

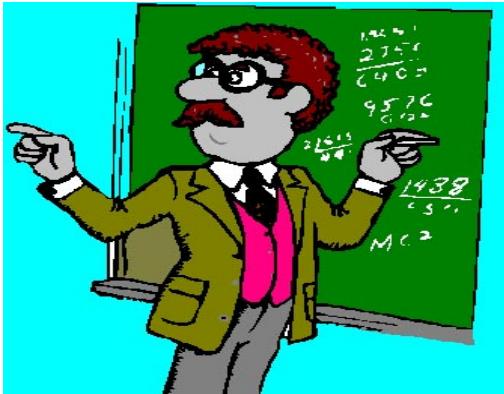


# Contemporary World

**Dr. Muhammad  
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# Contemporary World



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# 5th Lecture

## Role of Multinational Companies and NGO's in the Developing World

- Multinational Companies(History)
- Multinational Corporate Culture
- Positive role in the development of the world

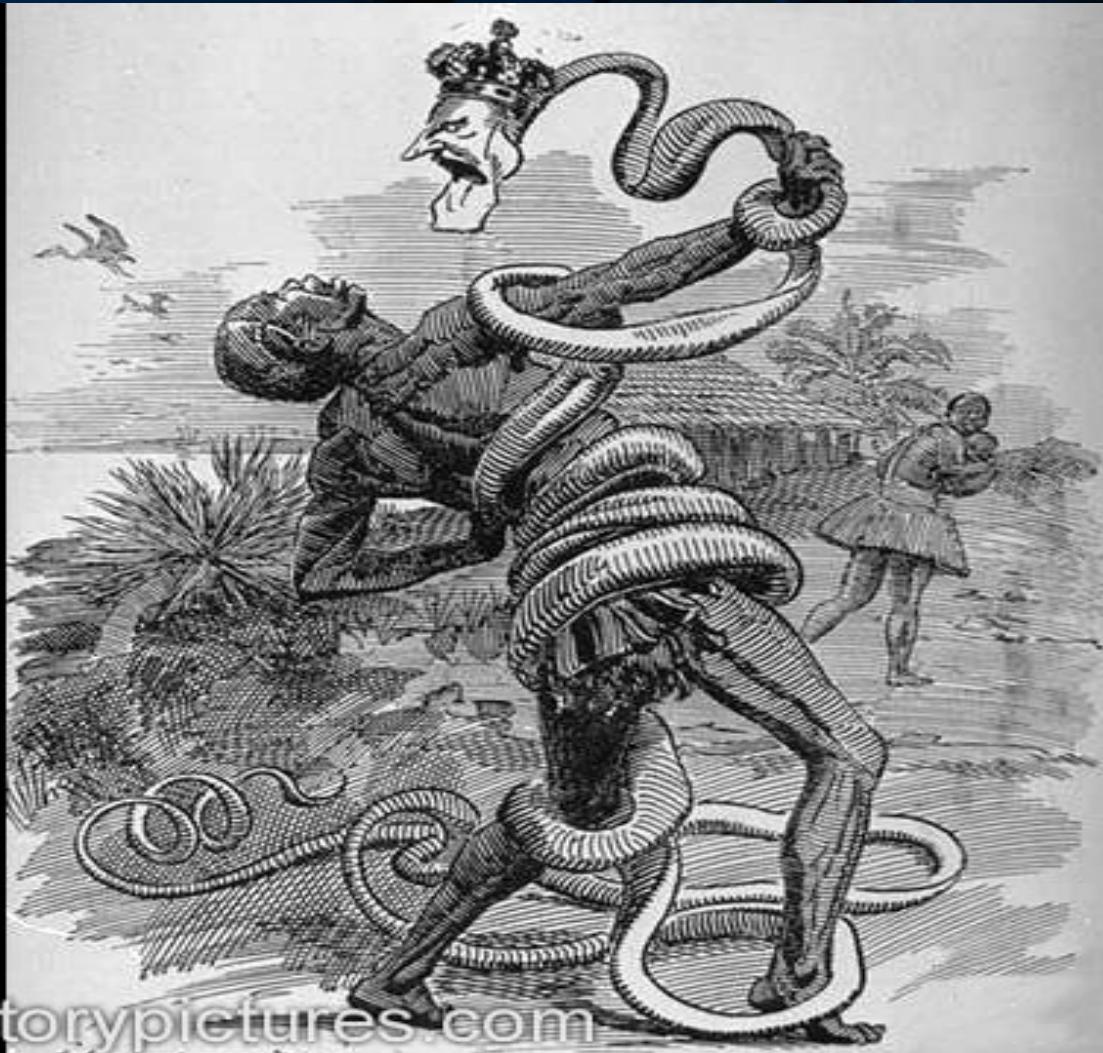


# What is imperialism

- سامراج



# Imperialism



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**Imperialism:** The policy by a stronger nation to attempt to create an empire by dominating weaker nations economically, politically, culturally, or militarily.



# Meaning

- An enterprise operating in several countries but managed from one (home) country.
- Generally, any company or group that derives a quarter of its revenue from operations outside of its home country is considered a multinational corporation.



## **Definition**

***“Mr. Jacques Maisonrouge, president , IBM world trade corporation describe MNCs”:-***

- ✓ ***It operates in many countries at different levels of economic development.***
- ✓ ***Its local subsidiaries are managed by nationals.***
- ✓ ***It maintains complete industrial organisation including R&D facilities in several countries.***
- ✓ ***It has a multinational central management.***
- ✓ ***It has multinational stock ownership.***



## According to the ILO

**“The essential nature of the multinational enterprises lies in the fact that its managerial headquarters are located in one country, while the enterprise carries out operations in a number of other countries as well”.**



# HISTORY

- *Multinational business operation is not a new concept.*
- *The British east India company, Hudson's bay corporation and Royal Africa companies are example of MNCs.*
- *The post second world war period has however, witnessed a changing hand in colonialism and there emerged a new thrusts for industrial and technological development as well as rise of the USA as the largest industrial power.*



# HISTORY

- The Dutch East India Company was the first multinational corporation in the world and the first company to issue stock.
- The first modern multinational corporation is generally thought to be the East India Company. Many corporations have offices, branches or manufacturing plants in different countries from where their original and main headquarters is located.



British East India Company

# Features of MNC

1. Big size
2. Huge intellectual capital
3. Operates in many countries
4. Large number of customers
5. Large number of competitors
6. Structured way of decision making

# *Objectives*

- *To expand the business beyond the boundaries of the home country.*
- *Minimize cost of production, especially labour cost.*
- *Capture lucrative foreign market against international competitors.*
- *Avail of competitive advantage internationally.*

# Objectives

- *Achieve greater efficiency by producing in local market and then exporting the products.*
- *Make best use of technological advantages by setting up production facilities abroad.*
- *Establish an international corporate image.*



# ***Reasons for the Growth of MNCs***



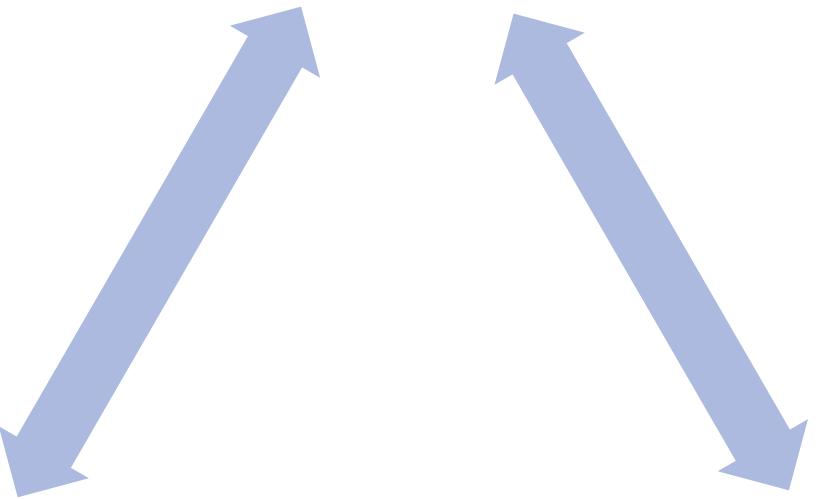


## Forbes List 2022: Top 10

- The Global 2000 2022 (forbes.com)



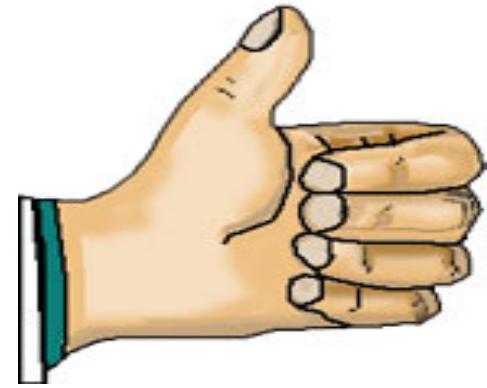
## Advantages



To the Host  
Country

To the  
Home  
Country

## **Favourable Impact of MNCs**



1. MNCs create employment opportunities in the host countries. It helps to create a pool of managerial talent in the host country.
2. Helps removal of monopoly (domination) and improve the quality of domestic made products.
3. Promotes exports and reduce imports by raising domestic productions.
4. Goods are made available at cheaper price due to economies of scale.

## **Favourable Impact of MNCs**

5. Job and career opportunities at home and abroad in connection with overseas operations.
6. Encourages the world unity and all resulting in world harmony .
7. Transfer of technology, capital and entrepreneurship.
8. Greater availability of products for local consumers.



# *Harmful effect*

- 
- A photograph of a city skyline with numerous skyscrapers. In the upper right corner, a person's hand is visible, pointing their thumb downwards, symbolizing a negative or harmful effect.
1. The host country is likely to lose its economic sovereignty
  2. The host nation may also experience some loss of control over its own economy
  3. Feeling that labour is being exploited by the MNC/ Outsourcing
  4. Lost of cultural moorings
  5. The problem of Dumping

Example – Chinese products are priced low in Indian market.

- Regional economic Integration.
- Increase in the number of bilateral treaties that promote FDI has increased considerably.
- Privatization programmes.

# *Future of M&A*

- Increasing international competition.
- Global consumer awareness.
- Technological advancement.
- Reduction in friction among nations.
- World Business Community coming together.
- Growing role of private sector in developing countries.