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# EFFECTS OF GLOBALIZATION ON COMMERCIAL LIFE

**Abstract**

The globalization movement has removed the trade barriers between countries and pushed internationally operating businesses to implement new strategies. As a result, world trade has gained different dimensions. The terms globalization and global managers are popular terms that come up when operating internationally. These demonstrate the universal interest in efforts to operate worldwide. However, these terms do not have the same meaning as international activities. Today, an extraordinary number of companies engage in international trade and investment, but relatively few are global enterprises. Although companies have been doing international business for centuries, the shift towards true globalization is a very recent phenomenon. The purpose of this article is to reveal the interaction of globalization and multinational enterprises, as well as the effects of globalization on world trade. The impact of multinational enterprises on the formation of globalization, the basic characteristics of the globalization process, the basic factors of globalization affecting world working life and the benefits it provides to multinational enterprises have been examined separately.

***Keywords:*** *globalization, technology, multinational companies, global economy, and finance*

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## Qloballaşmanın ticarət həyatına təsiri

**Xülasə**

Dünyada bütün iqtisadiyyatların inteqrasiyasına, başqa sözlə, vahid bazara çevrilməsinə səbəb olan qloballaşma kimi təyin olunan fenomen, şübhəsiz ki, günümüzün ticarət həyatını istiqamətləndirən ən mühüm amildir. Qloballaşma hərəkatı ölkələr arasında ticarət maneələrini aradan qaldırdı və beynəlxalq səviyyədə fəaliyyət göstərən müəssisələri yeni strategiyalar həyata keçirməyə sövq etdi. Nəticədə dünya ticarəti müxtəlif ölçülər qazanmışdır. Qloballaşma və qlobal menecerlər terminləri beynəlxalq fəaliyyətlə məşğul olarkən ortaya çıxan məşhur terminlərdir. Bunlar dünya miqyasında fəaliyyət göstərmək səylərinə universal marağı nümayiş etdirir. Lakin bu terminlər beynəlxalq fəaliyyətlə eyni məna daşımır. Bu gün çox sayda şirkət beynəlxalq ticarət və investisiya ilə məşğuldur, lakin nisbətən az sayda şirkət qlobal müəssisədir. Şirkətlər əsrlər boyu beynəlxalq miqyasda bizneslə məşğul olsalar da, əsl qloballaşmaya keçid çox yeni bir hadisədir. Bu məqalənin məqsədi qloballaşma və transmilli şirkətlərin qarşılıqlı əlaqəsini və qloballaşmanın dünya ticarətinə təsirlərini aşkar etməkdir. Qloballaşmanın formalaşmasına çoxmillətli müəssisələrin təsiri, qloballaşma prosesinin əsas xüsusiyyətləri, dünyanın iş həyatına təsir edən əsas amillər və qloballaşmanın transmilli şirkətlərə faydaları araşdırılmışdır.

***Açar sözlər:*** *qloballaşma, texnologiya, transmilli şirkətlər, qlobal iqtisadiyyat və maliyyə*

## Introduction

Globalization, which is based on intense technological breakthroughs and communication and still affects the socio-economic structure, has become a concept used in many branches of science, from economics to business administration and social science (Concha, Daniel, Johannes, 2018: 123). Accordingly, global market, global strategy, global company, global product, global manager, global workforce, global competition, global culture and other concepts are frequently used in society today.

The concept of global strategy can be defined as identifying common denominators between different national or geographical markets and implementing common strategies for all audiences united on this common denominator (2). In this respect, globalization, which removes the walls between national markets, is a situation that can create great threats and opportunities for businesses, as it brings many businesses from different nations face to face in a common market.

Businesses must grow in the long term in order to maintain their existence and profitability. That's why they have to choose and follow the sectors in which they operate very carefully. Therefore, not every sector or company has the characteristics to implement global strategies.

Accordingly, not every sector can be a global sector. An industry is considered global when rivals' total worldwide positions have a fundamental impact on their strategic positioning in significant regional or national markets. An industry fundamentally becomes global when a company can compete in several national marketplaces with coordination benefits, whether they be financial or otherwise.

The factors that lead businesses to globalize their market position preferences and develop a global network of relationships are as follows:

Macroeconomic Factors: Significant productivity differences between countries, ongoing exchange rate fluctuations especially in developing economies, accelerating technology transfer between countries, and rapid population growth in developing economies, where seven-eighths of the world's population will live in 2050.

Political Factors: Increased regional integrations that encourage trade, liberalization of inputs as production factors, increased attention to the protection of intellectual capital, especially in regional blocs. Increased intervention by tripartite supranational institutions in emerging markets to promote global trade.

Technological Factors: Rapidly declining costs associated with transactions, communication, and transportation, technological advancements in developing countries, knowledge that can be quickly transferred to developing countries, expansion of intensive industries, and an increase in the strategic alliances among technology companies to collaborate on expensive and risky technologies that can be sold on the international market (Ahmadi Begum, 2018: 69).

Organizational Factors: The shift from economies of scale to economies of space, the creation of an international mindset in organizational management, and the shift in strategic focus from the effective management of tangible resources to the effective management of intangible assets.

Multinational corporations and the idea of globalization are closely related. Multinational corporations have had a significant role in shaping the notion of globalization. Moreover, multinational corporations have been greatly impacted by globalization phenomenon (4).

*The Impact of Multinational Companies on the Formation of Global Economies*

The main factors that give rise to globalization in the modern sense are multinational companies. With the development of multinational companies, national scale calculations have been replaced by international scale calculations. In the development process of multinational companies, there has been not only a spread to developed countries, but also an inflow of foreign capital from developed countries to developing countries, and the multinational character of this foreign capital has been at a high level. Especially in the 1960-1980 period, it was observed that developing countries, together with the industrialization policies they implemented, turned to important legislative regulations in order to attract this foreign capital, which can be defined as multinational companies.

Among the reasons why these countries call on multinational companies for foreign capital, the desire to accelerate the economic growth of these countries in the presence of the resource scarcity problem has undoubtedly been an important determinant (Larry Catá Backer, 2015: 154). These countries sought to address resource shortages in a sense as well by encouraging international corporations to invest. Especially in these economies that suffer from foreign trade imbalance problems in the balance of payments, on the one hand, there is a relief in the foreign exchange position in the balance of payments thanks to the inflow of multinational foreign capital, and on the other hand, with this foreign capital entering into production, it becomes possible to produce previously imported goods by using domestic production factors. Instead of importing, they were expected to produce and even export.

In fact, in the historical process, of course, today's multinational companies were largely first a national company and over time they reached the status of a multinational company. Even though these businesses have gradually developed into multinational enterprises capable of conducting both production and sales across borders, they are now multi-national corporations. These businesses can now create budgets and plans for manufacturing and marketing that take into account the context of both the countries where they acquire their products and the countries where they sell them.

*Basic Features of the Globalization Process*

1. Consumer behavior is entering an increasingly dynamic process and, accordingly, a more homogeneous structure is formed.
2. Evaluating production factors on a world scale and presenting them for production, distribution and consumption.
3. Carrying out commercial activities in accordance with various rules and standards on a world scale.
4. Development of inter-business relations, which is one of the most important elements of the process.
5. Regarding the production of goods and services in the world, production activities are geographically dispersed.
6. Developed foreign direct capital investments.

*Main Factors of Globalization Affecting World Working Life*

Today, there is unrestricted cross-border movement of cash and a vast array of services in addition to products. Customs tariffs have become less important in the globe due to the numerous agreements that have been made, and the goal is to convert non-tariff obstacles into tariffs within predetermined timelines.

Rapid technological developments that have occurred in the last quarter century have led to the integration of economies in the world, in other words, to become a single market (Krume Nikoloski, 2016: 47). The process that led to the liberalization and integration of the product and factor markets as well as the increased reliance of developed and developing nations' financial and foreign trade policies on the macro level is known as globalization.

The development of commercial and financial relations not only accelerates globalization, but also pushes countries in the same geographical region with similar characteristics into intense relations that unite their powers. Regional integration movements constitute the first stage of the transition to a large-scale free trade and financial integration environment.

Technology and globalization are having a significant impact on industry structures and the competitive strategies of businesses operating in these sectors (7). Furthermore, these businesses' innovative, creative tactics require the backing of organizational structures.

Innovations in technology and globalization have made it possible to cut the duration of the product development process significantly. Product development has largely been replaced by self-product development. This means intermediates products or technologies that can provide input to many other products.

## Conclusion

The most significant force influencing modern commerce is without a doubt the phenomenon known as globalization, which leads to the integration of all economies worldwide, or, to put it another way, the creation of a single market (8).

Businesses across all industries can no longer afford to ignore or reject this development. In order for organizations to survive, they must thus effectively adjust to the phenomena of globalization while also maintaining a continual awareness of the opportunities and challenges it presents.

One way to conceptualize globalization is as a concept that offers multinational corporations boundless freedoms and greatly simplifies their job. However, globalization treats every business equally in terms of these freedoms. In other words, it provides all the benefits it provides to a business to its competitors, creating a very tough competitive environment. In this competitive environment, businesses that follow wrong strategies or remain insensitive to instant changes in their environment can never avoid extinction.

Globalization has thus led to a significant increase in commercial competitiveness worldwide and the need for ongoing transformation. On the other hand, the benefits it provides for producers and consumers should not be ignored. Businesses must be able to leverage their superiority, adapt to globalization, and grow their competitiveness in order to remain viable and compete in the global market (9).

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