

## **Advanced business services and multinational corporations**

Multinational corporations (MNCs) are economic units that are characterized by the high level of efficiency. These units were first to introduce various solutions increasing productivity (such as: production lines, containers, or just-in-time manufacturing). MNCs were also directly associated with the development of offshoring of production activities to less advanced economies. These processes profoundly influenced both the operations of the largest corporations, and the entire global economy.

There was one type of operations quite resistant to the international division of work. These were services provided by headquarters such human resource management, research and development or accounting. They were highly embedded into operations of the central office, thus top managers preferred to use the services as tools of control over dispersed global operations. Moreover, the possible cost savings were not significant as those services have only been auxiliary activities and their share in total costs of MNCs have rather been limited. Anyway, due to advances in communication technology, standardization and codification of knowledge, services of headquarters became traded across borders.

However, the decision to move some or most of the services abroad was more importantly motivated by the possibility to expand the entire organization. They were used as potential sources of competitiveness in the global market. The cost-cutting motives are important, but should not be decisive. If it was the case, all office activities would be moved to one low-cost country. However, it is not the case. MNCs conduct many office activities in high-cost economies. Recently, large firms consolidate many operations in middle-income countries (e.g. Central and Eastern Europe). The latter economies offer an attractive mix of well-educated employees, moderate costs, and cultural and geographical proximity to key markets.

Author: Artur Klimek, Professor of Wrocław University of Economics.

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