

Globalization and Leadership

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Learning Leadership Reflection

The idea of globalization extends from the trading of goods and service on the Silk Road from China to the Mediterranean, the spice trade from India to Northern Africa and Christopher Columbus exploration of the new world and lives on today in the 21st Century. Today supply and demand is at the center of trade economics, and expansion, not robbery, slavery, and world-conquering exploration. This paper will explore the concept of globalization and its effect on leadership. Furthermore, the impact of leadership will be examined based on the model of Heckscher-Ohlin and the theory of comparative advantage.

Definition of Globalization

Economic globalization in its purest form is the sharing of ideas, transfer of goods, the interdependence and integration of human systems and markets across world regions including cultures, languages, economics, political interest, and technologies (Torelli, 2013; Qureshi & Jalbani, 2014). Despite the simpleness of this definition, the concept of economic globalization is complex, diverse and has undergone an assortment of evolution and transformation, leaving a vast impact on the world as it is known today. The enormous growth of trade and globalization can be equated to advancements in technologies. The difference between trade in the Silk Road Era and globalization today were the individual transactions that were not linked to coexisting frameworks such as the European Union (EU) (Antonides, 2008; Torelli, 2013). Paul Torelli (2013), points out that globalization spreads for many reasons including specialty production niches such as the Swiss knives, the decline in transportation cost, a reduction of tariffs, and peace or lull in warfare such as after World War 1 and II. As globalization spread, there is a cost advantage resulting in a lower commodity price for customers.

Globalization Effects on Leadership

The effects of globalization on leadership practices are multi-dimensional, and analyzable from perspectives such as culture, technology, geography, economy, democracy, politics, and policy. Each of these standpoints has a distinct and communal impact on the realities of globalization and global leadership. Leadership is the ability to motivate, inspire and create momentum amongst a group of like-minded individuals. Global leadership is a relatively new concept which is bridging local, national and global identities and similarities amongst an emerging class of professional (Antonides, 2008). This emerging class uses their unique and diverse localized characteristics to recognize the effects of actions taken have on surrounding communities.

Economic globalization depends on the cultural understanding and exchange for successful integration and emergence. For example, in the United States the retailer Wal-Mart is very successful but struggles in China because of the difference in cultural nuances. Chinese shoppers are accustomed to shopping in an open-street style market atmosphere and fail to assimilate buying in the big box stores that are customary in the United States (Great Speculations, 2014). Global leaders have to think outside the one size fit all mentality, embracing and adapting to the diversity that comes with globalization (Fellows et al., 2014; Goldin et al., 2012).

Define Comparative Advantage

Another component of globalization is the theory of comparative advantage including the Heckscher-Ohlin model. The introduction of the concept of comparative advantage took place in the 1800's the by Economist David Ricardo. According to Torelli (2013), Ricardo defined comparative advantage as the ability of one country to produce goods and or services more

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inexpensively and efficiently than another country. Furthermore, Ricardo's theory states that the nation with the smaller opportunity cost for manufacturing a particular good has the relative advantage. Based on this advantage, that country should specialize in making that good (Torelli, 2013; Owen, 1999). A layman's example of comparative advantage illustrated by Paul Torelli (2013), is as followed: Frederick is a plastic surgeon who makes \$1000 per hour, and he is also an excellent carpenter. His neighbor Joe is also a carpenter but not quite as skilled as Frederick. Joe charges \$50 per hour for his services. Frederick is in need of some carpentry repairs after water damages his home. Although Frederick is more than capable of completing the repairs, comparative advantages say he should hire Joe for the job. Frederick's cost opportunity says he makes more money performing his duties as a surgeon as opposed to a carpenter.

Heckscher-Ohlin Model

Similar to comparative advantage is the Heckscher-Ohlin economic model. Between 1919 and 1933 Eli Heckscher and his student Bertil Ohlin coined the concept known as the Heckscher-Ohlin (H-O) model. This model explains that a country should export what they most effectively and abundantly produce. The Heckscher-Ohlin model emphasizes the factors of production which may include any of the resources needed to manufacture goods and services (O'Rourke & Williamson, 2002). Factors of production are not limited to the completed product or service but include the labor, capital, natural resources found on land, and entrepreneurship input required for a finished product. Similar to the cost opportunity, as labor cost varies between countries, countries with low labor cost should focus on producing labor-intensive goods (O'Rourke & Williamson, 2002; Torelli, 2013).

Comparative Advantage and the Heckscher-Ohlin model impact on Leadership

The mastering the global leadership skill is a key intangible resource in leveraging sustainable comparative advantage in the 21st century. Both comparative advantage and the Heckscher-Ohlin model focus on effectiveness and cost opportunity which are crucial components of organizational effectiveness (Krist, n.d). For an organization to be profitable, it must provide a good or service, maximize its cost opportunity and have strong leadership. In an organization, the leadership can be considered a factor of production. New invention and product ideas are a source of comparative advantage for an organization. The leader's vision for organizational technology, culture, strategy, and structure all play a role in gaining a comparative advantage over competing organizations. Leaders create an atmosphere of creativity and innovation through organizational culture (Jones, 2013). Google's sleeping pod, shared team workspace and breakroom sock with snacks is an example of a corporate culture centered around creativity and innovation. Comparative advantage and the Heckscher-Ohlin model pushes leaders to think from a global perspective, were organizations can benefit from efficient production which increases the output of goods and services available to customers.

Conclusion

Examining old concepts such as globalization, comparative advantage and the Heckscher-Ohlin model from a leadership perspective creates uncharted territory that can revolutionize organizational effectiveness. Globalization as transformed organizations and their leadership in to global leaders as organization seek to expand into different markets. Comparative advantage and Heckscher-Ohlin model focus on low cost opportunity and effective and efficient goods and services production. Leadership is impacted by these two concepts as effective leadership can be considered a factor of production.

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