FACULTY OF JURIDICAL SCIENCES

Lecture-32

Multinational Corporation (MNC)

A multinational corporation (MNC) has facilities and other assets in at least one country other than its home country. A multinational company generally has offices and/or factories in different countries and a centralized head office where they coordinate global management. Some of these companies, also known as international, stateless, or transnational corporate organizations, may have budgets that exceed those of some small countries.

- Multinational corporations participate in business in two or more countries.
- MNC can have a positive economic effect on the country where the business is taking place.
- Many believe manufacturing outside of the U.S. has a negative effect on the economy with fewer job opportunities.
- Transnational business is considered diversifying the investment.

A multinational corporation, or multinational enterprise, is an international corporation whose business activities are spread among at least two countries. Some authorities consider any company with a foreign branch to be a multinational corporation; others limit the definition to only those companies that derive at least a quarter of their revenues outside of their home country.

Many multinational enterprises are based in developed nations. Multinational advocates say they create high-paying jobs and technologically advanced goods in countries that otherwise would not have access to such opportunities or goods. However, critics of these enterprises believe these corporations have undue political influence over governments, exploit developing nations, and create job losses in their own home countries.

Characteristics of a Multinational Corporation

The following are the common characteristics of multinational corporations:

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.