

Leadership and Globalization

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Introduction

Increased globalization has required organizational leaders to become more culturally competent with their behaviors, strategies, and decision making. Globalization can be described as a “process of integration into the world economy [which] consists of three key areas, namely trade, investment, and finance” (Siddiqui, 2016, p. 425). As technology, trade, and communication advances, global connectedness and global interdependence increase as well. This growth and advancement takes place within large, multi-national corporations, but also on a smaller scale as well since globalization also consists of labor exchange. Not only do many organizations now actively compete on an international level, but there is also an increased exchange of global labor so it is vital for leaders and their organizations to be aware of international cultures, policies, and concerns.

Globalization Overview

Globalization has caused and will continue to cause an increase of participation in the global market, which should have benefits for all nations, organizations, and individuals. In their discussion about globalization and individual wellbeing, Mukherjee and Kriekhaus (2011) write:

Globalization refers to diverse processes, including greater mobility of capital, goods, and services as well as the diffusion of ideas, norms, and faster and easier modes of communication and transport. Thus, globalization is a multi-dimensional concept that has economic, social, cultural, political, and environmental dimensions, among others” (p. 150)

Technological advances, particularly in transportation costs and time have had a “dramatic impact on reducing geographical barriers” (Siddiqui, 2016, p. 439). Globalization adds another

level to the comparative advantage model by including differences in human capital levels as well as social capital and culture influence comparative advantage (Torelli, 2017). As countries grow and develop, they will inevitably become involved in the international economy.

Particularly for developing nations entering the international market, it is vital that there is strong guidance and leadership throughout the process. While there are groups like the World Trade Organization that oversee and regulate international trade, that does not guarantee success, equality, or protection for countries, organizations, and individuals entering the market or exchanging capital.

One of the challenges of an increased global economy is the potential for increased inequality between developed and developing nations. Using the Heckscher-Ohlin Model, international trade theory predicts that in “high-income countries, skilled workers should...gain from globalization, and unskilled workers should lose from globalization” (Kauder & Potrafke, 2015, p. 355). There is the risk that greater wage inequality could occur as jobs are outsourced to locations with lower labor costs, which could expand the divide between nations (Krugman et al., 2017, p. 336). This is especially true for those developing nations that are just beginning to enter the global economy and implementing trade agreements with nations who are already established.

However, this shift toward a more inequitable market is not necessarily the case for all organizations newly participating in a globalized market. A study performed by Kauder and Potrafke (2015) states that countries that experienced rapid globalization showed an increase in social justice, poverty prevention, social cohesion, equality, and intergenerational justice (p. 368). A study by Yabuuchi (2015) identifies that there are several different directions for labor to travel within international markets, but states that the best case scenario is for capital and skilled

labor to simultaneously enter a host country. Managed appropriately, this will contribute to “lowering the wage inequality and eventually improves inequality” (Yabuuchi, 2015, p. 588). However, when there is a lack of ethical leadership within international resource exchanges, there can be a multitude of negative impacts.

Critics of globalization argue that the trading equilibrium between developed and developing nations will never benefit both groups, and that workers from developing nations tend to suffer low wages and poor working conditions as a result (Krugman et al., 2017, p. 337). Although workers in developed nations might be better off than they would have been without the impacts of globalization, that does not mean that they should be subject to inequitable employment. Yabuuchi (2015) acknowledges that this unequal exchange of labor, wages, and skill level could compound inequality in both developed and developing nations, overall being more detrimental for all involved parties (p. 588). However, knowing that there is the potential for abuse within the international market can allow leaders and policy makers to address these concerns before they become irreversible.

All things considered, there is no reversing globalization now that the increase in technology and exchange of capital, labor, ideas, and individuals has started. As markets becoming increasingly diverse, leaders must take advantage of all new available resources available to them to build and grow their organizations. Globalization, while it does have disadvantages, also “has a positive effect on human welfare, due to its ability to bring increased development, technology, knowledge, and foreign support” (Mukherjee and Krieckhaus, 2011, p. 163). These positive implications are what leaders need to focus on moving forward as their workforce expands to include diverse individuals and unique marketplaces, either of which come with their own set of challenges.

Leadership in a Globalized Society

While the impact of globalization is not always clearly presented, leaders have an obligation to improve the “net effects of globalization through determined efforts to minimize the negative effects” (Mukherjee and Kriekhaus, 2011, p. 164). This means not only being aware of the potential for negative impacts of globalization, but also encouraging the positive changes that can accompany it. For leaders, they need to take into account that individuals come from diverse backgrounds with unique cultural practices and beliefs.

Leaders have a vital role in developing organizational culture, which is the “prevalent view of reality shared by members of the organization. Under a particular dominant paradigm, structure, strategy, culture, leadership, and individual role accomplishments are defined by this prevailing world view” (Simsek & Louis, 1994, p. 671). Organizational culture has a major impact on how individuals work with each other, how values are represented, and whether or not leadership is effective at guiding a positive work culture. Since organizations are socially constructed phenomena, “organizational members (including administrators) should be sensitive to the importance of understanding organizations as contextually based systems of meaning” (Simsek & Louis, 1994, p. 690). If leaders are effectively promoting equitable treatment, diverse hiring practices, and limiting common globalization challenges, then organizational culture should be following those same practices.

Due to globalization, the world will never go back to being *less* interconnected and interdependent, so leaders should embrace the challenges now in order to improve their organizations moving forward. Leaders and policy makers “often face difficult choices concerning the political costs and benefits of economic liberalization and decreased cultural autonomy” (Mukherjee and Kriekhaus, 2011, p. 163). Organizations should involve diverse

candidates in areas of decision making as they have valuable experiences and ways of viewing the industry or market that could potentially make their organization more competitive. With organizations that are just entering the global market, they should “adopt trade and economic policies that are more suitable to their stages of development...so as to enable them to achieve higher rates of growth” (Siddiqui, 2016, p. 447). Because of globalization, leaders and policy makers need to be particularly aware of the power dynamics that accompanies a diverse, global workforce and ensure that all members of an organization are held accountable for upholding equitable treatment with promotions, wage equality, organizational culture, and overall wellbeing.

Conclusion

As technology, communication, travel, and the exchange of resources continues to increase among nations, the interconnected and interdependent nature of the global economy is solidified. Globalization spurred on the interactions between developed and developing nations of various cultural and economic backgrounds, but leaders and policy makers moving forward must ensure that equity and accountability are at the forefront of decision making. Globalization has the capacity to encourage a greater exchange of technology, communication, labor, and capital while also improving conditions and wellbeing for individuals and nations. However, leaders must also remember that there are challenges of globalization, and that developing nations could suffer from a lack of understanding or cultural competence at the international level. Policy makers and leaders on a global scale should work to protect nations who are newly entering the market while policy makers and leaders within organizations, international or not, need to take into account the diverse experience, education, opinions, and approaches that globalization has introduced.

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