

Section IV

20 marks

Attempt either Question 28 or Question 29

Allow about 35 minutes for this section

Answer the question in a SEPARATE writing booklet. Extra writing booklets are available.

In your answer you will be assessed on how well you:

- use your knowledge and relevant business case study/studies
 - communicate using relevant business terminology and concepts
 - present a logical, well-structured answer to the question
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Question 28 (20 marks)

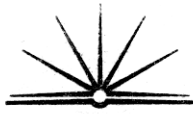
Outline the role of stakeholders in resolving industrial conflict, and critically analyse the impact of global trends in employment relations on business role and structure.

OR

Question 29 (20 marks)

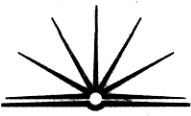
Outline the reasons why businesses expand globally, and critically analyse the political, social/cultural and management issues that arise with a global workforce.

End of paper



Globalisation is the major influence on most businesses today. The reasons why business expand internationally are varied and can be best seen by examining the Westfield's corporation and the motivating factors. As well as looking at the political and social cultural issues that can arise.

The major reason that Westfield's went global was to find new markets. Australia has a population of around 19 million which makes ^{the} market limited. Westfield's found that 75% of the population live within a 35 minute drive of one of their stores meaning any more centres would not be cost effective. For a business to grow they must find a new market to go to. Westfield's chose the US and UK. Each of these markets are unlimited and have no major competitors. What



this means for the business is that they are now able to grow.

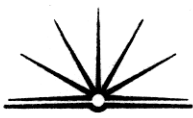
That is the second reason most businesses will go global. To grow once a business has reached a certain extent such as Westfield, the only way to go is global. This also means that they can acquire new resources as the business has found that in the new markets there are often better products for them to use and this means that they can bring them back to the domestic market. This also means that they can diversify which is another reason. As being in different markets will allow them to shop around for the very best products.

Another reason is to ~~find new~~ ~~markets~~ and increase sales/profit.

Going global means that there are new customers to be found. What is also means is that in finding the best

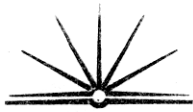
products cost of production is then reduced. Another way they improve profit as Westfields has done is to gain economies of scale. Since going global Westfields has spread the costs of production, by increasing its size a saving has come meaning that the sales increase due to new customers and costs are cut. This means that there is an overall improvement in the business standards.

Businesses also go global to cushion the effect of the economy. Especially in Australia, while the business' economy is not unstable it is unpredictable. By being in different markets, the business can afford one of its economies to be low as the others are high. In 2001 the economy had problems with the dollar in Australia. Westfields were unhindered by this through their use of cross currency



swaps and the fact that they were in two other markets which were extremely stable at the time. What this also means is that the business can rely on the fact that as one economy grows, generally another may dip. As Westfield's found out.

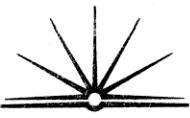
Going global also allows the business to diversify, as they have the funds and the new markets to find their products and to change. It also allows them to change their main strategies. Such as Westfield's ELP's. These entertainment and leisure practices allowed the business to extend itself into a new market. By joining cinemas and cafes. Through their use of global branding the customer base is steady and the business can branch out. Many global businesses do this. Or create a global web. Getting their products from



many international markets.

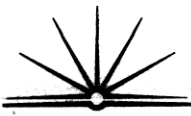
Businesses' also expand globally as they minimise the competitive risk. If a business is only in one market and a major new competitor comes with an edge the effects for that business are more disastrous. By going global a business can see exactly what is happening and combat it using experience from their other markets. Or they can concentrate on their other markets for profits until a way to improve their situation has been found. Westfields in Australia had not one competitor but many different smaller chains that began cutting into their markets. By being global this allowed the business to wait and see and then to act. As a result the ELP's were introduced from an idea from the American market.

The final reason that most businesses'



well go global is to reduce tax minimisation and to gain advantage from regulatory differences. When they relocate production many businesses find that it's cheaper as the tax system is lower than that of their parent country. By going global they can cut tax some even ~~do it together~~ don't pay tax in "tax havens" such as the Cayman Islands. With regulatory differences businesses are often unburdened by the prospects of production that their home country will not allow. Many businesses find that their productivity increases by becoming global.

Many ~~to~~ issues arise when a business goes global. The major are social / cultural and political. The major issue of a domestic market is not to let global countries take over that market. This is where the first market



core political issue arises that is the relationship between protectionism and free trade. As governments protect their domestic markets through the use of tariffs and trade barriers. What this means is that it's too expensive to go global into that country. While free trade will make the market grow, which will make the country internationally competitive and can improve certain things such as employment. The problem is that there is a very fine line between the two and a country must think extensively. For a business the question raised is can they afford it. Westfield's found that it was almost impossible to go global into the UK as they have a green space clause which hinders development. Westfield's overcame this with joint ventures by buying already existing centres and developing them. The political issue is a

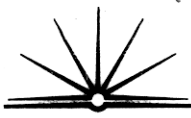


major one as countries not only need to let others in but get into international markets too much protectionism can cause troubles for the business. Management need to decide if its plausible to enter the market or not.

~~Another management~~ Another political issue is civil war and unrest as the problems arise when the country that the business is in has turmoil. As this can cause breakdowns in production and have huge repercussions on the business as they don't want to have a reputation as being unreliable. As for the workforce it creates major issues if they are called away to do something such as fight. Civil war/unrest also cause an issue as there is always damage done and a global business can be a prime target businesses need to choose relatively safe markets such as

Westfield's choice of the UK and USA.

The major social/cultural issue is minimum standards of labour which arise from labour law variations. What this means is that problems will arise if socially the business is seen to be exploiting their workforce. A business must make sure it is well within its legal system as if not the repercussions are huge. Such as the damage to reputation. Socially a company when going global must decide what is the course of action to treat the workers well but not to increase costs too dramatically. This again is a very fine line. The working conditions must also be focussed on as in today's society it is an outrage to have "sweatshop factories" and such. Business must keep these workers safe even in developing and countries where the work standards



are extremely low in regards to conditions.

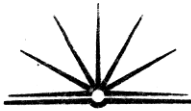
The second is to make sure the business is ecologically sustainable. Meaning they must take care of their environment, as this is a major social concern as the government of that country will not be pleased and neither will society. A key example of this is BHP. Who in overseas areas damaged key water ways. Socially the company was seen as destructive and in that year the company recorded great losses. The business must make sure that no illegal dumping takes place as this too if traced to them socially will be a disaster. The cultural effects are generally seen from examining the management issues that arise from a global workforce.

The first is staffing. Ethnocentric can be cheaper but they aren't necessarily skilled. Polycentric too will bring in the skilled workers but create troubles with regards to cost of getting them to where they are needed. Geo centric are the best possible staff for the job but may be costly. The managers need to examine what is the business needs and which of the three is the best. As they must take into account the different cultures and varying business practices that companies in different markets have. Westfields did this by taking their senior staff over to set up the period the business practices but the make up is no ethnocentric. This has worked for them.

The second management issue is to do with the differences in religion



and language. As a manager this must be taken into account when deciding how to run the business. As they will need to make sure when going into a country with a different language that they the orders that they say are understood and that their instructions are clear. Another issue is with religion as many countries have set times to pray, and other customs. A business with a global workforce will have to incorporate this into their running of the company if all is to go smoothly. The managers may also have issues if the workforce is geocentric and the staff don't mix well. Managers will have to create a ~~culture of change~~ make sure that all sides understand each other and try to make them compatible for the sake of production.



Globalisation is a very tricky field to step into business must be aware of the issues that arise in regards to social/cultural, political and management areas. To understand why they did so they must also examine the reasons behind going global such as increase sales and new markets.