

Chapter 8

Managers' Responses to the Challenges of Globalization Within the Context of Global Political Economy

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ABSTRACT

The new international system, that occurs in the last twenty years of twentieth century as a result of world wars and cold war, is tried to be explained by scholars and economists under a new discipline called global political economy. The interaction and interdependence between economy and policy, globalization and the rise of multinational corporations cause a shift in the international system. International managers appear as the core actors in the sense that actions to be taken by them have strategic importance for organization's global performance and sustainability. Globalization put multiple demands on international managers in terms of various issues such as changing nature of the work itself, glocalization, importance of ethics, environmental considerations and cultural diversity. It is suggested that international managers' leadership behaviors have strategic importance to cope with globalization and its challenges. Within this context, transformational, ethical and authentic leadership styles will be discussed.

INTRODUCTION

In the 21st century, the sense of international threat for many countries has shifted from solely a military focus to a more economical and political one. In order to understand today's international system, both the interaction between economy, policy and management should be deeply analyzed. This interaction has passed the borders a long time ago. The second half of twentieth century is really important for researchers of global political economy (GPE). GPE is relatively accepted as a sub-discipline to inter-

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national economy or to international relations. In fact, GPE is now widely accepted as a new discipline different from other international studies such as international management. According to Palan (2000), global political economy (GPE) should not be accepted “as a bounded but as a ‘frontiered’ discipline; an outer-, rather than inner-oriented field of study”; its attention is directed towards an outlying area where it coincides with other ‘disciplines’. Its significant identity is shaped not through some shared core suppositions but it occurs in a *vague zonal terrain* that there is an interaction among disciplines (Palan, 2000: 2). As Gilpin states in 1987, global political economy is the interactive and reciprocal relation between ‘state’ and ‘market’ (Gilpin, 1987: 8) and he asserts that global political economy emerged from the interaction of economical and political activities in modern world (Gilpin, 2011: 21).

The years following Second World War was critical in international relations as the Cold War determined an international order that was built on security, power, peace, nuclear threat and political alliances concepts. At that period, economy was not top priority of international system, security issues were much more important than economical issues till the international issues could not be explained in 1970’s just with realistic perspective as realism has a security and power focal perspective. In 1970’s, realism is insufficient to enhance the international order. Scholars were in search of a new concept to elucidate this eccentric order. The incidents in mid 1980s and the end of cold war has various effects on world history. One of them was that the American leadership and engaged economic collaboration among capitalist states decreased. This caused an increase in market oriented states as the former Soviet countries and third world countries were more reluctant to take place in the market system and less developed countries (LDCs) took roles in the World Trade Organization (WTO) (Gilpin, 2001: 5). The other effect of the end of the cold war was that it dictated a redefinition of national interests on all states especially in some cases it caused a reconfiguration of the states themselves. There was a radical change at the system level, at the level of nation state and in international organizations. (Crockatt, 2001: 93) These radical changes were analyzed by many scholars under the concept of “globalization”.

According to Gilpin, in the modern world, the states and the markets create political economy and he adds that when there is not a concept of state, the price determination system and market forces would adjust the consequences of economic activities; this could be defined as the economist’s entire world. And economic resources are allocated by the state or by its covalent when there is not a concept of market (Gilpin, 1987: 8). So it is really hard and nonsense to make a distinction between politics and economy or to evaluate one without taking into consideration the other.

It would be a shallow evaluation to degrade global political economy only to the economic relations among states. In fact, global political economy should also examine the relations between states, multinational corporations and their actors within.

For this study purposes, within the context of GPE, multinational corporations and their international managers as primary actors will be discussed so as to determine the challenges they face and to suggest ways to respond them.

GLOBALIZATION

Globalization as a term has come out in post-cold war era and it is a concept that is in relation with economy, policy and management. O’Brien and Williams (2010) state that the term ‘globalization’ is widely used but some people use it for internationalization (increased dimension of economic flows across

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