

Multi national corporation

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



“ On balance, multinational corporations provide more positive outcomes for society than negative ones”. Multinational corporations are practically in every sphere of modern life, from policy making to the environment and international security; from problems of identity and community to the future of work and nation state. (Gabel and Bruner, 2003, VI) A multi-national corporation (MNC) is a business organisation which has its headquarters in one country but conducts and controls productive activities in a range of different countries.

There are numerous examples of such organisations, car manufacturers like Ford, Toyota, Honda , Volkswagen; oil companies like Shell, BP, Exxon Mobil ; technology companies like Dell, Microsoft, Hewlett Packard , Canon ; food and drink companies such as Coca Cola, Interbrew, McDonalds, FMCG companies like P&G and banking companies like Yes bank, Hsbs, etc.

According to Bartlett and Ghoshal (1998), the multinational organisation is defined by the following characteristics: ‘ A decentralized federation of asset and responsibilities, a management process defined by simple financial control systems overlaid on informal personal coordination, and a dominant strategic mentality that viewed the company’s worldwide operations as a portfolio of national business. In a multinational organisation, the decisions, obviously, are decentralised. ’ Generally speaking multinational corporations are a boon to this world.

They have made this world a better place to live in. There are numerous positive outcomes of a MNC. These corporations have brought this world together and have connected the whole mankind. They have developed the underdeveloped countries through their investments and improving their

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economy. MNC, by their very nature, are large organisations. Their size means they often have considerable power and influence and as a result have come in for some criticism of their actions. It is also assumed that MNCs tend to locate operations in poor countries only.

This, of course, is not the case. Honda and Nissan have both invested heavily in production facilities in the UK but are Japanese companies. (Bized, 2007) Multinational Corporations are believed to play a major role in improving the economy and lifestyle of the developing country. MNC have made this world a global village and connected people from all parts of the world and made them work together in a state of harmony. Due to these transnational corporations, the working of people from different origin, caste, and race is possible.

These corporations are the reason that we can now live together with any type of human. They have made it possible for us to think globally and live globally. It is believed among many economists that MNCs fill various gaps within a host country's economy. The first and most often cited one is that, when domestic investment and savings doesn't meet the required rate of growth in the economy, the gap in investment is filled by the MNCs' investment because these corporations have large funds and so can help in building an economy benefitting the whole world.

Secondly when the targeted foreign exchange is not met by the net foreign exchange derived from imports and exports together with net public debt, the gap is constituted by MNCs' net exports and capital inflow. These giant enterprises also fill the gap between targeted government tax revenues and locally raised taxes. Lastly the gap of management skills, entrepreneurship

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and technological skills are believed to be filled by the MNCs. They bind all sorts of people together because these are huge agencies and so require works of all type.

Engineers use technological skills to make a product which is sold by entrepreneurs using management skills and lastly the whole all account is managed by managers. So everyone works together filling up the gap between them. (Financial times, 2001) According to A. K. Cairn Cross, ' It is not possible to buy development so cheaply. The provision of foreign capital may yield a more adequate infrastructure, but rarely by itself generates rapid development unless there are already large investment opportunities going a begging. That is why the intervention of multinational corporations is imperative in the context of the economic growth and modernisation of developing economies where ample investment avenues lie open and yet due to lack of capital and technical know-how, these potentials remain unexploited. Multinational corporations help in reorganising the economic infrastructure in collaboration with the domestic sector through financial and technical help. These corporations build huge buildings and factories which improves the infrastructure of a developing country to a huge extent. Multinational organisations (MNO) have helped in he increase of employment in the host nation as well as in the other countries where it functions. Let us assume that a company manufactures and supplies raw material for making furniture. To this firm, the contract to supply the raw material for the new plant might be worth ? 35000. If the plant was not built then the firm will not generate that order and not receive that work. For workers working in the plant, the order helps to maintain the flow of orders and can keep them in

employment. It can also be expected that the additional income will find its way through the local economy.

If additional people are hired, they will receive an income which they spend. For existing workers, increased orders might equate to job security and they too might feel more confident in spending on new items - furniture, house extension, new white goods, holidays and so on. Inward investment therefore can act as a trigger to generating wealth in the local economy. If a MNC is attracted to an area then this might also lead to other smaller firms in the supply chain deciding to locate in those areas. Other firms providing services to these firms are then attracted to the area and so on. (Bized, 2007)

MNCs provide immense resources and investments, technology, innovation and expertise to the host societies. A culture of research and development is encouraged and human resources are developed, at least within the organization. MNCs also contribute significantly to the national treasury by paying taxes. As these organisations have huge revenues and profits so the amount of tax paid by these organisations is also large, this in turn lifts up the economy of the country. MNCs bring with them new ideas and new techniques that can help to improve the quality of production and help boost the quality of human capital in the host country.

Many will not only look to employ local labour but also provide them with training and new skills to help them improve productivity and efficiency. In some cases this can prove a challenge but in others it can lead to improvements in motivation and productivity. The skills that workers build up can then be passed on to other workers and so this improves the supply of skilled labour in the area which makes it more attractive to new industry as it

helps to reduce the costs of training and skilling of workers. In addition to the investment in a country in production and distribution facilities, a multinational corporation might also invest in additional infrastructure facilities like road, rail, port and communications facilities. This can provide benefits for the whole country as in building road or port one requires labour, therefore eradicating the problem of unemployment. If people are employed they will like to buy different products which will lead to increase of production and supply leading to making of new factories to meet the demand and therefore uplifting the whole economy. Peter Drucker (1975) remarks that multinationalism and expanding world trade are two sides of the same coin.

He points out that the period of most rapid growth of multinational trade was in the fifties and sixties. Indeed, during this period the world economy grew faster than the fastest growing domestic economy of Japan. India has always been facing the issue of brain drain since the past few decades where Indian students go to developed economies like United States for higher studies and never return back. But the above statement highlights a new trend, even though not as prominent as the earlier one, entrepreneurs migrating to other emerging economies for better business prospects.

But due to liberalization in 1991 many multinational corporations are allowed in our country which has reduced brain drain to a much greater extent, as students get the opportunities to work in a better environment that is matching their level of education, in their home country itself as these corporations give the skilled employees a good amount of money which was missing before the globalization. So they come back after the higher

education to work in their home country instead of settling in foreign nations. In short it causes Brain Gain instead of Brain Drain.

Good governance, organizational transparency, clear command structures, and performance-based evaluation and incentives programs for employees encourage the merit system. MNCs introduce a professional working environment and culture for local organizations to emulate, thereby promoting sound management and business education. In some cases, large-scale economies, quality control and a healthy competition lead to price cuts and other benefits for the end-user. People have more access to the comforts of life with a large variety of choices.

Today a person is available with many choices if he goes to buy a handbag or a shoe. There are ten brands offering the same material so the company is forced to use the best quality materials for their product reducing the amount of prices. Earlier before liberalization there was no competition so as there was a single local company selling a product which gave that local company full authority over the prices and the material used in making the product. These local companies used low quality material and increased the prices of the goods.

But this drawback has been fulfilled by these multinational corporations. MNCs help boost cross-boundary interaction among people. Even education, particularly, business education, has taken on a global perspective. The global perspectives and opportunities for cross-cultural understanding increase the adaptability of students to alien environments. This leads to the mixing of cultures and practices and encourages pluralism as well as competition which helps in overall learning of the student and makes him

capable of working in any environment. (Khalid Rahman, n. d. The enormous resources of the multinational enterprises enable them to have very efficient research and development systems. Thus, they make a commendable contribution to inventions and innovations. They also work to equalize the cost of Factors of Production- Land, Labour, Capital and Entrepreneur-around the world. MNCs also stimulate domestic enterprise because to support their own operations, the MNCs may encourage and assist domestic suppliers. So they help in increase completion and break domestic monopolies.

Today fun and entertainment have become a refuge for man from their misery, tension and daily hectic routine. A good level of Media Company can provide that kind of entertainment that will help the common man to relax. A good show can only be made if the company has enough funds to afford it which is only manageable by a multinational corporation. Due to the globalization we are able to enjoy the fun of the animated movies, thrill of James Bond and Romance of Twilight. We have been able to enjoy the 3D effects and the shopping mall life due to these corporations.

The luxuries offered by the Grand Hayat or Radisson are not possible without MNCs. Reliance is a perfect example for a MNC which provides entertainment to all sorts of people worldwide. From theatres to producing a movie, from channels to televisions, reliance provides everything related to entertainment to the rest of the world. The ‘ khushiyon ki home delivery’ of dominoes or the yummy Mc veggie burger of McDonalds was not even believed to be possible in your home town thirty years back. In this world of skyscrapers and travelling to mile long distances for work, one requires transport.

I don't think one can travel by foot twenty kilometres to your office. One has to possess a vehicle or travel by public transport. These vehicles are manufactured by the MNCs like Ford, Mahindra, Honda, Tata and many more. Multinational companies have made your easy and comfortable. In a survey carried over all over the world the most important, unavoidable and most needed service or profession is the field of medicine. To answer the question of MNCs having more positive outcomes than the negative ones, why not take this important field as an index, Particularly in India.

This is a proven fact that medical professionals trained in India are amongst the best in the world. A large percentage of doctors in NHS UK (NationalHealthScheme) 26 % to be exact, and in United States are doctors of Indian origin. This so called brain drain was primarily because of lack of availability of infrastructure and facilities for specialized training and treatments in India. With the advent of Multinational corporations the best of the training facilities, knowledge equipments and medicines are now available freely in India at affordable cost. Health commission of India, London) We take a particular example in the field of orthopaedic surgery, particularly joint replacements. The Dr. C S Ranawat- Atal Bihari Vajpai episode- is not far away when India or India trained doctors replaced our prime ministers knee joint with an artificial joint made by a foreign MNC which was designed and invented by Dr C S Ranwat himself. Incidentally who is from Indore and an old Dalian. To take a company in particular as an example DEPUY, this was previously owned by Johnson and Johnson but now merged with Synthes.

They are the largest manufactures of artificial joints of hip and knee in the world. As their operations are now very well established in India the best, latest joints are available freely to us. As these companies have access to the most modern training facilities and so the faculty Indian doctors can get trained in India and abroad at affordable expenses and with ease. The Depuy academy in Chennai, the Ethicon institute in New Delhi and many others are amongst the best training institutes in the world set up by these hugemultinational enterprises.

As these corporations have associations, sponsorships with the faculties who are in the fore front of research, the Indian doctors now have better opportunity to gain knowledge with the leaders in their field. The sessions held in many cities held in India of the American Academy of Orthopaedic Surgeon (AAOS) and annual meetings of IGOF Indo German orthopaedic foundations are possible only because of the logistic and financial support of these corporate. Similarly the British orthopaedic society is having a special autumn session in the national conference of the Indian orthopaedic association in Chennai.

So now we have a situation where the best of the medical professionals with world class training and knowledge armed with all the latest equipments and implants available at our door step. Now a common man who previously could not afford to have such modern operations or surgeries now can have access to them. One do not have to go abroad to have these procedures. Agreed that some profit goes to the multinational giants but the ultimate beneficiary is the common man. As the number of these high end surgeries

increases the local hospitals, doctors, infrastructure, paramedical staff have their own benefits.

Looking to the huge population of India and as the number of these surgeries are growing rapidly, the Indian doctors are also now becoming opinion at world level and the Mncs are designing the implants to special Asian needs. And as the experience of the Indian MNCs are supplying same products to the world. So the product used in its home country will be same as the product it has supplied to the rest of the world. One cannot deny the fact that, today multinational companies have become part of our lives.

With all the above glamour and luxuries offered by these corporations they provide a lot of economic help to the developing countries. There are some negative aspects of multinational companies but there are more positive outcomes. They have made our lives worth living. The technological advancements and business growth is the result of working of these corporations. MNCs have connected the world as a whole. Some will say that globalization has ruined the culture of a country, say India. But what MNCs have eradicated is not our rich traditions but our false believes.

One still celebrates Diwali with the same enthusiasm as he used to do ten years ago. But due to globalization today women have the right to vote, the literacy rate of our country has increased, female foeticide and infanticide is banned, untouchability has been banned, caste system is eradicated. Today people have started following their own dreams, not doing what others say. Education system of the country has developed. Number of students going into higher education is increasing year by year.

This all is possible only because MNCs have brought Globalization which has led to change in the narrow minded mentality of the people to a realistic logical one. Today's generation is grown up and does not live in a world surrounded by superstitions. Imagine a world without MNCs where we don't have all the big companies and your favourite brands. From coca-cola to KFC, from Reebok to Adidas, from Starbucks to Barista, CK to UCB, and Louis Vetton to Gucci " You Are Living It". REFERENCE LIST 1. Gabel M and H Bruner, 2003. Global In, New York: The New Press. 2.

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