International Journal of Scientific & Engineering Research, Volume 7, Issue 8, August-2016
ISSN 2229-5518

Challenges faced by Multinational Companies: The Case of Castel Winery Company in Ethiopia

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Abstract: Multinational Corporations (MNCs) play a pivotal role in the development on many emerging market, and have consequently received due attention by scholarly research in economics and by policy analysts. However, these enterprises are facing challenges while operating in these markets. The purpose of this study is to assess the challenges of Multinational Corporations, the case of Castel Winery Company in Ethiopia. An institution based explanatory study is conducted from March to July, 2016 in across section survey. The researcher used pre tested and well structured open ended self administered questionnaires in the data collection. The finding of the study shows that unavailability of skilled man power, shortage of foreign currency, cultural differences with the host country, regulatory challenges, and challenges from the weather condition are among the major challenges of the company while operating in Ethiopia. Based on these findings the corporations, policy developers and other stakeholders have to take some remedial actions or corrective measures on the problems identified.

Index Terms: Challenges, Developing Countries, Emerging Markets, Multinational Companies

CHAPTER ONE

INTRODUCTION

In the 20th century multinational corporations have grown and developed in a large scale that they are part of our daily lives form the mobile phones, to the daily cosmetic products we use, from the cars we drive to the fuel that keeps it running, from the personal computers to the soft ware’s on their hard disk and even from the coffee we drink to the taste food we eat, most of the products we use are supplied by multinational corporations (Jhon H.Dunning, 1992). Their presence and significance in our lives are undeniable facts but they also have other influences on more important actors, in macro levels (Mira Wilkins, 1991).

Today multinational corporations are not only production centers that supply crucial and commercial goods to us. They have grown to such an extent that they start to act as an economic, political and also an influential actor. Today many multinationals are extremely powerful institutions and possess resources for in excess of most of the nation states in the world. These corporations are continuing to grow in importance. They have integrated the world economy more extensively than ever in the past and they have taken global economic interdependence beyond the realms of trade and money in to the area of industrial production. Their integrating economic power evolves to an influence that can even effect political and economic relations between nation states. The size of their commercial activities requires not only economic power but also political one to control and manipulate nation states affairs and relations. These giant corporations turn out to be power centers that can influence international organizations, nation states, relations among them and domestic affairs of their own home countries (Mira Wilkins, 1991).

Multinational corporations operating in developing countries should not forget that these markets are highly unpredictable, unstable and less profitable. Whether they are domestic or foreign, Multinational corporations (MNCs) operating in emerging markets face a variety of complex and multifaceted challenges. The real challenge for MNCs is to achieve sustainable growth and profitability in these emerging markets while contributing explicitly and consistently to the overall well being of human being (Ayub Mohammed, 2015).

Coming to the Ethiopian perspective on which this research is focusing, numerous macroeconomic reforms have been implemented with the objective of achieving macroeconomic stabilization and growth since 1991. The macroeconomic reforms include privatization of state owned enterprises, liberalization of trade policy, reduction of import tariff rates, elimination of non-tariff barriers, devaluation and deregulation of price and exchange rate controls ,investment policy reviews, industrial promotion, privatization programs, creation of smooth dispute settlement mechanisms, investment incentives(US Department of State,2015). These reforms have also been implemented with the aim of attracting foreign direct investment to the ultimate goal of poverty reduction thereby enhancing a better standard of life. According to the sources of US Department of State on Investment Climate of Ethiopia by 2015 the competitive labor and energy costs as well as the budding consumer markets are key pulls for foreign direct investment (FDI). The multinational companies which were attracted by these opportunities to operate in Ethiopia are not without challenges (US Department of State, 2015). Based on the above fact this particular research tries to assess the challenges of a Castel Winery Factory one of the multinational companies in the country while operating in Ethiopia.

1.1 Statement of the Problem

Multinational Companies which are operating in emerging markets have better chances to establish, grow and sustain since the markets in these countries are getting stronger and better year after a year. That being said Multinational Companies should not forget that these markets are highly unpredictable, unstable and less profitable. Whether they are domestic or foreign, multinational corporations (MNCs) operating in emerging markets face a variety of complex and multifaceted challenges. These challenges range from company specific, to country specific and global specific issues (Ayub, Mohammad, 2007). The real challenges for Multinational Companies is to achieve sustainable growth and profitability in these emerging markets while contributing explicitly and consistently to the overall well being of the human being.

Coming to the Ethiopian perspective, although it is one of the countries with the fastest growing economy, still there is a persisting poverty and unemployment both in rural and urban areas (MOFED, 2012). Currently the country is undertaking the growth and transformation plan which is a robust plan acquiring significant capital investment and technology transfer.

However, due to the low saving of the country there is financial inadequacy constraining in achieving development goals. The government recognizes the role of private investment in particular foreign direct investment to fill the gap of the capital constraint and revised the investment proclamations several times. It also revised the investment proclamations several times and opened economic sectors to foreign investors with few restrictions. The government has also issued several investment incentives, including tax holidays, duty free import of capital goods and export tax exemption to encourage foreign investment (MOFED, 2012).

The world Investment Report released on June 24, revealed that Ethiopia was the third largest recipient of foreign direct investment (FDI) in Africa in 2013, with a 20pc increase from the amount in 2012.The country has also registered a significant increase in their Foreign Direct Investment (FDI) stock-the amount of investment within the economy. The report by the United Nations Conference on Trade and Development (UNCTAD), states that the FDI inflow to the country had reached 953 million dollars in 2014, up from the 279 million dollars it was in the previous year. Its foreign direct investment inward stock also reached close to 6.1 billion dollars in 2013, up from 941 million dollars in 2012.Though the amount of FDI inflow in the form of merger and acquisition has increased a considerable amount in the year, the major part of the countries investment inflow comes from Greenfield projects, according to the report.

As a study conducted by Delhi University, Department of East Asian Studies in 2015, Multinational companies (MNCs) are getting widely to the boarders of Ethiopia thinking the favorable conditions on its geographical location, strong economic trends, political stability, keenness on government part, change and trainable labor, its favorability as the starting point for greater engagement with Africa, tremendous potential as a new markets for its products launch pad for international markets, its strengthening solidarity with African nations etc. According to the reports of the UNCTAD by 2014, with in the continuing significant increase of the inflow in the same year, the robust economic growth and the growing middle class of Ethiopia, has contributed to the attractiveness of Ethiopia as a preferred destination of cross boarder investors and Multinational Companies. Even with these favorable conditions Multinational Companies operating in the country are facing grievances and challenges (Prateeksha, Tiwari, 2015).

This particular research is of special interest to assess the challenges of MNCs operating in Ethiopia, the case on the Castel Winery Company, French originated multinational company situated at Zeway town. In line with the above statement of the problems this research tries to answer the following questions:-

What are the challenges Castel Winery Factory is facing while operating in Ethiopia?

How the Castel Winery Company tackles challenges it faces while operating in Ethiopia?

What are the contributions of the MNCs (The Castel Winery Company) in the development of the country?

What are the implications and possible lessons that could be learnt?

1.2 Objectives of the study

1.2.1 General Objectives

This research paper tries to assess the challenges multinational corporations are facing while operating in developing markets based on the case study conducted on Castel Winery Factory in Ethiopia.

1.2.2. Specific Objectives

To identify the challenges of the Castel Winery Company while operating in Ethiopia.

To investigate the efforts of the Castel Winery Company in order to achieve sustainable growth and profitability.

To suggest some policy recommendations.

1.2.3. Scope of the Study

Both the theoretical aspect and empirical evidence show that MNCs is wider in concepts and in application that can be dealt both with macro level and micro level issues. However this research is limited to assess the challenges of Multinational corporations working at developing markets with a special emphasis on the Castel winery company, situated at Zeway town. The research basically relies on literatures on the subject area, publications and data by the Ethiopian Ministry of Trade, questionnaires and interviews collected from managers and experts of the Castel Winey Company and other Publications and sources on the subject matter.

1.2.4. Significance of the Study

The research has the following significances for parties who have direct or indirect interest on it;

The output from the research can help corporations, policy developers and other stakeholders to take some remedial actions or corrective measures on the problems identified in the research;

It enables the researcher to acquire basic experiences regarding several issues on the challenges of Multinational Companies operating at developing Countries and methods of tackling challenges, and the tentative solutions provided by the researcher can also enable the interested parties to solve the identified problems;

It also serves as a future reference for researchers on the area. In addition this research will point and raise the common challenges and efforts of tackling challenges of the selected company and other Multinational Companies operating at developing countries.

1.5 Limitations of the study

As researches conducted so far on MNCs in Ethiopia are limited, the study is constrained by the availability of empirical literature. Pertaining to the nature of the employees of the company there were fear and reservations in revealing all necessary information regarding the challenges their company is facing while operating its activities.

Furthermore some of the respondents were unwilling to give information due to lack of time and other reasons. Since the research is conducted on a single multinational company, it did not cover all the operational challenges of multinational companies throughout the country, and the researcher believes that this gap will pave the way for other researcher to go through on the area.

1.6 The Organization of the study

The paper is organized in to five chapters. The first Chapter deals with the introduction and background, the objectives, significance, scope and limitations of the study are stated. The second chapter briefly discusses the empirical and theoretical literatures. The methodology, data sources and method of collection, sample size and sampling techniques are included in chapter three. Chapter four provides data presentations and analysis and the last chapter wraps up the thesis by way of providing conclusion and possible recommendations.

CHAPTER TWO

Review of Literature

1.2 Definition and Theoretical Context of MNCs

In the late of 19th and early 20th centuries, the world shrank in its physical dimensions, as steamships, telegraphs and cables reduced distances. Throughout the whole world economic conditions changed. This was the time of substantial technological advance with new products, processes and forms of business organizations challenging the old order (Mira Wilkins, 1991). Developments in communication and transportation had varying consequences in different areas of life. The actors in the international political and economic arena started to change in order to adapt themselves to these new circumstances. During the 20th century states become more cooperative with the private sector and with other nongovernmental organizations. The private sector modified itself with the introduction of new institutions in order to keep itself in step with the developments in technology. It is believed that "Multinational Corporations" emerged from this atmosphere as one of the leading actors.

Companies from Britain, the United States, continental Europe, Japan and Canada extended their activities overseas by making foreign direct investments and controlling some production activities from their home based headquarters (Mira Wilkins, 1991). International trade, which is a part of the world economy, gained a new dimension with the emergence of the multinational companies. These institutions broaden the meaning of international trade by adding new concepts like 'Foreign Direct Investment,' Joint Ventures' and 'overseas operations.

At this point, a definition of the Multinational Corporation should be made to clarity the conceptual framework, a company that has its head quarter in one country (which is the home country), and which operates in at least one foreign (host) country (Mira Wilkins 1991). Multinational corporations are profit seeking organizations that have activities in more than one country with an aim to expand sales, to acquire resources, to diversify sources of sales and supplies and to minimize competitive risk.

Multinational corporations do not just mean Western or Japanese MNCs but also a growing number of MNCs from emerging economies in Asia, Africa, and Latin America (Zhang, 2008). Other equivalent terms used for an MNC are Multinational Enterprises (MNEs) or an International Corporation. A company or any overseas ventures are not considered MNCs unless they have substantial investment in foreign countries and actively manage those operations and regard those operations as integral parts of the company both strategically and organizationally (Bartlett and Ghoshal,1998). Traditionally, the headquarter (HQ) or the corporate office of an MNC is located in the home country or the parent country of the company and its subsidiaries are located in foreign countries (host countries).

2.2 Meanings of Emerging /Developing Markets

There is no one definition of the term "Emerging Market". Some writers call these markets as developing markets or countries since their growth is fast, high and stable. Arnold and Quelch (1998) suggest few aspects which high light the characteristics of an emerging market:

Economic development based on the average GDP per capita.

The relative pace of economic development, usually indicated by the GDP growth rate.

Third is the system of market governance and, in particular, the extent and stability of a free-market system.

An emerging market is also described as "society transitioning from a dictatorship to a free market – oriented economy, with increasing economic freedom, gradual integration with in the global market place, an expanding middle class, improving standards of living and social stability and tolerance, as well as an increase in corporations with multinational institutions (Van de Kuil, 2008)". Emerging markets economies refers to those countries that are starting to participate globally by implementing reform programs and are undergoing economic improvement (Zhang, 2008). The phrase "emerging markets" is being adopted in place of the previous lexicon of" less developed countries," newly industrializing countries, or even Third World Countries, which emphasized the countries' sources of cheap raw materials and labor rather than their markets (Arnold and Quelch,1998).

Emerging markets denote countries and markets playing catch-up: nations with an under developed industrial base and infrastructure on the one hand, but a rapid rate of growth (usually exceeding that of developed nations) on the other hand. In addition, emerging markets are often distinguished by some level of political and institutional instability, and ongoing demographic growth (Guillen and Garcia-Canal, 2013). Those economics outside of the developed world-US, Canada, Japan and Europe are what are commonly referred to as the emerging market (Guarino, 2010). Fan (2008) suggests that emerging market is a term which refers to a country that has undertaken transition in its political or economic systems and experienced rapid economic development.

2.3 MNCs Impacts on Host Developing Countries

2.3.1 Economic Impacts of MNCs

Since Caves (1974) original contribution, empirical assessment of the impact of FDI on host countries has proliferated in the economic literature. In relation to the impacts of FDI on host developing countries, economists have identified at least three ways that local firms and employees can be advantaged (or disadvantaged) by the presence of MNCs, through wage spillovers, export spillovers, and/or productivity spillovers. Wage spillovers occur because MNCs tend to pay higher wages and offer better job opportunities than the domestic firms in developing countries (Morrissey and Te Velde, 2003); Positive wage spillovers occur when the higher wages paid by foreign firms produce and increase in the wages paid by domestic firms, which, because they compete for human resources are forced to offer similar or better working conditions to foreign firms, in order to attract and retain the best workers. Conversely, negative wage spillovers occur when the presence of MNCs leads to a reduction in the wages paid by domestic firms, often as a result of the foreign firms poaching the best (and hence most expensive) workers from domestic firms the labor market crowding out effect.

A second way that MNCs can have an economic impact on host developing countries is through export spillovers. Central to this is the idea that domestic firms in developing countries can learn about exporting because MNCs generally possess good commercial skills, which domestic firms in host countries lack.

Commercial linkages, collaboration or imitation allow domestic firms to learn how to enter export markets (Gorg and Greenaway, 2004) and to increase their exporting activities. The empirical literature on export spillovers in host developing countries is also mixed (Anwar and Nguyen, 2011).

Finally, MNCs can have an impact as a result of technological and productivity spill overs, which are considered to be important sources of economic advantage for host countries' long term development trajectories (Narula and Driffield, 2012). Based on the assumption that MNCs Possess superior technological capabilities compared to domestic firms in developing countries, scholars traditionally have analyzed them in relation their being technology transfer channels. The accumulation of new technological capabilities by domestic firms via MNCs, in turn, contributes to their increased productivity. Qualitative research shows that productivity spillovers take various forms. Domestic firms can become more efficient and thus more competitive as the result of the competition from MNCs, and also through imitation, based on employing managers trained by MNCs (labor mobility) or direct collaboration with a foreign firm.

The evidence on productivity spillovers generated by MNCs in developing countries is generally inconclusive. Some econometric studies find evidence of positive spillovers for domestic firms (kokko, 1994). However, several studies find insignificant or negative spillovers. Evidence of negative spillovers points to the possibility that domestic firms reduce their productivity as a consequence of shrinking market shares (Aitken and Harrison, 1999). There is also work that finds differences in horizontal spillovers to domestic firms in the same sector as the MNC, and vertical spillovers, which refer to the productivity gains achieved by domestic firms in upstream or downstream sectors (Quoc Le and Pomfret,2011).

On the basis of this very mixed evidence, scholars warn that, although the current policy literature is overflowing with claims of positive spillovers from FDI, evidence of their existence is less profuse (Rodrik, 1999; Gog and Greenaway, 2004).

2.3.2 Human Rights Impacts of MNCs

Similarly to the case of MNCs economic impacts, there is no consensus in the academic research on FDI and the human rights cause. Debate on the impact of MNCs on society and, more specifically, on human rights is life with controversy involving both optimistic voices and critical ones. Optimistic views are generally from a liberal political science perspective (Harrelson-Stephens and Callaway,2003) and rely on the idea that MNCs are powerful and wealthy actors that are able to contribute to increased GDP levels, greater respect for human rights, and democratization, and suggest that multinationals may contribute to advancing the cause of human rights because they bring" capital, technologies, management techniques and managers who frequently are eager to introduce social improvement alongside their financial investment" (Spar,1999:75). Among the optimistic voices is also a community of scholars, practitioners and policy makers who believe that large corporations can improve the living conditions of poor countries through the adoption of voluntary codes of conduct and Corporate Social Responsibility (CSR) policies (Falck and Heblic, 2007). Alongside this, there is a growing awareness among MNCs executives that respect for human rights is a fundamental and necessary part of the practice of good management (Brown and Woods, 2007). CSR policies and the adoption of ethical codes of conduct address human right issues in several ways. For instance, through greater investment in addressing unfulfilled societal needs, allow firms to play a significant role in promoting different kinds of civil, political, and socio-economic rights, such as the right not to be discriminated against, and the right to education and health, and a safe environment, etc. (Rivoli and Waddock, 2011). MNCs are also considered to be critical for minimizing the harmful impacts and actively contributing to peace building processes in conflict or post-conflict zones, through the adoption of conflict sensitive CSR policy frameworks (Nelson, 2000, Banfield et al, 2003).

2.4 Challenges of Multinational Corporations

MNCs operating in emerging / developing markets have good chances to establish, grow and sustain since these markets are getting stronger and better year after year. That being said MNCs should not forget that these markets are highly unpredictable, unstable and less profitable. Understanding diverse contemporary challenges facing MNCs will make them more comfortable and stable in these markets. Some of the challenges are described below.

2.4.1 Socio-cultural Environment

Social organization, religion, customs and rituals, values and attitudes and language are all dimensions of culture (Kotler et al.). Social environment has a deep effect on a business. The culture, cost structure, ideological characteristics, religion, customs and social conditions influence a customer's perceptions and also their buying behavior (Bensoussan and Fleisher, 2008). This factor is a kind of value system of a society. The way that goods or services are produced and introduced to the society and the way that customers use these products are completely influenced by attitude, customs and by culture (Doole and Lowe, 2004)

There are several different factors that can affect societies; however cultural differences, more than any other factors, have influenced societies on the basis of and language (Cavusgil, Knight, 2008). This element can affect a person's behavior as well as their opinion (Cavusgil, Knight, 2008).

It is important for companies that their employees have knowledge about their cultures and learn about the important aspects of the host country before settling a subsidiary there (Kotler et al., 2008). By understanding the countries norms, companies can use cultural nuances as an advantage when positioning the products internationally (Kotler et al., 2008). Dupriez and Simons (2000 cited in Holden, 2002) state that companies that take advantage of the diverse experience from the multicultural work environment, enjoy a wider and have a more open platform for addressing challenges.

2.4.2 Legal environment

Companies should consider, when operating in other countries that they operate not only by home country rules but also by the host country and international laws (Doole and Lowe, 2004). This means that the country should have a flexibility and adaptability with law and other legal rules in each society. Having knowledge about the legal environment in each country that a company wants to operate in is externally important (Doole and Lowe, 2004). The legal system, by incorporating procedure and institution, provide ensuring order for tax economic output as well as commercial activities and also protect companies' assets (Cavusgil, knight, 2012). The domestic policies and also market conditions are not the only factors that have influence on the domestic economic developments; however both domestic and international economics and policies affect the domestic economic developments (Cavusgil, Knight, 2012).

The countries' laws and regulations can increase the countries risks as well. If the foreign companies consider there regulations as an unfavorable for investing or if they realize that the legal system is inadequate, they will not be willing to operate in that market. (Cavusgil, Knight and Risen Berger, 2012)

2.4.3 Economic Environment

Economic environment includes the nature of the economic system, the economic policies of the government, rate of inflation, interest rate and business cycle (Benoussan and Fleisher, 2008). Companies need to, before entering a new market, be informed of the country's economic policies and which market is developing. According to this information, a company decides if they can compete with other companies in the market and gain profit in this market. Indeed, if they want to receive a maximum of benefits, they should know about the market situation and make it ready for their product (Doole and Lowe, 2004).

International marketers are required to have a good estimation regarding the economic developments (Kotler et.al. 2008).

Indeed, this point of view is important at a regional level which regards regional trade integration, at a country level, a market level and at a world level which regards the world trading infrastructure and the trade agreements development (Doole and Lowe, 2004).

There are two economic factors that reflects a country's attractiveness as a market, these are; the country's industrial structure, which shapes the products and service needs, and the income distribution (Kotler et al., 2008)

There are four types of industrial structure that need to be considered. The first one is the subsistence economies where the vast majority is engaged in simple agriculture. They consume most of their output and offer market opportunities.

The second type is Raw-material exporting economies, these types of economics are very productive in one or more natural resources, but are penurious in other ways. These markets are beneficial for products such as, large equipment, tools and trucks. However, if there is a wealthy upper class and a lot of foreign residents, the market can be beneficial for luxury goods (Kotler et al., 2008). The third type is the industrializing economies where the manufacturing stands for 10 to 20 percent of the country's economy. It is typical for industrialization economies to create a new rich class and growing but small middle class, who both demand new imported products. The final type is industrial economic. This economic type is regarding large exporters of manufactured goods and investments. They export to other types of economies for raw materials and semi-finished goods. This is a rich market due to their large middle class and the various manufacturing activities (Kotler et al., 2008).

2.4.4 Political Environment

A set of formal institution that constitutes a government is a political system (Cavusgil, Knight and Reisenberger, 2012). Establishing stability, based on rules and protections from external threats are provided by the political system. Indeed the allocation of valued resources is governed by the political system (Cavusgil, knight and Riesenberger, 2012). Each country has a unique political system which evolved within a particular historical, cultural and economic contact (Cavusgil, Knight and Rosenberger, 2012). Companies operation and decision making can be affected by a political environment which involves international /national political factors (Doole and Lowe, 2004). The political organization, such as political parties, public opinion and ideology of the group in power, could affect the political environment (Bensoussan and Fleisher, 2008). In the international market, politics play an important role for companies when make decisions in order to invest in the market and also having the knowledge about how to develop the market (Doole and Lowe, 2004).

Some countries are complaisant to foreign companies whilst others are not. The government bureaucracy is one of the main factors that should be taken in consideration by companies (Kotler et. al. 2008). The government's view of business and freedom, which means, how companies can operate, is completely affected by politics (Czinkota and Ronkainen, 2007). Unstable political regimes can create a different kind of risk for companies which they never have to face in the domestic market.

The country risk can have had influenced all the companies equally or subset. The new government, initiative, developed by interest of the group and shifting values in political parties, can raise the country risk (Cavusgil, Knignt and Riesenberger, 2012). A Government's tendency to change rules and regulations could influence the international strategy and provide both challenges and opportunities for companies (Doole and Lowe, 2004).

2.4.5 Technological Environment

The technological aspect can have a deep effect on the market. The whole part of the market procedure can be seen as technological effect (Doole and Lowe, 2004). Indeed, the way of providing the goods, services, ability of gathering data, the quality of those products and management control ability, are revolutionized during the time by the development of electronic communications (Doole and Lowe, 2004).

Technology can have a main effect in a pre-existing market. It can create not only basic changes in the market but also distraction or even misrepresentation of the existing market (Bensoussan and Fleisher, 2008). The fast growing technology such as the internet has made an enormous influence in the business market. Technology can affect the efficiency of production levels outsourcing decisions. Technology also considers different factors such as research and development activity, bandwidth capacity and rate of technological changes (Bensoussan and Fleisher, 2008).

The potential host countries' technology is important for a company before operating there (IMP project group, 1982). The company must be well informed about the technology level, commercial and administrating skills of the chose market before making any decisions, especially regarding the industrial market which is strongly affected by technological conditions. The technology issue is crucial for companies, particularly in buyer-seller interaction (IMP project group, 1982).

Multinational companies and Investment Climate of Ethiopia

The fact that Ethiopia was never colonized for a long period of time puts her in a different position from the rest of Africa relative to the industrialized countries. The constitutional independence implied that foreign economic influence and subsequent economic dependence on FDI were delayed and they have not, therefore, yet reached the level found in most other African countries. This does not mean that foreign interests were absent, but that they had relatively little influence on the economic development of Ethiopia. (Bondestam, Lars 1998). However currently there have been foreigners in all sectors of the non-subsistence economy. Now Ethiopian is one of the fastest growing economies in the world. It has registered impressive GDP growth for several years, ranging between 8% and 12%. The World Bank and IMF forecast continued average growth of 7.5% to 8.5% in 2015 and approximately 7% to 7.5% over the next three years with a population roughly 90 million. Ethiopia is the second most populous country in sub-Saharan Africa after Nigeria (Investment Climate Statement of Ethiopia by US embassy, 2015).

The government of Ethiopia follows and integrated 5-year development plan, the Growth and Transformation plan (GTP), which aims to achieve 11.2-14.9%GDP growth annually as well as achieve the millennium Development goals and attain middle class income status by 2025. To realize these goals, the government is investing heavily in large scale social infrastructural and energy projects.

Competitive labor and energy costs as well as the budding consumer markets are key pulls for foreign direct investment (FDI) current challenges to the private sector include foreign exchange shortages and limited access to finance, long lead times for inputs and exports due to the current logistic infrastructure and associated highland transportation costs, and bureaucratic delays. Areas close to foreign investment are banking, insurance, and accounting or assurance services, retail, telecommunications and transportation. Businesses interested in entering the market should focus on aligning operations to complement the overall goals of the GTP key growth sectors include renewable energy, construction, health care tourism, textile and apparel, leather products, telecommunication support services and products, and aviation support services and products. (US Department of State, Investment Climate of Ethiopia, 2015)

The government of Ethiopia is currently pursuing accession to the World Trade Organization (WTO), while maintaining their goal of attaining least developed country status. Ethiopia also became a full member of the Common Market for Eastern and Southern Africa (COMESA). It is actively pursuing improving the current investment climate through adopting more efficient bureaucratic processes in the area of registration, logistics and tax processes. Key energy generation and distribution projects as well as transportation infrastructure projects are scheduled for completion in a near future.

Ethiopia is becoming an increasing propriety for foreign investment and foreign companies. Investment trends show the following two key features.

Equity investment terms are usually for 8-10 years with inputs being not only capital inflows, but also capacity building and knowledge transfer.

Manufacturing companies are taking advantage of the special industrial zones, skilled labor and tax incentives for initial start-up imports and export-related expenditures.

While foreign exchange shortages for import of-inputs and logistic costs remain high both in actual cost and lead time requirements, most manufacturing companies still identify a cost advantage on the whole due to power, labor and customs costs.

Table 1 Status of the country by Millennium Challenge Corporation Scorecard

Measure	Year	Index or Rank	Website address
TI corruption perceptions	2014	33/110th	Transparency-org/cpi/2014/results

index		of175	
World Bank's Doing business report "Ease of Doing Business"	2015	132nd of 189	Doing business-org/rankings
Glob2013al Innovation index	2014	25.43/126of 143	Global innovation index-org/content.aspx?page-data-analysis
World Bank GNI per capital	2013	500USD	Data.worldbank.org/indicator/NY.GNP.PCAP.CD

Source: Millennium Challenge Corporation Scorecard

The Millennium Challenge corporation: a US government entity charged with delivering development grants to countries that have demonstrated with delivering development grants to countries that have demonstrated a commitment to reform produced scorecards for countries with per capita gross national income (GNI) or USD 1.125 or less.

Despite the government's willingness and openness for the entry of multinational companies, Ethiopia Must actively work on the mentioned obstacles in order to be able to transform the economy from a low productivity agriculture based economy forwards a higher productivity manufacturing and export based economy. Foreign investment is crucial for such structural change. According to the survey conducted by the Fortune News Paper, March 30, 2016, streamlining procedures for customs clearance, consistent tax explanations and less frequent amendments; an impartial labor law and increased transparency of the exchange rate policy and currency convertibility are all essential for the effectiveness of the operation of multinational companies (MNCs).

CHAPTER THREE

Research Methodology

3.1 General Back ground of the Company

This particular study was conducted on a Castel Winery Factory, located in the central part of Oromia (Eastern Shoa) at Ziway town which is owned by a French beverage giant Castel. According to the Annual Magazine of the company published by 2009, the company has started its operation with a vineyard on 162 hectares by an initial capital of 520 million birr and with the production capacity of 1.2 million bottles per annum. Based on the statistical demonstration that

Ethiopia falls short with regard to wine consumption and according to the world per capita wine consumption, Ethiopia is among the countries that use small amount of wine, below one liter per year, according to experts close to the issue put the number between one and nine centiliters. The leading wine consuming countries, like the Vatican and Luxembourg, have a per capita wine consumption rates that fall between 54 to 70 liters per year. Even African countries like the Seychelles have a per capital consumption of 16 liters per year (Castel Winery Company Magazine, 2009).

But this reality is slowly changing, as wine has become more popular in recent years. The annual wine consumption in Ethiopia is expected to grow to more than 8.5 million liters per year. The country's leading wine factory, Awash Wine, which was established in 1956, covers about 6.5 million liters of this amount. The newly established Castel Winery Factory's' production and imported wines are expected to fill the remaining demand. The Castel Group, which prides itself as the third largest wine producer in the world and the second largest beer and soft drinks business in Africa, has started producing wine in Ethiopia since March 2014. Castel has seven different types of products, two white wines and five red wines. The company puts its production amount to 900,000 liters.

Castel, which was founded in Boudreaux, France in 1949 by a family of nine brothers and sisters, has been operating for more than 60 years. The idea of establishing a Castel Winery in Ethiopia was born during a meeting between Ethiopia's late prime minister, Meles Zenawi, and Mr. Pierre Castel, founder and president of the Castel group at Meles's Palace in 2007.

The winery started availing its products to the market a year ago and seems to be enjoying wide public acceptance. Though Castel is gaining acceptance among Ethiopian, according to Ato Daniel Sertse (Admin and HRD Manager of the Company), the locally produced wines have yet to gain traction among foreigners and more affluent Ethiopians. Speaking from experience, he noted that those groups are more inclined to purchase imported wines from South Africa and France (Castel Winery Megazine, 2009).

3.2 Research Method

This research aims to assess the challenges of multinational companies in Ethiopia by selecting the case of the Castel Winey Factory in Zeway town, which is owned by a French giant Castel. In this regard the descriptive type of design was used to explain the challenges of MNCs while operating in the country. For the purpose of this research, the researcher adopted mixed methods which incorporate quantitative and qualitative techniques. Mixed methods research is defined as the class of research where the researcher mixes or combines quantitative and qualitative research techniques, methods, approaches, concepts of language in to a single study (Jhonson and Onwuegbuzie, 2004). It is a research in which the investigator collects and analyses data integrates the finding and draws inferences using both qualitative and quantitative a approaches in a single study.

Qualitative research is helpful because MNCs incorporate and undergone through organizations and human beings with different cultural backgrounds, motivations, knowledge and stand points and so on, that act with in particular contexts in certain boundaries. These aspects involve the complex process in which MNCs are operating.

In order to capture, interpret and explicate the ways people in particular settings come to understand, account for, take action, and other wise manage their day-to-day situations" (Miles and Huberman 1994. p.7). It is necessary to develop a methodology of research which is adequate for this kind of complex environment. Hence the purpose of the qualitative research method is to discover concepts and relationships in these kinds of settings, using several tools which may consist interviews and observations.

The quantitative methods were employed based on available data such as the number of employee, the amount of revenue generated and so on. This method employs statistical measures like percentage and frequency. In light of the objective of the study, the research design for this assessment is descriptive. According to Brockington 2003(cited in Solomon 2011, P.24), a descriptive research is used to obtain information concerning the status of the phenomena to describe, "What exists" with respect to variables or conditions in a situation. It also used to answer the questions who, what, where, when and how of the research problem. Therefore, in this study descriptive method of research is a fact finding study, where data obtained from respondents were recorded, described, and analyzed, and interpreted by the researcher.

3.3 Data Sources and Methods of Collection

In order to undertake this research both primary and secondary data were used. The primary data were obtained through questionnaires and interviews. Secondary data were collected through the inspection of all available documents (published and unpublished) of different sources.

In this paper, questionnaire and interview were used as the main instruments of data collection from the primary sources. The questionnaire consists of both open and closed ended questions which were prepared and distributed to selected respondents (managers, experts and other staffs) of the Company. Interviews were conducted face to face with purposely selected individuals and divisional managers of the company. The interview guide was structured and semi structured type that enabled the interviewee to follow logical sequence of predetermined questions as well as probing for further information.

3.4 Sample size and sampling Techniques

The choice of sampling techniques/design by the researcher depends on the type of research and type of conclusion that s/he would like to draw (Kothari, 1995). In this survey the sample size was determined as 28 believing that the information obtained is expert opinion and more reliable as it was collected from experts and managers of different departments. The researcher has adopted convenient sampling for the purpose of the study.

3.5 Data Presentation and Analysis

Data presentation techniques are used depending on the nature of the data. In this research paper the data were presented by using table and textually in a narrative descriptions form.

According to Kumar (2005), in order to analyze qualitative data, the researcher needs to do content analysis. This is process that involves analyzing the contents of questionnaires and interviews so as to identify main themes. These themes must then be coded and responses be classified under the main themes by using Micro soft excel and SPSS. The last but most important step was integrating the main themes and responses. Therefore, in this study, all data collected were integrated with the review literature in order to assess the challenges the MNC is facing. To simplify the data analysis, the raw data was coded and entered in to computer for processing by using the Statistical Package for Social Studies (SPSS). Since, the research is descriptive; both qualitative and quantitative data analysis techniques were employed. Specifically, simple statistical analysis like percentage, frequency, tabulation was used in order to analyze the data easily.

CHAPTER FOUR

Data Presentation, Analysis and Interpretation

4.1 Introduction

In this chapter an attempt was made to data presentation, analysis and interpretation. The information available for this purpose was collected using different techniques such as; questionnaires, interview, different secondary sources (both published and unpublished) were accessed. Following the data presentation in tabular form, discussions, analysis and interpretations were made based on the responses of experts /managers of the company. The response made by the two interviewees was also used in the analysis and interpretation.

4.2 Socio-Demographic Characteristics of the respondents

The socio demographic data presented in the table 1 below refers to experts and managers of the Castel Winery Factory (28) respondents.

The Socio-demographic characteristics of the respondents have distinction among the respondents. As depicted in table 1 75% of the respondents are males while the remaining 25% are females. The majority of the respondent’s age falls in the category of 26-30 and 31-35 years which corresponds to 28.6 % and 35.7% respectively. The age category of 20-25, 36-40 and above 40 years is 7.14%, 14.3% and 14.3% respectively.

As revealed in the table 1 the marital status of the respondents corresponds to two categories that is married and single. The respondents with single marital status are 39.3% and married respondents are 60.7%.

As to the educational background of the respondents, 3.6% are certificate21.4% to Diploma, 60.7% Degree and 14.3% are Masters Degree holders. Coming to the work experience of the respondents as shown in Table 1, 46.4% of the respondents have 0-5 years of experience, 14.3%, 10.7% and 28.6% of respondents have 6-10, 11-15 and above 16 years of work experiences respectively. The respondents are qualified and well experienced and hence the researcher thought that the information provided by them is reliable

Table 1 Socio-demographic Characteristics of the Respondents.

Respondents' Background	Socio-demographic Characteristic	Number of Respondents	Percentage
	20-25 years	2	7.1
Age	26-30 years	8	28.6
	31-35 years	10	35.7
	36-40years	4	14.3
	Above 40 years	4	14.3
Sex	Male	21	75
	Female	7	25
Marital Status	Single	11	39.3
	Married	17	60.7
Educational Level	Certificate	1	3.6
	Diploma	6	21.4
	Degree	17	60.7
	Masters and above	4	14.3
Work Experience	0-5 years	13	46.4
	6-10 years	4	14.3
	11-15 years	3	10.7
	16 years and above	8	28.6

Source: Field Survey (May, 2016)

Challenges of the Castel Winery Factory

4.3.1 Human Resource Challenges

Human resource Management (HRM) has become one of the most popular issues in international management and business practice recently. At the increasingly important of qualified staff in multinational companies, the international human resource management models had been developed (Chen and Wilson 2003). In the beginning, multinational companies adopt standardization of human resource management, which believed coherence strategy and coordinate practice can lead to operational effectiveness and efficiency. However, they met difficulties after the international dimension becoming more popular as a result of changes in operating environment and structures (MC Graw and Harley 2003).

Coming to the concern of this research, hiring qualified /skilled labor is a big challenge for multinational companies and lack of skilled man power is one of the critical factors that constrain the efficiency of multinational companies operating in developing economies. In Ethiopia there is an availability of huge labor however the question lies whether the available labor fits the business requirements in terms of skill and know how.

Table 2 Availability of skilled lab our in the company

Variables	No. of Respondent	Percentage of Respondents
Available	15	53.6
Less available	12	42.9
Not available	1	3.6

Source: Field survey (May, 2016)

The intention of the researcher is to find out if the MNCs (the Castel Winery Factory) encountered the problem of getting skilled power. From the above table it is evident that 3.6% the respondents replied that skilled man power is highly challenging. While the rest of the respondents with 42.9 and 53.6% responded medium and low respectively to explain the problem of skilled man power in terms of severity. From this response it can be analyzed that the Castel Winery Factory faces the problem of skilled man power moderately.

4.3.2 Challenges from Economic Factors

Companies need to before entering a new market, be informed of the country’s economic policies and which market is developing. According to this information, a company decides if they can compete with other companies in the market and gain profit in this market (Doole and Lowe, 2004). Otherwise random movements in the economic environment affect interest rates, exchange rates, wages and commodity prices. Under this category the researcher tries to assess challenges of the company in relation to specialized intermediaries in the market, availability of foreign currency, impact of price sensitivity, local needs and purchasing power, availability of raw materials and availability of markets.

Table 3 Availability of Specialized Intermediaries in the Market

Variables	No. of respondents	Percentage of respondent
Yes	8	18.6
No	20	71.4

Source: Field survey (May, 2016)

Appropriate Market segmentation, relating to the low spending power of the major part of the market and developing effective marketing strategies to apply in different sections of the transforming society (Zainulbahi, 2005) are other major issues facing multinational companies in developing economies.

As to this research 28.6% of the respondents' state that, there are enough specialized intermediaries in the market, whereas 71.4% of the respondents replied absence of enough specialized intermediaries in the market is a challenge on the operation of the company. Generally the overall result shows that absence of specialized intermediaries in the market is a severe problem which has a negative impact on the market effectiveness of the Castel Winery Company.

Table 4 Challenge from exchange rate of the local currency

Variab	No. of	Percent

les	respondents	age of respondents
Very High	20	71.4%
High	-	-
Low	8	28.6%

Source: Field Survey (May 2016)

Accounting risks due to the fluctuations in the rate of exchange and shortage of foreign currencies in the market are among the major challenges of multinational Companies (Schwab, 2014). In line with this fact the researcher attempted to assess whether shortage of the foreign currency is critical to the operation of the company or negligible.

The majority of the respondents (71.4%) replied that there is shortage of foreign currency in the country whereas few respondents (28.6%) reply the impact is low. From this it is possible to infer that insufficient foreign currency is one of the challenges of the Castel Winery Factory while it operates in Ethiopia.

Table 5 Impact of price sensitivity, local needs and purchasing power

Variables	No. of respondents	Percentage of respondents
Very high	13	46.4%
High	11	39.3%
Low	4	14.3%

Source: Field Survey (May, 2016)

High price sensitivity, local needs and limited purchasing power are the characteristics of developing economies (Prahalad and lieberthal 1998). The researcher tries to assess whether the price sensitivity, local needs and purchasing power affects the operation of the company or not. As shown in Table 5, many respondents (46%) replied that the impact is very high and almost same proportion of the respondents (39.3%) replied the impact is high and few respondents (14.3%) replied as the impact is low. The overall result shows the price sensitivity, local needs and purchasing power is a severe challenge for the company.

Shortage of Raw Materials

Availability of raw materials is one of the location advantages considered by investors. In line with this fact the researcher aimed to assess whether shortage of raw materials is a challenge of the operation of the Castel Winery Factory or not. The majority of the respondents (96%) considered shortage of raw materials is negligible as the factory is acquiring its raw materials easily and only few (4%) of the respondents replica as shortage of raw material as one of the challenges of the company.

Table 6 Availability of Raw Materials

Variable	Response	No. of respondents	Percentage of respondents
Is there shortage of few materials?	Yes	1	4
	No	27	96

Source: Field Survey (May, 2016)

4.3.3 Challenges of Political Environment

Political risks /challenges take many shapes. They may come in the form of policy actions from national governments, such as regulatory or nationalization programs and they can have adverse effects on the objective of the multinational companies and bottom line. The host country may get involved in a war or experience civil strife or revolution, leading to detrimental political decisions such as laws preventing capital movement.

Unstable political regimes can create a different kind of risk for companies which they never have to face in the domestic market (Cavusgil, Knight and Riesenberger, 2012). Based on the above facts the researcher tried to assess whether the stability of the political country helped the company to minimize the exchange rate risk or not.

Table 7 Impact of the stability of the country on minimizing exchange rate risk

Variables	No. of respondent	Percentage of respondents
Very great	24	85.7%
Great	4	14.3%
Low	-	-

Source: Field survey (May, 2016)

As shown in the Table 7. most of the respondents (85.7%) replied that the stability of the country have very great role on minimizing the exchange rate risk, and few respondents (14.3%) replied that it has great role on minimizing the exchange rate risk. From this it can be inferred that there is no challenge for the company as the country's political situation is stable.

4.3.4 Challenges from Technological Environment

Multinational companies will face competition and advances in technology. The risk element is founded on uncertainty about competitors' actions and the development of competitive technology. Apart from strategies like lowering prices or implementing state-of the-art technology, rival companies may resort to cyber attacks, digital misinformation and data fraud or theft. These activities may also be state sponsored in a bid to help local companies gain competitive advantage (Bennet, 1995). Based on this fact the researcher tried to assess the technological challenges of the company.

Table-8 Challenges from the technological factors

Variables	Response	No. of the respondents	Percentage of the respondents
Are there challenges of technology in the company?	Yes	2	7.1%
	No	26	92.9%

Source: Field Survey (May, 2016)

As the researcher tried to assess whether the technological environment of the host country is a challenge to the company or not, most of the respondents (92.9%) replied that there is no challenge from the technological environment and few respondents (7.1%) replied that there is a challenge from the technological environment. Thus it is easy to infer that the technological environment is not a headache for Castel Winery Factory while operating in Ethiopia.

4.3.5 Challenges from the legal Environment

A few years before Ethiopian Investment Commission (EIC) has undertaken an independent review of its investor services in an effort to streamline the investment process and is in the process of developing a more efficient one-stop-shop facility for foreign direct investors. The government is also currently revising its 1950 Commercial code in an effort to facilitate investment and ease of operations. Areas of focus include clarifying regulations for potential investors, standardizing appropriate accounting practices to more accurately assess tax and other operating liabilities, increasing protection for share holders and provisions for bankruptcy filings as well as modernization of trade and registration processes. The 2014 Investment proclamation provides flexibility for the EIC (the Ethiopian Investment Commission) to decide on appeals

ISSN 2229-5518

submitted to it by foreign and domestic investors on specific projects. (US Department of State, May, 2015).

The government of Ethiopia revised the previously restricted sectors to be open for foreign investors. The investment climate in its wide context include fixation, and the different incentives (Ethiopian Investment Agency, 2013), the aim of this section is to assess the challenges of the company regarding on the investment policy, laws and regulations

Table 9- Challenges of the company by the investment policy, laws and regulation and taxation

List of Challenges	Degree of Severity						Frequency	
	Very high		High		Low			
	frequency		frequency		frequency	%		
Investment policy laws and regulation	4	4.3	6	1.4	18	6 4.3	28	00
Taxation	18	4.3	6	1.4	4	1 4.3	28	00

Source: Field Survey (May, 2016)

Taxation

Taxation is one of the instruments of collecting revenue to support government expenditures. If there is no proper tax administration, business activities will be discouraged. The government of Ethiopia identified areas of investment eligible for exemption of customs duty and exemption of income tax to encourage the flow and operation of FDI. The response of managers and experts (64.3%) of the company shows that complication of taxes is one of the major challenges of the company and 21.4% of the respondents replied that taxation is placed at the middle and 14.3 % of the respondents replied as taxation is placed at a minimum level. Here one can conclude that taxation is one of the major challenges while Castel Winery Factory is operating in Ethiopia.

Investment policy, laws and Regulations

Currently in Ethiopia, with in the sectors allowing foreign investment, there are no laws restricting competition for foreign companies or foreign owned subsidiaries. Based on this fact the researcher wants to know how severe the investment policy laws and regulations are challenging the effectiveness of the company.

As shown from Table 9 many of the respondents (64.3%) replied that the impact of the investment policy, laws and regulations are low and 21.4% of the respondents reply as the impact is high and 14.3% of the rest say the impact is very high. Therefore it can be inferred that the challenges from the investment policy, laws and regulations are minimum while the Castel Winery Factory is operating in Ethiopia.

4.3.6 Other Challenges

This group includes challenges from social responsibility, challenges from cultural differences, challenges from insufficient infrastructure, challenges from the weather condition etc…. The researcher tries to assess whether these factors are among the challenges of the Castel Winery Factory while operating in Ethiopia or not.

Table 10- Other Challenges of the Castel Winery Factory

List of Challenges	Degree of Severity						Total	
	Very Great		Great		Low			
	frequency		frequency	%	frequency	%	Frequency	
Challenges from Social responsibility	27	6.4	-	-	1	3.6	28	00
Challenged from cultural differences	4	4.3	16	57.2	8	28.6	28	00
Infrastructure challenges	5	7.9	6	21.4	17	60.7	28	00
Challenges of unfriendly environment	4	4.3	4	14.3	20	71.4	28	00
Challenges from weather condition.	28	00	-	-	-	-	28	00

Source: Field survey (May 2016)

4.3.6.1 Challenges from social responsibility

The socially responsibility of companies is about the business contribution to sustainable development, how business can take in to account the economic, Social and environmental impact their operations will have on the society. It goes beyond philanthropy and compliance and addresses how companies manage their economic, social and environmental impacts, as well as their relationships in all key sphere of influence (Zhang, 2008). The researcher tried to assess whether the issue of social responsibility is a challenge or not for the company. As depicted from table 10. 96.4% of the respondents replied that the issue of social responsibility is not a challenge and the organization is running its operations responsibly, where as only few (3.6%) of the respondents reply that the issue of social responsibility is a challenge for the company. Here it easy to infer that the issue of social responsibility is not as such a challenge of the company while operating its day to day activities.

4.3.6.2 Challenges from Cultural differences

Culture is also an important factor which has influenced the international operation of multinational corporations. People from different countries always have different traditions and attitudes towards business (Kotler et al., 2008). If foreigners want to manage business in Ethiopia, they firstly need to understand the fundamentals of Ethiopian thought and study of the Ethiopian business culture, and otherwise they face challenges. Based on this fact the researcher tried to assess whether cultural differences are the challenges or not for the operation of the company. As it can be seen from table 10, many (57.2%) of the respondents confirmed that cultural difference a very high challenge and 14.3% of the respondents replied the cultural difference is placed at medium severity and 28.6% of the respondents confirm that the cultural difference is a minimum challenge. The overall result shows that cultural difference is one of the major challenges of the company while operating in Ethiopia.

4.3.6.3 Challenges from the Infrastructure

Infrastructures such as electric power supply, water supply, roads, and telecommunication and internet services are some of the basic facilities required by multinational companies. In line with this fact the researcher attempted to assess whether the lack of these infrastructures is critical or not for the operation of the company.

The majority of the respondents (60.7%) replied that lack of infrastructure is not a challenge for the operation of the company. Few respondents (17.9%) replied that lack of infrastructure is a very high problem and finally almost same proportion (21.4%) of the respondents replied lack of infrastructure is a medium level severity on the operation of the company. The overall survey shows that inefficiency of infrastructure is not a major challenge for the company as the government is highly devoted on this regard.

4.3.6.4 Challenges from Weather Condition

Stable and favorable weather condition is a very essential matter for the productivity of agricultural products. Based on this fact the researcher tried to assess whether the weather condition is a challenge or not for the efficiency and productivity of the company. As depicted from table 10, all the respondents (100%) replied that the weather condition is the major challenge for the operation of the company and this is also strengthened by an interview with Ato Daniel Sertsu, Administration and Human Resource Manager, the recently climatic condition observed on wider areas of East and South Eastern parts of Africa have made a negative impact on the vineyard plantation of the company.

CHAPTER FIVE

Conclusions and Recommendations

5.1 Conclusion

Ethiopian economy is developing fast and FDI is playing both direct and indirect roles in this process. It is generating employment, helping in market expansion, creating backward and forward linkages in economy by procuring inputs and selling out puts within Ethiopia, tax contribution effects and social capital promoters.

Despite being a resource poor nation, Ethiopia's location in Africa, its political environment, and top leadership's keenness and responsiveness are the most important reasons which have attracted foreign investment. However, there are factors of low lab our productivity, poor existing infrastructure, and systemic problems like corruption, credit monopoly, and trade restrictions which discourage foreign investment. Even with the presence of the aforementioned challenges and opportunities, many multinational Companies are entering and operating in Ethiopia. This research is conducted on the challenges of Castel Winery Factory, a French originated multinational company in Ethiopia.

As risk and challenges are part and parcel of business and business management, the company faces challenges from social /cultural environment, legal environment, economic environment, political environment and other challenges like challenges from weather condition, challenges from social responsibility, challenges from the infrastructure etc….

5.2 Recommendations

The company should work on collaborative approach to deal with the local government and bureaucracy, strategic alliance with local suppliers and distributors.

The company should develop human capital by appointing host country managers and investing in training and development.

Doing research and development activities in host country in order to avoid not invented here syndrome.

The government agency like the investment commission should assume the task of promoting joint venture arrangements among local businesses and provide the necessary support to make them well equipped to work with foreign firms (MNCs)

The company is expected to become more responsible socially interest of the business organization itself and the society at large. All relevant players companies, social activists, investors, social activists, investors, employees, consumers and government should establish long-term bonds in order to make this happen and identify further opportunities of collaborations and joint efforts.

The company should strongly work to influence trade and other regulations by establishing close relationship with the government and affiliation with associations (business, political or economic).

The company (MNCs) should give greater responsibilities and flexibility to the managers of their subsidiaries in order to allow them to adapt best to the local needs.

The government must take sincere steps to increase transparency, improve labor efficiency through trading programs, and adopt policies to guide investment in strategic sectors.

The regulatory side should be strengthened so as the country should take advantage of the investment of these multinational companies.

The MNCs (the Castel Winery Company) is expected to become responsible socially in the larger interest of the business organization itself and the society at large.

MNCs should also give greater responsibilities and flexibility to the managers of their subsidiaries in the developing markets in order to allow them to adapt best to the local needs.

Acknowledgements

Above all, I give thanks and praise to God of all creation, whose strength and guidance enabled me to realize the accomplishment of my fastidious field of study. I would like to thank the Castel Winery Factory management and staff for their unreserved support in providing me the necessary data and documents and in responding to my questionnaires. All the same it is my pleasure to extend my thanks to all my respondents in devoting their scarce time to respond to my questionnaires.

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