Specifics of global governance in transnational transport corporations

Galina Suldina, Julia Sulyagina, Sergey Eroshkin, and Anastasia Sorokina

1Moscow Metropolitan Governance University, 28, Sretenka str., 107045 Moscow, Russia
2Russian State Social University (RSSU), 4, build.1, Wilhelm Pieck str., 129226, Moscow, Russia
3Autonomous Non-commercial Organization of Continuing Professional Education «Corporate University of Russian Railways» (ANO CPE CU RZD), Moscow, Russia

E-mail: Eroshkin.SY@rea.ru

Abstract. The article argues the specifics of modern multinational companies, their global economic coverage and serious challenges. Particular attention is paid to the structure of transnational companies (especially international transport companies), as it is very difficult to manage them, because geographically, sometimes being on different continents, they are inevitably, on the one hand, must maintain their recognizability - brand, products, and on the other hand - to meet the specifics of the country where the branch of the company, consumer demands, cultural peculiarities, perhaps even a completely different way of the environment.

1. Introduction

Globalization processes are gripping the world today, manifesting and sometimes exacerbating interethnic relations. These ties between ethnic groups (peoples) today cover all spheres of public life. Naturally, the issue of interethnic conflicts now comes to the first place.

Rapid growth of foreign direct investments, technological division of labor outside firms, industries and national boundaries is accompanied by the emergence of gigantic international scientific and production complexes with branches in different countries and on different continents. Transnational corporations turn the world economy into an international production, ensuring acceleration of scientific and technological progress in all its directions - technical level and quality of products, production efficiency, improvement of forms of management, enterprise management.

Multinational corporations (abbreviated as TNCs) are corporations whose production and sales activities have been taken out of the boundaries of the national State, actively using objective trends in the international division of labour and strengthening the processes of internationalization of the world, contributing to the establishment of new schemes in the global division of labour.

Multinational corporations own or control production or service complexes located outside the country in which they are based, have an extensive network of branches and offices in different countries and hold a leading position in the production and sale of a particular product.

Horizontal and vertical integration of TNCs can be distinguished. In the first case, the company’s branches are located in different countries and produce the same product — for example, beer or Coca-Cola. Vertical integration implies the presence of production facilities in one country and is typical for many Russian corporations, although the manufactured goods are also exported.
obvious example is oil production. But a third option of TNCs using local resources is also possible. For example, it is used by some foreign transport companies.

TNCs are strategic agreements through which corporations pool their financial and technical resources to achieve results that are not available to each individual.

The term "Transnational Corporation" appeared only in the late 1970s, although the British East India company could still trade in India in 1600—so it can claim to be the first transnational Corporation. However, according to a more established view, the first TNCs were the monopolies of the world’s leading powers in the late 19th century — trusts that were formed as a result of mergers of small firms. They extracted raw materials and resources in the colonies: Africa, Asia, and Latin America.

From 1918 to 1945, there were world wars that caused the need for weapons and specialized equipment. A large number of companies were created to meet these needs, and some firms also changed their activities. This can be considered a prerequisite for the emergence of numerous TNCs — before the second world war, there were only about 300 large corporations in the world.

After the end of the war, many countries did not have enough of their own products, so companies began to sell their products in other countries. In the 70s, when the economies of States recovered from the military turmoil, a new wave of mergers and acquisitions began, caused by growing competition and the desire of enterprises to get a leading position in the market. At the end of the Millennium, there were already almost 60,000 TNCs and more than 500,000 affiliates in the world.

In cases of mergers and growth of firms increasing their size and turnover, which allows us to achieve economies of scale in production. This effect is characterized by a reduction in the cost of a unit of production, and, consequently, a more favorable position of the company in the market. Although on the other hand, it can lead to the formation of monopolies and the ruin of small competitors through dumping prices.

Even state-owned enterprises are sometimes part of TNCs, and the contracts that result in such cooperation can be both intergovernmental and private, between investors from different countries.

The role of multinational corporations is ambiguous. These are truly huge companies with significant assets, revenue and profits that exceed many times the GDP of small African States. They account for about half of the world’s industrial production and about 2/3 of world trade. There are a lot of people working there, they can be city-forming enterprises. The power of multinational corporations is obvious. With so many financial resources and the need to compete with other similar companies, TNCs are the driving force of technological progress. These firms also often hold social events to win over customers.

On the other hand, transnational corporations are essentially monopolies. This makes it difficult for other players to enter the market, which negatively affects the end user. Smaller firms may not be able to withstand existing price or time frames, even if their product is unique and of high quality.

The state supports TNCs with subsidies, since the country’s economic stability depends on them. In addition, due to the specifics of their structure, multinational companies can legally circumvent existing tax legislation, which significantly reduces their tax burden.

For example, the best logistics companies in the world:

1. DHL Express is an auxiliary Agency of the German logistics organization Deutsche Post DHL, which is engaged in transportation around the world. This is undoubtedly the biggest brand in the logistics industry. DHL has four divisions-DHL Express, DHL Global Forwarding, DHL Global Mail and DHL Supply Chain. DHL is part of the worldwide postal and advertising services organization Deutsche Post DHL Group. It was founded in 1969 in the USA.

2. Founded in 1907, UPS is the world’s largest cargo delivery company and the world’s leading provider of specialized transportation and logistics services. Every day, the company delivers more than 17 million units of cargo to more than 220 countries. The company has its own airline, with its fleet of 237 aircraft, which is one of the largest in the world in terms of fleet size.
3. An American company that provides logistics postal and courier services around the world. The company was founded in 1971 under the name Federal Express. The company's fleet of cargo planes is one of the largest in the world.

4. It was founded in 1937 as an Association of six regional railway companies. Today, SNCF Group includes five divisions: SNCF Infra-monitoring and maintenance of French Railways and rolling stock management, SNCF Proximites-passenger transport, SNCF Voyages-high-speed trains TGV, iDTGV, Eurostar, Thalys, Lyria et Ellipsos, SNCF Geodis — logistics, Gares & Connexions — maintenance of 3000 stations and stations. The SNCF also includes the bus company OUIBUS.

5. Kuehne + Nagel International AG is an international logistics company founded in the German Empire in 1980. The company provides marine cargo and air transportation, contract logistics, and warehouse and project logistics services with a focus on providing it solutions. The company has more than 1300 branches in 109 countries.

6. A division of the German railway operator Deutsche Bahn AG. The company was acquired by Deutsche Bahn as Schenker-Stinnes in 2002. It includes divisions for air, land, sea and contract logistics. Schenker was founded in Austria in 1872. Schenker has approximately 65,000 employees in 2,000 offices worldwide.

7. Nippon Express Co., Ltd.is a Japanese logistics company. It was established in 1937 under the Nippon Tsu-un Kaisha Act as a parastatal transportation service. The company was founded by combining the assets of Kokusai Tsu-un KK (International Express Co., Ltd.), which combined many of the country's smaller rail transport companies and six other competitors, with additional funding from the Japanese government.

8. C. H. Robinson Is a provider of multi-modal transportation and third-party logistics (3PL) services. The company offers cargo transportation, transport management, air transportation, sea transportation, brokerage and warehouse services. Founded in 1905 in the United States.

9. Panalpina is a Swiss company that provides logistics and forwarding services specializing in Intercontinental air and sea transport. It operates a network of 500 branches in more than 80 countries. It was founded in 1935.

10. CEVA Logistics is a global Swiss company engaged in logistics in the field of cargo management. It was founded in 2007 as a result of the merger of TNT Logistics and EGL Eagle Global Logistics. At the beginning of may 2018, CEVA employed more than 56,000 employees in 17 regional clusters from 160 countries.

2. Materials and Methods

All enterprises are strictly subject to the laws of the state where a particular branch of a TNC operates.

I will list several well-known TNCs in different countries:

- In Russia: "Aeroflot", "Gazprom", "Lukoil", "Alrosa", "Ingosstrakh".
- In China: Alibaba, Sinopec, PetroChina, Tepsept, Lenovo, Baidu, JD.com, BOE Technology Group, Weichai Group.
- In the USA: General Electric, Apple, Exxon Mobile, Microsoft, IMB, Berkshire Hathaway, Ford Motor Company, Procter & Gamble.
- In Europe: Unilever, Royal Dutch/Shell Group, British Petroleum Company Plc, ExxonMobil, Total, Electricite De France, EON AG (housing and utilities, Germany).

TNC structure is represented as a parent company with separate subdivisions without legal personality, dependent on the parent company on the basis of constituent documents. At the initial stage of TNC formation, the separation of the parent company from its subsidiaries had clear boundaries, but further deepening of the intra-company division of labour led to the separation of the functions of the TNC units. As a result, TNCs have evolved into corporate networks that do not clearly delineate the boundaries of a particular company. According to L. A. Luntz, TNCs are a conglomerate of legal entities of different nationalities that are independent of foreign legal entities.

English economists P. Buckley, M. Casson, J. McManus developed an internationalization model based on the special character of the domestic market within large corporations as defined by R.
Coase.[1] This model interprets the majority of international operations as intra-company transactions between TNC units. Based on these definitions, it can be argued that the legal and economic nature of a TNC determines the nature of relationships between its structural units. Based on the analysis of TNC functioning practices, we support the view that such relationships are divided into two groups:
- Institutional links (participation system).
- Contractual ties (contractual relations).

The traditional structure of TNCs is the "pyramidal system". It contains the parent company and other units of TNCs operating in different parts of the world, which in turn may be the main companies - subsidiaries of relatively next tier companies - "grandchildren".[2]

Twin holding companies are also a common TNC structure. TNCs lead two or more holding companies here, which together participate in the capital of subsidiaries in other countries.

At present, TNC companies use a complex organizational structure consisting of different types of units, their own control system, separate their development, production and sales routes, and all of them have their own specifics and characteristics.

But like all companies, TNCs speak in three aspects:
1. as integral education (social, technical, natural), characterized by organizational unity of structural components and aimed at achieving a certain goal;
2. as a process for forming and maintaining such unity of interconnection of the structural elements of the whole;
3. as a management function, if the process of ordering consists of purposeful actions of people.

The last aspect of the organization - the function of management - unlike the other two has only a social nature and means the process of definition and differentiation of rights, duties and "functions of separate elements of management of the subsystem".[2]

TNCs have four attributes:
1. Presence of legal entity/individuals
2. Limited company liability.
3. Centralized management of the board of directors/ large shareholders/owners.
4. Free sale of shares.

Large TNCs are constantly evolving companies with "internal migration" [3], the movement of labour between companies, often located in different countries. To grow, TNCs need to accumulate human capital, grow their own staff and lure outsiders, they are steadily attracting highly professional staff from around the world, and there is a constant hunt for "smart heads". [4-6]

3. Results
Based on a number of empirical studies, the author's program for maintaining effective communications in TNCs was developed.

An important point is the formation of adaptability, interethnic tolerance and respect for other cultures and traditions. This will help the author's scheme, which outlines the mechanisms for resolving inter-ethnic conflicts (if any) in multinational companies (see Table 1).

| Table 1. Mechanisms for resolving inter-ethnic conflicts in multinational companies. |
|--------------------------------------------------|
| Making and implementing management decisions management, (and/or their authorized conflict specialists) | Diagnosis of inter-ethnic conflicts |
| Choosing and applying a conflict resolution strategy | |
| Regulatory mechanisms | Socio-psychological mechanisms | Economic mechanism | Legal mechanism | Cultural mechanism |
| Corporate documents and instruments governing the norms | Planning and implementation of measures to | | | |
and standards of behavior

resolve conflict situations

1. Corporate, General collective events-holidays
2. Weekly events
3. Brainstorming
4. Team building
5. Seminars and webinars

Salary, bonuses, fines and incentives
Labour legislation
Features of the national character of each ethnic group

The involvement of a third party negotiator, mediator

Results

Reducing inter-ethnic conflict

Reducing the number of inter-ethnic conflicts

Developing constructive behavior among employees in conflict situations

Efficiency of work

Thus, the settlement of inter-ethnic conflicts in multinational companies, described in the program, is achieved through development in five directions: normative, socio-psychological, economic, legal and cultural. These mechanisms allow us to solve complex work on the settlement of inter-ethnic conflicts. This multi-pronged approach will reduce the level of inter-ethnic conflict, reduce the number of conflicts themselves, develop constructive behavior among company employees, and increase efficiency and productivity.

4. Conclusions

TNC distinguishes itself by having a large number of employees (several thousand people) coming from different countries, working within a large company and united into multinational work teams, which is the main feature of inter-ethnic conflicts. Success in TNC competition is achieved through the effective use of talented and highly qualified employees. The share of human capital in the total capital of major TNC companies is steadily increasing. The most important element of TNC competitiveness - their adaptability - is ensured by the careful selection of the most motivated and promising candidates, their training, education, creation of an effective corporate culture and retraining of employees. The competitive positions of key TNC companies, especially those belonging to the high-tech group, are increasingly determined by the experience, knowledge, active involvement in a common cause, disclosure of creative potential and the responsibility of managerial personnel.

References

[1] Nikolaeva I P 2014 Mirovaya Ekonomika (M.: UNITY DANA)
[2] Boguslavsky M M, Lisitsyn-Svetlanov A G 2013 Modern Private International Law in Russia and the European Union (Moscow: Norma)
[3] Kirillov N P, Maslikov V A, Ostrovskii A N, Sulyagina J O 2019 Ecological Agriculture and Sustainable Development South Ural State University p 367
[4] Kataeva V I, Fomicheva T V, Sulyagina Ju, Kuvshinova Ju, Evstratova T A, Moskvitin G I 2019 Journal of environmental management and tourism 10-1(33) 244 DOI: dx.doi.org/10.14505/jemt.v10.1(33).24
[5] Kozhevina O, Salienko N, Kluyeva V, Eroshkin S 2019 Advances in Intelligent Systems and Computing 983 247 DOI: doi.org/10.1007/978-3-030-19868-8_25
[6] Usmanova T Kh, Eroshkin S Y 2017 Proceedings of 2017 10th International Conference Management of Large-Scale System Development MLSD doi: 10.1109/MLSD.2017.8109700