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**MANAGING THE RELATIONS BETWEEN GLOBALIZATION
AS AN ECONOMIC, TECHNOLOGICAL, ECOLOGICAL AND
POLITICAL PROCESS AND THE GROWTH OF THE
MULTINATIONAL ENTERPRISE**

Summary: In the beginning, the article briefly describes the main phases of globalization paying attention to the most important factors, which were analysed and described: economic, technological, ecological (related the natural environment) and political. Global combination of above factors is good field for multinational companies to grow. The operations of multinational companies are described in general way. Finally, the example of Microsoft company is given.

Key words: Globalization, multinational companies, economy, technology, ecology, politics.

Introduction

Globalization has the undeniable and significant influence of the life of every individual. Many components of globalization process have

interfering. According to the author, the most important are the following factors: economic, technological, ecological (related the natural environment) and political. Global combination of them occurred to be good field for multinational companies to grow.

1. The development of globalization

The very first symptoms of globalization were geographic discoveries. Big discoveries started the era of highly increasing trade, made possible to expand the technology achieved on old world into the field of new world and, also, made an opportunity of mixing cultures. Since that time globalization had had different forms and changed significantly.

The second stage of globalization was after Second World War. The prerequisites for this stage were breakthrough in three significant areas: economic approach, technology and politics. Cultural changes have place too. The economic approach has changed because of merchants and merchants' state-cities. Their pragmatic, modern at that time approach was, in connection with technological changes, the trigger to industrial revolution which changed the way of life and extracted economic liberalization. The economic liberalization was one of the bases for raise of multinational companies.

2. The most important globalizing factors in recent time

Today multinational companies account for more than two-thirds of world trade. The process of global production has place. The notation, where the product was made now is just marking the place where product was completed. Generally, each of by-products or raw materials is, in multinational companies, from different part of the world and they are

processed and folded in ready product in one or in a few places (depended on economical profitability analysis and expected later measured efficacy of whole process of the production). All these activities have its economical reasons. These reasons are: cost of labor, availability of skilled and equipped stuff, tariffs, cost of raw materials, level of technology required to build planned product, stability of economies of the country the multinational companies are going to invest in, infrastructures in such countries, taxation levels, law transparency, political stability, political maturity and more. Costs of labor are important factor for multinational companies because it can be significant fraction of summarized costs. The significance of this item is easy to observe on the example of growing China, where the labor is the cheapest in the world. The problem, that low-cost labor is generally and most often not skilled and poorly experienced, is being solved through proper governance and connecting more precise and effective machine technology with comparably low cost labor. Sometimes, well skilled labor is crucial but then multinational companies send the future-workers to its training center another place in the world (when they must know and understand the western context of activities they will do in their home country) or train them in the local training center built especially for concrete multinational companies. But in the world of globalization of labor, there is always a question about training specialists. Multinational companies must be aware of the possibility of outflow of the skilled specialists from of the country (and company). Lots of them, when trained and experienced, are driven by money go to another country. The long-term costs of training stuff must be taken under consideration by multinational companies. Tariffs are also important factor for multinational companies. In general, tariffs are lower for raw materials

and by-products than for ready, completed products. Multinational companies use this relation to decrease their costs. In terms of taxation and tariffs, globalization can be perceived as the appearing of international agreements like for example GATT. The level of technology required to build planned product is, for multinational companies important because possibility of foreign direct investments (FDIs) called also green fields. The governmental approaches to FDIs are also becoming similar in all developing countries what is the symptom of globalization. Governments, to attract green field investments generally offer decrease of taxes (or temporary tax exemption) and free land for investment. The political issues are: different varieties of unions have grown in the world, development of international law and treaties, political stability and –connected – economic stability, law transparency and political maturity. Of course, the biggest influence for triggering the growth of multinational companies had emergence of European Union (Treaty of Maastricht) with one common currency among twelve countries. This factor let doing business freely, without additional tariffs and simplified the accountancy when no need to cope with different currencies. Such lowering of the transaction costs and decreasing the uncertainty of economic activity connected with currency rate was the great incentive to build new and/or strengthen existing international relationships. Moreover, EU gives unified law basis, which is –for following the EU norms multinational companies – the guarantee of not having high penalties cost in future. Global production process is the answer for global demand. World, called ‘global village’, is characterized by more and more homogeneous demand. The reasons are global media (generally global communication) and global transportation. Global media, using global technology, advertise and inform societies about

unified products (or partly various depended on part of the world or giving the choice for customizing – which is being done also as a part of production line). Global transportation of people and goods increases demand for global products. All these above-mentioned activities are connected with flow of money. Finance has been a hundred percent globalized by now. Flow of capital is fully free and unlimited. The item connected with this is taxation. The taxation levels are the reasons why multinational companies move out the revenues from the high tax areas and put them in so-called ‘tax paradises’.

3. The example

The good example of multinational company is Microsoft. This company mainly produces software for the entire world. Despite all products of Microsoft are similar, they vary in terms of concrete market and segment they are sold. There are products for companies and for home users, lots of language versions and even options making access to computer simpler for disabled persons, often provided on one CD. Microsoft has its programmers all over the world, who are writing code of new products and sending the results to center in Redmond. Central headquarter is ordering (at low cost) the production of copies of newest software for example in Thailand. From Thailand (and factories from other places) new product is transported to all computer stores in the world and to producers of computer, who send it as an OEM version. The OEM version abbreviation means the Original Equipment Manufacturer is selling the software with the brand new equipment. Cutting cost through telecommuting and releasing various versions of products brings the Microsoft their success.

Conclusions

Finally, globalization process has influence on multinational companies that is not to overestimate. They are internationally trading, producing and selling goods that have great impact on our lives. Multinational companies have important role in global development because they spend significant budgets on research and development of new products. On the other hand, great vast of those products is based on reckless consumptionism. This is because, the main goal of many (if not all of them) multinational companies is pure profit generation, what makes them irresponsible consumer of raw minerals and ores, without respect to local communities. Another drawback resulting from approach of multinational companies is the fact that they often use the scheduled aging of the products they make. However, it is worth noticing, that existence of multinational companies in its current form is strongly related to cost of transportation. Changes in oil prices may effectively hinder operations of multinational companies. What is more, in nowadays world, multinational companies must face dangers correlated to viruses resulting with human flow restrictions. All in all, we all should be aware that the factors: economic, technological, ecological and political are interfering each other. Managing the relation between those factors should mean also being conscious and the final price for any investment, good or labor cannot be expressed in money value only. Right management of the relations between globalization as an economic, technological, ecological and political process has the crucial role for the growth of the multinational enterprise. However, the growth should be perceived more holistically, wide and responsible than the money only.

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