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Globalization Of Business

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Received-17.09.2023, Revised-24.09.2023, Accepted-30.09.2023 E-mail: mkvnoida@gmail.com

Abstract: With the advent of globalization, global business practices and international business have become common phenomena. Large companies and MNCs often operate in more than one country. Managing such cross-border operations requires a thorough understanding of local cultures, practices, laws and business environments. International managers, thus, have to play several important roles in their businesses. International business basically means commercial transactions that involve two or more countries. These transactions can occur between private entities as well as government agencies. The only prerequisite of such transactions is that they should involve multiple nations.

Key Words: globalization, global business practices, international business, understanding, local cultures, practices.

A cross-border business is very different from one that involves a single country. The main feature of such businesses is that they operate on very large scales and involve multiple jurisdictions.

Another feature of international businesses is that they integrate the economies of multiple countries. Functions like importing, exporting, financing, hiring, selling and managing may all happen in separate nations.

Thirdly, international businesses and MNCs also have the distinction of emerging from only a few developed countries. Companies from large economies like the USA, UK, Japan, China, Germany, India, etc. dominate international trade.

Another feature of cross-border businesses is that they face fierce competition. Smaller companies from developing nations often have to compete with MNCs that have no shortage of resources.

The evolution of business is related to the evolution of human desires. History is a witness to the fact that even the man of primitive age used to undertake work of some of the other kind to satisfy his needs. Ever since man has taken birth on earth, he has undertaken one or the other work. Of course, with the change of time and circumstances, his working methods have also kept changing. For example, during the hunting era, his main task was to kill wild animals. He used to go hunting for getting raw meat, and through this one work, he used to fulfil his basic physical requirements and secure food to satisfy his hunger. During the cattle grazing period, he moved about with his livestock and animals, searching for beautiful green pastures to feed them. In short, it can be said that during the period when the facilities of transportation, means of communication and storage, etc., were lacking, the requirements and necessities of human beings were minimal, and he was more or less self-dependent. Whatever he produced, he used it for self-consumption. In other words, there was no gap between production and consumption. At this time, all business units were solely managed by single owners.

Gradually with increased knowledge and scientific progress, human needs also started growing. These growing needs resulted in increased production and also gave birth to specialisation. The barter system was initiated during this era only, and the interdependence of human beings kept increasing gradually and continuously. The evolution of currency brought an upheaval in the barter system. Necessities and science gave birth to Industrial Revolution in the world, and new experiments were carried out. As a result, organising production work became tough. Factory systems developed in place of cottage industry, use of plants and machines became rampant for large scale production. Commercial organisations also changed; sole proprietorship businesses got converted into partnership businesses.

The formation and development of complete companies with well-equipped modern means of production replaced the partnership business. It was difficult to consume all the production or the total output of these factories at one place or in one market. Hence, the expansion of the marketing area was undertaken.

As a result, markets no longer remained confined to the local or national level but took the form of international markets. Extension and expansion of marketing area generated international competition, and the manufacturers had to make a lot of efforts to market and consume goods produced by them. This provided impetus and encouragement to the art of advertising and marketing.

Consequently, industrial and business enterprises started adopting scientific management systems and, transportation and communication started developing rapidly. Large size banking and insurance companies were established to help establish collaborations in manufacturing and marketing. This completely changed the form of commercial organisations. In short, all those functions were under taken which significantly contributed to the welfare and progress of businessmen.



Based on the above discussion, we can divide the history of commercial and industrial development into the following stages-(1) Stage of Self-sufficiency, (2) Pastoral Age, (3) Agricultural Age, (4) Handicraft Stage, (5) Domestic stage or Era of Cottage and Small-scale Industries, and (6) Industrial Age.

This era is the first stage of the evolution of the economic life of man. When he was uncivilised, he lived in forests and used to satisfy his hunger by eating raw forest fruits. His requirements or necessities were minimal and were ordinary. These necessities could be fulfilled very quickly and conveniently. There was a direct and close relationship between necessities, efforts and satisfaction. For example, when the primitive man felt hungry, he would eat wild forest fruits, hunt or kill the wild animals to satisfy his hunger or catch the fish for this purpose. In the same way, when he felt the necessity for shelter, he would collect grass, straw and small branches of trees and prepare hut covering. He would utilise the outer covering partly on the trunk and branches of trees or the skin of the animals for wearing. In this way, during this period, the primitive man was self-sufficient. This is the reason this period is termed as an era of self-sufficiency.

Slowly and gradually, man turned into a civilised person. On several occasions when he could not find anything to hunt, he had to remain hungry for many days. Grieved in this way, he searched for new ways to satisfy his needs and meet his requirements. He realised that it would be more valuable and profitable to breed the animals instead of killing them. He realised that if he kept killing the animals, a day would come when all the animals would be wiped out from this earth. As a result, he started breeding the animals. He started roaming about with the animals in search of green pastures and grazing grounds. Commercial activities could not commence at this age because most of the people were self-sufficient.

Slowly and gradually, man became more and more civilised. When he went to different places searching for green pastures and grazing grounds with his livestock to feed them, he found small saplings of plants and trees erupting from the ground and growing and expanding at a rapid pace. Consequently, this became the cause of the initiation of the 'Agricultural Age'. Agriculture became the means of livelihood for man. To make use of the agricultural produce, it became compulsory for him to settle in one place. Hence, he started building houses near the agricultural fields and started living there. This resulted in the development of small villages close to the agricultural fields. In due course of time, these villages got converted into the form of small cities. Most of the people in these developed villages were engaged in agricultural work. A small percentage consisted of persons who did not adopt agriculture work and instead opted for other means of livelihood such as-Cloth weaving, pottery, carpentry and mending and manufacturing shoes. This was an era of origin of business.

With the development of civilisation, human needs also started growing. Simultaneously, an increase in population was also recorded. People divided all production activities into several parts, and in this way, different professions were determined. For example, people dealing in agriculture came to be known as farmers, persons mending or repairing the shoes as cobblers, persons producing iron goods as iron-smith, persons undertaking woodwork as carpenters and persons dealing in exchange of various types of commodities against money as traders or businessmen. The main feature or characteristic of this era was that all types of goods were produced by hand, which is why it is termed as the 'Handicraft Age'. By this time, the invention of machines had not taken place. However, division of labour, specialisation, exchange and trade and business had been initiated. As a result, there was considerable development of business in this era.

This era witnessed the origin of middlemen in business dealings. People belonging to this group used to provide raw-material to the workers and artisans and fetch finished and developed products out of them for sale in the market. They also used to finance the artisans and provide them with instruments and equipment to manufacture various articles. In this way, there was an expansion of the market in this age. With the expansion of the market, business increased.

International business offers the following benefits to the economies and organizations it involves in its transactions:

- * Since import and export are common functions of cross-border business, they involve the use of foreign exchange. The country exporting goods and services, thus, can earn foreign exchange from the country importing them.
- * Cross-border operations offer businesses the opportunity to earn higher profits. This is because they can sell their products to a large customer base from multiple countries.
- * Since international business helps a nation's economy, governments often provide benefits to attract foreign business. Such government benefits may be in the form of tax sops, subsidized resources, financial incentives, etc.
- * International businesses also facilitate optimum utilization of resources. Companies use natural and human resources from various countries in their operations.
- * It is very easy for international businesses to diversify and expand their activities. This is because they earn very high



profits and receive many governments benefits.

To fulfil the continuous!; growing necessities of man, it became essential to undertake production on a large scale. Somebody had rightly remarked, "necessity is the mother of invention". Hence, in the current modern era, with new inventions taking place daily, the use of machines for large-scale production has become very common. Production techniques have undergone such strange and dramatic changes era the modern era that people have termed it an 'Era of Industrial Revolution'.

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