

Globalization and Recent Trends in Corporate Governance and Strategic Management

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Abstract

The aim of this paper is to investigate the Globalization and recent trends in Strategic management and corporate Governance in Pakistan. The data were collected from various secondary sources. It was revealed that As Global corporations are confronted with the challenges of balancing control and collaboration, many have turned to interorganization relationship, to compete in the global market place. The engagement in interorganization relationships results in the emergence of new organizational forms such as strategic alliances, joint ventures, and cooperative net work. For many reasons the efforts to drive down costs, to speed up innovation and time to markets and to tap into a firm-specific repertoire of knowledge and technology-TNCs often prefer to cooperate in order to compete.

Key Words: Globalization, Recent Trends, Strategic Management, Corporate Governance

Introduction

Recent research in business and management studies has clearly pointed to emerging trends in organizing international business activities among global cooperation's-what Paul DiMaggio has termed a model of the twenty first century firms "three of the most significant trends are associated with changing organizational form, increasing reliance on capital markets and financial institutes for cooperative finance, and growing separation between ownership and control. Globalization is a term that is used to describe the changing world order in which various aspects of a nation that include the economic, social, political, cultural and environmental factors are viewed as being part of a global community and not restricted in their scope.

The term came to be used to describe the phenomenon of global flux in which trade as represented by capital and material can move freely across the world with lesser restrictions with respect to national boundaries. Globalization though it has been essentially connoted with economic issues synonymous with

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multi national companies (MNCs) and their policies that directly or indirectly affect populations across the world has also consequently ushered in an era of change with respect to social and cultural matters inducing a competitive spirit in world culture for the better or worse according to the social fabric of various communities and their flexibility and adaptability. Knowledge, with respect to developments in science and technology is perceived to be the driving force behind Globalization and continues to be the decisive factor what with the outsourcing trends of several MNCs to offshore destinations in recent times. Globalization has often been seen as being a subtle factor that tries to undermine welfare policies of governments across the world and individual choice and being elitist in nature but it has also unconsciously forced democratic nations to be more affirmative and inclusive with respect to the betterment of all sections of societies and also to address vital issues like the conservation of the environment. However, investments in different industries clearly have different job-creation propensities which policymakers need to take into consideration. There is also an increasing recognition that ways of harnessing to support small and medium enterprise (SME) sectors in developing countries, and associated employment creation, remain under-exploited. (*Heien, D, and Wessells, C.R. et al. 1990*) regarding employment practices, a key issue is the effect on female participation in the labor force. On the one hand, greater female employment at FIEs, in addition to helping level the playing field in terms of employment opportunities, results in a direct increase in household income and a higher proportion of income expended on meeting basic family needs. On the other hand, women are often paid less than men in comparable jobs, isolated from mainstream job advancement opportunities, and subject to greater employment instability. Another major issue is that of child labor, with subcontracting often making monitoring difficult, and many children serving as primary household earners. As a second-best solution to banning child labor and providing schooling instead, improved corporate governance on the part of governments, and improved corporate management on the part of companies are crucial. Progress in this area is a function of policy measures and their enforcement, and of greater dialogue and collaboration between the government and the (foreign and domestic) private sector. FIEs can make an important contribution in various ways to human capital formation in developing countries.

Organizational Change:

Historically, transnational corporations (TNCs) have been organized in hierarchical form that offers parents from tight management control over both information and knowledge. In today Global economy, tight parent-subsidiary

control relationships do not engender the flexibility and adaptability necessary to manage world wide operations effectively. To promote greater subsidiary initiatives and local competitiveness. TNCs are consistently balancing global integration and local responsiveness.

As Global corporations are confronted with the challenges of balancing control and collaboration, many have turned to interorganization relationship, to compete in the global market place. The engagement in interorganization relationships results in the emergence of new organizational forms such as strategic alliances, joint ventures, and cooperative network. For many reasons- the efforts to drive down costs, to speed up innovation and time to markets and to tap into a firm-specific repertoire of knowledge and technology-TNCs often prefer to cooperate in order to compete. In his portraits of the twenty-first century firm, Walter Powel argues that “firms are coming to resemble a network of treaties because these multi-standard relationships encourage learning from a broad array collaborators and promote experimentation with a new methods, while at the same time reducing the cost of expensive commitments. Regulatory constraints may also explain the rise of many cross border alliances and cooperative ventures. Firms that adapt and align their organizational structures to this new global reality of simultaneous competition and cooperation tend to do much better in their financial performance and market reach.

International Financing

Globalization has also opened access to international capital markets and financial institutions for companies around the world. The international financing is not something new or surprising. The greater reliance of TNCs on international capital markets and financial institutions fundamentally reshapes international business activities. TNCs can now use a variety of sources to finance their projects. Since virtually all TNCs are now listed on one or more national stock exchanges, they are able to raise capital effectively and cheaply by issuing new shares or by selling bonds underwritten by international financial institutions, (e.g investment banks and off shore banks). TNCs can also borrow from syndicates of international banks at attractive rates. As a result the home countries of TNCs are no longer the exclusive or even the major source of capital to finance their international transactions. Globalization of finance and business makes the role of intermediaries-brokers, financiers, credit-rating agencies, and media operators-indispensable.

Separation of ownership and Management

A third factor influencing business organization and practice in global economy

is the continuing separation of ownership from management, a process that has been taking place in advanced economies, since the beginning of last century. The separation of ownership and management and the rise of professional managers have been the Hallmark of what Alfred D. Chanlers term Managerial Capitalism. The reality of corporate governance around the world however is expecting messier. Globalization has accelerated this historical trend towards greater professionalization and formalization of corporate governance. The stronger institutional investors in corporate governance and the internationalization of management education have further encouraged professionalization. As the tasks of managing cross borders have become more complex and difficult, the demand for professional and formal cooperate governance has increased.

Special Diffusion of Business Norms and Practices

For any spatial diffusion to take place requires that it be done by “agent”. In the case of international business norms and practices, these agents are likely to be business owners, family members of owner’s shareholders, senior executive, and government officials and people in international business and finance. Actors in different business systems compete with each other through continuous innovations and changes. This interactive process of organizational adoption and change defines the dialectics of globalization because it both creates pressures for the homogenization of business systems and reinforces differences. The emergence of Asia as a major economic power is linked to both entry of non-Asian firms into Asia host economies. This two way globalization of business between Asia and other region implies that key actors in Asia are compelled to learn new management and business practices from their competitors. Suppliers, customers, and others and how to compete differently against foreign firms.

The effects of internationalizing financial flows on business-system characteristics could be considerable under certain conditions. If for instance most of the leading firm in credit-based financial systems were to raise the bulk of their of external finance from international capital markets instead of relying on their usual business partners, this could alter the strategic priorities of these firms and eventually affect the nature of their domestic business system.

To ensure that global financial elites are comfortable with their financial positions and obligations, key actions in Asia are required to follow certain accounting standards and business norms in global capital markets. As early as 1992. Globalization of business knowledge is linked to the emergence and perhaps, domination of top business schools, located in North America. Key actors in Asian businesses now face the challenge of professionalization their management and business practices. Other actors in non family business are also

active in organizational and management restructuring to prepare the global competition.

Corporate Governance and Pakistani Firms

Pakistani firms are adjusting to Globalization by adopting innovative changes in their organizational structures and corporate governance. Let me describe briefly the traditional modes of Pakistani Business. This analysis is imperative because Globalization and the rise of the so-called new economy have raised serious questions about the viability of traditional governance and practices in Pakistani business.

Organizational Restructuring

The organizational specialization in sectors that demand much greater capital investment, management knowledge and technological competence reflects a move in Asian firms away from serving merely as subcontractors or suppliers for global corporations. Specializing in High tech sectors also pressures these leading Asian firms to transfer themselves from locally oriented national firms to emerging corporate giants that have set their sights on global arena.

Analysis of few firms Diversifying their business due to Global Environment

The incorporation of BenQ in December, 2001 is largely explained by its potential to be major Global player in electronics life style products. In fact, BenQ stand for “Bring Enjoyment and quality to life”. This shift in strategic focus could not have been achieved within Acer Inc. BenQ diversify their business in IT (Information Technology) products.

Samsung

Innovative changes in organizational forms, however, are clearly not only restricted to the Acer group of companies. We can observe similar innovative organizational changes among family-controlled Asian firms. The family-controlled South Korean electronic giant, Samsung electronics, has completely shifted from a region-centric management system to product based global management systems since the late 1990s. Samsung currently has thirteen global business units (GBUs) and the heads of each determine everything, including what and where to produce, where to how to sell those products and so on. This significant shift is explained by pressing need to ensure speedy and responsive decision making. It is often the case that responsibility is not clearly distinguishable between regional heads and production heads.

OOCL

OOCL from Hong Kong one of the world's largest integrated international container transportation, logistics and terminal companies and one of Hong Kong's most recognized global brands. OOCL significant investment in IT infrastructure in a typical Chinese family oriented owned and controlled by the Tung family, according to its chairman and CEO has significantly transformed its organizational capability to compete against the giants from Europe and Asia.

Professionalization of Management

The separation between ownership and control, while occurring among an number of leading Asian firms, is not an inevitable of financial globalization. There are always mixed advantage associated with separation and corporate success is not granted. For those family firms with greater separation between ownership and control (e.g., CLP holding from Hong Kong) improved corporate governance comes about through the employment of professional managers who have both a global outlook in their managerial vision and tremendous experience in the respective sectors(e.g. finance).

Conclusion

The empirical analysis of this research may point to the convergence of Pakistani firms in their business norms and practices toward global trends in organizational processes and corporate governance. Many of the leading firms that they diversified their businesses according global environment. Despite global indications that changes and adjustments in their areas of business. The domestic firms which are operated in various part of Pakistan change and adjustment is quite difficult due to the nature of the business firm.

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