

## Chapter 12

# Challenges Ahead

### ABSTRACT

*This chapter discusses challenges among the transforming business cultures that are emerging across the world. Globalization has increased the access to the markets as the remote markets have been reduced following the political and economic changes worldwide. It is emphasized in the chapter that the globalization moves have opened up high comparative advantages in many manufactured goods through partnership deals to explore the business in the emerging economies. They generally display an increasing specialization trend and high consumer values. This chapter offers guidelines on improving the competencies and capabilities of firms using systems thinking approaches. It argues that modernization, systematization, and consolidation significantly influence in driving firms competitive.*

### INTRODUCTION

*Becoming global is never a precise result of a grand design, but it would be naive to view it as a sequence of incremental, ad hoc, opportunistic, and random moves. The wisest approach would be one of directed opportunism within a broad direction set by a systematic framework.*

*Gupta and Govindarajan (2000)*

There are many new hybrid business cultures emerging across the countries. Of these, the regional ones are re-emerging through international partnering under the aegis of globalization. The evolution of trade partnerships with the companies of the other countries is a phenomenon that often reflects deep structural changes in the whole economic system of a country. It usually takes long time to unfold since comparative advantages in international business partnering have long-term

gains. Globalization has increased the access to the markets as the remote markets have been reduced following the political and economic changes world-wide. The structural reforms in developing countries have broadly focused in five major areas comprising international trade, financial markets, labor markets, and the generation and use of public resources. Consequently the financial development has improved, especially the depth of financial intermediation, private sector participation in banking, and the size and activity of stock markets. The economic integration and structural reforms in Latin America considered that import substitution in manufacturing sector would be synonymous with industrialization, which in turn was seen as the key to development (Rajagopal, 2005).

Market access has also been improved by growing trade blocks at the regional level. Such accessibility to the markets is further reinforced by reducing the trade barriers through far-reaching business communication strategies, product and market development programs, and customer relations. This situation has given a boost in determining the market opportunities as narrowing the trade barriers helped in deregulating certain sectors of trade such as financial services. However, there may be some exceptions to this common pattern. The global market place equipped with the application of global communications has become the focus of the global business arena that makes the world markets remain open and involve in the fair competitive practices. At the same time the anti-globalization moves also exist in the process of development that protest against the hazards of suppressive strategies of the global companies affecting the regional trade entities. The globalization moves have opened up high comparative advantages in many manufactured goods through partnership deals to explore the business in the emerging economies. They generally display an increasing specialization trend and high consumer values. The leading alliances between the major multinational enterprises may be seen in reference

to production, finance, technology, and supply chain along with other complementary activities.

Production sharing is the contemporary global economic trend based on the concepts of comparative advantages that offers economic advantages by stages of the production process. The strategy of production sharing has emerged as a solution to an economic problem in developing countries where the absorption of the surplus manpower in industry is a national economic issue. Consequently the developing countries turn to the developed countries as the major cost effective labor market in order to share production of labor oriented products. Investment in production sharing operations has become an integral part of global efforts to reduce manufacturing costs and has contributed to the accelerated pace of cross-border integration of manufacturing in North America and the Caribbean Basin. Currently, production sharing seems to be a growing practice that helps in building and strengthening the international partnerships with global firms like Volvo, a Swedish automobile company having its manufacturing partners for heavy duty engines in India and Mexico. This practice offers both the developed and developing countries a scope to share their resources and strengths for the mutual benefits of international partnering.

The markets today not only provide the multiple goods and services to the customers but also expose their behavior to the cross-cultural differences and innovations. The specialization of the production process has also brought such cultural changes by business penetrations in the low production skills regions across the countries. The apparel from Asian countries like Indonesia, Korea and all types of consumer goods from China, electronics from Japan and perfumery from France may be some good examples to explain the specialization and cross-cultural sharing of consumer behavior. Conducting business is a creative enterprise and doing it out of one's own country is more demanding. The industry structure varies dramatically across countries in

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