

GLOBAL ORGANIZATIONS AS INITIATORS OF WORLD ECONOMY GLOBALIZATION

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Abstract: In contemporary conditions of life and work, competition is constantly modified as a product of direct impact of globalization. Realizing that this is the only way towards ensuring the competitiveness and survival in contemporary global business environment, today an increasing number of companies adopt characteristics of global organizations. In that sense, global organizations represent organizations that are able to compete at any time and with anyone. They most frequently realize the activities at global level, their products are sold at all key markets in the world, in that way world branched activities integrated through national markets are formed. In modern global environment, increasing number of companies accept the adoption of characteristics of global organizations. Since global environment is characterized by intensive changes, strengthening of competition and market uncertainties, successful and competitive become only those organizations which, within them and towards environment, develop the ability to learn rapidly and use available information in order to adapt to the changes.

Key words: Globalization, competitiveness, global organizations, business environment, national markets, market uncertainties.

1. TERM OF GLOBAL ORGANIZATION

Global organization is a term that is used daily and which is attributed great significance. When defining the term of global organization, many authors apply different approaches. Robins and Coulter list three main features that one, particularly global organization needs to have [1]. First feature is the special purpose of each organization. That purpose is expressed in the aspect of goals which the organization hopes to fulfil. Second feature are people. People are an integral part of every organization. Within the organization, for performing the jobs, it is necessary to have more employed persons who will achieve goals in that way. Third feature characterizes the development of purposeful structures of organization so that its members could do the job.

In global environment, which is characterized by strengthening of competition, market uncertainty and intensity of changes, the organizations which develop the ability of rapid learning and use available information towards the environment and within themselves are successful. Characteristics of global organizations are today adopted by increasing number of companies, knowing that it is essential for survival and competitiveness in contemporary global environment. Organizations that are able to compete with anyone, at anytime and anywhere are global organizations. Those are the organizations that do business in international business scene in conditions of globalization and they are carriers of globalization process, having in mind that precisely by their business activities they lead to the increase of the exchange of goods and services, intensive movement of the factors of production, capital and information. Global organizations, in most cases, carry out the activity at global level, and thus create globally branched activities integrated through national markets. Easier approach to international markets, approach to cheap raw materials, large-scale economy, customs facilities, as well as acquisition of competitive advantage is provided to global organizations by diversification of economic activities.

Differentia specifica of global companies is that they need to design internal organization in a way that will provide the performance of key jobs and tasks and internal transactions between geographically dispersed organizational parts, rather than to perform those activities on one market [2].

Many important companies, i.e. organizations, by their achieved market share, turnover and profits are included into giants of global economy whose value of business volume or assets largely overcomes the value of gross domestic product (GDP) of many countries. Simultaneously, these companies are known for their commitment, way of planning and implementing of their corporative and marketing strategies in international business, and they are known as multinational (MNC), transnational (TNC) and global companies.

1.1. MULTINATIONAL, TRANSNATIONAL AND GLOBAL ORGANIZATIONS

Multinational, transnational and global companies basically represent the highest phase in entrepreneurial development of a company as business entity and we can say that they, in a narrow sense, make three specific modalities of international business.

Multinational company distinguishes from the national by the fact that its management is in several countries, so it cannot be said for one country only that it is home country, i.e. country of origin, but it is a greater number of countries. Unlike them, transnational companies are “the companies that own and control product or service objects out of the country in which it was founded.” [3]

Difference between multinational and global organizations, as internationally large-scale companies, is reflected in the fact that multinational companies notice and make differences in the markets, where national market is one of many target markets, which is differentiated by significance and size. In relation to multinational, global organizations apply integral approach, where national market is only a segment of world market. Today, organizations that do business globally are nothing new.

Expression “global companies” is related to the strategy of the company when it appears in the world market. And while majority of companies have adapted their products to specific tastes of consumers in particular regions of the world, global companies sell their products in the same way throughout the world. These companies, in their business policies observe global market as a unique market (disaggregated) [4].

The road from multinational to global company basically develops through the exchange of knowledge and experiences acquired from country to country, practically such companies export success from one market to the market of another country. In this way, it is provided for them to acquire concrete private property in the form of company’s assets, which is very important in building competitive advantage. When companies acquire such transactions, it comes to the progress of multinational company from the position of multi-local company to the position of global producer or supplier of world market. From this aspect, transformation of the company towards global company is expected in the second phase.

By abolishing the structural division imposed by artificial geographical barriers, many companies are globalized. This type of global organizations is called “organization without borders”. Organization without borders approaches global business with geocentric attitude.

2. PILLARS OF COMPETITIVENESS OF GLOBAL ORGANIZATIONS

In order for the companies to become global organizations, they need to contain a big number of dimensions that create competitive advantage. Key pillars that form basis of competitive advantages of global organizations are shown in the following figure and they will be explained individually [5].

Table 1: Global organization

Global organization								
Focus on consumers	Continuous improvement	Use of flexible or virtual organization	Creative human resources	Climate of equality	Technological support	Openness	Self-efficacy	Cultural understanding

Source: Luthans, F.; Hodgetts M. R.; Lee, M. S.: „New Paradigm Organizations: From Total Quality to learning to World-Class“, Winter, New York, 1994., p. 15

Focus on consumer – Global organizations are concentrated on consumer. In order to get closer to consumers, global organizations strive for horizontal organizational structure. Having in mind that during the work it comes to the creation of new requirements for modern products and services, their goal was oriented towards the satisfaction of needs of consumers and creation of relations with them. Consumer with nuanced and layered needs, without prejudices, of clear perfections, as well as stressed sensitivity to quality and way of meeting own needs is a global consumer. Contemporary consumers and buyers protect the rights of free choice. Global consumer sets the level of own satisfaction above the level of national loyalty, which is expressed through the adherence to domestic sources of supply. Thus, a significant pressure is performed on convergence of global demand and homogenization of behaviour of consumer, as increasingly visible determinants of the general process of globalization [6].

Continuous improvements – Market globalization stresses knowledge as basic value of successful companies. Global organization implies free flow of knowledge, i.e. abolishment of all barriers for development of knowledge and new ideas. Condition of survival in contemporary environment for individual and his primary needs is lifelong learning and knowledge expansion. People in an organization need to be continuously inspired to learn, experiment, examine, research and change opinions, approaches and attitudes regarding to the problems and occurrences in organization. In that way, people in organizations develop their abilities to anticipate the needs of consumer and intentions of competitors, as well as to listen to consumers and meet their expectations [7].

Use of flexible or virtual organization – The following characteristic is the use of flexible or virtual organization. Organization that is capable to manage the business such as big companies that have numerous advantages, and actually it is much smaller, is called virtual organization. It represents a qualitatively different form of organization and it is based on information technologies and means of communication, without which its survival would be unimaginable. The fact is that big number of companies, applying various forms of virtuality, has reached significant competitive advantages. In order to provide materials and products that were produced at some point in their framework, in the years to come, increasing number of global organizations will rely on global source.

Creative human resources – An important element of modern organization are human resources. Success of organization, in contemporary terms of business primarily depends on people. Various studies carried out throughout the world have confirmed that human resources of an organization can be a significant sources of competitive advantage of an organization. Due to huge importance and significance of human resources, global organizations apply the process of planning human resources which includes the providing of appropriate people at right places at the right time, capable to carry out their tasks effectively and efficiently.

Climate of equality – By creation of this climate, global organization provides for all the employees, owners, consumers, suppliers and community to be treated with dignity and respect. In different organizations, such an environment is created in different ways.

Technological support – Jobs of global organizations are permanently spread in the world. Global organizations are less related to certain location, so the coordination of activities develops with technological support, which enables more flexible and rapid business interactions. Initial and outcome point of globalization of production and business, i.e. development is the interest to provide and increase monopolistic profit in global markets and in international economic relations on the basis of available technological knowledge and solutions [8].

Openness – By observing the organization as a whole composed of several mutually related elements, the connection of organization and environment is always stressed, as well as openness for its impacts. Global organizations do not resist to changes, they study the way of adapting to changes, as well as the way of creating and acquiring profit from them. They stress the need of applying the concept of openness towards different cultures and stress the necessity of understanding. These organizations anticipate and encourage changes, they are ready to accept new trends.

Self-efficiency – Belief and self-confidence of individual in his own capacities, resources and ways of working, in order to positively realize some task implies self-efficiency. Before the beginning of work and selection of their choices, the employees wish to estimate and integrate information regarding their abilities. In order to use their positive impact on employees, their performance of jobs and achievement of communication, global organizations need to promote and develop self-efficiency. For the purpose of maximizing their own efficiency, associates are taught how to search more actively for information on the impact of their behaviour to others and the things that are important for others.

Cultural understanding – Development of top managerial personnel who own experience in business and who are familiar with the way of cooperation with the people from different cultures, represents a condition for organizations which want to remain competitive at global level and which strive to expand their activities to other countries as well. Significant competitive factor for the future is cultural differences management of labour in own or foreign country, and understanding and respecting the differences are skills that are required for such a task. Within global organizations from different geographic areas, there can appear big differences in behaviour of individuals and group, which global managers need to face with. Sources of the occurrence of differences come from socio-cultural or social differences [9].

3. MOST SIGNIFICANT CHARACTERISTICS OF GLOBAL ORGANIZATIONS

Summarizing the above-mentioned, as the most important characteristics of global organizations, we list the following:

- by observing the whole world as the source from which they draw resources for their business;
- they tend to carry out business activities throughout the world;
- apply global business strategies and
- overcome internal and external boundaries in business [10].

Therefore, global organizations are characterized by:

- modern managerial, technological and marketing knowledge: due to owing the advantages mentioned, in contemporary and open economic environment, global companies become the most significant carriers of foreign investments. By using these advantages, global companies realize their investments through foreign direct investments, as a dominant form of international capital movement.
- profit orientation: basic motive of business of all companies, as well as global companies is profit. From the aspect of their interest, basic motive, goal of business is acquisition of

profit at the level of global organization. Risk dispersion provides compensation in gains in other places in case of possible loss in other places.

- hierarchical relationship between parent and subsidiaries: existence of hierarchical system of business and management is a characteristic of global companies. Based on unique business strategy, parent company, i.e. centre makes main decisions, related to economic functioning of the company. In addition, each business unit has a certain level of autonomy.

- size: by the volume of their production, height of acquired profit and number of employed workers, global companies represent business systems of big financial and economic power.

4. REASONS AND MOTIVES FOR GLOBAL BUSINESS

Reasons and motives of global business of many companies are different and by their role and significance they differ from market to market. Different authors, in addition to variety, agree that main motive of global business is maximization of profits.

Many companies have classified their reasons for global business in reactive (defensive) and proactive (aggressive) reasons [11]. Due to the reason of possible danger from the drop in competitiveness, many global organizations are led by a strategy of aggressive global policy.

The biggest reactive reasons for global business of companies are:

Global competition – Key reactive reason that encourages the company to reactively do business in global market is the growth of competition at global plan. In some industries (electronic, textile industry, industry of computer chips, car industry etc.), the biggest companies compete in all global markets. Key precondition of global organizations is preservation of own positions in global market, as well as keeping the pace with development of technology, distribution and other, i.e. keeping own global clients in those markets is possible only through reacting in the right way to competition in world market.

Restrictive trade barriers – The second reactive reason for which companies shift from the export to the organization of production outside the national borders are restrictive trade barriers. Export to foreign markets, due to trade barriers, such as local purchasing policies, customs, quotas and other restrictive market practices can become expensive and non-practical. Export of capital, especially movement of long-term foreign private investments is a very efficient way of „jumping over“ customs walls, fences and barriers between countries and regions [12].

Regulations and restrictions – As previous factor, regulations and restrictions that are imposed to companies by governments of their countries, are often rather rigorous and expensive, so the companies will prefer a less restrictive foreign market.

Consumers' requirements – Cause of business operations of companies in foreign countries most frequently occurs as an answer to the requirements of those consumers or, however, as a solution to logistics problems. This has stimulated the appearance of global market segments, such as markets that are intended for richer buyers, business people, young and teenagers, who often have interests and taste similar to appropriate social layer in other countries in relation to other consumer groups in their own country. This results in creating the possibilities for development of products and services that are intended for those market segments throughout the world.

Companies often take a proactive attitude in order to preserve their position of leaders in the market in this way. When it comes to proactive reasons, the attention is aimed towards the following:

Economy of scale – Reaching the economy of scale, as well as full use of contemporary capital-intensive production equipment, are some of the reasons for which the companies decide to expand their business to foreign markets. We can say that companies can achieve greater development and provide modern technology only on global market. Taking market share at global level is a key precondition of company's success. Through the operations at global level, we can reach significant economy of scale and operative efficiency.

Increase of company's possibilities – Necessity of searching for new opportunities in the markets that are opened is inevitable and companies in mature markets face with it. Many companies often strive for expansion to new international markets, when their opportunities in domestic market become limiting. Mature product or service, due to limited growth in its domestic market, often gets a chance, i.e. a new life in the market of another country where it will be found in earlier phase of its life cycle.

Access to resources and costs savings – These elements significantly animate and attract the companies to begin their business in foreign markets. Identifying the possibilities for the acquisition of resources in other countries has also given a contribution to trend towards globalization, in order to use better the advantages provided by differences in relevant price of labour or natural resources. In some cases, it has come to the change of company's place of production. Core of traditional theory on international business consists of available resources, such as natural resources, climate, skilled and cheap labour, land and capital. Incentives – Incentives are a common tool applied in maintenance of positive attitude towards foreign investments. Legislation of majority of contemporary market economies introduce numerous stimulation measures and exemptions in order to attract foreign capital by adopting numerous regulations and acts. These incentives are attractive to global companies, because they increase profit and minimize the risk. Providing the preferential treatment to foreign investors is regulated within different types of exemptions. Most frequently used measures are tax and financial exemptions, although there are other incentives that are at their disposal. Motives for investing abroad can be strategic, behavioural and economic [13].

Strategic motives can be classified into four groups: a) production for the purpose of providing the resources (the aim is providing the resources by lower prices than in parent country); b) production for the purpose of ensuring the market (motivated by winning new markets); c) production for the purpose of greater efficiency (rationalization of existing subsidiaries in such a way that company can achieve advantages of common management of dislocated capacities, achievement of economy of scale and diversification of risk); d) production for the purpose of acquiring strategic resources and abilities (motive is association of common potentials and advantages in order to achieve strategic goal).

Behavioural (subjective) motives of foreign business are: a) call from abroad as a motive for business arrangement (if it comes from respectable and high position); b) investing due to a fear from losing a market; c) departure to regions which are at that moment attractive, looking up to the others; d) strong pressure of competition in domestic market. Economic motives primarily refer to competitive advantage of multinational company, in relation to companies located in the given market. Main regions of competitive advantage are: economy of scale, managerial and marketing skills, technology, financial potentials, differentiation of products.

Observing previously mentioned reasons, we can conclude that well-planned and done performance in global markets is a basis of future expansion and competitiveness of the company.

5. STENGTH AND POWER OF GLOBAL ORGANIZATIONS

Power of global companies is big and it exceeds national borders. Due to making investment decisions at global level, capital and other resources are transferred from one country to another. In that way, we influence the level of economic activity in particular countries. Status of global companies is privileged when it comes to the World Bank and International Monetary Fund. In this way, they achieve different forms of structural power because they influence the international business climate, competition, as well as international capital mobility. Trends mentioned represent a part of global economy that influence the development of transnational, global corporation [14].

Global organizations own big power based on the size and realization of the activities of global proportions, globalization of all phases from technological research to placement, big potential, technical-technological development, monopolistic control of world sources of raw materials and energy, centralization and decision-making. Source of the strength of global organizations is reflected in their unique ability to join the production at global level by modern business, finances and technology and thus gain a possibility of participation in global market. Global companies today dominate the world market of goods, services and capital. „According to UNCTAD’s estimation..... today in the world there are about 60.000 multinational companies with about 500.000 of their subsidiaries. The greatest part of jobs throughout the world develops through them.“ [15]

Indicator of the significance of the role of global companies in the world scene is the fact that from the 1980’s of XX century, the expansion of subsidiaries abroad is noticeable whose turnover is estimated to 90% of the world export. The biggest global companies own offices and branches in many countries of the world, for example Danish corporation “Dutch Royal Shell” which draws oil from 50 countries, refines it in 35 and has a developed market in more than a 100 world countries.“ [16]

From 100 biggest global economies, 51 are global corporations and only 49 are states. Combined sale of the biggest 200 world corporations is bigger than a quarter of world economic activities. Combined sale of 200 biggest corporations (Top 200), is bigger than overall economy of all countries except the richest 9, which means that 182 countries exceed combined economies. Top 200 has almost twice as bigger economic power than four fifths of humanity. More than a half of the biggest 200 corporations are concentrated in only 5 economic sectors. Top 200 creates global economic apartheid, rather than global village [17].

Strong geographic conception is characteristic for global organizations. About 90% of total number of the same is in developed countries, i.e. it comes from industrially developed countries of the West.

“the following indicators speak about the proportions of international production system: in 1997, GDP of entire system of global companies (parent companies + their foreign affiliations) amounted 8 billion dollars and it represented $\frac{1}{4}$ of the world GDP. During 1990, total sale of foreign affiliations of global companies amounted to 13,5 billion dollars, which is almost twice more than the value of global export, which amounted to 6.8 billion dollars in the same year.“ For example, according to the analysis mentioned, American car giant “General Motors” occupies 47. position with 56 billion dollars and it is before the value of the economy of Peru. Analysis shows that leading world companies record a more rapid growth rate than the world average of the growth of national economies. In overall world foreign direct investment state, 100 biggest global companies participate with 1/3. These companies require a high scope of assets and significant share in overall world FDI state, own the opportunity to significantly influence the production, trade technological flows, as well as employment, both in its parent countries and in countries in which their subsidiaries

are located. Observation of leadership of global companies can be performed from the standpoint of market share which is in branch of the activity performed by these companies. Global leaders are the companies of highly globalized branches and activities, such as automotive industry, computer industry, electronics industry, oil refining, telecommunications and less globalized activities, such as discount retail. Some global companies are big and powerful such as "giants". In automotive and, generally, in world industry, it has come to intensification of agreement of integration character, which were reflected through merging (fusions and mergers), association, purchase and acquisition (takeover), which resulted in creation of real giants in the world market. Process of international centralization in this field could be ended by leaving one or two companies in America, one in Europe and one in Asia. Computer industry, as well as the field of hardware and software, telecommunications and pharmaceutical industry in the sense of established relations and cooperation between companies, represents the second relevant field to which the attention should be paid. Above-mentioned facts offer a clear image on the increase of inequalities in the world, i.e. strengthening of gap between the rich and poor. Discussions that are led on uncontrolled power of global companies are even more vigorous because they are now protected by legal frameworks and rights regulated by international financial and trade institutions.

6. CONCLUSION

The most significant characteristic of global environment, the world which we live in, have become intensive changes. In today's conditions, developmental impulses are found in innovations, ideas and knowledge. Organizations which within them and towards the environment develop the skill to learn rapidly and use available information, in order to create competitive products and services, will become successful in such global environment. Big global organizations are institutional carriers of globalization process. In contemporary conditions of economy, global organizations are the basis of global economy, and due to their basic characteristics, they are characterized as a growing vital subject of functioning of international economic relations. Role of global organizations is very significant in international plan. These organizations have become the most powerful subject of international economic relations. Global organizations are the most significant institutional carriers of the transfer of economic activity to other countries of the world. They are also the carriers of technical progress, and organizers of production in global proportions. Significant part of the world property is owned by global corporations. They create regimes of the world trade and conditions of direct foreign investments, which are main initiators of globalization processes that dictate personnel policy.

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