

Globalisation and Major Forces Shaping the Global Business Environment: A Critical Analysis of Unilever

Introduction

Globalisation is the increase of integration and interdependence of national economies through trade liberalisation, foreign direct investment, technological advancement, and the cross-border flow of goods, services, capital, and information (Hill, 2023). This has drastically changed the global business environment by reducing geographical borders while increasing competition. Even though globalisation does create opportunities for multinational corporations it however brings more risks. Some of these risks are geopolitical instability, economic inequality, technological change and challenges with cultural diversity. This essay will take a look into the impact of globalisation on Unilever, a UK based company that is a multinational and moves consumer goods that is working in over 190 countries. Because it has a large global presence and a variation of products Unilever is a good company for analysing how global forces shape corporate strategy and operations. This essay will take a look into the positives and negatives of globalisation and analyse key global forces influencing organisations, assess their involvement in competitiveness, innovation and workforce management.

Main Body

Globalisation's Dual Impact

Globalisation has largely increased Unilever's ability to expand and compete internationally however even though it does have its benefits it does also have structural risks. A key benefit is market diversification which decreases reliance on single economies and allows for revenue growth in growing markets. Unilever makes a large amount of its income from developing economies where rising populations and urbanisation create long term demand (Unilever, 2023). Some previous studies like the Eclectic paradigm theory suggest companies internationalise to use location specific advantages (Dunning's, 2008).

Even though diversification has some risk it also increases exposure to unstable economic environments. Newer markets are often met with inflation, currency instability and weaker regulatory frameworks which damage profitability. Due to this global expansion does not get rid of the risk but readjusts across multiple contexts. Economies of scale further show globalisation's dual nature. Unilever gains from large scale production and globally integrated supply chains, allowing cost reduction and efficiency (Johnson, Scholes and Whittington, 2020). Although there are some positives integration causes systemic risk, disruptions in one region such as shortage of supplies or political instability can have a negative impact on the whole network. Recent global supply chain crises show that efficiency driven global models can lack flexibility.

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Technological globalisation also has opportunity and risk. Digital tools like AI and data analytics, increase consumer input, operational efficiency and marketing effectiveness (Porter and Heppelmann, 2015). However the constant use of digital systems produces cybersecurity risks and increases capital spending requirements. Another thing is that smaller digitally native competitors can use technology more flexibly which challenges bigger firms like Unilever. Cultural diversity creates another contradiction. While globalisation allows the use of diverse consumer markets, it also complicates standardisation strategies. Cultural differences influence consumer behaviour meaning that globally uniform products may fail to sell and appeal to locals in a specific area (Hofstede, 2011). Globalisation requires firms to balance efficiency with cultural responsiveness which often increases operational difficulty.

Altogether globalisation creates a trade off between efficiency and resilience as well a between standardisation and adaptation Unilever's success depends on how well it manages these demands.

Analysis of Global Forces

Globalisation exposes Unilever to a range of interconnected macro environmental forces, which then shapes its strategic decision making and operational performance.

Political Forces and Global Conflict

Political instability and regulatory divergence significantly can affect global operations. An example of this would be when brexit introduced traded barriers and compliance challenges for UK based firms, it had increased administrative costs and supply chain complexity (McKinsey, 2022). On top of this global conflicts like the Russian and Ukraine war have disrupted energy markets and increased raw material costs.

While globalisation in the past had furthered free trade, the rise of protectionism suggests a partial reversal of this trend. This creates strategic uncertainty which makes firms like Unilever to adopt more flexible and regionally diversified strategies. Indicating that political forces are a key issue in globalisation as it constrains it but also shapes how it operates.

Economic Forces and Inequality

Global economic inequality largely influences demand patterns. Even though emerging markets provide growth opportunities because they earn a lower income this limits purchasing power. Unilever addresses this through product adaptation strategies such as putting their products in smaller more affordable packaging.

This approach can however cause critical tension when increasing accessibility it often reduces profit margins. As well as that inflation and currency fluctuations can create further financial instability, because of this globalisation does not always guarantee economic benefit but requires continuous adjustment to shifting economic conditions (Dunning and Lundan, 2008).

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Technological Forces

Technological advancement is a key component in globalisation, it reshapes competitive dynamics. Automation, AI and digital platforms enhance a company's efficiency and allow for real time decision making (Laudon and Laudon, 2022).

However technological change also lowers barriers to entry, allowing smaller firms to compete globally. This then increases the competition and decreases sustainability of competitive advantage. Therefore, technology can act as both an enabler of growth and sources of disruption.

Socio-Cultural Forces

Cultural diversity allows for consumer preferences, employee behaviour and organisational practices. While diverse markets provide opportunities for innovation however it requires precise strategies to avoid cultural misalignment.

Managing a culturally diverse workforce unfortunately introduces challenges related to communication, leadership and organisational cohesion. Even though diversity can increase creativity it also requires strong management frameworks to prevent problems (Hofstede, 2011).

Environmental and Sustainability Forces

Sustainability has become a global force, caused by consumer expectations and regulatory pressures. Unilever has positioned itself as a leader in sustainable business practices including environmental goals into its strategy.

However these initiatives often include significant upfront investment which can create problems between short term profitability and long term value. This paints a bigger challenge within globalisation; balancing economic growth with environmental responsibility.

Implications for Market Positioning, Innovation, Workforce Dynamics, and Competitiveness

Globalisation has strengthened Unilever's global brand presence but has also caused strategic complexity. The view of global standardisation is increasingly insufficient in a diverse global environment. Instead, a glocalisation approach is required, combining global efficiency with local responsiveness (Levitt, 1983). Innovation has become a key competitive factor. Globalisation advances knowledge transfer and technological development, this forces firms to continuously innovate to maintain relevance. This does increase cost and organisational pressure.

Workplace dynamics have also changed over time. The need for digital skills, cultural competence and ethical awareness has increased. Global competition for talent makes recruitment and holding of employees more challenging. Globalisation increases competitive

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potential but refuses sustainability of competitive advantage as it require continuous strategic adaptation.

Strategic Recommendations

To effectively respond to globalisation, Unilever should adopt the following strategies:

Develop Regionalised Supply Chain Networks

Instead of relying on a globalised supply chain Unilever should make regional hubs. This would decrease exposure to geopolitical disruption and improve operational durability; this addresses the limitations of efficiency driven global models.

Accelerate Advanced Digital Transformation

Expanding In AI, automation and digital platforms will allow for faster decision making and improved consumer engagement. This however needs to be balanced with cybersecurity to reduce the associated risks.

Strengthen Sustainable Value Creation

Merging sustainability into core operations will improve brand reputation and allow for compliance when it comes to growing global regulations. Even though it's costly in the short term it does provide long term competitive advantage.

Adopt a Strategic Glocalisation Approach

Balancing global standardisation with local communities will allow Unilever to maintain efficiency while meeting concerns and responding effectively to cultural differences.

Invest in Global Talent Development:

Developing digital skills and unique leadership capabilities will make sure that the workforce can work effectively in a complex global environment. All these strategies address both opportunities and constraints of globalisation which provides long term organisational resilience.

Conclusion

Globalisation has played a key part in reshaping the global business environment, creating both opportunities and challenges for multinational corporations, in the case for Unilever

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globalisations allows for market expansion, cost efficiencies and innovation as well as dealing with geopolitical risk, economic uncertainty, technological disruption and cultural complexity. This analysis shows that globalisation is essentially inconsistent, has growth while increasing vulnerability. The impact is dependent on how effectively organisations respond to its forces not just on its existence. For Unilever maintaining competitive advantage requires strategic innovation, digital use, good supply chains and culturally responsive management.

The ability to understand and strategically use global forces is essential for achieving long term success in an increasingly complex and connected environment.

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