GLOBALIZATION

Globalization may simply be defined as the free movement of:

- Capital
- Labour
- Goods and services

across various countries of the world.

According to the Wikipedia online encyclopedia, Globalization refers to a process of increasing global connectivity and integration between nation-states, households/individuals corporations and other organizations. It is an umbrella term referring to increased interdependence in the economic, social, technological, cultural, political, and ecological spheres. In the context of global trade, the term Globalization is the opposite of protectionism. Theodore Levitt is usually credited with globalization's first use in an economic context.

The IMF International Monetary Fund stresses the growing economic interdependence of countries worldwide through increasing volume and variety of cross-border transactions ... free international capital flows, and more rapid and widespread diffusion of technology.

A less economic-focused definition from the Encyclopedia Britannica states that globalization is the "process by which the experience of everyday life ... is becoming standardized around the world."

The question arises that is globalization just a buzzword or is it a real phenomenon? The world in which we live today, the word distance here has virtually no meanings in it. You can move around the globe in lesser time than the globe takes to revolve around its own axis. In other words, the different parts of the world seem to be connected and moving from one part to another is not a big deal today. A few centuries from today, man had to travel months on land and through sea to reach from one continent to another. Trade was very slow and its volume was negligible as compared to today. But today, as we see, this is no more the case; ships, aircrafts and land transport is fast enough to cover the distance or around the globe in no more than a few hours. This is resulted in bringing together various countries and culture of the world. People are now more dependent on each other. For instance, the United States is depended in most of its goods on China, whereas many countries are dependent on Pakistan for the supply of crops. Therefore, the world has become what we call a “Global Village.” Although its huge, yet the dependencies have rendered the world like a small village where everyone has to play its part for everybody else’s survival.

Further question arises that is Globalization a recent phenomenon? The phenomenon of Globalization was given much more importance during the last few decades and the general perception is that Globalization is a recent phenomenon. In fact, Globalization has been on since the history of mankind. If we trace back the history of mankind, we would find the earliest well-recorded history is that of the Egyptian civilization. The Egyptian civilization was established around river Nile. It was discovered that the Egyptians used to trade wood through this river. Later during the Roman and the Greek civilization, trade was not uncommon. Therefore, we see that since long, man has been involved in conducting commerce and trade across countries and dependencies have been created since long. The city states of Samarkand and Bokhara are said to have flourished because of trade which was carried out between Asia and Europe during the 16th and the 17th centuries. This should make it clear that the path towards Globalization was paved centuries ago, only the pace has increased rapidly today. This is why today we feel that Globalization is a recent phenomenon.
ASPECTS OF GLOBALIZATION

We have already discussed what Globalization is; in order to get a better picture of the impact of Globalization of the lives of human beings, we need to consider the various aspects of Globalization which may be categorized as follows:

**Industrial Globalization**

Every country in the world is moving towards specialization. Specialization may be referred to as the phenomenon of producing only that product in which the country has competitive advantage in terms of cost. For example, Singapore specializes in pharmaceutical while the US specializes in military equipment. Therefore, the countries exchange their industrial products, which is known as trade, and fulfill the requirements of their people. Every country of the world today is involved in trade and is depended on some other country one way or the other. The US is the biggest economy in the world and even that is depended on other countries for many of its needs. Hence the industries of the world today are considered to be working not for their native countries but for the world as a whole. This is known as Industrial Globalization.

Furthermore, today various world-wide standards have been developed which ensure that the products of all the countries around the world meet certain quality requirements. For example the ISO 9000 standards are applicable worldwide as quality standards. The markets of the world have united and the products could be sold anywhere without any hindrance. In other words emergence of worldwide production markets and broader access to a range of goods for consumers and companies is known as Industrial Globalization.

**Financial Globalization**

It may be defined as the emergence of worldwide financial markets and better access to external financing for corporate, national and sub-national borrowers. For example, the Tarbela Dam and the Mangla Dam projects in Pakistan were sponsored by foreign investors. They may be in the form of international organizations or independent investors. The IMF and the World Bank today give funds to various countries for developmental projects. We may say, that today the financial markets of the world have united in such a way that finances are easily available throughout the world. This is known as Financial Globalization.

**Political Globalization**

This may simply be defined as the development of political interests of countries in other countries.

**Informational Globalization**

This aspect of Globalization has perhaps had the greatest impact on the world today. Sitting at one end of the world, you can have access to the information available in any other part of the world with just the push of a button. Internet, television, telephone, fax, etc. are some of the inventions that may be considered as a part of the informational Globalization process where the information flow has dramatically increased between geographically remote areas of the world.

**Cultural Globalization**

In the context of Organizational Psychology, this is another important aspect of Globalization which refers to the growth of cross-cultural contacts. The cultures of the world have become similar and have had influence from one another in many ways. This has changed the environment of mankind and it is known as Cultural Globalization.
EFFECTS OF GLOBALIZATION

As discussed earlier, Globalization refers to the greater international movement of commodities, money, information, and people; and the development of technology, organizations, legal systems, and infrastructures to allow this movement. The effects that Globalization has had on the modern day living of mankind are as follows:

• International Cultural exchange
• Multiculturalism
• Diversity
• Greater international travel and tourism
• Greater immigration, including illegal immigration
• Spread of local consumer products (e.g., food) to other countries (often adapted to their culture)
• World-wide fads and fashions
• World-wide sporting events such as Cricket world cup
• Formation or development of a set of universal values
• Development of a global telecommunications infrastructure
• Greater trans-border data flow,
• Increase in the number of standards applied globally; e.g. copyright laws, patents and world trade agreements.
• International criminal court and international justice movements.
• Development of world-wide commerce
• Improvement in standard of living
• Corporate Imperialism: Dominance of MNCs
• Cultural Imperialism
• Harmful effects on environment due to rapid industrialization
• Suppressing of underdeveloped countries
• Greater market access for firms

Globalization has also affected OP in major ways;

• Trade between nations has become huge
• 6 million foreign nationals are employed by 100 companies
• 450,000 multinationals exist today
• Every organization is moving towards diversity in order to have diverse viewpoints from within the organization

Information Globalization has affected the work and organizations in seven ways

• Flattening: Organizations have today have smaller hierarchy and layers of management
• Downsizing: Organizations employee lesser number of employees today for the same jobs as it did previously due to dependence on machines.
• Paperlessness: Organizations are dependent on paperless communication, i.e., communications through computers.
• Brain mimicking: Organizations are dependent on computers and artificial intelligence which is similar to the working of the brain of a human being.
• E-business/commerce/intranets: Organizations are dependent on E-Business, i.e. business over the internet and are connected internally through networks called intranets. Business to business is five times greater than business to consumer (B2B greater than B2C).

• Knowledge management: It is the management of intangible assets of knowledge, i.e. outcomes, patents, copyrights and of intangible asset, i.e. intelligence, skills of workers. Organizations are able to better acquire and share knowledge internally and externally.

• Human/intellectual capital: Human capital and intellectual capital has had increased importance due to globalization and extreme competitiveness. Human/intellectual capital is experience, skills and ideas of people. 40-90% market value of firm is human capital.

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• Asta Maskaliunaite, "Terrorism and Globalization: Recent Debates": http://venus.ci.uw.edu.pl/~rubikon/forum/terrorism.htm

FURTHER READING

• Look up *globalisation, globalization* in Wiktionary, the free dictionary.: http://en.wiktionary.org/wiki/globalisation
• Globalisation shakes the world BBC News: http://news.bbc.co.uk/2/hi/business/6279679.stm
• Globalization: The Long-Run Big Picture by the economist George Reisman: http://www.capitalism.net/articles/globalization.htm
• Global Culture essays on globalization and its impact on global culture: http://globalculture.org/blog/category/globalization/
• Great Transition Initiative Alternative scenarios of globalization: http://www.gtinitiative.org/
• Index of Globalization: http://www.globalization-index.org/
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