

Multi-national corporations

[Business](#), [Company](#)



This report is written and compiled by Hannah-Jean Dias, Emirhan Sanli, Papia Siddique, Insiya Lokhandwala and Huma Shahid. The report addresses the issues and challenges encountered by Multi-National Corporations. Multi-national corporations are operated on the basis of different perspectives. The report elucidates the various perspectives which could be integrated by corporations. Moreover it exemplifies the different types of Multi-national corporations.

Furthermore, it provides a description of real life issues faced by well known companies along with the managerial decisions taken by corporations to nullify the effect of their issues and deal with their challenges. Therefore this report has been written to alert the readers of the various possible issues which a multi-national corporation could face and the list of challenges with the various strategies innovative minds bring forward to control situations and prosper.

A Multi-national Corporation is a corporation whose assets and facilities are found to be situated in at least one country other than the home country. These countries have offices or factories in different countries A Multi-national Corporation is therefore very large. The organization structure is essential for a Multi-national Corporation which is amended slightly on account of inflexible variations found in other countries. Additionally a Multi-national Corporation can adopt various perspectives like ethnocentric, regiocentric, polycentric and geocentric for its establishment. There are several types of Multi-national corporations such as Multidomestic Corporation, Global Company, Transnational, Born Globals and Micro-Multi Nationals. A multi-national corporation has a head office which is usually

<https://assignbuster.com/multi-national-corporations/>

found in home countries which is centralized and is responsible for global management. A multi-national corporation cannot operate without a purpose.

Managerial functions provide a direction to Multinational corporations to handle their purpose i. e. it allows accurate planning for attaining the goals, provides tips on organizing the knowledge, employees, ideas and the wide range of work activities; which further suggests the strategies to be involved therein. Moreover managerial functions allocate the role of leadership amongst the leaders within the organization; providing them the various ideas and techniques they require in order to handle their subordinates. Furthermore managerial functions provide the idea of controlling the entire corporation. This elucidates that Multinational corporations are very important from the view point of Management as Management possesses a key role in its operation.

When a company wants to establish an organization, they have to decide which form of a global organization to run. This would include the Multinational Corporations (MNC), Multidomestic Corporation, Global Company, Transnational Corporation (TNC) and the Born Globals.

The first type is the 'Multinational Corporations' (MNC) which is a large corporation which has different offices and operations in other countries and are coordinated and managed by the head office which is usually based in the home country (Robbins, 2005). This would be achieved sometimes through Joint Ventures and Strategic Alliances. On account of this some companies have found that it had been successful when establishing their

company as a MNC. They had found an improvement with trade balance, decrease in unemployment and increasing demand for business service (Lowengart, 2001). Corporations such as Honda, Nike and Coca-Cola would be categorized as a Multinational Corporation.

The issues and challenges they mainly face would be regarding their association with the Third world countries. Even though they have had cooperation with the government of the host company with regards to capital inflow and improves the payment balances it would face problems with regard to price speculation, advantages with the exchange rates and allegations of bribery and corruption (Needle, 2004). These third world countries would be conquered by companies whose main aim was to maximize profit rather than help and assist with the countries economy and the social needs of the citizens (Leisinger, 2008).

Another form of a global organization which falls under the MNC is the 'Multidomestic Corporation' which is a corporation that is permitted to operate independently according to the local conditions of that country where it is based (O'Connell, 2009). This would mean that companies may choose which products will be sold within the country that best suits their needs like companies that chooses which cars should be available at the market for that country. Companies such as Nestle and Philips have been using this strategy.

This differs with every country as they have to develop different strategies for the products. The Multidomestic companies does not intend to exploit its relationships with is subsidiaries (Martinez, 1996). They take control of the

research and development, marketing activities and production. They have a decentralized management as the delegate authority for expatriate managers to customize their products. These expatriate managers develop a relationship with the host country nationals to learn more about their needs and preferences (Hitt, 2007).

The main problems of this approach would be that there is very limited variation of products that would suit the needs of majority of the people and not the minority. The challenge they face is their goal of flourishing with a decentralised structure.

The next type of MNC is the 'Global Company' which is where centralized management takes place from the home office that is responsible for combining inter-reliant strategic business units worldwide and this achieving global efficiency. This strategy is most appropriate in situations where there is immense pressure from the society demanding for a cost reduction and a low responsiveness from the people (Hitt, 2007). The Global strategy focuses on the differentiation of products according to the cost differences (Asmussen, 2007).

The problem they face is related to the cost reduction related strategies and the challenge they encounter is their competition with other multinational corporations.

Another model of globalized corporation is the transnational or borderless organization. Transnational companies comprises of networks of specialized units, focusing on linking the local firms with the center (Crainer, 2003).

There are no restrictions on which entity is given manufacturing and technology development authority, and it focuses on how local system can utilize worldwide opportunities. Some of the borderless organizations are successful companies like Microsoft, Sun Microsystems and Qualcomm. Transnational companies are regarded as being a vital resource of a country, and commonly display negative effects of globalization such as exploitative wages, pollution, and cultural imperialism. Transnational companies mainly focus on improving product quality because of the intense competition.

One of the crucial challenges faces by transnational companies is that consumers expect them to be socially responsible in terms of public health, worker's rights and the environment 'To succeed, transnational companies must manage brands with both hands' (Halt et al, 2004), i. e. to refine their products, prices and performances, and to fit the company into global characteristics. Borderless organizations' success is unpredictable due to which, the leader has to have necessary financial and technical skills as well as the intuition. However, the absence of a particular culture is advantageous as very few conditions exist. There are three techniques to manage effectively. Firstly, the company's goals should be shared. Secondly, senior managers have a crucial influence. Thirdly, there should be a set of policies for workers to gain flexibility (Bartlett and Ghoshal, cited in Crainer, 2003).

Companies that start as a global company are called 'Born-globals or global start-up (Cullen and Parboteeh, 2008). Companies can start as a multinational company if certain favourable conditions exist. They include

situations where skills are varied across different places, sources are pooled from other countries, there is a global demand for the service or product, when competitors go global, there is a need for increased sales and when there is an opportunity to internationalize.

According to Mr. Mikitani , CEO of Rakuten Group, Inc. 'the decision on whether or not to go global should not be based on the type of business that you are in, but in how you execute your global strategy' (2008). The company will have to hand over the decision making rights to local partners or local managers to be successful as they are best suited to that specific environment. Managing growth of a born-global firm is challenging as they have to hire the best people, but also need to be tolerant. To be successful, the company as well as its products has to be unique and innovative, and has to have strong contacts with large organizations.

One of the results of the Internet Revolution has been the creation of the new form of multi-national company, the micro-multinational; small entities that use the web to operate (Cullen and Parboteeh, 2008). Although new, it is likely to become popular in the future with the advances in Information Technology. Micro-multinational is similar to the transnational structure but operate as born-globals as they start through the internet.

These companies have no restrictions in terms of hiring workers from around the world. According to the United Nations, in 1990 there were about 30, 000 multinational companies. Today there are more than 60, 000. (Copeland. M, 2006). One of the challenges faced by Micro-multiationals is to increase the efficiency of operations to match the cost of implementing high-technology.

Another challenge is to hire an expatriate who could translate the language and knows the culture of people from the different locations in order to pool skilled people from around the globe, and to be able to train them.