

THE RELATIONS OF GLOBALISATION TO LOGISTICS

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Abstract: Basically the present and continuous paradigm shift in the European economic analysis stood in the background of our choice of topic. In an economy where the distribution of work has been getting a bigger and bigger role, the optimal supply for companies and markets is crucial from the competitive aspect of the company. The flexible, cost- and time-efficient acquisition of needed goods and services, also the needed flow of goods and information has considerably influenced the efficiency of the company.

Keywords: globalisation, logistics, market

1. Globalisation as a concept

However, before we would start to analyse the relation of globalisation and logistics, let us clarify the concept of globalisation. Briefly, we could summarize it the following way: globalisation is basically the integration and democratisation of the world's culture, economy and infrastructure, which is carried out through the swift spread of transnational investments, informational and communicational technologies, and the effects on local, regional and national economies [1, 2].

A so called "global economic way of thinking" is needed to be established for this, with the following essential fields [3]: enterprise/concentration of capital, globalised acquisition, globalising market, globalising supply chain, globalising information networks, globalising business process.

Globalisation is getting a great emphasis in both business and scientific forecasts. To support this argument the best way is to think of the leap growth of global trade compared to the global GDP, in other words the supplying/producing and trading markets in terms of space /and administration/ are separated from each other. Naturally this generates new performances in supply and logistics. This trend also involves the spread of global business culture [4].

With improvements in transportation and communication, international business grew rapidly after the beginning of the 20th century. International business includes all commercial transactions (private sales, investments, logistics, and transportation) that take place between two or more regions, countries and nations beyond their political boundaries. Such international diversification is tied with firm performance and innovation, positively in the case of the former and often negatively in the case of the latter [5]. Usually, private companies undertake such transactions for profit. These business transactions involve economic resources such as capital, natural and human resources used for international

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production of physical goods and services such as finance, banking, insurance, construction and other productive activities [6].

International trade is the exchange of capital, goods, and services across international borders or territories. In most countries, such trade represents a significant share of gross domestic product (GDP). Industrialization, advanced transportation, multinational corporations, offshoring and outsourcing all have a major impact on world trade. The growth of international trade is a fundamental component of globalization [7].

2. Space and time

Because of the global economic principles the supplying and sales markets got separated very far from each other, in many cases to a different continent. It increased the time of delivery, thus the international supply chain can adapt less efficiently to an occasionally quickly altering demand.

The operation of economy in global extend sets up growing needs towards the market players in order to bridge space and time. In spite of the restrictions in space and time, whole industries were formed to ensure the continuity of production and service. One of the most important of these is logistics, which is responsible for producing the place- and time-value of the four types of value factors based on macro-economical product-value approach. From the 7Rs of logistics the second and the third “R” – the right time and place – have particularly great significance in the field of productive consumption, since here the service in time and spacial location have further linking effects [8].

Globalisation – as we had seen it – can be analysed from several approaches. According to their effects they differ based on which environment they are present. To benefit from it, there is cooperation needed all the time on micro-, macro and even global level. The basis of this cooperation is the enhancing logistical activity, the enlarging supply chain, which all have a major effect on the growth of competitiveness.

3. But how do companies react for this globalised market?

A consumer market was the result of the major changes in the structure of economics and the market needs were considerably differentiated. The market lifecycle of products is shortened and the international market plays the main role instead of the national market. Therefore we can say that the global way of thinking and the globalised economy resulted the strengthening of multinational enterprises which spread all over the world. Due to globalisation the fusion across the world has become bigger and bigger, forming companies with greater capital, new value chains, which are linked by a comprehensive, coordinating, responsible logistical process. Consequently, an economy with new features is formed. The role of logistics in the value creating processes has been obvious, but because of the globalising processes the traditional supply chain (from acquisition to sale) left its frames, its importance grew further [9].

With the presence of multinational companies the globalisation of production is realised, so the depth of production is decreasing. It concerns competitiveness, and supports the benefits of the often quoted collaboration the widely spread allocation of enterprise activity (outsourcing), which influences the supply chain and its structure. Outsourcing is a certain type of company division, aiming to delegate those secondary activities which do not belong to the company's main activity profile to subcontractors, who perform them, probably with better quality. This lowers the cost for the outsourcing company (live work,

equipment etc.), and makes possible to focus all its energy on its main activity, which leads again to enhanced quality, bigger efficiency, moreover, the organisation is simplified. But all these yield better economical-social results only if – and this is the point – the activity of suppliers is successfully coordinated with themselves and the outsourcing company as well (supplier discipline) [3].

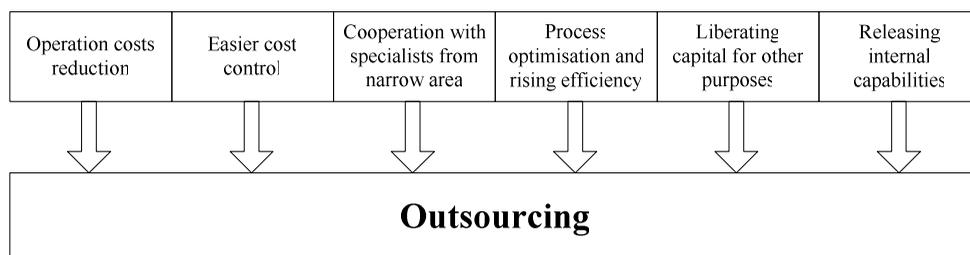


Figure 1. Outsourcing advantages [10]

Parallel to this the philosophy is spreading more and more that acquisition is a less causing factor of costs, but it is much more a company function that affects efficiency in a positive way. Nothing proves this more than the fact that acquisition from the Far East is getting a far greater attention and emphasis. Almost all multinational companies have business connections with fellow Far Eastern companies. I would like to support the fact how the Chinese economy has progressed in the recent decade. According to the latest statistics the Chinese economy increased by 9.6 per cent last year, and the GDP can reach over 8 percent growth this year – according to Bloomberg. With this growth, as the IMF forecasts China can reach; moreover can overtake Japan as the second greatest economy in the world. The Beijing statistics office was forecasting a growth of 9 per cent for 2008 and both for 2009 and 2010 an increase of the economy by 8 per cent was predicted [11].

China, who is thriving dynamically against the odds of the global recession situation, is raising the interest of more and more investors – the incoming FDI to the country increased by 32 per cent in the first 11 months of the year, thus reaching 7 billion dollars.

Nowadays to forecast the market movements, data from previous periods (data of production, distribution etc.) are partially used, the measurement of future will is applied as a more and more important method (consumer, producer trust index etc.). This change can be discovered in the research material from the United States and the other world economy centre, the Far East, and this practice was proved to be appropriate in the process.

One of the most current and comprehensive research regarding trends in logistics and acquisition is the study made by the Ministry of Transport and Communications Finland in 2006. They were covering expert opinions regarding the future of European logistics as a workshop. The following main consequences can be underlined:

- the production of Chinese, Indian, Brazilian and Russian economies keeps increasing in the following decade, therefore the distances of transport and the quantities transported will grow (since the majority of consumption is still happening in the USA and Western Europe),
- a growing competition among economies, having the capacity of infrastructure as its key factor.

4. How can SME sector join the competition?

Nowadays one of the most important questions of the constant, long-term, sustainable growth of economy is whether the micro-, small-scale- and mid-size enterprises who comprise the majority of companies can connect to the flows of the ruling economic processes adapting to the current market challenges. The evaluation of the role of the small-scale and mid-size enterprises can especially be owed to the ability to use the new business concepts, to fill the market niches and to use the new technologies.

The gradual growth of importance of global and regional organisational levels fundamentally determined the processes of the world economy in the last decades, and parallel to this the spread of knowledge-based model of economic progress. According to this process of transformation on a large scale the support of micro-, small-scale and middle-size enterprises became one of the key fields of social and economic policy in almost all countries of the world and among the organisational frames of more economic cooperations.

The European economy sees the key to its competitiveness in the enterprise sector, especially the small and middle-size companies. Because of this, in its policy of support, instead of the use of devices linked to direct – mainly financial – intervention it is shifting towards the elements used to enhance the working environment (supplying information, lowering administration costs, network cooperation).

On the pyramid of companies based on categories of numbers the micro-, small- and middle-size companies have a specific place in the structural system of market economies.

The generally acknowledged role of the business sector:

- in establishing the growth of the economy,
- in creating jobs,
- in invigorating the market by exploiting the benefits of product diversification,
- in strengthening social cohesion by helping social groups with handicapped status to get in line,
- in moderating the inequality of areas.

In spite of their high level and speed of adaptability and flexibility – due to their size, lack of capital and information results in lower effectiveness – they have a major disadvantage in competition against the big ones.

The competitiveness of regions is defined by their branching structure and also the local environment. However, in the globalising economic space not only these factors deserve attention, but also the relations between the economic players relying on the local attributes and its components. The concept, by which the development will become more efficient, relating to clusters instead of separated participants and sectors, has become well-spread in our country as well. The basis of the cluster-based economy development means the knowledge of the regions' potential or working clusters. Mapping the clusters supports the more efficient use of the development resources.

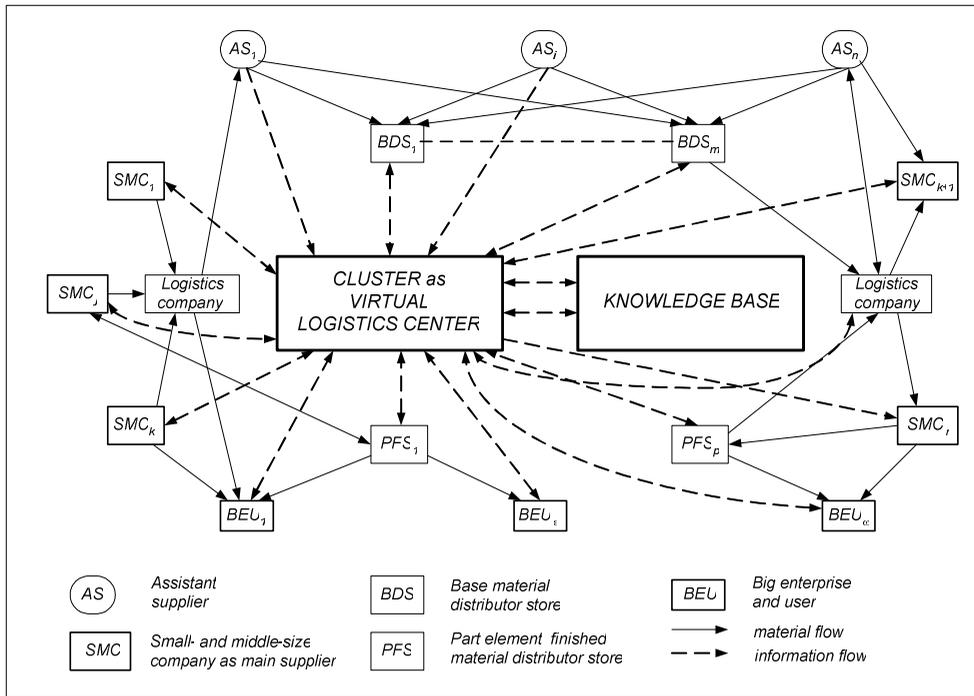


Figure 2. Cluster as a virtual logistic centre [12]

The concept of network economy has only spread in the recent years. The formations of networks and clusters can be regarded as a successful answer for the challenges of the global competition. As an answer for it the companies tried to preserve their competitiveness with various solutions. As one of the opportunities long-term cooperational forms were established like clusters. Several clusters have been established all around the world without governmental intervention (in a spontaneous way) in the recent years. It was proved that clusters provide such advantages for the companies participating which increase their competitiveness and thus help them to pull through the competition becoming more and more international. The clusters are important tools of the local economy development therefore they strongly attach to regions. The regional policy has a considerable role both on a European and local level. The region (or regional) development endeavours to moderate or to stop the fallback of a given territorial unit compared to others.

On the one hand, the regional policy wants to reach the moderation of negative phenomenon caused by the economic processes, on the other hand it endeavours to help the spread of innovative economic activities.

5. Summary

The current global processes of the world economy show the up-valuation of the regions, the enterprises within the regions and cooperations. The up-valuation of region's role is speeded up by the practice that nowadays the enterprises concentrate more and more on the primary activities and the partial, secondary functions – built in the regional network

system- are dealt with outside the enterprise. The inside organisation of the regions can be regarded as a valuable new resource.

Globalisation is the integration of economies, industries, markets, cultures and policy-making around the world. Globalisation describes a process by which national and regional economies, societies, and cultures have become integrated through the global network of trade, communication, immigration and transportation. In the more recent past, globalisation was often primarily focused on the economic side of the world, such as trade, foreign direct investment and international capital flows, more recently the term has been expanded to include a broader range of areas and activities such as culture, media, technology, socio-cultural, political, and even biological factors, e.g. climate change [13].

Acknowledgement

This research was partially carried out in the framework of the Center of Excellence of Mechatronics and Logistics at the University of Miskolc.

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