

# Globalisation

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Globalisation is the more or less simultaneous marketing and sale of identical goods and services around the world. So widespread has the phenomenon become over the past two decades that no one is surprised any more to find Coca-Cola in rural Vietnam, Accenture in Tashkent and Nike shoes in Nigeria. The statistic that perhaps best reflects the growth of globalisation is the value of cross-border world trade expressed as a percentage of total global GDP: it was around 15% in 1990, is some 20% today and is expected by McKinsey & Company, a consulting firm, to rise to 30% by 2015.

Use of the word in this business context is alleged to go back at least as far as 1944, but its first very visible appearance was in the writings of Theodore Levitt (see article), a professor of marketing whose article published by *Harvard Business Review* in 1983 was entitled "The Globalisation of Markets". In it he foresaw "the emergence of global markets for standardised products on a previously unimagined scale of magnitude".

In "Can We Sustain Globalisation?", a report published in 2007 by SustainAbility, a consulting firm, the authors wrote:

Frustratingly Levitt did not provide a compelling definition of globalisation in his article—and the void has subsequently encouraged a dizzying proliferation of competing definitions. The report claims to have come across more than 5,000 of them. SustainAbility's favourite is one provided by two *Economist* journalists. Globalisation, they wrote, "is the freer movement of goods, services, ideas and people around the world".

The concept was popularised by an American journalist, Thomas Friedman, in his book "The World is Flat". Published in 2005, it reached the top of several bestseller lists with its headline message that the world is now just one big integrated market.

Globalisation has been encouraged by:

- the growing liberalisation of markets around the world, giving western multinationals access to customers they never thought they would reach;
- easy internet access and cheap international telecommunications, the most obvious manifestation of which is call centres in India that are servicing customers and corporations in Europe and the United States;
- the rapid growth of large developing countries such as China, India and Brazil, and their growing demand not only for western consumer goods and technologies but also for goods and services from other developing countries. Trade between China and Africa, for instance, rose from \$3 billion in 1995 to over \$32 billion in 2005.

Companies have approached globalisation in two distinct ways. On the one hand are those such as Gillette and Heineken that have made little concession to local tastes and manufacture their goods in a few centralised production facilities that follow strictly uniform standards. “The product must be the same everywhere,” wrote a Heineken chairman recently. “To ensure quality, every 14 days our breweries send samples to professional tasters in the Netherlands.”

On the other hand are companies that tailor their products or services for each local market. Among them are Japanese carmakers such as Toyota, which now has plants in several countries producing for local markets, and Coca-Cola, which never tastes quite the same from one country to the next. A former chief executive of Coca-Cola admitted that the company had once upon a time changed its globalisation strategy. “We used to be an American company with a large international business,” he said. “Now we’re a large international company with a sizeable American business.”

### **Further reading**

Bartlett, C.A. and Ghoshal, S., “Going Global: Lessons from Late Movers”, *Harvard Business Review*, March 2000

Friedman, T., “The World is Flat: A Brief History of the Globalised World in the Twenty-first Century”, Allen Lane, 2005; Penguin 2006

Ghemawat, P., “Redefining Global Strategy: Crossing Borders in a World Where Differences Still Matter”, Harvard Business School Press, 2007

Levitt, T., “The Globalisation of Markets”, *Harvard Business Review*, May–June 1983

Stiglitz, J., “Globalisation and its Discontents”, W.W. Norton, New York, and Allen Lane, London, 2002