

# **GLOBAL BUSINESS MANAGEMENT**

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# MULTINATIONAL CORPORATIONS

Multinational corporations are typically large companies headquartered in one country but with operations in several countries. The defining trait of a multinational corporation is being incorporated in one country and doing business in several countries

A multinational corporation can also be referred to as a **multinational enterprise (MNE)**, a **transnational enterprise (TNE)**, a **transnational corporation (TNC)**, an **international corporation**, or a **stateless corporation**.

# MNC IN INDIA

- ❖ Microsoft.
- ❖ **IBM.** ...
- ❖ Nestle. ...
- ❖ Proctor & Gamble. ...
- ❖ Coca-Cola. ...
- ❖ Pepsico. ...
- ❖ CITI Group. ...
- ❖ SONY Corporation.

# FIVE CRITERIA OF MNC

- ❖ It operates in many countries at different levels of economic development
- ❖ Its local subsidiaries are managed by nationals
- ❖ It maintains complete industrial organizations, including R and D and manufacturing facilities, in several countries
- ❖ It has a multinational central management
- ❖ It has multinational stock ownership

# DOMINANCE OF MNC

- ❖ The global liberalization has paved the way for fast expansion and growth of the MNCs
- ❖ The economic clout of the MNCs is indicated by the GDP of most of the countries is smaller than the value of the annual sales turnover of the multinational giants
- ❖ Raise finances globally
- ❖ Forge international strategic alliances
- ❖ To manage all these, take on the best talent from all over the world.

# MNCs AND INTERNATIONAL TRADE

- ❖ The sale of foreign subsidiaries in the host countries are three to four times as large as total world exports
- ❖ Significant increase in the export intensity of the foreign affiliates of MNCs
- ❖ The abilities of multinationals to manipulate financial flows by the use of artificial transfer prices is bound to be a matter of concern government

# MODELS OF MULTINATIONAL CORPORATIONS

## 1. Centralized

In the centralized model, companies put up an executive headquarters in their home country and then build various manufacturing plants and production facilities in other countries. Its most important advantage is being able to avoid tariffs and import quotas and take advantage of lower production costs.

# MODELS OF MULTINATIONAL CORPORATIONS

## 2. Regional

The regionalized model states that a company keeps its headquarters in one country that supervises a collection of offices that are located in various countries. Unlike the centralized model, the regionalized model includes subsidiaries and affiliates that all report to the headquarters.

# MODELS OF MULTINATIONAL CORPORATIONS

## **3. Multinational**

In the multinational model, a parent company operates in the home country and puts up subsidiaries in different countries. The difference is that the subsidiaries and affiliates are more independent in their operations.

# ROLE OF MNC IN INDIA

**MASS PRODUCTION** With help of advanced technology, they can produce quality goods and products at cheaper price. Due to job innovation and specialization help to produce more consumption increase as production in more units reduce cost.

**INCREASE IN EMPLOYMENT OPPORTUNITY** A multinational corporation requires a large number of skilled as well as unskilled employees to operate its activities. Thus it provides employment opportunities to the people of host country as a result economic standard of society is improved.

**INCREASE IN GOVERNMENT REVENUE** A multinational corporation is a large scale business. It pays a large amount of duties, income tax, vat, etc. to government. Therefore Government revenue is increased due to operation of such corporations.

# ROLE OF MNC IN INDIA

**RESEARCH AND DEVELOPMENT** In complete world, it is need of Research and Development. To meet international standard of its products and services, a multinational corporation conducts several research and development activities. Constantly such programs are beneficial to society. It helps to develop better equipments, quality products and advanced technology in production.

**GOOD INTERNATIONAL RELATION** A multinational corporation recognizes the country in the international market. It creates harmonious relation between parent company and subsidiary countries. It recognizes exporting country to all over the world.

# ADVANTAGES OF MNC

- ❖ MNCs create employment opportunities in the host country.
- ❖ MNCs create more foreign investment in the host countries.
- ❖ MNCs create greater choices for consumers.
- ❖ MNCs improves quality of goods and services and decreases their prices as well.
- ❖ It leads to the transfer of technology and thus increases industrial development in the host country.
- ❖ MNCs break monopolies and create greater competition in the market.

# DRAWBACKS OF MNC

- ❖ It lead to the exploitation of labor force as MNCs mostly hired labors at cheap rates in host countries.
- ❖ MNC create problems for local business or companies and industries.
- ❖ MNCs pose a threat to the economical and political sovereignty of host country.
- ❖ MNCs also pose a threat to the natural resources of a host country

