

# The impact of globalization on the increased necessity for work force flexibility in Croatia and in other Southeastern transition countries

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## **Abstract**

*The aim of this paper is to explain the need for greater work force flexibility and for necessary migrations of Croatian work force within Southeastern Europe and beyond with regard to contemporary trends of world globalization.*

*The paper draws attention to the discrepancy due to uncoordinated legal regulations as well as to collective historical memory of war events on this territory, which does not go hand in hand with modern economic needs.*

*Using the method of induction the paper defines the concept of globalization, gives the definition of present impact of globalization on Croatia and on other Southeastern European countries and mentions negative examples of resistance to changes, i.e. to migrations, as well as positive examples of the integration of our experts in global trends.*

*The theses are that international companies should adjust to local conditions (glocalization) but implicates also that domestic work force, same as legal regulations, should adjust to transnational world economy which implies greater work force flexibility and the elimination of spatial boundaries by gaining different knowledge of new technologies.*

*The paper is based on initial research of the project entitled "031-2/2008 Research Into Matters Warranting, Economically and Situation-wise, Adaptive Restructuring of an Organization in a Dynamic Environment".*

**Keywords:** globalization, flexibility, work force, migrations, knowledge, law regulations

**JEL Classifications:** F01

## Introduction

Capital does not recognize boundaries but affects the globalized world by seeking the most favorable channels, territories and forms of action in the aim of realizing profit.

Changes come fast and demand from all participants to act promptly and constantly adapt to new situations. Capital does not have time to wait for half hearted participants but it takes the benefits anywhere and anytime the opportunity presents itself.

The process of the political creation of independent countries in the whole world is paradoxically followed by the reinforcement of regional economic connections which are crucial for survival in economic processes. In that way Southeastern transition countries including Croatia are facing the challenge of conquering regional economic territories. A company or an organization, leader in the economic sector in its own country, must pretend to expand its activities to neighbouring countries, if it wants to survive. Economic conquest of territories and related consumers is a necessity of the world today. If a company or an organization does not realize that in time, it will face the competition from its own country or a neighbouring country which did it before and this situation will automatically reduce or even eliminate the achieved advantages.

The paper is based on the project entitled "031-2/2008 Research Into Matters Warranting, Economically and Situation-wise, Adaptive Restructuring of an Organization in a Dynamic Environment"<sup>1</sup>, and is the continuation of earlier research into the concept of terotechnology within the study of organization and business intelligence protection:

"The practical application of the terotechnology concept allows managers to think as economists and act as engineers when making decisions on the right choice of working assets and equipment with the aim of reducing potential long-term cost of ownership of business systems to the minimum, thus ensuring survival and benefits to all interested parties." (Belak S., Čičin-Šain D., 2005, p 155)

First implication of the project leads us to the necessity of regional connections for average business organization in the light of terotechnology as a tool for the right choice decision.

In this paper we want to note that legal regulations do not completely follow the trends of regional economic integration. This is most obvious in state regulations such as unspecified labor laws as well as in specific labor regulations of organizations or companies especially when we talk about temporary employment (work permits, bonuses for migrations, housing, relocation of family, etc.).

In addition to the discrepancy due to uncoordinated legal regulations there are also collective historical memories of war events on this territory, which does not go hand in hand with modern economic needs.

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<sup>1</sup> University of Zadar, Department of Economics, Centre for Economic Research, MER-Evrocentar Slovenia, 2008

## **Globalization and cosmopolitan realism**

Globalization in economic terms means an increase of relations of market and production in different countries through trade of goods and services, free flow of capital, international strategic agreements and different kinds of associations and exchange of technologies. Once there were very tight territorial boundaries which have become very transparent.

It is not "state formation" (at the European level) but "state decomposition" that seems to be the appropriate concept for defining the direction in which the change processes which are currently evident in the administrative structures of western European societies are moving. This does not mean that the nationstate as an entity will disappear, but the administration of nation-states will be spread and segmented both externally (supranationally) and internally (subnationally) (Simonis J. B. D., 1995).

We are witnesses of the globalized world and changes are happening every day. We, as individuals, have the possibility to be part of the world through the Internet and other media without limiting ourselves to internal state boundaries into which we are born or live in. The only condition is basic technological literacy.

Internal politics inevitably changes its point of view and world problems become also the problems of internal politics. Deterritorialized economic increase of power does not have to be politically conquered nor politically identified. It is happening beside control bodies of a developed democracy such as parliament, courts and governments. The equation of power of a transnational economy is: intentional and aimed non-conquering (Beck, 2002).

Globalization is under no one's authority. Nobody started it, nobody can stop it, and nobody is responsible. Globalization means organized irresponsibility. World economy acts in a translegal way which means that it does not act illegally or illegitimately. Translegal authority is a constant, more or less institutionalized possibility of impact on different state decisions and reforms across all national boundaries of systems and functions. The question whether we will step into globalization or not is no longer a question. We are already in and we cannot step out.

New world internal politics, active here and now, on the other side of national and international, has become a meta-game of power (the meta-game of power means: it argues, it fights for power and at the same time it changes nationalstate rules of world politics) with completely open result in which boundaries, basic rules and basic differences are not arranged only by national and international side but also by the world economy and a state, internationally active movements of civil society, supranational organizations and national governments and societies. The meta-power of capital owes its development - without formally breaking any laws and without the approval of parliaments and governments - to new informational and technological possibilities of reducing time horizons and canceling distances. (Beck, 2002, p. 111)

The transitional Southeastern countries are not completely aware of the situation in which they are and when we say countries we think about the state machine as a whole with emphasis on state institutions for employment, ministries and economic organizations.

Cosmopolitan realism believes that the world is our homeland and it is oriented towards the global market and new technologies which are widely present. We are the citizens of the same world no matter how this world seems divided to us.

Global problems connect us, whether we wish it or not. Global problems unite us in a supranational way of thinking. The cosmopolitan idea of the German philosopher Kant became possible through new technologies and globalization. To be the citizen of the world is for him the most divine ideal which defines a man who he is. (Beck, 2002, p. 184)

The adherents of cosmopolitan realism believe that this trend could lead us to the new arrangement necessary in the world of greater global cooperation and greater expansion of mobile global economy.

What seems like decline and breakdown in national perspective could in cosmopolitan perspective be viewed and analysed as a contribution to a new order. (Beck, 2002, p. 77)

In the dying of the old world there is space for a new one. In the dying of the national, there is space for transnational. These new trends could be problematic for new transitional countries such as Croatia because they have recently discovered their nationality and also fought for new boundaries of their new countries liberated from regional federations which were based on unnatural relations. But these new connections which are based on economic needs are completely different kinds of federations. These new federations do not accept national boundaries because profit is the only reason behind new economic connections based on globalization and new technologies.

### **Glocalization**

Variety is welcome because in its essence trade connects differences and the more differences, the better. It looks like differences (goods, population, culture, etc.) propagate infinitely on the world market whose greatest enemies are fixed boundaries: it is stronger than any dual division with its infinite complexity (Beck, 2002).

Every difference is an opportunity. It is productive in its essence. The highest levels of companies take in all possible knowledge on rationalization for their area of expertise, spy at universities, institutes, among competitors to achieve the optimum and realize every development even before it took root. Business intelligence is transnational in its essence. It gathers information from every available source without caring for national boundaries in order to produce knowledge. (Hardt, Negri, 2003 p. 133)

Multinational companies sign mutual contracts which are no longer under the authority of any national judicial system or any national substantive law. They agree to use arbitration independent of national legal systems which again has to apply the rules of transnational trade law (*global law without a state*) (Gunther/Randeria 2001).

Ex director of Sony Akio Morito has invented the term of 'global localization' or 'glocalization' which means that transnational companies have to know how to adapt to local markets if they want to be more successful on any market. And adaptation is based on different mechanisms of following market trends and different local conditions. Companies should adapt to consumers' tastes through commercial campaigns and some other propaganda tools based on research.

Countries used to be divided to those who belonged to a capitalistic system and those who did not or to countries of the First-Second-Third world. Today those definitions are not enough to understand global production. Production is decentralized, global market is stronger, international flows of work and capital are more divided and expanded without belonging to big geographic zones.

With companies growing domestically and expanding globally, employees now have access to an unprecedented wealth of opportunities for advancement, mobility and flexibility within their careers. They can move up the corporate ladder, switch to a new job function within the organization, move to another division, work remotely or even transfer to another country. While this diversity of career options builds morale and helps extend an employee's potential and time within an organization, it also creates logistical challenges for HR departments responsible for tracking and managing each employee's training, development, performance and compensation, among other necessary functions. (Miller, 2006)

The differences between the rich and the poor, between those who use technology and those who do not, are greater and greater. Unequality of population produces cities and buildings in the form of forts, but also mechanisms of surveillance. Capital goes where the working hour is cheapest and sells where it can make the biggest profit. Financial and monetary flows follow the same routes as mobile labor force. Computer technology has made it possible for different groups of labor force to be connected in real time. At the same time that causes tremendous competition between workers.

### **Impact of globalization to Croatia and other Southeastern transition countries**

The ranking was compiled according to companies' annual revenue. Apart from the general Top 500 list, Deloitte announced the lists of Top 50 banks and insurance companies, as well as the lists of Top 10 energy companies, manufacturing companies and telecommunication companies. The list confirmed that energy companies have the largest revenues, and 156 out of 500 companies on the list belong to this sector. In the first hundred, 44 companies represent the energy sector. Second most numerous sectors on the list are the companies dealing with automobile manufacture and trade, and the third sector is consumption. A total of 106 companies belong to this sector; however, they have only 16% of total revenue.

Croatian companies are represented in relatively modest number on the Top 500 companies in the region. 14 Croatian companies are listed on the general Top 500 list, and the best positioned company is INA (16th place), followed by Agrokor (44), HEP Group (84), Konzum (95), HT

(150), Pliva Group (167), T-mobile (282), Croatian railroads (297), VIPNET (338) and HEP distribution (358). (Deloitte, 2007)

By national shares, 80 percent of companies comes from four countries: Poland (183 companies, 37%), the Czech Republic (82 companies, 16%), Hungary and Ukraine (13% each). By ownership structure, only 10 percent of companies on the list are 100 percent state-owned while the rest are 100 percent private ownership or majority private ownership. Only 31 companies on the list (6%) are property of individual investor therefore majority of them belong to the sector of distribution (medical products, food) and production.

From other Croatian neighbours, Slovenia has the best position on the list which includes as much as 16 Slovenian companies (Mercator on 45th place, Petrol and Gorenje). Then follows Serbia with the company Naftna industrija Srbije - Oil industry Serbia on 22<sup>nd</sup> place. No company from Bosnia and Herzegovina and Monte Negro managed to place themselves on the list of Top 500 companies in region.

**Table 1: Possition of Croatia and other transition countries in Top 500 companies in the Central and East Europe (Deloitte, 2007)**

Position	Country / Company
16	Croatia / INA Group - Consolidated
22	Serbia / NIS
44	Croatia / Agrokor
45	Slovenia / PS Mercator
51	Slovenia / Petrol
83	Serbia / Delta
84	Croatia / HEP Goup - Consolidated
95	Croatia / Konzum
107	Serbia / EPS
119	Slovenia / Gorenje
135	Slovenia / Revoz
138	Slovenia / Merkur
150	Croatia / Hrvatske Telekomunikacije
167	Croatia / Pliva Group
171	Slovenia / Holding slovenske elektrarne
177	Serbia / US Steel
209	Slovenia / Telekom Slovenije
210	Serbia / Telekom
218	Slovenia / Lek
232	Slovenia / Krka
242	Slovenia / OMV Slovenija
282	Croatia / T-Mobile
286	Slovenia / ELES
289	Serbia / Serbijagas
297	Croatia / Hrvatske Željeznice
300	Slovenia / Engrotuš
338	Croatia / Vipnet
343	Slovenia / Slovenska industrija jekla
358	Croatia / Hep Distribucija
374	Croatia / Hep Proizvodnja
403	Slovenia / Impol
422	Croatia / Adris
437	Slovenia / Mobitel

477	Slovenia / Acroni
479	Croatia / Končar
496	Croatia / OMV Hrvatska

The importance of great regional companies is very significant for transitional economies but also for well developed economic systems. Business companies are the only channels through which the economy of one country penetrates on markets and realizes effective integration in international economic flows and interests. There is no other or better way. So Croatia could correct the mistakes from the nineties. For this purpose we need a long-term strategy, the term which is not understood correctly on this territory or is used in vain (Primorac, 2007).

### Conclusion

From postulates given in this paper we conclude that the judiciary of Southeastern countries should adapt better and faster to the newborn global world. If transnational companies want to be successful on any market, they have to know how to adapt to local conditions. Globalization is the term found by Akio Morita, a co-founder of Sony Corporation.

The employers of transitional countries that we have mentioned should become aware of the need and necessity of business migration to some other countries because it is the only way for them to act successfully in contemporary economic processes which are necessarily connected by liberal free market.

Historical memories on the war will fade but we still have to take them seriously when thinking and planning economic movements in the region of Southeastern countries. Also the inhabitants of transnational countries should master new technologies as much as they can to adapt to the system of contemporary communication as integral part of globalization.

The first research of the project "031-2/2008 Research Into Matters Warranting, Economically and Situation-wise, Adaptive Restructuring of an Organization in a Dynamic Environment" implicate that in new international relations, economy and politics are interconnected more and more and it is hard to draw clear lines between the two spheres. Economy and politics are also under the impact of globalization which does not care for national boundaries.

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