

# Wyjaśnienie związku pomiędzy globalizacją jako ekonomicznym, technologicznym i politycznym procesem wzrostu wielonarodowego przedsiębiorstwa w kontekście krytycznej oceny teorii Krajowych Systemów Biznesowych Whitleya

## Explanation of the relationship between globalization as an economic, technological and political process and the growth of the multinational enterprise in the context of critical evaluation of Whitley's National Business Systems theory

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**Abstract:** Great discoveries started the era of highly increasing trade and, in fact, the era of globalization. The second stage of globalization was after Second World War. The economic liberalization was one of the bases for raise of multinational companies. Today multinational companies account for more than two-thirds of world trade. The process of global production has place. The notation, where the product was made now is just marking the place where product was completed. These processes have economical reasons, f. ex.: cost of labor, availability of skilled and equipped stuff, tariffs, cost of raw materials, level of technology required to build planned product, stability of economies of the country the MNC (multi national companies) are going to invest in, infrastructures in such countries, taxation levels, law transparency, political stability, political maturity and more. According to Whitley the most important factor determining each national business system is path dependence defined as the dependence of economic outcomes on the path of previous outcomes. Future is the variable of today and –mainly- of the historical events. Whitley states that emerged in twentieth century business systems differs in forms of organization and control, types of dominant firms, relationships between customers and suppliers and work systems. Despite the growing role of globalization, national business systems seem not to be flexible to its influence. Finally, countries seem to specify in their business systems.

**Key words:** globalization, multi national companies (NMCs), Richard Whitley's National Business Systems theory

### 1. Introduction

The very first symptoms of globalization were geographic discoveries. Great discoveries started the era of highly increasing trade, made possible to expand the technology achieved in the old world into the field of the new world (technologically and mentally) and, also, made an opportunity of mixing cultures. Since that time globalization had taken different forms and changed significantly. Whitley is the author of the National Business Systems theory. In the context above, his theory is often perceived as an opposition to the theory of globalization. Whitley indicates various divisions between existing national business systems and describes these systems as well. He points out the most important factors that have

influence on rise of each of distinguished systems. Whitley perceives states as a containers, regulators and competitors. He considers the nature of the business systems in their boundaries.

### 2. Area of the research

The second stage of globalization was after Second World War. The prerequisites for this stage were breakthrough in three significant areas: economic approach, technology and politics. Cultural changes have place, too. The economic approach has changed because of merchants and merchants' state-cities. Their pragmatic, modern at that time approach was, in connection with technological changes, the trigger to indus-

trial revolution which changed the way of life and extracted economic liberalization. The economic liberalization was one of the bases for raise of multinational companies. Today multinational companies account for more than two-thirds of world trade. The process of global production has place. The notation, where the product was made now is just marking the place where product was completed. Generally, each of by-products or raw materials is, in Multinational companies, from different part of the world and they are processed and folded in ready product in one or in a few places (depended on economical profitability analysis and expected (and also later measured) efficacy of whole process of the production). All these activities have its economical reasons. These reasons are: cost of labor, availability of skilled and equipped stuff, tariffs, cost of raw materials, level of technology required to build planned product, stability of economies of the country the MNC (this abbreviation stands for multi national companies) are going to invest in, infrastructures in such countries, taxation levels, law transparency, political stability, political maturity and more. Costs of labor are important factor for MNCs because it can be significant fraction of summarized costs. The significance of this item is easy to observe on the example of growing China, where the labor is the cheapest in the world. The problem, that low-cost labor is generally and most often not skilled and poorly experienced, can be solved through connecting machines technology with that low cost labor. Sometimes, well skilled labor is crucial but then MNCs send the future-workers to its training centre another place in the world (when they must know and understand the western context of activities they will do in their home country) or train them in the local training centre built especially for concrete MNC. But in the world of globalization of labor, there is always a question about training specialists. MNC must be aware of the possibility of outflow of the skilled specialists from of the country (and company). Lots of them, when trained and experienced, are driven by money go to another country. The long-term costs of training stuff must be taken under consideration by MNCs. Tariffs are also important factor for MNCs. In general, tariffs are lower for raw materials and by-products than for ready, completed products. MNCs use this relation to decrease their costs. In terms of taxation and tariffs, globalization can be perceived as the appearing of international agreements like for example GATT. The level of technology required to build planned product is, for MNCs important because possible of need of foreign direct investments called also green fields. The governmental approaches to FDIs are also becoming similar in all developing countries what is the symptom of globalization. Governments, to attract green field investments generally offer decrease of taxes (or temporary tax exemption) and free land for investment. The political issues are: different varieties of unions have grown in the world, development of international law and treaties, political stability and – connected- economic stability, law transparency and political maturity. Of course the biggest influence for trigging the growth of MNCs had emergence of European Union (Treaty of Maastricht) with one common currency among twelve countries. This factor let doing business freely, without additional tariffs and simplified the accountancy when no need to cope with different currencies. Such lowering of the transaction costs and decreasing the uncertainty of economic activity connected with currency rate was the great incentive to build new and/or strengthen existing international relationships. Moreover, EU gives unified law basis, which is –for following the EU norms MNCs- the guarantee of not having high penal-

ties cost in future. Global production process is the answer for global demand. World, called ‘global village’, is characterized by more and more homogenous demand. The reasons are global media (generally global communication) and global transportation. Global media, using global technology, advertise and inform societies about unified products (or partly various depended on part of the world or giving the choice for customizing – which is being done also as a part of production line). Global transportation of people and goods increases demand for global products. All these above-mentioned activities are connected with flow of money. Finance has been a hundred percent globalized by now. Flow of capital is fully free and unlimited. The item connected with this is taxation. The taxation levels are the reasons why MNCs move out the revenues from the high tax areas and put them in so-called ‘tax paradises’. The good example of MNC is Microsoft. This company produces software for whole world. Despite all products of Microsoft are similar, they vary in terms of concrete market and segment they are sold. There are products for companies and for home users, lots of language versions and even options making access to computer simpler for disabled persons, often provided on one CD. Microsoft has its programmers all over the world; they are writing code of new products and sending the results to centre in Redmond. Central headquarter is ordering (at low cost) the production of copies of newest software f.ex. in Thailand. From Thailand (and factories from other places) new product is transported to all computer stores in the world and to producers of computer, who send it as an OEM version. Cutting cost through telecommuting and releasing various versions of products brings the Microsoft their success.

### 3. Discussion

According to Whitley the most important factor determining each national business system is path dependence defined as the dependence of economic outcomes on the path of previous outcomes. Future is the variable of today and mainly of the historical events. Whitley states that emerged in twentieth century business systems differs in forms of organization and control, types of dominant firms, relationships between customers and suppliers and work systems. Despite the growing role of globalization, national business systems seem not to be flexible to its influence. Moreover, countries seem to specify in their business systems. Regarding the nature of business systems, there are patterns of economic organization related to providing and using of capital, customers and suppliers, competitors, firms in different sectors, employers and different types of employees. Whitley divides existing national business systems in:

- ownership coordination;
- non-ownership coordination;
- employment relations and work management;

Ownership coordination characterizes direct control of firms by owners and alliance control, in which owners delegate decisions to managers.

Non-ownership coordination is characterized by alliance coordination of production chains, collaboration between competitors and alliance coordination of sectors.

Employment relations and work management are characterized by employer-employee interdependence and delegating to employees (based on trust).

Finally, globalization process had and still has not to overestimate influence on MNCs. MNCs, internationally trad-

ing, producing and selling goods have the impact on our lives. However, it is worth noticing, that existence of MNCs in its current form is strongly related to cost of transportation. Changes in oil prices may effectively hinder operations of MNCs. In Poland, most of companies are small and medium (hiring less than 300 employees). The main reason of this is the fact that state is not participating in sharing risk with the entrepreneurs. Polish capital market is weak and liquid so credit based. Considering risk sharing, participants in risk and types of developed strategies companies in Poland are artisanal and opportunistic. Big companies that operate in Poland are, in majority, parts of the foreign/international companies.

#### 4. Summary and conclusions

Globalization process is still one of the most important processes in the world. Started in the age of great discoveries until now, the era of fight with global pandemic, which can be

perceived as a part of globalization, too. The impact of globalization on MNCs is hard to overestimate.

According to Whitley the most important factor determining each national business system is path dependence defined as the dependence of economic outcomes on the path of previous outcomes. Regarding the nature of business systems, there are patterns of economic organization related to providing and using of capital, customers and suppliers, competitors, firms in different sectors, employers and different types of employees. Whitley divides existing national business systems in ownership coordination, non-ownership coordination and employment relations and work management.

The process of globalization has ultimate influence on multi national companies, which are internationally trading, producing and selling goods and have impact on our lives.

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