

THE CHALLENGES OF GLOBALIZATION ON THE ACCOUNTING INFORMATION

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Abstract

Globalization is nowadays one of the most used terms, becoming a modern concept, that all the economists use as it is the main dictum of the management specialists. Globalization represents, in the new economy context, a process of intense changes that affects all the regions of the world, in a variety of segments. However, it appears that the society has not formed a precise idea of it. Therefore, it is important to learn about the history and components of globalization. Also, it is imperative to take a look at some institutions with major impact over the new global order.

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1. Introduction

Globalization is nowadays one of the most used terms, becoming a modern concept that all the economists use as it is the main dictum of the management specialists. This term must be found in the vocabulary of every respectable person, who should use it constantly, in every serious discussion. The explosion of articles of the Western specialty magazines tried to clarify, among others, the issue of the origin of globalization. The choice of the moment that marks the starting point of globalization is, without any doubt, contestable and controversial.

Some say that the globalization has its origins in the ancient times, while others sustain that the industrialization of the 19th century was the starting point of the phenomenon. Also, there are experts who believe that globalization is a baby of the 1990s. The first events, shy to be honest, can be

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placed a lot of centuries ago, when the first human beings were nomads, traveling from one place to another.

2. The history of globalization

The idea of globalization, as A. Mosa stated in 1999, finds its place even in the old theology. Jesus Christ himself ordered to his disciples to preach his message to all the nations, as it is noted in the Gospel According to Matthew, chapter 28, verse 19-20: *“Go ye therefore, and make disciples of all the nations, baptizing them into the name of the Father and of the Son and of the Holy Spirit; teaching them to observe all things whatsoever I commanded you.”* Assuming the advice, the Christian missionaries used it in their activity to Christianize the nations.

In 1999, Sneker considered that the first proofs of globalization date since the Roman Empire, but the true development of the phenomenon started in the 16th century, when the first marine expeditions took place around the world, and successfully continued in the 19th century, at the same time with the Great Industrial Revolution.

Although the concept of globalization has been highly used in the last years, it appears that the society has not formed a precise idea of it. A matter is clear: the phantom of globalization haunts the whole world, and a special mood (a global competition) includes the souls and minds of everybody.

So, the starting point of the economic globalization phenomenon remains a mystery. It can be affirmed that globalization does not represent a new event, as its symptoms appeared a long time ago, but, for sure, the actual connotations cannot be attributed to the incipient phases. Therefore, the attempts of putting the content of globalization on the account of such historical events are, in my view, a bit forced.

This apparently theoretical trap was outdated by many researchers (such as M. Weber), who made references about the coverage of the phenomenon. According to those experts, globalization covers three domains of social life (economy, politics, and culture). The economic globalization was the “central axis” of the phenomenon, manifesting even from the first historical phases and being fundamental for the development of the two others.

No matter how important are the political, cultural and ecological factors, in the end, the economic part is the one that determined the evolution of the globalization process. The Western expansion over the other territories

initially had economical connotations, later generating the consolidation desire over political power of some states and the instauration of a "cultural canvas" over the indigenous traditions. The economic globalization was a step forward over the cultural one, although the last had a significant contribution to understanding the common values at a global level.

Years ago, while characterizing the globalization in front of a group of German businessmen, the Director of the World Trade Organization said: *"We often wake up in the sound of an alarm clock radio made in Singapore. After drinking a Colombian coffee, and while watching an American news channel, we dress up in an Italian suit made of Australian wool. Then, we go up in a German car, made in the Czech Republic, to go to work in a multinational company that has the head office in London, designed by a Finnish architect. The lunch could be served then in a Mexican restaurant, run by a Moroccan taught in France. This is what globalization means."*

Although at first sight, it looks like a review of the main moments of the day, in fact, it is about highlighting the characteristics of a phenomenon as profound as it can be which affects the global economy.

Globalization is a controversial phenomenon, the main issue for the conferences, seminars, and debates on specialty magazines. Globalization even started ideological "wars" around it. The disputes based though on a strong motivation: economy, social life, culture, arts, religion, communications, and services.

Being a relatively new and abstract concept, globalization did not benefit, from the beginning, of a clear definition, because it was not a concrete object, effortlessly identifiable. Because of this fact, the concept could not be easily defined, most of the experts placing themselves in a Babel tower. According to G. Postelnicu, some were tempted, in order to define the phenomenon, to expose a whole theory in which the concept to be enclosed. Others cataloged it simpler, like an "Americanization," taking into consideration the global influence of the United States.

In the specialty press, the term was used to describe almost every economic and political development that can be linked to activities which exceed this sphere. It is certain that globalization long exceeded the initial sense of integration of the economic systems favored by the technological progress and the multiplication of commercial relations, acquiring strong emotional connotations.

Realizing an etymological analysis of the term, it must be said that the concept is a derivation of the word “global,” which appeared for the first time in the '80s, in the works of some researchers (M. Porter, K. Ohmae) of the well-known American school of business management (F. Chesnais).

In fact, globalization means a shorter form for a large range of economic, ideological, technological, and cultural changes and interrelations.

The economic changes mainly refer to the internationalization of production, fast growth of capital mobility, development of transnational corporations, and deepening and intensification of economic global interrelations.

The ideological changes mainly reflect over the liberalization of investments and commerce, decentralization, privatization and the adoption of political democracy in the institutional domain.

The technological improvements refer to the appearance of information and communication technologies that “lessened” the world and facilitated the transfer of goods and services at a global level. Globalization brought in the landscape of the new economy, undiscovered instruments such as the internet, smartphones or multimedia networks.

The cultural changes reflect in the tendency of harmonization of tastes and life standards by imposing a universal culture at an international level.

In the opinion of Hans-Henrik Holm, globalization appoints an intensification of economic, political, social, and cultural relations over national borders; so, it implies more than the geographical extension of a range of events and aspects. It means not only a significant intensification of global connections but also the awareness of the intensification along with the concomitant decrease of the importance of territorial borders.

In 1993, Frank Livesey proved that, in the Anglo-Saxon conception, globalization reflects the businesses tendency to establish production units all over the world, wherever the market is big enough to allow economies of scale. This fact leads to the increase of the number and size of multinational corporations. The main characteristic of globalization resides in the fact that goods, services, capital, work, and ideas are transferred by enterprises to an international level.

The continental conception (G. De Luca, S. Minieri, A. Verrilli) shows that globalization represents a recent process that consists of realizing a global-sized market, in the conditions of leveling the needs of the consumers, standardization of products and developing communications and mass media.

The enterprises interested in the phenomenon of globalization are characterized by an elastic, dynamic structure, with a high technological content. The fierce competition of the market puts the businesses in the situation of frequently re-examining their strategic plans to avoid the situation of being excluded from the market. No doubt, globalization does not refer only to the enterprises' activity and their commercial flows. It also includes the financial globalization that provoked significant changes in the structure of the global economy.

Moreover, Ruud Lubbers considers that globalization is an abstract concept. It does not refer to a concrete object, but to a societal process. To reflect clearer the term of globalization, it is necessary an explanation of an entire theory that uses the concept.

Treated through some coordinates such as distances, globalization represents a process in which geographical distances become an insignificant factor in surpassing the borders and the long economic distances, by expanding political and socio-cultural relations. Therefore, the networks of relations and dependencies exceeded the national borders, gaining global connotations. This internationalization of relations and dependencies generated fear, resistance, actions and reactions at a worldwide level.

However, there are authors who consider that globalization erodes the nations' autonomy, moving away from the ability to protect the citizens through welfare policies, bringing economic inequality, marginalization growth, and global insecurity.

In our opinion, globalization represents, in the new economy context, a process of intense changes, that affects all the regions of the world, in a variety of segments, including economy, technology, politics, mass media, culture, and the environment. It can be thought as a widening and deepening of the global interconnections in all aspects of the contemporary social life, from culture to terrorism, from economy to religion. It assumes a historical transformation, the expansion and acceleration of interaction through time and space, with profound implications for changing the power relations and the capacity of a community to establish its own fate.

On one side, all the processes known as globalization offer profits in productivity, the technological advance, higher life standards, more jobs, a better access to the necessary products for a smaller price, spreading the information and knowledge, and decreasing the poverty in some places on Earth. On the other side, there is a price of functioning and adopting the

practices of this global model, such as decreasing the economic and political control especially in the developed areas; destroying the natural resources; and eroding the cultural traditions, which will give birth to a hybrid. I believe that, through time, globalization has been emphasized by some factors, of which the most important were the technological changes. The process proved to be unequal both in intensity and in the geographical matter, the local and international dimensions.

So, it is important to emphasize a distinction between the quality and quantity of globalization. For example, a truly economic globalization involves a quality jump to a global economic system, which is not based on the national, independent economies. This system presumes the transfer of production, distribution and goods transactions to a globally consolidated market.

From any angle we'd look, it can be affirmed that mostly we live in an era in which the biggest part of the social life is determined by the global processes, in which cultures, economics, and national borders started to lose their identity. The core of this perception is constituted of the rapid and relative process of the economic globalization, which sustains the appearance and existence of a global economy, in which the national distinct economy and the internal, national, economic management strategies become irrelevant.

Analyzing profoundly the problems, it can be affirmed that globalization in its real meaning, represents a myth, but a necessary one.

Of the analysis of the current situation of global economy, it can be said that the world has been globalized, that there are hardly controllable forces which dominate the markets; the main actors are the transnational corporations that do not obey to any state, developing the global markets where its advantages prelate. However, the actual economy, which is so international-oriented, is not unprecedented. Nowadays, we experience one of the many conjunctures of the international economy, and we can affirm that the actual economy is less open and integrated than the regime which dominated the end of the 19th century and the beginning of the 20th century (1870-1914).

On the other side, the authentic transnational companies, the main actors of globalization, are extremely rare, the majority of societies being national companies that make commerce at an international level. Also, a migration of the investments by the advanced countries to the ones that are still developing can't be observed. On the contrary, it can be remarked a

significant concentration of foreign investments directly in the advanced countries from the triad Europe-Japan-North America, while the third world remains mostly marginalized.

For the moment, the process is rather misunderstood but fully felt. The factors which feed the globalization are known, although, it is not known the socio-economic landscape which will be experienced shortly. The immediate beneficiaries of the process are known, but it can't be said if the benefits hide harmful components or not.

In conclusion, it can't be talked about an effective management of the globalization. There is only the political effort of ruling the process as long as spreading the globalization emphasizes a new psychological characteristic of the contemporary world, which is the feeling of uncertainty over the future. At an international level, the actual situation is characterized by the fact that all the nation-states became linked, functional parts of a wide pattern of transformations and global flows. So, the transnational networks and relations developed in all the spheres of human activity.

3. The forms of globalization

Not everything is a part of the process of globalization and not everything is decisively determined by it because globalization has its limits. Examples for the sizes of globalization can be found in mass media and in the economic materials. As it was stated earlier, most of the times, the economic size is in the first place, and among the debated subjects, there are information about the growth of commerce and direct investments, the globalization of the financial markets, the role more and more significant of the integrated production at a transnational level, the role of multinational corporations and, necessary, about the global competition among these.

The main manifestation of the globalization phenomenon is the economic globalization, which is considered a historical process, the result of innovations and technological progress. Largely, the globalization of economy represents the increased interpenetration of the national economies, reflected, on a national level, in the growth of the role of commercial exchanges, investments and foreign capitals in forming the Gross Domestic Product. It means that a malfunction, no matter how small, or the weakening of some links of the economic interdependencies chain, can lead to a blockage of the whole gear because the same actors are present in all the markets of the world.

Regarding the globalization in the domain of production technologies, a very important role is played by the multinational corporations that managed, through a complex system of networks between many states of the world, to create a transfer of productive technologies even in the less developed areas or the ones without tradition in the field.

By opening new production capacities in different countries of the world, the multinational corporations managed to diversify both the supply markets and the sale ones, benefiting therefore of a larger ray of action and the diminishing of the activity risk due to eventual short circuits on the markets of some countries. In the conditions of a globalization of technologies and products, the finite products, as a result of those activities, became a real puzzle, its components being from different countries that provide the best value for money.

Mainly, globalization has to be understood as a growing international integration of the goods, services, and capital markets, realized by developing the transboundary economy and increasing the direct investments over borders. Globalization does not affect everybody in the same way and talking about an only set of implications would be misleading.

Some countries are better disposed than others to make businesses and to take advantage of the globalization. Similarly, some groups of the society are better gifted than others to support the consequences of the growth of integral markets. To some persons or geographical areas, globalization represents a “world of all possibilities and hopes,” while to others, globalization is like a phenomenon less controllable, that has harmful economic, social and political effects.

Beyond the differential impact over the ability to generate growth and welfare, the globalization affects individually the internal groups. Both in Europe and in the United States of America, the educated migratory groups of the population are better gifted to deal with globalization than those divisions that do not have the imperative level of education, are less flexible and less capable of adapting to new conditions and requested qualifications.

On an international level, there have been formed a high number of organizations, in all the fields of activity (economic, cultural, security, ecological), that try to keep the pace with the globalization and to impose some rules to assure the smooth running of the activities in the field, at a global scale. The natural selection of the institution that manages a certain domain was determined by the number of countries that adhered to it. So, for

example, in the commercial domain, the rules are done and applied by the World Trade Organization, in the field of security and human rights, the United Nations work successfully, and in the accounting domain, the International Accounting Standards Committee (IASC).

Next, let's take a look at some institutions with major impact over the new global order, such as the World Trade Organization or the International Accounting Standards Committee. The World Trade Organization (WTO) is responsible for a supervision over the multilateral commercial system, which evolved gradually in the last 50 years. Also, WTO represents a forum for continuing negotiations regarding the liberalization of the commerce with goods and services, by canceling the borders and elaborating new rules in the adjacent domains. The WTO agreements predict a common mechanism of regulation the disputes, which will help the members to defend their rights and to regulate the divergences between them.

WTO and its commercial system offer multiple benefits, some of which are well-known, while others are less evident. The objective of this ruling based system is to make sure that the markets remain open and to avoid the interruption of the access by imposing, suddenly and arbitrary, restrictions on imports. Nowadays, the World Trade Organization represents an institution that disposes of a legal and institutional frame, which is commercially multilateral. These characteristics establish the main contractual obligations of the respective governments, in terms of internal commercial legislation, towards the nominated institution and each of its members.

Let's take a look at the International Accounting Standards Committee (IASC). We chose this institution, out of many others, because my paper has a financial character, and because all the managerial decisions, that are taken at an international level, are grounded on information provided by the financial, budgetary or national accounting.

Therefore, the first results were not delayed as eight countries of all across the world (Croatia, Cyprus, Latvia, Malta, Kuwait, Oman, Pakistan and Trinidad Tobago) have replaced their national rules with the ones of IASC. Moreover, in some state, the international accounting standards complete the national rules in the field.

Four of the factors that characterize the contemporary evolution of accounting (normalization, standardization, harmonizing and convergence) are perceived differently by the national financial systems. In the countries which have a financial history, their effect has diminished in time, but in the states

with an economy in transition, their role is determinant regarding the adoption of the accounting legislation. A powerful pressure factor over these economic systems is the objective of accession to the European Union, which determines the adoption of financial rules that can make possible the understanding and pertinent interpreting accounting information by all the EU members: “*As new countries enter in the EU, and new societies adapt their structure to obtain the name of European societies, surpassing the stage of national society, we assist to the creation of a higher number of multinational societies.*”

4. Conclusions

Eliminating the borders in businesses, by increasing the level of globalization, brought with it the straightening toward a borderless accounting, in order to eliminate the anomalies of the different financial systems. In the synchronic and diachronic dichotomy, the synchronic defines the axis of simultaneity, and the diachronic refers to the axis of subsequence. While the synchronic leads to globalization, giving course to permanence in classification and assessment, frame in which terms like convergence or conformity seem appropriate, the diachronic breaks the permanence in the favor of changes. By convergence, it can be understood a straightening toward the same point between financial systems, while, by conformity, it can be learned a concordance with something preestablished.

In conclusion, it can be affirmed that using only one financial referential can be beneficial for all the actors involved in the financial reporting because only this way the accounting becomes credible, the entities have easier access to the capital markets and the audit of financial statements generates lower costs.

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