Corporate social responsibility: Stakeholders influence on MNEs’ activities

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1. Introduction

As globalization has intensified, the volume of foreign direct investment (FDI) has also dramatically increased in the past two decades. According to UNCTAD (2011), the recorded figure for 2010 revealed a more than triple increase in worldwide FDI activities since the year 2000 amounting to US$ 20.4 trillion. Although there have been some fluctuations in yearly flows of FDI (e.g., a decrease in 2001–2004), FDI has been playing an important role in the global market. The reason for the continual increase in multinational enterprises (MNEs) foreign operations is closely associated with the growing realization that FDI is a win–win strategy, which is beneficial for both home and host countries. For instance, home economies achieve market expansion, enjoy capital increases through earnings remitted by overseas subsidiaries, and learn local market information. Likewise, host countries receive substantial benefits for their economies as FDI helps in the creation of employment, the acquisition of valuable foreign technology, and the increase of exports that strengthens the balance-of-payments position of the local markets.

However, we should also acknowledge that some governments and scholars (e.g., Chang, 2004; Dixon & Boswell, 1996a, 1996b; Perraton, 2007; Ziegler, 2005) have shed light on the negative aspects of MNE operations, and even argue that MNEs are one of the primary obstacles inhibiting economic growth in developing countries. The explanations given by these scholars propose the following negative impacts: MNE activities are often too vitalized and excessive, foreign firms attempt to dominate the market they enter and they present a challenge to national sovereignty. Moreover, aggravation of local competition pitted against MNEs inevitably culls locally grown enterprises, which results in a deterioration of employment. In particular, MNEs re-invest only a fraction of their revenues in local economies and drain positive effects from both capital injections and the balance of payments. This leads to serious reductions of foreign exchange reserves, forces local governments to borrow more foreign debt and pushes the local economy into a vicious economic circle. These negative effects cause hardship for local governments and adversely influence their investments in infrastructure, education and technology development.

In the above situation, one of the best ways to lessen such skeptical attitudes of FDI is the fulfillment of various corporate social responsibilities (CSR) by MNEs in foreign markets, whereby CSR can be utilized by several disciplines, such as public relations (Galbreath, 2009; Mishra & Suar, 2010). In other words, the negative impression of FDI might be significantly reduced if MNEs engage in actions that go beyond their direct economic and
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