

**ECONOMIC GLOBALIZATION AND GLOBAL IMPACTS ON CHANGES IN
CONTEMPORARY ORGANIZATIONS – THEORETICAL APPROACH**

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Abstract

This study attempts to present a co-relation between processes of globalization and development of modern economic organizations in the new world order, under terms of global economy. As a comprehensive process, globalization brought big changes in the decision-making process of organizations. These changes are visible in several aspects: new decision-making subjects, different decision-making procedure, technical and technological innovations and speed of information and messages dissemination in the process of decisions' control and execution. These qualitative changes, contributed to a different position of contemporary economic organizations, and within those contributed to different management and different methods of organizational objectives achievement. Each of these changes has vast scientific relevance for analysis and understanding of contemporary economic organizations functioning.

Keywords: globalization, contemporary organizations, decision-making process, management

INTRODUCTION

Change in “Physiognomy” of the Decision-making Process in Organizations

Since its theoretical and practical formation in XVI century, modern state was the only subject of internal and international relations; and, at the same time, it was the only key subject and stakeholder of all political and economical developments at national and global levels. Its key

role was exactly in the monopoly of power, and its central political and economic power which it had, as an organization *par excellence*, in the period before globalization process and creation of modern ideology of globalization intensified.

Following theoretical postulates on the emergence of the first era of globalization, in mid-XIX century, we particularly stress that state was the main, and in most cases the only decision-making subject till that period (the same time when also first international organizations were formed). After industrialization and all revolutionary changes this process caused on a global scale, thanks to globalization forces, *significant shift happened in regard to decision-making subjects – from a state to new subjects* (Stiglitz, 2002).

These subjects were, primarily, different *international organizations* on a global plan, but those were not the only decision-making subjects vital for development of national and international flows. Parallel to the development of the idea on private ownership and inalienable right to private property, materialized in different constitutional and legal solutions in the common law systems, and latter also in European (continental) legal system, new very important subjects appear – economic organizations, economic entities, corporations, companies and, at the end, also nongovernmental organizations as specific form of subjects in social, economic and political life. Relation between these – new and old subjects in respect of the globalization process are graphically presented in the Table 1.

Table 1: Different Subjects and Globalization

	BEFORE 1 st ERA	AFTER THE INITIATION OF 1st GLOBALIZATION ERA	
Central subject	State	International organizations	Corporations, economic entities, companies
Foundation Method	Citizens' consent	Foundation Contract	Foundation act (Statute, etc.)
Management Form	Public management	Inter-governmental co-operation and/or supranational management principle	Social, governmental and private ownership

Qualitative change of central subjects under direct influence of globalization is noticeable already *prima facie*. Yet, the thing causing theoretical dilemmas is: is the role of globalization overestimated when it is about creation of new forms of organizing, such as multinational companies; even Giddens says that multinational companies are one of central agents of globalization processes. Comparative analysis showed that exactly large and significant

multinational companies (corporations) are not only objects influenced by the globalization, but at the same time agents re-motivating globalization. Besides, impacts of multinational companies, as new forms of organizing, proved to be particularly important for the development of international economic and political relations (Giddens, 1990). *Power* of these organizations often rested on the close connection of their owners with centers of political decision-making, enabling in certain cases a multinational company to be the main or at least direct cause for depositions of democratic regimes all over the world.

Fully justified raised question is: did this qualitative change among decision-making subjects on a global stage of events have positive or negative value? We see it as both positive and negative. Namely, appearance of these decision-making subjects (such as international organizations) enabled better co-operation of states in areas of telecommunication, postal traffic, and latter also economy and multilateral dialogue for the purpose of solving “burning” global problems. On the other side, some of these new subjects meant states’ denial of their own sovereignty and, consequently, lower impact on decisions of the international organization itself.

Speaking of the creation of first private organizations – either smaller economic entities or multinational companies, these were significantly contributing market competitiveness in their own aspects. They significantly influenced raised quality of commodities or services, and better satisfaction of consumers’ needs: firstly, on local and national levels, but latter on a global level, too, by introduction of globally recognized brands. Yet, question imposed from the beginning is a matter of effective control, particularly over multinational companies. Their enormous importance for their original national economies, often caused their close connections to central political circles, and often illegitimate links created under such circumstances. Light labor force dismissals and lessened control by employees themselves and the state as organization itself led also to increased poverty of dismissed employees, although multinational company itself, and even national economy, were making profit.

Therefore, it is completely logical to emphasize globalization process *discrepancy* (Stiglitz, 2002). This discrepancy will particularly become obvious in decision-making procedures which essentially changed under the impact of globalization process.

CHANGE OF DECISION-MAKING PROCEDURES

Change of Decision-making Procedure in International Organizations

Changes of procedures in the decisionistic process itself are visible in several related elements: modalities of decision-making and binding element of decisions, democratic feature of the decision-making process, efficiency and transparency of this process. Having particularly in

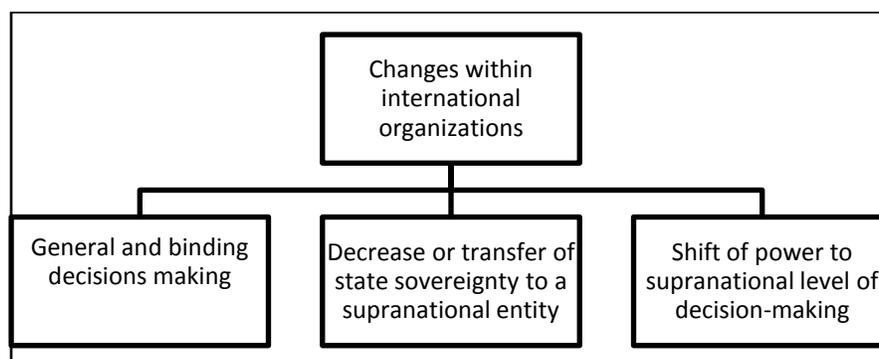
mind that these elements differ among international organizations and organizations at national level (economic entities, multinational companies, etc.) we believe it is necessary to make analysis at mentioned two parallel levels, although globalization process had crucial effect on both levels – simultaneously.

Emergence of new forms of organizations, above all international organizations as subjects of international economic and political organizations, led to decision-making which is *moved out of national frames*. As it was believed, an untouchable subject of all global relations till then – state delegated part or all its powers to some new subjects at regional or global levels (Treaty of the European Union, 1993). At the beginning, this shift referred only to so-called areas of joint co-operation among several states in order to foster primarily economic co-operation in certain areas for mutual benefit. Hence, in decades and centuries to come, it turned out that one of the key ideas was to create new forms of political-economic organizing which derogated all ideas of absoluteness and indivisibility of state sovereignty.

The globalization in its second and third grand era was exactly the one crucially influencing making of decisions at supranational level which were mandatory also for the state as a whole, even when a state itself was against such decisions. In this manner, principle of supranationality was for the first time promoted in the case of European Coal and Steel Community, European Economic Community and European Atomic Energy Community. In other words, supranational institutions created by the consent of states had the possibility to make generally binding decisions in the domain of their competencies. Consequently, states had to implement and respect made decisions *bona fide*, voting for it or not. It is fully justified to name this decision revolutionary, and it is unambiguously an accomplishment of economic and political globalization.

En generale, that means that *power* was more and more moving to supranational level thanks to “needs to deal with global problems in global manner by global management“, as it is well described by Giddens. Changes in functioning of international organizations are presented in the Figure 1.

Figure 1: Changes in functioning of international organizations



Execution of made decisions in these organizations is regulated by legal norms accepted by states and, therefore, obliged to implement decisions in practice. At the beginning, this obligation was interpreted as part of general legal principles of the international law, and then, since 1961, these were incorporated into the *Vienna Convention on the Law of Treaties* (Vienna Convention on the Law of Treaties, 1961). Therefore, non-execution of made decisions led to legal, but in practice also to political and economic responsibility with an option of sanctions introduced.

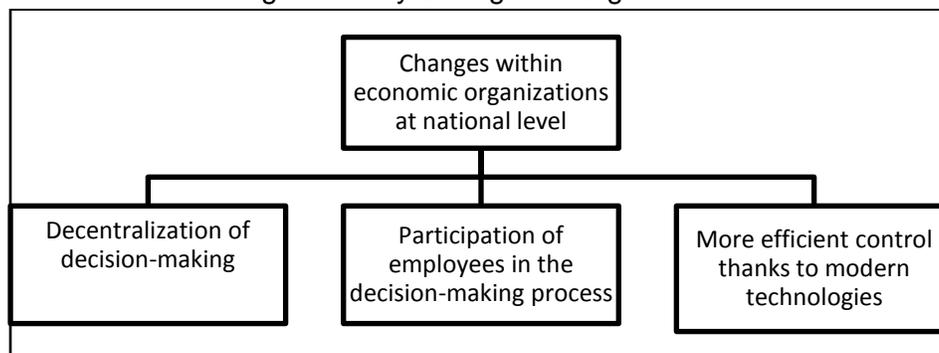
Key question, in our opinion, is a question of *effective control*. While control was formally in the hands of national institutions (either parliamentary or court control) before globalization process intensified, in period of intensive globalization control shifted to supranational level. Unlike the first case, where *citizens* are exactly *the main controllers of functioning of each organization*, either a state or economic subjects (organizations) in it, in the second case process of control is often happening far from the eyes and critical judgment of citizens (public).

In this way globalization really led to promotion of new forms of international organizing in order to extend idea of co-operation, democracy, rule of law, etc; but, it unambiguously led to continuous undermining of democratic order by diminishing effective control of citizens over these new forms of organizing. Yet, if we consistently follow the position that globalization is a neutral process in respect of values, we may say that these ambivalences were created by *globalism* as contemporary political ideology – not by globalization as comprehensive social process. Globalism managed to politically exploit all fundamental ideas of globalization exactly in order to deny exactly the same ideas of democracy, rule of law, freedom, justice, etc.

Changes in Decision-making Process in Economic Organizations at National Level

Globalization influenced significant changes in organizations at national levels; apart of creation of new forms of economic organizations, such as different forms of economic subjects (multinational companies, large, medium or small economic societies). Key changes in these organizations are presented in the Figure 2.

Figure 2: Key Changes in Organizations



Idea of having non-centralized decision-making refers also to economic organizations (labor organizations) and was developed parallel to idea of participation of workers in the decision-making process. Immediately before the industrial revolution, decision-making in labor organizations was highly centralized. Chief superior and manager of such organization, who was in the Western world often nominated by the state before private ownership appeared, was the master of all processes and relations within the organization. Participation of workers was non-existing and this was one of the main reasons to form large union movements and underline rights of workers that will lead to mass strikes in American and European continents.

Impact of the globalization process was that workers got bigger rights in decision-making within labor organizations. There are two models of participation: workers self-management and initiative of employees within the organization. Although globalization is perhaps event unreasonably linked only to accomplishments of so-called Western world, the fact is that exactly communist ideology influenced spreading of the idea of workers self-management. This idea was based on attitudes of rights of *working and exploited nation*, as it was suggested by one important declaration from 1918. On the other side, in the Western democratic world of that time, globalization forces were influencing spreading of the idea of *professionalization of management and leadership in labor organizations*, as well denial of workers' leadership of these organizations emphasizing workers' incompetency for that type of jobs. For this reason, primarily in the United States, *management* is created as "scientific discipline".

In conditions of (post) global society, there are different models of workers' participation in the decision-making process within labor organizations. These models are not depending only on dominant political ideology in the society, but largely also on *organizational culture* practiced in the business environment of these organizations. That is how, for example, one of the key characteristics of Japanese organizational culture are workers initiating decision-making, i.e. the whole decisionistic process in large number of cases moves bottom-up, and that is very specific in comparative analysis with the rest of Western world (Giddens, 2007). More attention will be paid to the globalization of organizational culture as specific phenomenon in separate chapter of our research.

Third key change emerged under the direct influence of globalization is efficient control over employees within labor organizations. Development and permanent improvement of information and communication technologies are key determinants of globalization process as a whole. At the same time, globalization enables even more intensive development of these technologies by which undisturbed society modernization is achieved.

OBSTACLES IN THE DECISION-MAKING PROCESS

Obstacles to successful decision-making can emerge, regardless of the applied decision-making method, as indicated by some domestic authors (Haralambos & Holborn, 2002). Quoted authors indicate that there are four key factors which can impact quality of decision-making: ethics and personal moral norms, environment, tradition or culture of the organization and limitation of resources. Such categorization of limiting factors, in our opinion, has several shortcomings. First – environment of the organization in the terms of global society has to be the first limiting factor. Functioning of the whole organization depends on the environment – irrespective is it organization's physical, legal, political, economical or general social environment. Globalization is a „culprit“ due to the fact that all subjects of social and economic life are much more under the influence of their environment today than it was the case in the time of industrial revolution, for example. As Ulrich Beck suggests, modern society is a risky society where sometimes it is very difficult to overview all risks, as well their consequences. New, different and dangerous risks are exactly brought by the globalization in all its dimensions, particularly in its economic one, as proved by the big world economic crisis in the last years of the first decade of the third millennium. The organization cannot operate under standard conditions or make decisions as under such conditions when it fights for its survival in global economic frames. Exactly for that reason, environment needs clear positioning as the first and basic factor which can influence decrease of decision-making quality.

Ethical principles and moral norms held or not held by an individual are certainly at the second position. Certain moral (ethical) views surely impact way and quality of decision-making and this is occasionally best visible in rationally made decisions bearing numerous social and economic injustices. Although it is economically prudent to make a decision on dismissal of significant number of employees, it does not mean that maker of such decision will satisfy (not even personal) standards of moral category of conscience. Thus, rational, but also intuitive decision-making bears often injustice, great ethical dilemmas and difficult choices.

We may say that lack of resources is in the third position, because certain resources are simply insufficient, such as time, money and information. But, on the other hand, significant discussion may be raised with the position that business culture can be disturbing or aggravating factor in decision-making. Such standpoint is relative, because progressiveness or backwardness of one culture is always observed in relation to subjective criteria corresponding to (business) culture of a person presenting such value judgment. On the other side, globalization is exactly the one imposing pervasiveness and unification of cultural patterns; so we may say that, with such tendencies, cultural differences will become less highlighted part of business organizations.

An obstacle that surely needs to be added is interests' confrontation of different participants in decision-making process. Although this obstacle is particularly prominent in international organizations as new forms of organizing under the direct influence of globalization, the fact is that confrontation of interests has special relevance also in labor organizations at national levels.

Apart of internal business processes, primarily decision-making within which, beside decisions making, we have also categorized decisions' execution and control, external and internal business processes take important place primarily in labor organizations, i.e. processes of business communication which gets more and more in its significance under terms of (hyper)globalized society and economy. Therefore, special chapter of our research we dedicate to the process of communications in organizations.

CONCLUDING OBSERVATIONS

Development of information and communication technologies enabled significant speed-up of decision-making process by use of video links, Internet as communication channels in the process of organizational communication, use of electronic mail etc. Intensive use of these modern communications methods in the last couple of decades enabled informing of each employee in shortest period of time on made decisions (but not all, for selectivity in information availability) and to be instructed of their implementation. At the same time, managers and leaders of labor organizations have much simpler possibility to supervise work of their employees and control were all made decisions executed in good faith and efficiently.

Modern technologies led to so-called *new phase of high modernity* in the development of society and all organizational units within it. They enabled distancing in space and time (communication within multinational companies in different continents); development of expert systems within and out of organizations, and consequently trust in people was substituted by trust in systems. Finally, development of modern technologies enabled social relations to be raised from local interaction – in the light of overall process of globalization.

Thus, modern technologies did not only facilitate decision-making process, but also two other processes in the triumvirate within organizations: execution and control. Therefore, it should not be surprising that some authors will underline that exactly *control* (supervision) is one of the key *institutions of modernity*.

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