

TNCs: their nature, role and impact 3.2.1.3

ANSWERS

Q1	<i>True or False?</i>	
A	A TNC involves transport but an MNC involves assembling many separate parts <i>A TNC and MNC are the same thing. Both 'can' involve these, but don't have to</i>	False
B	A TNC can be involved in agriculture, mining, the media or manufacturing	True
C	A company may grow into a TNC through mergers & acquisitions, &/or via FDI	True
D	TNCs all have vertical integration: doing everything in-house from start to finish <i>Many TNCs out-source or sub-contract a number of their operations</i>	False
E	Increasingly TNCs originate in BRIC countries and emerging economies	True

Q2	Decide which term applies to each description	
A	When a larger firm takes over another corporation that, itself, owns a (usually) smaller company: the larger firm's relationship to the smallest	Acquisition
B	When the manufacturing of basic components, the adding of value, or a key processing stage is devolved to a specialist company to provide	Out-sourcing
C	When an organisation/corporation unwillingly loses its independence as a majority of its shares (or debts) are obtained by another company	Hostile take-over
D	Making amendments or changes to a standard product in order to take advantage of local opportunities, preferences or market.	Glocalisation
E	The amalgamation of two or more independent organisations for mutual benefit into one, larger, operation	Merger
		Hostile take-over Merger Glocalisation Acquisition Out-sourcing

Q3	Identify the TNC sector that each organisation illustrates	
A	Lloyd's of London is one of the world's largest insurance (underwriting) organisations incorporating over 50 leading insurance companies	Tertiary
B	The Kraft Heinz company formed from a merger of two organisations in 2015 helping stock supermarket shelves with mayonnaise and tins of soup	Secondary
C	Tesla, Inc. (Incorporated) is one of the companies run by Elon Musk that is developing electric cars and new battery technology for world-wide use	Quaternary
D	Rio Tinto Group is a British-Australian TNC producing a range of valuable items from the earth, from diamonds to titanium, copper and uranium	Primary
		Primary Secondary Tertiary Quaternary

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Q4	Research TNC organisations that operate in these areas:		
<i>TNC organisation</i>	<i>Product</i>	<i>HQ/base</i>	<i>Example locations</i>
<i>Beverage: (such as...)</i> Coca-Cola	Soft carbonated drink	Atlanta, Georgia, USA	Every country of the world other than Cuba and North Korea. Condensed syrup is exported to foreign bottling plants.
<i>Food commodity: (such as...)</i> Nestlé	Chocolate Coffee Milk powder Baby food	Vevey, Switzerland	447 factories in 194 countries, buying US baby-food maker Gerber in 2007, and UK Rowntree in York in 1988
<i>Energy supplier: (such as...)</i> E.ON AG	Power generation (esp. electricity) and supply	Essen, Germany	Operates in 30 countries. One is the London Array of wind turbines in the Thames estuary, of which E.ON UK owns 30%
<i>Broadcasting: (such as...)</i> News Corp	News publishing, magazines, book trading and radio broadcasts	New York, USA	Fox Sports Australia, The New York Post newspaper (US) The Times, the Sun (UK)
<i>Pharmaceuticals: (such as ...)</i> Johnson & Johnson	Band-Aid Clean & Clear Nicorette Savlon	New Brunswick, USA	Over 125,000 employees in 60 countries. In 2012 acquired 'Spectrum Vision' providing contact lenses to Russia with facilities in Ukraine & Kazakhstan

Q5	<i>What are the 4 key criteria you would select to characterise TNCs that have a 'positive impact' in the countries they operate in? Justify each. (SUCH AS ..._)</i>
<p>1 Growing, rather than reducing employment opportunities: developing supply chains, out-sourcing and stimulating first, second, third (...etc.) tier operations. As opposed to closing domestic organisations either through take-over and asset-stripping, or competitive practices which lead to closures.</p>	
<p>2 Maintaining high employment standards and operating practices that are adopted by domestic organisations: having good wages, employee rights and non-discriminatory human personnel standards. They raise the bar for other firms and insist on similar practices with supplier companies.</p>	
<p>3 Generating wealth for the domestic economy: either through FDI stimulating construction industries and supplier agencies, and/or through payment of relevant taxes to the domestic government rather than re-directing them to a foreign low-tax location.</p>	
<p>4 Enhancing the environment: maintaining the highest standards of environmental impact, and turning it into a net gain through environmental projects and minimising emissions, waste, pollution etc. – and encouraging supplier companies to do the same.</p>	