

Chapter 67

Internationalization, Corporate Social Responsibility, and Poverty Alleviation: The Case of FEMSA in Latin America

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ABSTRACT

The aim of this chapter is to describe how the MNCs can contribute to alleviate poverty and improve the well-being of the workers and communities, focused in two issues: job creation and CSR practices. For this purpose, the authors analyzed the case of the Mexican MNC FEMSA in Latin America. The results show that FEMSA plays an important role in job creation, with around 250,000 direct jobs in 2015 being created with Mexico and Brazil the most beneficiated with around the 84% of the jobs. In the case of CSR, 40 programs were identified under three main headings: “our people”, “our community” and “our planet”. Most of the programs are focused in “our community” (25) and the major receiver is Mexico with the 31 programs, the results of these programs show some benefits in the level of life and well-being of the people that has used these.

INTRODUCTION

Globalization is not a new phenomenon; its practices can be traced back to the end of the 19th century. Nevertheless, in the last decades of the 20th century, the processes of economic restructuring promoted by international organizations such as the International Monetary Fund (IMF) and the World Trade Organization (WTO) have led to a growing integration of economies into a single global capitalist market.

DOI: 10.4018/978-1-5225-6192-7.ch067

Since the 1980s, trade and financial liberalization lowered protectionist barriers that limited the mobility of capital. This allowed the internationalization of large companies. In this regard, one of the main forms of internationalization is foreign direct investment (FDI). Through this, the companies expand their presence in different countries, placing beyond their borders part of their activities or productive processes. Thus, Multinational Companies (MNCs) have become the main players in the world economy. As time goes on, through mergers and acquisitions, the MNCs have concentrated more wealth and power. Their profits are higher than the gross domestic products of many developing countries.

Given this scenario, in recent decades companies have taken a more active role to promote the improvement of the quality of life of their workers, as well as the communities where they operate (Contreras, 2004). These actions are better known as corporate social responsibility (CSR).

According to the World Bank (2001), CSR is the commitment of businesses to behave ethically and to contribute to sustainable economic development by working with all relevant stakeholders to improve their lives in ways that are good for business, the sustainable development agenda, and society at large.

In the early years poverty alleviation was not among the objectives of CSR. This used to be on the government agenda. Several authors (D'Amato- Herrera, 2013; Pimpa, 2013; UNCTAD, 2010; Van Tulder, 2008) argued that the focus on poverty as a business issue was triggered by the Millennium Development Goals (MDG).

In 2000, 189 countries formulated eight MDGs and specified halving poverty—defined as those people living on less than a dollar a day—by the year 2015 as their prime goal. Perhaps more importantly, an instrumental goal (MDG8) was formulated, in which partnerships with private corporations and a good business climate were considered vital to achieving sustainable development (D'Amato-Herrera, 2013, p. 7).

The growing attention for the involvement of the business sector in the eradication of poverty was also picked up by multilateral organizations such as the World Bank and the IMF. As the World Bank pointed out, “private firms are at the heart of the development process. They provide the goods and services needed to sustain life and improve living standards. They are also the main source of tax revenues, contributing to public funding for health, education and other services. Firms are thus central actors in the quest for growth and poverty reduction” (World Bank, 2005, p.1).

The role of MNCs in poverty alleviation is of capital importance in developing countries and particularly in Latin America, one of the poorest regions of the world and the most unequal. For this reason the aim of this chapter is to describe how MNCs can contribute to alleviating poverty and improving the well-being of their workers and thus have a positive impact in the communities where they operate. We analyze the case of Fomento Económico Mexicano, S.A. (FEMSA), a Mexican multinational with a presence in 11 Latin American countries. Special attention is placed on job creation and CSR practices.

BACKGROUND

Internationalization, Foreign Direct Investment, and Development

In our globalized world one of the most frequent means of internationalization is foreign direct investment (FDI). This usually occurs when MNCs establish companies in foreign countries to develop part of their production activities (de Mello, 1997). In the last decades MNCs have directed large investments towards developing countries in Asia, Africa, and Latin America, becoming important actors in

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