THE STUDY OF GLOBALIZATION AND THE CHALLENGES IT POSES ON BUSINESS OPERATION OF MULTINATIONAL COMPANY (A CASE STUDY OF DIAGEO-GUINESS)

Thesis Statement: An analysis of globalization processes and its impact on multinational companies reveals challenges that these firms face in the process: challenges like establishing business strategies to encounter threats that arise from globalization processes.

Abstract

Since the introduction of globalization process two centuries ago, multinational firms have managed to emerge as central institutions that regulate globalization processes and those that are facilitate trade practices in the global market. Multinational corporations through globalization have overtaken the roles of national governments whose primary tasks are to sustain the human welfare of their citizens. Today, these governments are seen to rely on the inputs of multinational firms to improve the economic situations of their individual countries. Challenges like increased cultural diversity and extensive competition rates in the global market which are as a result of globalization, have enabled multinational firms become more powerful in succeeding in international operations which local firms find a challenge in. These transnational firms have been seen to play a major role in exploiting global resources and developing innovative techniques by taking advantage of globalization. These initiatives have been seen to enable them earn more income in foreign operations than in their home countries.

Chapter 1: Introduction

Globalization processes are found to be phenomenon issues that have been receiving attention and concerns at all business levels. These processes are observed to have influenced how goods and services are distributed both locally and internationally in the industrial and consumer markets. It is clarified that globalization and distribution processes determine how market structures are developed and are both dependent of each other (Mattsson, 2003: 416). Modelski, Devezas & Thompson (2007) add that these developed structures are long-term and whose impact is increasing connectivity.
Chapter 2: Literature Review

2.1 Introduction

Ritzer (2009) informs that globalization processes are numerous and whose sources are different. Globalization is said can be concentrated on politics, economy, education, science and many others (47). The objectives of this paper direct this study to focus only on studying globalization in the economics context and how its challenges impacts on the operations of multinational companies. In this chapter, the paper will develop the study based on globalization processes which are driven by economic factors mentioned and explained by Akram, Faheem, Dost & Abdullah (2011). These factors are noted to include forces of production, availability of knowledge and skills, technology and others for the better utilization of resources, improvement of economic development of countries and human welfare. This, in other words, enables one appreciate economic development as one which is facilitated by globalization to maximize the potentials of available resources through increased cross-border trade operations (291-292).

2.2 A Study on Globalization Processes in the Economics Context

Ali & Reza (2011) recalls that in the past, country governments had been tasked with the responsibility of maintaining economic welfare and security for their nationals (1344-1345). Chang (2003) elaborates that this role of the government involved establishing public enterprises in regions which had a differential advantage or where rates of investments required are high (206). According to French (2008) these traditions are being overtaken by global processes whose forces are referred to as globalization (ix). Kleinert (2004) explains that these forces have transformed
the economic activities of countries into being integrated with other economies of the World. Through globalization, trade between countries is observed to have increased remarkably; technology and knowledge transfer have been introduced and have equally grown; as well as high rates of capital movements realized. Hence distance between economies is no longer an issue. These three components of globalization are noted to occasion world’s economic integration process (1).

Crepaz (2001) develops that globalization processes have extremely limited the roles of national governments in fulfilling its mandate in regards to sustaining economic welfare and security for their citizens. Moreover, it is perceived that with its increasing growth, democracy of these governments in this context will be eliminated soon (1-2). A study done by Joseph, Lee, Chad & James (2004) that focuses on the theoretical aspects relating to the effects of globalization on a country, creates a conceptualized framework that explain how globalization influences the economic life of a country. In the study, it is conveyed that globalization develops structures that govern inflows and outflows of products and services that citizens depend on, labor, technology and capital. Moreover, globalization shows the State's affairs of a country which determine how the country becomes economically integrated with the rest of the world (251).

Despite integration of markets in the world and liberation of trade that globalization has positively contributed to economic developments of countries, the new trends created by globalization that involve developing new social aspects of human life are said to limit efforts by national governments in improving the welfare of their citizens. Such trends include reduction of job opportunities within the country and creating more of them abroad and others. This is supported by the fact that through globalization, markets are integrated for capital, factors of production, products and services, and labor (Joseph, et al, 2004: 253).

Chen (2003) constructs that in this global market that is facilitated by globalization, players in this arena are sovereign states and multinational companies. These players are said to act as regulators of market conditions to discourage failures. Multinational firms are said to take up the role when the sovereign states are weak to regulate failures in the global market. As it has been explained earlier on, governments are not powerful enough to regulate international markets and also, conflicts of interests among states make them weaker. Thus, multinational companies are left to establish global market rules (1).

Marc (2007) on his study on the relationship between national governments and multinational companies adds that globalization processes have made the status of these governments weaker and those of multinational’s stronger. That is, today, these transnational firms are perceived as powerful institutions as a result of the assets they possess and thus, governments employ them to enhance their domestic economies (67).
Globalization is observed to have spread widely and has influenced most of the dimensions of human life. That is politically, culturally, socially and economically. On this basis, Donald (2009) argues that national governments must develop policies that deal with its encroachment. This is facilitated by his study on the varying levels of human development globally and establishment of public policies in reference to global values which are enhanced by globalization. The finding of their studies inform that levels of human development are determined by global social values which are facilitated through social links and which arouse demands on public policy making issues related to human welfare (229).

Romer (2010) develops these findings by informing that globalization in the economics context is a process that is ongoing and countries are becoming more interdependent for the purposes of their own individual economic developments. This is said to be evidenced by the increasing rate of trade practices among countries, high rates of labor mobility and high flows of financial volumes. It is revealed that globalization in this context is improved by reusing ideas to reduce poverty that has curbed nations and rather increase their productivities (94).

An analysis is conducted by Benetti (2000) to establish the present economic policies and plans that some of the weak countries have to improve their economies through this globalization process in today's global market. Some of the variables mentioned to enable a successful study include assessing what differential advantages could these countries have, what is weakness in the context of a globalized economy and the roles of national governments and private sectors in the face of the new global economy (iv).

The findings of the study by Benetti (2000) informs that through interpretation of related theoretical aspects and global business operations, human resource is seen as the fundamental factor for national growth in today's global economy (iv). This finding is supported by the argument that globalization is also understood as socialization factor that relates organizations and people. These relations are elaborated as understanding, collaborating and working together under diverse cultures and social patterns existing in the world today (vii).

Freeman (2006) mentions that the exercise of restricting labor migrations across borders is one of the functions of national sovereignty which was realized when international trade barriers were eliminated and trade liberalized. However, flow of people across-borders in the economic sense are found to be the basis of forming a global economy and in conjunction with trade and capital, globalization forces is able to facilitate integration of the world economies (145).
2.3 Conceptual Forces that Drive Operations of Multinational Corporations and How Globalization Support this Operations

According to Mujih (2012), multinational firms are organizations that are engaged in foreign operations which are owned by citizens of one country but have multiple branches in foreign lands. It is added that these branches are either wholly or partly controlled by the nationals in the home country. These controls are said to be management of income generating activities.

Gullen & Garcia-Canal (2010) observes that in today’s increasing competition in the global business environment, multinational corporations are becoming many and whose home countries are the least globalized. That is, those which are in the process of developing. In these foreign lands, they operate as joint ventures, alliances or fully owned branches (1). Akintunde (2008) recalls that a firm becomes international when its business operations are beyond its national borders. These operations listed to include production, staffing, marketing, financing, and others (39).

Thuomrungroje (2004) informs that business opportunities and threats in the global environment are the consequences of globalization. These business opportunities are said to be those that create market and investment potentials and accessibility of resources. Thus, Thuomrungroje (2004) confirms that globalization influences the operations of multinational firms and their performance is enhanced through increase in globalization (v).

Existing economic literatures on innovation concepts are seen to have focused on the contributions of globalization in terms of the mechanism employed and the extent in which they are used. It is collated that these literatures convey that much of these mechanisms have involved conducting research and development studies on business opportunities outside home countries, increase in technological and knowledge transfers, availability of coordinated labor migration, and spread of research and development activities across the globe (Fifarek, 2007: 1).

Fifarek (2007) further explains that the idea of spreading research and development facilities across the globe was to motivate globalization processes. That is, identifying location advantages in foreign lands for the purposes of maximizing their unique resources using extraordinary capabilities of foreign investors. Thus, under globalization, research and development activities are found to be centralized functions of business investors. It is also documented that these activities are perceived as knowledge seeking techniques of finding resources that are beneficial to the operations and objectives of a foreign firm.

These resources are said to be inform of technological capacities, infrastructures, human resources, factors of production and many others which are not accessible in the local business environment. This in the process enables the foreign investors to establish new capabilities and resources which expand their business operations (1).
Business threats like increase in competition levels are caused by globalization. Globalization is appreciated as a phenomenon that is driven by trade (Susan & Sara, 2008: 8). Dana (2004) constructs that multinational firms tend to perform better in markets that are characterized by high levels of competitions (471). At this stage, it can be said that multinational firms take up a good share of globalization processes as explained by Shahrokh (2002: 5). It is informed that multinational firms embrace globalization so that they can gain a superiority status in the business environment.

Boyes & Melvin (2007) educates that globalization is one which is associated with increasing flow of trading practices across borders and income generating assets. Also, it is one which is characterized with high mobility of knowledge transfer, people, and technological advancements. The need for individual economic growth is said to be the driving force behind the development of globalization and those who have not embraced this phenomenon, have remained poor (437).

Dunning & Narula (2005) adds that globalization processes have worked to boost location advantages of countries in the perspective of foreign investors. In this regard, governments have found the need of making continuous upgrades on policies governing determinants of foreign investments in their individual country. This is said to be a need of keeping up the pace of economically developing their individual country through foreign investments. In this regard, it is informed that through studies made on the growth of multinational companies globally, globalization has made economic development of countries become unequal. It is claimed that one of the major reason for this is failure of some countries failing to embrace globalization (1).

Globalization has been mentioned to be associated with transfer of technological concepts, knowledge, and management capabilities which encourage differential advantages in the business market. This is noted to be facilitated by multinational firms and other foreign direct investments (FDI). Thus, the ability to attract multinational firms can be said to be associated with the level of globalization a country is at (Dunning & Narula, 2005: 1-2). Simona (2009) confirms this by articulating that multinational firms have today become the top economic units around the world. Due to globalization, these units are said to have varying sizes, activities, roles, policies, significance and type of property. These units are currently perceived as those that bare business capital and determine how flow of this capital is to be structured in the global business environment (23).

Kozeta & Klodiana (2012) constructs that through globalization, multinational companies have found support in the establishment of their investments in various countries in the perspective that the world market is borderless a company has the right to compete in this market with others. On this basis, multinational firms have managed to make their productions in different countries and make sales to the rest of the world (277).
This, in other words, as explained by Kornecki & Rhoades (2007), operations of multinational companies through globalization involve stimulating economic growth by increasing productivity, innovation and employment rates and technology transfers in countries around the world. Thus globalization in this case is said to enable freedom to make investments which capitalize on the differential advantages of countries and to trade globally on activities that generate more returns for investors (113-114).

2.4 Threats that Arise from Globalization Processes and How they Challenge the Operations of Multinational Companies

Cullen & Parboteeha (2013) acknowledges that inequalities in economic growth brought about by globalization processes have attracted business threats for companies in the global market. As mentioned earlier on in this paper, threats like increasing competition levels especially from developing and transitioning economies. Due to increase in globalization, products, customers and standards have become global. That is through sophisticated technologies that have enables operations around the world manageable and accessible. For effective operations of multinational companies, managers of these firms need to have the ability to appreciate how business processes are changing rapidly due to globalization (26).

Another challenge affecting business practices is increase in cultural diversities. These diversities bring with them varying demands related to foreign laws and religious practices which influence how management of foreign firms like multinational companies are conducted. It is argued that a national culture supports well the development of a multinational firm but those which are foreign are said to outdo the domestic one in which the local societies are after protecting (Aswathappa, 2007: 3; Cullen & Parboteeha, 2013: 26).

Vijesh & Rahul (2013) add that employees’ working conducts are greatly influenced by the cultural dimensions of a company. To develop a professional way of working, companies are demanded to develop team work processes that are driven by a common goal. In the case of multinational corporations, the fact that the operations of these firms are located in many locations, they are faced with similar challenges of establishing a multi-national teamwork that ensures that all employees work in comfort and professionally. This is proofed to be a challenge by the results of a study done on measuring the level of employees’ comfort in different countries which showed that these comfort levels varied among subsidiary companies of a multinational company (104).
2.5 Business Strategies employed by Multinational Firms to Encounter Challenges Posed by Threats Arising from Increased Globalization

Tallman (2010) observes that today, due to increasing rate of globalization, business strategies for companies have become global strategies. This is because; organization, innovation, market and competition situations presently are global. In this aspect, it is collated that much of these operations are associated with activities of multinational companies. These companies find themselves competing with other firms with the same capacities they have. Global business strategies for multinational firms are said to involve making investments strategically in many countries around the globe. It is revealed that these strategies of multinational firms only apply in subsidiary firms that are spread widely across the globe (Tallman, 2010).

Rajdeep, Murali & Robert (2008) elaborate that global strategies for these firms are those that underscore the need of becoming more flexible, efficient and continuous learning (886). It is further explained that the issue about becoming more efficient involves a number of options which are: dispersion of production activities in locations which have the best differential advantage in the market; dispersion of value chain processes like marketing, procurement, production, technology, sales and others, and the idea of product standardization and diversification as well (Noguez, 2003: 119).

Peng (2013) also adds on this by explaining about the element of innovativeness that multinational companies employ to gain a differential advantage. It is educated that these firms manufacture new products in already developed countries then either make simplifications on these products for markets in developing countries or localize them. These simplifications are said to be targeted towards reducing costs while localizing them means having these expensive products for high class customers (8).

Global business strategies in relation to location advantages are also expounded by Jiatao & Deborah (2008). It is informed that multinational firms maximize on this due to the fact that a country’s unique resources cannot be imitated or become transferable across borders. In this context, it is educated that the global diversity strategies of multinational firms are regulated by the size of the local market and legal conditions which eventually have an influence on their performance levels.

It is underscored that international diversification is high on multinationals originating from countries whose environment are associated with civil laws. That is, it is explained that before a firm extends abroad, it initially develops within the local context which is found to play a major role in modeling its strategic business approaches. Hence, the probabilities of gaining similar competitive advantages abroad as those realized domestically are said to be high (667-668).
2.6 Multinational Corporations Perceived as Business Strategies by Local Firms in their Effort to Manage Challenges Brought About by Globalization

As mentioned earlier on in this paper, multinational firms go global for the purposes of securing a superiority position in value creation in the global context. This value creation process is said to involve proper management of resources, competition management and developing good customer relationships. Thus, operations of multinational firms shape industrial and competition structures in the global business environment. On this basis, making preference to operate as multinational firms is itself a global strategy in succeeding in the international arena (Violeta, Jasmina & Sladjana, 2010).

Anonymous (2005) acknowledges this option that local business consider in operating as multinational firms. This is through the information provided about the findings of a recent survey on the increasing business practices globally. It is documented that 85 percent of these businesses have succeeded as multinational corporations (24). Michael, Lee & Emre (2002) argues in support of this finding by noting that companies that have gone global do not have sufficient resources to effectively compete in the world market. To enable them succeed, they develop networking systems that assist them gain accessibility to the needed resources (353).

Yadong & Justin (2010) establish a theoretical perspective based on global business strategies for multinational firms and local organizations in their respond to threats arising from increased globalization in the business environment. In their study, they clarify that global strategies for multinational firms are different from those of the local business units since management capacities and perceptions about the business environment are not the same.

The findings of their study inform that global strategies for multinational firms are associated with complexities, hostility and dynamism of the global business environment. That is, these firms develop and implement aggressive strategies that fight back the dynamics and complexities of this environment for the purposes of enabling them gain a superiority performance. For local enterprises, these strategies are more of being defensive and often include looking for support from the government to enable them to succeed during economic changes.

2.7 Chapter Summary

Globalization processes have many positive contributions to the welfare of organizations in the international arena and which promotes economic growth of countries. Globalization phenomenon is employed as a tool that is aimed at developing a wealthier world using integrated economies of countries around the globe. In the process, innovations are created and resources are exploited following location advantages concept. Thus, globalization has been understood as one that rewards
good corporate governance, fosters universal participation and cooperative efforts, creates new markets, and enhances universal development aspects. Nevertheless, challenges are realized in these processes.

Challenges like unequal human developments around the globe which are characterized by social and economic inequalities which seem to widen in this context. National governments have been found to be limited in solving this due to the hindrances that have been posed by increased globalization. Other challenges like increased cultural diversity have been mentioned in the perspective of the operations of multinational firms. This has been understood as one that demands effective teamwork processes that work professionally to achieve one common goal. This demand has been appreciated as one which is tasking for the management of operations especially when subsidiary firms are many and are located in different parts of the world. These challenges mentioned have been selected according to the scope of this study. That is, those which influence the operations of multinational firms and increase in competition levels is one that has been found to have a significant impact on the operations of these firms. That is, making them stronger in the market and being employed as business strategies by national governments to enable their local firms succeed in the highly competitive global market.

Chapter 3: Research Hypothesis

The primary purpose of this study is to make a study on the processes of globalization and the challenges this phenomenon poses on the operations of multinational companies. From the literature review section, it has been conceptualized that the rate of globalization increases by its continuous support on the operations of multinational corporations. The challenges that arise from increased globalization are cultural diversity and increased competition rates in which multinational firms have been understood to find strength to succeed through their effective global strategies.

The findings of this paper are to make a contribution to the existing literatures that have a relation to this topic. This is by considering a case study of Diageo-Guinness a multinational company in Nigeria which explores how the arguments in this paper are applicable to the real business world.

Chapter 4: A Case Study on the Operations of Diageo-Guinness

Business strategies are also said to be unique for every organization and for this purpose, this paper attempts to explore the operations of Diageo-Guinness, a multinational company in Nigeria and identify the business strategies it has in place for its success in the global arena.
4.1 Company's Background

Diageo is described as a multinational corporation that is engaged in the production of premium drinks in the alcohol industry that includes beer, wines and spirits. Some of the brands listed for this firm are Windsor, Bushmills whiskies, Crown Royal, Johnnie Walker, Smirnoff, Captain Morgan and many more. The operations of this firm have been in existence for a number of generations and the firm has been succeeding through continuous innovations that match the needs and preferences of its market. Diageo-Guiness has also managed to establish its subsidiary companies across the world where people around the globe enjoy its huge range of products at anytime they need to. The number of countries that this firm has invested in adds up to 180 of which manufacturing, marketing, distribution, and other value adding chains are spread among these countries strategically (Diageo, 2014).

Diageo (2014) elaborates on the distribution of these value adding chains. It is informed that manufacturing plants are located in subsidiary companies located in America, the Great Britain, Spain, Canada, Africa, India, Australia and others. Sales, marketing and distribution centers are said to be locate in geographical regions including Western Europe, North America, Eastern Europe, Turkey and others. The divergence of these production systems for Diageo-Guiness are said to include packing, distillation, malting, maturation, wineries and others. These subsidiary companies are noted to be wholly and partially owned by Diageo-Guiness. That is 80percent are fully owned and 20percent are managed through contractual agreements or joint ventures.

4.2 Business Operations of Diageo-Guiness and How Globalization Processes Have Impacted its Operations

Diageo-Guiness found favorable locations with certain advantages that are sufficient enough for the successful operations of its business. These advantages include availability of market power, lower production costs, availability of production resources, reliable networking that enable the firm enter new foreign markets and others (Forsgren, 2013). Thus the global strategy for this multinational firm in production and distribution is the dispersion of their assets and sales using business approaches that are home grown. These approaches have enabled the firm to adapt to business activities that are in foreign lands and its ability to select suitable locations for its business operations (Alan & Alain, 2008: 397).

Diageo-Guiness, a British multinational firm whose head offices are in London is listed as one of the largest manufacturers of alcoholic drinks. Arthur Guiness a brewer is noted to have begun this business in 1759 and when the business was fully operational, Guiness is said to have began developing a reputation in civic affairs and in business. This eventually enabled his business to begin expanding its operations
from Dublin to the surrounding town. His engagements in public affairs, he supported local laws and reform in his country. His business is informed to have begun booming from the end of Napoleonic Wars and continued to grow even after its operations were shifted to England due to the myths that surrounded the manufactured drinks. These myths that were based on positive health issues formed the basis of the company’s marketing efforts (Diageo, 2014).

From England, the firm now began to open up branches in other parts of the world. The countries that have warm climates are said to have been mostly preferred. Nigeria was one of the first brewery station to be constructed then Malaysia, Ghana, Cameroon and others followed. In these regions, new products like Irish Ale were produced and sold to markets in Britain and France. The firm is also noted to have engaged in product diversification by considering business ventures in plastic, pharmaceuticals and other industries to counteract the declining market for their products like stout (Diageo, 2014).

This British multinational firm is found to have begun penetrating the international markets when globalization was increasingly becoming popularized with the high rates of cross border economic activities were being facilitated by multinational companies from 1960s (Heinecke, 2011: 12). During this period, expansion to other countries is noted to have been greatly challenged by distance and culture difference. These challenges demanded adaptation to foreign investments for the purposes of reducing market uncertainties. The incentives provided by the host countries are said to have supported these adaptation and even entry processes that hindered entry to foreign markets (Verbeke & Merchant, 2012: 263).

As seen earlier, the expansion to foreign environments for Diageo-Guiness is not only market driven by also for addition to value chain processes. Thus, the consideration of a country’s unique resources which are not movable became significant in creating the potential to globalization for the purposes of maximizing utilization of these resources (Verbeke & Merchant, 2012: 263-264). From the study, it is appreciated that location concentration and dispersion for Diageo-Guiness were initiated following potential income earning investments in new production assets and through joint ventures with foreign firms. This business concept is explained to involve splitting up business assets to become sources of earning more returns for the firm. These assets are noted to include knowledge transfer, business reputation, and brand name of the company, production processes and others (Navaretti, 2004: 24-25).

This business approach of changing from a regional to an international market approach can be said to be global business strategy where the firm positions it-self by establishing its international scope. Thus, just like many other multinational firms, Diageo-Guiness is a firm that is a global business whose operations are at least in each of part of the world. These expansion practices are facilitated by globalization which links product differentials and production mix with significant location advantages (Rugman, 2005: 224-226, 231).
4.3 Challenges Arising from Globalization and Business Strategies for Diageo-Guiness to overcome them

Competition structures in the alcohol beverage industry are said to be extensive in local firms only and consumers in this industry are observed to be making selections from a huge range of products produced by large companies. It is informed that from the past, business strategies that enabled entrepreneurs in this industry to succeed involved establishing brands and business reputations globally as well as engaging in strong business partnerships and marketing strategies in the international arena (Mayhofer, 2012: 37-39).

Business strategies for firms in the alcohol beverage industry are said to be two. That is specialization and diversification. Specialization is explained to involve producing products that are meant for a particular segment of the market. Product diversification is said to be considered because it allows firms to add more value in the alcohol beverage market and others. And also for the purposes of spreading related costs (Mayhofer, 2012: 40-41).

From this finding it is appreciated that business operations of large companies like Diageo-Guiness in this industry are employed as business strategies for local firms operating in their host countries. It is also conveyed that the operations of Diageo-Guiness involve management of multiple subsidiary firms using shared business strategies and goals. Such efforts are said to make significant contributions as other multinational firms in establishing pillars of conducting international business successfully. That is, through the operations of Diageo-Guiness, host countries have managed to overcome their marketing imperfections and have realized significant economic growth (Banalieva, 2007: 8).

As said before on this paper, these imperfections are created from increased competitions, existing market structures, changing market needs and preferences that local firms are unable to manage. The use of location advantage and other unique resources that Diageo-Guiness has and which are transferable to its subsidiary firms, have made it hard for other competitive firms to copy and thus making this firm gain and sustain a competitive advantage across the globe. These unique resources for Diageo-Guiness include expertise skills in terms of production, economies of scope organization and distribution, marketing abilities, economies of scale and others. These resources, in addition to location advantages are claimed to have made this firm realize success in its operations by overcoming imperfections found in the business environment (Banalieva, 2007: 8-10).

Diageo-Guiness like other multinational firms operates in five operational structures as part of their business strategy. That is, local structure, global division, operational divisions, geographical divisions and product divisions. As explained before, geographical divisions are related to operational and product divisions (production,
marketing, distribution, sales and others). Hence, it can be developed that the global strategy for Diageo-Guiness is established from these structures that consist of transnational operations that are strategically determined. That is in terms of market size, organization’s capabilities, customers’ needs and preferences (Cheng, Maitland & Nicholas, 2009: 9-11).

These global business strategies have made Diageo-Guiness be recognized for its efficient superiority in this industry. It is considered as a vehicle that transfers relevant knowledge and skills across borders in the industry and in business in general. This knowledge and skills transfer is observed to be most effective in wholly owned subsidiaries (Bruce & Udo, 1993: 625). The performance results of this company also add to the findings of the study done by Stephen, Michael and David (2004) which convey that business strategy structures and resources do have an impact on the performance of a company in foreign markets (107).

4.4 Theoretical Frame Works Related to the Findings of this Study

John, John, Sarianna (2010) in their study attempt to establish a theoretical framework. This is said to be achieved from evolutions of creative activities of multinational companies and their related firms which have as well made evolutions to take place in the global business environment. It is documented that subsidiaries for multinational firms are the core influencers of local business entrepreneurship. That is, these entrepreneurship models are shaped by the decentralized forms of business activities that are experimented and conducted in the corporate networks existing in the international arena. This, in other words, entails creating competency levels on local firms and which is said to form the basis of understanding the significance of multinational companies on economic policies generated by a country (567).

Baumuller (2007) explains another theory that claims that a character of a company is determined from the results obtained from differentiated resources which are coordinated purposively to achieve a common goal when acting on a given set of activities. Also, organizations are social groups that organize their efforts in attempt to survive and adapt to certain circumstances that have a significant influence in their existence (32-33).

Another theoretical framework relates to international theory whereby location advantage of a country and a firm’s specific advantage (FSA) realized through product innovation are analyzed. That is, these two enable local firms to extend to international markets by becoming multinational companies. Ann & Maureen (2012) in their study confirm that these two factors are necessary for the successful operations of any multinational firm (153). Brown, Lamming, Bessant & Jones (2007) explain that globalization processes impact on foreign operations of firms in various ways. They include: (a) location capacities and level capacities of each production plant, (b)
demands for necessary skills for each production levels, and (c) technological applications for production and supplier selection and relation for each production plant (383-384).

In the concept of globalization, Athukoralge (2007) explains that multinational companies allocate research and development activities as functions of its head office. Globalization processes provide potentials that attract diversification of other operations of these firms from their centralized positions to diversified selected locations. From the head office, technological skills realized from innovation practices and other forms of knowledge gained are said to be determinants of the differential advantages these firms have in the global arena. These innovative practices are elaborated to include all levels of product development, marketing, sales and distribution. Thus, these practices are said to be dependent on the capabilities of an organization. In this regard, diversified operations are seen to either demand adaptation to foreign investments or establishment of new assets but which will operate according to the domestic operating conditions existing in the selected location (169-170).

Jaffe (2006) argues that this concept of globalization in support of the operations of multinational firms as one that is being exploited by these corporations. It is informed that multinational companies generate a lot of income from operations diversified in various parts of the world unlike in their home country. Their large sizes have also been seen to model globalization structures around the globe. These firms that all begin as domestic enterprises, decide to go global for the purposes of increasing their market shares, sourcing for production materials and lower production costs (57).

Multinational corporations have thus been accused of exploiting globalization in terms of technological transfers, exploitation of resources in their host countries, exporting job opportunities in foreign lands and taking away sovereignty of countries. Some of these accusations have been elaborated as follows: technological transfer is said to go against the need of maintaining a differential advantage of a country's technological strength; and resource exploitation are directed towards overuse and pollution of a country's resource that endangers humanity (Jaffe, 2006: 58-60).

Louise & Michael (2013) in their study attempt to convey trade differences found in home region in the context of finding business opportunities. The finding of their study informs that trade structures in home countries differ on different types of products. It is also revealed that these trade structures vary across regions or countries (25). Brown et al (2007) informs that presently, making considerations to deploy business operations in locations that have a differential advantage is a business strategy. For instant, in the manufacturing sector, setting up production plants through knowledge transfer techniques in developing countries is understood as a strategy that would produce good results within a short while (377). This is argued on the basis that operations management that involves subsidiary firms located in various countries
is difficult. Thus, opting to run these branches on either contractual, joint ventures or wholly owned basis is a strategic decision to ease their management processes (384).

4.5 Chapter Summary

The purpose of this chapter was to explore how business operations of Diageo-Guiness match the findings of the existing literatures. The findings informed that multinational companies are main drivers of globalization processes and the main players in the global market. The international market for Diageo-Guiness is in the alcohol-beverage industry whereby, the current multinational companies have managed to succeed through business branding and reputations. Their business approaches are developed from their home regional strategies which enable them identify their specialized markets. Their entry to international markets are said to have began in an era which globalization was becoming popularized. The objective of these firms in this industry entering the international market is market driven and value addition in their business operations. Thus, the concept of location advantage facilitated by globalization processes plays a major role. Also, it has been seen that in this alcohol-beverage industry, products developed are either diversified to spread market costs or for specified markets. Thus, competition is high in local firms and not in international levels. Hence, Diageo-Guiness acts as a business strategy for local firms located in its host countries to enable them succeed in their business environment. The findings of this case study and the paper in general support theoretical arguments noted by various authors and which make arguments in this study valid.

Chapter 5: Conclusion

The purpose of this thesis paper primarily involved establishing a study on globalization and identifying the challenges that it posses on the business operations of multinational firms. The findings of the study have revealed that multinational companies are the major drivers of globalization processes through their objective of resource exploitation and innovative techniques engaged in their business operations. Globalization which is driven by availability of knowledge and skills, technology, factors of production, and others is embraced by countries as well as multinational corporations for their need to economically grow. The study on globalization has conveyed that it is a phenomenon that has and still is overtaking the traditional roles of national governments in maintaining the welfare of their citizens locally. It has been appreciated that in the same way these governments make local investments in regions with location advantages, it is the same concept applied by globalization and which has been taken up by multinational firms.

Challenges that arise from globalization like increased competition levels in the global
market have been understood as inputs that have made multinational firms become more powerful and hence employed as business strategies by local firms for sake of succeeding in the highly competitive global arena. The case study on Diageo-Guiness, has confirmed the findings of this study and has added more knowledge to the depth of this study by introducing the regional strategies that multinational companies use which enable them establish strategic approaches of entering the international market.

References


challenges like establishing business strategies to encounter threats that arise from


companies are the major drivers of globalization processes through their objective of
corporations for their need to economically grow. The study on globalization has

addition in their business operations. Thus, the concept of location advantage

Multinational corporations have thus been accused of exploiting globalization in terms

production plant (383-384).

technological applications for production and supplier selection and relation for each

multinational companies on economic policies generated by a country (567).

John, John, Sarianna (2010) in their study attempt to establish a theoretical

realize success in its operations by overcoming imperfections found in the business

managed to overcome their marketing imperfections and have realized significant

As seen earlier, the expansion to foreign environments for Diageo-Guiness is not only

countries is noted to have been greatly challenged by distance and culture difference.

marketing efforts (Diageo, 2014).

as one of the largest manufacturers of alcoholic drinks. Arthur Guiness a brewer is

America, the Great Britain, Spain, Canada, Africa, India, Australia and others. Sales,

world where people around the globe enjoy its huge range of products at anytime they

the brands listed for this firm are Windsor, Bushmills whiskies, Crown Royal, Johnnie

The primary purpose of this study is to make a study on the processes of globalization

challenges are realized in these processes.

Sladjana, 2010).

securing a superiority position in value creation in the global context. This value

strategies of multinational firms are regulated by the size of the local market and legal

make simplifications on these products for markets in developing countries or localize

the idea of product standardization and diversification as well (Noguez, 2003: 119).

subsidiary firms that are spread widely across the globe (Tallman, 2010).

the globe. It is revealed that these strategies of multinational firms only apply in

firms and other foreign direct investments (FDI). Thus, the ability to attract

location advantages of countries in the perspective of foreign investors. In this regard,

Dunning & Narula (2005) adds that globalization processes have worked to boost

facilities across the globe was to motivate globalization processes. That is, identifying

operations of multinational firms and their performance is enhanced through increase

its business operations are beyond its national borders. These operations listed to

two centuries ago, multinational firms

Since the introduction of globalization process two centuries ago, multinational firms

diversity and extensive competition rates in the global market which are as a result of

issues related to human welfare (229).

powerful enough to regulate international markets and also, conflicts of interests

firms are said to take up the role when the sovereign states are weak to regulate

said to limit efforts by national governments in improving the welfare of their citizens.

are noted to occasion world's economic integration process (1).

Ali & Reza (2011) recalls that in the past, country governments had been tasked with

globalization, have enabled multinational firms become more powerful in succeeding


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To be continued