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## THE INFLUENCE OF TRANSNATIONAL CORPORATIONS ON SOCIETY'S SAFETY BASED ON ACTIVITY OF AMAZON.COM IN POLAND AND GREAT BRITAIN

### ABSTRACT

Social influence is not identical in each country or society, since activity of biggest corporations is so diverse. A lot of factors – both on the corporation side, as individual countries regulations – influence it, as well as societies and local communities specification. The aim of this article is to characterize the influence of transnational corporations on local communities safety on the example of Amazon.com corporation. Authors compared instances of two countries, in which this company runs i.e. Poland and Great Britain. Due to differences in conditions of functioning on these markets (e.g. on the level of economic growth or society), comparison of these two cases can give interesting results. An additional asset is the fact that author was an Amazon employee and he made many absorbing observations about the meaning of working in this corporation for members of local communities. The presence of transnational corporations in local area has a significant impact on local communities safety, because of influence on key needs of local societies members' in terms of safety. The main thing is employment and salary. Very often huge logistics centres or manufacturing plants become the key employer in the region.

**Keywords:** transnational corporation, Amazon.com, FDI, society's safety

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## 1. INTRODUCTION

During the last decade of 20<sup>th</sup>-century globalization of world economy entered into next stage and the iron curtain fell down. Technological and telecommunication revolution began. The dynamics of international cash flows increased several times. Transnational corporations gained economic strength, which frequently exceeds a possibility of a one single country.

The situation described above has a direct impact on the issues of safety. This is noticeable in many areas, one of which is safety of local societies. Huge range of corporations activities often contribute to them being the dominant employer in the region. They exert essential influence on the level of revenues of individual families. Because of this fact policy of functioning becomes the key factor of safety of towns, districts, villages societies and other communities (e.g. students).

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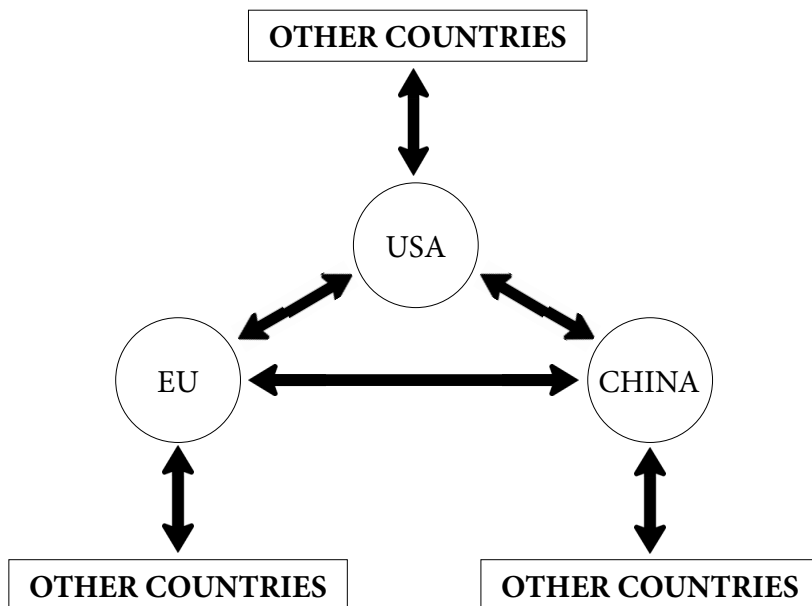
## 2. THE RANGE OF TRANSNATIONAL CORPORATIONS ACTIVITIES IN POLAND AND GREAT BRITAIN

In times of world progressive globalization more and more important role are having international cash flows. One of these flows are Foreign Direct Investment (FDI). It is a specific form because of FGI 'are affecting both – on domestic resource production factors, as conditions of competition on domestic market' (Caves, Frankel, & Jones, 1998, s. 239). It happens mainly due to two reasons. First of all FDI are made usually by transnational corporations and it causes the investor from abroad to keep control over the investment. Secondly, corporations are investing abroad to increase revenue, so their activities do not have to be compatible with business of the country (Siemiątkowski, 2001).

If an enterprise finds out that it controls the biggest possible part of the market, and the company is strong enough, there is no impediments to extend the field of activity to other countries. Thus, the company becomes transnational. Nowadays, analysing FDI flows, one can notice that the central position in this analysis are taken by groups of countries of so called Triad: West Europe (European Union), North Canada (USA and also Canada) and East Asia (mainly China with Honk Kong, Japan, Singapur, South Korea and Taiwan). Generally, these are industrialized countries, relatively rich or very fast developing (e.g. China). Companies which come from these regions are looking for possibilities to invest mainly in countries with similar economic conditions. This is the way how Triad is forming. Highly developed countries are locating direct investments in the countries with the same degree of

economy development. These countries are carrying out reinvestments. 'So investment flows between discussed countries have cross-investment character. Visible division into mother countries and countries, which are guesting FDI, is disappearing. Crossing of investment flows is considered as one of the more important aspects of country/economics integration in the process of internationalization of economic activity.' (Zorska, 1998, s. 110).

Pic.1. The direction of FDI flows in range of Triad



Source: (UNCTAD, 1994, s. 6)

Transnational enterprise is a company which has controlling interest in other enterprises and in two or more countries. In this definition two issues are considered. Firstly, the fact of controlling an abroad company is accented, nevertheless to count the company as a transnational corporation it is enough to own one control action packet. Secondly, the definition puts an emphasis on the activity in at least two countries. Accepting such a definition, we can say that majority of done FDI's is the result of transnational corporations activity, therefore analysis of sizes of FDI should give quite a view of the sizes of activity on transnational corporations in the whole world and in the researched countries. Because of lack of precise and easily accessible international data it is essentially the only way to understand the sizes of transnational corporations activity at least a little bit (Siemiakowski, 2001).

Precise determination of transnational corporations shares is extremely difficult. It is caused by lack of suitable, international and comparable statistics. The only possibility in this situation is comparison of resources or flows of foreign direct investments. These values are reflection of corporation functioning in international area.

Tab. 1. Resources of foreign direct investments in Poland and Great Britain

No.	Position	Poland	Great Britain
1	Resources of foreign direct investments at the end of 2015 (billion USD)	213,1	1457
2	FDI resources per capita at the end of 2015	5530	23110
3	FDI resources as percentage of GDP	44,9	51,1

Source: own calculations.

During data analysis in table number 1, FDI resources disproportion between Poland and Great Britain is meaningful. FDI resources of Great Britain are almost seven times bigger than Poland (Cieřlik et al., 2015, p. 42). Also, relatively, superiority of British economy is significant. FDI per capita resources are on the level of 23 thousands USD and they are over 4 times bigger than in Poland. Shares of direct investments resources in GDP in Poland were about at the level of 45% and in Great Britain – over 51%. It is therefore possible to suppose, that influence of transnational corporations on local communities is much greater in Great Britain in terms of presence of foreign investors in economy.

The role of transnational corporations in the world is constantly increasing. These companies exert bigger impact on economic reality than in the past, not only in the whole world, but also on a local scale. The investment can become an opportunity for the local society (e.g. by making new workplaces), but also it can be dangerous because of extinction of local institutions (Mączyńska, 1999, s. 89; Oziewicz, 1998, ss. 63–64). However, the existence of huge transnational corporations is a fact and conditions to attract foreign capital before others should be created.

The role of transnational corporations in local societies is huge. First of all, they are entities that hire most often over several dozen, thousands and sometimes millions people (table 2) (Wikipedia, 2017a).

Tab. 2. 10 the biggest transnational corporations in the world (at the end of 2015)

No.	Name of corporation	Annual income (billions USD)	Employment in corporation
1	Walmart	482	2300000
2	State Grid	330	927839
3	Samsung	305	319000
4	China National Petroleum	299	1589508
5	Sinopec Group	294	810538
6	Royal Dutch Shell	272	90000
7	Exxon Mobil	246	75600
8	Volkswagen	237	610076
9	Toyota	237	348877
10	Apple	234	110000
:	:	:	:
44	Amazon	107	230800

Source: (Wikipedia, 2017a)

Data presented in the table number 2 confirms that the size of transnational corporations are really impressive. Only first 10 companies hire together over 7 million employers. Their total income in 2015 was almost 3 trillion USD.

Amazon which is analysed in this article is on the 44 place of the biggest transnational corporations. In 2015 Amazon reached 107 billion USD of revenue and hired 230 thousands employees. Without a doubt, Amazon is one of the biggest corporations in the world.

### 3. IMPORTANCE OF LOCAL COMMUNITIES' SAFETY

Nowadays, safety is one of the most popular area of science. It is also one of the basics needs of human. It is most often defined as the lack of feeling of hazard. This imprecise definition does not fully reflect the meaning, because it applies to ideal situation which does not appear in reality. It should be rather said about the defined level of safety, because risks and threats occur permanently and elimination of them is basically impossible.

Considering the level of management there are many different types of management. Fundamental standard of safety management is local level. That is why local safety or local societies is considered. It is a category which is defined in many different ways.

First of all, it is necessary to explain (revise) the definition of local society, which is a 'specific local system consisting of several basic elements:

- 1) Territorial space,
- 2) Inhabitants of this space,
- 3) Common connections and dependence of people and institutions, which are causing internal integration and allow cooperative work for local problems solving,
- 4) Social interactions,
- 5) Cultural and psychosocial ties which connect part or all of the dwellers with given socio-spatial structure' (Skrzypczak, 2002, s. 25).

The key differentiator of local communities are bounds that form between members. Living in specified area (village etc.) does not condition society's existence as safety entity.

Safety of local societies is an element of internal safety of country and it 'covers all its components in appropriate way to local community proportions (social order, personal safety, public safety) with nationwide character but it also takes into account problems, needs, possibilities and activities specific for given local society' (Fehler, 2009, s. 23).

Needs that are the result of researching the local society members shall be added to generally accepted, traditional ones marked in the above definition. These researches show that in the question about local safety people pay attention to work and salary, which allow to satisfy basic needs and support the family (...). Those needs are easily satisfied by international corporations especially when local companies do not offer work vacancies.

### 4. GENERAL CHARACTERISTICS OF AMAZON.COM CORPORATION

The scope of this analysis is the activity of the American corporation Amazon.com. It was founded in Seattle, WA in the USA and is currently the largest online retailer in the world. Scale of activity, in which Amazon functions makes it an unusual enterprise. Moreover, in 2016 Amazon.com offered its services in 11 different countries, such as the USA, UK, Cana-

da, Mexico, France, Spain, Japan, Italy, China and Germany with plans to open more shops, e.g. in Sweden (Forbes, 2017).

Jeffrey Bezos set up the corporation in 1994, planning to create the biggest online shop in the world. At the beginning, the company was called Relentless.com and was just an online book shop, until in 2000 Bezos decided to rebrand his company and start offering products from any department – from books and media to groceries and electronic devices.

Moreover, Amazon.com offers marketing possibilities and warehousing space for single retailers and companies (Wikipedia, 2017b). Polish retailers can also exploit additional tools shared by Amazon.com, such as service in 5 languages, easy payment methods or automated analysis and sales report system. A posted product will have the possibility to reach millions of Amazon clients in the whole Europe.

Amazon Inc. shares free virtual data space in the service named “Amazon Web Service”, which is highly used by the biggest online video rental – Netflix, offering its VOD services through streaming media and responsible for almost 40% of network traffic in North America. In February 2016 Netflix finished the seven-year process of transferring its data to Amazon cloud. Just by ensuring this service to Netflix, Amazon earned 2 billion dollars in the last quarter (PAP, 2016a).

Currently, Amazon.com is on the 12th position of the most valuable brands and on the 8th position among the corporations of the biggest market value according to Forbes magazine (Forbes, 2017).

Tab. 3. The largest retailers in the world according to level of sales revenue

	<b>The name of company</b>	<b>Sales revenue in 2015</b>	<b>Sales revenue forecast in 2020</b>	<b>% of growth</b>
1	Wal-Mart	523,93	608,97	16,2%
2	Costco	127,81	177,42	38,7%
3	Carrefour	122,22	151,43	23,9%
4	The Kroger Co.	116,40	139,62	19,9%
5	Amazon	113,69	211,20	85,8%

Source: (virtualnemedi.pl, 2017).

Amazon is also one of the biggest retailers in the world (5<sup>th</sup> place). The revenue was on the level of 113 billion USD in the 2015. The forecast of its sales is quite interesting, since until 2020 they should increase by almost 86%, moving Amazon to 2<sup>nd</sup> place of the biggest retailers (table 3).

In October 2016 Amazon.com shared a translated German version of the website for Polish users. Firstly, main page was translated, navigation and many products. Amazon also declared to constantly update Polish website. With coming to Polish market, Amazon had high hopes to increase the popularity of the online shop among Polish customers and suppliers, and informed about plans for more and more updates for Polish people (PAP, 2016b).

Debut of Amazon.com in Poland brought more than 100% increase in users versus the previous month – before publishing the site in Polish language. At first glance, such results might seem at least satisfying, but among Polish competitors in e-commerce department, it was unnoticeable. The most dominant site in Poland is Allegro, which according to Polish

research agency Gemius focused more than 76% of e-commerce users in Poland. (wirtualnemedia.pl, 2014).

Despite of clearly visible predominance of Allegro service, Amazon states that the results are more than satisfying in Poland and that the customers are gladly using the special offers prepared for them (Mazurkiewicz, 2016).

Unfortunately, Amazon has a long way to increase its impact on the Polish market. Mainly, the website should be translated to Polish in whole, since after entering the page we can notice chaos and a lot of inconsistencies. Mixing languages is also one of the problems, because it often leads to misunderstanding the material by the user. Nevertheless, earlier mentioned Ben Howes informed that the company is working on deleting the whole language barrier.

When talking about British market, one can notice that there was no typical 'enter' moment, as there was no language barrier. Orders from Great Britain started coming gradually with increase of Amazon popularity on the American market. Quite a breakthrough in international expansion was opening bureaus in the Great Britain and Germany, which took place in 1999. Similarly, further expansion of logistic centres connected to increasing the assortment, while decreasing the delivery time.

## **5. AMAZON.COM ACTIVITY VERSUS LOCAL SOCIETIES' SAFETY IN POLAND AND GREAT BRITAIN**

Amazon corporation is known in the whole world for the kind and size of its activity. Interest in e-commerce department in the last years increased significantly. The reason was diverse choice of products and short waiting time for the delivery. Because of it, Amazon is one of the biggest supplier on all kinds of products, which can be bought by any human with Internet access.

Comparing the influence of transnational corporations on the local safety to other European countries (including Great Britain) is very hard, because of many reasons. One of them, is the fact that Polish people differ from the British people with their mentality. For Poles, new things are usually hard to trust and believe in, which results in reluctance and lack of interest. Many Polish people would say Amazon is not vital for them, because they enjoy many other trusted online suppliers and they do not need a change. British people on the other hand are an open-minded nationality and they like changes. The moment of entering the market by Amazon was something interesting for them and after some time a lot of them trusted this corporation.

Another factor, which shows the difficulty in comparing these two countries is the time, in which the company entered the market. On the Polish market, Amazon started working in 2014, while in Great Britain it existed since 1999. British people had much more time to get comfortable and trust a new company. Polish people, after having only 3 years of getting used to new service are still not interested and prefer doing shopping in small, hometown online shops.

Poland and Great Britain differ also in case of the level of wellness. In 2013 gross domestic product per capita in Great Britain was more than 41 thousand USD, while in Poland only 14 thousand USD (The World Bank, 2017). Above macroeconomic indicators allow to suppose that Poles are not financially ready for mass shopping in abroad corporations.

Nevertheless, the most important factor, which causes difficulties in defining the difference of seeing the Amazon in Great Britain and Poland is the fact that Amazon centres located in Poland are not directed to sell the supply to Polish people. Logistics centres in Poznan and Wrocław are mainly set to sell products on the German market. Polish people wanting to order Amazon.com products — can actually pay in their national currency — but only on the uncomfortable conditions set by the company, which means that the exchange rate is not consumer-friendly. The second problem with ordering the products is the delivery source — customer living in Poland will probably get the delivery from one of the logistics centres in Europe, i.e. France, despite of such centres existing in Poland. There is no such a problem in Great Britain, since Amazon prepared paying in the national currency and deliveries from more than a dozen magazines located in the Great Britain.

Activity of Amazon might has significant impact on the level of local market supply. It is especially relevant in regions placed far from big agglomerations. Usage of internet shops like Amazon causes easy access to relatively inaccessible products. Ease of Amazon service usage gives unlimited possibilities of product purchase without necessity of visiting the city, which can be several kilometres away from home. Extensive offer of Amazon causes lack of necessity of visiting shops every day. The opportunity of purchasing groceries gives possibility to save time.

Amazon is an international corporation, so the offer of Amazon products is much larger than typical small company which activity does not goes abroad. The amount of logistics centres and quickness of exchange of products between them, gives possibility to get popular products from another cities or countries. Customer who wants to get a product inaccessible in nearest shops and even in country, they can easily buy via Amazon products from abroad.

Existence of transnational corporations and the amount of logistics centres gives a lot of workplaces. Amazon offers job for people with varied educational level. People can be employed there from warehouse staff through leader to manager of logistics centre. People with higher education can look for a job on the higher positions, but person without any education can find here work, too. The amount of workplaces offered by Amazon has significant impact on lowering unemployment rate in areas of activity. It has positive influence on local communities safety, because people who look for a job, will find it in logistics centre. Society which lives in the area of Amazon activity, has awareness of a huge employer existence, so it causes feeling of safety in the field of work. As it was mentioned before, employment and salary are basic determinants of local societies safety level.

Activity of Amazon site can sometimes have a negative influence on the safety of local societies. Competitive prices, easy access and quickness of delivery result in bigger and bigger interest of consumers. More often people reach to online ways of buying products, resigning this way from visits in local shops. Activity of such a virtual shop on the market, results in smaller interest in small, local shops led by small company owners, which are usually also the members of these societies. Local companies sometimes die out and the owners have to look for a different way of income than managing a small shop in the neighbourhood of a huge competitor, where they do not stand a chance of developing their business.

Since the start of activity of Amazon corporation in Poland in 2014, the company invested in Poland more than 3 billion USD (PAP, 2017). Financial input in the boundaries of Poland results in fast development of companies and infrastructure of the region, in which Amazon is working.



## 6. CONCLUSIONS

The presence of transnational corporations in local area has a significant impact on local communities safety, because of influence on key needs of local societies members' in terms of safety. The main thing is employment and salary. Very often huge logistics centres or manufacturing plants become the key employer in the region.

The comparison of the same corporation in Poland and Great Britain shows similarities, but also differences in effects on local societies safety, however it seems that there is more resemblances. Enrichment of products offers, easy access to products, or extinction of local sellers are the most important determinants of local communities safety, which source can be transnational corporations. The difference is in the details. The different mentality of nations, varied level of salary or the range of foreign investments the shows the impact of transnational corporations on local communities safety is more intensive, which is greatly visible in Great Britain.

It should be noticed, that this article is just a reason to widen and deepen analysis of studied problem. Specific inference about given problem requires in-depth empirical study and access to international data bases.

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