

## Globalisation-where do the benefits lie?

### Introduction

The term "globalisation", can be defined as the process by which there is both an increasing world market in goods and services and increasing integration in world capital markets. From a general perspective, the term is usually applied to multinational and/or transnational corporations who locate, often manufacturing operations, in alternative countries (predominantly less economically developed countries such as India and Malaysia) in order to reach new markets, source new reserves of raw materials and to take advantage of cheaper labour, while, in most cases, keeping the company's head-quarters in its country of origin. The governments of such newly industrialised colonies tend to encourage this trend, often by lifting trade barriers and reducing corporation taxes as an incentive, in the hope that positive spread effects (the Cumulative Causation Process -see appendix) of economic development would occur, when taking into consideration the multiplier effect; where an initial area of economic development takes place, others soon follow, and thus having a positive effect on the local economy, in terms of employment, increased disposable income and ultimately, increased government revenue. Globalisation can be regarded as a by-product of capitalism and, although seemingly it conveys the positive externalities one might expect to arise from such a process, increasing speculation, particularly from pressure groups and left wing anti capitalist extremist groups suggest the latter. The latter school of thought suggests that globalisation is the cause of exploitation of the workers in less economically developed countries (as seen recently with Nike's manufacturing operations in China), where the workforce, often children, are subject to long hours and poor pay; thus conveying the fact that multinational corporations use their sheer size and influence to abuse their position, rather than to consolidate it fairly.

### Methodology

I shall critically examine the concept of globalisation in terms of positive and negative impacts and implications potentially created, while analysing, largely Cadbury-Schweppes, which will be used as a basis for my final conclusion. I will do this by assessing the implications for stakeholders of all sectors of the corporation. I shall also comment upon whether the corporation has become more of a benefit to the new country of location, or rather to westernised ideology.

### Analysis

Over the past decade, Cadbury-Schweppes' product portfolio acquired a significant number of brand names, many of which, are recognised on an international scale. Since 1997, £2.1 billion has been spent on acquisitions such as "Dr. Pepper", "Snapple", "Hollywood" and "Wuxi Leaf" and this is evidently no small measure down to their success (see appendix). Seemingly, Cadbury-Schweppes are constantly scrutinizing their product portfolio, and diversifying into new areas of the confectionary market, ultimately to acquire a higher market share and to provide for changing tastes, fashions, wants and needs. At this point in my investigation, one can conclude that the company's

brands are global, therefore production is likely to be global; thus, expanding their markets as well as their market share.

In the past year, sales revenue increased by 6% to £4.6 billion, and an underlying pre tax profit increase of 15% to £792 million (see appendix). Perhaps such an unprecedented increase in revenue is largely down to the development of robust business with strong brands in their core markets of beverages and confectionary, which has laid the foundation for their huge market share, coupled with continued pioneering and innovation. Nonetheless, such an apparent boom in financial terms would undoubtedly be warmly welcomed by corporate shareholders, increase confidence for potential and existing shareholders and enable scope for Cadbury - Schweppes to expand further, perhaps into new markets. Moreover, the westernised ideology of capitalism has evidently benefited the associated stakeholders in the west; satisfied shareholders, a hypothetically high proportion of satisfied customers and a motivated workforce when regarding that of a prosperous future for the company. However, when one considers stakeholders associated with that of the production and growing of raw materials such as cocoa beans in West Africa (which accounts for 60% of global production) and the Far East, one's perception of the corporation might inevitably become impaired. Recent public scrutiny regarding Nike P.L.C's "unethical" practises in China (see appendix) have undoubtedly cast a cloud over multi-national corporation's activities in such countries generally, and, indeed, has paved the way to increased regulation.

Cadbury-Schweppes' ethical trading and human rights states, "As the Company grows its business in an increasingly global economy, it remains ever mindful of its obligations to meet appropriate international standards". But to what extent does this apply to?

Cadbury-Schweppes' launching of the so-called "Fair Trade" chocolate bar in the late 1990s, apart from justifying a higher proportion of added value, therefore profit, than other brands in its portfolio, has, apart from demonstrating to the public that it is "encouraging fair trade", could have harmed other products in its portfolio, as it implies that its other brands do not embrace the concept of fair trade. Moreover, if the concept was applied to more brands in the company's portfolio, not only might there be an unprecedented fall in demand in response to a higher retail price, jealousy would be created amongst the small cocoa bean producers in LEDCs, as a high proportion of the raw material is purchased via the commodity exchange board-thus much of the profit would therefore go to the "middle man", as oppose to the small individual farmers. Cadbury -Schweppes would have to buy commodities directly from growers for the currently "mis-lead" concept of fair trade to gain credibility. Again, if financial benefits were reaped as a result of this for the small farmers, an element of jealousy would incur amongst their counterparts.

Alternatives such as the provision of infrastructure, education and improved sanitation on Cadbury-Schweppes' part would directly and/ or indirectly benefit the small farmers in such less economically developed countries, as well as curb potential jealousy, localised inflation and hostility amongst fellow small farmers. Such a policy has flourished amongst many multi-national fruit distributors such as "Del Monte" and "Libbys", so Cadbury-Schweppes' huge influence throughout the confectionary industry, coupled

with the use of this concept of allocative efficiency would largely benefit all sectors of stakeholders in terms of the provision of competing wants and needs, as well as enhance the overall reputation of the company, globally. The strategy could also have a positive influence over giants such as “Nestle” and “Milka”. However, in order for a smooth transaction process between such provision, it will have to happen over time, in order to become effective and to avoid implementation depreciating net profit to too much an extent, as this might deter profit driven shareholders, who have a significant influence over company strategy. It appears that Cadbury-Schweppes are particularly concerned, above all else, with eradicating the presence of the exploitation of child labour throughout the cocoa bean supply chain by associating themselves with “Save the Children” and “Anti-Slavery International”.

Although commendable by nature, one cannot help but feel that having read the relevant literature associated with the confectionary giant’s intentions, with regards to its ethical and international operations policy, one cannot help perceive Cadbury-Schweppes to have honourable intentions, but are immediately limited in effectiveness and utility by the associated bureaucracy and “red tape”.

My hypothesis in this respect is further strengthened by an apparent lack in direction when regarding the company’s stance over social responsibility. Moreover, a significantly high percentage of profits gained from Africa, Asia and India leaving the country, for the benefit of western shareholders, suggests a perhaps rather half-hearted approach towards the associated stakeholders of those countries. Are these areas of interest merely used in pursuit of profit maximisation? The evidence suggests so. However, if the mentioned utilities are provided to cocoa growing communities, the evil of child labour would, over time become eradicated, as prosperity routes out poverty and its unfavourably by-products.

### Conclusion

On a macro scale, are big companies merely paying lip service to ethics, or do they fully integrate ethical trading policies into their company? One could argue in defence of these multi-national conglomerates, that my investigation is immediately limited in utility, given the fact that only Cadbury-Schweppes is used as a focal part of my investigation. However, in retaliation, one could argue that Cadbury-Schweppes’ “half-hearted” policy over fair trade indicates that it is the tip of the iceberg and that one must treat what one reads in superficial annual reports with the utmost scrutiny, as, more than often, consumers are, in such cases, often misled.

Although Cadbury-Schweppes demonstrates an undoubted concern regarding child-slave labour, its participation in advocating “fair trade” can be regarded as merely a publicity stunt, in order to generate an increase in revenue and perhaps customer loyalty in addition. One could, at this point, conclude that instead of exploiting children in Outer Mongolia, that Cadbury-Schweppes is in actual fact, exploiting the customer!

However, if, as mentioned in the analysis, the provision of utilities was implemented in the relative areas, and a higher percentage of profit from India, Africa and Asia was reinvested into such practises, Cadbury-Schweppes could use their influence in using this as a turning point within the industry, rather than the whole concept of “fair trade” merely being used in a

half hearted manner, for profit maximisation. It has proved to be a success with the fruit growing and distribution industry with giants such as Del Monte, and has enabled the relative corporations to reap the benefits of westernised public support and ultimately loyalty, as it has done the growing communities of their respective country.