

GLOBALISATION



Multiple choice

- | | | | |
|----|---|-----|---|
| 1. | A | 6. | A |
| 2. | B | 7. | A |
| 3. | A | 8. | C |
| 4. | D | 9. | B |
| 5. | B | 10. | A |

Short answer questions

Question 1

- (a) **A transnational corporation is a business that is managed, owned and controlled globally (ie. in at least two countries) and often by establishing subsidiaries through foreign direct investment.**
- (b) i) **The globalisation of labour markets allows Murdah Ltd to move its production facilities to those countries that have a highly skilled labour force (for R & D for example) or low-cost labour force (for production for example). By taking advantage of the specialisations of each different labour force, Murdah Ltd is able to ensure that its products are produced to the highest possible standards, and yet at the lowest cost at each stage of the production process.**
- ii) **The globalisation of consumer markets considerably simplifies the production process for Murdah Ltd as it means that, rather than having to produce different products for each national market, the business can now produce a smaller range of products that are in demand in several markets. This allows Murdah to operate with single centres for research and marketing, for example. If consumer markets were not global, Murdah may require separate research and marketing departments. Each of these would have to gauge the demands of individual national markets.**

Question 2

- (a) **Globalisation has contributed to a substantial decrease in the percentage of Tambo Ltd's workforce which is of Australian origin.**

- (b) Tambo Ltd has outsourced its research and development and marketing operations to Brazil and New Zealand respectively. This has resulted in a substantial reduction in the size of the workforce, particularly in terms of Australian workers. With a smaller workforce, Tambo Ltd has been able to adopt a flatter business structure, allowing for an increased level of communication between management and ordinary employees.
- (c) The reduction in the number of employees in Tambo's Australian operations is a likely cause of workplace conflict. In this situation it would be necessary for Tambo management to meet with their employees, or their representatives, to discuss the company's plans for the future and the implications of these plans for Tambo's workforce. Here, Tambo representatives will want to minimise industrial conflict but ensure the company's plans are understood. Employees will seek to minimise the job cuts in the businesses by stressing the importance of its workers to the company.

Another likely cause of workplace conflict is likely to come from differences between the workplace cultures in each of the different countries in which Tambo Ltd operates. In this situation it will be necessary for Tambo's management to ensure that appropriate grievance procedures are put in place to handle any disputes. It is also essential for Tambo's management to establish and maintain strong communication links with their workforce. Here, managers in Australia will seek to maximise the efficiency of the overseas operations and may attempt to closely align the work practices of the different countries. Managers of the overseas operations will attempt to balance these desires with the needs and styles of the foreign workers.

Question 3

- (a) There was a steady increase in the number of worldwide internet users between 1995 and 2002 as the number of subscribers increased from roughly 50 million in 1995 to almost 600 million in 2002.
- (b) Recent advances in technology have helped to reduce the barriers posed by the geographical isolation of the Australian business community from the rest of the world. Improvements in information technology have allowed Australian businesses to greatly improve their management of overseas subsidiaries and manufacturing operations and have also helped certain sectors of the Australian economy, such as the financial services industry, become world leaders. Technological developments have also allowed Australian businesses to reduce costs by maintaining more efficient inventory control systems and by allowing them to purchase supplies from suppliers throughout the world.

Question 4

- (a) Governments can play an important role as drivers of globalisation by adopting policies that seek to reduce barriers and open up national economies to international influences. For example, by lowering trade protection levels, the Australian government can encourage foreign businesses to enter the Australian market. This will force Australian businesses to increase their competitiveness and will lower prices for consumers.

- (b) **Food4U received increased income as a result of the 8-month catering contract it signed with an overseas film crew. This contract is also likely to have increased Food4U's profits. Further, because of the possibility of repeat business in the future, there is a good probability that Food4U will continue to achieve strong profitability in the future.**

In addition, Food4U's relationship with the US film crew has created the possibility of the company tapping into global financial markets to raise funding. This relationship will increase the international profile of Food4U and increase the ease with which it will gain additional funding. Through this form of interaction with global markets, Food4U has gained access to a much larger pool of savings than it would have if it concentrated purely on the Australian market.

- (c) **Existing employees might be concerned that Food4U might pay less attention to its Australian operations and their welfare after its global expansion. To solve this problem, Food4U's management must maintain open communication links with employees or their representatives to discuss the issue and explain the reasons for the expansion. It may also be useful to allow employees to contribute their own ideas as to the method and timing of Food4U's global expansion.**

Domestic shareholders (owners) may be uncomfortable with the fact that Food4U is planning to raise funds from outside Australia, exposing the company to a new range of risks. If the funds are raised by bringing in new owners, they may have very different aims from Food4U's existing shareholders and may encourage the business to adopt different strategies that are popular with existing owners. To solve this problem, Food4U's management team must explain clearly the direction in which they see the company going in the future and ensure that new shareholders agree with this.