

THE ROUTE OF JOINT OF THE TRANSNATIONAL CORPORATIONS AND GLOBALIZATION

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Abstract

Today's discussions on globalization are more alive and controversial. As is acknowledged as a fact, globalization is studied not only as an economic category but as a process, system, phenomenon. Currently, on international level, a variety of companies operate. From all of these, the transnational corporation represent particular interest, being designated as an "entity-key of global economic activity, a creative net worth to devote a large proportion of global resources needed to sustain economic growth processes. The new trend in the TNC's sites emphasize, efforts to promote corporate social responsibility that contributes to change the attitude of many corporations and individuals working for them. Company efforts are visible in contributions to community development and environmental impact. Corporations want to impose their own standards of development, which reflects some positive attitude towards regulations that support behavioral codes, which they argue. Globalization has opened the way for limited progress, offered alternatives to local development, has generated deep changes, a dimensional complex with sometimes unpredictable consequences on economic and socio-institutional development.

Key words: *transnational companies, globalization, business, development*

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Overview of contemporary reality

Currently, many businesses and massively expanded marketing, supply and production in the global market, managing to create global structures which allow them to quickly transmit information and ideas from other corners of the world. Businesses face a competitive environment larger and more complex than in the past. Some believe that the world is run by giant companies, megacorporations, those who are not only interested to sell as many goods on international markets, but also to purchase, to produce various components and materials from or abroad. Therefore, transnational firms have to coordinate the functional operations across state borders by a rapid transfer of knowledge, helping them to increase efficiency.

To meet the challenges of business globalization, many companies form strategic alliances and other business merge even competing. Mergers, acquisitions and strategic alliances are logical and inevitable consequence of competition in a global economy without barriers, and becoming more integrated. We are witnessing a globalized economy combined with information technology, which enables TNC's sites to strengthen the control on a scale that has not been possible until now.

Literature review

Transnational corporations is the corporation that operates in several states simultaneously, and over the years have managed to become the most powerful economic and political entities in the world, and more than this, some transnational companies that feature fundamental, have much more power than nation states within which acts [Karliner 1997]¹. Transnational companies have emerged with the right to operate in almost all economic sectors and have developed over the last decades of the twentieth century, mainly in developed countries, with a brief economic history and a decisive and unexpected return to "business as usual ", with economic and social benefits of this phenomenon [Glyn, 2007]². Currently, transnational corporations are "key entities" economic activities as well as value creators agents, those who allocate global resources a lot of processes to support growth. In other words, states not only transnational main entities subject to impact, the challenges posed by globalization, but also as the main shaping force of this process. Helsam enthusiastically believes that transnational companies have a more important role, that were created to serve humanity [Heslam, 2004]³. Because of their economic power, transnational companies influence the global economy, have the power to choose and to decide whether a country can become a market or production needs of transnational corporations and other countries [Krugman, 2009]⁴, thereby controlling the space many economic markets. IMF defines globalization as "the increase in economic interdependence of countries worldwide through increasing volume and variety of goods and services transactions across borders, international capital flows more freely and faster, but also a wider diffusion technology. "[IMF, 2008]⁵ Thomas Friedman analyzed the impact of the flattening world economically and argued that outsourcing operation, supply-Chaining, global trade and political forces have changed the world completely and permanently, in good and bad at once. He also argued that globalization is the rapid

¹ Karliner Joshua, *The Corporate Planet: Ecology and Politics in the Age of Globalization*, Sierra Club Books, 1997, p. 54.

² Andrew Glyn, *Capitalism Unleashed, Finance, Globalization, and Welfare*, Oxford University Press, 2007, p. 31.

³ Peter S. Heslam, *Globalization and the Good*, Cambridge 2004, p. 205.

⁴ Paul Krugman, *A Country Is Not a Company*, Harvard Business School Publishing Corporations, 2009, p. 12-15.

⁵ Julian Di Giovanni, Glenn Gottselig, Florence Jaumotte, *Globalization: A Brief Overview*, 2008, <http://www.imf.org/external/np/exr/ib/2008/053008.htm>

evolution and will continue to have a big impact on companies and the customers [Friedman, 2008]⁶.

Challenges in corporate governance

Corporations today are open to everything new, able to respond rapidly to new information and changes in international markets, as these corporations adopt strategies based on the implementation of learning behavior. Equally important for TNC's sites is the ability to keep pace with the markets, they can adapt and respond to competition, may produce goods in conditions of efficiency, but also understand the phenomenon and to protect local companies, which is important to strengthen local communities both economically and as socially. Many transnational corporations have not done all it would be best to improve working conditions in developing countries. These companies have gradually come to understand one thing that home to them, I understood much more difficult. Providing better working conditions may actually contribute to increased labor productivity and lower overall costs – or at least limiting their growth [Stiglitz, 2005]⁷. Globalization of economy globalization require thought and work, which means the ability understand the world as a single market, the conditions and laws are very different. Manager with a true global mindset is one that has the capacity to adapt to national and regional particularities and which does not distinguish between inland and abroad.

Currently, globalization is contested by everyone. There are complaints about it, but not missing any praise. Globalization can be a force for spreading the good: the globalization of ideas about democracy and civil society has changed people's way of thinking, while political movements leading products worldwide to ease the debt burden. Globalization has led to hundreds of millions of people to achieve higher living standards, also, economic globalization has brought benefits to countries that have profited from it by identifying new export markets and attracting foreign investment. Stiglitz said that countries had benefited most were those who took their own fate and have realized the role the state can play in the development, abandoning the idea is also based on a market capable to solve their own problems [Stiglitz, 2005]⁸. Globalization has had beneficial effects on democracy, national elites trying to replace dictatorship with the dictatorship of international finance. Some countries were obliged to markets and international financial institutions to give up their sovereignty, which allowed the capital markets, including speculators whose concerns were short-term economic growth, and long term growth of a country with living standards, to "bring order", telling them what to do and what not to do. For millions of people say that globalization has not brought anything, or even a negative impact because of their moral situation worsened, their jobs were abolished, people become powerless before the force of globalization that could not control, while attending to undermine

⁶ Friedman, Thomas L., *The Dell Theory of Conflict Prevention. Emergin: A Reader*. Ed. Barclay Barrios. Boston: Bedford, St. Martins, 2008, p. 49.

⁷ Stiglitz, Joseph E., *Globalizarea*, Editura Economică, București, 2005, p. 145.

⁸ *Idem*, p. 112.

democracy and the erosion of their own cultures. Growth – including that induced by globalization – will lead to urbanization, undermining traditional rural societies. Retailers that operate internationally and have a great shopping devastate small businesses and communities in which business is carried on those.

Developing countries that have been most successful, most of East Asia, opened to the world, but they did it slowly and following certain steps. Countries have benefited from globalization to boost exports, and therefore to develop a faster pace. They are abandoning the protectionist measures carefully and consistently, when they have created new jobs. These countries have ensured that there is sufficient capital to create new businesses and jobs or even have themselves contributed to this effort. China has eliminated trade barriers not a very long time but at a distance from when already begun to travel the road to market economy, during which has grown extremely fast. However, globalization is just one of many forces that affect our societies and economies. Technological changes have increased the importance of skills in certain markets, so that those who benefit the Synthesis today are those who have or can obtain those skills. Changes in technology may ultimately prove a more important factor than globalization, even in declining wages of unskilled sector. [Stiglitz, 2008]⁹

Corporate social responsibilities and benefits versus private incentives

Everyone knows the key role of transnational corporations in the globalization process, which is manifested by: bringing the same level of markets, technology and capital to developing countries with production capacity of developing countries. Corporate social responsibility is the obligation of a corporation holding beyond those legal obligations or restrictions imposed by economic, to conduct business so as not to endanger the welfare of local community and to pursue long term goals are to benefit society. A company that falls only within the limits defined by law and imposed by the market to fulfil his obligation strictly social (Social Obligation), while a corporation trying to adapt to changing social conditions is characterized by social response (social responsiveness). Only if the company seeks to assess what is right and what is bad for the company long term and acting accordingly can say that it shall conduct social responsibility (social responsibility).

From the perspective of socio-economic development of corporate social responsibility, multinational company would have to make the following objectives: to maximize long term profit, not short term, to consider the local community as an interested party, giving back to society through various activities a share in the profits of his operations, to recognize the importance of protecting the environment, to behave proactively to protect, and to encourage employees to behave, and the protection of existing and prospective customers. Corporate engagement in actions of socially desirable long-term without improving market position by increasing recognition and appreciation from consumers. Corporate social responsibility is manifested in four levels of influence. The first level is the

⁹ Stiglitz, Joseph E., *Mecanisme Globalizării*, Editura Polirom, 2008, p. 172.

work related to standards, quality procedures, as well as harmful emissions and waste management. The second level is the market related to the standards of distribution, marketing and consumption, vendors, business relationships. The third level is the community, influenced by the manufacturing and distribution. The fourth level is public policy that can be influenced by public institutions and social infrastructure. Corporate social responsibility manifests a shift from stage at the option of necessity. So some corporations have specialized departments of social responsibility and 90% of the world's top 500 corporations have ethical codes of conduct. The corporate social responsibility is considered to be more and more corporations as a characteristic of a good business (and some studies show that firms socially responsible record better results in stock, compared to others), for many firms, in terms of management and employees, social responsibility is more moral than the economic. Such a company is regarded as a small community working together to achieve a common goal, i.e. the big part, cares for others, avoid negative publicity and can receive high-quality workforce that attracts and with good conduct: thus their employees feel better if working for a company is socially responsible. [Stiglitz, 2008]¹⁰

Unfortunately in this world where ruthless competition manifests itself, the motivations of companies is acting sometimes at the expense of those who have the best intentions. The reality is otherwise very well thought out and very carefully organized, as all companies, even those that pollute a lot and practicing bad policies to employees, hires public relations firms promote their corporate responsibility and their concern about the environment and to the rights of their employees. Thus, corporations are beginning to adopt through image manipulation and learned to support social responsibility even when not practical. The movement for corporate social responsibility is important but it must be accompanied by stronger regulation. Corporations that want to impose higher standards must develop a positive attitude towards supporting regulations that support the behavioral codes and these regulations would protect them from competition without fair play from those who do not comply with these standards regulations would help to prevent market monopolization. [Stiglitz, 2008]

Advantages: If companies are part of the community, the country of origin assume "sometimes" a moral responsibility for actions of their own, without being compelled by law or regulation, this recording some short public. The interests term profits are low the responsibility of government, embodied by adopting protectionist laws.

Disadvantages:

- enormous accumulation of capital,
- moral responsibility is reduced to transnational corporations that operate in other countries (not treat employees and the environment of the host country as it is a home in their).
- serious consequences on society. Developing countries need jobs that create corporations, even if the environment or the workers suffer.

¹⁰ *Ibidem.*

- ability to hide across borders
- move values from one country to another can be done fairly quickly if TNC's, and if a company is bound to pay a certain sum in a country, that amount is sometimes impossible to obtain.
- countries with more lenient / lax provisions in labor law and the environment are most sought by investors in this race to cut costs.
- made strong lobbying by corporations against environmental standards which reduces profits.
- creating favorable legal environment in poor countries.
- influence exerted by TNC's in developing links with international agreements, which led to distortion and greater social hierarchy and private motives.

The conclusion is that incentives are important, and governments and the international community must work harder to ensure that corporate motivations are closer to those of people they influence their actions, especially the least powerful in developing countries development.

If you look to the future, we can see everyone differently, or we can imagine him as we would like to be. The fact is that we make predictions about the future economic situation in light of current socio-political. An overview of the global space shows that Asia could produce strong waves in terms of savings, foreign exchange reserves, growth rates, expansion of exports and the accumulation of new technologies. Corporations in China and India increasingly acquiring more control stakes in other regions of the world crave global players' roles, and especially the control of exhaustible resources: oil and gas. Thereby Asia by increasing its economic power could alter competitive hierarchies of power would reduce the influence exercised in the West overall space. So, would change the trajectory influences regional alliances would end any other color, international organizations could also be influenced decisions. Another consequence could be linked to control strategic resources that will give a great battle with more or less noise. Besides depleting resource competition was launched worldwide by travel and alternative energy sources, because consumption is increasing due to economic growth especially in Asia and food prices suffer major fluctuations.

To inspire optimism for the future, there should be cooperation, regulation, communication, change among international bodies, eliminating conflicts of interest and prevent future instability. All they can define a different globalization in which we live or where we live, that globalization seen as an open concept that defines the behavior of companies and corporations as an openness to technological, economic and social progress of the search

Future of transatlantic relations will clearly be indispensable in many point of view of corporate structures, which have the objective of industrial policy, protectionism and not only selectively. If you look inside a corporation, one of the main future corporations' strengths derives from their capacity to build competitive advantage through knowledge transfer across borders [Chiru, 2010]¹¹. Second, the

¹¹ Chiru, C., „Tragedia societății de consum”, vol. *Criza e în noi*, coord. Costea, C., Popescu, C., Tașnadi, A., Editura ASE, București, 2010, pp. 134-148.

future would see this: In addition to the essential relations at regional or global, I can say that a corporation and changed priorities, not chasing the market because they have already won, no running even after accumulation, because they had doubts, but rather think how to exploit what they have gathered so far. Next step will be to corporations from my point of view that innovation, recreation and reinvention of the business, continuous improvement and progressive transparency, all started on the long term. To support such projects, corporations need ideas, people able, encouraging processes, principles and courage. Corporations will put greater emphasis on innovation, but the mere process of innovation but on value innovation. This process is based on the stock, which possesses the capability to operate from the inside out, all to create new applications and with it the creation of new businesses. Corporations will have to realize that the price of their assets consist largely of what is in the minds of people they employ.

In conclusion, I think of three possible scenarios on the future of corporations. A first scenario would be one in which a not too distant future corporations would come to rule the world, dividing it between them. Thus we live in a world that large corporations would go where it holds a monopoly position. In this context they should have the ability to control and manipulate the market. A possible form of monopoly position manifest for example control global production levels, limiting its growth amid a trend of consumption clearly leading to a price spike. A second scenario would be to limit the power of multinational corporations in the future. This could be achieved through legislative measures For instance local or regional trends and anticompetitive practices to limit or restrict the emergence and development of monopoly. A third possible scenario would counterbalance corporate power through incentives and support SME development. Moreover in some particular situations may even proceed to grind or large corporate reorganization in smaller companies, possibly narrower specialized competence in areas that can perform.

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