

# Globalization's impact on factors of production



**ASSIGN  
BUSTER**

PepsiCo, a renowned brand across the globe, is a market leader in convenient snacks, foods, and beverages, with revenues of approximately \$60 billion and over 285, 000 workforces. PepsiCo owns some of the world's most popular edible brands, including Pepsi-Cola, Mountain Dew, Diet Pepsi, Lay's, Doritos, Tropicana, Gatorade, and Quaker. Their brands are available worldwide through a variety of distributorship network, including direct store delivery (DSD), broker-warehouse, and food service and retailing.

Headquartered in Purchase, New York, with R&D Headquarters in Valhalla, The Pepsi Cola Company began operations in 1898 by a North Carolina Pharmacist and Industrialist Caleb Bradham, but after its merger with Frito Lays in 1965, it came to be known as PepsiCo. By 1997, it owned KFC (Kentucky Fried Chickens) a major fast-food joint, Pizza Hut, and Taco Bell, but these fast-food restaurants were spun off into Tricon Global Restaurants, now popularly known as Yum! Brands, Inc. PepsiCo continued its expansion policy and purchased Tropicana in 1998 and Quaker Oats in 2001. In December 2005, PepsiCo overcame Coca-Cola Company in market value for the first time in 112 years since both companies began to compete.

## **PEPSICO AND GLOBALISATION**

Globalization is the inclination of businesses, technologies, or philosophies to spread throughout the world, or the process of making this happen. The global economy is sometimes referred to as globality, characterized as a totally interconnected marketplace, unhampered by time zones or national boundaries. Proponents believe that globalization has the potential to create greater opportunities for growth throughout the world, benefiting the developed nations while leveling the playing field everywhere else;

opponents of globalization believe that it will merely increase the opportunities for the wealthier nations to take advantage of the poorer ones and, furthermore, could eradicate regional diversity and lead to a homogenized world civilization.

PepsiCo is an end user products company operating in highly aggressive markets and rely on sustained demand for their products. To generate revenues and profits, they must vend products that appeal to their customers and to consumers. Any important changes in consumer preferences or any failure on their part to give reaction to some of these changes which could effect in reduced demand for their products and attrition of their competitive and monetary position. The MNC's feat depends on their capability to react to trends in the consumer field that includes concerns regarding obesity, product features and ingredients. In addition, changes in product grouping demographics of consumer which can reduce the demand of their products. Consumer likings which can vary due to many factors that includes ageing of the common population, changes in public trends, changes in travel, retreat or leisure time activity patterns, weather, pessimistic publicity resulting from regulatory action or legal action against companies in their industry, a slump in economic conditions that have specific target on the utilization of their products. Any of these changes may decrease consumers' keenness to purchase their products. Their unrelenting success is also reliant on their product innovation, including maintaining a robust array of new products, and the value of their advertising campaigns and marketing programs. Thus it's evident that PepsiCo is facing stiff challenges in its path towards success but due to its work methodology and

managerial expertise in the field of Globalization, it's been able to sustain itself and emerge a winner. (Globalization, 2003)

## **PEPSICO AND DUBAI**

In Dubai, PepsiCo has given its sole franchise and distributorship to Dubai Refreshments. Dubai Refreshments (DRC) is an attraction in Dubai for more reasons than one. Tactically located on crossing point number two on the Sheikh Zayed Highway, the Pepsi logo catches the first sight of the visitors entering the metropolitan. Significantly the company successfully introduced the Pepsi assortment of products in the country UAE which has been performing similar from the past 45 years. A wide distribution network of DRC make sure that products of Pepsi are made available to all customers over the country like United Arab Emirates and around the world too. Dubai is a major tourist destination for the world mainly because of the variety it offers in terms of its culture, ethnicity and architecture. Due to the weather conditions prevalent in Dubai throughout the year, the presence of a major MNC such as PepsiCo makes it even more apt to make its presence felt there. PepsiCo brings with itself a large variety of products which in some way or the other suits the taste buds of the Global community. PepsiCo has been received by the UAE Government with open arms mainly due to its less-stringent norms relating to FDI and international trade. UAE has tied up with various countries to promote free trade across borders, which is a major factor in promoting the concept of ' Globalization'. (PepsiDRC, 2007)

## **PEPSICO AND LABOUR AS AN IMPORTANT FACTOR OF PRODUCTION**

Labor (Manpower) is considered a very vital organ of any organizational structure. PepsiCo is no different. PepsiCo has been a frontrunner in solving issues related to wellness of its employees by giving many fringe benefits to its workforce. It recognizes their importance. It doesn't discriminate between gender, caste or religion, which is evident by the fact that the current Chairman and CEO of PepsiCo, Indra K. Nooyi is a woman by gender and an Indian by origin. PepsiCo has also been recognized as the top employer of the world for the year 2010. It has received laureates from across the globe for being the best place to work in. In Turkey, for example, Forbes magazine acknowledged PepsiCo as the apex company " where women could be promoted the fastest." In Spain, Actualidad Económica renounced PepsiCo " one of the best companies that invest in training." Thus the Labor force of PepsiCo in Dubai have nothing to complain about when they've been associated with such an MNC which puts the interest of its employees as a top priority. (PepsiCo Recognized as a Top Employer around the World, 2010)

## **ISSUES FACED BY DUBAI WORK FORCE DUE TO GLOBALIZATION**

Off-centering: This is a major issue faced by many nations across the globe due to globalization. The MNC's bring with them technology which threaten to remove the use of manpower in its operation and cause imbalance between capital and manpower. But PepsiCo has been very diligent to this issue and has made sure that technological advancement will not affect the job of any employee in the organization. Wherever technology has taken

over manpower, PepsiCo has made sure to relocate the manpower to other projects. By this method, the company benefits in both ways.

**Work Specialization:** PepsiCo still maintains the trend of socialization of labor to enhance harmony in operation.

**International Competition:** Although PepsiCo has moved with time and has tapped cheap labour to enhance outsourcing, it has ensured that the existing employees do not have to bear the brunt of this move. The knowledge of local manpower will always be higher than that of some other countries in its own nation. Thus PepsiCo has acknowledged this factor and ensured lower attrition.

**Collective Bargaining:** PepsiCo has been able to maintain harmony between employers, employees and trade unions by giving a common ground to solve all differences.

**Employment Conditions:** Since more than 80% of the population of Dubai is non-nationals, it is evident that they are well educated and thus the question of the labour being unskilled in an organization such as PepsiCo doesn't arise at all. PepsiCo provides the best working conditions to its employees for which it has received global recognition. (Impact on Dubai Labor Force at Micro, Mesa and Macro Levels, 2007)

## **ECONOMIC FACTORS AFFECTING DUBAI WORK FORCE**

**Micro:** As far as Micro factor is concerned, PepsiCo has the best working environment an employee can ever ask for. The Micro factors include the

working conditions inside the firm and various issues related to relationship between the firm and its employees. Thus PepsiCo has adhered to maintaining a sound micro environment for its employees.

Meso: This includes the sector which the company operates in. Since PepsiCo is a Food and Beverage Company, its motive is to provide the best quality product and make it available at a reasonable price so that it can be ahead of its competitors such as Coca-Cola. For this, PepsiCo has a very effective marketing team which has been successful in projecting a very healthy image of the company. Thus it is a leader in its sector.

Macro: With the help of the UAE government, it has become easier for MNC's such as PepsiCo to come and establish themselves in this country due to its lenient FDI norms and trading practices. PepsiCo has returned the favor by offering employment opportunities to the people of Dubai and also increasing the foreign exchange reserves of the nation. Thus PepsiCo has had a very positive impact on the macro factors affecting Dubai Labor force.

## **CONCLUSION AND RECOMMENDATIONS**

After studying the various factors responsible for factors of production especially labor, it is evident PepsiCo has been able to overcome the various challenges posed by Dubai. PepsiCo has been able to achieve the pros of globalization, that is, lower cost of production and quality products with an efficient work force. Also it has been successful in eradicating the cons associated with globalization, that is, off centering, efficient utilization of unskilled labour and equal opportunity to local employees. By creating jobs, PepsiCo has been successful in implementing its Corporate Social

Responsibility towards the people of Dubai. PepsiCo has enabled the local companies to buck up and come to terms with quality products made by MNC's. This healthy competition is beneficial for the customers.

Few recommendations for PepsiCo are:

Introduction of more non-beverage drinks- In order to promote anti-obesity, PepsiCo should bring about more variety in its non- beverage section. The market trend is slowly changing towards demand for non-beverage drinks. In view of its competitor, Coca Cola, PepsiCo is lagging by a long way. It needs to bring about this change quickly.

Lower Expenditure on Brand Ambassadors- PepsiCo needs to check the amount it's spending on brand ambassadors. If this expenditure is controlled, the profits of the company will increase many folds.

Integration- For a brand as big as PepsiCo, sky is the limit. It should start focusing on backward and forward integration of its products. This will help the company to achieve economies of scale and improve the quality of their existing products. It should look to tie up with major food joints of countries it has entered. This will itself promote the company and the brand. (Shreshtha, 2010)