



Multinational Corporations, Future Management of Knowledge and International Economy With a look at Iran and the International Community

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Abstract: The wide range of knowledge and technology and the rise of multinational corporations is one of the most visible signs of economic globalization. With the advent of these companies the world of international business has changed and has brought a number of issues. Issues such as positive and negative effects of these companies in the global economy, particularly in undeveloped countries, while in fact we cannot ignore the influence process of international trade and even in sovereignty and authority of Governments. So that the performance of these companies and the various aspects of life in the developing world is such Confused that identifying and analyzing the social and economic situation of the country regardless of trans-national companies however, seems impossible. Despite of interest of transnational corporations to invest in the industrial developed countries, the developing countries, this time with a good enough suspicion to adopt policies aimed at attracting companies to invest in their country.

Keywords: Globalization, Multinational Companies, Foreign Direct Investment, Economics Management, International Community

INTRODUCTION

In today's world, and infinite variety of needs and wants we cannot find any country that can produce all of its needs such as goods and services alone. All countries need each other and the world is a system composed of interconnected components, even must be said that the industrial and Post-industrial Countries are more in need of Developing countries and the Third World countries. The factors of production are distributed unevenly on the planet and countries in terms of natural resources, minerals, the blessings of God, Weather, climate, human and material resources, technological capabilities, management skills and other determinants, are different. These differences can make some goods and services in some countries with the highest efficiency, quality and quantity produce compare to others, And providing them for countries who are in need of them And this is where that the theory of "comparative advantage" of the renowned

economist David Ricardo Proposed .To provide a better production , countries directed to manufacture according to the comparative advantage and encouraged to commit themselves to Making products that they do not need .In fact countries are forced to communicate with each other and hence world move toward globalization of trade¹ . After World War II , the world has witnessed the growth of the transnational corporations . Today performance of these companies in the world is such that hardly Can find a country, regional and areas where is not in a way exposed to their influence .These companies established their firms and production units wherever they want and sell their products in any way they wish. And they hire managers and Employees from any national and throw the enormous amounts of money in different currency .From the inception the nature transnational corporations and positive and negative impacts of their function and operations in the global economy , particularly in relation to the least developed countries have been much discussion and controversy .In such firms are less likely to pay attention to the benefit of the particular country or countries and higher than that in the group of these companies there is a fully global view .Undoubtedly multinational companies have the most important role in exchanges of technology across borders .However , other forms of cooperation , such as risky technological cooperation , collaboration research and development and activities under license are different kind of technology transfer ,But limited partnership , problems in communication , political obstacles and restrictions and the lack of a unit purpose are such cases that limit the rate of transfer of technology in multinational companies² .

On the other hand multinational companies not only formed by having advantage in science and technology management , but also have marketing power and access to potential global markets with research centers in different parts of the world and also has a centralized system of decision making , Communication and technological skills and resources in order to use technological capabilities in an area to solve the geological problems or use it in another established area .Before entering into this discussion seems necessary to note that some theorists , the concept of "transnational corporations" and "multinational corporations" are distinguished .He said the transnational company which operates mainly in one country , but in other countries also has branches and factories , while multinational companies do their jobs around the world ,Without being identified by a particular country . So the fifty-seventh United Nations Economic and Social Council, which was held in 1974, appear to be necessary .At that meeting, the so-called transnational alternatives to multinational corporations in order to specify multi-national companies are institutions that transcend the boundaries of the country of origin.

Part One: transnational corporations, the emergence and expansion in the global economy history of transnational companies

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The concept of multinational companies is production of post-World War II and is commonly used for the interpretation of the multinational when the specialized appendix of magazine called "Business Week" Published began. but the current role of multinational corporations in global economy goes back to the era of mercantilism .The importance of gaining valuable mineral resources such as gold and silver was caused the powerful countries , such as Great Britain , France , the Netherlands , Spain and Portugal , by means of the newly-formed companies , to transport wealth , gold and silver ingots from their colonies to their home country .with the expansion of power of these countries in the world and establishing businesses companies and Large fleets of naval the manufactured products in These countries were flooded to the local market of their colonies in return mineral resources and natural wealth of colonies were transferred to the powerful countries .These trade were passed from the channels of those companies were the early mother of today multinationals companies , the most important of these companies that can be cited are East India Company and Royal African companies³ .

One comprehensive definition could say that multinationals companies are large industrial-business firms that their main base is located in one country but also in foreign countries through a network of units , organizations and subjected companies have production and sales activities .With the industrial revolution , multinational companies took on a new form and these companies by cooperation with large banks in their mother country , took the economy control of the underdeveloped countries . The concept of a multinational company , has been called different names during his life , " the Institute of International Trade " , " international business " , " group of international companies " , " multinational corporations " , " multinational corporations " , " International Business Unit " " international solidarity groups " and even " medium companies in the United States "⁴ .

In 1970 , there were a number of 7300 transnational companies with 27 ,300 foreign subsidiaries , while in 1989 the number of companies raised to 35 ,000 and subsidiaries units to 150 ,000. In other words , we can say that the advantages investment of multinational companies in these countries such as the low wage rates , close to market , high rates of return of investment and the lack of competition in local companies ,were lead to developing its activity in those countries .Also in the 1990s , the Soviet Union collapse , was considered one of the major ideological obstacles to the development of multinational corporations , especially in developing countries , activity of the company found a major leap . Since the collapse of the Soviet Union was considered a historic victory to an economic system based on market , therefore increased the tendency of the East Bloc countries toward economic liberalization and attracting foreign investment , and this provided the field of development for multinational corporations⁵ .

Definition of transnational companies

variety of definitions have proposed for multinational companies , often based on their past experiences in using them ,Apparently The first person who

defined multinational company was David Lilienthal he offered a simple explanation for multinationals company in 1960 "A Companies that form in a country , but operates under the regulations of other countries ." According to this definition, a multinational company like any other company established under the laws of a particular company and then for some reasons starts economic activity in other countries too⁶ .

But even at that time there were companies that considered multinational companies but not included in the above definition: a company such as "Royal Dutch Shell" , Under the laws of the two countries had been established in England and Holland and it was a multinational without a doubt .Perhaps the description of Organization of Economic Cooperation and Development offer for multinational companies be greatly useful which Defines the transnational firm: a firm or Multinational corporations often include other firms that have been established in more than one country and so linked together that can coordinate the various forms of their activities .In summary it can be said that transnational company is a company that expand its activities throughout the world and Investment in industrial poles of developing countries and with utilizing the Facilities of these countries , established a subsidiary company (i .e . The company that owned most of the company's stocks)in many different countries.

Structure of multinational companies

1 .Investment:

One of the factors that lead to the emergence of multinational companies was crisis of invests in industrial countries .Since in these countries capital accumulation increased by itself, they thought to use this capital in all around the world who suffer from poverty of economic and technological and in return utilize their Mineral and human resources to increase their profit more .So we can say that topic of capital is one of the main discussion on the formation of multinational companies. The interesting point is that profitability of such investments for investor countries is so high that many countries, such as United States of America encourage U .S. companies to invest in overseas the larger investment the less percentage of tax. Perhaps you may ask the question how governments 'investor raises their profit when they reduce tax? The given answer is the third world countries and investee for having security is trying to raise foreign exchange reserves in the banks of investor countries .Thus exceeding what is invested is returned to the investor's bank country. So one of the key members of multinational company's formation is optimum use of capital accumulation for greater profitability.

2 .Strong and efficient management:

All of management activities, daily and current plan and decision making of subsidiaries of the multinational companies around the world manage by brain

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and central part of company. In fact in the Organizational Pyramid of The multinationals companies there is just horizontal connections in the base of Pyramid .In relation with management it is necessary to point out, administration and management of multinational companies require having modern communication and information tools. This is necessary because getting quick daily and even moment information is vital for companies ⁷.

To realize the importance of this topic it is good to have a brief reference to the views of "Al Toffler ," in the valuable book of The Third Tower .He clearly states in his book that after the first two waves of (agriculture) and secondary (industrial revolution) the third wave (the information) has taken the world and this wave is the source of power of knowledge and information and it is obvious the more intelligence the more information increases .In fact in the third wave as much government get information they get more power so they can buy and sell them to raise funds .For instance , in America Rand Institute provide Information for management of other countries and sells them .Importance of information for the investor countries is so much , especially for the United States of America so that it is called the fourth Front .This information is very important because having the right information and having them at the right moment can give us a better prospective and we can manage and get global market.

3 .Professionals Human Resource:

Another part of the multinational companies is human resources. Since human resources have the various Aspects of cultural , social , legal , political , and economic , it is the most important and complex issue .Based on these multinational companies usually before establishing a branch in another country they collect comprehensive information from all parts of the country and then base on these information they do their sociopolitical and cultural planning .The important thing in multinational companies is their cheap human resources .Based on what was a said multinational company looking to make a major goal and that is to gain more profit .To achieve these goals , they have to transfer their own manufacturing centers and factories from various countries and the reasons for this shift are:

- a.** Avoid paying expensive wages
- b.** Avoid duty fees, or other rights and duties like these
- c.** Avoid the rules relating to environmental protection
- d.**Frugality in transporting raw materials to the factory and from factory to the consumer market
- e.** Beneficiary from the law of host country entitled protection of foreign investment

Benefits of establishing multinational companies nowadays almost every country in the world try with all of its power to attract investment. There is an unrelenting competition and racing underway to attract foreign investment which succeeded in them not only in terms of government policies , even from the

perspective of ordinary citizens also reflects the acceptance of politics and attractiveness of the economic and political atmosphere.

The competition is higher among developing countries due to lack of financial resources and necessity to achieve faster development, and thus seeks to attract a variety of capitals to achieve the economic development. Foreign investment in addition to economic growth, can solve the problem of unemployment, job creation, increase productivity, reduce inflation, Communicating with the world economy, the expansion of export markets, improve the balance of payments and advances in research and development to help the host country. In the field of investment has clearly stated that the only way to deal with the problems and improving the quality and quantity of national production is to protect foreign investment. Meanwhile, Investment Attraction need special economic structure such as market growth, per capita income, earnings prospects, access to markets, social and political stability, quality of labor, Legal space, Legal regulation, access to resources, production costs, access to technology, access to raw materials and etc. To be able to compete against other economies⁸. The bulk of foreign direct investment in Underdeveloped countries does by multinational corporations. Not long ago, the word multinational companies means a large private manufacturing company in United States which do many operations in foreign countries. The multinational companies are not always private institutions. Top 500 companies, including some large state-owned oil producer and steel firms are from developing countries. Multinational companies are not always big, over the year's small companies, especially in East and Southeast Asian countries have been invested in foreign countries. Many multinational companies' sales and assets are more than gross domestic product of some large developing countries around.

Remarkable thing is that transnational corporations in pursuit of their own interests have right to allocate investments and transfer of technology to the world. These companies in practice to identify and determine in which countries can obtain higher returns for their ownership advantages, They search all around the world Therefore, the incentive policies performance of a state only need domestic factors, or merely does not depend on transnational companies, but also influenced by the situation of other countries and their incentive system. Thus, a host country can take advantage of their position relative to other countries through the systematic policies that can affect domestic circumstances to improve⁹.

Weaknesses of transnational companies

In conflict with what were briefly discussed about advantages and features of multinational companies. Opponents believe these companies have direct adverse effects on owners of the national capital and local industries. Domestic firms increasingly began to lose their national identity and play obedient status in relation with foreign companies, multinationals and their mediators. Economic

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researchers considered the relationship between multinational companies and developing countries unfair, and they believe that the interests of giant enterprises only provide through mastery over natural resources and foreign markets of developing countries. These companies have's maximum exploitation of the developing and the least developed countries and thus postpone industrialization of Third World.

The status of foreign companies Investment in Iran

A collection of good geographical conditions and climatic , including climate variability in Vast territory , Significant underground reserves and resources , Productive population , young jobseekers human resources and widespread market for the production and consumption together constitute the grounds for Investment in Iran that we cannot cast doubt on their profitability .In Conditions that many developing countries in the past two decades with use of common and direct investment of foreigner strength their economic development process while Attraction of investments to Iran economy due to available advantages is very low .The initial flow of foreign investment in Iran formed by obtaining concessions from Iranian government or a foreign persons which most of them had colonial aspect .For example we can pointed out Reuters , Darcy and North Fisheries contracts . This colonial contract led to the formation of an unpleasant culture toward foreign direct investment In the country that continues till now. According to the mentioned reasons , Most of Iran policy was with This attitude that we have to create technological knowledge through research and development in our country and Therefore , exclusive focus on research and internal development , expand of educational structures based on academic centers , creating government research centers and etc. are obvious consequences of such a view ¹⁰ . Meanwhile , developed countries with understanding the fact of the international modern technology , succeeded in implementing selectively economic technologic strategy in their country .According to these points we can find out no country can just relying on the technology and its market to maintain its international competitiveness.

In continue the challenges for Investment for this purpose will be mentioned

Political and economic risks: Political interactions in shaping the international cooperation play an important role. Political stability, active participation in the international arena, Establish close diplomatic relations with economic partner countries and etc. are such as requirements that must be considered as infrastructure¹¹.

Conflict of these companies strategies with national strategies

first impressions is that the presence of foreign firms in a country plunder the national wealth , put national capital at foreigners disposal , The creation of competitive atmosphere with strong foreign companies and views like this . Although it is undeniable fact that any country or company try to gain more profits not for the purpose of putting the technology and knowledge to others and

charitable works. On the other hand competition in the international arena means fierce competition with others, trying to enhance their capabilities, trying to get the market, and many other challenges that must have plan for them.

Infrastructure requirements

Most of the economic problems caused by uneven growth of the industry. Never been assumed that economic growth, manufacture and development are final products of economic tree which is rooted in specific technology-industry policy, efficient banking system, structure of transit and transportation of goods and services, selective education human resource, long-term programs and having a clear and real data. Entering international cooperation through multinational companies does not create value by itself, but it is an opportunity to upgrade the necessary infrastructure and gain cooperation experience at this level, and better know our capabilities and needs and prepare ourselves for international opportunities¹².

Legal obstacles

Formation of a multinational companies is further step toward privatization of industry, because in this process actually companies and organizations which had been under unconditional possession of government for a long time falls under management of foreign managers. But for any reason we were not able to raise private companies in country so we could not expect them to work at this level and presence of government Companies such as the National Iranian Oil Company also has legally and operating obstacles.

Multinational companies and various legal systems

Multinational companies in different countries work under different legal systems and this means the laws, different regulations and even it's contradictory on the activities of these institutions. On the other hands these companies are able to coordinate

Their activities in different countries and this ability allows them to largely avoid the enforcement of national legislation that is not useful for them .In fact presence and activities of multinational Institutions in different legal Jurisdictions cause , different and sometimes contradictory regulations governing over activities of these Institutions And yet there is no specified single legal system that can control the activities of a multinational companies .The specific characteristics of multinational institutions create certain legal issues that do not apply in the case of other corporations and institutions¹³ .

Knowledge management in multinational companies

Today and future of human society is based on knowledge. Knowledge production is of the most important activities for large multinational companies

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and in general for society as creating value. At present, the knowledge is considered the greatest asset of organization's and with proper employment can play a very effective role in success of organization.

Today the subject of Knowledge production is evolving in all organizations and institutions and in some cases the scope of issues has expanded Outside of the organization and even cross-border . Since knowledge management is related to international trade , one of the most important issues is shortages in this field is based on a process of evolution of organizational knowledge issues .In corporate network , knowledge is the most valuable asset of organizations which has value-added because organizations by passing competitive international trade , are looking for new market opportunities¹¹ .

These can cause the formation of common allies in the 1990s that was evoked due to the knowledge-based objectives. Logic of creating knowledge-based contracts is , creating synergy effects by combining knowledge bases effectively of contracted company Consequently , it is expected to expand knowledge bases associated companies because the companies simultaneously exchanging the best solutions and will create capabilities base on new knowledge that will ultimately facilitate the everyday work .In order to effectively manage knowledge In this area , the common strategy of knowledge management in multinational companies is examined.

Common strategies for knowledge management In multinational companies

In Yves Vjarvn Research three Strategies were identified for Knowledge Management in multinationals companies:

First strategy:

In this approach , the central office determine knowledge management procedures , technology , required training , policies and procedures ,This approach with Berteld study was observed In organization with manufacture products and services with world standards , so they can take advantage of economies scale . Standardization procedures and policies, is very important in this strategy. In shadows of adopting this strategy because of clear aspects of business, companies are able to make decisions and act independently¹⁴.

The second strategy:

In this strategy , in order to prevent any of the local offices have their own approach , organizations use a single headquarters . In other words , With implementation of this strategy , in addition to a single mission , make it possible to present solutions and make it possible to apply local changes according to the situation .In these organizations Headquartered can initiate knowledge management , and local offices use tools and defined technologies to suit their own needs .Studies show that most executives people in organizations agree with this view because while their local needs are met they are associated with their counterparts globally .

The third strategy:

The third view is quite different from the two previous approaches. In this approach the general knowledge of management derives from regional offices. As a result of adopting such an approach the regional offices in one area, need to exchange their knowledge and skills to be able to operate more efficiently. As a result in this strategy more than trying to build an integrated knowledge management in the parent company and its subsidiaries, regional headquarters are used to create local knowledge management. Each local office is free to achieve its goals in area by any means, but only within given framework. This strategy can be summarized and named as "thinking regional and acting locally". On the other hand, regional effort, take less time and this is because there is close relationship between the local offices. One of the problems with applying this strategy is difficulty in sharing knowledge between the different areas, because each region has its own uses of specific tool¹⁴.

Challenges facing the implementation of knowledge management strategies

Change management:

A major obstacle and subject that in most studies discussed is change management. To succeed, it is necessary to make some changes in the way employees think until to change the share knowledge Mode when you need to become permanent share of knowledge. Traditional knowledge sharing based on a need to know, where a person via email or through another person, for example the question, the knowledge transfer among people without considering to other parts of the organization. Nowadays most of organizations have a central repository for storing and disseminating knowledge, but one of the most important issues is to replace the traditional mode with new methods. If two people in the world share knowledge through traditional method, their counterparts in other places that engaged same work, they will never know about it. Having such knowledge repository also pursues another purpose. Only when a person puts his knowledge in a central database, other people are aware of it¹⁵.

In organizations where their activities are limited to an area this issue may not be important because it informal relationships people solves the problem. Although it is not the primary position in global companies. All members of the organization do not share their knowledge in a language and in a place As a result, this issue is impossible to want to be in touch physically with the person who has presented the knowledge. As a result, organizations are trying to eliminate their traditional method to teach the people who are in relationship with them to share knowledge without being asked with their counterparts. The most common way used is modify structure reward And encourage in sharing of knowledge.

Culture:

How to use knowledge and sharing it is different, in different cultures, so it is difficult to reach international standards in the field of knowledge management

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.One of the most common definitions of culture, is Hofstadter definition .Hofstadter defines culture as a set of phenomena, because at least part of it is common by the people who live or lived in an same social environment. Culture is set of members of a group or class that distinguishes from the rest .Hofstadter cited five dimensions of culture: distance power, Ambiguity aversion, Female orientation-Male orientation, individualism-collectivism and time horizon .The distance power indicates how inequality is accepted by members of a culture. Ambiguity aversion on the other hand shows a lack of tolerance for ambiguity and need for formal rules¹⁰.

Individualism-collectivism means how much a person gives priority to his own interest compare to interest of a group he belongs .The individualism is related to degree of emphasis on individual goals versus business objectives . In countries where the degree of female orientation is high, women are expected to stay at home most of the time and take care of their children and finally time horizon determines short-term or Long-term View of person. Western societies compared to Eastern societies have a short time horizon. Each dimension plays an essential role in usage and sharing of knowledge. For example In Eastern cultures , the emphasis is more on group where members of organization have less interest in the use of databases to store and share their knowledge . Unlike this subject the Westerners are more inclined to use electronic devices for exchange of knowledge.

Activities of multinational companies

Ownership of stocks:

The purest form of activity of multinational firms is that the parent company in country (A) purchase part of available stock in country (B) or establish a branch in that country thereby it has whole or part of its stock . Firms that gain controlling stock often are significantly differ from other firm with less stock .The first type of firms occupy 51 percent or more of stock or by means of their outstanding shares actually take management of company . Many of states have tighter control actions over companies that have the majority of stock and they insist their citizens, have 51% of the shares. Although this policy is more relevant in sensitive areas such as mass media or defense equipment than travel and tourism sector but it is still under consideration. Under this type of action we can include multinational firms to established subsidiaries in other countries¹⁶.

Supply of loan in form of capital

It is weak action of parent company in (A) country to directly load funds to the firm in (B) country without owning the stock .A few might say, this action won't lead to formation of multinational firm, however, the parent company may obtain a lien from borrower or by signing a commercial contract, plus interest on the loan will get a distinct advantage in operational or production.

No investment management

A widely used Method in domestic or multinational firm that perform several tasks is that to find a parent company that administrate a branch under the management agreement, to rent the rights of its activity, or offer the granted of prerogative. In every country, these institutions have certain owner which may be internal or may be finance from another country but these multinational firms usually use a unit trade name. Such firms using no investment management to gain saving economies scale especially marketing advantage. If the domestic market is too small and does not provide expansion for firm activities , and foreign markets be open for production and sales of its products , international foreign economies becomes valuable .In addition , parent firms may have significant skill in manufacturing and marketing which is exportable to applicant countries and therefore , may gain advantages against local competitors¹⁷ .

Part Two: The role of multinational corporations in global economic management

Multinational companies are set of organized and integrated factors of production that managed under a central unit and monitor manufacturing and business activities all around the world . Legal composition of multinational companies Including: the founders, main shareholders, and common shareholders. Multinational companies are internally unit but have extroverted global outlook .The main objectives of multinational company are development and earn more profit in every corner of the world .Multinational companies are tireless seekers of increase productivity. Such companies operate where production is cheaper and more efficient. These companies always seek to gain profit globally. Their central database is in their main homeland, but all over the world, is considered as their economical country . The strategic object of these companies is unity of economic and globalization of national economies of the countries .Obviously , multinational company's priority target is to earn maximum profits for the parent company and profitability for subsidiaries could be the next step .In the past , foreign investment was in form of investment in company stock But Nowadays , "direct investments" comprise a significant percentage of foreign investment and this new phenomenon , encourages multinational companies to have control of the essential industries and these companies rely on importance and expanding of global markets and export at international level¹⁸ .

A Share of sales is associated for their foreign branches and a part of the total employees of companies consist of foreign workers as well. Multinational companies are the most powerful and influential financial institutions in new investing systems .in the past the capitalist was limited to the framework of countries, but today finds international aspect and has unity in trading, financial and industry. Multinational activities in the fields of production and research determined, not only by economic terms of mother country or origin country, but rather according to global situation. These companies have the facilities to deal

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with national governments and their owners actually are like kings without a throne. Developing countries are increasingly attract the attention of companies and their economic importance for multinational companies increasingly determined. In addition to the material interests and huge profits from the investments, cheap and unorganized labor (no unions to protect workers' interests), Ready consumption market, lack of growing limitations and Prohibitions of environmental pollution adds to importance of getting used to these countries. The collection of these factors prepares some country a background for investment of international companies¹⁹. Abundant natural resources, customs facilities, lack of codified tax system are few factors that increase profitability and encouragement of multinational companies to invest in developing countries. The main reasons for expansion of multinational companies, especially in developing countries, relies on the following dimensions:

First: ensure availability of essential raw materials

Second: monitoring foreign markets for facilities for exports of goods and possession of their pulse

Third: there is no need to predict competition from companies and small local organizations

Fourth: huge profits from cheap labor In short, the multinationals or transnational companies are the big fact of present time that increasingly developed and brought different countries and nations closer to each other and they are also helping economic development in the world. In recent decades, these companies have highly developed and given new meaning to the world economy, So that every day they expand their great commercial and industrial empires and increasingly they transpire wider sectors of economic life of countries.

DISCUSSION

The presence of multinational companies in a country should be like a group work or an education class for training of expert and their activities should be productive and fruitful for the recipient country. Today's world is world of science, technology, and expertise and for acceleration movement of the economy wheels of society and the eradication of poverty and underdevelopment we cannot overlook the investment of international companies and do not invite them for cooperation, a country cannot isolate itself and just watch the commercial and manufacturing events, it should be familiar with the thinking and behavior of new and useful free economy and get the necessary tools and has effective and constructive participation in international exchange programs. Over the time multinational companies have become more important actors in the field of international economics and politics. It seems that the entrance of companies into the economic scene of countries, have brought an along range of opportunities and challenges. What made advantages of entrance of multinational companies into national boundaries of developing countries devalue are, Adverse political, social and even cultural effects in the host country. In addition, actions such as tax evasion or ignoring priorities and economic interests of target countries, currently

consider as negative function of multinational corporations in their record , the functions that only consider the goals and group interests of these companies rather than public interests of governments and their citizens have pervaded all over the world.

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