

The role and responsibilities that mncs have commerce essay



Introduction

With a natural result of economic integration, multinational companies' transnational business activities increasingly common in order to maximize the pursuit of self-interest, but it still not format the mature and uniform international business standards and ethical guidelines, multinational corporations appeared the ethical issues in transnational business activities, and What social responsibility companies should take . which is the subject of widespread controversy. The purpose of the essay is to discuss the role and responsibilities that MNCs have in encouraging ethical business practice. So the essay firstly,

The ethics issue of multinational company

The rapid development of transnational corporations is the most striking economic phenomenon the international economic field after the " Second World War ". Multinationals companies have infiltrated into the global economy every corner and had a significant impact on the today's political world, society and culture (Veral, 2005).

At the same time, multinational enterprises and the role of multinational corporations has also aroused the attention, the multinational corporate social responsibility and a moral question is widely discussed by the public, they hope that the multinational corporations to assume more social responsibility, and have good records in the management of the ethic issue , it should be honest, equity , do not deceive consumers, and protect environment , it should provide the good working conditions for the staff and

provide a good system and commitment to promoting the local economic and social healthy development.

But people find that it not only small and medium companies have the immoral and illegal acts, those large companies also do to survive. Such behavior exists in every business activity, which plagued the various companies, no matter large or small, financial situation is good or bad, multinational companies are no exception. in the international market, there are numerous incidents about issue of ethics management in multinational companies in recent years, and public more attention on multinational corporations in environmental degradation , commercial bribery and other violations of ethical conduct (Monshipouri, e tal , 2003). As the cross-border character of multinational production and management , these acts of violation of business ethics often impact in the world, global management of business ethics have become the important issues that multinational corporations and the government have to faced .

The main areas of ethical issues arising

â- ☒ Commercial Bribery

Commercial Bribery is one of the means that many multinational companies commonly used when engaged in international operations, it mainly show in two areas, on the one hand , it is directly in bribes to obtain improper benefits; on the other hand , the multinational companies give the local government some benefit to accelerate the business . Multinationals companies choose commercial bribery in order to ensure the enterprise's economic benefits or meet some of the managers of private interests

(Singhapakdi, et al , 2001). In many countries, bribery is a widespread phenomenon, local officials and multinational companies see the dealing with investment-related interests' things as opportunity to access to supplement salary and the to meet the individual welfare.

Some multinational companies take the initiative to meet the needs of these officials, by giving a gift or reward in order to make these decision-makers to make decisions which beneficial to the company to obtain government contracts. while others from the cultural traditions of their home countries did not recognize or prohibited by law, multinational companies sometimes find themselves in a very awkward position, if the company do so, then it will contrary to the code of ethics, if it do not do so, it will face loss of contracts or even take the risk of business failure.

â- ☒ Violations of human rights

It has very strict requirements on labor time, labor intensity, labor conditions and wages for workers in developed countries, and this requirements in developing countries is less than the developed countries, and it also have much more lenient standard, and it have low level of wages in the developing country, therefore, more and more multinational corporations take the production of product to the developing countries, they make the product entrusted to local enterprises.

However, some multinational companies enjoy the benefits of the labor cost, but not safeguard the interests of local workers . their growth and profits based on the basis of sweatshops in developing countries (Amba-Rao, 1993),

Nike, Wal-Mart, Reebok have strong public criticism since they have establish <https://assignbuster.com/the-role-and-responsibilities-that-mncs-have-commerce-essay/>

the sweatshops factory in Asia . because the company's labor monitoring system did not play its due role comply with basic labor laws in some Asian countries. Multinational corporations enjoy the benefits of low labor costs in developing countries, and do not violate labor laws under ethical and legal responsibility, because the workers are not company's direct employers, they could make the poor working conditions due to the contractor to avoid home country sanctions laws.

â- ☒ Environmental damage

water resources and other natural resources protection and the establishment of effective waste recycling and disposal system is not only the problem for developing country , But for common problems all countries in the world . Protection of the environment not only reflects the transnational corporation's social responsibility, but also reflects the company's own ethical standards (Hay, e tal , 2005). Multinationals problem in this respect are manifested in dumping waste in developing country, Toxic waste disposal may cause substantial damage to the environment, and random cutting of local forests from the host country. Multinational companies operate more risk factory in developing countries to escape stringent restrictions.

â- ☒ Harm the interests of consumers

In the process of marketing abroad, many MNCs often sale the products, such as infant formula, cigarettes, chemicals, pesticides which without warning signs to the foreign consumers, In some developing countries,

multinational companies sale their products which quality standards lower
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than the developed countries to market with higher consumer confidence (Asgary, Mitschow , 2002). There are some multinational companies known the product have quality problem or the product bad for the health, but they hide the information and cheat the consumers.

The definition of Corporate Social Responsibility

Corporate social responsibility, which bear the internal employee safety and health welfare, and the interests of external stakeholders, The reason is that the company is not only bear the responsibility for the shareholders, but also obtaining value for shareholders, and should take corporate responsibility to stakeholders to create value for the company. Since the establishment of the company approved , the company award financing support with financial institutions according to law, using public funds; to recruit staff according to the law, use of social labor; to purchase or lease of land according to law to establish factories; to purchase raw materials or equipment suppliers, make their products to market (Hamra, 2000) .

In other words, the company to absorb and integrate social resources, it use social resources not only to create wealth for shareholders, but also should create value for the company stakeholders (Blowfield, 2005). So the company's corporate social responsibility is means that when the company creating profits for shareholders interests , it should also necessary to take social responsibility on employees, customers, on suppliers, financial institution, the government and the community. These responsibilities include business and industry compliance regulations, business ethics, product safety, occupational health, protection of legitimate rights and interests of workers, support charitable causes, to protect vulnerable groups, <https://assignbuster.com/the-role-and-responsibilities-that-mncs-have-commerce-essay/>

and so on. Corporate social responsibility emphasis on other stakeholders of corporate social responsibility which beyond shareholders

The meaning of implementation of corporate social responsibility

â- ☒ Enhance brand image and reputation

When consumers know a company's negative social behavior, most of people would consider to consumption of other company's products; the stakeholders said they would refuse to invest in the company; and many people said they would boycott the products. It can be see the demand for reliable products and services will be raising that in the market, so the implementation of corporate social responsibility can raise corporate brand image and reputation, and promote sales and increase customer loyalty.

â- ☒ Improve human Resource Status

When deciding whether to accept a job, many people would consider the candidate's moral standards. Therefore, it could attract better talent by strengthening the social responsibility of companies, and reduce turnover, so it reducing the associated recruitment and the training costs. The Improvement of the working environment and increasing opportunities for staff participation in decision-making also can improve productivity and quality (Montiel, 2008). For example , the Nikkei do " corporate social responsibility survey" based on business transparency, and taking into account the environment, the evaluation of the employee to investigate , the results show that for most ardent companies, In the field of personnel

management, treatment of employees and other practitioners , Matsushita Electric it more better than other companies.

â- ☒ Improve sustainable development

Dow Jones Sustainability Index is a measure of an important reference index Assess whether a company sustainable development. It mainly assessed the economic, social and environment performance, in these factors, social and environmental factors is an important manifestation of corporate social responsibility (Banerjee, 2008). Therefore, the Dow Jones Sustainability Index has higher authority in assessment of corporate social responsibility.

According to the Dow Jones Sustainability Index, it can easily find and, operating conditions of the company who pay attention to corporate social responsibility of business significantly better than the companies do not pay attention to social responsibility. In summary, the multinational companies to strengthen corporate social responsibility is not only a burden, but also help improve the company's influence is beneficial to the company's sustainable development. in the era of globalization, competition between Multinationals companies has been from the past technology, products, increased competition to the concept of corporate responsibility and corporate ethical standards of competition, advanced concept of corporate social responsibility an important weapon for the company .

Responsibility of MNCs in encouraging ethical business practice

It finds the mutual benefit with host country, and commits to establish long-term relationship with the host country. Respect and protect the

fundamental human rights; Full, fair disclosure all of the public interest-related information with stakeholders. Reach the recognized environmental standards; protect the environment, efficient use natural resources; It fully meets the safety standards of products and services; in the healthy working environment of production.

It recognizes negotiations up rights that employees organized and collective bargaining. It reduce the impact of plant closings through fair employment, job security, safe, non-discriminatory environment to of promote the welfare of employees. It seeks long-term profits by fair and reasonable prices, and improvement of products and services quality (Roberts, 2003). It takes stakeholder participation in decision-making at the right level and appropriate stage. It provides leadership and resources for the development and implementation of internal code of ethics. Whether respect local practices and customs or pursue the company's own code of ethics, it should depend on which approach is more beneficial to the local. It respect for international law, support the development and implementation on international business conduct.

Discuss

Corporate responsibility movement does improve the production environment and the rights of staff attention for thousands of enterprises, but it should also notice some problems: the income gap between multinational corporations' senior management and the workers is growing;

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multinational income; even the multinationals provide its suppliers for SA8000 and other certification requirements, supplier nearly burden the all of the cost of certification, which increase the supplier's costs and reduce the profits of suppliers, while multinational companies almost not bear any costs except the monitoring costs. Obviously, if it only make social responsibility movement as he moral revolution for multinational corporations, it is not sufficient to explain the above phenomenon.

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Corporate profit is the ultimate goal for a company, it only good intentions that make multinational companies to take on more of a moral obligation by social responsibility campaign, multinational corporations always pursuit profit when profit and human care are in conflict , not social ethics.

Enterprise managers may be an enlightened philanthropist, but in the market system, individual values may not be consistent with corporate values.

Businesses are not charities, profit is always the primary objective for enterprises, and profit is the foundation of social responsibility. The essence of the Corporate Responsibility Movement is the game results between the economic power of interest groups and constrain each other, it is the choice between short-term benefits and long-term interests of the enterprise. It could help the company better use some mechanism which will enable companies to implement social responsibility movement. The key of this mechanism is coordination between the company's profit goals and social responsibilities, rather than the conflict, or combined with the long-term interests and short-term benefits to enterprises.

What more important is that this mechanism also to ensure a moral bottom line, the bottom line should be formed as the law style. Since the company aims at profit, the profit comes from outside the firm, therefore, the binding of this mechanism will mainly come from outside the enterprise (Gabriel Eweje, 2006). As a result, Multinational Codes of Conduct, the external code of conduct, and legal institutions, it makes a different division of the scope of responsibility of enterprises for the implementation, so that the social responsibility movement is no longer an option of humane care, it is the fulfillment of obligations for enterprises by different mechanisms.

Conclusion

In the era of globalization, the competition of multinational companies has changed from the traditional technology competition, product competition,

to concept of corporate social responsibility and the competitive ethics , it improve the company influence by strengthen the company's shareholders constant responsibility, social responsibility and environmental responsibility, This is the inevitable trend of sustainable development with transnational corporations. it should make the trend of corporate social responsibility as an important way to improve the company influence to strengthen the corporate social responsibility, and enhance international business.