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Chapter

Our Globalization Era among Success, Obstacles and Doubts

Arnaldo Canziani, Annalisa Baldissera and Ahmad Kahwaji

Abstract

In the last decades, the never-ending and unlimited expanding of both international economies and operations became globalization. Among its main features, one could recall the enormous increase of world macro-economic quantities (Gross World Product, Inter-continental Trade, FDI), as well as financial values (public debts and currency printing). The chapter tries to quantify them, by a statistical analysis of historical data (Section 1). Section 2 is dedicated to the strategic problems of firms, in particular the threats and opportunities for (inter) national firms willing to become global, and obstacles are included in Section 3. This given, it deals with the behavior of countries from the political and juridical points of view, and those ones passed form initial perplexities, distaste, or even hostility to a favorable behavior. Conclusions (Section 4) recall both the problematic alternative for globalized companies between “the world as our next door” and their social responsibilities and the similar problem for host countries, between socioeconomic advantages and protection of local workers, resources, and environment.

Keywords: globalization drivers, competitive equilibria, FDI, business strategies, country policies

1. Introduction

1.1 The processes of globalization once historically defined

Contrary to the grammar definition of globalization according to the Oxford Dictionary (“the process by which business or other organizations develop international influence or start operating on an international scale”), to treat this topic we will take the first move from the well-known source Wikipedia, which more properly describes globalization as follows: “the process of interaction and integration among people, companies, and governments worldwide.”

Once this working start could be accepted, we could rely on the following basic points, anyway to be analytically discussed:

1. political interaction,
2. stable economic relationships,
3. cultural exchanges, included linguistic ones.
These processes are antique ones from the origins of the civilized word or so, dating back (just to synthetically exemplify) to Etruscan and Romans relationships, to Phoenician maritime trade, to inter-African economic exchanges, and—skipping some 1000 years due to common knowledge—to Marco Polo and Euro-Asian commercial traditions along the silk way, as well as to Euro-American ones after Colombo discovering the New Lands.

In every such cases, i) new political interactions immediately started, driving in rare cases to relationships on equality base but, more frequently, to the domination of a nation over other entities, this being the origin of colonial empires from Portugal onward; ii) stable and (rapidly) growing economic relationships on the basis either of mutual agreement or of widespread embezzlement, plunder, and sack, for example, Spain started a huge gold import from South America so as to give life to her cultural siglo de oro but, at the same time, to a dramatic inflation that started her decline; iii) cultural exchanges, in some cases consisting in the wrecking and crossing out of local cultures (this was the case of Australian natives after Captain Cook conquest in 1770), in other ones giving life to a confused, heteroclite merger of pre-existing and imported, of local and foreign, the so-called enculturation, and originating the reverse process, when, for example, the Greek culture deeply influenced the Roman one ("Graecia capta ferum victorem cepit").

In any case, not to say always, these processes brought about i) a dominant political authority, ii) its government, bureaucracies, laws, iii) its language, and iv) its money.

Every political domination, in fact, was of close lands or far ones, in every case accompanied by the following unifying processes, some of which are highly relevant both in those times and today, as still surviving ones:

1. the unity of political and bureaucratic direction, the new official language included;

2. the subdual to the same civil, penal, and fiscal laws (anyway with current local adjustments case by case);

3. the direct connections between new motherlands and colonies from the point of view of transport routes, trade, and financial agreements or even impositions and monetary regimes (in some cases special ones, as the African French Franc).

This way, reflecting back to the political equilibria of the last five centuries broadly speaking, we propose to distinguish here, within the geographical processes of equalization of laws, money, and bureaucracy, the three following periods:

a. the (sub)continental equalizations of a)1) the Roman Empire, especially at its climax, a)2) the Sacred Roman Empire of Charlemagne, a)3) the Persian empire of prince Babur from Saudi Arabia to Iran to India, and a)4) the <Great China> of the Quing dynasty, especially under Kangxi, Yong-zen, Quian-long Emperors;

b. the three early colonial empires of Holland, Portugal, and especially Spain;
c. the intercontinental empires deriving from the second colonization conquests, giving life to French Empire and moreover to the British one, as at the end of the nineteenth-century Great Britain dominated 1/3 of world lands.

The above distinction offers us, as a matter of fact, the chance to quote a relevant, well-known interpretative category, the Gerschenkron model referred to the sequence of sovereign powers, showing step by step the decline of Spanish, Portuguese, and Dutch influence facing the larger strengths and world-wide ambitions of both England and France. Once the latter was confused by the troubles of the Revolution and its ups-and-downs follow-ups (as, after the loose of its American colonies, in addition it had to face three overturns of political regimes in just 26 years and one more some 50 years later), the room was left for the aggressive, goal-minded temper of Great Britain, while i) the Imperial Russia was isolated in her social and climate problems, ii) the Empire of Austria-Hungary secluded in Mid-Europe with no costal access but Trieste and too many different ethnic groups to be governed, and iii) to conclude with Germany and Italy still to be unified under, respectively, prince Bismarck and earl Cavour. These international dynamics can be summarized in Table 1.

At the same time, the abovementioned distinction, once generally interpreted, allows us to recall to memory one more well-known distinction, that is, the difference between i) land powers and ii) sea powers. As a matter of fact as, Babur (and China) apart, in every remaining case the intercontinental domination was the fruit of naval strength and the military fleet to conquer, to preserve, and to secure commercial routes.

Moving first to the industrial revolution, thanks to its technical advances as well as the capitals accumulated by privateer war, England succeeded both in establishing a world domination and in impeding the existence in Europe of any leading country (or even alliance) able to jeopardize its supremacy, from Napoleon onward. Later, this natural behavior was theorized by relevant Anglo-Saxon admirals and scholars,

<table>
<thead>
<tr>
<th>Relevant phases</th>
<th>Geopolitical orders</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mediterranean economy</td>
<td>Venetian domain and Maritime Republics</td>
</tr>
<tr>
<td>Northern and Western Europe</td>
<td>Northern European and Franco-German economies</td>
</tr>
<tr>
<td>Age of ocean navigation and discovery</td>
<td>Spain and Portugal</td>
</tr>
<tr>
<td>Dominance of Imperial China</td>
<td>Golden years of the Qing dynasty under Kangxi (1654–1722)</td>
</tr>
<tr>
<td>Replacement of maritime powers</td>
<td>Dominance of England until 1914</td>
</tr>
<tr>
<td>Scramble for Africa</td>
<td>European claims on African territories</td>
</tr>
<tr>
<td>US dominance</td>
<td>United States of America as dominant superpowers after 1944</td>
</tr>
<tr>
<td>Rise of Imperial Japan</td>
<td>Following the Meiji revolution (1852–1941) and then 1948–1990 (or 2000 according to others)</td>
</tr>
<tr>
<td>World expansion of China</td>
<td>The &quot;Four Modernizations&quot; after 1982</td>
</tr>
</tbody>
</table>

Source: authors’ elaboration.

Table 1. Rise and decline of states.
Alfred T. Mahan, Halford J. Mackinder, Nicholas J. Spykman, among others. The supremacy we remember here declined anyway in favor of the USA, after the World War II (1941), Bretton Woods (1944), the atomic bombs on Hiroshima and Nagasaki (1945), the Marshall Plan (1948). This way, the supremacy of the pound sterling disappeared in favor of the US dollar, and similarly for the rest, beginning by the India independency (1949).

Not so curiously anyway—that’s why we recall this theory here as globalization is regarded—in both cases these maritime superpowers realized (or tried, and the USA still try) the following realities: i) a unique country dominating the world, ii) a country isolated by the sea (or Oceans) but ready to intervene by the army in other countries or even continents, iii) under such political principles as free market, monetary (and financial) supremacy, maritime strength.

This rough overview of well-known century-old dynamics teaches us anyway some peculiar hints, judged relevant here with reference to the topic under discussion as in so many cases still surviving today. These suggestions respectively regarding the role of legal systems and its special regulations, the role of the (imposed) monetary regime, are still to create new currency (and financial) areas, the not-so-peaceful rotation of sovereign powers, a political struggle, which can be interpreted as the oligopoly competition, frequently leading to wars in their different forms.

1.2 The process of globalization and its technological drivers

The historical dynamics are so poorly recalled here in memory because of common knowledge, brought about, along centuries and decades, a dramatic increase of international exchanges of economic goods, financial and monetary resources, capital and investments, knowledge, cultures, and ideas. At the same time, they generated the parallel increase of international trade, this happening with the Industrial Revolution of England and the further ones (Table 2), from the United States of America to Belgium, and to France (once she overcome the troubles of the revolution) and to the following ones of Germany, Italy, and other countries.

In particular, the Congress of Wien marked the beginning of a long period of peace for Europe—a century—till the World War I, with the French-German war of 1870–71 being there an entre-act of nearly no relevance.

<table>
<thead>
<tr>
<th>Features</th>
<th>The first</th>
<th>The second</th>
<th>The third</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year</td>
<td>1750 and following</td>
<td>1870 and following</td>
<td>1970 and following</td>
</tr>
<tr>
<td>Energy</td>
<td>Coal</td>
<td>Electricity, petroleum</td>
<td>Alternative energies</td>
</tr>
<tr>
<td>Production outcomes</td>
<td>Iron</td>
<td>Steel, chemistry</td>
<td>Informatics</td>
</tr>
<tr>
<td>Innovation</td>
<td>Steam engine</td>
<td>Internal combustion engine</td>
<td>Finance services and communications</td>
</tr>
<tr>
<td>Basic sectors</td>
<td>Textile industry</td>
<td>Mechanical industry</td>
<td>Financial and High-tech sectors</td>
</tr>
</tbody>
</table>

Source: authors' elaboration.

Table 2. The three “industrial revolutions.”
A century of peace meant, in addition, a century of technological progress (Table 3), this fuelling production, exchanges, communications, in such a way and in hurry we find it difficult to understand, and only comparable to the present Web revolution.

The technical progress obviously influenced also public and private bureaucracies, work organization, labor relationships, these elements being constituting a relevant (and under-esteemed) factor in accompanying or even guiding the globalization process. On one side, new investments and the search for working (labor) resources oriented in fact internal and international immigrations; moreover, they contributed—in colonial Empires—to international investments, which, on their turn, further contributed to the globalization itself. On the other side, the new organizational techniques (e.g., Frederick W. Taylor) allowed to increase productivity, productions, salaries, profits, this fuelling once more offer, demand, and investments. Taylor’s suggestions had been practically anticipated and largely applied in Krupp factories before 1910, and were later utilized for large-scale consumer goods by Henry Ford from 1923 onward.

Technological advances of those days fuelled since then inter-continental integration, giving life to larger international communications, higher import-export, more trade agreements, and widespread international investments (Gualino, a tycoon ruler of Italian finance end-nineteenth–early twentieth centuries largely invested in St. Petersburg, unfortunately before 1917, Pirelli & Co. vertically integrated acquiring rubber plantations in Malaysia). All the same, on a larger scale, is happening in today world, especially after 1948 (Marshall Plan), 1976 (China’s Four Modernizations), 1991 (crumbling away of Soviet Russia), WTO, and WEB revolution.

With regard to the Four Modernizations, their purpose was to make China one great economic power, and the results are evident if we consider the evolution of the national shares of world production from 2000 to 2018 (Table 4).

### Table 3. The main inventions 1827–1939.

<table>
<thead>
<tr>
<th>Invention</th>
<th>Year</th>
<th>Invention</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Battery</td>
<td>1800</td>
<td>Tyre</td>
<td>1887</td>
</tr>
<tr>
<td>Typewriter</td>
<td>1829</td>
<td>Diesel engine</td>
<td>1892</td>
</tr>
<tr>
<td>Dynamo</td>
<td>1831</td>
<td>Radioactivity</td>
<td>1901</td>
</tr>
<tr>
<td>Refrigerator</td>
<td>1834</td>
<td>Airplane</td>
<td>1903</td>
</tr>
<tr>
<td>Telegraph</td>
<td>1837</td>
<td>Cellophane</td>
<td>1908</td>
</tr>
<tr>
<td>Phone</td>
<td>1864–76</td>
<td>Penicillin</td>
<td>1928</td>
</tr>
<tr>
<td>Dynamite</td>
<td>1867</td>
<td>Television</td>
<td>1929</td>
</tr>
<tr>
<td>Phonograph</td>
<td>1877</td>
<td>Helicopter</td>
<td>1930</td>
</tr>
<tr>
<td>Internal combustion car</td>
<td>1885</td>
<td>Jet plane</td>
<td>1939</td>
</tr>
</tbody>
</table>

Source: authors’ elaboration.

1.3 Trade liberalization as a driver for globalization after the World War II

A further driver that oriented the globalization process after the World War II was trade openness [1], to which a set of factors contributed, such as [2]:
• the 1947 General Agreement on Tariffs and Trade (GATT) and the liberalization of international trade;

• the end of the Bretton Woods agreements (1971) and the resumption of international capital mobility;

• the development of new information and communications technologies (ICT) and the reduction or cancelation of distances, almost at no cost;

• the growing role of foreign direct investment (FDI) [3], which in the 1990s mobilized large amounts of capital, mainly from Europe and North America.

The above factors, together with others specifically referable to the individual geographical areas, led to a significant reduction in post-war trade barriers among the major industrialized countries, as well as a notable increase in capital movements [4].

In this regard, in addition to the GATT (1947), it is important to recall the creation of the European Common Market (1958 Treaty of Rome and 1968 customs union); the Canada US Free Trade Agreement (CUSFTA) of 1987; the North American Free Trade Agreement (NAFTA) of 1992; the ASEAN Free Trade Area (AFTA) Agreement of 1992; the establishment of the World Trade Organization (WTO) of 1995; and the General Agreement on Trade in Services (GATS) of 1995.

We mentioned above only a few among a number of trade agreements signed between the ‘40s and ‘90s of the last century. Also considering the 2000s, the increase in the number of regional trade agreements (RTAs) has been continuous and rapid (Figure 1).

As pointed out by Urata [5], regional trade agreements (RTAs) remove trade barriers and significantly contribute to the quantitative and geographical expansion of international trade.

This expansion is clearly visible if we consider the evolution of the worldwide trade in the decade immediately following the signing of GATT (Table 5).

<table>
<thead>
<tr>
<th>Nation</th>
<th>2000</th>
<th>2007</th>
<th>2009</th>
<th>2014</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>8.2</td>
<td>15.4</td>
<td>21.5</td>
<td>32.8</td>
<td>28.4</td>
</tr>
<tr>
<td>USA</td>
<td>24.8</td>
<td>17.4</td>
<td>15.1</td>
<td>14.1</td>
<td>16.6</td>
</tr>
<tr>
<td>Japan</td>
<td>15.8</td>
<td>8.9</td>
<td>8.5</td>
<td>6.2</td>
<td>7.2</td>
</tr>
<tr>
<td>Germany</td>
<td>6.6</td>
<td>7.5</td>
<td>6.5</td>
<td>5.3</td>
<td>5.8</td>
</tr>
<tr>
<td>Italy</td>
<td>4.1</td>
<td>4.5</td>
<td>3.9</td>
<td>2.5</td>
<td>2.3</td>
</tr>
<tr>
<td>France</td>
<td>4</td>
<td>3.9</td>
<td>3.6</td>
<td>2.5</td>
<td>1.9</td>
</tr>
<tr>
<td>South Korea</td>
<td>3.1</td>
<td>3.9</td>
<td>3.6</td>
<td>3.7</td>
<td>3.3</td>
</tr>
<tr>
<td>India</td>
<td>1.8</td>
<td>2.7</td>
<td>2.9</td>
<td>n.d.</td>
<td>3</td>
</tr>
<tr>
<td>Brazil</td>
<td>2</td>
<td>2.6</td>
<td>2.7</td>
<td>n.d.</td>
<td>n.d.</td>
</tr>
<tr>
<td>Great Britain</td>
<td>3.5</td>
<td>3</td>
<td>2.3</td>
<td>n.d.</td>
<td>1.8</td>
</tr>
</tbody>
</table>

Source: authors’ elaboration.

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In terms of percentage change, the growth of the world merchandise trade by selected region, which took place between 1990 and 1999, is presented in Table 6.

The positive effects of the trade agreements continued throughout the following decade, in which global trade growth remained sustained (Table 7). If we disregard the distributional consequences [6] and limit the analysis to the values exchanged, world exports continued to increase (Table 7).

The above data show the bivalence of globalization: On one hand, they reveal its positive effects on international trade; on the other hand, they show that the negative influences of crises of local origin (US), such as the 2008 financial one, spread with equal speed and magnitude, especially at the expense of weaker economies.

As a matter of fact, within economic integration—be it commercial or financial—the less-developed countries are generally dependent on the industrialized ones, with the consequent increase of their net indebtedness toward stronger economies.
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The subprime crisis caused profound effects and imbalances, to cast doubts on the real benefits of world integration in the absence of domestic growths [7].

In this latter respect, it is nevertheless relevant to consider that globalization, while not sufficient to reduce poverty on a large scale, anyway favors internal growth. According to Dreher [8], China was the country with the highest increase in the level of globalization from 1975 to 2000. Thanks to its increased integration with the rest of the world, the growth rate of its economy in 2000 was 2.33 percentage points higher than in 1975.

2. The road to globalization and the new competitive (dis)equilibria for firms

2.1 Introduction

To treat the strategic problems of firms, it is maybe opportune to start by pointing out some basic differences between internationalization and globalization. The former was dominant from early twentieth century until the end of its ‘70ies, but the changes that occurred in the early ‘80ies produced a completely new type of phenomena, later on called—and not by a chance—globalization.

Undoubtedly, globalization changed the nature of competition as it was known before, when the number of international players was limited to firms possessing since decades, capital, knowledge, and the international culture to behave that way. Today, this number has gradually become larger and larger, a widespread one in every market and many (most?) industries of the world.

The main factors making globalization dominate since the ‘80s on are well-known ones: i) deregulation on one side and ii) the impact of new information and communication technology, the latter one maybe stronger than the former. Their interaction deeply changed the nature of markets and competition as well as the strategic behavior of companies, but also deeply influenced countries concerning international trade agreements, FDI, company law, that is, economic policies in one world [9–12].
Deregulation enabled on one side companies to work more freely, especially as regards capital movements, international investments, mergers, and acquisitions, while information and communication technology on the other played a key role in accelerating global business transactions and deals, as they still do every day in a deeper way [13, 14].

Once transformed from international to global, competition showed largely new patterns of behavior, not to say completely renewed ones. Today, international players are in fact (and in particular they feel) more free than ever at every level (trade in goods and services, transfer of knowledge and technology, and FDI—Foreign direct investments and divestments), the latter ones representing one of the central nerves of restructuring global competition.

2.2 The strategic problems of firms within the new globalized era. Their strategic options and choices

This way, passing to firms’ behavior within this largely new context, we could remember that, since its appearing, the enlarging of economic competition across continents was generally recognized by firms as a fruitful opportunity to grow. Anyway, this immediate feeling maybe undervalued at first sight its problems, challenges, and in some cases threats.

Globalization imposes in fact to big firms (but gradually also to mid-sized ones and to firms in general) a continuously growing confrontation with new competitors, a fierce one in some cases, which makes them suffer from the hardest competitive challenges.

As a result, companies must achieve a set of entirely new competences, among them i) to learn to make use of global resources (capitals, raw materials, finance, technology, labor, and others), ii) to make global their own products, and iii) to expand their own “local” competitiveness connecting it to new economic spaces, at the same time defending it from the challenges of other globalized firms.

In substance, companies must implement a global competitive strategy, expanding their markets but protecting at the same time their previous ones in case they can be now offended, as competitors too can individuate some competitive weakness to attack them, in spite of the fact they are (were?) locally dominated.

So, as all international firms are trying to put into action overlapping strategies, marketing techniques, products, services to customers, and tactics, this exacerbates the problem as such and drives to the need of implementing a differentiation strategy, in to contrast others firms’ competitive actions, with the hopeful goal to enlarge market shares first, and profits as a consequence.

Does this mean that it is difficult for a company to become global in this era, and in case to remain such? This question brings with itself a former, fundamental one: How does a company compete in an unstable, difficult environment, establishing itself in this globalized world?

As a matter of fact, the term differentiation strategy covers a set of different strategic options to realize it, which could be synthesized as follows: i) cost competitiveness, ii) economies of scale, and iii) technological and marketing primacy [15–23].

2.2.1 Cost competitiveness

The pure cost competition, once intended as pure labor or raw material cost-reduction, is generally speaking a dated choice, a no-longer adopted one, due to the
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higher complexity of products, markets, and consumer needs at present. This problem is anyway a twofold one.

From the point of view of old industrialized countries, firms tend to transplant, that is, to relocate in other countries (and continents in case) paying today attention to geo-politics, closeness to final demand, transportation costs. Cost reduction keeps its own role for sure, but either related to the newest technologies together with highly skilled personnel (e.g., at present, Pirelli Tyres largely producing in Rumania) or connected only to segments of the whole production-cycle (e.g., Brooks Brothers in Tunisia, China, or even Indonesia).

From the point of view of the so-called third world countries, on their turn, also cost competitiveness entered into a wholly new dimension with globalization. As a matter of fact, thanks to the same globalization, those countries are not compelled to duplicate step by step for every technological stage from the beginning to present (as Rostov presumed) [24], as they can land on (very) recent technological stages—and in some cases on the more recent ones—this way being able to join modern technologies together with relatively lower salaries. The very example of this strategy is China, which rapidly joined this way the most advanced countries of the world and then overcame them in most cases, and the same China in recent years invested (and relocating) in South-East Asia, Africa, and elsewhere to be permitted to go on the same way.

2.2.2 Economies of scale

During the ‘60ies of the twentieth century, the microeconomic literature (and technical one as well) firmly suggested for firms the pursuing of “economies of scale,” these ones mainly intended as large-scale plants and very large in case. The underpinnings of the proposal were rooted in the less proportional growth of some costs (energy, warehouse, internal connections, and surveillance) at the growing of the plant. With respect to pure theory as well as contrary to reality in its general terms, those merely technical suggestions ignored the true firms’ dynamics: ups and downs of sales, plant and equipment rigidity, transportation costs, large or even impressive depreciation, and last but not the least, the local gathering of thousands of workers in a unique plant as a socioeconomic (and urbanistic) problem.

On this point, it is relevant to leave once for all the optimizing principles of early marginalists of the Walras-type, today unfortunately still widespread in most microeconomics text and since then constraining empirical phenomena into anti-realistic mechanical models.

Some of the most important scholars in the same field of economics are in fact teaching us since the last century how to cancel the very bases of those models:

1. firms maximize /minimize/optimize in subjective a way, nor utilizing second-order Equations [25–30];

2. big firms are more interested in sales than profits, as in oligopolistic markets, it is more relevant to maintain and increase market shares, planning in case to make larger profits in future [31, 32];

3. the whole firm-system is a complex organizational world, where special technicalities from the mathematical or statistical field must be applied uniquely to solve special technical problems of financial, productive, or commercial in nature.
After some decades of understandable oblivion due to the abovementioned imperfections and risks, also economies of scale took a quite different meaning with globalization. They are now no longer intended from the merely plant-scale and/or manufacturing point of view, but from the standpoint of general firms’ costs. The new goals of firms pursuing “economies of scale” regard now, better than ever, the general optimization of i) purchasing, ii) R&D, iii) advertising costs, and iv) transportation ones as well.

The relevance today of such optimizations needs not to be underlined here, due to the increase of raw materials costs in the last decades on one side and the larger and larger amount of expenses implied by technological advances (high R&D within electronics, informatics, aerospace, military appliances), modern marketing techniques (especially for luxury goods, fashion, jewels, food, and drink), and farer and farer world deliveries in addition to energy and labor costs.

The convenience of large-scale plants tends to remain for industries—or branches of them—where firms actuate the fully integrated cycle (oil refining, basic chemicals, basic iron, and steel), where the same output in large amounts favors the scale of operations, this way taking profit from the efficiency of processes together with the reduction of logistic costs.

This whole system, anyway, provided market demand is growing or constant, or taking the minimum possible variance at least [33], not to accumulate unsold stocks or even being compelled to slow or stop the production; those risks concur in explaining the large success in the last 50 years of the so-called mini-mills as iron and steel is regarded.

In other industrial sectors producing industrial goods, the most important problem is given on the contrary by the ratio cost per ton, giving plants a limited space of action: In the cement industry, for example, this space is limited to 150–200 kilometers per plant—special cements apart—which explains the obliged multi-plant structure of its firms (e.g., Cement Lafarge (F) climbing some decades ago to more than 500 industrial plants).

This basic difference was underlined by the same Alfred Marshall, to be true only at the end of his life, clearly describing it as far as in 1919 [34]:

“The central task of the heavy steel industries is the handling of great volumes of homogeneous fluid steel, ready to be worked up into an infinite variety of products large and small. There is no other group of industries, in which the forces making for the increase of the business unit are promoted in like degree by the magnitude of the aggregate volume of the homogeneous fluid material which has to be produced.

The textile industries on the other hand offer the best instances of the coexistence of numerous establishments repeating one another; because the full technical economies of large scale production (...) can be obtained by an establishment of moderate size” (p. 218)².

In every case, as a conclusion, the problems for firms in general, and for plant in particular, are to individuate their critical dimension in relation to i) industry, ii) served markets and market segments, and iii) competitors.

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¹ Within the business the world of business, in the chemical basic industry the increase of costs is reported to be 1/6 of the increase of plant dimensions.

² The quote in the text refers to the 1927 edition.
2.2.3 Technological or marketing primacy, segmental dominance included

The abovementioned cross-world competition brought with itself large changes also as regards both technological and marketing primacies.

The need to be able today to sell all over the world emphasized the role i) of brands-innovation-advertising-distribution for high segments from electronics to information, to fashion and jewels, to cars to food-liqueurs-champagnes, and to armaments and weapons, ii) of brand and distribution for mid-level ones, and iii) of cost control and distribution for lower ones.

Innovation, performances, and in some cases uniqueness became relevant for luxury goods, price-quality relation for mid-quality ones, and price for lower ones.

In every case anyway, and much more frequently than before due to world communications and the WEB, brand recognizing became relevant for every market (the so-called world brands), but nevertheless also for specialized or “minor” segments, as these too got transformed from local-national to continental to world ones in some cases.

In addition, the larger economic resources expanded all over the world due to economic advances, to public and private debts, and to printing of money by States and privates (crypto-currencies), and increased both the quantity of demanded goods and the quest for quality by every group of consumers. Within industrialized countries, we face in fact today a large tendency to high tastes in every market and field, not to speak of such presences as advertising addicts /glamor influences/till the reckless passions by the so-called fashion victims. These factors concur to explain the transition of many global firms to superior-upper segments of demand, and consequently to new product-portfolio strategies.

In addition, we must keep in mind that a further result is the fierce competition now in action, which implies a relevant increase of costs for every type of firm in particular as far as R&D, advertising, and distribution are concerned, the very local ones being the only ones excluded from these commitments.

A further problem is also represented by the insufficiency of i) mass production, ii) new design of products, and iii) price/quality levels conform to the new international standards, to guarantee the success of companies in the new era of globalization, or to make per se a company global. As a matter of fact, for most companies in the consumer goods industries, it is now necessary to be aware of getting new approaches regarding the following:

• online trade, home consignments included,

• higher volume and more efficient distributing networks,

• express transportation logistics,

• and, in particular for top segments,

• exclusive advertising,

• top class testimonials,

• loyalty (“club members” and more).

Testimonials (and moreover influencers) are equally important in mid-level segments, together with media advertising and, especially in the fashion industry,
the opening of the so-called *sentinel point of sales* in cities where, right or wrong, be they San Francisco, Palm Beach, London, Paris, or others, and the individualization of styles/colors/fashion in general is forerunning the just subsequent mass tendencies.

Quite a different story, on their side, for producers of industrial goods, technical appliances and machinery in general, it is well known that in these fields the critical factors of success are quite different ones, mentioning here four of them just to remember the most important ones:

- technological advances,
- (experimented) special technical innovations together with their reliability,
- technical performance and performances/price ratio,
- fast technical assistance, at inter-continental level in case.

All the abovementioned factors contribute to explain the gigantic growth of M&A, mergers, and acquisition as a rapid tool to achieve, case by case, some special goals, or a multiple set of them as well [35]. According to the renewed company goals of today *multi-polar world*, divestment, acquisitions, and mergers in case can rapidly help in the following:

- growing to reach the so-called *critical dimension* with regard to productive capability, distributive structures, local presence in different countries/continents;
- focusing on a different productive and segmental equilibrium, which means completing the company *strategic map*, and selling low-growth activities, at the same time acquiring relevant capabilities and advantages from the point of view of brands, R&D, specialties, competences (as far as the former are concerned, the French case of LVMH is a seminal one in the field).

### 2.3 Globalization advantages and problems

Generally speaking, from the internal point of view we cannot forget that every competitive strategy by firms is closely related to system factors and the global organization as well, in particular concerning the following:

1. the tension to goals by top managers (*key actors*) and their ability to communicate, motivate, and control;
2. the nature and efficacy and efficiency of the internal structure,
3. its organizational culture and behavior,
4. the quality of coordination among strategic business units, together with the ability of the departments/units to join strategies choices and the global market [36].

Strategy is connected in fact to the quality and objectives of persons within every family, firm, institution, and country, but for firms in particular their...
growth is connected with the attempts of a particular group of human beings to do something [37].

As a matter of fact, some companies in the globalized world faced globalization in a courageous way with smart results later on, being able at the same time to take advantage of external opportunities and to adapt themselves to changes, and the dissemination of products and brands jointly being a goal and a result. They were able to anticipate competitors to nip at their heels taking into account i) the larger propensity of consumers to spend (not only in proportion to income but also recurring to debt), ii) the epochal changes in consumers’ culture and values, and iii) the fast dynamics of consumers’ tastes and needs, today from volatile to volatile ones.

As a result, these firms repositioned themselves, individuating innovative strategic directions to seize a competitive position among their (new) important competitors. They applied creative strategies in addition to previous ones—cooperation agreements, strategic alliances, M&A included—in line with their new strategic location map within the globalized world.

Some other firms, on their turn, followed the previous ones, which succeeded in engaging in global competition, anyway being at first generally undecided, topically dubious about the right road to be taken, organizationally conflicting about the timing and the dimension of new investments. This sum of problems caused in a large number of cases delays on one side and/or insufficient investments on the other hand, and both these problems being anyway partly repaired in some others cases by the wiser directions taken by looking at the experience of forerunners and eventually to their errors.

The remaining set of firms was reluctantly forced to renew themselves. Their delays were implied by a set of different, cooperating reasons, and among them, the following ones:

1. their cultural approach to novelties, linked to locally minded markets, competitors, and strategies;

2. their tendency to prioritize existing markets and product;

3. the incertitude related to the amount of new commitments;

4. their fear not to able to transition to globalization from the resource point of view as well as to orchestrate the new complexities implied by the horizon of activities [38–41].

To these obstacles, it is easy to add the internal frictions among top managers, prominent shareholders, and also stakeholders in some cases, each of them reasoning maybe in terms of personal advantage rather than firm perspectives.

As a consequence, a set of companies suffered from serious problems represented by their inability to coordinate and harmonize on a large scale, and their previous practices are related to specialized segments, finance, technology, and their cultural and administrative skills as well.

All these problems negatively affected the strategic directions and current choices of these companies, which, still thinking in an improper way, tried somehow to imitate the most powerful and concentrated companies in the planet (USA, Europe,
Japan) to get revitalized, anyhow with late, uncertain, or even unstable results, not to speak of cases when they took downward turns.

The main difference among them all lies in the fact that dominant companies, or prominent oligopolists, no longer really belong to one country only, while, in the perspective of globalization, other companies belonging to different countries still work on similar but partial strategies, which makes difficult even not impossible to obtain the same competitive advantages or defenses at least. The same difference between the two groups, which creates further dis-equilibria, acts on the ability of getting convenient means of production (capital, technology, human resources, raw materials, and others), where the first ones are largely favored by their timely entrance into globalization and globalized visions of the world. The only problem can be represented by conflicts and wars among countries: Globalization made easier the availability of those means for companies, making them more independent and profitable, but at the same time, it tends to make conflicts more intense or widespread ones.

3. Obstacles to globalization, from drop in the growth to political ones

3.1 Drops in the growth due to financial crises or emerging conflicts

After the protracted upward development of globalization described in Section 1, world trade fell sharply in 2009 (Table 8).

Figures represented in Table 8 clearly show the drop in both growth and hopes caused by the bankrupt of both Fannie Mae and Freddie Mac.

The global financial crisis of 2008 was followed by an extremely fluctuating and sometimes stagnant trend in international trade (Figure 2).

In these sudden (or gradually postponed) storms, both businessmen and politicians ask themselves what's around the corner, while the latter ones—in short or mid-terms, also due to different visions of the world (Veltanschauung), competences, and vested interests—succeed in finding some solutions in near every case, normally damaging State budget by the increase of expenses to be “solved” by increasing debt or printing currency (or both).

The problem referred here is a well-known one, whose most important consequences are connected to i) the spatial extension and ii) the time span of the crisis.

While the latter can be traced back to the abovementioned political “solution,” the former one is strictly connected to such factors as follows:

1. the monetary dimensions of the crisis,

2. its (in)direct influences on further either financial or banking crises,

3. the psychological shocks it can produce,

4. the degree of integration between the interested country and the world financial system.

Factors 1–3 are self-explaining ones, and in a sense the fourth too, about which we limit here to recall i) the dramatic effects of Black Friday on the world economy, ii) the large but not-so-dramatic effects of Freddie Mac & Co. in 2009, and iii) the effects of crises in some Latin America countries, repeated ones but regularly absorbed up to now.
Two more notations seem anyway of some interest here:

a. the *timing* of diffusion of the crisis, as in today running economy its widespread is a nearly immediate on, while the Wall Street crisis of 1929 took on the contrary one year at least to propagate itself in Europe, due to the same time reason, the lesser speed of international trade (the financial one included) in those old days of near one century ago;

b. the same *globalization* which we are treating here since pages, as the world integration of trade, finance, investments, and so on can widespread more than ever the effects of crises, of large ones in particular (not to mention here the high presence in the world portfolios of US$ bonds and shares together with debts of other countries they too denominated in US$).

Financial crises are anyway not alone in causing (heavy) disturbances to world economy, and globalization in particular. One more category storms includes all the more or less important mismatches occurring along years in different continents, sudden overturning of regimes, revolutions, famines, vars.
To recall here only the most dramatic of them, we could rapidly mention the French Revolution (1789), the crumbling down of the Chinese Empire (1911), the Soviet Revolution in Russia (1917), the pulling out of the Shah in Imperial Persia (1979), not to mentions the so many local military rebellions in Africa, South America, and elsewhere.

Mention apart is deserved, to better clear our topic, by the World War I, originated by apparently silly causes (the assassination of an Austrian Archiduke), but as a matter of fact signing the dramatic end of the unbelievable more than 40 years of expansion and growth of the Western World which on due course since the Franco-German War of 1871.

Treating these two kinds of problems, scholars turn by turn qualify these disturbances as unexpected/unimaginable/unpredictable and so on. In parallel, they resume the old double couple of environmental “challenges and threats” for firms must strategically answer coping with their own “strengths and weaknesses.” Be it of this kind, or even a more sophisticated one by the help of econometric models, this interpretation can be radically criticized on the bases of the systematic approach to the problem, suggested by a seminal contribution of 1933 by Ragnar Frisch (Nobel Prize in Economics 1969) [42].

This approach, which gave origin to a set a studies in particular in non-Anglo-Saxon world [43, 44], distinguishes two basic kinds of forces operating within economic dynamics, moving it currently or by exception, in regular or erratica a way.

So, squeezing some thousands of pages in a few lines, we could describe Frisch interpretation as such the following:

1. economic systems are composed by inner variables and choices as well as by external permanent ones, the former due to the actions of economic agents, and the latter represented by demography, politics, technology, competition, money&banking, and so on, which favor/obstacle/orientate economic choices (propagation variables);

2. this fusion of individual choices and permanent external influences might be all of a sudden changed/ruined/or even destroyed by external unforeseen shocks, which deeply changes the equilibria of the system (impulse variables).

Obvious to mention among most important impulse variables as the last 100 years are concerned, the World War I and II, the Sino-Japanese war of 1931 ff., the Italian war against Ethiopia 1934–1935 and—after some 20 years of peace 1944 (Bretton Woods) to Vietnam war (1964 ff.)—the set on international wars and disturbances, in addition to abovementioned ones, also the two oil crisis (1973 and 1980), the crumbling away of the Berlin Wall, and the disintegration of U.R.S.S. (1991) to give space at the end to the series of further wars in Iraki, Serbia, Lybia, and elsewhere.

Generally speaking, the political, sociocultural, economic, and industrial consequences of those impulse variables are well known ones to the reader, with general overturning—in worst cases—of boundaries, population distribution, public finance, industrial equilibria, but, at the same time, a fast development of technology, and so many advantages for the winner, if any. One more feature anyway to be mentioned—physical and financial destructions apart—is the common and general increase of

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1 See in particular Demaria, cit., I propagatori, 51–751, Entelechiani e anti entelechiani (Impulse variables), 755–1279.
prices, industrial, and consumer ones, which change the equilibria of families, firms, and in case the State in some cases in a dramatic way.

Propagation variables, each of them normally working with better or worse an equilibrium, are on their turn differently shocked by the aforementioned impulses, anyway under an immediate disorder under the pressure of the impulse ones. We conclude this flash leaving on one side the analysis of the consequences once more to the reader, and on the other listing the most important propagation variables:

A. natural propagation forces:
   - demography,
   - psychologies,
   - technology;

B. political propagation forces:
   - institutions,
   - international relations,
   - money, banking, and finance;

C. half-endogenous propagation forces:
   - type and size of firms,
   - competition structures,
   - distribution of income and wealth (according to Pareto theories) [43].

3.2 The political side: Ideological oppositions, contrasting goals, government constraints

Cross-border acquisitions and all the more foreign direct investments are normally hailed by growing firms to sustain their expansion either within their own continent or in further ones as well. And we cannot deny that, decades ago, these activities were often conducted in the search of low-cost raw materials and labor in Latin America, South-East Asia, and mainly Africa. As we all know, this implied in not so few cases also workers’ and environment exploitation, that convenient branching out being accepted by 3rd World countries with mixed sentiments just to favour their own economic development. The situation concurred this way to increase the differences between big industrial countries on one side, mid-sized half-industrialized ones on the other hand, and developing countries to conclude.

Along years, the so-to-say mismatching implied by these attitudes of foreign companies (ranking top down from US, Great Britain, France, and others shouting “profits profits!”) drew public attention to the political, social, and cultural realms affected by their actions and behavior. This way, in hosting nations, some backlashes
against globalization were registered within the civil society and by governments as well inducing in some cases a growing unwillingness to progress in multinational cooperation, better in multilateral co-operations of such a way. In worst cases, not only NGO-Non Governmental Organizations reacted to reputed exploitments, but a whole theory was developed—*Race to bottom*—lamenting, be that entirely true or not that globalization was disrupting local economies, destroying previous national cultures, diminishing basic human rights in general workers’ in particular, and threatening the preservation of the natural environment till degradation in case.

The last critics overvalued real cases of that kind as they had their roots in the anarchist-*green* mentality, and generally spoke against the so-called capitalism as the dirty imagine of free-market economy; in addition, they more properly referred, in case, to situations belonging to the twentieth century. After the Uruguay Round within GATT (1986–1993) and Doha development agenda (ended 2005), and as well, concerns had reduced and—the literature says—largely, even not totally dissipated. As a result, companies are now looking not for exploitation if any, but paying attention to the following characteristics of the host’s country:

- stability of institutions,
- efficiency of infrastructures,
- respect of property rights, especially the foreign investors’ ones.

Anyway, the calculus of costs and benefits has to be attentively weighted for both companies and host countries.

Companies gained only putative advantages, or even benefits shorter than expectations, putting into action egoistic behaviors, (un)voluntarily tending either to exploit or to make “easy money,” taking advantage from their bargaining power irrespective of fairness, workers’/population/environment rights, in addition to the host-country interest in general. They must not only obey to these comprehensive ethical principles, but in addition to pay attention to the following technical factors:

1. to navigate the different legal systems of every foreign country (in particular as commercial and tax laws are regarded, tax payment included);
2. identically, to respect different labor laws granting protection to workers’ rights;
3. to get adequately accustomed to different new cultures, which have to be also considered full of language/behavior/marketing/advertising teachings.

On the side of host countries, on their turn, they too must pay attention to a number of factors, including or even mixing advantages and risks. General and special advantages can be resumed as follows:

1. expansion of foreign trade, increase of occupation, developing of sub-contractors and sub-suppliers new firms, and growth of internal demand also due to the *multiplier effect*;
2. gains from cultural and technological transfers, including modern management practices and advanced labor skills.
Some critical questions stay anyway in the background, as they need a (preferably a previous or a step-by-step) solution:

1. the general attitude toward foreign participation to their economic system, together with the conditions to welcome it, tariffs cutting included;

2. the degree, timing, and extent of liberalization of their own economy,

3. the putting into action of measures apt to expand their degree of participation in the world economy, through conditions at the same time consistent with i) country political independency defense, ii) human and workers’ rights enforcement, and iii) environment protection safeguard.

4. Conclusions, or global integration vs. local responsiveness

Since first steps, globalization produced some contradictions between companies on the one hand and the governments of host countries on the other hand as regards the difference between wished and effective results. Many countries and companies fronted in fact difficulties in facing globalization at first, especially as objectives, trade, competition, and employment were concerned, and this lack of understanding increased in the first period; the gap between State regulation and company strategies, they both maybe undervaluing the burdens of the same globalization.

In terms of objectives, while State policies aimed to raise the standard of living, companies were looking to increase their market shares in order to grow, also due to a critical feature they understood, which could be summarized saying for most industries “grow to survive,” not to be secluded in small or even local markets nor, at worst, to fail. This way companies were compelled to think in two ways, adopting a twofold competitive strategy, a two-dimensional one: i) the local dimension to be able to compete locally, with both traditional competitors and new ones from other countries, and ii) the transnational dimension to compete all over the continent or world with global(ized) firms.

This way expanding companies joined a new strategy to their previous ones, entering in local markets both to sell and to make FDI in the field of production, so gaining footholds in the global market. In relation to the deepness of those investments, strategies between local responsiveness and global integration began to take shape (Export strategy, Standardization strategy, Multi-domestic strategy, and Transnational strategy).

With globalization, also competition gradually became a global one, changing in nature as well as in ways and means. States soon or later adopted the goal of raising new standards of economic efficiency for the country as whole, and companies on their turn had to raise their own efficacy and efficiency up to the level of the representative multinational firm. This positively changed them, while modernizing indirect effects were widespread on countries’ reputation as well as citizens’ income, savings and demand, and culture. In general, it can be said that, as the two main characters—States and companies—focused on the new world standards, and the original gap between them was gradually reduced.

Originally, local governments concentrated themselves slowly, and in some cases so-to-say insensitively on globalization, to realize later on, especially in the last 20 years or so that it was relevant to enter into bilateral/multilateral trade negotiations
in order to be active a part in the world development agenda, or at least to be able to protect i) local environment, ii) citizens’ and workers’ rights, and iii) the equality of conditions. Local regulations increased their span and deepness, as host’ countries tended to set regulatory standards and restrictive policies for the implementation of international agreements and strategic cooperation, to reduce as much as possible the negative impact of globalization. In addition, also global regulations greatly increased their impact, especially in favor of States (or national governments) having limited contractual powers.

Once most countries found that there is no escape from globalization while it lasts, this new awareness led them to work to balance global integration and local responsiveness by hosted firms, making large adjustments at the macroeconomic and juridical level and, generally, favoring every kind of activity today “strategic” to promote companies but at the same time their own national interests.

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