

## A Short Study of Iranian Organizations' Needs in the Area of Globalization:

### Opportunities, Challenges and Relative Advantages

### UNE COURTE ÉTUDE SUR LES BESOINS DES ORGANISATIONS IRANIENNES DANS LA MONDIALISATION:

### OPPORTUNITÉS, DÉFIS ET AVANTAGES RELATIFS

Mohammad Reza Noruzi<sup>1</sup>

Jonathan H. Westover<sup>2</sup>

**Abstract:** Globalization and liberalization in developing countries is a lengthy process that has been a long time in the making. Some countries have accepted the reality of globalization while other undeveloped nations have yet to fully embrace this shift. For some, this has been in part due to fears among some underdeveloped nations that embracing globalization and becoming increasingly connected to a global economic network would put them in a bad position with relation to other powerful countries and multinational firms. Iran is an example of a developing country trying to be competitive in an increasingly global economy. The aim of this paper is to identify the needs for Iran and Iranian organizations in the process of globalization, focusing on opportunities, challenges, relative advantages and practical guides.

**Keywords:** Globalization; Local development; Opportunities and Challenges

**Resumé:** La mondialisation et la libéralisation dans les pays en développement est un processus long à parcourir. Certains pays ont accepté la réalité de la mondialisation alors que d'autres pays sous-développés ne se sont pas encore pleinement habitués à ce changement. Cela a été dû en partie à des craintes chez certains pays sous-développés qui considèrent que la mondialisation de plus en plus globale et un niveau plus élevé de se connecter à un réseau économique mondial vont les mettre dans une mauvaise position par rapport à d'autres pays puissants et à des entreprises multinationales. L'Iran

---

<sup>1</sup> Executive Master Business Administration, EMBA Islamic Azad University, Bonab, Iran Faculty of Humanity Sciences, Department of Management and Accounting Young Researchers Club Member, IAU Bonab, Iran Email:mr.noruzi.pnu@gmail.com

<sup>2</sup> Ph.D. Assistant Professor of Business Utah Valley University 800 W. University Parkway, MS-119 Orem, UT 84058-5999 801-863-8215 Email: jonathan.westover@uvu.edu.

\*Received 20 May 2010; accepted 18 June 2010

est un exemple de pays en développement qui s'efforce d'être concurrentiel dans une économie mondialisée. L'objectif de cet article est d'identifier les besoins de l'Iran et des organisations iraniennes dans le processus de la mondialisation, en se concentrant sur les opportunités, les défis, les avantages relatifs et des guides pratiques.

**Mots-clés:** mondialisation; développement local; opportunités et défis

## INTRODUCTION

At the end of 20<sup>th</sup> century, globalization processes caused many different changes in the formation of economic blocks like European Union (EU), North American Free Trade Agreement (NAFTA), and the Free Trade Area of the Americas (FTAA).

However, globalization is much more than an economic issue impacted by international trade or capital flows, but rather is much more widely impacted by all areas in science and education, society and art, as well as other fields and academic disciplines. Globalization is a process which connects countries to each other's by different instruments like travel, visiting, communications and culture, as well as by trade instrument, services and investment. Television, mobile phones, satellite phones and the Internet and Ethernet are eliminating the barriers, for both people and economies. So the globalization will force the countries for an unavoidable relationship creating with other countries in the world of economies are the results of globalization requirements and we should adapt ourselves as well (Abdulrahim, 2003).

This paper first discusses the effects of globalization on varying increasingly global processes, such as international capital markets. Second, this paper provides a practical guide for Iran and Iranian organizations in addressing their needs in the process of globalization.

### The Effects of Globalization

There are different approaches and ideas surrounding the idea of "globalization," which we can categorize it in two broad areas: (1) some say that globalization is necessary and we should willingly and actively enter into this process, and (2) others take the quite opposite view, espousing the need for increased nationalism and consolidation of state power. However, arguably the mainstream view of globalization, at least among the people who matter in the countries that matter—the vast majority of economists, many political scientists, and political commentators—is that globalization is a benign force leading us ultimately to the era of converging world incomes (as poor countries like China open up to the world and see their incomes rise), converging institutions as democracy becomes a universal norm, and cultural richness as people of different background interact more frequently (Milanovic, 2002).

### Dimensions of Globalization

Among those who have studied globalization, Keohane and Nye (2000: 4) highlight the following dimensions of globalization:

**Economic globalization**, characterized as long distance flows of goods, capital and services, as well as information and perceptions that accompany market exchanges.

**Political globalization**, characterized by a diffusion of government policies.

**Social globalization**, expressed as the spread of ideas, information, images, and people (Dreher, 2003).

## **GLOBALIZATION IN THE MIDDLE EAST AND IRAN**

Recent political developments and crises have increased the importance of the Middle East to international affairs. The Middle East increasingly plays a significant role in various areas. In the political and managerial arena, the politics of the foreign policy of many nations are touched by developments in the Middle East. In the domain and area of world economy and management of change, the role of the Middle Eastern resources including oil and natural gas in shaping the world economy and competition is much greater than before (Semati, 2008, p.18).

### **Effects of Globalization on Capital Markets**

Globalization has affected capital markets in the following ways:

**Deregulation of Markets:** This is due to the changing and mixing of domestic laws with the international ones. This includes eliminating foreign exchange controls, reducing taxes imposed on foreign investors, relaxing restrictions on the purchase of domestic securities by foreign investors, the issuance of bonds by foreign borrowers and the involvement of foreign investment banks in underwriting bonds and stocks in domestic stock markets (Cairo and Alexandria Stock Exchanges, 2002).

**Information Technology, IT Advancements:** Organizations should adapt themselves with the newest technological instruments to compete in the hyper-competitive global economic world.

**Maximizing Investment Return** because of more trading becomes a global pursuit. The biggest increase in cross-border activity has been in equities. Cross-border equity flows have increased almost tenfold in the past twenty years.

**Capital Rising** because of joining with other investors has also become a global endeavor. Major exchanges have experienced this trend, with large numbers of foreign companies listed on exchanges with the primary purpose of raising capital.

**Equity Markets Have Become More Global:** Though the US markets remain dominant, their market share is declining. In 1985, the US accounted for 50 percent of the world's equity market capitalization. In 1995, it accounted for 39 percent. It is projected that by the year 2005, it will account for less than 30 percent (Cairo and Alexandria Stock Exchanges, 2002).

**Dominated Markets:** As markets are becoming more dominated by financial and economic institutions such as mutual funds, pension funds, insurance companies etc., globalization is accompanied by institutionalization. Today, giant institutions control huge sums of money, which they move continuously (Cairo and Alexandria Stock Exchanges, 2002).

### **Iran and Iranian Organizations' Need to be globalized**

Transnational broadcasting has been identified as a clear sign of a shrinking world, and an accompanying feature of globalization in many parts of the world (Alikhah, 2008).

Iran has been and continues to be an important country on the world stage. It contains enormous reserves of oil and gas and other mineral materials, it is the country with the world's fifth largest Islamic population (after Indonesia, Pakistan, India and Bangladesh) and it is the only predominantly Shiite power and government in the world (Lehmann, 2007).

### **Reinforcement Relationships with National Neighbor Governments**

Iran should reinforce its relationship with other neighbors like Iraq, Afghanistan, Pakistan, Russia, Azerbaijan, and others to develop its capital and markets for expanding exports.

In the globalization process, many of the actions taken by various states in the name of globalization have had major implications for domestic economic policies.

Recent military interventions in the Middle East have contributed to this environment in ways that are yet to be fully understood. Common features about the Iranian neighbors like Pakistan and Azerbaijan, such as having the same language, can foster trading and create a potential global market. In such a context, the need to study and comprehend Middle Eastern cultures and contemporary societies has become an urgent issue (Semati, 2008, p.18).

### **Reforming Immigration Laws like**

Unfortunately, Iran has often not been portrayed well in the international media to other countries. But while there are many political, economic, social, and cultural differences between Iran and other world nations, Iran and Iranian individuals and organizations are kind and warmly invite other countries (but according to Islamic rules). Iran should try to expand some of its capabilities and world image by seeking more tourists and foreign visitors. If foreigners and others who come to Iran find it suitable for investment, then they will come and the relationship with other countries will be developed more fully<sup>3</sup>.

Below are some practical suggestions that Iran should apply for the development of collaboration:

- **Limiting the maximum duration of the contract among migrant workers.**  
For example if they want to stay longer in Iran they can extend their stay and continue their projects (as estimating the exact time of a project is often very difficult for a contractor, a flexible schedule is needed (Social study, 2004)).
- **Encouraging returns or periodic returns for workers.**  
As stated above, international projects should have flexible scheduling and workers can easily return to their home when they want and the bureaucracy of returning workers to their home town should be simplified (Social study, 2004).
- **Facilitating conditions for migrant workers to return to the host country.**  
It is important to allow migrant workers easy return back to their homes when they want.
- **Use of tax policies to encourage migrant workers to the maximum income.**  
Iran should offer a low tax rate for foreign workers to trade in Iran easily (Social study, 2004).
- **Use of tax policies to encourage migrant workers to send part of their income to their mother country.**  
In Iran there is a boycott situation, so Iranian and other foreigners in Iran have difficulties sending or receive money. Iran should take steps to resolve this problem.
- **Use of the tax system for income tax return of the host country** (derived from migrant workers, professionals) to the mother country to compensate for the cost of training the work force.
- **Exchange of information between exporting and recipient countries' work force and coordinate their policies for more immigration.**
- **Set easier policies for short-term immigrants for those who want to come to Iran.** For example omitting Visa, like omitting for countries like Turkey and Azerbaijan.
- **Synchronization of insurance policies and social security for migrant workforces.**
- **Create an international organization for exchanging information and setting international labor migration standards** (Zamani, 2009).
- **Creating a Dynamic Society**  
Iran should seek appropriate methods to motivate all Iranians to participate in all business activities and encourage them to seek entrepreneurial activities within their family unit. In the globalization process, all citizens need to be active participants (Culture Studying, 2006).
- **Reforming Structure and Laws in all related to the Globalization Process**

---

<sup>3</sup> Recently the 9<sup>th</sup> government (recent government) of Iran extended invitations to Iranians living in other countries and has held a ceremony for them and asked them to collaborate with Iranian organizations in different sectors.

To become more globalized, Iran should seek change that would allow organizations should to be flexible and make some changes in their policies and laws. They should have easier regulation for other countries to join and enter into partnerships (Zamani, 2009).

Other practical guides for Iran to be globalized are:

- Reforming Globalization Trade Rules (Economics World, 2006)
- Regulating Globalization Foreign Investment and Competition Rules
- Reforming Globalization Labor Markets Rules (Economics World, 2006)
- Reforming Globalization Financial Systems (Zamani, 2009)
- Applying Globalization Effective Strategies (Economics World, 2006)
- Creating Globalization Social Security (Zamani, 2009)
- Management of domestic economy in the area of Globalization
- Synchronization Iran's policies with international organizations' ones (Iran Culture, 2006)

## CONCLUSIONS

We all find ourselves impacted by globalization processes in our everyday lives. Those who embrace the shift towards an increasingly interconnected global world and are prepared will be the winners in an increasingly hyper-competitive globalized economy (Culture Studying, 2006). Iranian firms should manage their organizations in this process and not let the organization manage them. Whether we want it or not, Iran will be impacted by the effects of globalization and we should actively prepare accordingly (Tabatabaee, 2009).

## REFERENCES

- AbdulRahim, Rahim. (2003). *Globalization and Nigerian Economic development*, presented at the 4th Annual National Conference of the Social Studies Association of Nigeria (SOSAN). Held at the Faculty of Education, University of Ibadan, Ibadan. 2003.
- Alikhah, Fardin. (2008). *The politics of satellite television in Iran. An introduction to media, culture, and society in Iran*. Media, Culture and Society in Iran Living with globalization and the Islamic state, ISBN 0-203-93483-0 , Routledge.
- Cairo and Alexandria Stock Exchanges. (2002). *The impact of globalization on capital markets: the Egyptian case*. Modified Version June 2002. available online at: [www.ssrn.com](http://www.ssrn.com)
- Culture Studying. (2006). *Globalization: National Identity in Iran*, available online at: <http://www.farhangshenasi.com/persian/node/200>
- Dreher, Axel. (2003). *Does Globalization Affect Growth?* Available online at: [www.ssrn.com](http://www.ssrn.com) pp.1-33
- Iran Culture. (2006). *Globalization and Iranian Culture and Structure*, available at <http://www.iranculture.org/dabirkhane/ravabet/viewpajohesh.php?id=195>
- Keohane, Robert O.; Joseph S. Nye. (2000). "Introduction", in: Joseph S. Nye and John D. Donahue (eds.), *Governance in a Globalizing World*. Brookings Institution Press, Washington, D.C.: 1-44.
- Lehmann, Jean-Pierre. (2007). *What if we turned Iran from a threat to opportunity?* Available online at: <http://www.imd.ch/research/challenges/TC030-07.cfm>

- Milanovic, Branko. (2002). *The two faces of globalization: a gains globalization as we know*, World Bank, Research Department. Available online at: [www.ssrn.com](http://www.ssrn.com)
- Social study. (2004). *Globalization and Iran, Globalization and Iran: should and should not*, available online at: <http://ejtemaei.mihanblog.com/post/24>
- Tabatabaee, Roya. (2009). *Iranian Globalization Challenges*, available online at: <http://www.khabaronline.ir/news-11248.aspx>
- Semati, Mehdi. (2008). *Living with globalization and the Islamic state, An introduction to media, culture, and society in Iran*, Media, Culture and Society in Iran Living with globalization and the Islamic state, ISBN 0-203-93483-0 , Routledge
- Zamani, Hadi. (2009). *Iran and Globalization Challenges*, available online at: <http://www.modiryar.com/index-management/ethic/global/2755-1388-08-08-14-37-03.html>