

Olena Zharikova

*Candidate of Economic Sciences, Associate Professor,
Associate Professor at the Department of Banking and Insurance,
National University of Life and Environmental Sciences of Ukraine, Kyiv, Ukraine
E-mail: ele0309@ukr.net
ORCID: <https://orcid.org/0000-0002-1259-1712>*

Kateryna Cherkesenko

*National University of Life and Environmental Sciences of Ukraine, Kyiv, Ukraine
E-mail: ikatherine.cher.00@gmail.com
ORCID: <https://orcid.org/0000-0003-1104-1417>*

Personnel management development issues in multinational corporations of the world economy

Abstract

Today the modern world is on the verge of a redistribution of transnational corporations, which compete with each other for new spheres of influence, markets of production and outlet, technology and maximum possible profits. Globalization and internationalization of production and capital, privatization, the creation of world political and economic associations, and the liberalization of trade have placed them at the center of modern economic development. The article reveals the issues of personnel management development in transnational corporations of the world economy. On the basis of the research theoretically and practically grounded theoretical and methodological approach to the organization of activities of transnational corporations in the globalization processes of the economy. The practical significance of ways and forms of organization of activities of transnational corporations in ensuring the development of international production, sales, trade and financial complex with a single decision-making center in the host country with its branches, representative offices and subsidiaries is analyzed. Research shows that transnational corporations have an important function in the development of the modern world economy. They directly affect the economies of recipient countries, accelerate the internationalization of economic life, as well as the scientific and technological process. Attracting foreign direct investment gives a country access to the financial resources of TNCs, as well as facilitates its integration into global economic processes and access to foreign markets. Transnational capital has created a new system of international relations, which has led to the formation of supranational institutions of governance. In addition, TNCs are actively influencing the processes of globalization. This article discusses the risks associated with the personnel of TNCs and the ways of economic and social protection of employees. In recent years, the international labour market has used the social package as a form of remuneration for work, which should be broadly understood as the employer's provision of material benefits in the form of fringe benefits, compensation, privileges and social guarantees. The social package can be implemented with the help of existing legislative mechanisms, such as contractual regulation of collective labour relations, normative regulation of labour in local legal acts of business entities, the written form of the employment contract.

Keywords

Transnational corporations, TNC, multinationals risks, social package, staff, social protection

JEL: G30, M12, M14

DOI: <https://doi.org/10.30525/2500-946X/2021-3-7>

1 Introduction

Transnational corporations have an important function in today's global economic space, as they determine the direction of the world economy. The leading positions of the developed countries of the world are based primarily on the enormous influence of their transnational companies on the

economies of other countries. Under the influence of globalization and integration into the world economy, transnational corporations are conquering new markets and seeking to further expand their economic power. The main components of transnational corporations are the financial, technical, and scientific base, but the most important part of a TNC is the workforce.

The aim of the paper is to study the issues of TNC human resources management and analyze the role of TNCs in the global economy.

The issues of financial role of transnational corporations (TNCs) in the world economy were studied by many scientists including A. Jalilov, M. Luchko, J. Ponciano, G. Alishov, A. Sardaryan, E. Vynokurova, E. Horokhova, S. Gomez, and S. di Truman conducted research concerning human resource management problems.

Today the issue of attracting and retaining highly qualified specialists is becoming important for corporations in all areas of activity. After all, people and their focus on the success of the company are the main asset that determines the effectiveness of the company. Therefore, the key tasks of management services employees in the near future remain the recruitment of productive applicants and the retention of effective workers already employed.

A multinational company can face many risks and problems within its system. If the problem is not solved in a timely manner and the situation is insufficiently managed, the corporation may reduce the quality of its products, conduct an illiterate trade policy and, as a consequence, lose its position in the market.

The basic social package should be distinguished from the motivational social package. The social package for the company can be established by various agreement options (collective bargaining agreement, employment contract, a separate Regulation within the corporation).

2 Theoretical foundations of transnational corporations

The modern stage of world development is characterized by a dynamic growth of processes of integration of political, economic and cultural life in the world. There is a mutual rapprochement of different countries and peoples, the spread of information technology, political transformation

and integration at the regional and global levels. The term "globalization" has come into widespread use as a characteristic of the formation of a single planetary society. Technological advances and significant advances in international cooperation have made the elements of the world economy more interconnected than ever before.

Globalization is the term used to describe the growing interdependence of the world's economies, cultures, and populations caused by cross-border trade in goods and services, the technical support of production and innovation introduced by global companies, and the exchange of information and workforce. All countries over the centuries have built their economic relations in order to facilitate this exchange. Thus, the concept of "globalization" was invented (Melina Kolb).

The activities of international companies extend to virtually every country in the world and to a variety of economic activities. As a result, the expansion of international companies, the increasing complexity of economic relations, changes in the structure, priorities and quality of consumer needs significantly affect the development of the global market.

The main types of international companies are as follows:

- transnational corporations (TNCs), i.e., national monopolies with assets located in other countries, their production and trading activities are carried out outside one country; in accordance with the statutory documents, the business activities of such companies are carried out through a network of branches or subsidiaries. The definition of "Transnational Corporation" is given in Table 1;
- multinational corporations (MNCs) are international corporations that unite national companies of several countries on a production and scientific and technical basis (Alishov Gamid Nadir-ogly, 2016).

TABLE 1 Definition of "transnational corporation"

| Author | Definition |
|-------------------------------------|---|
| Chris Park | A transnational corporation is a company that is controlled from its own country but has large enterprises in many countries. It is opposed to a multinational corporation. |
| Karl Thompson | Transnational corporations are businesses that operate across international borders, although most are headquartered in the United States, Europe, and Japan. |
| West's Encyclopedia of American Law | Any corporation registered and operating simultaneously in more than one country, also called a multinational corporation. A transnational, or multinational, corporation is headquartered in one country and operates wholly or partially owned subsidiaries in one or more other countries. The subsidiaries report to the head office. |
| A. S. Bulatova | A TNC is a form of international pooling of capital in which the parent company has branches in many countries, coordinating and integrating their activities. |
| O. V. Chernova, O. V. Pazinych | A transnational corporation is a complex that includes production, trade and financial components, with a single decision-making center in the home country and branches in other countries. |

Based on the above, the author has developed own definition of the concept of "transnational corporation". Namely, it is a large network of branches concentrated in many countries and managed from the head office, which is located in the home country. Thus, the scale of foreign operations in all areas of these companies defines the international aspect of TNCs.

Transnational corporations are the most effective form of international business organization for several reasons:

- first, they are competitive both internationally and in individual country markets;
- second, this form of business organization allows to make a profit, as well as to maneuver capacity utilization (Jalilov, 2015) and respond quickly to changes in market conditions, taking into account the culture, traditions and religion of the country where the activities are carried out to better expand its market;
- third, MNCs do not operate with the concept of national or regional borders: relationships of specialization and cooperation are established and developed between enterprises that are located in different countries but belong to the same corporation (Luchko, 2015).

3 The importance of TNCs in the global economy

According to UN experts, there are about 85,000 TNCs in the world (there were 30 in 1939), which control more than 2 million foreign affiliates, accounting for 9% of world GDP and a third of world exports. At the same time more than 80% of parent companies and about 1/3 of affiliated companies were located on the territory of industrialized countries in developing countries. TNCs carry out 80% of high-tech trade, control 90% of direct investment abroad (L. V. Rudenko-Sudareva). The 2,000 companies ranked annually by the Global 2000 as the world's largest public companies have annual revenues of more than \$40 trillion, their global assets total more than \$186 trillion, and they employ about 800,000 people (Ponciano, Hansen, 2019).

The largest modern TNCs (General Motors, Ford, Amazon, Apple, Walmart) have financial resources that exceed the national income of many countries. The sales volume of TNCs' foreign subsidiaries is much higher than that of "free" international trade. At present in industrialized countries, on average, half of the products are produced by foreign branches and subsidiaries of transnational corporations. Approximately the same share of raw materials is imported or produced by foreign units.

The world's 500 most powerful TNCs sell 80% of all electronics and chemical products, 95% of pharmaceuticals, 76% of engineering products. Currently TNCs are distributed by area of activity

as follows: sector of industry (60%), services (37%), basic industries (3%) (Ponciano, Hansen, 2019) (Table 2).

Construction companies such as China State Construction Engineering Corp. make up the most quantitative category in the industry. 35% of the 123 companies in this category are from China, which has experienced a significant infrastructure boom over the past decade. Oil and gas companies, followed by insurance and materials companies, such as U.S. aluminum producer Alcoa. Insurance companies (\$20,293.9 billion) and finance companies (\$1,864.9 billion) also own large assets.

TABLE 2 Rating of industries TNCs work in

| Area | Number of companies | Total assets, USD billion | Total profit, USD billion |
|------------------------|---------------------|---------------------------|---------------------------|
| Banking | 308 | 89201.1 | 6331.8 |
| Finances | 145 | 19864.9 | 3650.3 |
| Construction | 123 | 5223.0 | 1616.2 |
| Oil and gas operations | 110 | 6494.8 | 4001.6 |
| Insurance | 102 | 20293.9 | 2421.9 |
| Materials | 102 | 2382.2 | 1428.2 |
| Durables | 90 | 4699.5 | 1958.4 |
| Business services | 88 | 8051.0 | 2200.9 |
| Utilities | 84 | 4157.1 | 1576.1 |
| Food | 75 | 2174.9 | 2842.0 |

An analysis of geographic structure through zoning the global economy, according to Forbes, reveals the dominance of companies from the United States, China, Japan, Great Britain, France and Germany among TNCs in 2019 in many respects (Figure 1).

4 Defining the components of the social package concept

Workforce, that is, personnel involved in the performance of a particular activity, is an important resource of a business organization with the ultimate goal of maximizing profits. In an innovative economy the role of personnel in achieving this goal increases. The competition of large companies aimed at attracting and retaining qualified personnel is observed in any field of activity, which inevitably affects the risk management of personnel in the context of both their social protection and an additional incentive mechanism to increase their productivity and motivation.

According to practice, there are two ways to achieve social protection of citizens in business organizations:

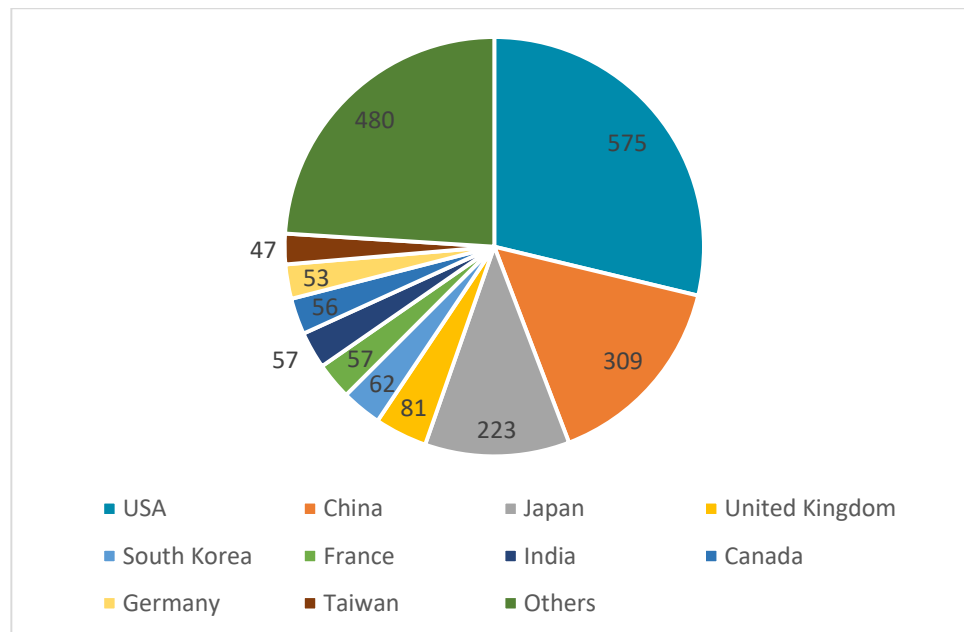


FIGURE 1 Geographical distribution of TNCs in 2020

- redistribution of national wealth through the financing of state social programs;
- development of an institutional framework for the prospect of self-sufficiency of citizens in the event of social risk. This means the probability of worsening their health, the probability of losing their ability to work, safety, income, socio-economic status, etc., in everyday life or as a result of natural or man-made accidents or disasters, which may result in a temporary or permanent loss of livelihood (Shevchenko, Hrytsenko, Kaminska, 2010).

The system of personnel risk management in commercial organizations should make maximum use of available methods, which is currently embodied in the concept of "social package", which contains certain types of both social and commercial insurance (Nechyporuk, 2019).

Multinational companies usually have employees from three types of countries:

- 1) from the country where the headquarters is located;
- 2) from the host countries (the countries where the branches or subsidiaries are located);
- 3) from labour or financial supply countries (Shyamal Gomes).

The presence of employees from different countries poses additional challenges and responsibilities for the company:

- interaction with customs services and embassies, as well as issuance of income certificates for employees crossing the border;
- the study of foreign culture and laws;
- organizing the education of children of foreign workers;
- providing housing for foreign workers and their families;

- collecting information on living standards and exchange rates in countries from or to which employees come or go;
- adapting management to the peculiarities of different cultures;
- organizing business trips for executives to test the effectiveness of expatriate employees and solve their problems abroad;
- readiness for extra-legal political risks associated with expatriation (terrorism, kidnapping).

The presence of personnel from different countries can lead to three specific types of personnel risks.

Expatriation risk is the risk associated with employees crossing borders in the course of a company's international activities or with foreign employees hired by the company crossing borders (Derid, Harmash,). Managers of a company that employs expatriates must understand the risks expatriates face, help avoid those risks, and minimize the possibility that they will be harmed in a foreign country. For example, Singapore, thanks to its special preferential tax regime, is extremely attractive for the location of foreign companies, the headquarters of TNCs and other international businesses (Sean D. Truman).

The risk of misuse of foreign workers can take three forms:

- first, the exploitation of illegal foreign workers;
- second, the use of the labour of legal foreign workers, who find themselves in bad conditions due to the abuse of unscrupulous recruitment agencies;
- third, violence, harassment, inadequate working conditions, and child labour in companies that make up the supply chains of multinational corporations.

In particular, Nestle has been repeatedly written about in the newspapers, accusing it of oppression and slave labor conditions of workers employed in seafood supply chains from Thailand, in the production of animal feed, in the use of child labor in cocoa bean supply chains from Côte d'Ivoire. Mobile communication, namely the creation of anonymous communication channels between the company and the employees, was a step to overcome this situation. Mobile communication allows TNCs to receive anonymous information from workers about working conditions (an anonymous communication channel operates 24/7, so workers can call from home or from other places because of the ban on using the phone during the work day) (Leveraging mobile technology for worker voice and real-time data).

TNCs can be exposed to risks because of their multinational nature (Figure 2).

Consider the risk of managing a multinational team. When establishing a branch or subsidiary abroad, the parent company faces the problem of deciding which country's representatives will make up the management staff. Experts note that a situation where local specialists are managed by foreign managers is very risky. The reason for the risk is the ignorance of foreign managers of the local situation. At present, multinational companies, on the contrary, try not to transfer the values of the head office to the foreign divisions. In this case, the management staff is equally represented by specialists from the host country and local managers (Horokhova, 2010).

The biggest risk for a company with a multinational staff is discrimination in the workplace based on nationality, race or religion. Harassment and psychological terror in the workplace can be called mobbing. Mobbing is evidence of an inefficient personnel management system, an unhealthy atmosphere in the team, and the inefficiency of the company. It can lead to lawsuits from disgruntled employees, employee turnover and deterioration of the organization's image (Sardaryan, Chernova, 2008).

In order to prevent risks associated with feelings of vulnerability and insecurity of the employee, the concept of "social package" was developed. It contains

a set of social payments, benefits, incentives, guarantees and services provided by the employer (Tsymbalyuk, 2011). According to E. Vynokurova, the social package is a system of benefits and compensations of material and non-material nature, which the company provides to the employees as one of the components of the salary or additional payments (Vynokurova) (Figure 3).

As a rule, the social package includes three components, namely:

- the compulsory social package includes payments stipulated by labor legislation, i.e., compulsory state social insurance, decent wages, paid annual leave, sick leave payment, contributions to social funds, compulsory health insurance, etc.;
- a competitive social package may be added to an employee's salary at will, which includes preferential or free meals, voluntary health insurance, payment for sporting events, company cars, and discounted travel;
- the compensation package includes reimbursement for personal expenses that the employee spends in the course of his or her duties. This includes payment for cell phone services, reimbursement for gasoline and depreciation when using a personal car, and partial or full reimbursement for training expenses.

The development and implementation of a social package as a component of social protection for employees contributes:

- to an increase in the level of productivity and quality of work of employees;
- to the establishment of strong relationships between the company and its employees;
- to the development of a generation of dedicated and loyal employees;
- to better meeting the economic, physiological and spiritual needs of workers (Tkachenko, 2011).

5 Conclusions

Transnational corporations are important at the present stage of development of the world economy. They directly influence the economies of recipient countries, accelerate the internationalization of economic life and the scientific and technological

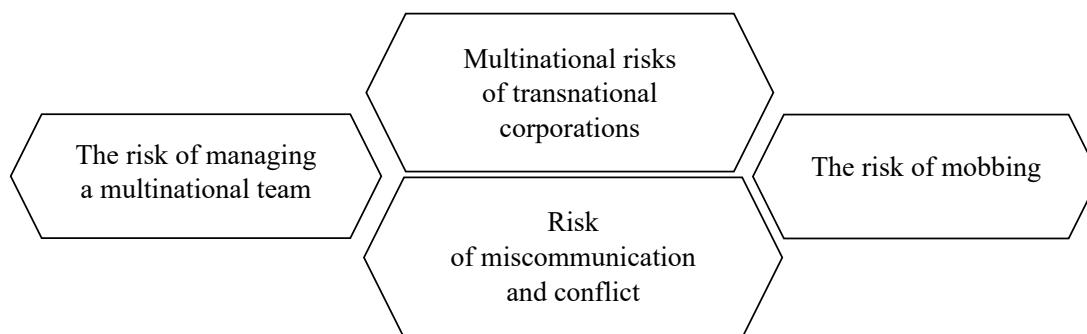


FIGURE 2 Multinational risks of transnational corporations

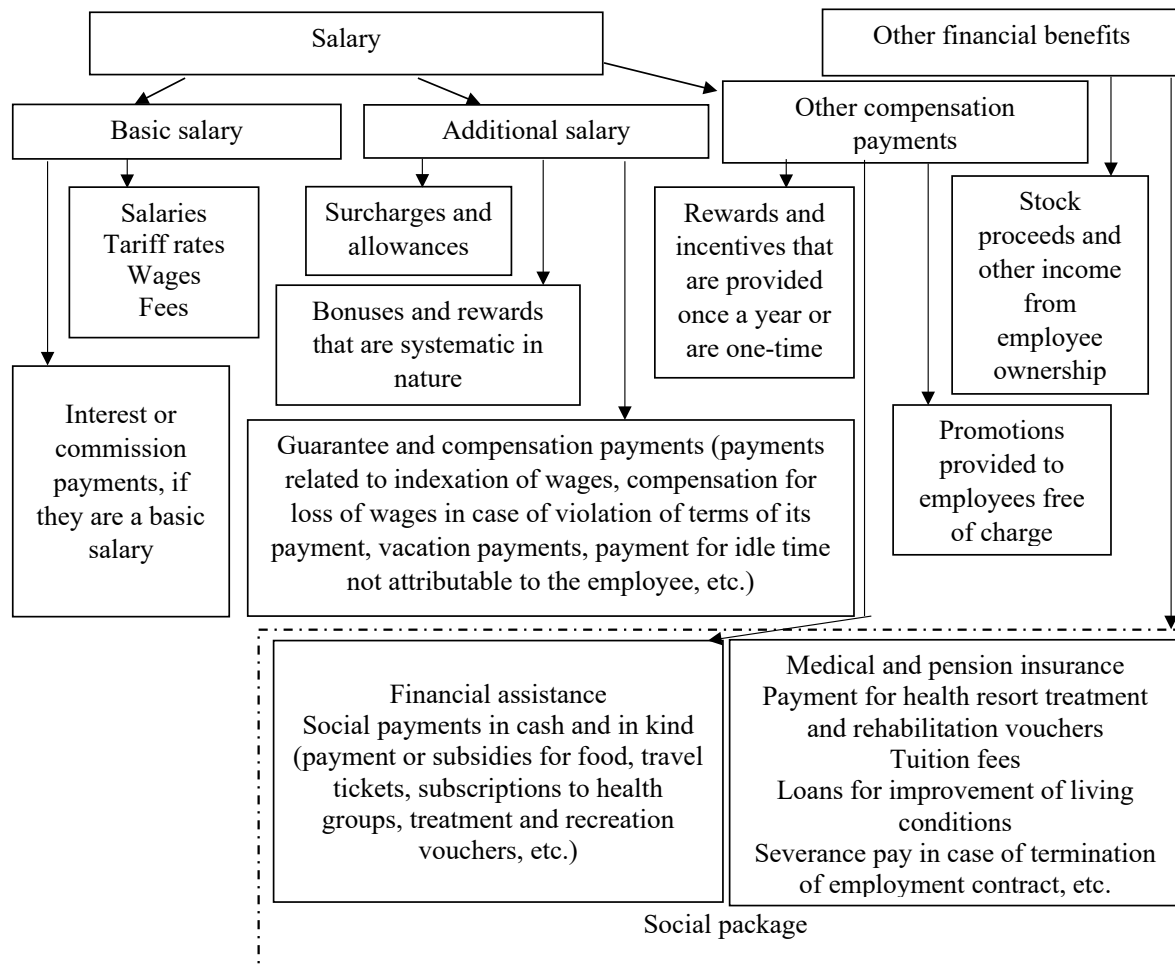


FIGURE 3 Comparison of the content of wages and benefits package

process. The attraction of foreign direct investment gives a country access to the financial resources of TNCs, as well as facilitates its integration into global economic processes and access to foreign markets. Transnational capital created a new system of international relations, which led to the formation of supranational governance institutions. In addition, TNCs actively influence the processes of globalization.

A great deal of attention in international corporations is paid to the process of hiring new employees and their adaptation, since it is at this stage that human resources are formed. Adaptation of personnel implies the adjustment of newly hired employees to the traditions and norms of the company, as well as a set of measures aimed at eliminating conflicts and reducing the time of this process. To build a positive employer brand and attract and retain competent employees in the

company, in addition to basic wages, bonuses, supplements and allowances, employers should offer social incentives. To develop a competitive benefits package, employers and managers must adhere to basic requirements for its design.

Therefore, the social package is a powerful tool to influence individual and organizational efficiency, duration and success of the labor relations between the employee and the employer. In addition, the social package is a motivational tool that combines methods of material and non-material incentives, a system of measures to meet the needs of employees and directly affect the production process. This is a kind of voluntary contribution by business that goes beyond statutory obligations and involves employers voluntarily taking additional steps to improve the quality of life of employees and their families, which provides new socially responsible results.

References

- [1] Alishov Gamid Nadir-ogly (2016). Rol transnatsyonalnyh kompaniy u rozvytku natsionalnoyi ekonomiky Ukrainy [The role of transnational companies in the development of the national economy of Ukraine]. *Efficient economics*, 4. (in Ukrainian)
- [2] Chris Park (2007). *A Dictionary of Environmental and Conservation* (1 ed.). Oxford University Press. DOI: <https://doi.org/10.1093/acref/9780198609957.001.0001>

- [3] Horokhova, E. Yu. (2010). Osoblyvosti upravlinnia personalom transnatsionalnykh orhanizatsii [Specifics of multinational organizations personnel management]. *Public administration. Electronic Bulletin*, 24. E-source: http://e-journal.spa.msu.ru/uploads/vestnik/2010/vipusk_24._sentjabr_2010_g./problemi_upravlenija_teoriya_i_praktika/gorokhova.pdf (in Ukrainian)
- [4] Derid, I., & Harmash, Yu. (2017). Kadrovi ryzyky v mizhnarodnomu biznesi. *Series "International Relations. Economics. Social studies. Tourism"*, 6. (in Ukrainian)
- [5] Jalilov, A. Ya. (2015). Instytutsiina systema frahmentarnoho mizhnarodnoho vyrobnytstva transnatsionalnykh firm [Institutional system of fragmentary international production of transnational firms]. *Business Inform*, 10, 36–40. (in Ukrainian)
- [6] Karl, Thompson (March 3, 2017). What are Transnational Corporations. Categories Global Development, Transnational corporations. E-source: <https://revisesociology.com/2017/03/03/what-are-transnational-corporations/>
- [7] Leveraging mobile technology for worker voice and real-time data. E-source: <http://goodworldsolutions.org/wordpress/wp-content/uploads/2014/11/ETI-Members-+-Mobile-Tech-Oct-2014.pdf>
- [8] Luchko, M. L. (2015). Konkurentni stratehii TNK: stratehichni aliandy, zlyttia ta pohlynannia [Competitive strategies of TNCs: strategic alliances, mergers and acquisitions]. *Bulletin of Moscow University*, 1, 31–56. (in Ukrainian)
- [9] Melina, Kolb (October 29, 2018). What Is Globalization? And How Has the Global Economy Shaped the United States? Peterson Institute for International Economics.
- [10] Nechyporuk, L. V. (2019). Upravlinnia ryzykamy personalu biznes-orhanizatsii [Risk management of personnel of business organizations]. *Business Navigator*, 4(53). (in Ukrainian)
- [11] Ponciano, J., & Hansen, S. The World's Largest Public Companies 2019: Global 2000 By the Numbers. E-source: <https://www.forbes.com/sites/jonathanponciano/2019/05/15/worldslargest-companies-2019-global2000/?Sh=636d74d74ada>
- [12] Tsybalyuk, S. O. (2011). Sotsialnyi paket: sutnist, pryroda ta motyvatsiina rol [Social package: essence, nature and motivational role]. *Social and labor relations: theory and practice: collection*, 1, 39–47. (in Ukrainian)
- [13] Sardaryan, A., & Chernova, V. (2008). Multinational teams. *Personnel management*, 24. E-source: <http://www.top-personal.ru/issue.html?1849> (in Ukrainian)
- [14] Sean D. Truman. Expatriates at Risk; Stress and Mental Health / Sean D. Truman, David A. Sharar, John C. Pompe / Global business news. E-source: <http://www.globalbusinessnews.net/story.asp?sid=1574>
- [15] Shevchenko, L. S., Hrytsenko, O. A., Kaminska, T. M. etc. (2010). Bezpeka liudskoho rozvytku: ekonomiko-teoretychnyi analiz: monohrafiia [Security of human development: economic and theoretical analysis: monograph]. Kharkiv: Pravo. (in Ukrainian)
- [16] Shyamal Gomes International Human Resource Management (IHRM). E-source: <http://xiss.ac.in/wp-content/uploads/2014/12/CV-Shyamal-Gomes.pdf>
- [17] Rudenko-Sudareva, L. V. (2009). Transnatsionalni korporatsii: Posibnyk dlia studentiv [Transnational corporations: Students manual]. Kyiv: ELC. (in Ukrainian)
- [18] Vinokurova, E. Motyvatsyia personala: Sotsyalnii paket kak novii etap v evoliutsyy rossiyskykh kompaniy [Motivation of staff: The social package as a new stage in the evolution of Russian companies]. E-source: http://www.top-personnel.com/press_h30/rubrica_h59/ (in Russian)
- [19] West's Encyclopedia of American Law, edition 2. Copyright 2008 The Gale Group, Inc.
- [20] Bulatova, A. S. (2008). Svitova ekonomika: Posibnyk dlia vuziv [World Economy: Manual for universities]. Moscow: Yirist. (in Ukrainian)
- [21] Tkachenko, O. M. (2011). Znachennia sotsialnoho paketu dlia ukrainskykh pidpriemstv za suchasnykh umov [The value of the social package for Ukrainian enterprises under modern conditions]. *General economic issues. Investments: practice and experience*, 8. (in Ukrainian)