The Globalisation of Firms as a Social Evolutionary Process

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ABSTRACT

From a social systems theory perspective, globalisation can be conceptualised as an evolutionary social process. By fusing systems theories, evolutionary theories, and organisation theories, globalisation becomes apparent as a historical social process, which encompasses the emergence and reproduction of social systems such as firms or other organisations within the wider process of the globalisation of society. The conceptualisation of firms as social systems also opens new perspectives on methodological issues such as how to study their globalisation process.

INTRODUCTION

Globalisation induces a liquefaction of global competition, culminating in a dynamic global network competition. Within the business context, globalisation is described both as a contingency driving global competition towards increasing complexity and dynamics and as a process of firms adapting to this process by developing global strategies and structures. Completely missing is a perspective, which integrates both the globalisation process and the globalisation of individual firms, particularly in form of a co-evolutionary interplay.

The overarching objective of this paper is to provide a framework for the identification and explanation of properties, characteristics, and mechanisms of globalisation processes both of individuals firms and of their co-evolutionary interplay with their globalising environment. The basic framework should allow for the explanation of the globalisation of the firm and its environment as an evolutionary process, thus providing the possibility to symbiotically integrate more specific approaches explaining certain aspects of globalisation. This basic framework is developed on the basis of social evolutionary theories and allows for the integration of knowledge from more specialised theories.

A second objective derived from this holistic approach is the explanation of the whole evolutionary process of the firm. The third objective is to explore specific theories contributing to an understanding of global evolutionary processes in order to generate a comprehensive and in-depth knowledge base of globalisation processes. A fourth objective of this article is the identification and description of motors of global evolutionary change.
and a fifth the description and explanation of the co-evolutionary interplay of globalisation as a social phenomenon and the globalisation of individual firm within this stream of social evolution. The main objective of this article thus is theory building in order to develop a holistic, evolutionary approach to the globalisation of firms.

**GLOBALISATION AS A SOCIAL EVOLUTIONARY PROCESS**

Observation of a phenomenon is only possible on the basis of distinctions. The observation of a 'moving target' - as in the case of globalising firms - presupposes a definition of the relevant background in order to identify any kind of process. Globalisation is a social evolutionary process in which social system formation extends to global scale. It is a historical process unfolding for thousands of years. While international trade already took place in ancient cultures, the formation of social systems with global interdependencies began with technological and organisational innovations in the 15th century. Globalisation in this context is the historical process in which the evolutionary principle of social differentiation and integration is principally not any more restricted to national or cultural boundaries but extended to global scale, ranging from locally dispersed to globally nested social systems. Especially the economic system has become independent of national or regional boundaries because of the technological and social developments in recent decades. The result is a process of increasing differentiation and integration on a now principally global basis. Within the global business context this dialectical process is particularly apparent in the duality of global integration vs. local responsiveness (Borghoff, 2005).

On a general level, three subprocesses constitute globalisation: internationalisation, global network formation, and global evolutionary dynamics. First, processes of internationalisation induce changes in the global extension of social systems by a spatial differentiation of social actors on global scale and by the formation of social systems with worldwide extension (e.g. ‘born globals’). Second, processes of global network formation create growing interdependencies between social actors on global scale and a growing integration of their communication, activities, and structures. Third, processes of evolutionary dynamics cause a compression of social time and space and drive the differentiation and integration of social systems on global scale. Organisations expose the same constitutive processes in their individual globalisation and develop respective capabilities within their co-evolutionary interplay. Literature in the realm of globalisation has been basically organised along these three basic characteristics in order to provide in-depth knowledge within each perspective and to discover knowledge, which may contribute to an integration of the three basic perspectives. The description of the three globalisation dimensions on firm level is much more comprehensive, when it is embedded in the relevant context where the globalisation of individual firms takes place.

The three subprocesses of globalisation apply to all kinds of social systems, from society to the level of organisational units and constitute the globalisation of social systems. On the level of the individual social system, they are reflected in the respective internationalisation capability, global network capability, and capability of evolutionary dynamics. From a system’s perspective it is thus possible to derive evolutionary principles, which should be explained by an evolutionary theory of the globalisation of firms. Such a theory should capture the whole evolutionary process including the firm’s ‘birth’ (foundation), its co-evolutionary interplay with its environment, and its reproduction. Accordingly, the evolutionary principles to be explained are (1) the foundation of firms, (2) the co-evolution of firm and environment, (3) the global differentiation and integration of firms, and (4) global evolutionary dynamics of environment and firm.

Evolutionary dynamics follow the principle of differentiation and integration (Luhmann,
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