

A LOOK AT GLOBALIZATION FROM THE PERSPECTIVE OF COMPETING PRESSURES ON INIMITABILITY AND SUSTAINABILITY

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ABSTRACT

Globalization is a rapidly developing, multidimensional phenomena with effects that reach every segment and every country of the global business environment. Certain dimensions of that phenomena have produced benefits for developed countries or developing countries, or both, but some have produced increased direct costs or other effects that mitigate the seamless growth of the global economy. In most cases the costs and benefits of globalization are contextual, i.e. costs and benefits vary with the economic, cultural, and environmental conditions. But what implications do such phenomena have for issues on economic, environmental, and cultural sustainability? Globalization requires a measured degree of fittedness. Fittedness, in turn, requires comparability, not a seamless compatibility. The distinction is a matter of degree, but it is a very important distinction. That distinction, and some of the accompanying costs and benefits, can be demonstrated using the real world example of the exchange of information among global entities and countries, for financial reporting and tax purposes. In an ideal world that exchange is seamless such that the flow of information across borders and entities is free and unbiased. This is, however, not an ideal world, and either condition, i.e. a seamless or seamed information exchange, surfaces their own unique issues. Seamless exchange creates pressures for conformity, which has a very significant effect. It eliminates inimitability (the quality of being distinguishable from the rest of the global partners) and threatens an entity's or country's ability to sustain the degree of inimitability that it feels is necessary in its own environment. On the other hand, a seamed information exchange process provides opportunities for unscrupulous parties to exploit the gaps in the systems. The challenge for business is to evolve a system of information exchange that captures the benefits of comparability, yet preserves that opportunity for inimitability and mitigates the cost to an entity or country to sustain it. This paper uses these current issues in international financial reporting and taxation to (1) illustrate the effect of environmental factors on the process of debate and harmonization of standards, and (2) to illustrate the nature and magnitude of the potential costs to a seamed information exchange process.