

### **What is globalisation?**

Globalisation is the process by which the world economy is transformed from a set of national and regional markets into a set of global markets that operate without regard to national or regional boundaries.

'Truly global markets now produce and consume about 20% of world output - \$6trillion of the planet's \$28trillion gross domestic product. Within next 30 years, as the planet's gross domestic product expands to \$91 trillion (assuming real growth rate at 4%), the global market is expected to multiply 12-fold, reaching \$73 trillion or 80% of total world output.

According to Gary Hamel and Jim Scholes we live in a discontinuous world. Digitalisation, deregulation & globalisation are reshaping the industrial landscape. The convergence of these forces has produced an explosion of new organisational models, institutional relationships and value creating possibilities.

Jane Fraser and Jeremy Openheim opine that exponential change in the pace, scale and scope of globalisation is a result of three mutually reinforcing factors:

- The growing scale, mobility and integration of the world's capital markets.
- The increasing irrelevance of national borders as regulation is liberalised and other economic barriers fall.
- The expanding ability to leverage knowledge and talent worldwide through technology.
- The wall between markets, organisations and nations are coming down, feels Kenichi Ohmae.

### **Management Response**

The essence of business strategy is to offer better value than competition in the most cost effective and sustainable way. Leaders have to become organisers of complex systems - brokers of performance and efficiency.

C.K. Prahalad and Jan P. Oosterveld feel that the challenge to companies is to move from the zone of comfort - the familiar - to the zone of opportunity - the unfamiliar.

This note is not intended at prescribing the silver bullets to cope up with globalisation. The objective is to sensitise readers to some of the key bases on which globalisation is having such an all pervasive influence. All of us need to have a mindset oriented to exploiting the opportunities thrown up by globalisation.

### **Bases of influence of globalisation**

The bases on which globalisation has influenced or is likely to influence enterprise, varies from industry to industry. But the following are three significant bases:

- **Globalisation of the consumer**

Internationalisation of media has led to "globalisation of the consumer". This has presented an unparalleled opportunity for industries to globalise individual needs, globalise individual preferences and create global brands.

On the other hand, the net has balanced this industry advantage by giving an opportunity for consumers to get together effectively and at a low cost, and thereby influence the value proposition they obtain in their dealings with industry.

Consumers today have more choice than ever before and will, in future, be even more in command. Businesses have no option but to become pro-consumers. They will not survive, unless they meet consistently increasing value proposition expectations of consumers.

- **Shorter product life cycle**

The sheer size of global research and development budgets is staggering. Couple that with "fungibility of technology" - technology in one industry that can be transported into other industries - and we are moving from the realm of product life cycles, to the realm of "product life dots!" .

The life cycle of products and services is being dramatically shortened. Managers must expect competing products / brands to appear almost immediately after they launch their product.

Shorter product life cycles and the need to offer the best possible value proposition to the customer have imposed new demands on organisations. Access to a responsive supplier base, global logistics, and flexible manufacturing systems are becoming new sources of competitive advantage. These would ensure that companies manufacture products cost-effectively, while minimising risks.

But cost effectiveness and risk minimisation are not adequate. They also need to be good "technology prospectors", to ensure that they launch their brands at the beginning of the products' life in the industry. Otherwise they will be caught out like Kodak in photography.

- **Break up of traditional channels of distribution**

Traditional channel structures are being challenged. The net has made it possible for manufacturers to be in direct contact with end users by eliminating intermediaries - distributors, wholesalers and dealers.

This has presented managers an opportunity to gain increasingly sophisticated knowledge of consumers. The challenge is to capitalise on this, and remain innovative and competitive in delivering the value proposition. The success of Dell Computers, in seeking information on individual choices and setting up a supply chain that would deliver this, is a pointer of the shape of things to come.

Thus, *the key to success in the globalisation game is to be an effective value propositioner, a successful technology prospector and an innovative value deliverer.*

Companies need to be strong in at least one of these variables, and meet minimum standards for the other two variables, to survive. Companies that master all three will survive and thrive. They will be the kings of the global market.