transportation. This interconnectedness is a result of the various forms of integration that have taken place at the political, economic, social, educational and cultural levels, which in turn has brought businesses, governments, cultural organizations
and individuals together. It has brought rapid change to the lives of individuals as well as reducing the probability of open conflict between societies and countries. The implications are wide and far-reaching in terms of issues, programs and policies.

The future of global businesses depends on many factors, such as managing and recruiting a competent global workforce, developing effective international marketing strategies, coordinating global supply chains and operations, introducing innovative sales tactics, utilizing information technology, and many others. Besides incorporating external environments in their strategic planning, MNCs also need to take into consideration the internal and political forces that can impact their operations abroad. MNCs need to deploy a synergistic approach to managing their global business forces, comprising both internal and external elements. Additionally, they will need to include both non-state actors and nation-states in developing their business policies and strategies in order to deal with the turbulent political climate and global business challenges lying ahead of them.

The first audience for this book is academicians and undergraduate/postgraduate students in need of complementary resources to inform their discussion of the issues and challenges facing global business entities. The book is also suited for class discussions in a range of subject areas, since it covers topics relevant to international politics, international business, etc. The second, we offer this book as a reference to researchers and business executives, practitioners who need both a theoretical and practical understanding of the business and political perspectives necessary in addressing globalization challenges.

**Overview of the Book**

Following this introductory chapter, this handbook consists of 20 chapters that cover topics ranging from micro to macro business practices and strategies, and from domestic to international and global political affairs. The 32 authors were invited to contribute to this collection based on their scholarly work; they come from 8 countries and various disciplines in international business and international affairs; they are practitioners and teachers as well as researchers and scholars. Together they provide a comprehensive overview of the wide range of factors that influence current and trends in global business and international affairs.

The book is divided into two parts. The ten chapters in Part 1 focus on international business issues and practices. Jabeen and colleagues (Chapter 1) offer an analysis of internationalization decision-making among family businesses in the United Arab Emirates. They contend that among the factors that influence international decision-making in family businesses, some are common between the UAE and the rest of the world while some are unique to a specific country, industry, or product.

In her analysis of women in global professional service firms (Chapter 2), Panina argues that professional services firms (PSFs) have traditionally relied on professional partnerships as an organizational principle. Professional partnerships are highly resistant to change and have preserved their main features for decades. Their formal and informal practices still have exclusionary effects on female professionals. Panina presents an overview of PSF management practices, outlines the major changes they have undergone, and analyzes recent management practice trends in the professional services sector and their impact on female professionals. Implications for theory building and future research on PSF management practices are also discussed.

Ramazan and Uray (Chapter 3) review research on the importance of emerging markets for multinational companies. Emerging markets cannot be ignored as they have become central to the future success of multinational companies. However, the authors argue, operating in emerging markets does not
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guarantee success; it is critical to segment emerging markets with different perspectives and approaches in order to develop an effective multinational strategy.

Tran (Chapter 4) explores the cross cultural communication challenges faced by multinational corporations. Compared with general management activities, cross-cultural communication is more difficult to deal with. Overcoming barriers in cross-cultural communication and achieving effective communication among employees is a problem common to all cross-cultural MNCs. Tran concludes by identifying things that managers need to be sensitive to when dealing with employees from different or multiple cultures.

In Chapter 5, Md Saad and Jedin illustrate how tacit knowledge and potential business opportunities can be generated through international buyer-supplier collaboration. Such cooperation enables suppliers to upgrade their capabilities and gain a competitive advantage when buyers provide assistance in various forms, ranging from setting up quality standards for product and delivery, to providing technical support and training, to assisting with innovation and finally to helping the supplier identify future business opportunities through the buyer’s networks.

Jaguli (Chapter 6) examines the channels through which technology and knowledge are passed in the context of Foreign Direct Investment (FDI). Jaguli uses a case study method to show the complex process of knowledge transfer. His findings demonstrate a positive relationship between MNCs and local innovation where knowledge and technology can be diffused through training programs offered by MNCs to local suppliers and thus provides an understanding as to the extent to which MNCs, through linkages with local firms, may facilitate the innovation activities of said local firms.

The work of Mohamed Hoosen Carrim and Senne (Chapter 7) focuses on the challenges faced by human resource (HR) practitioners in MNCs in different sectors operating in South Africa. They conducted interviews with HR practitioners in four American and European MNCs with the objective of identifying the challenges they faced in their organizations. The results revealed that MNCs enforce their own HR practices on employees at the executive/managerial level in order to maintain their competitive advantage, but integrate their HR practices with the institutional and cultural practices of the host country for employees at lower levels. These bifurcated HR practices create challenges for HR practitioners in these MNCs. The authors conclude by recommending some solutions to this problem.

In Chapter 8, Kaushal examines the important role of MNCs in India’s retail sector despite their relatively small presence. MNCs form an important source of technology, efficiency and equality for farmers and the poor, poverty alleviation, and growth for India’s developing economy as a whole.

Christiansen (Chapter 9) discusses business opportunities in the Republic of Turkey for both foreign direct investment and domestic enterprises. However, the economic sustainability of these opportunities depends on several key factors: global hypercompetition, business creativity, the informal economy, and international brand equity. Christiansen explores these and other factors including human resource management and English as a Foreign Language (EFL) training, to examine how the nation’s long-term economic prosperity can be maintained in a global environment which demands sustainable development.

Yama (Chapter 10) presents a picture of the Japanese culture based on evidence from the latest cross-cultural studies. Yama suggests that there four characteristics which distinguish Japanese (or what he refers as Eastern) culture from Western culture, ranging from dialectical thinking to the high-context nature of their society. He then proposed that the distinction between Westerners’ low-context culture and Easterners’ high-context culture provide important implications for globalizing business and that the notions of global mindset and ‘glocal’ are important for international business.

In Chapter 11, Ismail discusses the role of the lending-for-profit industry in the recent global financial crisis. Ismail argues that the main cause of global financial crises over the last five hundred years has
been the existence and operation of the lending-for-profit industry, and he presents numerous examples from around the world to bolster his theory. As long as the lending-for-profit industry continues to operate, there will be a financial crisis waiting to happen. The solution is a change in societal values so that people are less materialistic and avoid debt. Over time, the industry will shrink in size and ultimately cease to exist.

The work of Mohd Khan (Chapter 12) discusses the Asian financial crisis in 1997 that has created a phenomenal impact in the world of banking. The lessons are enormous and the experienced countries have very much changed their fundamental in managing the country economy and banking sector. The Southeast Asian countries have taken a lot of afford in turning the economy back on track and sustain whatever the coming future will be. These transformation is again been tested when the global crisis struck in the year 2007 – 2008, and this time these countries were more ready and stronger in facing and managing the crisis.

The ten chapters in Part 2 focus on international relations issues and practices. Ahmad Zakuan and Hassan (Chapter 13) discuss women’s empowerment as crucial to the social, political and economic development of a nation. Previous studies have shown that gender equality correlates positively with national economic growth, thus it is important that women have full access to education, employment and political decision-making bodies. This in turn benefits the nation, since women are then full able to contribute to economic growth, peace and prosperity.

In Chapter 14, Ahmad provides an analysis of the ecosystem approach to fisheries (EAF), a method of marine fisheries management. The EAF concept, embedded in many international instruments, is a testament to the world’s growing recognition of the need for a more holistic approach to fisheries governance by the international community. Attaining the full effect of the EAF framework requires that states have the political will to implement it. Ahmad recommends policy and legal reforms to address gaps in the implementation of EAF.

The work of Mukhtaruddin (Chapter 15) explores the effects of the 2008 global financial crisis on Malaysia-US relations. Malaysia is one of Asia’s export-reliant economies and thus its relations with the United States are enormously significant. Mukhtaruddin discusses lessons learned from the crisis in terms of the relations between the two countries.

Wahid and Mat (Chapter 16) explore the strengths and weaknesses of open access policies with respect to the dissemination of research findings and diffusion of scientific and technical knowledge. Studies show that gaining access to published research findings is still a problem for many stakeholders due to the high cost of journal subscriptions, a system protected by copyright law. The authors argue that the benefits of open access as an incentive to innovation must be embraced but with caution as they will have different implications for different countries and different disciplines. Furthermore, although those involved in scholarly publishing have the right to be fairly compensated, they also have a moral obligation to ensure dissemination of their work for the public good.

In Chapter 17, Ismail analyses the development of joint investment in petrochemical projects and the growth of petrochemical trade between Saudi Arabia and China. Initially the projects started well, but when the Chinese government planned to implement protectionist policies unfavorable to the world’s producers and exporters of petrochemicals, the projects faced a serious challenge that would affect current and future ventures.

In Chapter 18, Osman and Mahalik examine the India-ASEAN security relationship, which has great strategic importance not only for Southeast Asia but for Asian security as a whole. They look at ASEAN-Indian security relations, from India’s “Look East Policy” and ASEAN’s Treaty of Amity and Coopera-
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The authors identify three things which shape the outlook for India-ASEAN security relations: a) complex geo-strategic and security interdependence in the case of conventional security; b) securitization of non-conventional threats through institutional mechanisms; c) an imperative for Greater Asian cooperative security through multilateral engagement. While highlighting current security challenges, the authors also look at the possible policy approaches that India and ASEAN could adopt so that their security cooperation is not merely sustained but also evolves further into a credible pillar of regional security engagement within the Asian setting.

Sevin and Karaca (Chapter 19) explore the international communication tools available to MNCs for establishing and maintaining diplomatic relations. They propose a conceptual framework that explains when and how a specific tool should be used and demonstrates the inherent connection between the tools. They argue that although decision-makers and consumers have different needs and expectations, the communication campaign used to address one audience affects the other.

Smith, in the final chapter (Chapter 20), examines the U.K.’s political and policy responses to the arrival of significant numbers of Roma migrants from mainland Europe. Smith argues that for many people in the U.K. the Roma migration symbolizes all that is “wrong” with the EU, crystallizing increasing fears over large scale migration and contributing to the rise of the anti-EU UK Independence Party (UKIP). In particular he explores how the media and a politically-inspired moral panic surrounding the Roma – dominated by discourses of criminality and welfare dependency – along with a “mainstreaming” approach to Roma integration paradoxically inhibits integration strategies at a local level, limiting the inclusionary potential of such policies and the assimilation of the Roma population.