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The Role of Multinational Corporations in the European Union

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Abstract: Organizations such as multinational corporations are the most important form of business globally. The defining role on the world economy could be seen at the onset of the financial crisis of 2008, but also in the recent events related to the Covid-19 pandemic, when corporations transformed their production lines to respond to the need for protective equipment for the frontline workers in the health system, but also for the broader population. Through Foreign Direct Investment (FDI), multinational corporations make a positive impact on economies around the world. In addition to contributing to the local development of areas where they setup subsidiaries, multinational corporations are a form of integration of a local economy into the global economy. In the Romanian economy, multinational corporations play a decisive role, representing the companies with the highest turnover, but also the most desired employers for those looking for a job.

Keywords: *multinational corporations; foreign direct investment; employee; European Union; human resources management.*

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1. Introduction

Corporations have been a form of business for a very long period of time. For example, the British corporations financed the establishment of the first colonies in North America.

In the nineteenth century corporations began to be widely used, and in the twentieth century they were dominant, turning the United States of America into the largest industrial economy in the world. Today, the corporation, as a business structure, represents the vast majority of all economic activity in the world.

The list of Fortune magazine of the 500 largest companies of the United States of America began its publication in 1956, presenting the largest companies in 1955. In that year, the total revenue of these 500 companies was 1.2 trillion dollars. For comparison, I have extracted the revenue data of the top companies in 2004 and in 2019, the worth of the companies having changed significantly. During this period, the list has changed from companies that were worth millions of dollars to companies that were worth billions of dollars. Also, the geographical distribution changed significantly over time.

The type and size of USA's largest corporations has changed dramatically in the last 64 years, as illustrated in Table 1 of the Fortune 500 list in billions of dollars (Fortune Magazine, 2003).

Table 1. Ten Largest Corporations in the United States 1995-2019

1955		2004		2019	
Company	**Revenue (bill. $)**	**Company**	**Revenue (bill. $)**	**Company**	**Revenue (bill. $)**
General Motors	9.823	Wal-Mart	288.1	Walmart	514.4
Standard Oil N.J.	5.661	Exxon Mobil	270.7	ExxonMobil	290.2
United States Steel	3.250	General Motors	193.5	Apple	265.6
General Electric Co.	2.959	Ford Motor Co.	172.2	Berkshire Hathaway	247.8
Esmark	2.510	General Electric Co.	152.3	Amazon	232.9
Chrysler	2.071	ChevronTexaco	147.9	UnitedHealth Group	226.2

Armour	2.056	ConocoPhilips	121.6	McKesson	208.3
Gulf Oil	1.705	Citigroup	108.2	CVS Health	194.6
Mobil Oil	1.703	American International. Group	98.6	AT&T	170.7
DuPont	1.687	IBM	96.2	AmerisourceBergen	167.9

Source: Adapted after Truitt (2006) and Fortune 500 (2019)

The discussion on multinational corporations stirs many controversies in the European Union, but mostly in Romania, thus performing a realistic analysis on the role of multinational corporations is a topic of high interest.

The soft power exercised by multinational corporations in the postmodern world can be identified in all countries where they open subsidiaries. They are able to influence the economy of each state. In Romania's case, for example, all companies with the highest income are subsidiaries of multinational corporations.

Multinational corporations are directly linked to the consumerist feature of postmodern society. The over-productivity of multinational corporations and the market offer exceeding the market request have led to a change in the corporations' approach. In order to keep selling their products, especially in the case of slow moving goods, corporations have started manufacturing goods with a shorter life and, at the same time, they increased their promotional budgets in order to invest in convincing clients to buy more, by inducing the idea of need.

Another interesting phenomenon of the multinational corporations is the idea of multinationalism in itself. Many corporations nowadays have a spread all over the globe in tens of countries and all these people working for them have the same common economic interest – the prosperity of the corporation, which is seen as being transposed into personal prosperity of the employees. And this idea transcends national interests and borders.

When talking about multinational corporations in the postmodern era, it is vital to strike a balance between their economic interests and consumerism adjusted by sustainability and responsibility towards people and the environment.

2. Literature Review

There are several academic definitions of multinational corporations, such those from Vernon (1971), Jacoby (1970) or Rubin (1970), authors who defined the concept as:

- "*a business organization that has its roots in one country and operations of various sorts in another*" (Robin, 1970, pp. 65-87).

- "*a cluster of corporations of diverse nationality joined together by ties of common ownership and responsive to common management strategy*" (Vernon, 1971, 1986, p. 114).

- an entity that "*owns and manages businesses in two or more countries. It is an agency of direct, as opposed to portfolio, investment in foreign countries, holding and managing the underlying physical assets rather than securities based upon these assets*" (Jacoby, 1970, p. 38).

There are also several business use definitions, like that given by Sir David Barran, one of UK's most important business leaders, chairman of Shell (1967-1972), who said that the multinational corporation was "*incorporating everything from the very large-scale type of integrated enterprises to the single-product manufacturer based in one country who finds himself increasingly driven by the exigencies of the business into successive stages of involvement overseas* (Barran, 1974, p. 13). It is considered that the most clear and complete business definition is the one from Maisonrouge (1972), who was the president of IBM, which states that the multinational corporation has to satisfy the following conditions: „*do business in many countries; have foreign subsidiaries with the same R&D, manufacturing, sales, services, and so on, that a true industrial entity has; there should be nationals running these local companies; they understand the local scene better than anybody else, and this helps promote good citizenship; there must be a multinational headquarter, staffed with people coming from different countries, so one nationality does not dominate the organization too much; there should be multinational stock ownership - the stock must be owned by people in different countries*" (Maisonrouge, 1972, as cited by Bradley & Bursk, 1972, p. 39).

3. Methodology

The article contains a quantitative analysis regarding the multinational corporations present within the territories of the European Union.

For the analysis at the EU level, the data used was colected by the European institute for statistics, Eurostat. For the analysis at local Romanian level, the data from the national statistics institute were corelated with the qualitative research performed by Catalyst Solutions, as it is detailed in the next sections.

This quantitative research is aimed at analysing data and deducting the level of importance that multinational corporations play overall at European Union level, but also at national level, in Romania.

4. Multinational Corporations in the European Union

Euro Groups Register (EGR) is the "statistical register of multinational corporations from European Union" (EU) or EFTA (European Free Trade Association) countries. In the EU sometimes these companies are called multinational enterprises.

According to the EGR, 162,466 multinational corporations were registered in the EU in 2017, of which 116,497 are from the EU, having the head office located in one European Union country). The rest of the registered multinational corporations come from non-EU countries, most of them from "Switzerland (10,122), the United States of America (7,614), Turkey (2,933), Canada (2,900) and Norway (2,063)" (Eurostat, 2018).

For these statistical purposes, the head office from where all management decisions are made for the entire group, determines the nationality of a group of multinational corporations.

Table 2 shows the number of multinational corporations operating in each country and the number of MNCs with the global head office in that country:

Table 2. Structure of multinational corporations

	MNCs operating in the country	of which, MNCs with the headquarters in the country
EU 28	**162.466**	**116.497**
Belgium	8.160	4.895
Croatia	3.335	631
Cyprus	9.179	5.454
Estonia	3.894	1.396
Finland	4.428	1.380
Italy	25.468	14.961
Latvia	4.213	525
Lithuania	3.193	810
Malta	3.403	
Portugal	4.398	1.253
Romania	43.955	526
Slovenia	4.192	658
Spain	13.794	3.818
Sweden	10.820	4.456
Island	336	200
Liechtenstein	963	767

Norway	7.022	2.063
Switzerland	18.581	10.122

Source: EuroGroup Register 2017 (Eurostat, 2018)

There are 42,699 cases of the 162,466 multinational corporations registered in the Euro Groups Register, where the companies are controlled from abroad and where there was no way of establishing the exact origin of the control, only the country. (see Chart 1)

Foreign-controlled enterprise groups registered in the EGR represent multinational corporations without a clear identified parent company that has the global control. When countries are unable to identify the legal entity in another country that has direct or indirect ownership and control of the multinational corporation, only the information on the country of residence of the global headquarters will be recorded in the EGR.

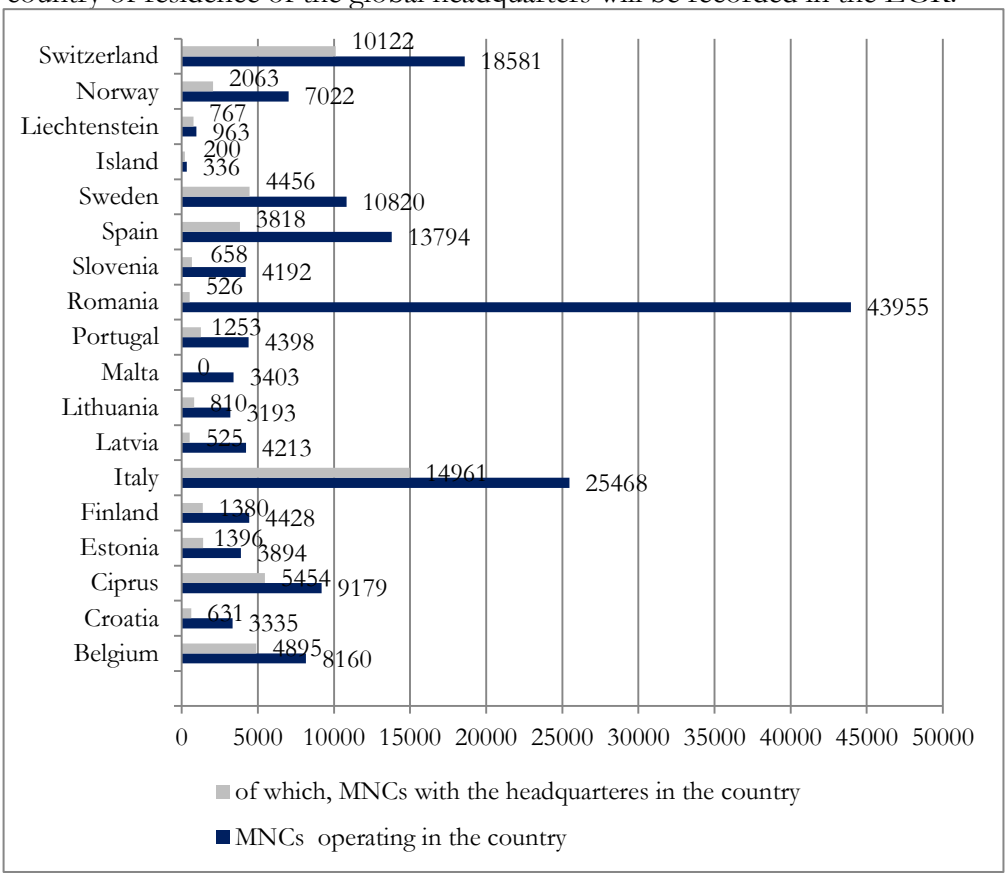


Figure 1. Corporations operating in Europe
Source: EuroGroup Register 2017 data processing (Eurostat, 2018)

4.1 The size and complexity of multinational enterprise groups

From the total number of multinational enterprise groups in the European Union, 89.4% are small, with less than 10 legal entities, 8.9% are medium-sized, consisting of 10 to 49 legal entities and 1.8% of them are classified as large multinational corporations, having 50 or more legal entities.

Chart 2 shows an overview of the proportion of small, medium and large groups of multinational corporations, divided by country:

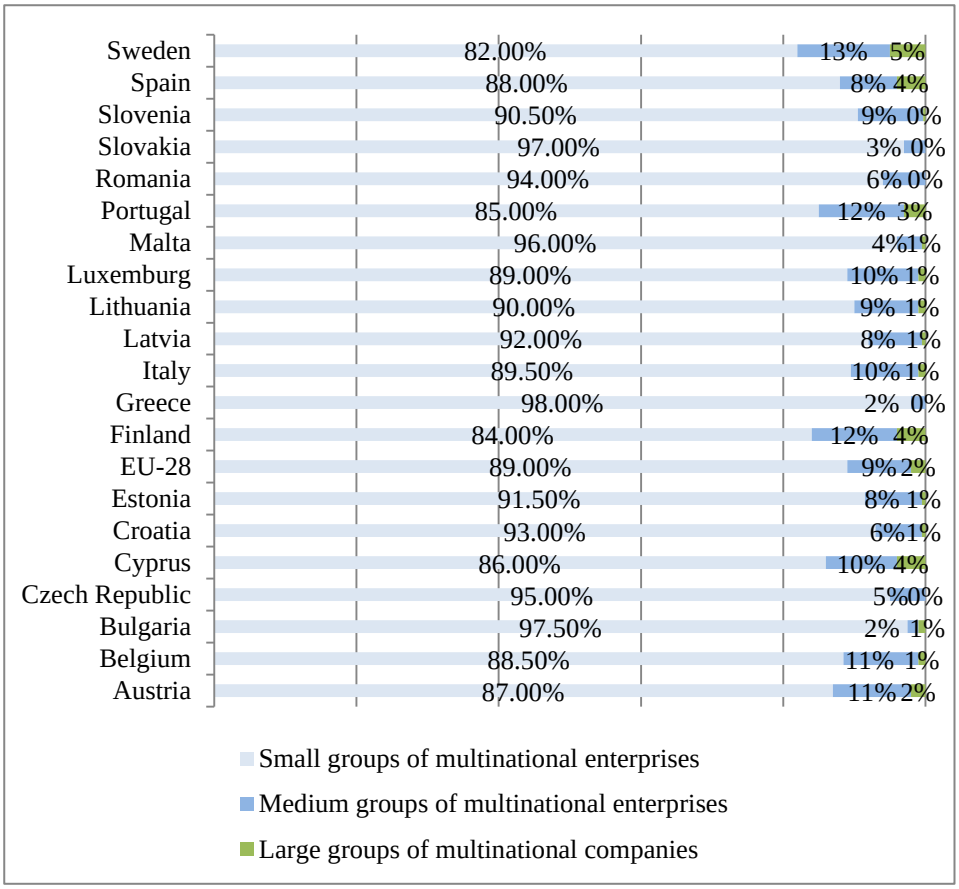


Figure 2. Multinational enterprise groups in the European Union
Source: EuroGroup Register 2017 data processing (Eurostat, 2018)

The complexity of multinational enterprises is determined by the variety of activities carried out by its entities. Single-member multinational corporations operate in one economic field of activity (according to the Statistical classification of economic activities in the European Community

divisions – NACE – coming from the French Nomenclature statistique des activités économiques dans la Communauté européenne), for example "Development of building projects" or "Manufacture of wine from grape". There are also multinational corporations that have two to four economic activities – called "Diversified multinational enterprise groups", but also "Highly diversified groups", that have five or more economic activities developed throughout their entities. The mono-active multinational enterprise groups represent 37.5%, 25.0% are diversified and 6.1% are highly diversified. We have also a high proportion of 31.4% of EU multinational corporations registered in the EGR, for which the activities could not be identified.

Chart 3 provides an overview of the proportion of mono-active, diversified and highly diversified multinational corporations by country.

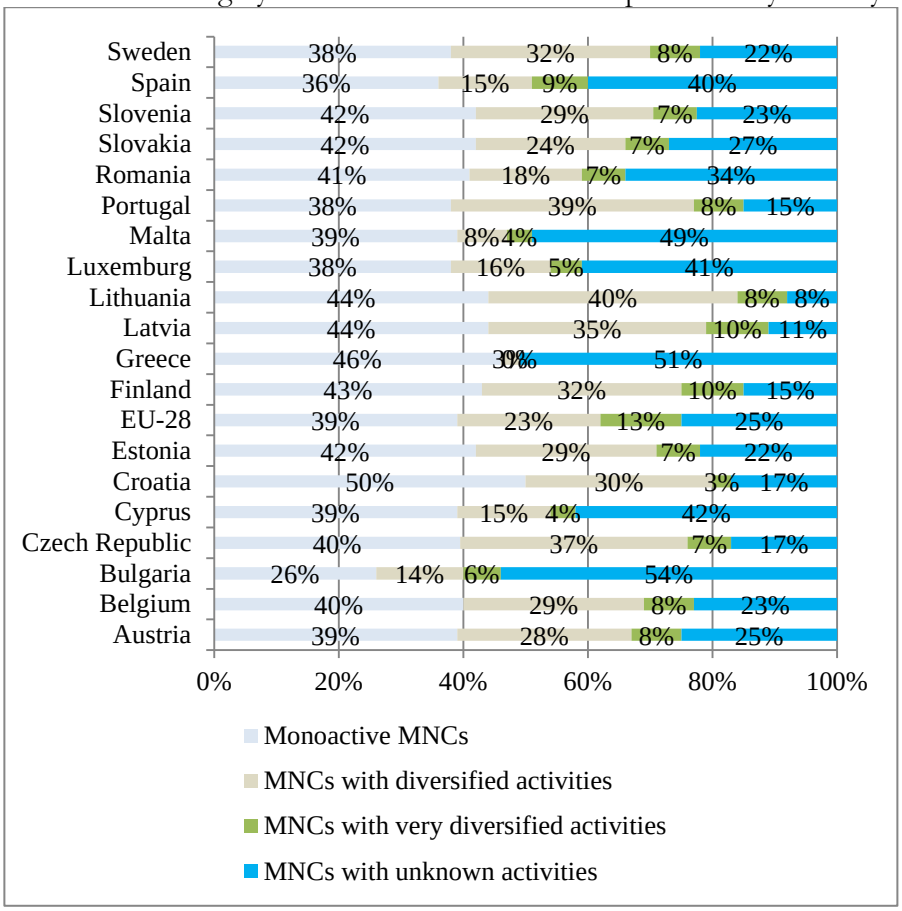


Figure 3. Mono-active, diversified and highly diversified groups in Europe
Source: EuroGroup Register 2017 data processing (Eurostat, 2018)

Another classification made by the EGR refers to the number of countries in which a multinational corporation is present throughout the European Union. Thus, the statistical data available for 2017 shows that 81,9% of the multinational corporations have legal entities in only on country, 13.5% have legal entities in 3 – 5 countries and a small percentage of 4.6 have presence in six or more countries.

Chart 4 is an overview of the proportion of low, medium and high European presence groups (EU and EFTA) by country.

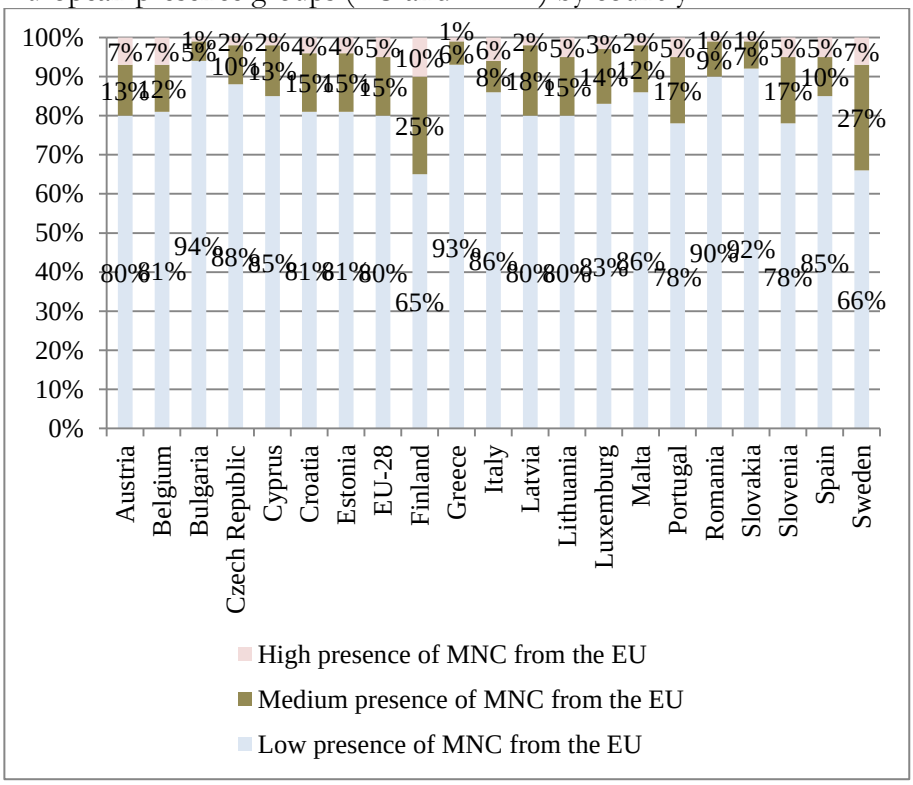


Figure 4. Multinational corporations in the European Union
Source: EuroGroup Register 2017 data processing (Eurostat, 2018)

4.2. EU employment in multinational corporations

Another type of data that the EuroGroups Register provides is related to employment data for EU multinational corporations. According to the statistical data, EU multinational corporations appear to employ most of their personnel in neighbouring countries. For example, the data shows that multinational corporations from Slovakia employ 66.5% of staff from Czech Republic, multinational corporations from Croatia employ 56.2% of staff

from Slovenia and multinational corporations from Estonia employ 44.5% of staff from Latvia. The available data from 2017 showed that very few multinational corporations employed most of their personnel in a foreign country with which they did not have direct borders. These very few cases refer to Cyprus (that employed most stuff in Slovakia), Malta (that employed most stuff in Romania) or Italy, Slovenia and Spain (that employed most stuff in in Germany).

According to the EuroGroups Register, the 162,466 multinational corporations had 48 million employees in European Union countries in 2017. Chart 5 shows the share of EU employees in the employment of multinational corporations. In the case of the European Free Trade Association countries, in 2017, the number of employees in multinational corporations for Switzerland was 2.7%, and for Norway it was 1.3%, in comparison to the number of employees in the European Union (Eurostat, 2018).

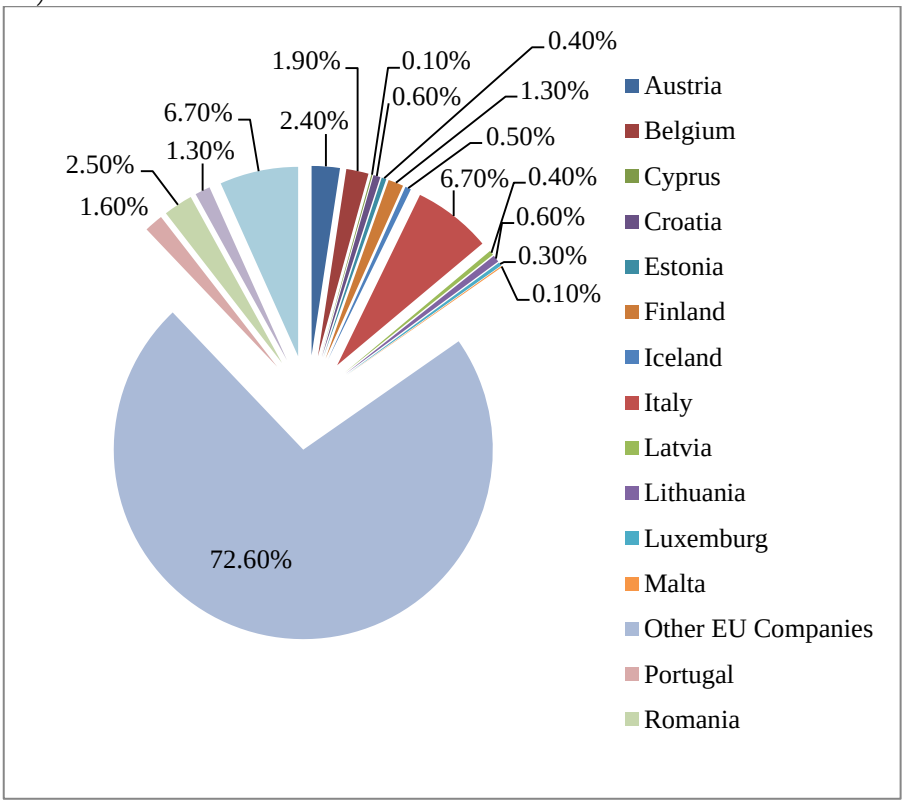


Figure 5. Share of EU employees in the employment of multinational corporations
Source: EuroGroup Register 2017 data processing (Eurostat, 2018)

5. Multinational Corporations in Romania

The topic of multinational corporations has been intensively used by the media and the politicians in Romania in the recent years, trying to blame different national issues on the presence of corporations in our country. For example, the multinational corporations were accused of having incited their employees to participate in the massive anti-governmental and anti-corruption protests in 2017.

I believe it is important to analyse the role that these companies play in the Romanian economy and on the national labour market.

Romania is among the European countries where foreign companies run the economy the most. Specifically, we are the 4th country in the European Union among the countries where companies controlled by foreign companies are responsible for the largest share of value added over 43% have the latest data available from Eurostat. The data previously published by the Statistics National Institute (INS) regarding the commercial presence of multinational corporations show that at the end of 2016 almost 28,000 foreign companies were active in the Romanian economy, which represents a percentage of 6% of the total. For comparison, the average in the European Union was 5 times lower, only 1.2% of companies being controlled by a foreign company, but these companies were responsible for 15.3% of the workforce and 25% of value added obtained in the non-financial sector.

In June 2019, Dana Ciriperu presented in „Ziarul Financiar" newspaper the list of the largest companies in Romania according to the turnover in 2018. (see table 2)

Table 2. List of the largest companies in Romania by turnover 2018

Top position	Company name	Turnover in 2018 (billion lei)
1	Automobile Dacia Renault Groupe	24,7
2	OMV Petrom Marketing – OMV Swiss group	17,8
3	OMV Petrom - OMV Swiss gorup	17,8
4	Rompetrol Rafinare – KazMunayGaz group	14,1
5	Rompetrol Downstream – KazMunayGaz group	10,9

6	Kaufland România SCS - Schwarz German group	10,8
7	Ford România – Ford American group	10,5
8	British American Tobacco Trading – B.A.T. group	9,5
9	Lukoil România – Lukoil Russian group	7,5
10	Carrefour România – Carrefour French group	7,3

Source: Ciriperu (2019)

The ten largest companies in Romania had in 2018 a cumulative turnover of 131 billion lei (28 billion euros), increasing by 20% compared to 2017. All these companies represent multinational corporations.

5.1. Top of the most wanted employers in Romania in 2019

Catalyst Solutions is a company with 13 years of experience in recruiting, attracting talent and branding the employer. As presented on their website, since 2006, they have been implementing innovative solutions to meet all customer requirements (https://www.catalyst.ro/about/). The company conducted the study called **The Most Wanted Employers in 2019** ("Top Most Wanted", 2019), conducted between March and May 2019 on a sample of 18,247 respondents with higher education, nationwide, with a business, engineering and pharmaceutical profile. The aim of the study was to discover the perceptions of those looking for a job in relation to employers in Romania. It claims to be the most complex tool in Romania that measures the level of attractiveness of employers and ensures the understanding of candidates' behaviour and their expectations in relation to local employers.

The study conducted in 2019 represents the fourteenth edition. The applied questionnaire is based on free, unassisted answers from the respondents. Respondents were asked to list the top 5 companies they would like to work for. Based on the freely expressed answers to this question, the **Top 30 Most Wanted Employers by Romanian Candidates** was compiled. (see table 3)

Table 3. The most wanted employers in Romania in 2019

Desirability	Company Name
1	Continental
2	Oracle
3	Microsoft

4	IBM	
5	OMV Petrom	
6	Bosch România	
7	Vodafone România	
8	Amazon	
9	Groupe Renault România	
10	Orange	
11	Banca Transilvania	
12	BCR	
13	ING	
14	BRD Societe Generale	
15	Raiffeisen Bank	
16	ENDAVA	
17	Google	
18	Coca-Cola HBC România	
19	Bitdefender	
20	Deloitte România	
21	Hella România	
22	UiPath	
23	KPMG	
24	NTT DATA	
25	eMAG	
26	EY România	
27	LIDL România	
28	Nokia România	
29	HP Inc	
30	Accenture	Procter & Gamble

Source: "Top Most Wanted" (2019)

Alexandra Stancu, Employer Branding Consultancy Coordinator - Catalyst Solutions, states that in 2019, the first position of the list was occupied by the company Continental.

"The size of the organization, along with the geographical distribution and the diversity of roles that a potential candidate can find in such an organization are some of the things that have contributed to the

large number of nominations as the most desired employer. The IT&C sector remains the best represented in the top 10, 70% of the companies in the top 10 operating in this sector. Banking companies recorded a significant increase in the number of mentions. One of the factors that contributed to this is the digitization projects launched by them in order to automate processes, make contactless payments, use robots to interact with customers or launch new digital platforms for customers. This leads to a revitalization of an industry that is perceived to be quite traditional" "Top Most Wanted" (2019).

It should be noted that the top of the most wanted employers in Romania is dominated by multinational corporations, and on the first ten positions are exclusively multinational corporations.

In the 2019 study, four major groups of determinants were analysed for each employer nominated by respondents:

- Reputation;
- Work environment;
- Salary package and advancement opportunities;
- Professional development opportunities and job characteristics of an employer.

Chart 6, below, shows the factors associated with the most desirable employers:

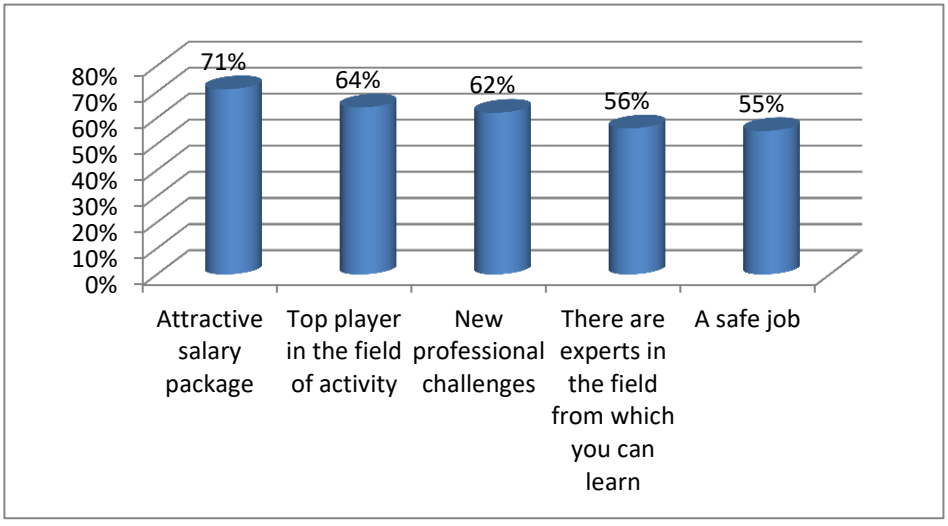


Figure 6. Top 5 factors associated with the most desirable employers
Source: "Top Most Wanted" (2019)

As we can see from the analysis conducted by Catalyst Solutions, the **attractiveness of the salary package** remains the most important factor in choosing the preferred employer. It follows that, in Romania, the association of a company with the image of an employer that offers an attractive salary package is the factor that contributes the most to how desirable an employer is on the labour market.

We should mention here that if this study would have been conducted in 2020, in the midst of the Global Covid19 Pandemic, the criteria for choosing an employer might be considerable different. Taking into account the fact that many companies went out of business this year or had to send their employees in indefinite leave without pay/ unemployment pay, it is justified to assume that in 2020 the most important criteria might be that of a "safe job" at a solid company that which is not under threat of bankruptcy or insolvency.

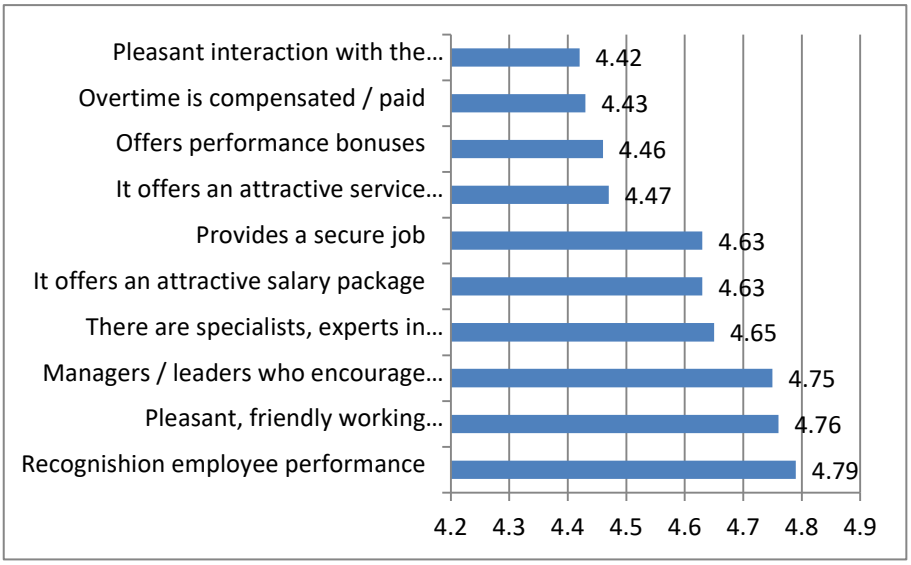


Figure 7 - Factors that determine the choice of an employer
Source: "Top Most Wanted" (2019)

On a scale of 1 to 5, the fact that international opportunities are offered, if the company is in the top players in the field of activity or if innovative products and services are developed are the least defining factors in choosing an employer. In most cases, the work environment, the team and the specifications of the job description are much more important in the decision-making process.

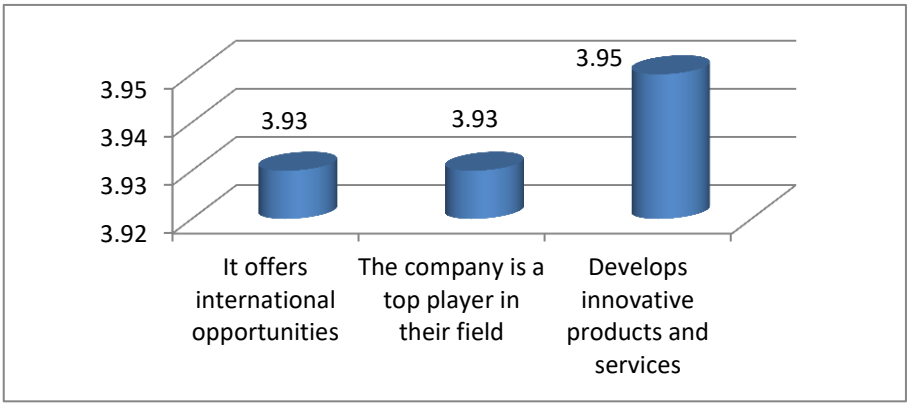


Chart 8. The most important factors that determine the choice of an employer
Source: "Top Most Wanted" (2019)

The results of the study highlight that profile sites and the knowledge network are the main sources of information for those looking for a job to find out about employers and jobs in the market. Thus, it is necessary for employers to be visible with detailed information about the company and the opportunities available, but also to provide employees with a pleasant experience so that it will spread in the market. The opinion of friends, family or other acquaintances who work for a certain company, can be an extremely powerful motivating factor in determining the choice of the future employer.

6. Limitations of the research

One of the limitations that should be highlighted is the fact that all analysed data is coming from a pre-pandemic period. The Covid19 pandemic definitely changed the global economic scenery, both in terms of corporations that survive the crisis, but also in terms of impacting the employees' interest towards this type of employer.

The impact of the SARS-CoV2 crisis on multinational corporations' role will make the topic of further research in the following years, as the full effects of the pandemic start to unravel.

7. Conclusions

The information presented demonstrates that organizations such as multinational corporations are the most important form of business globally. The defining role on the world economy could be seen at the onset of the financial crisis of 2008, but also in recent events related to the Covid-19

pandemic, when corporations mobilized and equipped frontline workers with protective equipment.

Through Foreign Direct Investment (FDI), multinational corporations make a positive impact on economies around the world. In addition to contributing to the local development of areas where they open subsidiaries, multinational corporations are a form of integration of a local economy into the global economy.

The history of multinational corporations in Romania is relatively short, beginning after the revolution from 1989. Even after the fall of the communism, in the first seven years, there were only 11 privatized enterprises with the participation of foreign investors and the external reserve of the National Bank was of only $ 0.5 billion ("Romanian Financial Directory", 2003). History shows us the outmost importance that the foreign investments played in Romania, and their absence might have led the country into collapse. In retrospect, Romania has proven to be a generous market for those who invest here, thanks to highly skilled workers and wages lower than in the more developed countries.

Another important aspect to be noted addressed the issue raised against multinational corporations transferring their profits to their head-quarters. In January 2019, the Directive 1164/2016 entered into force, establishing rules against tax avoidance practices affecting the functioning of the internal market. Fiscal control measures aimed at preventing the transfer of profits are not able to completely eliminate the phenomenon, but they are part of a new win-win approach to dealing with multinational corporations.

As shown, multinational organisations play a very important role in the Romanian economy. Multinational Corporations represent the companies with the highest level of turnover and they are the most sought after employers for people looking for employment. Also, during the 2020 pandemic, in most cases, multinational corporations were flexible and able to adjust their activity to the online world, protecting their employees from Covid19 exposure.

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