MULTINATIONAL CORPORATION (MNC)

A multinational corporation (MNC) is a company that operates in its home country, as well as in other countries around the world. It maintains a central office located in one country, which coordinates the management of all its other offices, such as administrative branches or factories.

As ILO Report observes, "the essential nature of the multinational enterprises lies in the fact that its managerial headquarters are located in one country (referred for convenience as the 'home country') while the enterprise carries out operations in a number of other countries as well ('host countries'). Obviously, what is meant is a corporation that controls production facilities in more than one country, such facilities having been acquired through the process of foreign direct investment. Firms that participate in international business, however large they may be, solely by exporting or by hunting technology are not multinational enterprises."

Multinational Corporation responds to the specific needs of the different country markets regarding product, price and promotion. Thus, MNC operates in more than one country, but operates like a domestic company of the country concerned.

Characteristics of a Multinational Corporation

1. Very high assets and turnover: To become a multinational corporation, the business must be large and must own a huge amount of assets, both physical and financial. The company's targets are high, and they are able to generate substantial profits.

2. Network of branches: Multinational companies maintain production and marketing operations in different countries. In each country, the business may oversee multiple offices that function through several branches and subsidiaries.

3. Control: In relation to the previous point, the management of offices in other countries is controlled by one head office located in the home country. Therefore, the source of command is found in the home country.

4. Continued growth: Multinational corporations keep growing. Even as they operate in other countries, they strive to grow their economic size by constantly upgrading and by conducting mergers and acquisitions.

5. Sophisticated technology: When a company goes global, they need to make sure that their investment will grow substantially. In order to achieve substantial growth, they need to make use of capital-intensive technology, especially in their production and marketing activities.

6. Right skills: Multinational companies aim to employ only the best managers, those who are capable of handling large amounts of funds, using advanced technology, managing workers, and running a huge business entity.

7. Forceful marketing and advertising: One of the most effective survival strategies of multinational corporations is spending a great deal of money on marketing and advertising. This is how they are able to sell every product or brand they make.

8. Good quality products: Because they use capital-intensive technology, they are able to produce top-of-the-line products.

EXAMPLES OF MNCS

Microsoft
WIPRO
TATA
TATA CONSULTANCY SERVICES
Satyam
IBM
CSC

accenture
patni
ORACLE
Infosys
Google
CONVERGYS

verizon
NOKIA
Connecting People
Mentor Graphics
HSBC
Deloitte.
Cognizant Technology Solutions

POLARIS
live your dream
NCR
KANBAY
Honeywell
DELL
CAPMARK

MOTOROLA
we get IT done
INTELLIGROUP
FRANKLIN TEMPLETON INVESTMENTS
CYPRESS
cādence

Mc Graw Hill
invensys
Infotech
Creating Business Impact
Countrywide
CORDYS
ca

INTERGRAPH
HTMT
Bank of America
ANALOG DEVICES
amazon.com
ADP

VisualSoft
Sierra Atlantic
QUALCOMM
progressive software

Merits of MNCs

1. Economic Development: The developing countries need both foreign capital and technology to make use of available resources for economic and industrial growth. MNCs can provide the required financial, technical and other resources to needy countries in exchange for economic gains.

2. Technology GAP: MNCs are the instruments of transfer of technology to the host country. Technology is necessary to bring down cost of production and produce quality goods on a large scale. The services of MNCs can be of great help to bridge the technological cap between developed and developing countries

3. Industrial Growth: **MNCs** are dynamic and offer growth opportunities for domestic industries. **MNCs** assist local producers to enter the global markets through their well established international network of production and marketing. And there by ensure industrial growth.

4. Marketing Opportunities: MNCs have access to many markets in different countries. They have the necessary skills and expertise to market products at international level. For example, an Indian Company can enter into Joint Venture with a foreign company to sell its product in the international market.

5. Work Culture: MNCs introduces a work culture of excellence, professionalism and fairness in deals. The sole objective of Multinational is profit Maximation. To achieve this, the Multinationals use various strategies like product innovation, technology up gradation, professional management etc.

6. Export Promotion: MNCs assist developing countries in earnings foreign exchange. This can be done by promoting and developing export oriented and import substitute industries.

7. Proper Use of Idle Resources: Because of their advanced technical knowledge, MNCs are in a position to properly utilise idle physical and human resources of the host country. This results in an increase in the National Income of the host country.

8. Improvement in Balance of Payment Position:

MNCs help the host countries to increase their exports. As such, they help the host country to improve upon its Balance of Payment position.

9. Improvement in Standard of Living: By providing super quality products and services, MNCs help to improve the standard of living of people of host countries.

10. Research and Development: The resources and experience of **MNCs** in the field of research enables the host country to establish efficient research and development system. It is a fact that many **MNCs** are now shifting their research units to countries like India to avail of monetary incentives and cheap labour.

Demerits of MNCs

1. Problem of Technology: Technology developed by MNCs from developed countries does not fully fit in the needs of developing countries. This is because, such technology is mostly capital intensive.

2. Political Interference: The MNCs from developed countries are criticised for their interference in the political affairs of developing nations. Through their financial and other resources, they influence the decision-making process of the governments of developing nations.

3. Self-Interest: MNCs work towards their own self-interest rather than working for the development of host country. They are more interested in making profits at any cost.

4. Outflow of foreign Exchange: The working of MNC is a burden on the limited resources of developing countries. They charge high price in the form of commission and royalty paid by local subsidiary to its parent company. This leads to outflow of foreign exchange.

5. Exploitation: MNCs are criticised for exploiting the consumers and companies in the host country. MNCs are financially very strong and adopt aggressive marketing strategies to sell their products, adopt all means to eliminate competition and create monopoly in the market.

6. Investment: MNCs prefer to invest in areas of low risk and high profitability. Issues like social welfare, national priority do not find any place on the agenda of MNCs.

7. Artificial Demand: MNCs are criticised on the ground that they create artificial and unwarranted demand by making extensive use of the advertising and sales promotion techniques.

8. Danger for Domestic Industries: MNCs, because of their vast economic power, pose a danger to domestic industries; which are still in the process of development. Domestic industries cannot face challenges posed by MNCs. Many domestic industries have to wind up, as a result of threat from MNCs. Thus MNCs give a setback to the economic growth of host countries.

9. Danger to Independence: Initially MNCs help the Government of the host country, in a number of ways; and then gradually start interfering in the political affairs of the host

Role of MNCs in India

1. Profit Maximisation: Most of the private companies including MNCs have profit maximization as the most important objective. However, MNCs are expected to operate fairly and behave like a corporate citizen.

2. International Network of Marketing: India expects the MNCs to increase their exports and earn foreign exchange for India. But most of the MNCs transfer the foreign exchange to their parent country, just in the name of imports from their home country.

3. Diversification Policy: India expects the MNCs to diversify their activities into the untapped areas and the priority areas like core industry and infrastructure industry. But majority of the MNCs diversify into the more profitable areas. Eg: Indian Tobacco Company ventured into hotel industry.

4. Concentration in Consumer Goods: Most of the MNCs entered Indian consumer market like HLL due to the high profitability rather than capital goods market which is less profitable.

5. Techniques to achieve Public Acceptability: MNCs adopt a number of techniques to get the acceptability of the people of the country wherever they operate. For example, products of Lipton Unilever Company are more acceptable to most of the Indians. Most of the MNCs try to project themselves as it they were completely identified with the Indian culture and Indian economic policies. They also claim that they have acquired Indian nationality. It is criticized that MNCs in India use all these techniques to improve their business.

6. Existence of modern and sophisticated technology: As stated earlier, maximization of global profits is one of the major objectives of MNCs. MNCs develop modern and sophisticated technology in order to produce the products of high quality and lowest cost of production. They bring the technology to the developing world, but they do not provide the latest technology to the domestic companies of the Third World.

7. Business, but not social justice: MNCs are in business but not in social service. MNCs allocate their investments according to market demand in order to maximize their profits. Wide gap between the rich and poor has been one of the characteristics of India since long back. Therefore, a section of the Indian economy enjoy higher standard of living. MNCs in India have been concentrating only on this section in designing the product, pricing and services. MNCs normally do not produce the products to cater to the needs of poor section. They leave the poor section to the local business. Thus, the more profitable business is grabbed by MNCs and they left the less profitable business to the local markets.

8. Unconcern towards social responsibilities and business ethics: It is also criticized that MNCs try to maximize their profits and do not think of discharging their responsibilities towards Indian society. Further, it is criticized that MNCs exploit the Indian natural resources indiscriminately, export the products from India to other countries and transfer the proceeds of sales to their home countries. In addition, it is criticized that MNCs price the products exclusively based on business principles like supply and demand for products rather than the social considerations.

9. Cultural Erosion: Indian culture with regard to dressing patterns, eating habits, building and maintaining the relations, etc., are quite distinct from the rest of the world. But,.it is widely criticized that the MNCs activities with regard to type of the products (mainly cigarettes, liquor, beverages like coke etc.,), advertisements and the like, erode the Indian culture.