

# Globalisation

Sir Paul Judge

14<sup>th</sup> February 2013

## Globalisation – Greater Interconnectivity (Newton's Third Law Is Relevant)

- **Action:** Increase in the significance and volume of flows across countries and cultures
- **Reaction:** Increasing impact of global forces on local life

# Globalisation

- Began with human migration
- Word first recorded in 1942
- Commercial and cultural
  - Products and services
  - Social, economic and political ideas  
and customs

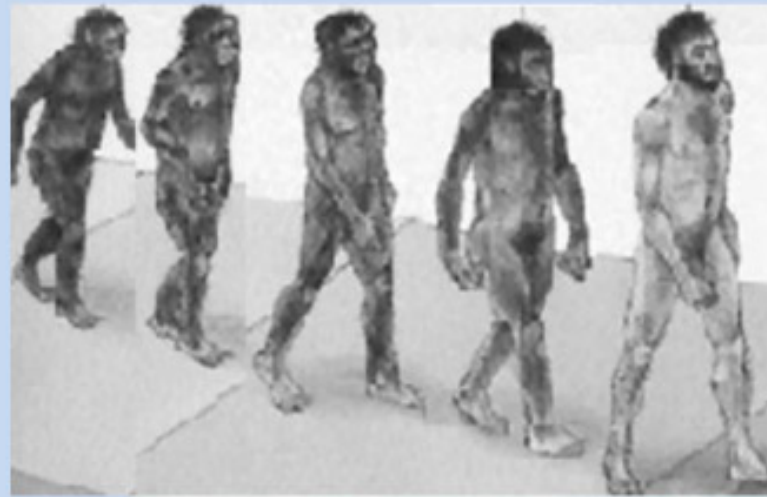
# Agenda

- Economics
  - History of Globalisation
  - Future Economic Shifts
- Human Factors
  - Culture
  - Management
  - Entrepreneurship

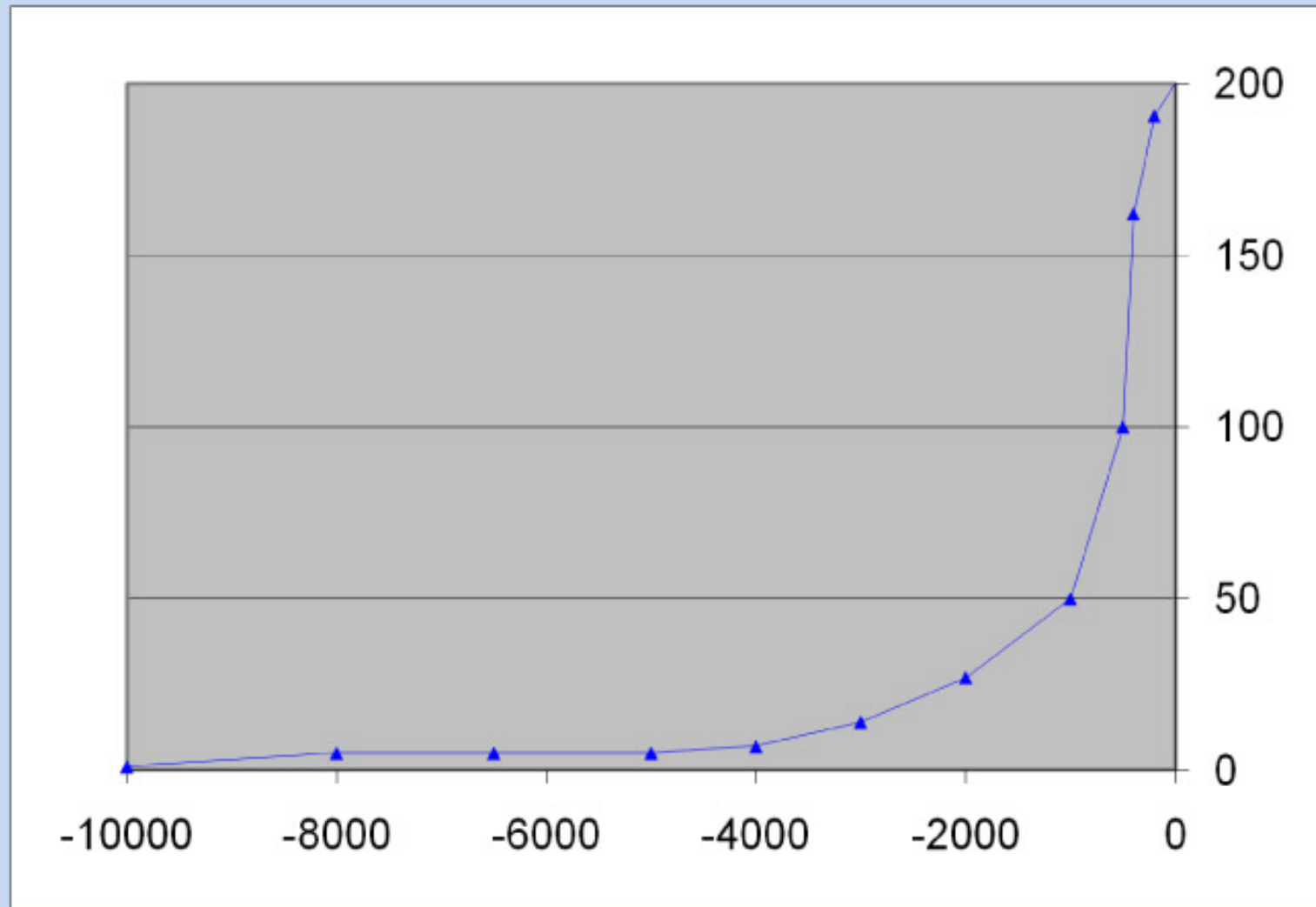
# History of Globalisation

# Early Globalisation

- **3.5m BC:** Hominids walk upright
  - Footprints in the sand
- **1.6m BC:** Homo Erectus
  - Much easier to walk
- **0.9m BC:** Humans in China
  - Invent fire so can move North
- **10,000 BC:** South America
  - Earth inhabited
- **4,000 BC:** Agriculture develops
  - Babylonian, Egyptian, Greek and Roman empires



# World Population (m)





# European Dark Ages

Mexico



Java



Cambodia



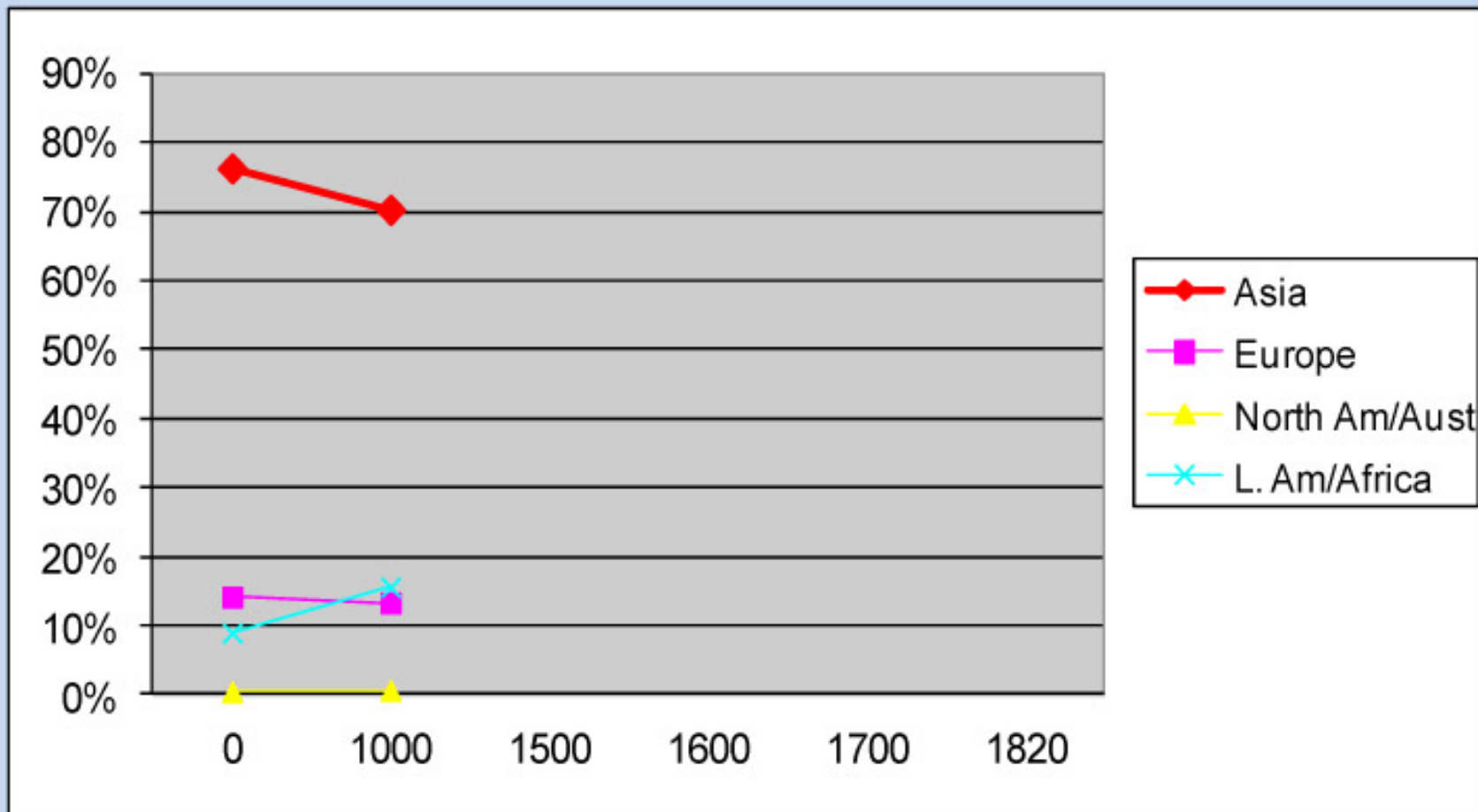
Persia



China



# Proportion of Global GDP



# China



## Chinese Treasure Ships

- Chinese admiral *Zheng He* born 1371
- 7 naval expeditions from 1405 to 1433
- Twice as large as European ships
- Reached India, Arabia, East Africa and possibly the Atlantic Ocean
- Increasing pressure from Mongolian hordes
- Funding for naval operations greatly reduced from 1435
- Made a capital offence to build a ship with more than two masts, crippling Chinese trade and foreign involvement



# European Exploration



Christopher  
Columbus  
1451-1506

West Indies



Vasco de Gama  
1460 – 1524

India



Magellan  
1480-1521

Circumnavigation



Francis Drake  
1540-1596

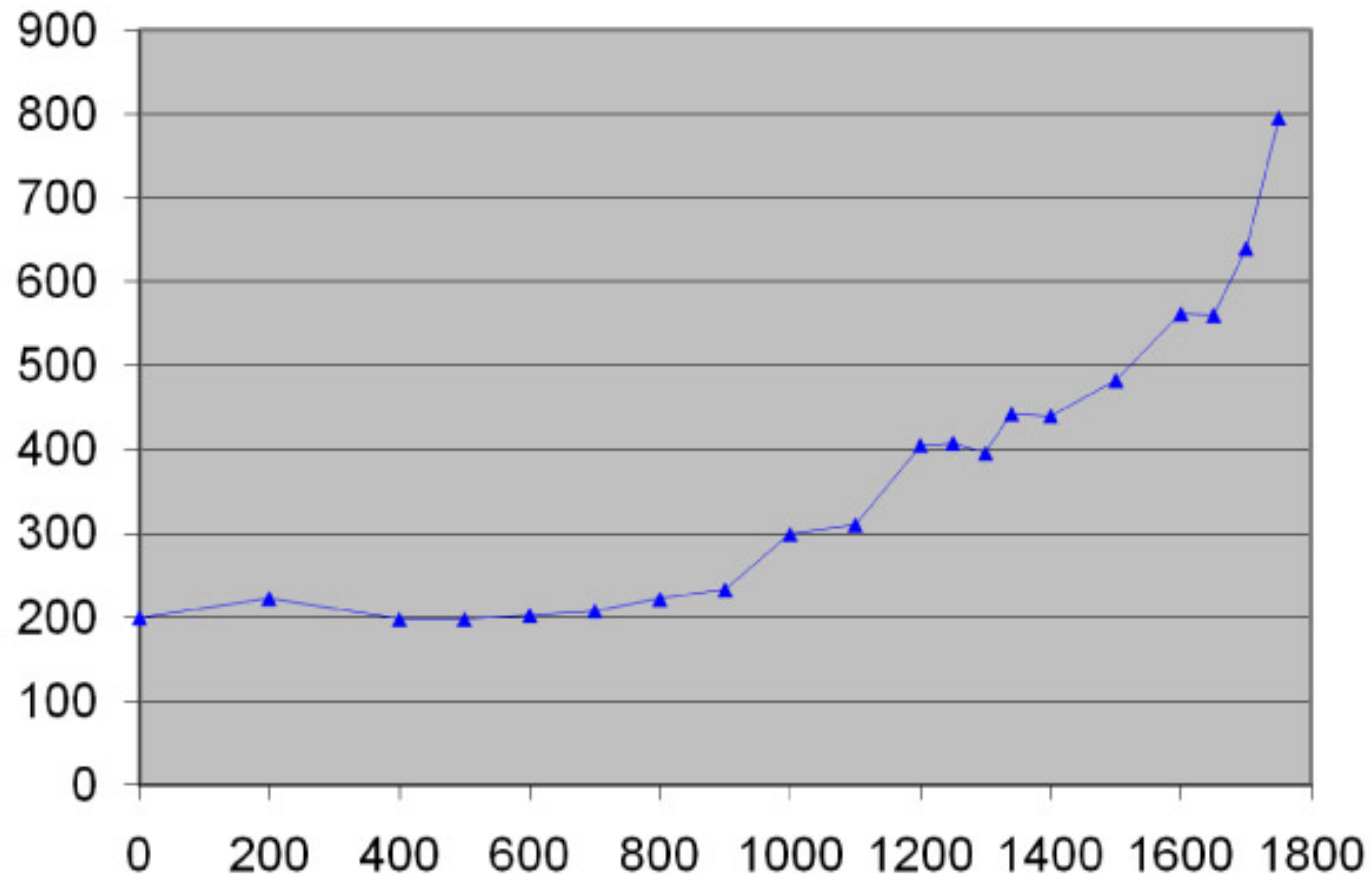
North and  
South  
America

# Hondius Map 1600

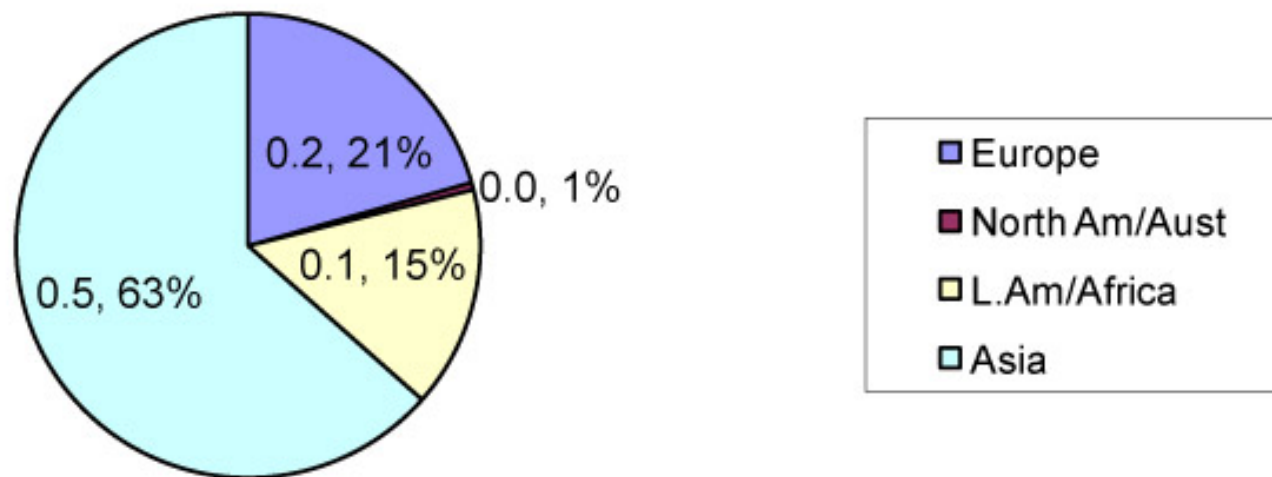




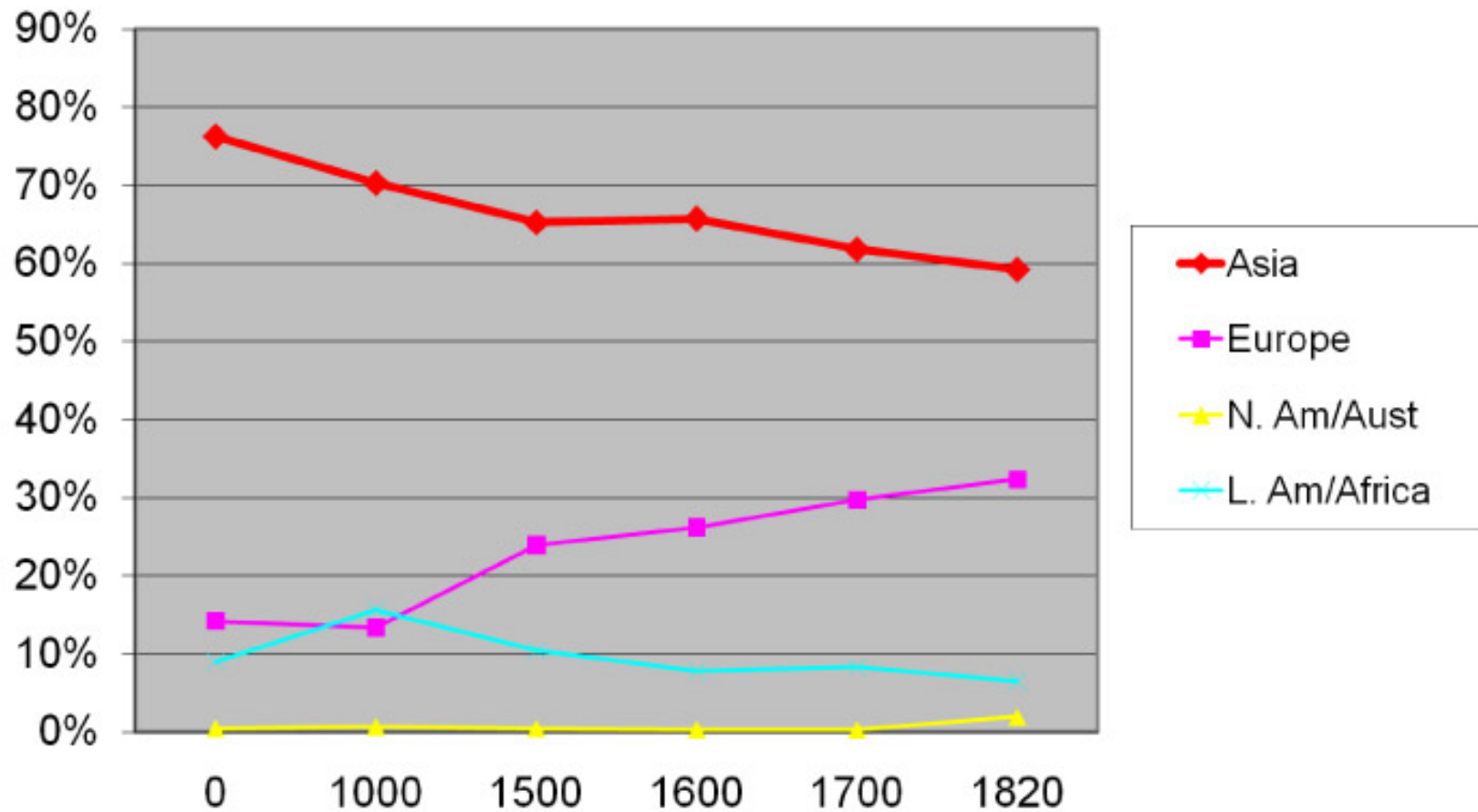
# World Population 0-1750 AD (m)



# 1750 World Population (bn)



# Proportion of Global GDP



## Adam Smith - 1776

### The Wealth of Nations



"China is a much  
richer country  
than any part of  
Europe"

**Invisible Hand:** It is not from the benevolence of the butcher, the brewer or the baker, that we expect our dinner, but from their regard to their own self interest. We address ourselves not to their humanity but to their self-love.

# 17<sup>th</sup> Century Production

- Cottage industry:
  - buy raw materials from merchants
  - produce the goods at home.
- No machines so no need for:
  - large capital
  - separate workstations.
- Family or neighbourhood management
- Low productivity
  - high costs
  - exclusive only to the wealthy people.
- “worked by windy power or wat’ry force, Or by a circumambulating horse”



# Agricultural Revolution



- *Land enclosure*
- *Mechanisation*
- *Fewer workers needed on the farms*
- *Many forced to find work in the cities*

## Steam



1712: Newcomen: first usable steam engine

1781: James Watt adds rotary motion

## Iron



1709: Abraham Darby discovered iron extraction

1783: Henry Cort produced wrought iron



## Textiles



- Hargreaves's Spinning Jenny
- Arkwright's Water Frame
- Crompton's Spinning Mule
- Cartwright's Power Loom

## Transport



- General Turnpike Act 1755
- New canal system 1760
- UK dominated world trade

## Growth



- Urban migration
- London quadrupled
- New towns

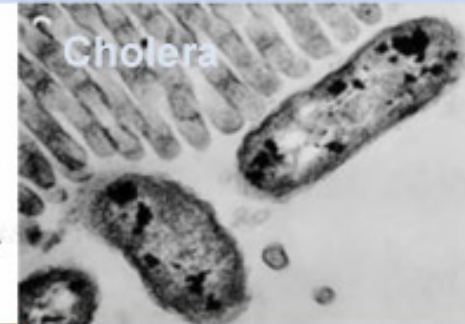
## Overcrowding



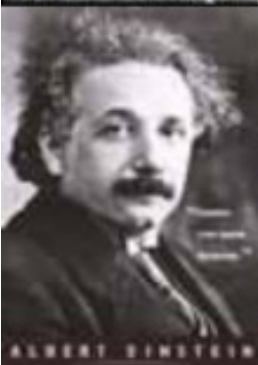
- Slums created
- Utilities failed
- Disease quickly spread
- Social pressures



# Technological Change

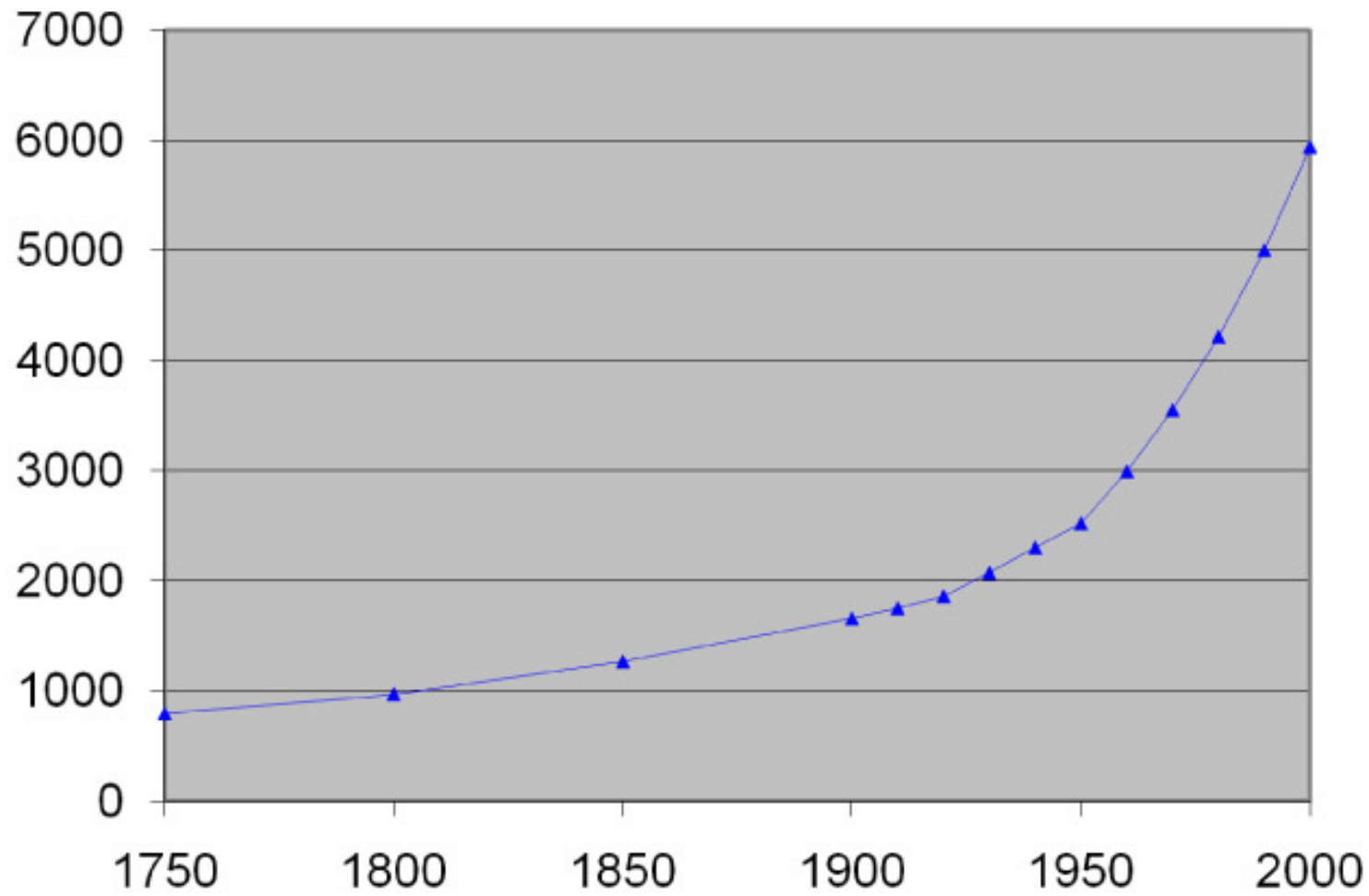


End of first attempt at powered flight, December 14, 1903

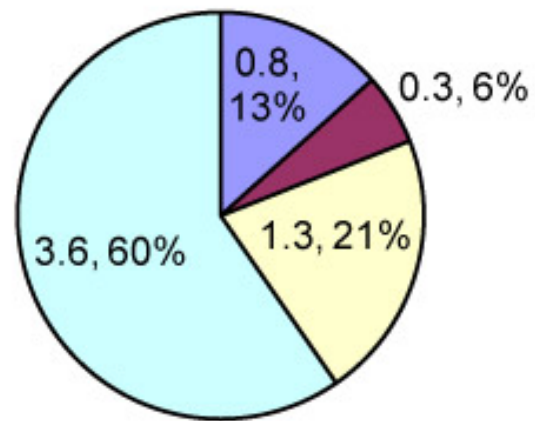




# World Population (bn)

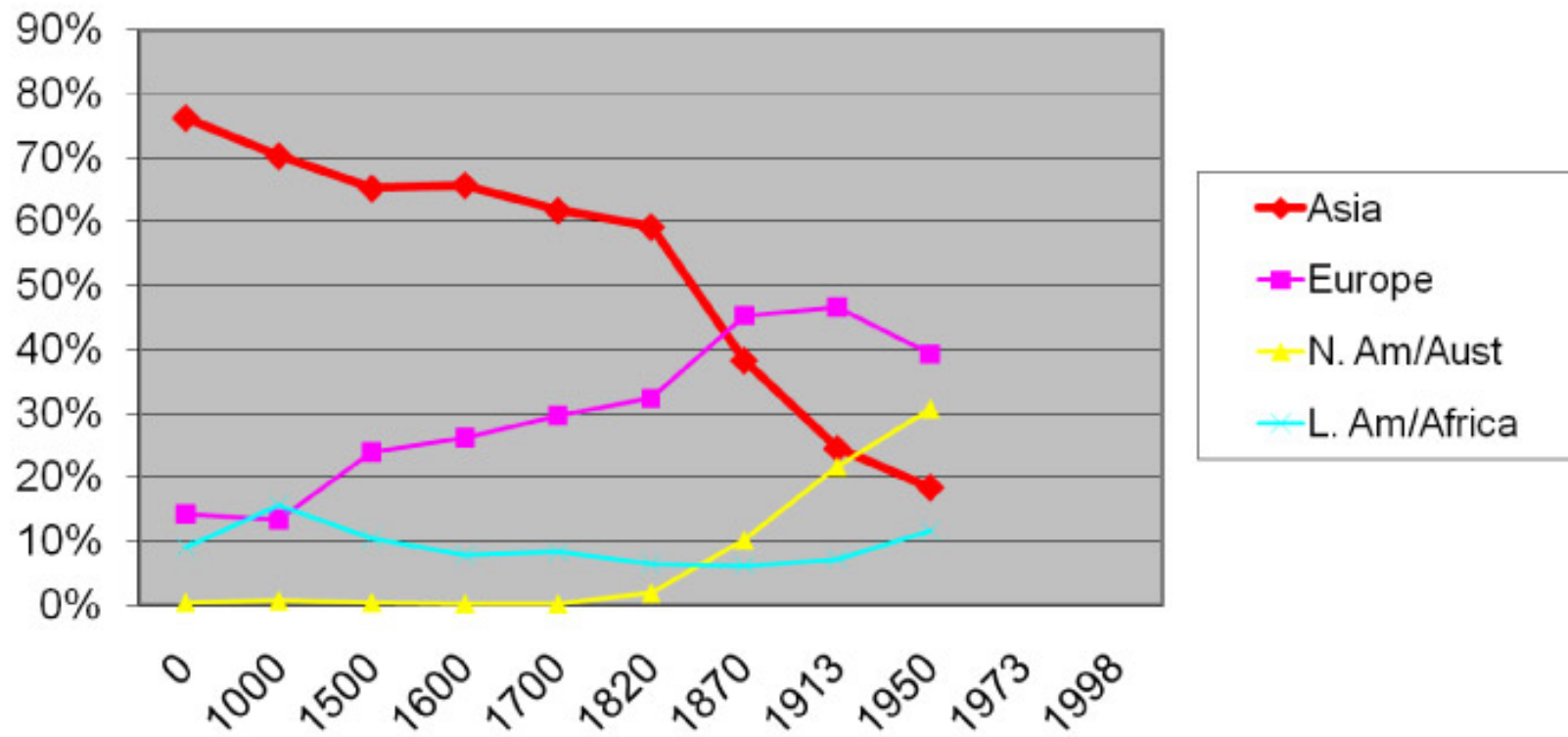


## 2000 World Population (bn)

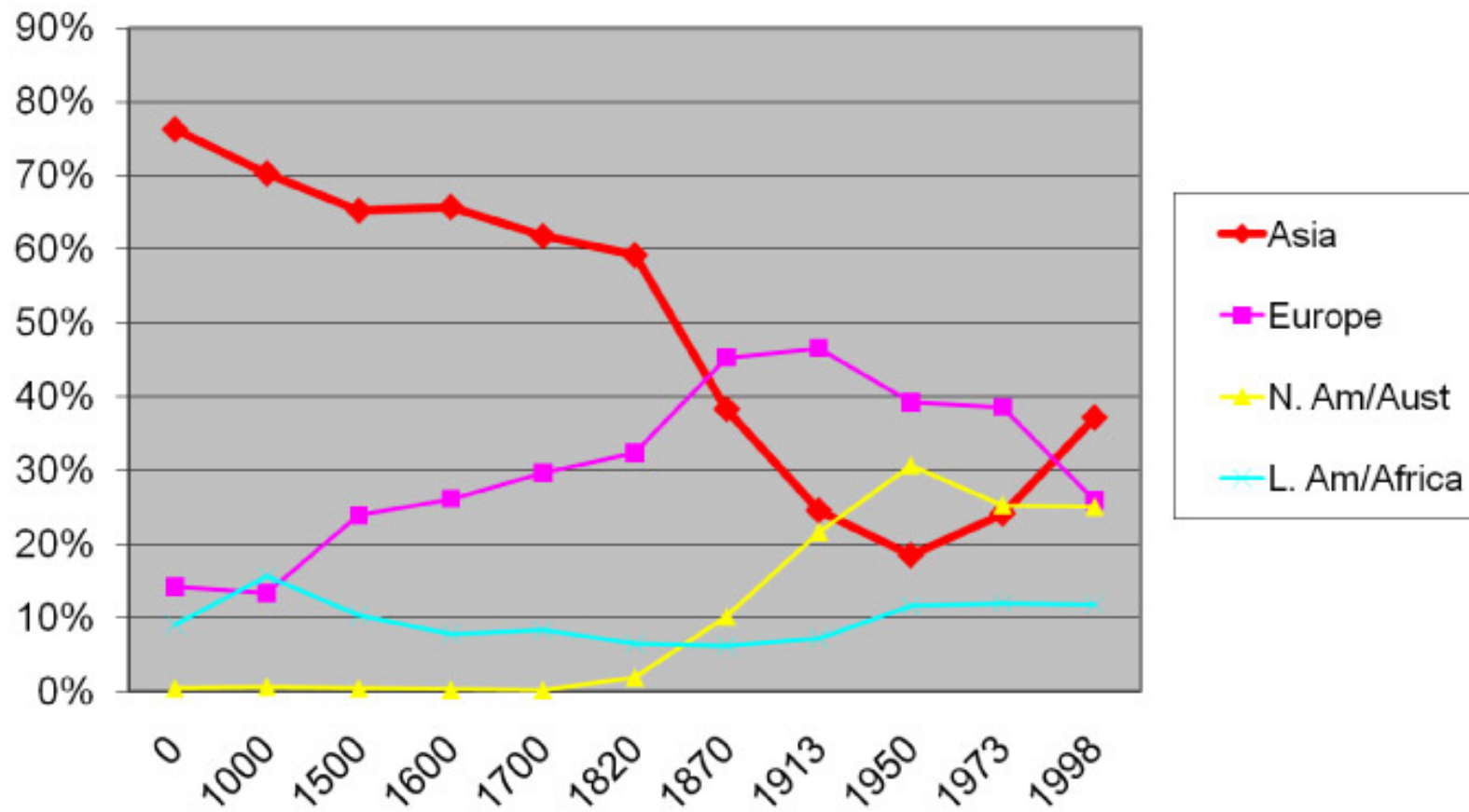


- Europe/ex-USSR
- North Am/Aust
- L. Am/Africa
- Asia

# Proportion of Global GDP



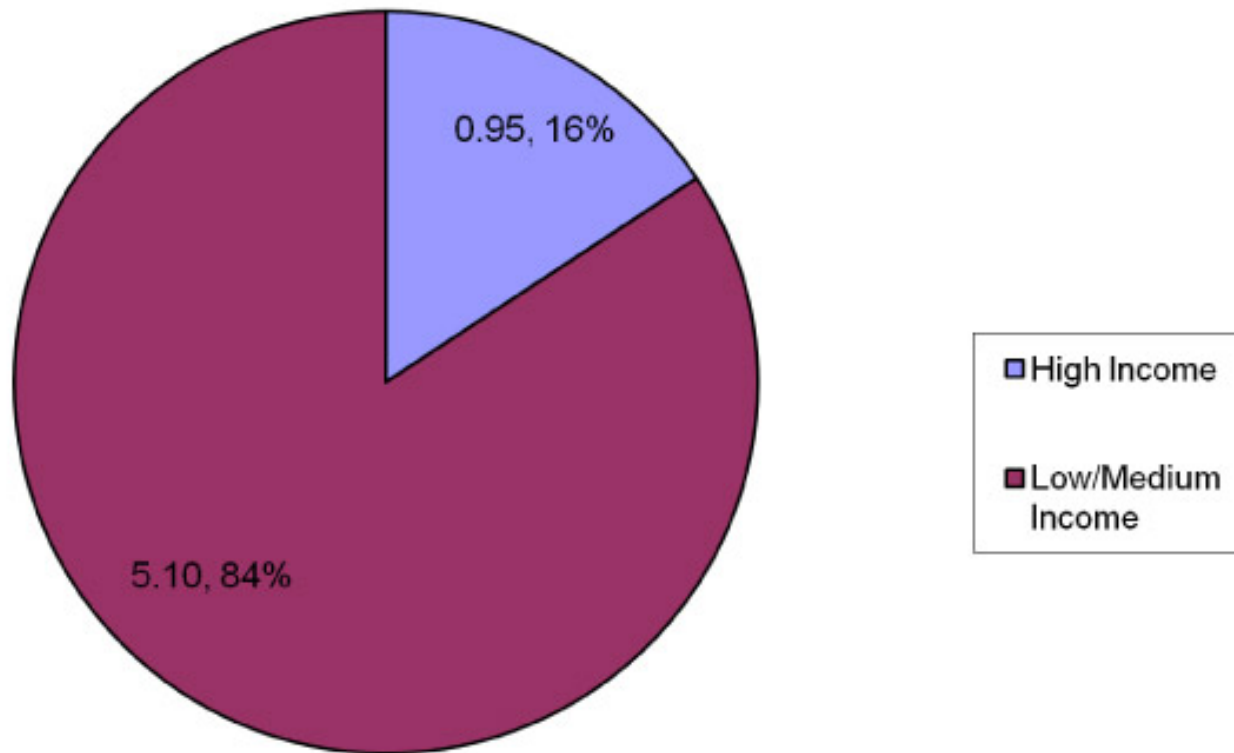
# Proportion of Global GDP



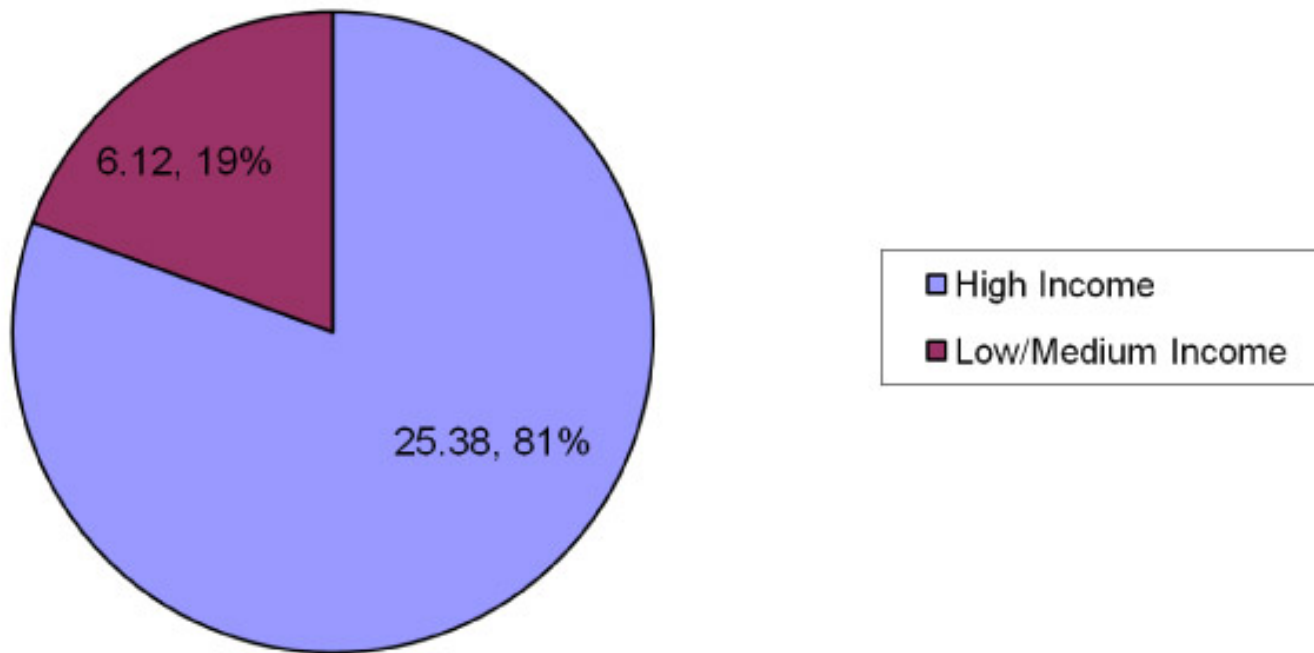




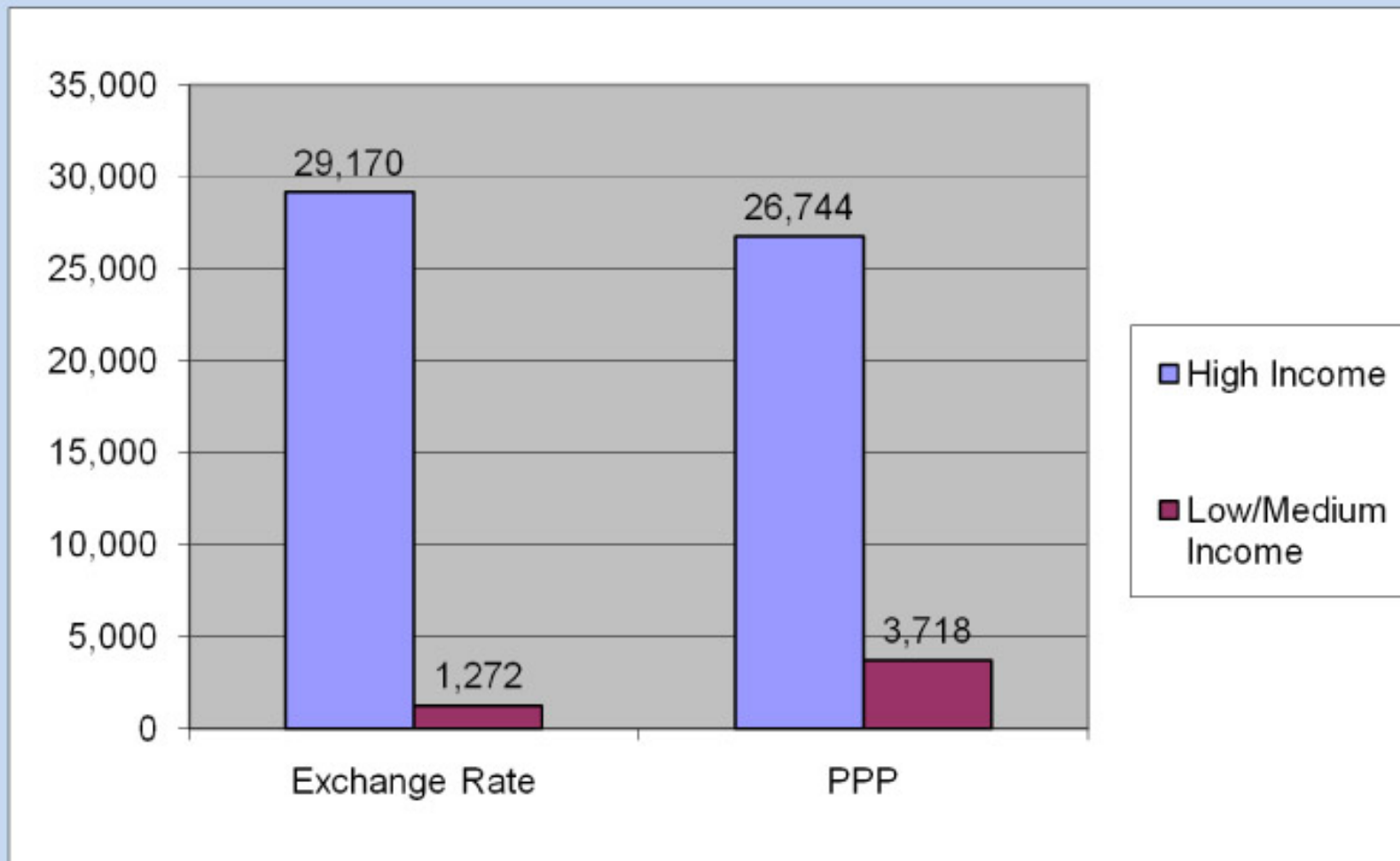
# World Population 2000 (bn)



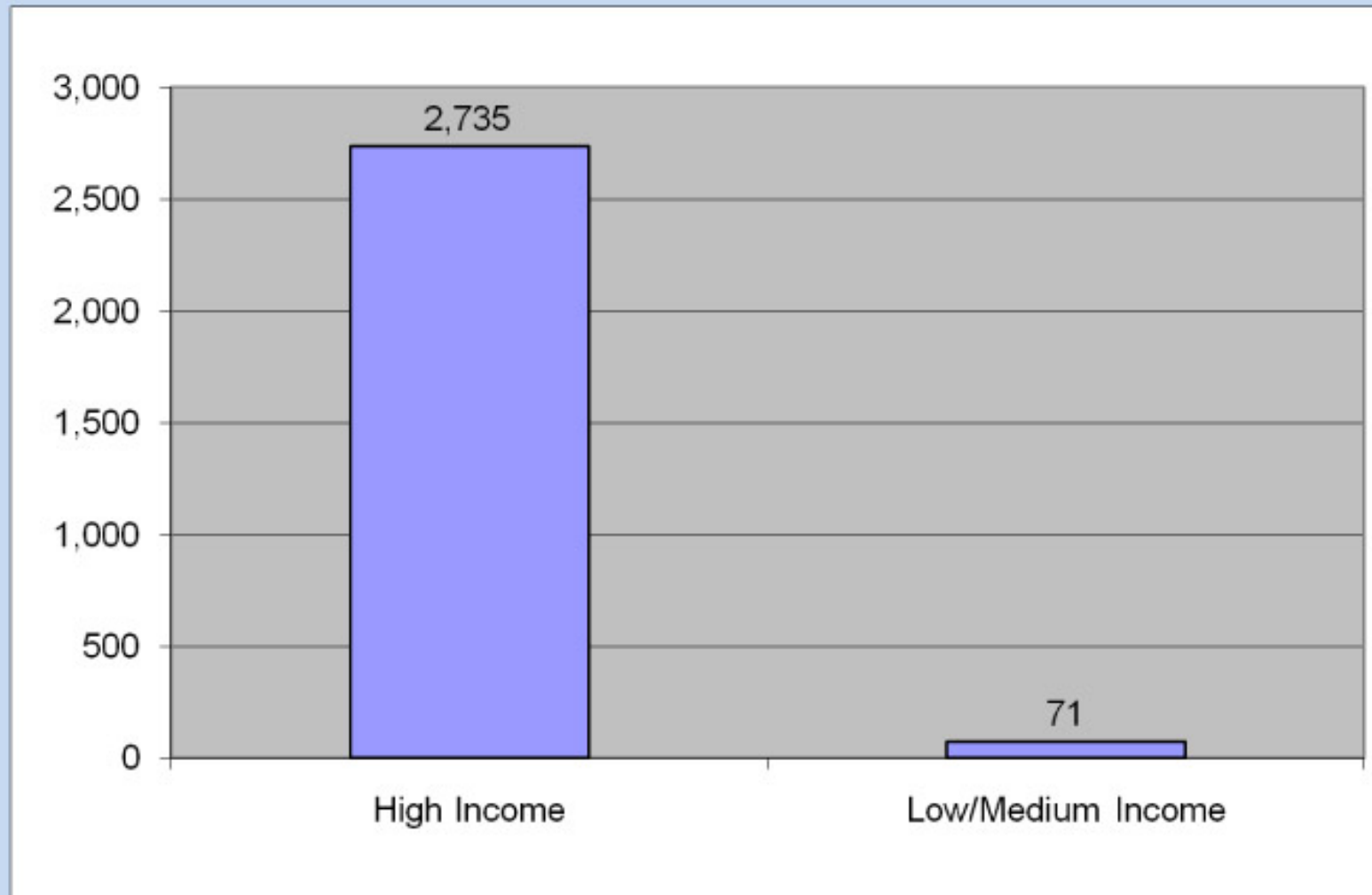
## World GNP 2000 (Current \$Tn)



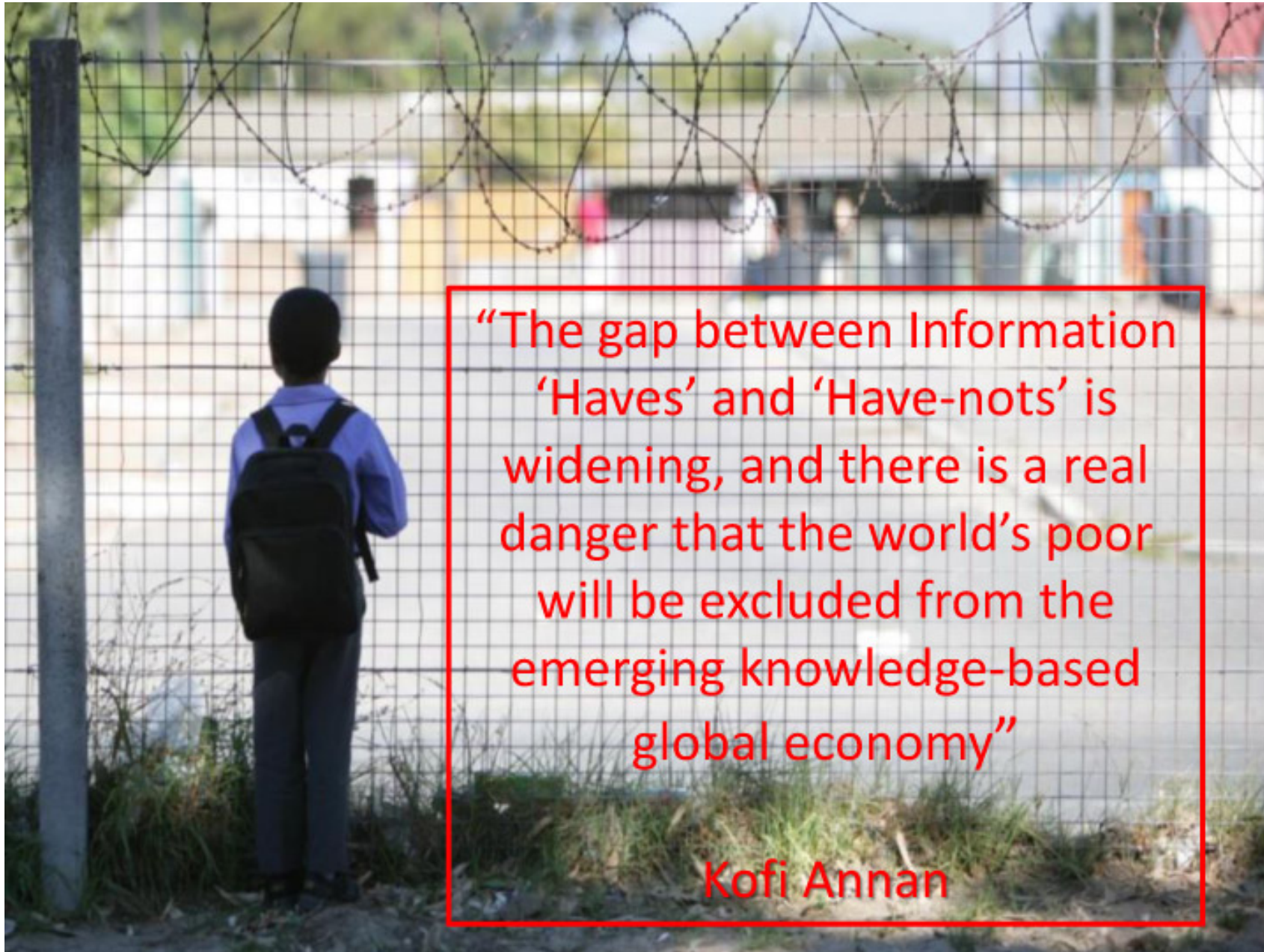
# GNP/Capita (\$)



# Annual Health Expenditure (\$)







“The gap between Information  
‘Haves’ and ‘Have-nots’ is  
widening, and there is a real  
danger that the world’s poor  
will be excluded from the  
emerging knowledge-based  
global economy”

Kofi Annan


## The Have Nots

- Africa has 1 billion people
- 250 million school pupils
- 95% of students in Africa graduate never having touched a computer
- The cost of infrastructure, hardware and curriculum development is prohibitive for developing country governments



# Computer Lab in a Benin School



A portrait of a young Black woman with short, dark, curly hair, smiling and looking slightly to her right. She is wearing a white collared shirt. The background is a solid teal color.

“How glad am I to  
know that there is so  
much to learn from  
this little box.... It  
has changed my life  
and brought the  
whole world to me”

Nomathemba Ngikelana,  
Limpopo ICT Project South Africa



“The introduction of computers in our school was the best thing that happened to me. I now know many things that I did not know.”



# Economic Shifts

# The Country With Potential

## •Economy

- Growing faster than Europe
- One of the world's 10 wealthiest nations
- Technology has transformed the economy
- Rapid expansion of agriculture
- Huge foreign investment in infrastructure
- 6% of global central bank gold reserves
- Exports per head 9 times global average

## •Foreign Affairs

- Increasing intercontinental agreements
- Five neighbouring countries with historic border disputes

## •Culture

- Strong indigenous history
- Famous musical and dance tradition
- Many local art collectors

## •Geography

- Area: 2.8 million sq km
- Coastline: 5,000 km
- Highest point: 7,000 m

**Spanish is the main language**

1913



2013

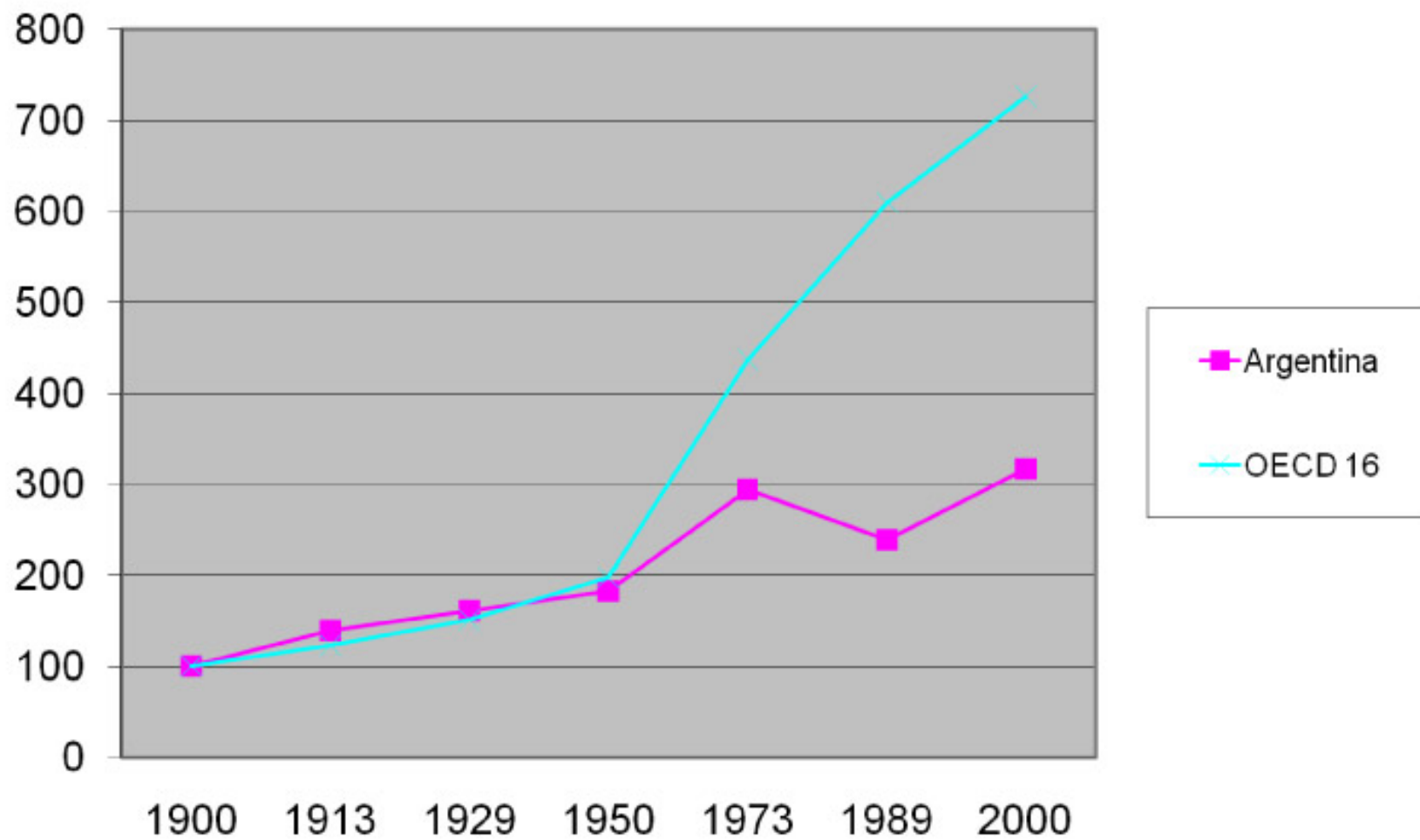


## Growth Rates in GDP/Capita

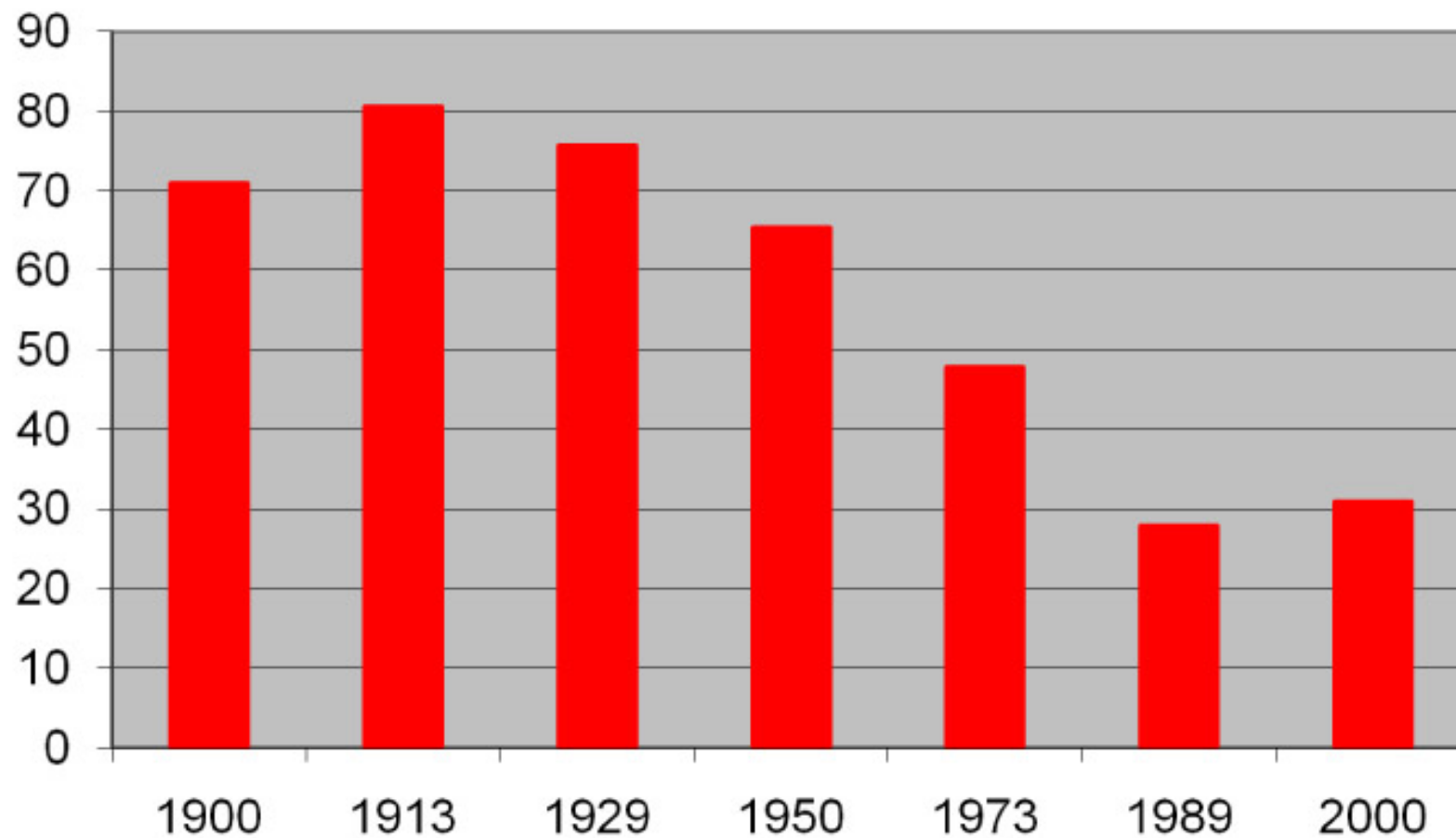
	<u>Argentina</u>	<u>OECD 16</u>	<u>Difference</u>
1900-13	2.6	1.6	1.0
1913-29	0.9	1.3	-0.4
1929-50	0.6	1.3	-0.7
1950-73	2.1	3.5	-1.4
1973-89	-1.3	2.1	-3.4
1989-00	2.6	1.6	1.0

GDP dropped 10.9% in 2002

# GDP/Capita



## Comparative Argentina/16 OECD 100 Years of GDP per Capita







## Argentine Government – 1912-55

- 1912: Strong government in place
- 1914: Exports cut by World War 1
- 1916: Radicals gain power against previous regime
- 1919: General strike
- 1930: Global depression led to army coup
- 1943: President overthrown
- 1945: Peron comes to power with union support
- 1946-52: **Evita** in power alongside husband
- 1955: Peron overthrown

## Argentine Government – 1958-2012

- 1958: New leader liberalises but brings inflation
- 1966: Peronist coup
- 1970: Army coup
- 1973: Peron President, dies in 1974
- 1976: Army coup
- 1982: Falklands War
- 1983: Elections
- 1988: Hyperinflation
- 2001: Freezing of bank accounts
- 2012: Fiscal austerity

## Future Approaching Fast





# Physical Movement

## Goods

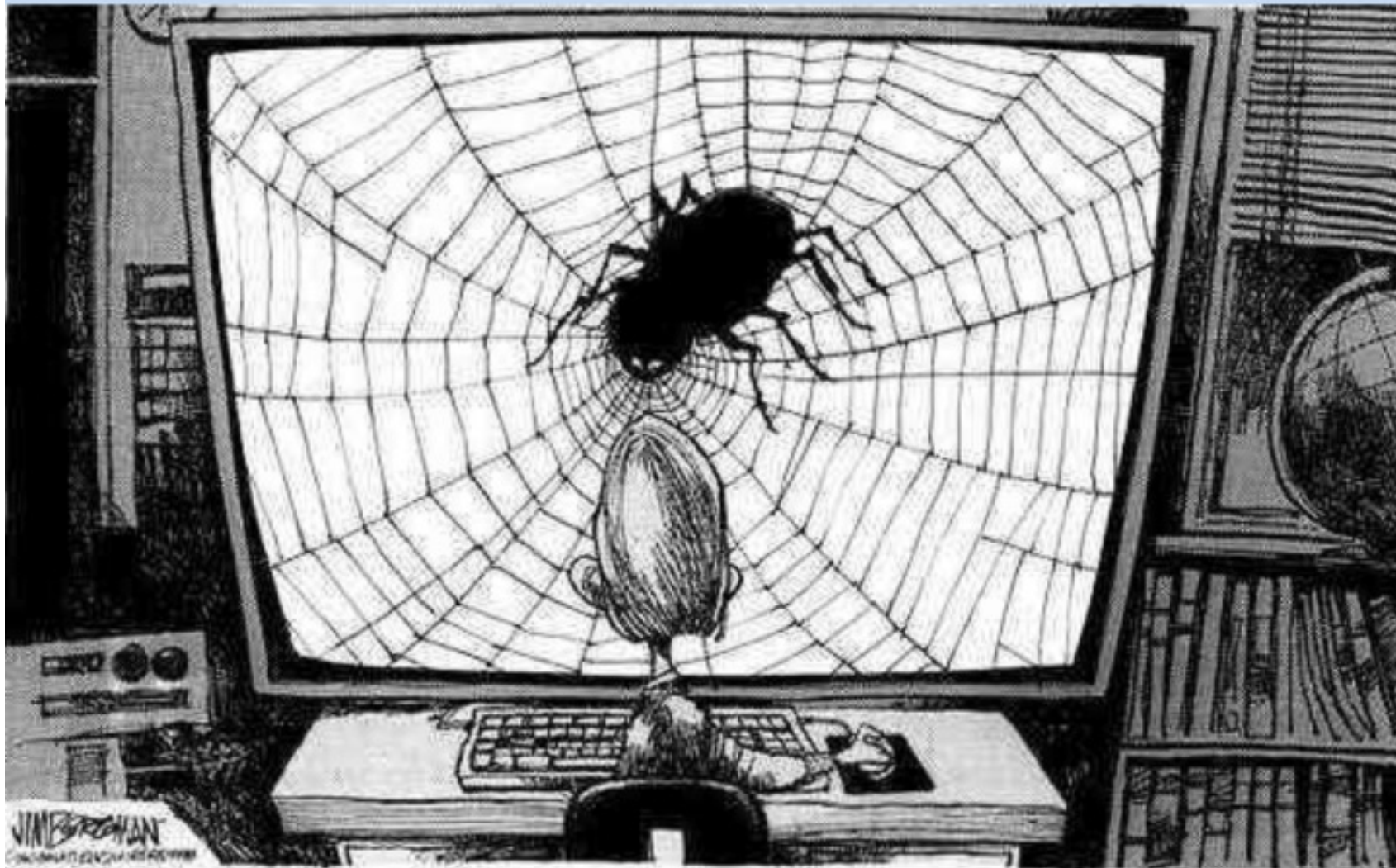


## People





# Information Movement



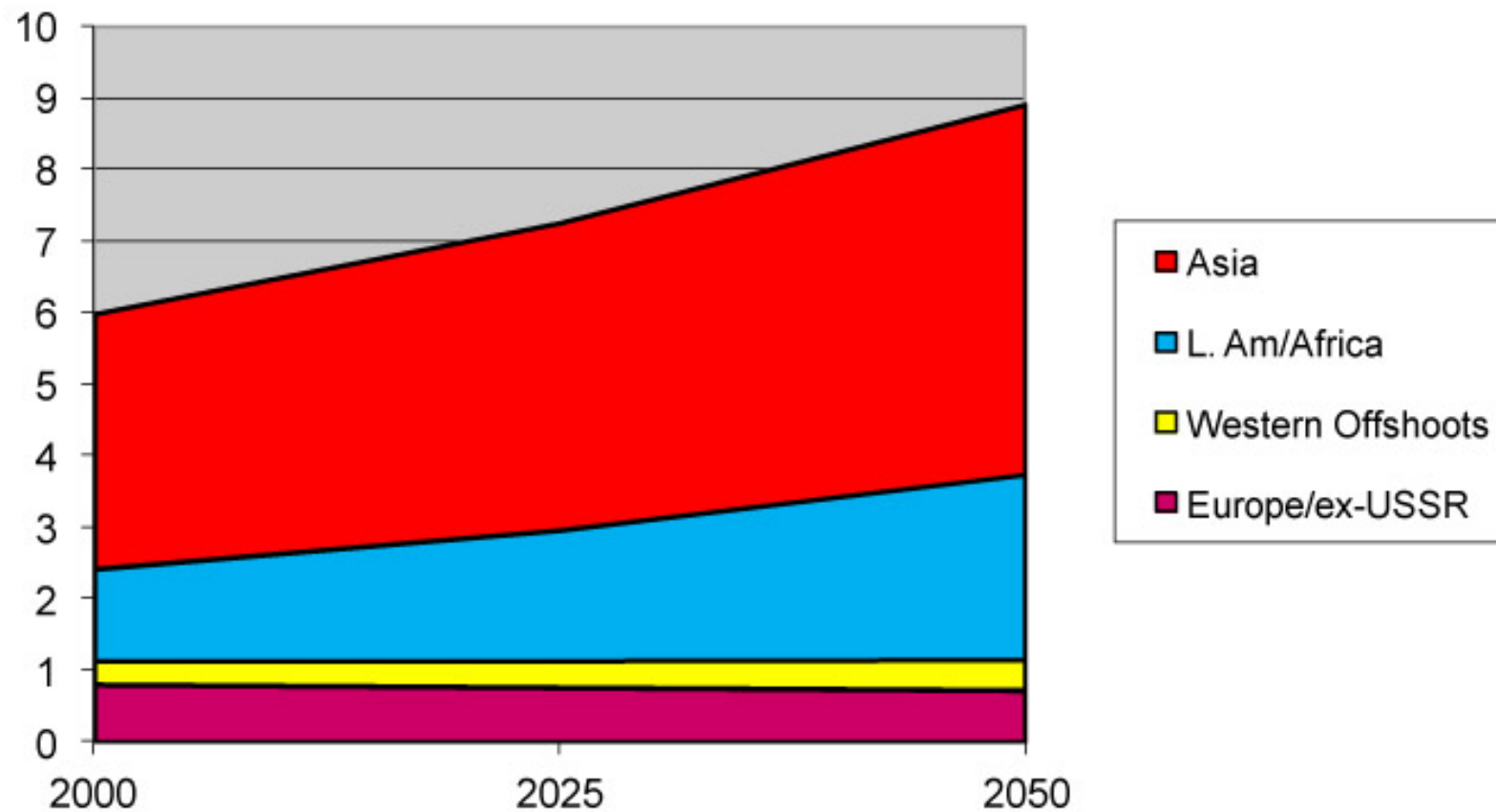
World Wide Web

FPG

## Possible Average Growth Rates 2000-50

	<u>Population</u>	<u>GDP/Capita</u>	<u>GDP</u>
Europe+ExUSSR	(0.2)	1.5	1.3
Western Offshoots	0.5	2.0	2.5
Latin America/Africa	1.4	3.0	4.5
Asia	0.7	5.0	5.8

# World Population (bn)



# World Population

(billion)	<u>2010</u>	<u>2030</u>	<u>2050</u>	<u>2010-50</u> <u>% Change</u>
Asia	4.2	4.9	5.2	26%
Africa	1.0	1.5	2.0	93%
Europe	0.7	0.7	0.7	-1%
Latin America/Caribbean	0.6	0.7	0.7	17%
Northern America	0.4	0.4	0.5	27%
Oceania	0.04	0.05	0.05	42%
World	<u>6.9</u>	<u>8.3</u>	<u>9.1</u>	<u>32%</u>



## Possible Average Growth Rates 2000-50

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Culture

# Europe vs Asia

- Adam Smith's three government duties
  - **Security:** weak armies and little popular support
  - **Justice:** good but often slow/expensive
  - **Infrastructure:** nimbys and priority to short-term social expenditure
- Europe pays people more not to work than Asia generally pays people to work
- Trying to require a 35 hour week while Asian businessmen are trying to work out how to achieve a 35 hour day
- “Needs to get worse before it gets better”
- Can 1.5% GDP/capita growth be achieved?

# Europe

- In heaven
  - The nannies are British
  - The cooks are French
  - The engineers are German
  - The administrators are Swiss
  - And the lovers Italian.
- In hell
  - The nannies are German
  - The cooks are British
  - The engineers are Italian
  - The administrators are French
  - And the lovers Swiss.



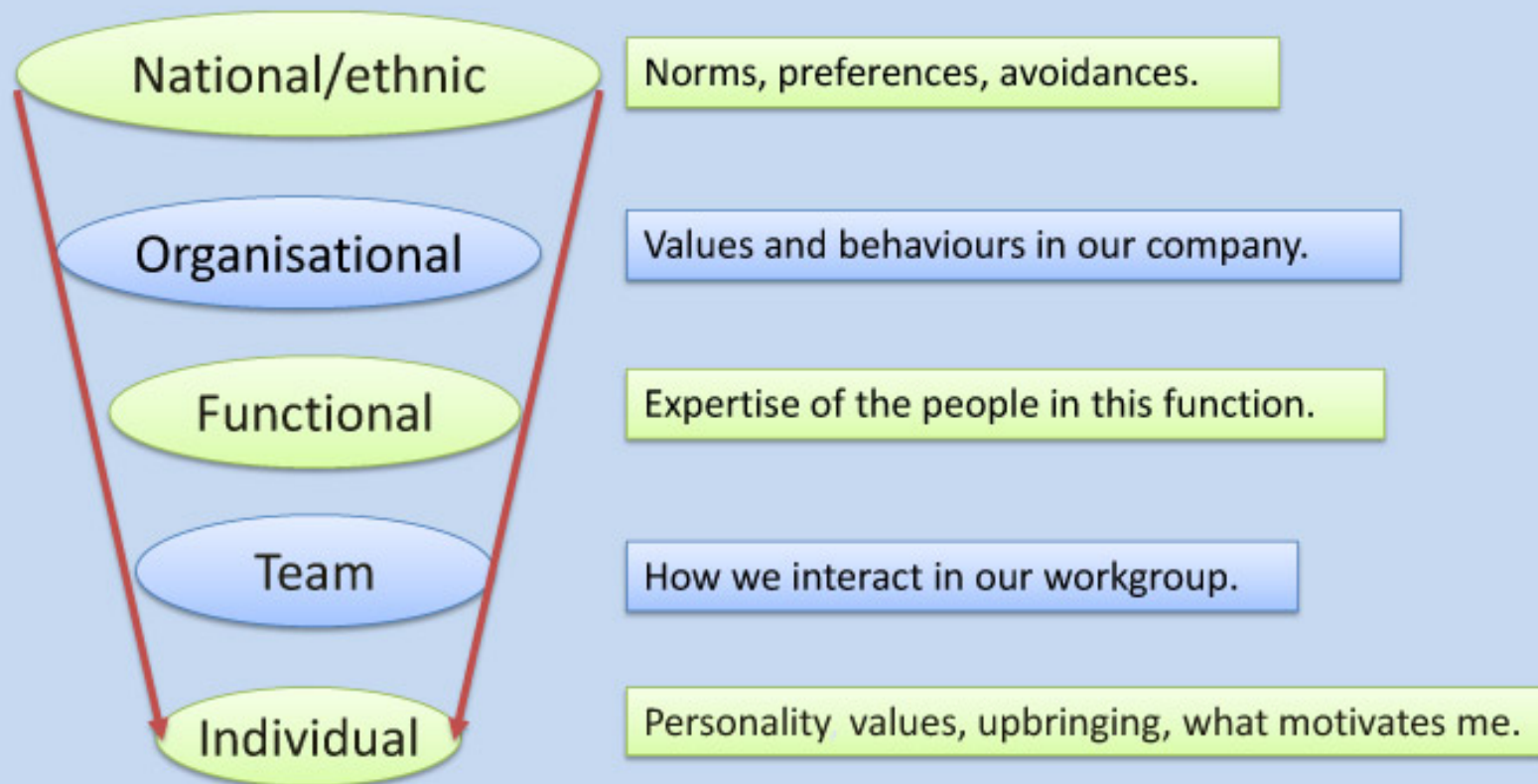
## What is Culture?

- “Culture is the way we do things when nobody tells us how to do them.” (Jack Kemp)
- Culture is like water to a fish. A fish does not know that water exists until it jumps out of it

## We are all:

- **Like all others:** We all have basic human needs
- **Like no other:** Each person is unique in his or her own rights
- **Like some others:** This is our culture
  - Share it with some but not with others
    - National/Ethnic
    - Employer
    - Functional
    - Team
    - Individual

# Different Cultural Influences



# Cultural Issues

- Values and norms
- Dress and appearance
- Communication and language
- Religion
- Time and grace periods
- Teamwork
- Management hierarchy
  - freedom?
  - clear direction?



# Common Cultural Mistakes

- Believing your way is the universal way
- Thinking everyone valuable is just like you
- Doing what you have always done at home
- Failure to empathize with another solution
- Forgetting to invest in relationships
- Not researching cultural values
- Being superior, giving unsolicited advice
- Getting inappropriately upset, indignant

# Dress

- Overdressed
  - trying to be more important than the locals
- Underdressed
  - not be taken seriously by people in that culture.
- Not wear safety or practical equipment
  - perceived as not knowing the environment.
- “Business casual”
  - Japan: two piece suit instead of three
  - California: shirt and sandals.

# Smiles

- North Americans
  - to be friendly to strangers
- Germany and Switzerland
  - “when there is something to smile about”
- France
  - smiling strangers are mentally challenged or trying to take advantage
- Far East
  - smile to hide a strong emotion like embarrassment

# Globalised Management





# Widening Business School Curriculum

- **Functional skills**
  - Planning, marketing, finance, accounting, IT, operations, human resources, etc
- **Human interaction**
  - Leadership, responsibility, ethics, teamwork, communications
- **Stakeholder awareness**
  - Government, media, customers, suppliers, employees, unions, local communities



**"Our employees are our greatest asset. I say we sell them."**



# Classic Hierarchy

- Organisation charts and lines of authority
- A boss, “the old man at the top”
- Authority generally enough to get people to do things
- Success depended on keeping the boss happy





# Management Environment

- Global
  - Technological acceleration
  - Increasing market convergence
- Local
  - Local entities can act global
  - Need to recognise local differences
- Increased organisational complexity
- Leadership of diverse teams

# Achieving Management Excellence - Key Skills

- |    |                             |
|----|-----------------------------|
| 1  | Managing People             |
| 2  | Leadership                  |
| 3  | Team Working                |
| 4  | Customer Focus              |
| 5  | Managing Operations         |
| 6  | Verbal Communications       |
| 7  | Time Management             |
| 8= | Coaching & Counselling      |
| 8= | Functional/Technical Skills |

# Leadership - The Need

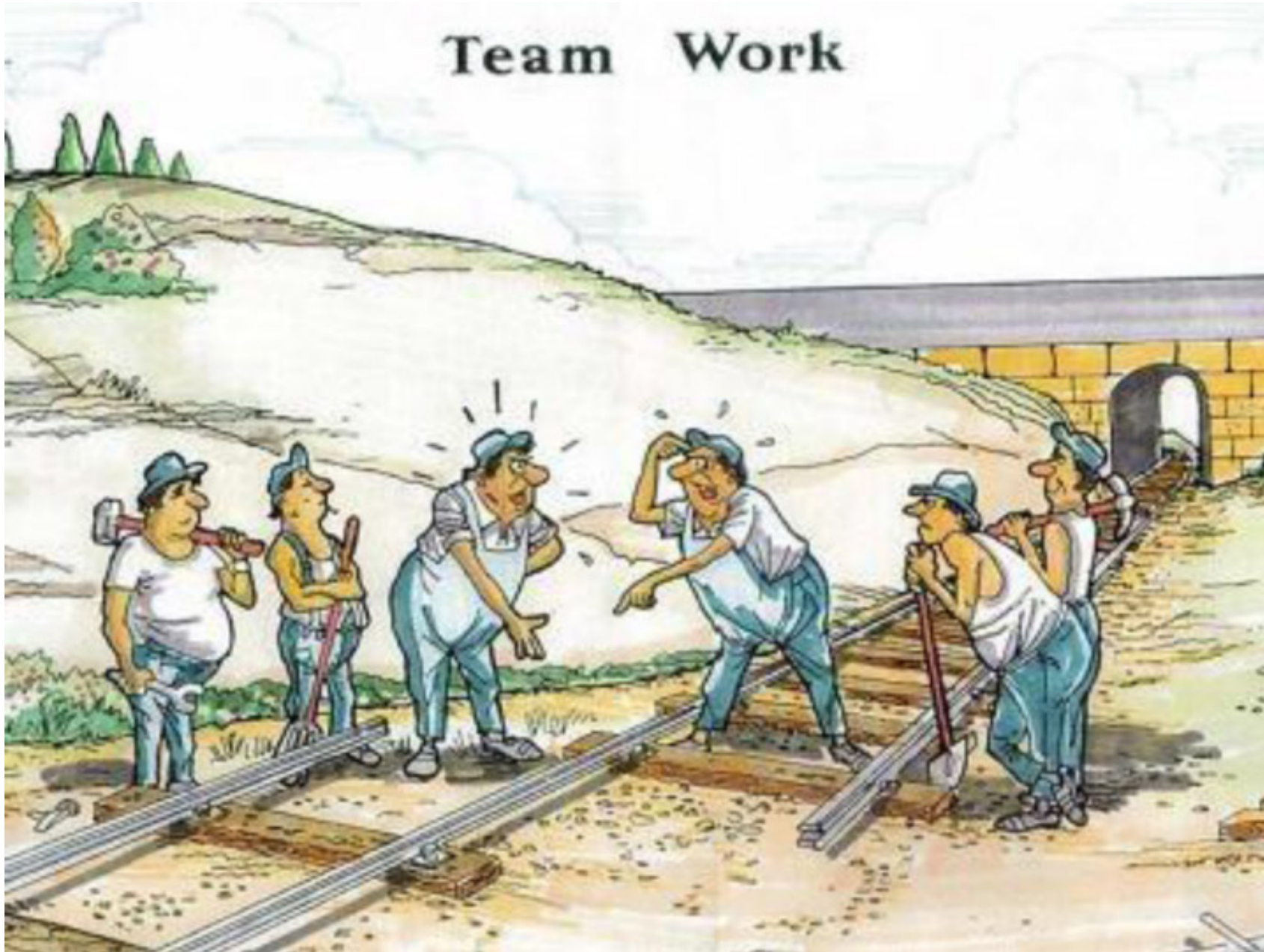
- As the world becomes more global we have to compete against people around the world.
- People are the greatest asset for any organisation.
- Whether for a country or a company, whether fighting a war or trying to gain market share, competition is in the end between work forces.
- Leading these workforces is increasingly important.
- Organisations must be led to overcome their own inertia and to adapt to changing conditions.
- Leadership is what gives an organisation its vision and translates that vision into reality.
- It reconciles the wood and the trees.
- It gives the heartbeat to the organisation.

# Leadership – The Purpose

- Leadership is about communicating the vision and motivating people.
- The key quality is inspiration.
- If you want to inspire your team then first inspire yourself.
- If you can successfully communicate your passion for something you care about then it fires up other people as well.
- Leadership has to create a collective effort which can achieve sustained superior performance.
- Leadership puts in place the culture that agrees the direction.
- It then increases the willingness of all of the people to achieve what is required.
- Leaders most importantly need to motivate and organise their team.



# Team Work



# The Team Non-Hierarchy

- No single boss so each employee's loyalty is split
- Managers need approval by several stakeholders even to hire or fire
- Conflict cannot be resolved by going to the boss ... often you have to go up many layers before you find a common boss.
- Managers must create a cohesive team with people of different cultures reporting to different bosses

# Remote Teams Are More Difficult To Communicate With

- Remote teams are becoming more common with increasingly borderless businesses
- Communicating with international remote teams is challenging
  - Usually in complex matrix organisation
  - Multiple time zones and cultures
  - More vulnerable to weak management





# Leader of the Future

- Employee of the future will be different
  - Knowledge workers will have little organisational loyalty
  - View themselves as professional "free agents"
- Telling people what to do and how to do it becomes ridiculous
- Balance following the rules versus getting things done
- The leader will be more in a mode of asking for input and sharing information.
- Skills in hiring and retaining key talent will be a valuable commodity for the leader of the future
- Leading across a fluid network in a situation of permanent ambiguity and still produce results



## Blane Ruschak, National Director of US Campus Recruiting for KPMG

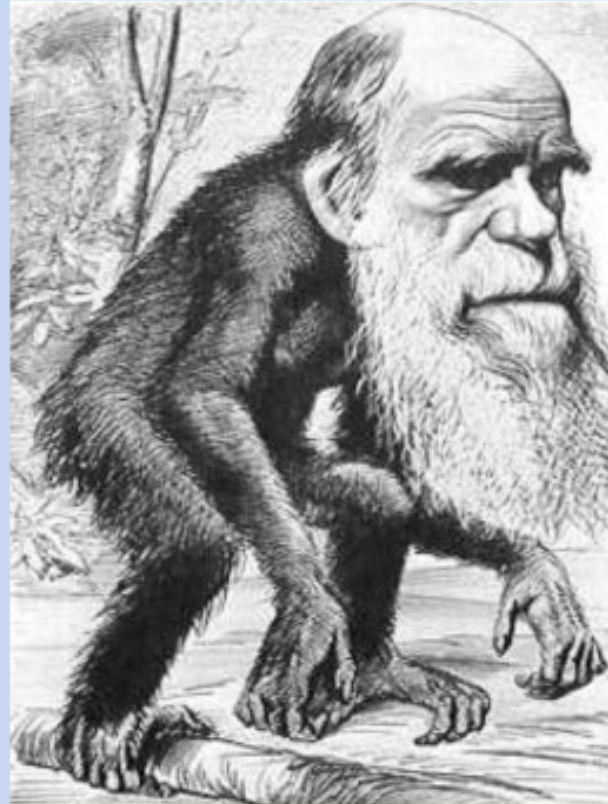
"Globalization continues to transform the business landscape. This has led to an increased hiring emphasis on college graduates that possess or have the ability to acquire global skills and competencies. Having professionals with international experience gives us a competitive advantage because clients increasingly are looking for advisors who can offer global perspectives."

*“This new type of hero.....must learn to operate without the might of the hierarchy behind them. The crutch of authority must be thrown away and replaced by their own ability to make relationships, use influence and work with others to achieve results”*

Rosabeth Moss Kanter

# Entrepreneurship

# ***DARWIN WAS RIGHT***



***The Fittest Survive***



# Free Enterprise

- We are emerging from testing times recently
- The global economy is currently on the road to recovery but this is patchy
- However in all countries it is business which will provide the basis for the upturn
- It is free enterprise which generates the wealth which pays for schools, healthcare and social services

# Entrepreneurs

THEY THINK  
THE  
UNTHINKABLE



THEN THEY DO IT!

# Swimming With The Tide





# Management Styles

- Ray Kroc
  - I saw in my mind hundreds of McDonalds around the country.
- Estee Lauder
  - I am what you call a stern taskmaster. I expect perfection. And if I get it, then I ask for a little more perfection.
- Soichiro Honda
  - If I'd had to manage my company myself, I would have very quickly gone bankrupt.
- Sam Goldwyn
  - I don't want to be surrounded by a lot of "yes" men. I let people tell me the truth, even if it costs them their job.



## Manager

- Replaceable
- Administers
- Maintains
- Focuses on structures
- Relies on control
- Short range view
- Asks how and when
- Eye on the bottom line
- Accepts the status quo
- Classic good soldier
- Does things right

## Entrepreneur

- Original
- Innovates
- Develops
- Focuses on people
- Inspires trust
- Long range perspective
- Asks what and why
- Eye on the horizon
- Challenges status quo
- Is their own person
- Does the right thing

# What is Risk?

- An evaluation of costs and benefits
- Risk-taking implies a possible loss
  - Inherently failure-prone
  - Not “sure-thing-taking”
- Variability in the outcome
  - Higher the risk, the greater the likely return, but
  - Greater variability from one outcome

## Risk and Enterprise

- Success cannot be easily predicted
- Many are called but few are very successful
- Like exploration, at the beginning we cannot gauge success
- Applies to all new ideas and projects, not just in business
- Risk is an inherent part of progress







## Risk of No Risk

- The only man who never makes a mistake is the man who never does anything.  
(Theodore Roosevelt)
- Twenty years from now you will be more disappointed by the things you didn't do than by the ones that you did do. So throw off the bowlines, sail away from the safe harbour. Catch the trade winds in your sails. Explore. Dream. Discover.  
(Mark Twain)

# Theodore Roosevelt

“It is not the critic who counts; not the man who points out how the strong man stumbles, or where the doer of deeds could have done them better.

The credit belongs to the man who is actually in the arena, whose face is marred by dust and sweat and blood, who strives valiantly; who errs and comes short again and again; because there is not effort without error and shortcomings; but who does actually strive to do the deed; who knows the great enthusiasm, the great devotion, who spends himself in a worthy cause, who at the best knows in the end the triumph of high achievement and who at the worst, if he fails, at least he fails while daring greatly. **So that his place shall never be with those cold and timid souls who know neither victory nor defeat. “**

## Complacency



*Picasso*

**“Success is dangerous -  
One begins to copy  
oneself.**

**It is more dangerous  
than to copy others**

**IT LEADS TO  
STERILITY!”**



The Fourth “R”

Reading

Writing

Arithmetic

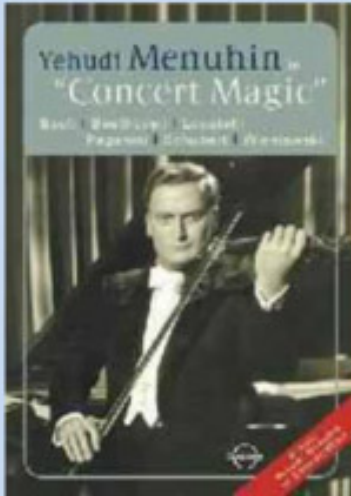
Arts



# The Creative Spirit

- Shapes the human personality
- Brings out people's full potential
- Opens up a new horizon for every person
- Maintains their emotional balance
- Fosters harmonious behaviour

# Yehudi Menuhin



"There is a lack of mediation and creativity everywhere, especially in schools. The arts are missing from our lives and we are giving way to violence."

## “Leadership’s Online Labs” HBR May 2008 – Reeves/Malone/O’Driscoll

- Honing leadership skills in multiplayer online games
- The tasks will train tomorrow’s leaders
  - Distributed decision making
  - Combined internal and external teams
  - Digital rather than face-to-face interaction
- Sprawling online communities
- Recruiting, assessing, motivating, rewarding
- Identifying/capitalising on competitive advantage

# World of Warcraft

- 10 million players at \$15 per month
- Play for average of 22 hours per week
- Average age of 27, 85% men
- Choose avatar from 10 “races”
- Raid on a dungeon may require 50 players
- Projects take many hours
- Advance by joining guilds and collaborating
  - Explore new destinations
  - Complete complex quests
- Unexpected people become leaders



WHAT MATTERS MOST  
IS HOW YOU SEE YOURSELF.





AFP





