

Business Without Borders



Multinational Corporations

Outline

Multinational Corporations

Globalization & Culture

Labor

Corporate Social Responsibility



Multinational Corporations

What is a Multinational Corporation?

A business that operates in two or more countries

Google



Nestlé

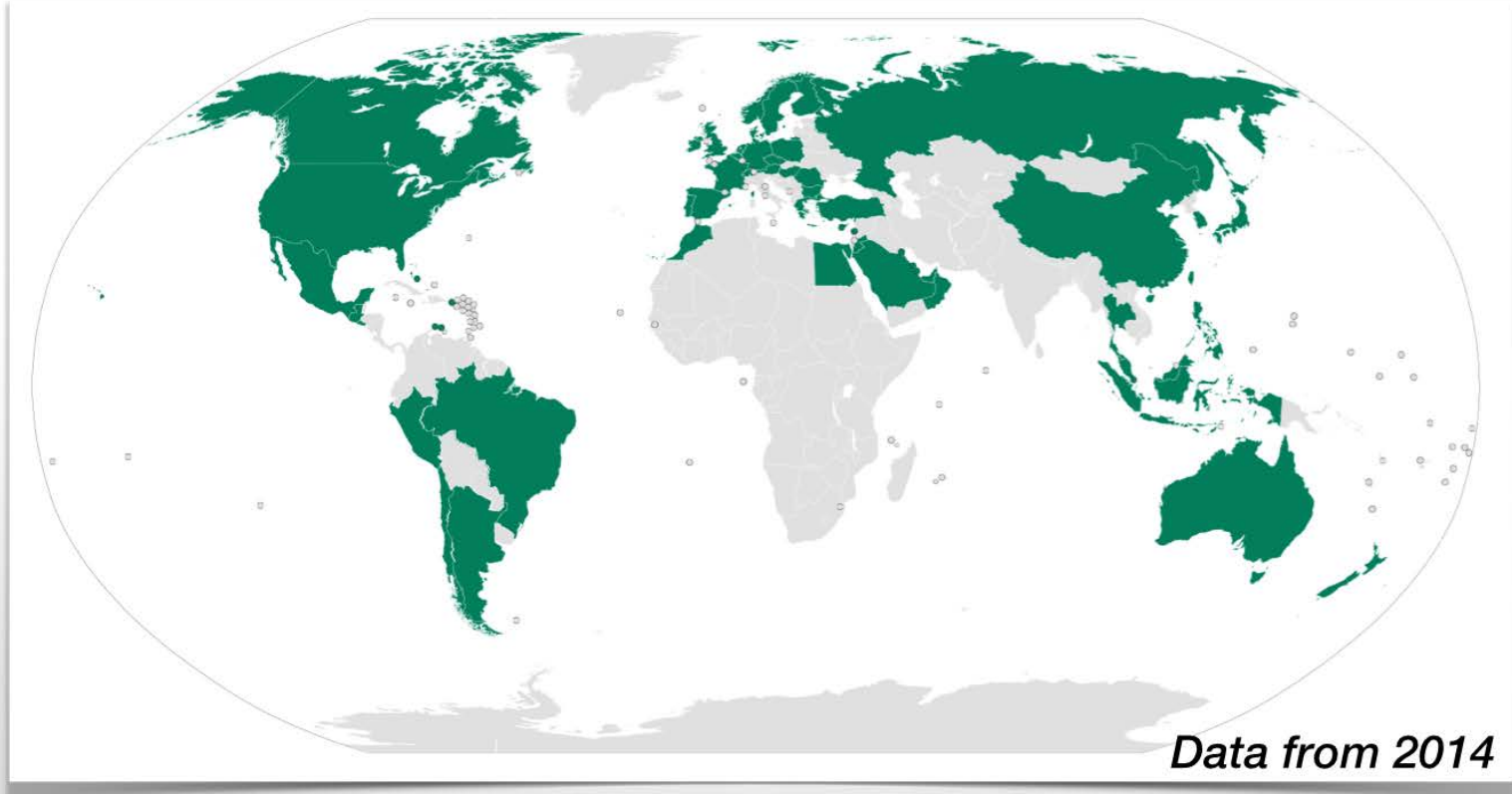
Walmart



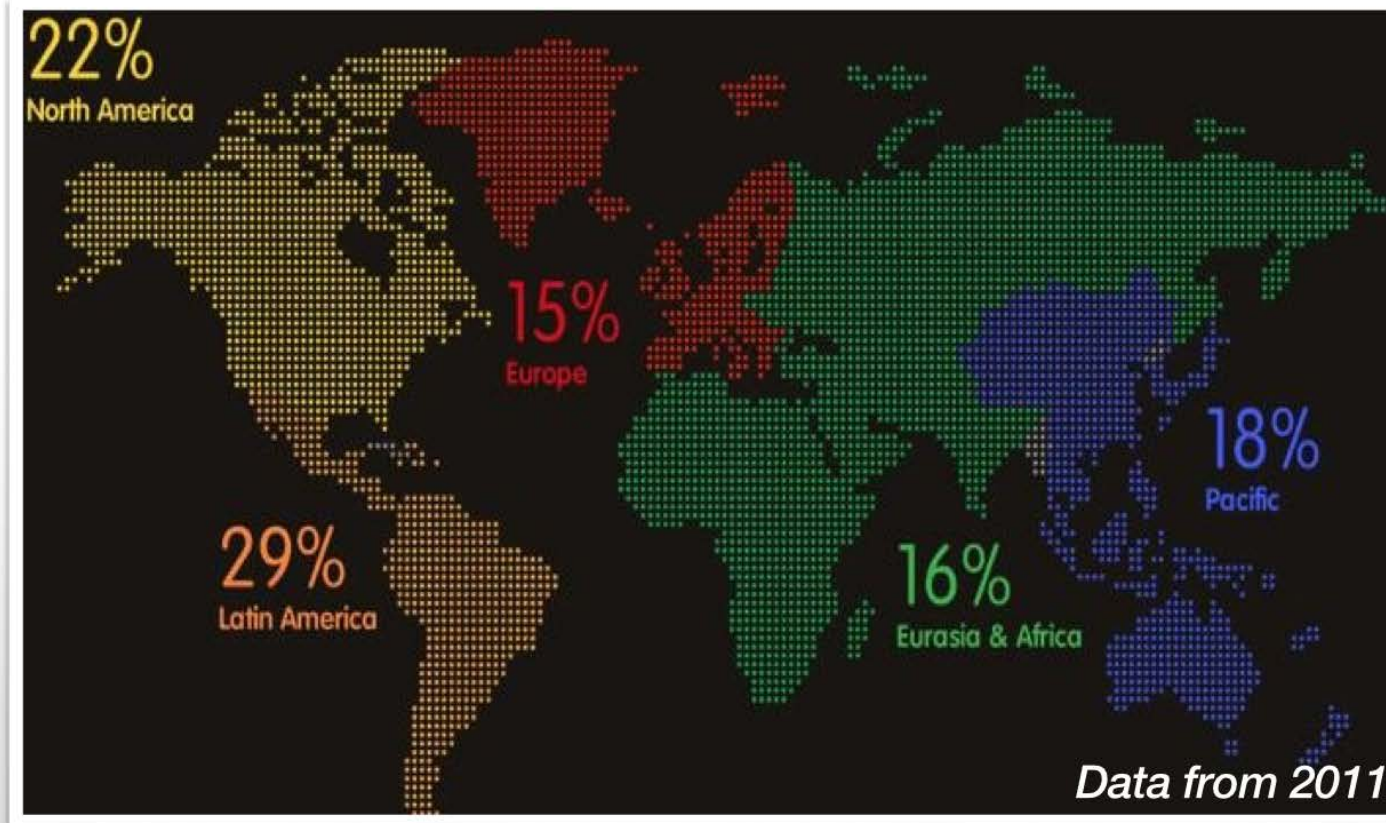
Save money. Live better.

Disney

Starbucks Coffee



Coca-Cola Consumption



Headquarters for...



Nestlé



Headquarters in Japan



Sony



Toyota

Headquarters in Korea



KIA



Samsung

Why go Multinational?

- Do you want to make more money?
 - For companies to earn more money, they must grow
 - Expand overseas into new markets
 - Sell their product to new buyers
 - Reduce the cost of production

Choosing a Production Site:

- Wages
- Quality of labor (work force)
- Political Stability
- Transportation Systems
- Restrictions & Regulations
- Culture/Linguistics

How Big are They?

- 100 largest “economies” in the world:
 - 51 Corporations
 - 49 Countries
- Top 200 MNCs’ combined sales are bigger than the combined economies of 182 countries

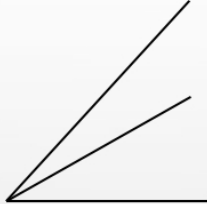
How Big are They?

- Top 200 multinational corporations...
 - Employ < 1 % of the world's work force
 - Create 25 % of the world's economic activity

The Global 500

- The world's 500 largest companies generated \$27.6 trillion in revenue and \$1.5 trillion in profits (2015)
- These companies employed 67 million people worldwide and are represented in 33 countries (2015)

Demand for MNCs

- Countries compete to attract multinational corporations
 - Jobs
 - Tax Revenue
 - Modernization
 - Technology
 - Investment
 - Infrastructure
- 

Review Questions

- What is a Multinational Corporation?
- Can you name some examples of other Multinational Corporations that have not been listed yet?
- Out of the 6 factors to consider for choosing a production site, name 3 and explain.

Globalization & Culture



Globalization & Culture

- When countries, or countries and multinational corporations, interact through trade, cultural exchanges occur
- Exchanges are not always equal, and sometimes there is a loss of culture

Cultural Phenomena



McDonaldization



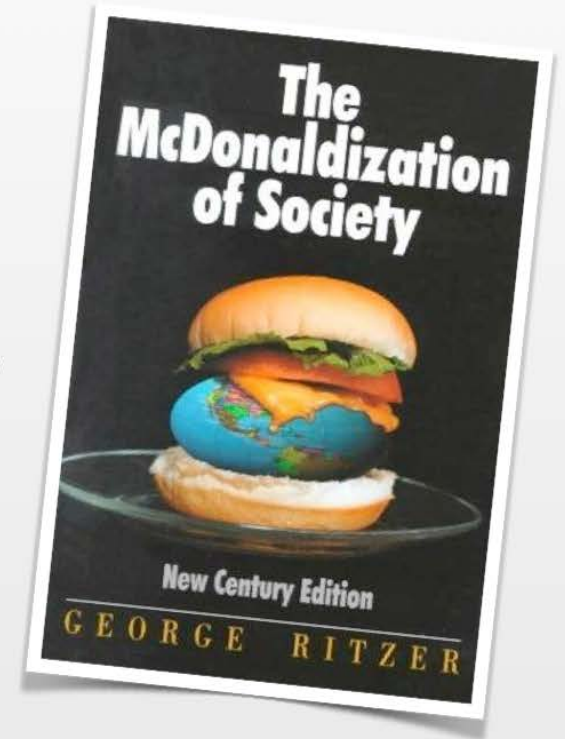
Disneyfication



Walmarting

McDonaldization

- The replacement of traditional restaurants with McDonald's
- The process by which a society takes on the characteristics of a fast-food restaurant



Patterns that Work

- Drive-through convenience
- Is quality sacrificed for profits?



Patterns that Work

- Standardization
 - Production
 - “A french-fry is a french-fry”
 - Customers know what to expect
 - Services
 - “From man to machine”
 - Eliminating human error



Disneyfication

- Used to describe the way that principles of the Disney theme parks are spreading throughout society
 - Products
 - Parks



Disney on 3 Continents



Disney Hong Kong



Disney Europe



Disneyland, CA

Walmarting

- The spread of Wal-Mart's business model, and the national/global implications of that proliferation



The Business Model

- Marketing to a broad range of people
- One-stop shopping



The Business Model

- Uses the tactic of lowering its prices in order to attract consumers away from its competitors
- Employment of store workers for low wages, few benefits, and little job security to reduce overhead



Walmart's Competition



Pros

- Consumers save on low-cost goods
- Saved money can be diverted to create jobs
- Retail-driven price competition eliminates wasteful deployment of capital and labor

Cons

- Force local businesses into bankruptcy
- Reduce the standard of living for local workers in some areas
- Force American suppliers to rely on low-wage foreign producers for goods

Local Context

- There is no Wal-Mart in the Costa Mesa/Newport area
- Why do you think that Wal-Mart couldn't get permission?
- If you had a small successful business, how would you feel if a large corporate store came in?



A Two-Way Street

- Societies are not helpless against competing cultures.
- They may select certain aspects of different cultures to adopt while rejecting others.



Positive

- M-PESA is a mobile money transfer service in Kenya
- 1 in 5 adults have a bank account
- High security risks with online banking on computers
- Phones are far more secure



Negative

- Cigarette Vending Machines
- Gendered Vending Machines
- Cigarette Warning



McDonalds Adapts

- India
 - The Maharaja Mac
- Greece
 - The Greek Mac
- New Zealand
 - Kiwiburger



Review Questions

- What do you think "Globalization" means?
- In what ways may the receiving country lose cultural values through MNC's?
- In what ways can MNC's adapt to the local culture? Name any examples?
- List one pro and one con from "Wal-Mart"-ing



Labor

CHICAGO SUN-TIMES

Labor: Workers & Employees

- Multinational corporations hire massive numbers of employees to produce products and services
- Labor issues cover a broad spectrum of topics
 - Unions
 - Outsourcing
 - Health insurance
 - **Sweatshops**
 - Pensions



Sweatshops

- **Sweatshop** – A shop or factory in which employees work long hours at low wages under poor conditions



Exploitation?

- **Exploitation**
 - Using another person for selfish purposes
 - An action that exploits or victimizes someone
- **Examples**
 - Hazardous working conditions
 - Low wages
 - Child Labor

Revising Labor Practices

- Walmart & Nike
 - Two of the largest corporate sponsors of sweatshop labor
 - State they have safeguards in place to avoid using the worst sweatshops
- Old Navy, Gap, Guess, Donna Karen, Victoria's Secret – signed pledges with the U.S. Department of Labor



Sweatshops

- In many countries, workers are paid less than a dollar/hour

Minimum Wage		
Country	Monthly	Daily
Brazil	190	6.25
Chile	172.85	5.65
Estonia	300	9.86
Pakistan	66	2.16
Poland	322	10.59
Russia	41.85	1.35



Workers face long hours and hazardous working conditions

Review Questions

- What are some issues with labor?
 - For the countries the MNC's originate from?
 - For the countries the MNC's go to?
- What is exploitation?
 - Why is this term important for companies to keep in mind? –or avoid



Corporate Social Responsibility

What is Corporate Social Responsibility?

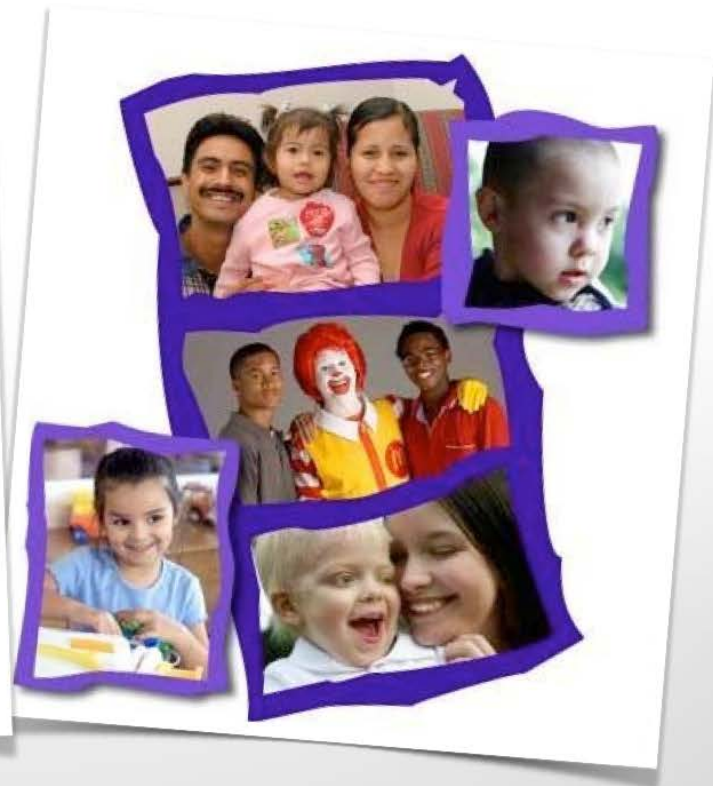
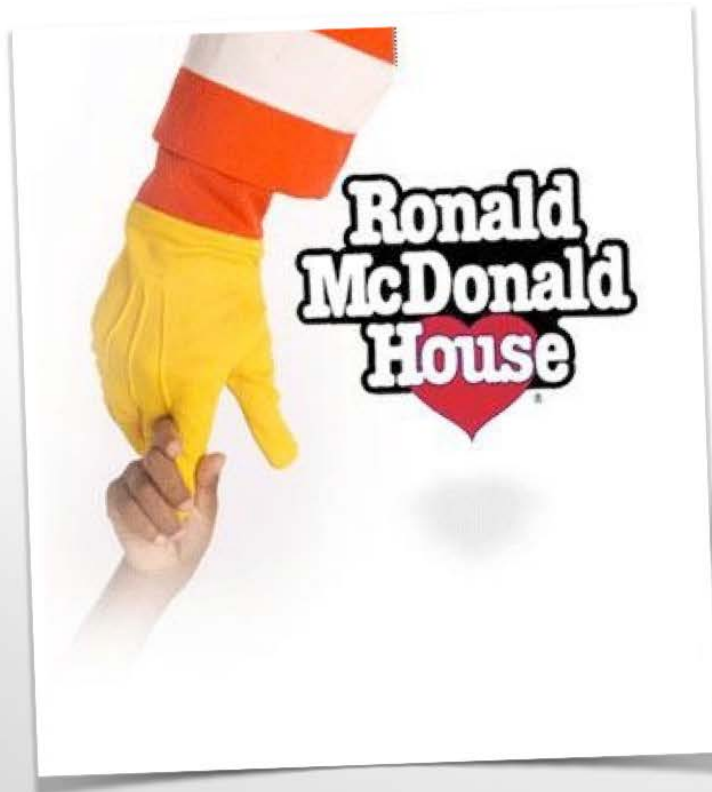
A concept that encourages companies to care for society, both by following the law and through philanthropy.

Coca-Cola Foundation

- Supports educational programs
 - Higher education
 - Classroom teaching and learning
 - International education
- Over the last ten years, our Foundation has contributed more than \$155 million in support of education



Ronald McDonald House



Ranking Generosity: Cash

Top Ten Ranked By Cash As % Of 2003 Income

America's Most Generous Corporations

Company	Ticker	'04 Cash Giving (\$mil)	'04 Cash Giving % Of 2003 Income
Target	TGT	88.8	2.1%
Nationwide	NFS	15.8	1.3
Coca-Cola	COKE	67.2	1.2
Safeway	SWY	35.3	1.2
Best Buy	BBY	18.8	1.1
Bristol-Myers Squibb	BMY	64.4	1.1
Boeing	BA	43.7	1.1
Caterpillar	CAT	32.6	1
Wal-Mart Stores	WMT	197.7	1
Aetna	AET	17.5	1

- Target donated cash to charities
- Charities ranged from educational programs in local communities to support for environmental causes

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- In terms of total giving:
- Pfizer = \$1.2 billion cash + products & services

Review Questions

- What is Corporate Social Responsibility?
- Which MNCs have given back to the community?
- What are the two ways a company can give back to the community?