

Global Society vs. TNC: Who Gets the Benefits

Introduction

Globalization is a process through which regional economies integrate in a network of communication to form an international/global economy. During the process, exchange in trade, foreign investment, technology, human and capital flows are freely allowed between nations. Because of business globalization, the transnational corporations have greatly benefited as their operations expanded to target the larger market. The transnational corporations manage the productions of goods and services in more than one country with one of their branches acting as headquarter through which all are controlled. With the increased privatizations, trade liberalizations, reduction of tariffs and taxes, the transnational corporations have extensively expanded their operations throughout the world. This paper will seek to analyze some of the benefits that the global society and the transnational corporations accrue as a result of business globalizations.

The Privatization Process

Privatization is a process under which the public businesses, agencies and enterprises are transferred into the private sector. Alternatively, privatization can mean any transfer of government functions into the private sector. The main reasons why the state had to adopt the privatization process were to improve the quality of goods and services offered by such non-profitable companies. Privatization process is aimed at benefiting the global society since quality goods and service delivery could be obtained (Donaldson & Wagle, 1995). Privatization increased the performance efficiency as more goods and services could be produced. An enlarged customer base could be obtained thus with the increase in the company's profitability. It is also important to note that the transnational corporations benefited a lot, as they were the major buyers of the state

owned companies. Bearing in mind the fact that most of the non-profit-making companies survived only on the bare necessities, the transnational corporations were in a better position since they were able to maximize their returns. Services such as water and energy provision were transferred to the transnational corporations.

Despite the fact that the corporations maximized their returns, they also greatly improved the efficiency upon which such services were offered. The society enjoyed quality services and could also trust the service providers. It is important to note that the state owned companies tend to be bureaucratic in nature since they have a political influence linked to them. Privatization lessened the bureaucratic process that, in turn, improved the companies' performances. Privatization is a means towards specializations and division of labor. This is because the core objective of the business will be to maximize returns. A privatized company directs its human and financial resources towards attaining specific functions, which consequently increases the output level (Anderson & Hill, 1996, p. 176). The non-partisan nature of the private businesses helps them make quick decisions that suit the interests of the companies.

Thus, the companies stand in a better position to expand and sufficiently satisfy their customer's needs. The privatized companies highly acknowledge accountability among the work force. Because of this, minimal corruption cases are reported as compared to the state-owned companies. The accountability also minimizes the political influence that further reduces the management ability to specifically serve the needs of their customers. Privatization led to freedom in civil liberty as all individuals could freely operate a business as opposed to the time when the state premise presupposed that an employee must adhere to the government policies. For any company to succeed in production and service delivery, there should be a shift from political objectives to economic objectives. This is predetermined by the constant government change and the

shift in the political goals. Such changes would consequently have a great impact on the business performance. It is easier for a private company to raise capital as they can do so through the financial markets, both local and international. Since the interest rates that govern the private companies are determined by the market, considerably higher rates continue to be observed. The investments decisions are done efficiently in order to meet the higher cost of interest that the market offers. In a liberalized economy, where free entry and free exit of companies in the market is encouraged, the private company maintains efficiency in their operations in order to survive.

Companies lack government security in case of poor performance. This was not the case for the state-owned enterprise when the government would consistently bail out such companies in order to prevent job loss in the country. However, in a privatized company, individuals should work towards the company's success as any failure guarantees the closedown of the company. Since privatization leads to an improved and more efficient economy, more profits are obtained in their operations. The government is, in turn, relieved the burden of advancing subsidies and such amounts are directed to other sectors, which improves the living standards in the society.

Free Trade, Low Taxes and Reduced Regulations

The free trade, also known as liberalization, has immensely led to trade integration among nations in the world. Free trade was achieved after the economic cooperation of nations that either lowered the taxes or completely eliminated them in their transactions. Fewer regulations are also exhibited as the market forces control the operations of the companies. The trade liberalization has greatly contributed to the expansion of transnational corporations since most of these companies have the financial capacity to enable them grow. Corporations also took the advantage of the tax

reduction in their profit maximization. The tax reductions lowered the operational cost increasing the profitability level.

Trade liberalization has greatly contributed to improved relationships between nations. The cooperation between nations also allows free flow of goods and services in and out of a country. Economic cooperation helps nations to cooperate in other venues such as politics and social cultural events like sports. Global business has brought about increased integration of nations in the world. In addition, it has helped in the reduction of conflict among nations. This is because nations are afraid of causing wars and unrests as it can lead to their trade ban. Since mutual benefits govern the trade between nations, each nation will strive to maintain cordial relationships with the other ones. The transnational corporations strictly adheres to the states rules and regulations as failure to that will greatly hamper their efficiency. Non-compliance with the already set rules will lead to government intervention which consequently affects their operations (Gupta, Govindarajan & Wang, 2008).

Benefits of Business Globalization to the Global Society

The global society has all along gained considerably from the business globalization. This is due to the market competition among companies that began with globalization. The companies are obligated to improve their production quality in order to meet the internationally accepted standards. Better quality goods and services are guaranteed in the market as a result of trade globalization. The business globalization also results in improved economic activities since more productions are made to sustain the large market. The increased production consequently leads to an increases in employment opportunities and thus raising the living standards in the society as indicated by FAO (2001).

Despite the fact that the government lost control over the privatized companies, more revenues continue to flow because of taxation. The country's gross domestic product is also improved by the consistent expansion of companies' trade. A large variety of products is also offered in the market because of business globalization. The customers enjoy the freedom of choice. They are free to choose what to buy depending on the quality and price offered in the market. In case the consumers are not satisfied by a product or service, they are provided with alternative measures in the market. Since the free trade allows free flow of human and capital resources, the individuals are free to seek employment in other nations in case there are no opportunities in their country. The move improves the per capita income. The country is also free to export goods in case there is a surplus in production of the same. The exportation not only earns the government some foreign income but also avoid the losses which could otherwise be experienced.

Benefits of Business Globalization to the Transnational Corporations

The transnational corporations have greatly benefited from business globalization as more profits have been achieved. Wealth maximization has not only led to the success of the transnational corporations but they have gained political power out of it. The financial capabilities of these corporations politically influence the government decisions as nations cannot risk their withdrawal from the economy. Their huge investments in the country's economy can lead to an economic collapse in case they decide to withdraw their investments (Schaeffer, 2003).

The transnational corporation has been able to influence the cultural beliefs of many individuals across the world. Their continued marketing strategies and corporate social responsibility have enabled them to build reputations and increase consumer loyalty. The financial capacity also enhances an increased investment on research and

technology that, in its turn, has led to reduction in cost of production. Advanced technology increases the production capacity in which a given company produces; more revenues are obtained as a result. Mass production techniques that have been introduced to replace the manual productions are a major boost to the corporation's profitability.

Both the global society and the transnational corporations have been able to mutually benefit from free trade across the world (Hirst & Thompson, 1999). This is because the corporation's targets to invest in low-costs nations where labor is sufficient, taxes are low and regulations are reduced. In addition, such venture will maximize the corporation's returns as lower production costs will be observed. On the other hand, the global society will benefit since more job opportunities will be available for them in the market. The employment will consequently improve the living standards of the global society. The society also enjoys the corporate responsibility extended by the transnational corporations. Activities such as sport and educational sponsorships assist the local people to improve the quality of their lives.

Conclusion

The globalization process in the business communities have resulted in a better life quality in the global society. The increased growth of transnational corporations has also increased the production efficiency. Quality service delivery has resulted from the globalization as companies compete to win bigger market share. In my own opinion, the integration of businesses has led to the unification of the communities all over the world. Their operations have led to cooperation between nations as they struggle to maintain their outlook in the international market.

The transnational corporation has greatly influenced the government to adopt democratic systems of governance. This not only benefits their smooth operations but

also the individual rights of the country's residents. The move has also transformed the economies of many countries to the better through the encouragement of free trade among nations. Nations dependency ratio has also greatly reduced since many nations are able to maximize their revenues and thus sustain their budget. Freer grounds in terms of tax and regulations should be created in future in order to increase the international integrations.

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