

# Explain the Advantages and Disadvantages of a Changing Global Marketplace

**Unit:** Entrepreneur Skills and Business Concepts

**Problem Area:** Identify Global Impacts on Businesses and Individuals

**Lesson:** Explain the Advantages and Disadvantages of a Changing Global Marketplace

■ **Student Learning Objectives.** Instruction in this lesson should result in students achieving the following objectives:

- 1** Define “globalization,” and explain its importance.
- 2** List and explain advantages of the changing global marketplace.
- 3** List and explain disadvantages of the changing global marketplace.

■ **Resources.** The following resources may be useful in teaching this lesson:

Binder, Jean. *Trompenaar’s Dimensions*. Accessed May 24, 2010.

<[http://www.globalprojectmanagement.org/index.php?option=com\\_content&task=view&id=23&Itemid=32](http://www.globalprojectmanagement.org/index.php?option=com_content&task=view&id=23&Itemid=32)>.

“Business Benefits: Five Waves of Value,” *Cisco*. Accessed May 24, 2010.

<[http://www.cisco.com/en/US/products/sw/voicesw/products\\_category\\_business\\_benefits.html](http://www.cisco.com/en/US/products/sw/voicesw/products_category_business_benefits.html)>

“Findings Help Nike, Inc. to Evolve Its Compliance Strategy,” *MIT Sloan Management*. Accessed May 24, 2010. <<http://mitsloan.mit.edu/newsroom/2007-working.php>>.



“Offshoring: What Is Offshoring?” *Sourcingmag.com*. Accessed May 24, 2010. <[http://www.sourcingmag.com/content/what\\_is\\_offshoring.asp](http://www.sourcingmag.com/content/what_is_offshoring.asp)>.

Scott, Robert E. “The Walmart Effect: Its Chinese Imports Have Displaced Nearly 200,000 U.S. Jobs,” *Economic Policy Institute*. Accessed May 24, 2010. <<http://www.epi.org/publications/entry/ib235/>>.

Shah, Anup. “The WTO and Free Trade,” *Global Issues*. Accessed May 24, 2010. <<http://www.globalissues.org/article/42/the-wto-and-free-trade>>.

## ■ **Equipment, Tools, Supplies, and Facilities**

- ✓ Overhead or PowerPoint projector
- ✓ Visual(s) from accompanying master(s)
- ✓ Copies of sample test, lab sheet(s), and/or other items designed for duplication
- ✓ Materials listed on duplicated items
- ✓ Computers with printers and Internet access
- ✓ Classroom resource and reference materials

## ■ **Key Terms.** The following terms are presented in this lesson (shown in bold italics):

- ▶ convergence
- ▶ cultural diversity
- ▶ divergence
- ▶ free trade
- ▶ globalization
- ▶ nearshoring
- ▶ offshoring
- ▶ particularism
- ▶ universalism

## ■ **Interest Approach.** Use an interest approach that will prepare the students for the lesson. Teachers often develop approaches for their unique class and student situations. A possible approach is included here.

*Ask students to raise their hands if they are quiet most of the time. Ask them to stand if they are emotionally expressive most of the time.*

*Next, ask them to raise their hands if they show their emotions more when they are with other people. Ask the students who generally hide their emotions to stand.*

*Then ask students if they can recall a time when they were uncomfortable around someone because he or she was too quiet or too expressive. Call on people to share their experiences.*

# CONTENT SUMMARY AND TEACHING STRATEGIES

**Objective 1:** Define “globalization,” and explain its importance.

**Anticipated Problem:** What does globalization mean, and how is it important?

- I. **Globalization** is business conducted on an international scale. Popular definitions of globalization are “the worldwide integration of communication,” “the flow of goods over national boundaries,” “the process of marketing to people of all nationalities,” “shrinking of the world,” and “increased consciousness of the world as a whole.” When speaking of a changing global marketplace, the concepts of cultural diversity, convergence, and divergence are important in painting a broad background for understanding a changing global marketplace.
  - A. **Cultural diversity** is people with different value systems, beliefs, and ways of thinking and behaving. Cultural diversity can create obstacles for doing business. As a result, professionals must be able to accommodate cultural diversity. Some sociologists (e.g., Alfons Trompenaar) offer international research and “cultural dimensions” that articulate the qualities of cultural diversity.
    1. People from neutral cultures show less emotional expression in their business dealings and interactions.
    2. People from affective cultures show more emotional expression (e.g., change in tone and volume of voice; use of gestures during interactions).
  - B. **Universalism** is an assumption that a company’s rules, business practices, and human resource policies apply equally to everyone in all cultures around the world. It is based on the concept of **convergence**—the act of moving toward shared standards of doing business. In a changing global marketplace, business activities and organizational developments become more universalistic in their approach.
  - C. **Particularism** is a belief that a company’s rules, business practices, and human resource policies must be adapted to fit different cultures; they are not designed as a “one size fits all.” **Divergence** is the act of moving toward different standards of doing business. In the changing global marketplace, business activities and organizational development are diverging and becoming more particularistic in their approach. Therefore, companies operating in different nations alter business practices and procedures to fit the nation.

**Teaching Strategy:** Display VM–A, VM–B, and VM–C. Ask students to define the terms in this objective in their own words. Have students visit [http://www.globalprojectmanagement.org/index.php?option=com\\_content&task=view&id=23&Itemid=32](http://www.globalprojectmanagement.org/index.php?option=com_content&task=view&id=23&Itemid=32) to examine cultural dimensions in depth.

## **Objective 2:** List and explain advantages of the changing global marketplace.

**Anticipated Problem:** What are advantages of the changing global marketplace?

- II. Examples of advantages of the changing global marketplace are boundary-free collaboration using information and communication technologies; free trade, offshoring, nearshoring, and expanded customer base; and outsourcing and economic development in underdeveloped regions. The concept of convergence can be the basis for understanding these examples. The shared use of communication technologies supports boundary-free collaboration and outsourcing. The convergence upon free trade rules and regulations supports free trade.
- A. One advantage is boundary-free collaboration, using information and communication technologies. The globe was wired in the 1990s during the Internet bubble. In addition, satellite technology has evolved. Supported by fiber optic wiring and satellites, businesses and employees use common information and communication technologies to:
1. Remain connected to employees and customers who are highly mobile throughout the world
  2. Participate in virtual work teams with team members positioned in different geographic locations
  3. Operate across national borders
- B. Another advantage is free trade, offshoring, nearshoring, and an expanded customer base. **Free trade** is international agreements between governments to trade products and services with mutual gain.
1. **Offshoring** is moving business operations to a country overseas.
  2. **Nearshoring** is moving business operations to a nearby country.
  3. Free trade, offshoring, and nearshoring lead to expanding products and operations into other countries, with the customer base also expanding into the new country's population.
- C. A third advantage is outsourcing and economic development in underdeveloped regions. Outsourcing is a situation in which a business assigns parts of its work to more specialized businesses with better capabilities to complete the work.
1. Outsourcing parts of the business process can help businesses remain more focused on their core competencies and save them money, as it would have been more costly for the business to do the work.
  2. Some countries (e.g., India) have developed customer service call centers. They have trained representatives about products and services of large corporations and to receive customer service calls. The result is an improved economy for some citizens.

**Teaching Strategy:** Display VM–D, VM–E, and VM–F. Divide the class into two teams. One team will research the advantages of boundary-free collaboration, free trade, and outsourcing. The other team will research the disadvantages. Tell each team

to find several articles (e.g., through EBSCO on the library's Web site) about how a specific example impacted people or businesses. Have them share their findings with the entire class.

**Objective 3:** List and explain disadvantages of the changing global marketplace.

**Anticipated Problem:** What are examples of disadvantages of the changing global marketplace?

- III. Disadvantages of the changing global marketplace are the challenge of improving wages and working conditions in developing countries; the negative job trends in developed countries; and the struggle to establish common environmental and product safety standards around the world. The concepts of divergence and convergence can be used as the basis for discussing these disadvantages. For example, standards for wages, work conditions, and environmental and product safety are divergent in various parts of the world. The challenge is to create a convergence in adopting quality standards.
- A. One disadvantage is the struggle to improve wages and work conditions in underdeveloped countries.
1. In the quest for maximizing profits, corporations in developed countries are able to lower costs by paying employees less than minimum wage.
    - a. Below-average wages can be paid in developing regions because employees believe a little income is better than nothing.
    - b. Because the region is underdeveloped, there is no strong advocacy for higher wages.
  2. In a similar fashion, poor work environments exist in some developing regions because stringent quality assurance and dedicated worker rights initiatives are nonexistent.
- B. Another disadvantage is the negative job trends in the United States.
1. The exporting of jobs to developing countries where labor is cheap tends to lower wages in the United States for similar jobs (i.e., the wages are closer to the cheap-exported wages). Also, exporting jobs results in less job opportunities for U.S. workers.
  2. As manufacturing and information and communication technologies evolve around the globe, it creates a challenge to train U.S. workers to remain competent to fill jobs using those technologies.
- C. An additional disadvantage is the struggle to establish universal environmental and product safety standards.
1. Less stringent environmental standards in some countries allow for corporations to offshore and to evade more stringent environmental protection standards in existence elsewhere.
  2. Product safety standards often vary from country to country. For instance, the use of lead-based paint on toys is a safety standard in the United States, but it

is not in China. As a result, some people worry that toys imported from China may contain lead-based paint.

**Teaching Strategy:** Display VM–G, VM–H, and VM–I. Refer students to <http://mitsloan.mit.edu/newsroom/2007-working.php> and <http://www.epi.org/publications/entry/ib235>. Have them work individually to create a list of pros and cons of outsourcing. Then ask them to spend a few minutes explaining (in writing) how outsourcing has impacted and will continue to impact the United States.

- **Review/Summary.** Use the student learning objectives to summarize the lesson. Have students explain the content associated with each objective. Student responses can be used in determining which objectives need to be reviewed or taught from a different angle.
- **Application.** Use the included visual master(s) and lab sheet(s) to apply the information presented in the lesson.
- **Evaluation.** Evaluation should focus on student achievement of the objectives for the lesson. Various techniques can be used, such as student performance on the application activities. A sample written test is provided.

## ■ **Answers to Sample Test:**

### **Part One: Matching**

1. g
2. h
3. a
4. e
5. d
6. c
7. i
8. b
9. f

### **Part Two: Short Answer**

1. The answer must closely resemble one of the following: boundary-free collaboration; free trade, offshoring, nearshoring, and an expanded customer base; or outsourcing and economic development in underdeveloped regions.
2. The answer must closely resemble one of the following: the struggle to improve wages and work conditions in underdeveloped countries; negative trends on U.S. jobs; or the need to establish universal environmental and product safety standards.

### Part Three: True/False

1. T
2. F
3. T
4. F
5. T
6. F
7. T
8. T
9. T



# Explain the Advantages and Disadvantages of a Changing Global Marketplace

## ► Part One: Matching

**Instructions:** Match the term with the correct definition.

- |                  |                       |
|------------------|-----------------------|
| a. globalization | f. particularism      |
| b. convergence   | g. nearshoring        |
| c. divergence    | h. offshoring         |
| d. universalism  | i. cultural diversity |
| e. free trade    |                       |

- \_\_\_\_\_ 1. Moving business operations to a nearby country
- \_\_\_\_\_ 2. Moving business operations to a country overseas
- \_\_\_\_\_ 3. Business conducted on an international scale
- \_\_\_\_\_ 4. International agreements between governments to trade products and services with mutual gain between their countries
- \_\_\_\_\_ 5. An assumption that a company's rules, business practices, and human resource policies apply equally to everyone in all cultures of the world
- \_\_\_\_\_ 6. The act of moving toward different standards of doing business
- \_\_\_\_\_ 7. People with different value systems, beliefs, and ways of thinking and behaving
- \_\_\_\_\_ 8. The act of moving toward shared standards of doing business
- \_\_\_\_\_ 9. A belief that a company's rules, business practices, and human resource policies must be adapted to fit different cultures





## ► Part Two: Short Answer

**Instructions:** Answer the following.

1. What is one advantage of the changing global market?
  
  
  
  
  
  
  
  
  
  
2. What is one disadvantage of the changing global market?

## ► Part Three: True/False

**Instructions:** Write *T* for true or *F* for false.

- \_\_\_\_\_ 1. Using the same information and communication technology with workers in different countries is an example of convergence.
- \_\_\_\_\_ 2. When one country allows lead in paint and another country does not, that is an example of convergence.
- \_\_\_\_\_ 3. Below-average wages paid in underdeveloped countries is seen as a disadvantage because it can keep the wages lower for employees in developed countries.
- \_\_\_\_\_ 4. Outsourcing is sending employees to another country to work.
- \_\_\_\_\_ 5. “Company A” hiring a customer service call center in India to manage all incoming customer calls is an example of outsourcing.
- \_\_\_\_\_ 6. “Company A” building its own operation’s plant and customer service call center in India is an example of outsourcing.
- \_\_\_\_\_ 7. Cultural diversity can create barriers between people.
- \_\_\_\_\_ 8. Cultural diversity is an example of divergence.
- \_\_\_\_\_ 9. The development of new technologies around the globe creates a need to retrain employees.

# GLOBALIZATION

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- ◆ A worldwide integration of communication
- ◆ The flow of goods over national boundaries
- ◆ The process of marketing to people of all nationalities
- ◆ A shrinking of the world
- ◆ An increased consciousness of the world as a whole



# CULTURAL DIVERSITY, UNIVERSALISM, AND PARTICULARISM

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- ◆ Cultural diversity is people with different value systems, beliefs, and ways of thinking and behaving.
- ◆ Universalism is an assumption that a company's rules, business practices, and human resource policies apply equally to everyone in all cultures of the world.
- ◆ Particularism is an assumption that a company's rules, business practices, and human resource policies must be adapted to fit different cultures; they are not designed as "one size fits all."



# CONVERGENCE AND DIVERGENCE

- ◆ Convergence is the act of moving toward shared standards of doing business.
- ◆ Divergence is the act of moving toward different standards of doing business.



*Businesses in a changing global marketplace must consider to what degree they must...*

- ◆ *Converge different cultures into commonly shared business practices*

*or*

- ◆ Diverge their business practices to accommodate cultural diversity

# ADVANTAGE #1: BOUNDARY-FREE COLLABORATION

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By converging to use common information and communication technology, businesses have the opportunity to:

1. Remain connected to employees and customers who are highly mobile throughout the world
2. Participate in virtual work teams with team members positioned in different geographic locations
3. Operate across national borders





## ADVANTAGE #2: FREE TRADE, OFFSHORING, NEARSHORING, AND EXPANDED CUSTOMER BASE

Free trade is the activity where governments create international agreements to trade products and services with mutual gain between different countries.

1. Offshoring is moving business operations to a country overseas.
2. Nearshoring is moving business operations to a nearby country.

**Free trade, offshoring, and nearshoring lead to expanding products and operations into other countries, with the customer base also expanding into the new country's population.**



# ADVANTAGE #3: OUTSOURCING AND ECONOMIC DEVELOPMENT IN UNDERDEVELOPED REGIONS

## Outsourcing

- ◆ A business assigns part of its work to a more specialized business with better capabilities to complete the work.
  - Outsourcing helps businesses remain more focused on their core competencies and saves money.
  - Countries (e.g., India) have developed call centers and have trained representatives to take customer service calls for large corporations. As a result, new economies have improved employment opportunities for some Indian citizens.



# DISADVANTAGE #1: THE NEED TO IMPROVE WAGES AND WORK CONDITIONS IN UNDERDEVELOPED COUNTRIES

- ◆ In the quest for maximizing profits, corporations are able to lower costs by exporting jobs and paying employees (in impoverished countries) less than minimum wage.
- ◆ Below-average wages can be paid in underdeveloped areas because impoverished people in those areas understand that a *little* income is better than nothing.
- ◆ In underdeveloped countries, there generally is not a strong advocacy for higher wages or quality assurances in the work environment.



## DISADVANTAGE #2: NEGATIVE U.S. JOB TRENDS

The exporting of jobs can lead to negative trends.

1. Cheaper labor paid in exported jobs can keep U.S. wages for similar jobs lower.
2. With the exporting of jobs, U.S. job opportunities decrease.
3. As manufacturing and information and communication technologies evolve around the globe, it creates a challenge to train U.S. workers to remain competent with using new technologies to fill jobs using those technologies.



## DISADVANTAGE #3: THE STRUGGLE TO ESTABLISH UNIVERSAL ENVIRONMENTAL AND PRODUCT SAFETY STANDARDS

- ◆ Less stringent environmental standards in some countries allow for corporations to offshore and evade more stringent environmental protection standards in their own countries.
- ◆ Product safety standards vary from country to country. For instance, the use of lead-based paint on toys is a safety standard in the United States, but it is not in China. As a result, there is some concern that toys imported from China may contain lead-based paint.



# The Tuna-Dolphin Case

## Purpose

The purpose of this activity is to read a brief case study involving a free trade agreement between the United States and Mexico, connecting the case to concepts presented in this lesson.

## Objectives

1. Read an authentic case study pertaining to globalization.
2. Answer questions, and connect the case study to concepts presented in this lesson.

## Materials

- ◆ lab sheet
- ◆ paper
- ◆ writing utensil

## Procedure

1. Visit <http://www.globalization101.org>.
2. Click the “Issue Briefs” tab. Then select the “Environment” icon.
3. Place your mouse over “Are International Trade and Protection of the Environment Enemies?” and click on it. After reading the material, click on “The Tuna-Dolphin Case” at the bottom of the page.
4. Read this case study, and answer questions provided with this lab.





### **“The Tuna-Dolphin Case” Study Questions**

- a. What U.S. law set the environmental protection standard that created the conflict with Mexico in the tuna-dolphin case?
- b. From which countries did the United States ban importing tuna in 1990?
- c. Which challenge presented in this lesson was being addressed by the United States in the tuna-dolphin case?
- d. What specific business practice did the United States think the banned countries needed to change?
- e. What does GATT stand for?
- f. What was the purpose of GATT?
- g. What does WTO stand for?
- h. What is the purpose of WTO?
- i. The “dispute panel” did not rule in the favor of the United States in the tuna-dolphin case. What was the last reason listed in the article?
- j. What did the tuna-dolphin case establish about a single country’s authority to impose its own environmental standards onto other countries?

## **The Tuna-Dolphin Case**

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- a. Marine Mammal Protection Act
- b. Mexico, Venezuela, Panama, Ecuador, and Vanuatu
- c. Establishing universal environmental protection standards
- d. The method of catching tuna had to change so dolphins were not caught and killed accidentally.
- e. GATT stands for General Agreement on Tariff and Trade.
- f. The purpose of GATT was to reduce barriers to international trade.
- g. WTO stands for World Trade Organization.
- h. The WTO is an international organization that deals with the rules of trade between nations.
- i. The panel stated that the United States could not use “Article XX exceptions to regulate natural resources outside of its borders.”
- j. The tuna-dolphin case established that generally free trade cannot be stopped based on one country’s environmental standards being imposed on another country.