

Multinational Corporations, Corporate Social Responsibility and Poverty Eradication

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The concept of corporate social responsibility (CSR) holds similarity to several other concepts like corporate citizenship, or corporate social performance. Whilst CSR is significant for almost all multinational corporations (MNCs), regardless of country of origin, size and sector. It is argued that the CSR movement would advance if all MNCs actively participate in it. The rationale behind this argument is that MNCs make up the majority of businesses worldwide and account for 70 to 80 percent of employment. If the bottom line of MNCs was not financial gain, the success of poverty eradication could have been achieved a century ago.

One of the main points to be discussed among those who are interested in international business is to what extent can MNCs improve the quality of life of citizens in the host countries where they operate. MNCs are perceived as "intruders" or "takers" of the host-countries. Most of their business activities are not directly related to poverty eradication in the developing nations. For instance, we hardly see an annual report from MNCs that focus on long-term benefits of customers or citizens of the countries where they locate.

The next question is "do they care?" Empirical research on MNCs, however, has been scant particularly in developing and emerging economies on how and why MNCs engage in CSR and if their CSR strategies in developing countries are aligned to their global commitment to sustainable development. Only a handful of studies identified the links between poverty, work of MNCs and quality of life in the host countries. A thorough search of term "poverty" in Journal of International Business Studies shows a result of only 35 articles that touch upon this issue. Hence, this area certainly requires special attention from academics and researchers in international business studies. This is a real crisis when we think of the way we consume goods and services from MNCs almost every time we

spend money. Where does the profit go to? What about local workers who have been working in the bad condition of living and working? What about the work conditions of women, or perhaps children, who also work in the factory to produce cheap products from countries such as Indonesia, Bangladesh and Vietnam? Some of them may not get paid well enough to stay above the poverty line.

Poverty has been a chronic social condition in most part of the world. Lacking money and resources can be seen as only part of the problem. In fact, a number of socio-economic conditions create impoverishment. The United Nations Development Program reported that factors creating chronic poverty may include poor governmental planning in financial and social investment in communities, high crime rates, illegal activities from domestic or international organizations, and destabilized governments. It is important for international business organizations to play a crucial role in changing the current situation of global poverty.

MNCs supports and involvement with the local government is essential to poverty eradication in developing nations. The reduction of poverty in developing countries depends on the growth of local and international business. For a local business to flourish it must have access to the global resources, productions and markets via MNCs. The second reason is about the momentum of MNCs and local actors in social change. Poverty reduction requires systemic change, and MNCs are the world's most efficient and sustainable engines of change. MNCs provide political leverage with local governments and international organisations. MNCs can offer opportunity for people to work and be productive. They can also work with local stakeholders to motivate and empower young people to learn and organize to gain knowledge and power. MNCs in developing countries are often the first choice for private sector jobs by young people, who are attracted by the higher salaries and the learning opportunities.

In conclusion, fighting poverty in developing countries must be a shared responsibility among all stakeholders in the international community. Although local government plays a leading role in the development of social policy to improve quality of life among their citizens, international business organizations must play a crucial role in the development of living standards of global citizens.

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