Business Without Borders

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Multinational Corporations
Outline

Multinational Corporations
Globalization & Culture
Labor
Multinational Corporations
What is a Multinational Corporation?
What is a Multinational Corporation?

A business that operates in two or more countries
Coca-Cola Consumption

Data from 1996
Headquarters for...
Headquarters for... Nestlé
Headquarters in Japan
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
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

• 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
<table>
<thead>
<tr>
<th>Pros</th>
<th>Cons</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Consumers save on low-cost goods</td>
<td>• Force local businesses into bankruptcy</td>
</tr>
<tr>
<td>• Saved money can be diverted to create jobs</td>
<td>• Reduce the standard of living for local workers</td>
</tr>
<tr>
<td>• Retail-driven price competition eliminates wasteful deployment of capital and labor</td>
<td>• Force American suppliers to rely on low-wage foreign producers for goods</td>
</tr>
</tbody>
</table>
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 invading cultures.
- They may select certain aspects of different cultures to adopt while rejecting others.
Pizza! Pizza?

Various pizza options with prices and descriptions in Japanese.
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
Exploitation?

- Exploitation
  - Using another person for selfish purposes
  - An action that exploits or victimizes someone

- Examples
  - Hazardous working conditions
  - Low wages
  - Child Labor
Sweatshops

- Sweatshop – A shop or factory in which employees work long hours at low wages under poor conditions
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>
</tr>
<tr>
<td>Chile</td>
<td>172.85</td>
<td>5.65</td>
</tr>
<tr>
<td>Estonia</td>
<td>300</td>
<td>9.86</td>
</tr>
<tr>
<td>Pakistan</td>
<td>66</td>
<td>2.16</td>
</tr>
<tr>
<td>Poland</td>
<td>322</td>
<td>10.59</td>
</tr>
<tr>
<td>Russia</td>
<td>41.85</td>
<td>1.35</td>
</tr>
</tbody>
</table>

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
### America’s Most Generous Corporations

<table>
<thead>
<tr>
<th>Company</th>
<th>Ticker</th>
<th>’04 Cash Giving</th>
<th>’04 Cash Giving % of 2003 Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Target</td>
<td>TGT</td>
<td>88.8</td>
<td>2.1%</td>
</tr>
<tr>
<td>Nationwide</td>
<td>NFS</td>
<td>15.8</td>
<td>1.3%</td>
</tr>
<tr>
<td>Coca-Cola</td>
<td>COKE</td>
<td>67.2</td>
<td>1.2%</td>
</tr>
<tr>
<td>Safeway</td>
<td>SWY</td>
<td>35.3</td>
<td>1.2%</td>
</tr>
<tr>
<td>Best Buy</td>
<td>BBY</td>
<td>18.8</td>
<td>1.1%</td>
</tr>
<tr>
<td>Bristol-Myers Squibb</td>
<td>BMY</td>
<td>64.4</td>
<td>1.1%</td>
</tr>
<tr>
<td>Boeing</td>
<td>BA</td>
<td>43.7</td>
<td>1.1%</td>
</tr>
<tr>
<td>Caterpillar</td>
<td>CAT</td>
<td>32.6</td>
<td>1%</td>
</tr>
<tr>
<td>Wal-Mart Stores</td>
<td>WMT</td>
<td>197.7</td>
<td>1%</td>
</tr>
<tr>
<td>Aetna</td>
<td>AET</td>
<td>17.5</td>
<td>1%</td>
</tr>
</tbody>
</table>

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

- What is a multinational corporation?
- What are a few things corporations consider when choosing a location abroad?
- What is Labor?