Chapter 73

Multinational Corporations and Social Responsibility

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ABSTRACT

Non-governmental organisations often accuse multinational corporations of exploiting the various legal environments in different countries to their advantage in order to avoid the assumption of responsibility for human rights violations or environmental disasters. This empirical study shows that non-governmental organisations (NGOs) can, by employing various instruments, increase the likelihood of multinational corporations accepting social and environmental responsibility for their actions. These instruments, ranging from dialogue to scandalisation, are intended to influence corporate behaviour and their use depends on the pressure the NGO wishes to exert on a particular company. All instruments need careful research and the gathering of evidence, including witness statements. To gain public attention the information must be well prepared for the media, resonate in the corporation's domestic market, stimulate concern and be up-to-date. The most promising activities are those that emphasise that economic success could be compromised to the key decision makers within the company.

1. INITIAL SITUATION AND PROBLEM

Over the past 30 years the importance of corporations actively adopting Corporate Social Responsibility (CSR) has been steadily creeping up the political and regulatory agenda. For instance, the OECD guidelines for multinational enterprises which make recommendations on responsible business conduct were drawn up in 1976 (OECD, 2011). In the 1980s, companies began to be considered as "citizens" with societal rights and obligations (Jonker et al., 2011). The principles of sustainable development were de-

veloped in the Brundtland Report (Federal Office for Spatial Development ARE, 1987). In 1999, the Global Compact (United Nations, 2012) was launched prior to the publication of a European Framework for Corporate Social Responsibility (Green Paper) in 2001 (European Commission, 2001). The current version of the European Commission's Communication on the new EU CSR strategy issued to the European Parliament was drawn up in 2011 (European Commission, 2011).

From a political viewpoint, corporations have significant influence in the countries in which they operate (van Huijstee, 2010) and it might too be said that this power is continuing to increase as a direct result of today's globalised economy. All this gives rise to discussion concerning the extent to which Multinational Enterprises (MNE), as opposed to nation states, should assume responsibility for human rights (Assländer, 2010; Cragg, 2010; EDA, 2008).

But how can corporations be made to assume this kind of responsibility for their own conduct as well as the conduct of their subsidiaries and suppliers in structurally weak countries?

This paper is based on an empirical investigation of the means available to NGOs wishing to influence multinational corporations. The investigation was carried out against a background of selected concepts and instruments of applied corporate ethics. Moreover, from the results of the investigation we are able to recommend actions to NGO's who wish to effectively influence the CSR behaviour of an MNE. In this paper we attempt to answer two key questions:

What means can an NGO employ to force a multinational corporation to introduce ethical and social standards to its subsidiary in a developing country? What concrete measures to achieve this aim can be recommended to NGOs?

This paper is divided into three sections. First of all we review the literature of past work on Non-Governmental Organisations, the structure of Multinational Enterprises, Corporate Social Responsibility and the interaction between them in Section 2.

Second, in Section 3, we present the survey methodology and results which address the key questions above.

Finally there are some recommendations to NGOs for action on how to influence corporations in Section 4.

2. BASIC THEORETICAL PRINCIPLES

Non-governmental organisations should be considered as private, independent associations, independent from government and industry which campaign for the observance of human rights, sustainable development, environmental protection and other public or social goods. They may operate on a national or international basis (Hardtke, 2010; Yang & Rivers, 2009). NGOs exhibit considerable heterogeneity in terms of their size, lifespan, scope of activity, ideology and cultural background. Some NGOs employ confrontational strategies such as naming and shaming campaigns or legal action, whilst others seek to cooperate with multinational corporations (Crane & Matten, 2010; Curbach, 2010; Hardtke, 2010; Rieth & Göbel, 2005).

One definition of *multinational corporation* is a company engaged in cross border business activities to an extent that requires it to make strategic and organisational changes that would not be necessary for purely domestic operations (Gabler, 2012). According to Sacra (1997) the term is synonymic with transnational, multinational, international and global corporations. However, Bartlett & Ghoshal (1998) differentiate between four types of internationally active corporations with regard to organisational structure and strategic alignment:

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