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
Starbucks Coffee

Data from 2014
Coca-Cola Consumption

Data from 2011
Headquarters for...
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
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

<table>
<thead>
<tr>
<th>Country</th>
<th>Monthly</th>
<th>Daily</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>190</td>
<td>6.25</td>
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<tr>
<td>Chile</td>
<td>172.85</td>
<td>5.65</td>
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<tr>
<td>Estonia</td>
<td>300</td>
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<tr>
<td>Pakistan</td>
<td>66</td>
<td>2.16</td>
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<tr>
<td>Poland</td>
<td>322</td>
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<tr>
<td>Russia</td>
<td>41.85</td>
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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

<table>
<thead>
<tr>
<th>Company</th>
<th>Ticker</th>
<th>'04 Cash Giving ($mil)</th>
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<tr>
<td>Target</td>
<td>TGT</td>
<td>88.8</td>
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<td>1</td>
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<tr>
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<td>197.7</td>
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<td>Aetna</td>
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- Target donated cash to charities
- Charities ranged from educational programs in local communities to support for environmental causes
Ranking Generosity: Cash

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

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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?