Challenges faced by multinational corporations

Multinational Corporation (MNC) is one of type of potential firm in the world nowadays. A corporation can be categorized as MNC if there are 20% to 50% or more of its net profit from directs investment in one or more in foreign countries. (Iamsam, n. d).[http://hubpages. com/hub/Multinational-Corporations-MNCs]MNC are managed from one home country. With well-manage structure and due business firm good performance, it able to expand its products and services to foreign country. The growth of multinational corporations is measured by Foreign Direct Investment (FDI). When business firm make an investment in a second nation, the investment is counted as part of the outward direct investment from the source country. FDI is an investment in foreign firms where the foreign investor owns at least ten percent of the ordinary shares.

1. 2. Coca-Cola Company History

Coca-Cola is the largest manufacturer, distributor and marketer of non-alcoholic beverage concentrates and syrups that invented by Dr. John Stith Pemberton in Midtown Atlanta, Georgia in 1886. Today, Coca-Cola owns or licenses more than 500 brands, including diet and light beverages, waters, juice drinks, tea, coffees, and energy and sports drinks. It has already marketed 2400 beverage products in more than 200 countries globally at a rate of approximately 1. 5 billion servings each day. E. Neville Isdell leads the Coca-Cola Company into the new century with a firm commitment to the values and spirit of the world’s greatest brand. Today, Coca-Cola is recognized as the world s most valuable brand.

Coca-Cola Enterprises established in 1986, is a young company by the standards of the Coca-Cola system. Yet each of its franchises has a strong heritage in the traditions of Coca-Cola that is the foundation for this company. The Coca-Cola Company traces it s beginning to 1886, when an Atlanta pharmacist, Dr. John Pemberton, began to produce Coca-Cola syrup for sale in fountain drinks. However the bottling business began in 1899 when two Chattanooga businessmen, Benjamin F. Thomas and Joseph B. Whitehead, secured the exclusive rights to bottle and sell Coca-Cola for most of the United States from The Coca-Cola Company. The Coca-Cola bottling system continued to operate as independent, local businesses until the early 1980s when bottling franchises began to consolidate. In 1986, The Coca-Cola Company merged two large ownership groups which are John T. Lupton franchises and BCI Holding Corporation’s bottling holdings to form Coca-Cola Enterprises Inc.

In December 1991, a merger between Coca-Cola Enterprises and the Johnston Coca-Cola Bottling Group, Inc. (Johnston) created a larger, stronger Company, again helping accelerate bottler consolidation. As part of the merger, the senior management team of Johnston assumed responsibility for managing the Company, and began a dramatic, successful restructuring in 1992.

1. 3. Management Structure

To create an effective organizational structure is one of the important tasks for top managers. In the International division structure, the abroad branch of the company is the attachment of the parent company. The international unit is responsible for controlling all of the international activities of the company. The division can be based on geography, product or function. There is an international division head which is responsible for controlling all of the activities of these units. This division structure allows the multinational companies to freely explore resources internationally. Whenever there are changes in internal business environment, the companies which have this structure undergo some changes.

Coca-Cola Company as the biggest non-alcoholic beverage concentrates which also a multinational company has to handles the enormous capacity of its business by international division structure. Coca-Cola is geographically operating segments; the five groups are North America, Africa, Asia, Europe, Eurasia and Middle East and finally Latin America. These five groups can explore their own ideas as to upturn the performance and continue success of Coca-Cola.

2. Globalization

The process of globalization has impacted on the world s business operation which is mostly driven by the development of MNCs. According Macmillan Dictionary, term of globalization defines as concept a single economy and culture are developed as a result of advance in technology which easier the communications between two corporation and globalization mostly influence by multinational companies toward economic, financial, trade and communication. Besides, the United Development Program (1999) announces globalization is the most important integration of economy, political and cultural phenomenon across nation frontiers. (cited in Kiggundu 2002).

Our world is increasingly becoming global, not only has increased in interconnected of countries in the area of economics and political but also culture Coca-Cola is a good example of a business which truly international in scope. Coca-Cola reported that 67% of its total net income from non- U. S. source.

Various tactics used to expand globally:

- By setting up facilities and developing a global market which gives foreign markets easier access to our goods.
- Establishing transnational corporations to reduce production costs, and gives the companies cheaper labor.
- Competition-based pricing
- Product branding and positioning

The idea of globalization can be simplified by identifying several key characteristic:

1. Improved technology in transportation and telecommunications
2. Movement of people and capital
3. Diffusion of knowledge
4. Non-Governmental Organizations (NGOs) and Multinational Corporations

Impacts of Globalization

1.) Establishment of international alliances

The establishment alliances or coalitions which link firms of the same industry based in different countries. MNCs commonly engage in international alliances such as joint ventures and licensing agreements with foreign firms. Coca-Cola formed global joint venture with many industries to strengthen its company buy launching new products. These are the few joint ventures for Coco-Cola which doing well and earned huge profit on it.

a. Coca-Cola joint venture buys Philippine drink company

San Miguel, the Philippine food and beverage company, and its joint-venture partner Coca-Cola agreed yesterday to pay 14 billion pesos ($269 million) for the Philippines' second-largest soft drink company, Cosmos. The purchase, which defeated a bid by PepsiCo, will give the joint venture, Coca-Cola Bottlers Philippines, a 90 percent share of the Philippines' $1-billion-a-year soft drink market. The deal was approved when Cosmos's majority owner, the RMF Corporation, agreed to accept a lower offer after San Miguel discovered that some Cosmos equipment was below Coca-Cola's standards. Wayne Arnold (NYT)

b. Joint venture between Coca-Cola and Nestle to tap rapidly growing beverage segments

Coca-Cola and Nestle Refreshments (CCNR) is their highly successful joint venture formed on 1991 which operates directly in 24 countries and enjoys a strong position in the ready-to-drink tea category. On 30Jan2001, CCNR rename as Beverage Partners Worldwide (BPW) function as an entrepreneurial unit dedicated to tapping the growth potential of emerging beverage segments, actively expand into new beverage particularly ready-to-drink coffee, teas and beverages with a healthful positioning. BPW also focus on expanding its geographical with existing products include Nestea and Nescafe and new products inclusive of Tian Yu Di tea and Yang Guag tea businesses undertaking by Coca-Cola.

c. Joint venture of Coca-Cola Company and Illycaffe Spa

They introducing three premium ready-to-drink (RTD) espresso-based coffee products. The products are:

- Caffe full-bodied character, real Italian ‘ chilled caffe.’ First ready-to-drink coffee to offer black (no milk) espresso-based coffee.
- Cappucino intense uplifting aromas of illy espresso, blended with milk and dark cacao.
- Latte Macchiato smooth fresh illy espresso experience, swirled with milk.

The product will be available in stylish premium can to attract the consumer. The RTD first launch in 10 European countries including Austria, Croatia, Greece and the Ukraine as the firm aim of their joint venture.

After 1 month, the additional countries in Asia, North America, Eurasia and the Pacific as the expansion of the sales and will be delivered through the Cola-Cola system. The highly profitable RTD coffee category globally is valued at just under $16 billion and has experienced several years of growth that is expected to continue. Globally (excluding Japan), the ready-to-drink coffee category has grown at an average rate of 10. 1 percent over the past five years.