

Specific Business and Management Challenges in Globalised World: Opportunities and Recommendations

Arben Salihu

MA. Arben SALIHU

Abstract

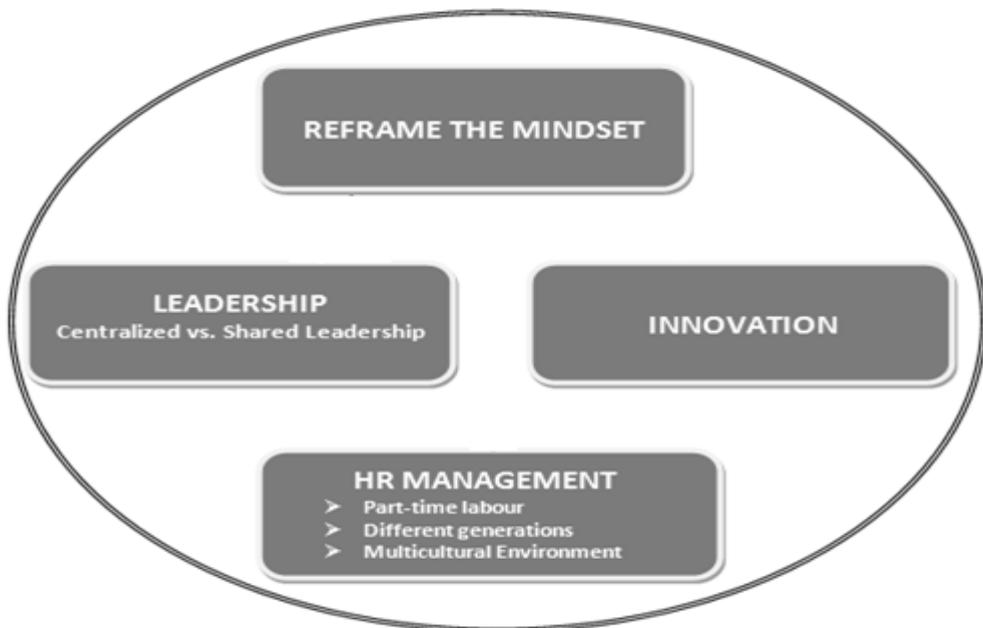
Globalisation is continually shaping the way we live, we travel and also the way and structure we work. It is generally acknowledged that there are a number of fundamental factors that play a crucial role in the business life cycle. Management is one of the main pillars of the organization because it provides direction, implementation, and coordination, so that organizations can attain their goals. An organisation's life depends heavily on the quality of management. If there is any lack within the management element, it may severely limit an organisation's existence. It is thus imperative to put all the elements in the right shape and place. Yet still this may be insufficient, due to ever growing competitiveness. Vision, strategy and innovation are fundamental in business enterprises but there are other issues related that have an effect to the management and need careful consideration. This study lists a number of specific challenges (namely leadership, innovation and human resources) that businesses and management is encountering and ought to be facing in several decades to come, and offers recommendation to the topics brought forward.

Key Words: Management, Business, Leadership, Innovation, Employees

1. Introduction

The current effects of globalisation worldwide are undisputed. Nowadays, it has become a mature practice from practically every sector or field to try and calculate and or predict the globalisation effects and evolutional trends. Different path and trends are analysed through the use of various methods and techniques. Management field is no exception. The growth of China and India as major global economic and political powers, and recent developments in European and South East Asian markets, created a new global reality that is not unheeded. Such developments are shaping the culture of doing and managing business. Now more than ever before, reframing the mindset and changing the way business is viewed is a must. Organizations acknowledge that the twenty-first century brought forward the need to reflect on leadership, enhance focus on innovation and analyse new challenges derived in human resources management.

Graph 1: Twenty-first century valuable areas that management must consider



Source: Author's own work

The current developments and transformations occurring in business world are fascinating to analyze and study, as they will, very likely, shape the management future for decades to come.

2. Time to reflect: reframing mindset

Today it is becoming common to discuss how companies, respectively their leaders must reframe the management mindset. The shift in mindset denotes creating a new working climate where company can develop and grow or simply it is an executive endeavour (action) to survive in today's tough competitive world. This certainly cannot be attained without adequate and thorough management, while interventions are conducted as appropriate as necessary. It is a delicate issue that some companies reluctantly do it.

The reframing the mindset is, therefore, a painful process, but, at times, is not only necessary but also indispensable. It is moreover a courageous step that often touches and transforms even the pillars of what the organisation stands for, the identity; the mission, vision and goals. Some companies undergo such radical changes out of sheer necessity, other choose or endeavour to move above competitors. Supply chains, customer target, and marketing strategy are also affected. Exploring a cheap and convenient supply chains is vital, so as is finding a new reliable market share.

Reframing management mindset denotes changing current way of doing business. Business attraction, nowadays, to low cost economies, is surging, and the emergence of the outsourcing¹ and offshoring² services is greatly impacting organisations, their structure and its domestic or global business. The outsourcing and offshoring is a great business opportunity, but at the same time brings to the fore the need for a diverse labour force catering for such 'new' service delivery to both domestic and foreign customers. This undoubtedly signifies that the role and function of executives necessitates operations in various markets and cultures and requires additional skills equipped with creative capabilities.

¹ Outsourcing refers to acquiring services or goods from a foreign supplier outside of the country.

² Offshoring generally means the business operation relocation from one country to another in order to minimize costs and or obtain other business advantages.

Big companies change, adopt and revolutionize the way they do business. Often they become role models for others to follow, especially the ones that undergo major transformations to beat competition or maintain the competitive edge. They examine leadership dimension, explore innovation possibilities, and assess the best human resource management practices to generate a productive inner climate.

3. Shared leadership versus centralized CEO leadership

Traditionally, companies encounter serious setbacks for a number of other reasons among others failing to select the right individual to lead the business enterprise. The Chief Executive Officer (CEO), the heart of organization, is to be the one who plans, organizes, leads, inspects and controls the overall strategy. Besides it is the one who oversees implementation of a strategy and one who decides what, when and how actions are to be taken. The role of the CEO has been critical for the operation of company, and therefore even the selection process of it has been sensitive. Business transformations and contemporary management challenges associated to it are pushing shareholders to think beyond single head or executive. Executives tend to have a well paid salary but at the expense of very huge workload with long working hours, frequent travel, and difficulty on balancing work and family responsibility. Some individuals struggle but manage to cope with such life style, while many other find difficulties to handle the executive role and its demanding responsibilities. Scholars in the field of management have been debating this issue, and whether this traditional trend should be altered, and be replaced with some type of shared leadership. The 'shared leadership' phrase is not new and scholars offer various definitions. Carson et al. (2007), define the shared leadership as a "team property whereby leadership is distributed among team members rather than focused on a single designated leader." (p. 1217). Pearce and Conger (2003) in their masterpiece study describe the shared leadership phenomenon

"as a dynamic, interactive influence process among individuals in groups for which the objective is to lead one another to the achievement of group or organizational goals or both...leadership is broadly distributed among a set of individuals instead of centralized in hands of a single individual who acts in the role of superior." (p. 1)

For Sally (2002), however, the shared leadership is not a novelty as “*Republican Rome had a successful system of co-leadership that lasted for over four centuries.*” (p. 84) Yet, today in the contemporary times there are a number of companies that have already ‘experimented’ with the so called ‘shared leadership’, and the number is gradually increasing. Indeed many companies that use shared leadership tend to outshine those where leadership is centralised. Southwest Airlines, is an US airline that has recorded profits for great number of years, the reason behind this success is not attributed to cost structure but to shared leadership (Atwater and Waldman, 2008, p. 93). Cisco is another successful company that has recognised that investing in shared leadership means investing in future and growth (*Thatchenkery and Sugiyama, 2011, p.56-57*). Procter & Gamble is also a successful story that thanks to open practice of shared leadership, is maintaining a strong competitive market share (*Pearce et. al., 2009, p.236*).

It is very difficult to predict, however, it is very likely that in the near future, the CEO form of management may change and be transformed into a professional and skilled top team management that share leadership. Furthermore, unlike in the past the executive team should be equipped with advanced industry expertise, and possess leadership, communication as well as team-building skills. The executives’ mindset in the future is very likely to evolve, transform and be shaped adequately to address future challenges.

4. Innovation factor in management

The presence of many factors such as increased competition, demographic, social, and market changes, rising customer expectation and new technologies, among others, tend to have a great impact on organizations. Due to the existence of these factors, organizations are facing challenges to compete, achieve and maintain good positions in the market. Therefore, organizations should be concentrated on the strategy that they implement, and build on that when necessary, because strategy prepares organization for the future. International markets are crowded by many competitors, where each is determined to capture a sizeable share of the market, however, a business that manages to offer something special over and above what the rivals offer, will be able to achieve that goal. Some manage while many others fail.

For today's organizations the importance of innovation has increased dramatically. The capacity of providing an additional value of products and services to customers, as well as succeed in a highly competitive world, cannot be accomplished through downsizing, efficiency measures and continual reorganizations. Organizations must concentrate on innovation in order to sustain a competitive advantage. Innovation is the means by which the knowledge is applied to develop new products and services, and/or make improvements of the existing ones. Birkinshaw et al (2008) define innovation *"as the invention and implementation of a management practice, process, structure, or technique that is new to the state of the art and is intended to further organizational goals."* (p. 825). Drucker (1999), when elaborating the innovation phenomenon he remarks that constant desire for improvement leads to innovation, success and change, when he says,

"Continuous improvements in any area eventually transform the operation. They lead to product innovation. They lead to service innovation. They lead to new processes. They lead to new businesses. Eventually continuous improvements lead to fundamental change." (p. 81)

The significance of innovation is clear, however, many organizations find difficulties to commit to innovations due to incapable capacities. Innovation ideas should not necessarily come only from company's Research and Development department or from customer suggestions. Yet still any idea offered should be given consideration and treated as valuable asset. After all, it is an effort aimed to the benefit of the company. Businesses should develop what they call in management an *'innovation culture'* coordinating all inputs given. This will not only be conducive to maintain the business competitiveness but will further advance and stimulate ideas that may turn to be cutting edge innovations in the future. As remarked earlier, innovation process may touch one or more areas of the business. For instance it could be a distinctive business innovation that triggers major transformation that may affect customer market, supply chains, and business locations. It could be a product innovation that means bringing a new product to the market, or advancing the current one. On the other hand an innovation may focus on new service ideas that denote adopting customer demands for simplification of services or perhaps more automation in services concerned that are in line with competitive edge technologies.

Innovation may target also the market base, meaning the location or segment of market population. Business ideas often focus in revolutionising the internal process that effectively impacts the business performance. In order for ideas to be considered and developed further they must have value, be feasible to implement, and be consistent with requirements by the customers. This is why the relationship business-customer should be encouraged and nurtured, because after all it is the customer that will, at the end of the day, determine the course or direction the company takes.

What management needs, therefore, is to be both proactive and reactive in order to meet or exceed the demand of customers. This is the best way how the company can widen its market share and stay at the forefront of competition. Management need to comprehend the strategic vision of innovation itself. They must ask, where we move from here and what are we trying to achieve. The innovation strategy should also act as catalyst to motivate others. Business must focus towards creating an inner philosophy that develops a culture of continuous improvements as a way to survive and succeed. Naturally this is not easy as it requires lots of efforts, unwavering determination and specific resources.

Being innovative in the business context nowadays does not merely refer to the process of creating a new product from the beginning to the end, but it can also refer to the organization's capability to quickly adopt externally developed innovations. Innovations are mainly influenced by the drivers of innovation, such as cost reduction, increase of efficiency, increased competition, demographic, social, and market changes, rising customer expectation, the presence of new technologies, the changing economy etc. However, the presence of these innovation drivers, and the need to innovate, does not automatically generate novelty in product or services concern. Innovation in general is difficult because an organization needs to have an environment that will enable it to be innovative. The environment that is empowering, flexible, welcomes ideas, tolerates risk and celebrates success is very crucial for an organization, but creating such a climate may also be the biggest challenge for organizations that want to be innovative.

Companies that reap the benefits of innovations are aware that the investment in innovation is complex and requires a proper management. It requires sensitive plan and organisation of all resources available that stimulate and encourage ideas and innovations. Therefore in order for

organisations to grow, they should establish and foster an exclusive innovation division. Integrating innovation at its very heart should be part and parcel of any business strategy. The big companies like Apple, Samsung and General Motors have continuous innovation as a common feature. They believe in innovation. They have innovation as a deeply ingrained philosophy of thinking through which they are accomplishing outstanding performance, both financially and in customer satisfaction segment.

Innovation is both expensive and risky, therefore, it is important that when an organization makes decisions on innovation dimension it should take into account not only the desired benefits and the costs of undertaking the innovation but the likelihood of success as well. However, organizations should always consider the fact that being innovative does not necessarily guard against failure. For an organization to be a leader, it is required to be more innovative than the competition, and capable to respond and adapt to the changes, in order to compete and maintain its position in the future.

Having innovation-sourced competitive advantage is a goal that most companies wish to attain. Organizations that are successful in innovation tend to achieve competitive advantage by creating enhanced value for its market and higher earning for itself. However, if an organization tries to achieve advantage on all fronts, it may be "stuck in the middle", and be at a high risk of not achieving an advantage at all. The future of organisations, thus, as always seems uncertain, even more so since the difficulty to attain competitive advantage gains momentum. A spontaneous question that comes to mind to many is what additional challenges may develop as we approach the end of the second decade of this century?

The twenty-first century is rather new, but unlike preceding centuries it is unique for a particular reason. The world has experienced massive technological innovations especially during the last century, and Information Technology (IT) is now advancing at an increasing pace. IT has indeed also revolutionised Management and organisational functioning. Naturally, we are likely to face enormous transformations as we move further along. New innovations will inevitably further change the way organisations do business. Those organisations that innovate are likely to gain advantage (even if temporary), but such innovations may be adopted and (or) transformed by others to enhance their position in the international market. Opportunities have always existed, still exist and are

very likely to go on existing in the future. They will be available for everybody but the question is who is going to 'notice' them? Well, opportunities are not 'noticed' by everybody, but only by few – those who are very prudent, with an enhanced business vision, and do not fail to plan in advance because there may not be a second chance.

The road to seeing 'the light at the end of the tunnel' is, indeed, usually bumpy. Wherever there are opportunities, challenges appear. Challenges cannot exist in a vacuum. As mentioned above, today there is no guarantee that innovations will succeed. Therefore, one has to carefully calculate, thus be prepared for the unexpected. Organizations that manage successful innovations have an increase in efficiency, improve products, customer loyalty, and even transform the market place, but there are cases where organizations fail to reap such benefits. This is where the challenges come. In his analysis about organisations' opportunities and challenges, Kotler (2003) asserts that "[all] firms face a dilemma. If they don't innovate, they will die. And if they do innovate and their innovations are not successful they may also die." (p.83) The main challenge of the twenty-first century organizations, may thus be the difficulty of identifying the kind of innovation that is the most advantageous, since it is hard to know with certainty whether such idea will succeed. Naturally there should always be considered a room for failure. An alternative should always be on the table, no matter how great the chances of success.

All in all '*the innovation game*' remains the only formula in town. This 'unique game', very likely throughout this century, will induce companies to focus on novelty. Some companies will succeed while others may be let down. During the coming decades the new technology inventions very likely will affect in many ways how organisations conduct business. Yet, such technologies will inevitably open new opportunities for those who are prudent and brave - ready to risk - in order to gain. The winners in this game will take the lead at least temporarily, until they get 'subjugated in the market theatre' by other far-sighted business empires that overtake and replace them. This century is very likely to be painted with many such business-life-cycle scenarios, which is a by-product of competition. Naturally such climate of competition should be preserved because it is also to the benefit of all humanity.

5. Human Resources Management

The management of human resources is critical in every organisation. The human resources management refers to an organizational function that through flexible policies and appropriate management style aims at maximising work performance to attain organisational objectives. The aim of this segment is to examine the management of certain sectors within the human resources management that is actually posing challenges in the twenty-first century. Indeed the last three decades the world has experienced an unprecedented increase of the number of part-time workers, a mix of different generations working within a single workplace. In addition, during this time we have also experienced a large increase of businesses with offshore operations. These nearly simultaneous phenomena have raised concern and interest to scholars and academics to study the effects of it.

5.1. Managing part-time workers

Today, managing human resources can take different shapes and forms in line with national economic development. When a firm's revenues decrease, management moves towards reducing operation costs targeting employees. This usually means reducing the full-time employee work force and relying on part-time employees. The part-time 'industry' is booming and cannot be overlooked anymore. Many scholars are now studying the part-time work trend, in light of management, its impact in businesses and the economy as a whole.

In the past, the number of part-time was low and many believed that they do not deserve serious attention. In addition they were seen as insignificant workers who do not hold important jobs and their impact on organizational success is minimal (Feldman and Doeringhaus, 1992, p.59). Today the situation has changed dramatically, where demand and supply for part-time jobs often balances itself. Yet, at times demand is high and the size of the part-time workforce available is low to fill the part-time jobs demanded. Therefore this segment of employment deserves more cautious attention.

The part-time population includes different ages and practically all industries. They vary from teenagers, young graduates, middle-aged population up to older generation like those in the late fifties or sixties. Indeed during the past two decades the number of part-time employees

has increased rapidly worldwide, touching virtually all industries from medical care to fast-food restaurants, tourism, construction, aviation industry and so on. The increasing part-time jobs may be seen as both positive and negative for the business enterprise. A research conducted on how to encourage part-time employment in London finds that part-time employee population is viewed also as less loyal, or even less flexible and more importantly less committed to the job than the full time workers (Bell et.al., 2012, p.17). However, looking from the other angle the businesses can benefit from part-time workers as they can save money (due to work engagement only in needy busy hours of the businesses) and can attract real talents.

Furthermore, a study conducted by Nelen et al. (2011) addressing the issue of how conducive is part-time employment for business industry, come to a conclusion that *"firms with a large share of part-time employees are more productive than firms with a large share of full-time employees."* (p.22). Therefore part-time work segment is now an indispensable reality of business life. Managing part-time employees is also of critical importance. They should not, by all means, be treated as a second-class workforce, and moreover be viewed according to merits and performance and not by the amount of daily or weekly hours they work.

5.2. Managing different generations of employees

Another issue that is to be considered is accommodation of different generations of work-force. Managers are nowadays struggling with generational differences in the work environment. Businesses should acquire the right skills to accommodate and manage simultaneously various generations of employees; from the teenagers to those of pre-pension age (who very likely may consider working beyond the age of retirement). This means that at the same workplace there may be teenage workers or those of early twenties with those of late sixties. Nearly five decades of age difference means that problems can surface due to them having different mindsets as employees belong to different eras. Even the communication styles may be problematic.

Creating and maintaining stability among different generations within a single and common workplace requires the balance of management styles. Encouraging employee interaction where the younger one could learn from the experience and knowledge of the older generation employees is of great importance. On the other hand, the latter could have the opportunity to

heed new and fresh ideas offered by younger workforce. In addition, keeping employees regularly engaged and offering training opportunities may be conducive to maintain a stable working climate. Besides accommodating individual employee needs is also of critical significance as the needs of old employees vary from those of the young ones.

5.3. Managing employees in multicultural environment

Globalization of businesses has brought the multicultural dimension at work place. Therefore, the management skills for multicultural work force, today, are considered of essential importance. After all this should be considered a prospective opportunity to develop further management skills by learning about new cultures, not a burden. The study by Rijamampianina, (1996, p. 160) in the area of multicultural management is very interesting and describes the complexities involved, but also potential benefits that can derive. Rijamampianina highlights that “[m]anaging diversity means enabling a multicultural workforce to learn and to perform to its potential.”

It is indeed of paramount importance to attempt to bridge language, cultural, and work differences, but that requires a unique style. Managing such a workforce necessitates learning about cultures concerned, communication and understanding. In addition, it requires developing cohesive relationships and building genuine trust. Above all, the communication factor when dealing with cultural differences deserves specific attention. There may be challenges, but nevertheless, where there are challenges there are opportunities that need to be carefully sought after. Yet combining management and motivational skills may be both exciting and challenging as well as offer managers the opportunity to understand how cultural diversity can inspire business excellence.

6. Conclusion

This study addresses the contemporary twenty-first century challenges that businesses are encountering. It focuses on the need to reframe the business mindset by targeting three dimensions in the management context – leadership, innovation and human resources management. The work moves forward the debate about management affairs, not just as a search involving technical analysis, but as one requiring a range of rational judgements. A number of topics, summarised below, have been discussed.

The study raises several questions about various subject matters and makes a number of recommendations.

This research establishes the importance of adequate leadership as indisputable. Throughout history the leadership dimension has been conceived as a top down process. Yet scholars in recent times have challenged this practice, especially in contemporary times, and believe that shared leadership may be a productive alternative. The study offers examples how the implementation of shared leadership in certain companies brought success and moreover the work attempts to tackle a number of arguments regarding this dimension. Businesses should learn that shared leadership if properly executed may be amply rewarded.

In the innovation segment the study argues that only through fostering continuous and integrated innovation philosophy, will businesses be able to compete in international arena and thrive in a global economy. Even though the certain innovation may not succeed, yet still in order to survive and grow in a complex and sophisticated global economy, organisations must establish, promote and nurture 'innovation culture'. This culture, very likely, throughout this century will encourage companies to focus on ideas that should generate novelties to its customers.

Finally the study focused also on the human resources management specifically on management of part-time employees, different generation of workforce and management of multicultural environment. The study addressed a number of issues related to the topics and offers a number of recommendations. The study concludes that, the experience and capacity of leading and managing the part-timers, different generation workforce and multicultural teams in current global economy is a vital skill for the future generation of emerging leaders.

List of References

- Atwater, L. and Waldman, D. (2008). *Leadership, feedback, and the open communication gap*. New York: Lawrence Erlbaum.
- Bell, K., Bivand, P., Davis, M., Krasnowski, K and O'Donnell, A. (2012) Driving Up Part Time Employment in London. Final Report. *Centre for Centre for Economic and Social Inclusion*, London: London Enterprise Panel.
- Birkinshaw J. Hamel G., Mol M. J., (2008) Management Innovation, *Academy of Management Review*, Vol. 33, No. 4.

- Carson, J. B., Tesluk, P. E., & Marrone, J. A. (2007). Shared leadership in teams: An investigation of antecedent conditions and performance. *Academy of Management Journal*, 50(5).
- Drucker P.F., (1999), *Management Challenges for the 21st Century*, New York: Harper Paperbacks.
- Feldman, D.C. and Doeringhaus, H.I. (1992), Missing persons no longer: managing part-time workers in the '90s *Organizational Dynamics*, VOL.21:1.
- Kotler, P., (2003), *Marketing Insights from A to Z*, New Jersey: John Wiley & Sons.
- Nelen A., De Grip A., Fouarge D., (January 2011), *Is Part-Time Employment Beneficial for Firm Productivity?* Research paper IZA, DP No. 5423.
- Pearce C. L., and Conger J. A. (2003), All those years ago: The historical underpinnings of shared leadership; in C. L. Pearce and J.A. Conger, editors, *Shared Leadership: Reframing the Hows and Whys of Leadership*, Sage, Thousand Oaks, CA.
- Pearce, C. L., Manz, C. C., & Sims, H. P. Jr. (2009). Where do we go from here? *Is shared leadership the key to team success?* *Organizational Dynamics*, 38(3).
- Rijamampianina, R. (1996). 'Effective Management in Multicultural Organizations', *Economic Journal of Hokkaido University*, No. 25.
- Sally, D. (2002). Co-leadership: Lessons from Republican Rome. *California Management Review*, 44(4).
- Thatchenkery, T. Sugiyama K., (2011), *Making the invisible visible: Understanding leadership contributions of Asian minorities in the workplace*. New York: Palgrave Macmillan.