

Corporate Social Responsibilities of Multinational Companies

M.Saranya
M.Phil Research Scholar,
Department of Commerce,
Muthayammal College of arts & Science,
Rasipuram. Tamilnadu, India,
e-mail: ksaranya400@gmail.com

S.Elakkiya
M.Phil Research Scholar,
Department of Commerce,
Muthayammal College of arts & Science,
Rasipuram. Tamilnadu, India
e-mail: lucky010590@gmail.com

Dr. R. Ramaa Baanu,
Associate Professor of Commerce,
Muthayammal College of arts & Science,
Rasipuram. Tamilnadu, India
e-mail: ramaabaanu@yahoo.com

S.Lalitha
M.Phil Research Scholar,
Department of Commerce,
Muthayammal College of arts & Science,
Rasipuram. Tamilnadu, India
e-mail: lalitha6020@gmail.com

Abstract— International business consists of transactions that are devised and carried out across the national borders to satisfy the objectives of individuals and organizations. Today, almost all companies are affected by Global events and competition. The increase in competition among the multinational companies to gain first mover advantage in various countries by establishing goodwill relations with both the state and the civil society. Being a socially responsible multinational company means not only fulfilling the legal expectations, but also going beyond such as investing more in human resources and facing the environmental problems and also satisfying the stakeholders. The social responsibilities are divided into two heads namely internal environment responsibilities and external environment responsibilities. By practicing the social responsibilities in international business, the multinational corporations will not only get more profit but also they can maintain their goodwill and retain their business position for a long term survival.

Keywords- social responsibilities, internal environment, external environment.

I. INTRODUCTION

International business consists of transactions that are devised and carried out across national borders to satisfy the objectives of individuals and organizations. The primary types of International Business activities are (1) importing and exporting and (2) direct foreign investment. The additional types of International Business activities are license, franchising, management contracts etc. The business environment has undergone vast changes in the recent years in terms of both the nature of competitions and the wave of globalization that has been weeping across markets. Companies are expanding their boundaries from the country of their origin to the evolving markets in the developing countries which have been sometimes referred to as emerging markets.

REVIEW OF LITRATURE:

Juliette Bennett(2002) This study explains the international business community will increasingly need to promote greater economic inclusion and social justice in its operations, or it will be blamed for contributing to the conditions that lead to violent conflict.

Padmakshi Rana(2008) This paper illustrates the exploration of CSR and sustainability literature with the development of the conceptual framework, followed by a brief overview of sustainability in the food industry, the adopted research design and a short summary on preliminary findings from two case-studies.

Hashimu, Bulus(2012) this study assessed the external stakeholders (customers and community members) of thirteen (13) Multinational Companies operating in Nigeria for over 15 years. The primary objective of this study is to critically assess the

external social responsibility of Multinational Companies with the aim of understanding their ethical performance.

Nattavud Pimpa(2012) The aim of this paper is to identify contribution from MNCs from Australia in Thailand in the form of corporate social responsibility (CSR). The results of this study identify two key themes: (1) climate change and poverty, and (2) social development and poverty. This study confirms that social and institutional pressures and stakeholders' involvement influence decision-making with respect to CSR on poverty alleviation.

Sarita Moharana(2012) This paper discussed about the role of corporate social responsibility (CSR) is vital in this present business world. Different multinational companies have taken various efforts in the era of globalization for CSR. An attempt has been made in this paper to highlight some of valuable social initiatives taken by ESSAR at Paradeep as well as some of the valuable suggestions to highlight the CSR activities.

The following are some of the present trends existing in the global business apart from the legal provisions

1. INCREASE IN COMPETITION

The current trend of globalization has brought a realization among the firms that in order to compete effectively in a competitive environment, the need clearly defined business practices with a sound focus on the public interest in the markets. The increase in competition among the multinational companies to gain first mover advantage in various developing countries by establishing goodwill relations with both the state and the civil society is ample testimony to this transformation.

2. RESTRICTIONS FOR DOING BUSINESS:

In most of the emerging markets, the state still holds the key to business success because of the existence of trade and business regulations restricting the freedom of multinational companies to incorporate their previously successful business doctrines which have been tried and tested in the developed nations. The state with its duty of protecting the interests of the general public would naturally be included to give preference to companies which take care of the interests of all the stakeholders.

3. SOUND BUSINESS PRACTICES:

Emerging markets have been identified as a source of immense talent with the rising levels of education (e.g.) The expertise of India in churning out software professionals and China in manufacturing has now become internationally renowned. In order to draw from this vast talent pool coming up in developing countries, companies need to gain foothold in these markets by establishing sound business practices addressing social and cultural concerns of the people. It has been observed that consumers consider switching to another company's products and services, speak out against the company to family and friends, refuse to invest in that company's stock, refuse to work at the company and boycott the company's products and services in case of negative corporate citizenship behaviors.

4. MAINTAINING THE INTANGIBLE ASSETS

Firms all over the world are beginning to grasp the importance to intangible assets, be it brand name or employee morale. Only firms that have gained the goodwill of the general public and are ideal corporate citizens will be to develop these intangible assets in strategic advantages.

SOCIAL RESPONSIBILITIES OF MNCs

Being socially responsible means not only fulfilling legal expectations, but also going beyond compliance and investing more into human capital, the environment and relations with stakeholders. The social responsibility exhorts firms to diverge from their sole aim of maximizing profits and to lay more importance on improving the economic and social standards of the community in their countries of operation. It is inbuilt in the business existence of the traditional firms in the emerging markets like India.

The social responsibilities of Multinational Companies have to be followed in their internal and external business environment as follows..

II. INTERNAL ENVIRONMENT:

This relates to the internal practices of the Multinational Companies which need to be modified their social responsibilities.

A. HUMAN RESOURCES MANAGEMENT:

It includes the elements like providing an environment for life long learning for employees, employee empowerment, better information flow, improving the balance between work, family and leisure, diversified work force, job security. Active follow up and management of employees who are off work due to disabilities or injuries have also been shown to result in cost savings for the companies. They have to use the cheap labour available in different countries

B. WORK SAFETY AND HEALTH MEASURES:

Worker safety and labour health have been documented to be having a direct impact on productivity of the labour force. Although legal measures exist in most nations on maintaining standards for ensuring worker safety and providing health benefits. The companies not only need to maintain high safety levels in their own premises but also ensure that their suppliers and other connected parties comply with these principles. The increased focus on safety standards and employee welfare has led to the development of standards across industries.

C. . ADAPTATION TO CHANGE:

Recent trend in the global business scenario has been the wide spread use of mergers and acquisitions for business expansion. Also downsizing has been used, often ineffectively, as a cost cutting measure by firms in their relentless push for profits . Restructuring in a socially responsible manner means to balance and take into consideration the interests and concerns of all those who are affected by the changes and decisions. Restructuring needs to be well prepared by identifying major risks, calculating all the costs, direct and indirect associated with alternative strategies and policies. In countries where labour laws preventing labour retrenchment even in the event of declining sales in practice lobbying with the bureaucracy and government is an aspect which firms cannot choose to ignore.

D. . MANAGEMENT OF ENVIRONMENTAL IMPACTS:

Optimization of resource utilization and reducing environmentally damaging effluents can reduce the environmental impact. This will also enable the firms to affect significant cost savings in energy bills and pollution cost. Many multinational companies are realizing to their cost that early compliance with accepted standards will provide strategic advantages in the long run even though cost inefficient in the near future.

III. EXTERNAL ENVIRONMENT:

This relates to the practices concerning external stakeholders. By practicing the external social responsibility in global business leads to the development of international standards for business practices.

A. LOCAL COMMUNITIES:

The development of positive relations with the local community and thereby the accumulation of social capital is particularly relevant for non-local companies. These relations are being increasingly used by multinational companies to support the integration of their subsidiaries into various markets in which they are present. Deep understanding of the local community and social customs is an asset which can be utilized by the companies to gain strategic advantages.

B. BUSINESS PARTNERS:

Building long term relationships of sound ethical foundation with suppliers, customs will enable companies to meet customer expectations better while reducing complexity and costs. Companies doing international business take on additional responsibilities because of the existence of outsourcing opportunities in the form of suppliers and outsourcing agents.

C. HUMAN RIGHTS:

Companies have a direct responsibility to ensure the protection of human right in their own operations. Companies operating in countries where human rights are regularly violated may experience a climate of civil instability and corruption that makes for uneasy relations with government officials, employee, local communities and shareholders. Companies need to ensure that human rights principles are withheld in all their operations and related activities in emerging markets.

IV. CONCLUSION:

Emerging markets like India have drawn the attention of large MNCs for the potential of market growth. These markets are untapped and give entirely new domain for operations. The lack of concern for the local community, the consumers and the environment by these corporations has created large scale public debate and action. It is important in this context to understand that the sustainable business growth is associated with care for the community and markets the corporations operate in. The irresponsible corporate behaviour can have repercussion throughout their global markets.

REFERENCES:

- [1] Dawar,Z, and Chatthopadhyay,A (2000), “Rethinking marketing programs for Emerging markets, Davidson Institute working paper series, Retrieved on Sep.2004.
- [2] Mohan,A, (2001) “Corporate Citizenship: Perspectives from India” Journal, of Corporate Citizenship, spring PP.107-117.
- [3] Robin.N,(2000), “Position paper on Emerging Markets and Human Rights”, Henderson Global Investors, Retrieved on sep.12,2004.
- [4] Juliette Bennett, “Multinational Corporations, Social Responsibility and onflict”, Journal of International Affairs, Spring 2002, vol. 55, no. 2, PP-393-410.
- [5] Sarita Moharana, “Corporate Social Responsibility In A Multinational Company: A Case Study of Essar (Paradeep)”, VSRD International Journal of Business and Management Research, Vol. 2, No. 12,December 2012, PP-588-593.
- [6] Nattavud Pimpa, “Multinational Corporations: Corporate Social Responsibility and Poverty Alleviation in Thailand”, Special Issue of the

- International Journal of the Computer, the Internet and Management, Vol. 19 No. SP1, June, 2011, PP-83.1-83.8.
- [7] Padmakshi Rana, “Exploration of corporate social responsibility (CSR) in multinational companies within the food industry”, CRR Conference, September 2008, PP-1-30.
- [8] Hashimu, Bulus, “Multinational Companies Corporate Social Responsibility Performance in Lagos State, Nigeria:A Quantitative Analysis”, European Journal of Globalization and Development Research, Vol. 5, No. 1, 2012, PP- 247-264