The Paradoxes of Globalisation

Edited by

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Preface

The people of Europe experience globalisation as a combination of hope, opportunity and threat. Hope, since for poverty is receding in the world thanks to the emergence of continent-states; and opportunity, because the interdependence of global economies and the multiplication of zones of prosperity are powerful levers of trade and growth for Europe. However globalisation also inspires fear: fear of a North–South divide that feeds extremisms; fear of the predominance of the Internet and real-time information (certainly a marvellous advancement, but one that also entails the risk of dangerous behaviours and organisations); fear in the face of climate imbalance; fear when confronted by the violent crises linked to the interweaving of economies which we were unable to anticipate: the oil crisis, the food crisis, the financial crisis.

It is in this context, by its very nature paradoxical, that the following book sets out the various studies that, through different fields of management, address the reality of international business.

After asking the fundamental question concerning the nature of globalisation, which combines economy, policy and even ideology, the concept of 'business boundaries' is then challenged. The book also tackles companies' strategic diversification, which supposedly enables all needs to be covered, but which today has resulted in the rediscovery of the virtues of specialisation. It furthermore demonstrates the supplementary paradox that the emergence of the 'global village' has also resulted in local cultures being rediscovered along with a stronger need to identify with them.

The contributors to this book also deal with the need for the comparability of companies' results at an international level, which has led to the setting up of a system of international accounting standards overseen by the Big Four who are both judge and jury. The financial crisis has highlighted the fragility of this system.

These perspectives show that the problem of globalisation must be, more than ever, tackled in terms of worldwide governance.

In the tormented period in which we live, it is clearly apparent that Europe can play a strategic role, a role of example. Located between the nation and the world, it offers a model of integration and close cooperation between states.

The stability arising from its strong internal market should enable it to impose an international system of standardisation and regulation. Throughout the crisis, we have seen how the united voice of Europe has been able to map out a global financial system – at once reformed, regulated and transparent.

In solving the paradoxes of globalisation, which constitute manyobstacles to a harmonious development of national economies, European added-value is undeniable. It knows how to combine economic efficiency with the respect for ethical values without which prosperity cannot have a solid basis. As such, the European Union is, as Jean Monnet said, 'a stage on the way to the organised world of tomorrow'.

Jacques Barrot
Former VP of the European Commission

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Introduction: A Complex, Restrictive and Contradictory Globalisation of Markets

Eric Milliot and Nadine Tournois

For thousands of years, human activity has been characterised by the phenomenon of trade internationalisation. However, the concept of globalisation in Management Science is a relatively recent one. The first important academic works on this subject were written a few decades ago by Buzzell (1968), Barnet and Muller (1975) and Sorenson and Wiechmann (1975). Nowadays, globalisation is defined by the International Monetary Fund (IMF, 1997), as being

> the growing economic interdependence of countries worldwide through the increasing volume and variety of cross-border transactions in goods and services and of international capital flows, and also through the more rapid and widespread diffusion of technology. (p. 45)

This definition, which is widely accepted in institutional and professional circles, has three weaknesses for Management Science research professors.

i. In eliciting only one type of actors (countries), it implicitly eliminates companies, professional associations, international organisations, all of which, however, play an important role in the development of the supranational integration of economies. In 1991, Reich was already talking about the linchpin role of companies and the relative powerlessness of states in regulating globalisation.
ii. In focusing on the growth of transactions and the diffusion of technology, the definition ignores the new methods imposed by the opening-up of borders (inter-company cooperation, the breaking down and rebuilding of the value chain, relocation or outsourcing).
iii. By concentrating on the interdependence of countries, it neglects to underline the other section of its dynamic, namely the decompartmentalisation of national markets.

In order to respond to the limits of the IMF definition, this study interprets the meaning of market globalisation as

> a movement which facilitates the coordination and/or the integration of industrial and marketing operations beyond national borders, by generating the decompartmentalisation of markets and underlining the interdependence of the actors.
>
> (Milliot, 2005: 43)

A clear definition of the concept of globalisation is necessary in order to establish a base for analysis but is not sufficient for a clear presentation of paradoxes. This presentation must be associated with a precise framework. This is even more useful as the speeches about globalisation are numerous, and occasionally tackle a multitude of themes in a rather unstructured manner. The resulting confusion arises largely from the amalgamation of two types of market (products and capital) and two types of actors (the 'regulators', i.e. states, the World Trade Organisation, regional blocs; and the 'operators', i.e. companies, inter-company networks, pressure groups). The following table sets out the four main fields of discussion concerning globalisation:

	REGULATORS (states, WTO)	**OPERATORS (companies, inter-company networks)**
PRODUCT MARKETS (goods, services)	The field approached in Chapters 2 and 11	The field approached in Chapters 1–9 and the Conclusion
CAPITAL MARKETS (money, financial)	The field approached in Chapters 2, 10 and 13	The field approached in Chapters 2, 4, 10, 12 and 13

These four fields are not naturally impenetrable; each element interacts with the others. However, they enable the clarification of the level of reflection and the agreed upon key questions with regard to the economic integration of nations.

In order to avoid the pitfall exposed previously, the main analyses set out in this book concentrate on the real catalysts of markets; that is to say, the companies (operators). As Miotti and Sachwald (2006) emphasise, this choice can be justified by the fact that the internationalisation of markets is no longer led by developed countries, but by large companies that have been a driving force particularly since 2000. Their development strategies, which often ignore political boundaries, are more than ever before disrupting consumption habits, work organisation methods and states' political trends.

Having laid out the conceptual and analytical frameworks, it is now possible to introduce the key question dealt with in this book. Almost three decades after Levitt's seminal article appeared (1983), globalisation is far from having standardised most consumer products. The internationalisation of trade is experiencing an evolution which is often thwarted by various contradictory forces. For that matter, some authors talk about 'triumphs' and 'setbacks' (Bairoch, 1997), 'good fortune' and 'bad fortune' (Sur, 2006). This situation results from the complex web of different interactive ideas which give rise to numerous paradoxes. These paradoxes particularly affect, to varying degrees, companies' functioning and developing methods.

In fact, in reaction to globalisation, a growing number of consumers seem to want to return to the traditional products established in their country's culture. In a rapidly evolving world which does not always offer stable reference points, these products reassure people and allow them to lay claim to a certain identity. In France, for example, the impact of the 'Made In' label is escalating (Briard, 2007). There is a growing feeling of 'attraction-repulsion' in relation to products known as 'global products'. Consumers clearly want to be citizens of the world, but refuse any change to local particularities. They would like to have a society which is open to the world, but reject the idea of an environment without either depth or roots. This ambivalent demand challenges the companies that are perceived to be the principal vectors of globalisation.

Forced to reply to their prospective clients' demands and to submit to local regulations, companies are developing far fewer plans of action that are uniform on a global scale. To use Bartlett's (1986) terms, 'global strategy' is, or has been, abandoned by numerous companies (IKEA, McDonalds, Coca-Cola, for example). They are now trying to reconcile systems of standardisation and adaptation so as to confront complex market conditions. Thus for a large majority of sectors of activity, globalisation gives rise to new local working conditions.

In spite of the multiplication of identity demands, in order to set their strategy in motion many companies are approaching foreign markets while maintaining an ethnocentric profile. They place managers from their own countries at the head of their subsidiaries, regularly make reference to their culture of origin and transfer their management techniques abroad. This reflexive approach sometimes provokes reactions locally which, paradoxically, restrict companies' international development. These problems have, for example, been experienced in France by Disney, Pizza Hut and McDonald's.

At the industrial level, even if the phenomenon is in an embryonic stage, some companies are returning to their countries of origin in order to reduce their production costs, after having developed their operations abroad. Examples of French companies which have done this recently include Atol, Genevieve Lethu, La Mascotte and Samas. This return is justified in numerous ways: reduction of transport costs, simplifying of management systems, better productivity hours, improvement in product quality, proximity to prospective clients, economic patriotism. It conveys a movement against the current of globalisation which could develop in the future.

The paradoxes also concern the financing of companies. The pressures exerted by the all-powerful financial markets since the collapse of the Bretton Woods system mean that companies are increasingly restricted in the development of long-term operations (Artus and Virard, 2005). Indeed, for investors to be offered quick profitability, business leaders can no longer always finance projects, however essential these may be in the development of their organisation. They are turning towards value-creation strategies. This situation is accelerating financial globalisation, as speculators are looking for high yields on a planetary scale, but are simultaneously preventing companies from making the necessary investments for tackling international competition in good conditions. Financial globalisation thus seems to be eventually rendering fragile the economic units most committed to the global market. For example, to get round this contradiction, Legris Industries decided to withdraw from the Paris Bourse in 2004. A senior manager of the group (quoted by Du Guerny, 2006: 9) justified this choice by saying,

> Financial analysts misunderstand our jobs and their evolutions, even if we have a clear, long-term strategy.

From a more transverse point of view, it can be noticed that there is also a certain amount of ambivalence at the level of companies' social responsibility. Globalisation is partly based on the diffusion of information. Friedman (2006) puts forward the idea that *The World is Flat* to convey forcibly the fact that telecommunications and transport reduce the notions of time and distance. This ease of access to data puts companies under pressure as their actions are from now on scrutinised and analysed on a vast scale. If any breach of trust is spotted, clients and partners are very quickly informed. Now that companies are free to develop their operations across boundaries, they find that their hands are increasingly tied at environmental and societal levels.[1] The more internationalised they are, the more they are monitored by different civil organisations (Corporate Watch, Multinational Monitor, United Students against Sweatshops, for example). If they do not take into consideration the principles of social responsibility which are agreed upon today, then, like Nestlé, Nike and Wal-Mart for example, they risk their image being weakened in the eyes of prospective clients who are increasingly conscious of the issues.

As we can see, globalisation operates on complex and restrictive principles which companies have to identify and manage. In order to help them, this book proposes an analysis of the main logical contradictions which characterise the economic integration of national markets. As it is impossible to list all the contradictions (they may adjust to a context in various different ways), this study merely attempts to shed specific light on the main ambivalence of a phenomenon which has a high impact on a growing number of companies. In order to answer this objective, the various reflections presented here are grouped around three thematic keys:

i. General policy and strategy
ii. Marketing and logistics
iii. Accounting and finance

Before dealing with the paradoxes of the supranational integration of markets with regard to these fields of management, a preliminary chapter sets out the conceptual bases of 'globalisation'.

Note

1. In France, consider the New Economic Regulations Law (loi sur les nouvelles régulations économiques – NRE). On the international scale, there is the Global Compact, put forward by the UNO, which invites companies to respect the rights of man and certain work and environment standards.

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Preliminary Chapter

What is Globalisation? The Paradoxes of the Economic and Political Substance of Markets

Yvon Pesqueux

The discussion of corporate activity globalisation is now questioning the national dimension of culture. Today, in multinational corporations and society, the vapid term 'glocalisation' is bandied about – think globally and act locally – but it is, rather, time to question the irreducible antagonism between the values of the geographic space of markets and those of the geographic space of nations. Indeed, globalisation backs up the assertion that the geographic space of markets must overlap that of nations. The result of the impact of multinational corporation activity tends to make the global market look like a private market where the norms these corporations propose (or impose) tend to create an actual mode of government. This leads to a shift from the 'local-general' that is appropriate for describing business activity to the 'specific-universal' that is appropriate for a political understanding of societies.

This shift is couched in the term 'globalisation', which tends to create confusion between globalism and cosmopolitanism, yet is considered as mercantile cosmopolitanism since it is designed towards the interests of the managers of these firms. The multinational corporation thus views itself as being nowhere 'foreign'; and yet, it cannot be the archetype of the founding institution of a universal culture appearing out of thin air. Its action raises the more general question of globalisation as a converging or diverging point between cultures. In fact, the development of communitarianism, based on group identification (and no longer on societies) – communities that invoke the cultural argument – seems to operate alongside the increasing internationalisation of economic activity, with the world as the benchmark (and no longer societies). Globalisation and communitarianism go hand in hand as they work to de-territorialise landmarks based on the logic of downgrading society and its geographic and political anchorage as a benchmark.

It should be stressed that globalisation ran throughout the twentieth century and not only in its current sense. Didn't two world wars take place in that century? In its current sense, globalisation is probably more informed by these than it appears to be.

In the strict sense of the term, globalisation is 'to be in the world' and the concept conveys the idea of gathering. Also, the American sense of globalisation encompasses the ideas of non-finality, unlimitedness, instability and abstraction. The term straddles the general and the worldwide, thus making a 'universal' combination.

Ferrandéry (1996) stresses that globalisation is a concept that emerged in the mid-1980s in US management schools and in the English-American press. It was then presented as a normal offshoot of technological evolution and later became the genuine catchphrase of free-market agit-prop: towards an American-type western universal taking over from the European-type western universal as framed through colonialism. This shapes the geographic origin of this genuine heteronomous imposition towards self-government, with the market becoming the reference point of this imposition.

As Bellon (2004) stresses, however, 'that is forgetting that throughout human history other technological revolutions and discoveries of the boundaries of our space have not led to a dogmatic vision of the future' (p. 8). Globalisation is considered as non-imperialistic because it is grounded in the economy and free trade, compared with the imperialism of the Cold War which was linked to the Soviet Empire and grounded in force. It refers to a complex movement that opens up the economic borders, allowing CEOs of multinational corporations to justify the expansion of their scope across the world and leverage dynamics differences, while offering an overall vision of their action. This can be described as an international division of labour shifting towards an international division of production and business processes, dominated by finance. It can already be noted that globalisation encompasses the long-standing economic debate over the international division of labour which is somehow discursively 'cleared' by its underlying phrase 'globalisation of social and economic inequality'. The advantage to gain from this change of phrase is immediately apparent as globalisation then carries an essentially dogmatic ideological project. Such a project conveys a form of desire for the emergence of international law that is also normative because it is stateless and located outside any social perspective. Politically speaking then, it is about the replacing of the organs that stem from popular sovereignty with organs that are removed from the peoples, in the name of internationalism. Thus, its truths and dogmas should catch on without discussion.

The globalisation promoted by the CEOs of multinational corporations is about testing the general business organisation model, designed to standardise management practices, and those of organisations viewed as entities whose governance must flow from the instruments developed in businesses, against the social and political practices related to various cultural contexts depending on countries. But the universalist project of management processes is problematic in the sense that it involves generalising a management-type political ideology, that is, managerialism, which trumps political institutions per se in an ultimately totalitarian environment of 'monolithic thinking'. Monolithic thinking ties in with the fact that things could not be done otherwise and, by extension, that one cannot think in any other way but in accordance with the categories of corporate management. Should the line be blurred between capital internationalisation, corporate multinationalisation, globalisation and the advent of a global society described as 'multicultural' in order to keep up its democratic face?

This chapter will address the various senses of globalisation and propose different perspectives:

- A descriptive perspective linking globalisation with trade flows.
- A political perspective linking globalisation with the 'crisis' of sovereignty.
- A historical perspective taking up Fernand Braudel's argument about the 'world-economy'.
- A cultural and anthropological perspective based on Arjun Appadurai's argument about 'area culture'.

1 Different senses of the concept of globalisation

As the discussions in the 1960s and 1970s have already suggested, the first obvious sign of the interaction of a firm's international activity with politics was in the development of multinational corporations, which in turn raised the issue of the political dimension of the international activity of businesses. There is also an area in which this interaction was tested: technology transfers.

The realisation of the existence of original capabilities brought out how technology transfers in the chemical industry had been facilitated; for example, in North African cities where there was an existing wool-dyeing tradition. The idea growing out of these aspects is that culture (at least in its technical forms) is absolutely transferable, seemingly warning observers about potential inclinations to overstate factors of cultural difference. Globalisation, then, stems from a cultural reconstruction which is supposedly an outgrowth of the cultural breakdown, often stressed by dualist conceptions of international business activity – according to those conceptions, technologies and 'centre-based' modes of government tend to annihilate those on the periphery, to their advantage. Technology transfers first brought to the fore the issue of culture as an 'operator' of internationalisation, that is, ultimately, the prospect of a plan for a universal society dominated by technique.

In fact, just as the emergence of multinational corporations brought about the discussion regarding the essence of this multinational nature, the resulting globalisation may spring from their increasingly international activity, but it may also be of a different nature. It involves their relationships with local laws which they comply with, and leveraging the international nature of their activity in relation to the loopholes developing across those laws. In that way, they can pursue objectives such as tax optimisation, legal constructs (to profit from favourable legal gaps) or social dumping.

Accordingly, businesses and multinational organisations such as non-governmental organisations (NGOs) are confronted with the issue of the 'global' organisation model 'by nature' and 'out of necessity'. This in turn raises the issue of 'multinationality' as a specific cultural feature. The objective is to promote a multinational corporation as a 'federation free of any national dominant culture' (Darcourt-Lézat, 2002, p. 17) with a progressive undertone. The firm is then presented as the 'culturally fairest' breeding ground for this project of fusion between a mercenary managerial culture and traditional local cultures with which 'we do things together'. The 'global' firm somehow builds the 'future greener pastures' of the multinational corporation.

This also raises the question, more or less explicitly, of the political dimension of globalisation. Indeed, while the economic dimension of the phenomenon is recognised, the categories that help represent its political dimension remain inadequately constructed. Yet an examination of the social and political issues certainly makes it easier to grapple with them, as random examples show, including sustainable development, international security, health security and so on.

As to a conceptualisation of the political dimension, de Senarclens (2002) stresses three aspects:

i. The evolution of content and practices associated with the *raison d'état* (national interest), considering the expansion of the international sphere, towards a form of sovereignty limited by the recognition of expanding international trade – an expansion viewed as the 'superior' common good – as well as the development of beyond-state political bodies; for example, the European Union. This went hand in hand with the development of other worldwide-based bodies such as NGOs and predominant businesses. The shift in content that this brought to states' sovereignty appears to hinge upon this 'cohabitation'.
ii. The capacity of states and international institutions to cope with these political developments, considering, in particular, the political will of Organisation for Economic Co-operation and Development countries (OECD) to promote a capitalistic economy fixed on the expansion of trade in goods and services and financial flows. This will rest on political actions in trade liberalisation and the creation of commercial areas based