

## ANALYSIS OF FACTS AND DILEMMAS OF GLOBALIZATION ACTIVITIES

Linda Juraković

Rocco Art Gallery, Poreč, Croatia

Giorgio Cadum

Goran Fabris

Riviera Holding d.d., Poreč, Croatia

### Summary

This paper critically analyzes the key elements (world trends, national identity, human resources, market) of the effects of globalization on the market, as well as the role of our country in the entire process, listing practical examples. Through comparison and analysis of the available literature and experience, it was concluded that there is a dual impact of globalization in the economic sphere and the need for including management into world trends is increasing. The turbulent environment demands increasingly rapid adaptation of outdated management methods towards more progressive and modern methods, for that which was new yesterday may already be old today.

KEY WORDS: globalization, economy, management, market

### 1 Introduction

The objective of this paper is to analytically and descriptively explain the existing global situation and the role of Croatia and ourselves in that system as a whole. Practical examples show the global activities of a tourism company, *Riviera Holding d.d. Poreč*, as well as its reflection on the life and work of its employees. The advantage of systematization and selection of this company results from the fact that the authors are also employees of this company. They themselves directly impact the implementation of novelty in the tourism offer and the entire organization of operations without excluding themselves from the primary policies of the economic entity, which is quality, satisfaction of guests and employees and profit. Globalization has brought many changes and dilemmas to the world market. Though adequate in many segments, it is often destructive in terms of issues of human values such as national dignity as a part of the tourism offer. The assimilation of young managers

in global activities is a demanding and dynamic process which requires constant change from human resources and employees to work technology and operations organization.

## 2 Globalization activities

When we speak of globalization, the question is often posed as to whether globalization needs to be adapted to people or whether the whole world population needs to adapt to the globalization effect. For years, globalization has impacted activities in politics on the international scene, thereby reducing the distance between nations, and the traditional generalization with the assumption of diversity among people has also changed. Based on that, globalization has connected the continents through communications (telephones, computers, satellites, Internet, etc.). The technology of transport is also based on rapid delivery, for example, “delivery of a 0.5 kg package from Zagreb to Tokyo takes 36 hours and costs 100 Euro”<sup>1</sup>. We could also refer to the increased transfer of resources. A large amount of money is available in only seconds to various recipients throughout the world. Credit cards have become an unavoidable means of payment, and stocks from throughout the world can be purchased in many places on any given day. The banking system, under constant competition pressures, has led its participants to strive to have better and cheaper services. “Globalization cannot be stopped or turned back. It is the result of the demanding market for better goods and services, and it drives its participants towards constant improvement”<sup>2</sup>.

However, for the market to function as a free market system, and for the consumer to become aware of the power of globalization, it is often necessary to seek the purpose of such a glamorous project from the perspective of the “anti-globalists”. To pose a question. Has globalization, in its great turbulence, created excessive social inequality, a rift between rich and poor and created large unemployment? It is obvious today that the big are “eating up” the small. Is work protection optimized and how can we respond to the increasing radical attacks by unions? Workers (and oftentimes among them children) are working in worse and worse conditions. Do the international corporations, responsible for the globalization process, hear the shouts of nature which has been poisoned with acid rains and other chemical derivatives and endless devastation, seeking help which is commonly lacking because financing the reclamation process is so expensive that it could cause companies to go bankrupt?

Though we live in a world where change is fast and dynamic, we must understand and accept that unless we wish to incorporate these changes into a just

<sup>1</sup> L. E. Andersen, *Globalizacija, zašto ne uspeva?*, Stajer-graf d.o.o., Zagreb, 2003, p.21

<sup>2</sup> L. E. Andersen, *ibid*, p. 22

world economic force, they must be based on the existing system of values, which includes man and nature as the main actors in Earth's biological diversity. If we look back into the past, we could say that the words of the distinguished 18<sup>th</sup> century economist Adam Smith (author of 'Wealth of the Nation', 1776) in fact came true, stating that society would experience its maximal economic development only when the market could function independently and without the involvement of the state. Today's massive privatization bears witness to the truth of his words, though there is also the public sector which, with its authority, influences the politics of public matters such as education and security. A second question must be posed. Are those countries which are less economically development prepared in terms of social and political organization for the invasion by large multinational corporations? If there is no international regulation for such a situation, is the priority to implement an international fund which would primarily work to protect citizens (consumers) from all the centripetal and centrifugal forces of economics, the likes of which our society for one has not yet seen. The issue of tax, profit, value added tax and other contributions and tax breaks, can occasionally become a stumbling stone in which the host country, or "donor" of something that is not always easy to donate, is most often damaged, as everything revolves around profit.

We will not and wish not to insinuate that the concentration on protecting national interests before global issues is superseded by nationalism or politics, but is instead a base of successful cooperation in which two entities such as importing mega companies and the domestic market would achieve a true blossoming with the right economic strategy, but only with the existence of mutual respect. The animosity which appears towards the press on the one hand or the curiosity towards foreign investments following the process of globalization can be reduced to the level of "healthy" thinking only through educative activities on the thought process and anticipation of the people. The extent to which advertising agencies, propaganda activities and more is obviously a part of the story which should be left to the experts, particularly interdisciplinary managers and other experts from the field of globalization. If we look around us, we will see that thirty years olds in Australia, Italy or Croatia look about the same. The same or similar fashion, interests, desires – all this is closely related thanks to globalization. However, can this similarity reconcile other cultural differences among people? Isn't the utopian ideal too bold, that globalization can change our cultural identity which did not only develop parallel to globalization but was built up over generations, independent of all the technological turmoil?

Is not the concept of globalization contradictory to the position of the standing theories of sociologists, pedagogs, culturologists, ethnologists, etc. that diversity is both lovely and desired? Where is the happy median and is that happy median

implemented into the Maslow hierarchy of needs and priorities, or will we have to set our own median in accepting globalization in terms of our own needs and desires? Excluding all dogmatism of various empirical or experiential theories, and with much progressive spirit and faith in the new world economy, we could conclude that the globalization process brings with it economic development, for the entire world market is accessible to manufacturers from around the world, and the cause of this is the rapid development of technology in the last few decades. The efficiency of private companies in this process is seen in various contributions (value added tax, corporate taxes, employment...) and talented individuals can often influence fiscal policies of the ruling structures. The volatility of capital also influences the policies of the public sector. In Croatia, globalization could stimulate several regions in their developmental path, but in the manner that the exploitation of offered resources does not become extreme, for extremes often ended up defensive and mutually harmful. "Each individual has his breaking point, where his tolerance ends, as does each society"<sup>3</sup>.

The majority of would agree that globalization presents a process of economic, social, cultural and political activity and surpasses the boundaries of national states. Unlike modernization, globalization is a process which unfolds independent of the desires of all its participants. "Today's communications and information links have eliminated the importance of space, which is an assumption of the globalization process"<sup>4</sup>. To a certain extent, this is a sort of threat to the cultural and national identity which give the world its diversity. Today's modern economy is primarily based on knowledge and an interdisciplinary approach. The examples which best illustrate this are the products which leave many "uninformed" people speechless. Intelligent clothing, containing chips, credit and other cards, houses with special alarm devices, intelligent cars, microradios and TV, telephones with special additions and the like are now being manufactured. The new economy is becoming increasingly digitalized, for numerous data saved in bites can be forwarded anywhere at the speed of light. Such an economy is as virtual as it is innovative, and innovations today are livelier than ever.

It is though it has become normal to make our own new products obsolete today, for if we do not, someone else will. "In innovative companies, the life cycle of products is constantly being shortened. Japanese car makers change their product line every two years, while mass consumption electronics manufacturers change their lines every three months"<sup>5</sup>. Progress is unfolding exceptionally fast and what

<sup>3</sup> L. E. Andersen, *ibid*, p. 88

<sup>4</sup> A. Milardović (ed.), *Globalizacija*, Pan liber, Osijek-Zagreb-Split 2001, p. 14

<sup>5</sup> A. Milardović, *ibid*, p. 90

was brand new this morning is already a thing of the past by evening, as something newer and better has taken its place.

The socio-economic development of Croatia in the 21<sup>st</sup> century is deeply linked to the issues of cultural and national identity. In creating its own independent state, Croatia had to free itself from a model of development based on the egalitarian communist ideology.

In the conditions of globalization trends and European integration and strengthened regionalism, a new development strategy has appeared. The new development system in Croatia was supposed to have been “gentle” development due to the deeply rooted ideology of the past, instead of rapid and radical changes, leaning on information and the cultural and social capital of the nation without neglecting the wealth of natural resources. Therefore, through the use of all available resources, with tolerance and maximum human potential, our country would become one of the centres of prosperity and beauty in this part of the continent. The process of such creation is neither long nor difficult, it is simply here, but the issue is whether or not we can recognize it as such. Of course, for this to be so, “a consensus in Croatian society must be established between the traditional religious and secular ideologies”<sup>6</sup>. If we allow ourselves to have a stable Croatian identity, we can then allow for thinking of a modern European identity as a part of us and us as a part of that whole. “Croatia is a country with a small internal market, and so the openness of its economy towards the world market is a developmental imperative”<sup>7</sup>. We could conclude that Croatia, as a small country, primarily needs to resolve its permanently safe position in the international movement and to harmonize global trends with the interests of its citizens.

### **3 Globalization and innovation**

Globalization of the economy and large international competition are based on both flexibility and innovativeness, the strength of which is increasingly incorporated in the fundamental education of many managers throughout the world. Today, innovators and managers are raised and taught under mentorships in this learning process.

The basis of innovation is creativity which anticipates new ideas, thoughts and is free from prejudice. Freedom from prejudice does not mean the absence of the ethnological identity, but implies a different and more open way of looking at

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<sup>6</sup> A. Milardović, *ibid*, p. 27

<sup>7</sup> Restrukturiranje gospodarstva Rep. Hrv. i globalizacija, Znanstveni skup Susreti na dragom kamenu 1998, Pula, p. 45

considering that identity. Imagination is the driving force, the “turbo engine” which must act day and night (where possible) in order to adapt to the demands of the market. The antagonism which has arisen through our training or under influence of the environment, if we plan to enter the market battle, must be held on the sidelines or at a minimum. If we include all the steps into the phases of our creative process, such as: preparation, incubation, illumination and verification of ideas with openness towards world trends, progress is on the horizon. Unlike earlier innovative creations which were directed at convergent thought, today’s divergent thought is not only a trend but also necessary due to the increasing demands of the market. Fluency of team work has become the backbone of innovativeness in management, and the pseudo listening which was until recently a component of team work has become a thing of the past. Today, novelty is demanded from everyone. Traditional models of organization based on a hierarchical authority should also become a thing of the past. Instead of such “layering”, a new “information organization” is being formed, based on responsibility with a circular flow of information. In this process, the media certainly plays an important role for it is often easier to create an innovation than to sell it on the market. To be innovative and creative is today a part of strategic management in the global economy. Such a way of doing business and thinking if crossing boundaries or, what commonly happens in practice, is reduced to a single person bearing too many responsibilities (typical for Croatian managers), which can result in stressful situations. “It appears that the danger to health is greatest with those whose jobs cause great tension: large pressures and demands in carrying out tasks where we have little or no control”<sup>8</sup>. We need to know that creativity and innovativeness are not sufficient in and of themselves in the creative and competitive process on the market unless we use the relevant scientific results with a special reflection on the quantitative handling of studies. “The majority of quantitative data collection is conducted only when the need for that data arises, i.e. ad hoc (52%). Continuing studies (48%), on the other hand, are primarily of a quantitative character and use special instrument panels for compiling data”<sup>9</sup>.

Experience, observation and quantitative analysis today are not only necessary but also relevant as a means of existence on the global scene, where values are criteria change daily. Today, people change ideas and theories with exceptional speed and ease. The old has begun to die off slowly, while the new has not yet been fully born. That is why all we do or think needs to be more creative and different. The society that has been offered to us for co-habitation is a combination of intelligence, knowledge and creativity. The speed and “infallibility” of intelligence machines is complemented by intuition and invention of creative individuals or teams. Ideas are pulled forward and information is INNOVATION!

<sup>8</sup> D. Goleman, *Emocionalna inteligencija*, Mozaik knjiga, Zagreb, 1997, p. 181

<sup>9</sup> Scientific expert journal ‘*Ekonomska istraživanja*’, Pula 1998, p. 105

“Simply put, creativity is the foundation for innovation, and innovation is the result of applied creativity”<sup>10</sup>. Though every creative idea need not become innovation, there is certainly no innovation without creativity. Unlike creative people thinking up something new, the innovator has both the knowledge and ability to bring these thoughts to life. Therefore a combination of creativity and innovation, if we can find it in one person, is immeasurable wealth in today’s management and society. However, managerial psychological theory states that there are many blockades which hinder the creativity of the individual, organization or entire society. These are various molecules of stereotypes, conformism, ideological paradoxes and political insinuations. For example, the rejection of another’s ideas or fear of the unknown, bureaucratic barriers, overspecialization, fear of mistakes and responsibility, limited resources and routine. Why is inventiveness today the tendency for conquering the market and organization? Because creative organization directs its work towards quality, ensuring the free flow of information, decision-making by consensus and creation of an organizational synergy. In such an organization, the goal does not justify the means, and management is on the basis of a good example. Today, management needs to be more prepared than ever to eclecticism in its ranks. Or rather, to take value from anything and anyone. When we speak of a good manager, we often emphasize charisma. This can be defined as a special ability of the person to lead and inspire those under him. However caution is required with such individuals, as excessive certainty in one’s own abilities unfounded on experience and knowledge can lead the company into failure, instead of onto the pedestal.

The most important characteristic of inventive management is seen in the changes in conduct towards its employees. The manager becomes a coach, a team leader, a democratic motivator and not an autocratic leader trying to prove his power or heal his complexes at the expense of his staff. The path to self-realization and learning of the “new age” manager is a long road. Today – new, tomorrow – old, instead of becoming a stumbling block, they need to become the backbone of progress and motivation for more, better, faster and higher quality.

#### 1.1 Organizational conduct in Riviera d. d. Poreč (practical case)

*Riviera d. d.*, as the largest tourism company in these parts, began the restructuring process at the beginning of this century. In a short timeframe, significant personnel and organizational changes were made. Considering that large changes brought about daily by the EU economy, which are directly related to the standard of living of people where a large portion of the home budget is used to satisfy the primary existential needs, and only later secondary pleasures (such as holidays), *Riviera* has

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<sup>10</sup> V. Srića, Kako postati pun ideja, M.E.P. Consult, Zagreb, 1997., p.43

had to adapt its offer to such market demands, without excluding the factor of quality in its offer. Content such as wellness (spa), artistic workshops, Pilates recreation programs, rural excursions and more have been implemented. The uncertainty of taking vacations for both domestic and foreign guests led the company to implement Last Minute offers, which was also reflects on the need for seasonal staff. Maximum booking of capacities, and with that maximum profit, required a reorganization of the company such that its resources were adapted to market needs.

**Phase 1:** was characterized by the arrival of managers from other companies, occasionally without experience. Autocratic leadership and cost cutting were emphasized. For many managers, this approach was unacceptable and eminently lead to their transfer or retirement.

**Phase 2:** was the shift from an autocratic to a democratic manner of management. The tendency was to have as many middle level employees develop a desire to prove themselves. Efforts were made to create a positive climate in the organization, stimulating motivation in several ways:

- additional bonuses,
- promotions in the hierarchy of middle management,
- giving employees privileged status.

The hierarchy at the end of phase 2 was a matrix organization. Tasks were organized centrally for the profit centre (PC), and teams formed for projects which included ambitious managers who would use their creativity and innovativeness to create attractive content.

Such projects are exceptionally important for transition societies such as ours, where activities are formed parallelly to take over the work of earlier activities, without affecting company operations. In order to ensure the quality of the restructuring process, a group of managers in Riviera d.d. conducted a SWOT analysis which then formed the baseline for taking certain measures. As the organizational restructuring is not an independent process but is instead intertwined and dependent on other variables within itself and its environment, the SWOT analysis provided an initial overview of the situation.

***Weaknesses:***

- a poor image of the company
- obsolete products which can no longer be sold on the market

Group of obsolete products leads the company to survive on the market at any costs, meaning dumping prices and not loyal competition



***Opportunities:***

- with new organization, administration costs could be reduced as the sectors would carry out the most expert work with the lowest costs for the PC
- unlike in the pyramidal hierarchy, responsibility is moved down to the middle management which runs the actual operations
- each PC, as a line of products, is viewed individually, which gives insight into the level of the life cycle for individual products and the need for their application and positioning on the market
- all this together leads to a greater market share with improved profits
- consumers are satisfied as they feel as though they purchased the right products on the market, in line with their abilities

***Strengths:***

- such an organization reduces administration costs
- implementation of project teams leads to better quality ideas and their realization, which advances and differentiates the product
- a better quality product and its positioning substantially reduces promotion costs
- new organization implies the application of new technology, which allows us to be more proactive on the market
- implementation of innovations and other content for an active vacation

***Threats:***

- globalization has brought great competition (Turkey, Greece, Spain, Italy)
- consumer expectation of always receiving added value for the money. As the party offering value, Riviera d.d. needs to constantly improve the quality of its product (in hotels, apartments, camps)
- currency exchange differences against other national currencies not in the EU system (i.e. the value of the Pound against the Euro currently makes our destination up to 25% cheaper)

**4 Conclusions**

Though globalism sings the praises of free world trade and it is said that the global economy is a means for increasing prosperity throughout the world and serving environmental protection, we get the impression that this same "economic power is changed into a political target of power towards the model of subordinate

consequences: the actors of the world economy are causing a turnabout in the world movement on the model of the policy of the subordinate consequence. This political game with its subordinate consequences of world economic activities is increasing the target power of capital”<sup>11</sup>.

It elegantly turns out that we are still living in a world far from the true model of freedom. “The high unemployment in the so-called Third World and post-Communist countries of Europe are forcing the governments of these countries to lead economic policies oriented at export, at the expense of social and ecological standards. With low salaries and frequently poor working conditions, these countries compete against each other and against wealthy countries for foreign capital”<sup>12</sup>. The theory that world trade has sharpened competition and led to a reduction of costs is somewhat cynical. Less is said about the fact that there are two models for cost reduction, and those are increased efficiency through technology (organization) or, contrary to this, by the violation of proper labour and production standards. Obviously, there is no single definition of globalization for the overall conclusion is that there are varying ideas about what globalization truly is or should be. “This is not an issue of linguistic weakness, but of varying interpretation”<sup>13</sup>.

If global corporations change the world economy through the control of their basic sources of commerce, such as manufacturing technology, financial capital and sales, even the managers of such corporations are “aware of the fact that ideology, like cookies, can only be well placed on the market if skilfully packaged”<sup>14</sup>. Today, many managers, economists, politicians and sociologists emphasize that world commerce cannot be achieved without thorough changes to the old national states. Regardless of the ideal of progression, we could ask what our role is in this game, and through our knowledge and experiences have we become worthy rivals and co-players that can play this game in front of a full stadium crowd? Successful management in the globalization process must detect changes in its environment in time to adapt to trends which it cannot influence for they have become a given condition in activities in world terms.

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