Research Papers

MNCs and Community Relations: The Challenge of CSR in Developing Countries

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Abstract

Corporate social responsibility (CSR) is a response of a re-thought role of businesses. This trend emerges in a field where globalization empowers stakeholders that increase surveillance over corporation's activities especially in developing countries. In this context, multinational companies (MNCs) have definitively recognized that a free rider‖ strategy for their activities on Developing countries is not a sustainable option for them and, that the actual field of global business exhorts companies to go further community relations through strategies that add significant value by real engage with communities.

Introduction

Corporate Social Responsibility (CSR) is founded on the notion that corporations are in relationship with other interests in, for instance, economic, cultural, environmental and social systems because business activities affect and are affected by such interests in society. That means CSR is the response of a re-thought role of business that go forward from the solely making profits perspective. From a CSR point of view and in this context, business have obligations to society that go beyond profit making to include helping to solve social and ecological problems‖ (Idemudia, U. 2011) and companies should operate taking care of its impacts to all stakeholders involved on their operations. Therefore, companies are increasingly assuming that stakeholders are becoming recognized as critical factors to long term business success‖ (Forstater, M.; Dupré, S.; et al. 2007) and for that they are integrating them with their broader strategies as the strategic

business case for CSR‖ (Zadek, S. 2000). Companies realize that engaging more effectively with stakeholders pays off in knowledge, innovations in products, processes and strategy, reputation, relationships and license to operate‖(Forstater, M.; Dupré, S.; et al. 2007). But, how this company's insight impact on stakeholders? Does it constitute a real contribution to stakeholders affected by company's operations?

Keywords: Corporate Social Responsibility – Sustainable Development – Developing Countries – Community Relations

Objective

As a result of globalisation and liberalisation for investment, opportunities are opened for Multinational Companies (MNCs) to start their business in any place of the world, availability of raw material and labour force in cheaper cost MNCs attracted to developing

countries. Keeping that in view, the present article tries to understand the challenges to Multi-National Companies in implementing the CSR and its impact on community relations in developing countries.

Research Methodology

The research paper is an attempt of exploratory research, based on the secondary data sourced from journals, magazines, articles and media reports.

The concept of Community and Relation

First of all, it's important to introduce a distinction to analyze this question in a more precise way. Although the concepts stakeholders‖ and community are commonly used as synonymous, they aren´t the same and that's why it's important to point out their different connotations. As Bruce Harvey, Rio Tinto global practice leader communities, said in his presentation Communities, Social Innovation and Performance, the term community‖ refers specifically to who are affected in some way by a company's activity,‖ whereas the term

stakeholder‖ is a broader concept that includes who have a particular interest in a particular decision including people who influence decisions. This distinction is important to keep focus on the specific relevance of community relations for MNCs on developing countries. MNCs have assumed that community relations and an even deeper level, community engagement, can deliver real value (Harvey, B. 2010) and support long life operations on developing countries. In this context, MNCs have definitively recognized that a free rider‖ strategy for MNCs on developing countries isn't a sustainable option for them and, that the actual field of global business exhorts companies to go further community relations through CSR strategies that add significant value by real engage with communities.

Challenges to MNCs:
1. Complexity of MNCs location and Operation:

These questions don't have an easy answer in the business context that we actually face. First of all, we live in an interconnected world where companies operate not as discrete, atomistic entities, but rather as elements of a global system

characterized by complexity and rapid change‖ (White, A. 2005). Consequently, the actual business scenario dominated by the globalization and its implications undoubtedly adds intricacy to the analysis of the company – stakeholder relation from a CSR perspective. Increasingly now, a company originally from the country "A"‖has its headquarters on the country "B", buys raw materials on "C"‖and "D", has assembly operations on the country "E" and so on. Different societies in many respects imply that CSR can have different faces in different societal contexts (Dobers, P. & Halme, M. 2009). Therefore, the way that the company considers stakeholders and builds relations with them in each place is indissolubly linked with these different contexts. As a result, companies should face the CSR challenges considering the social, cultural, environmental and economic context where they develop their activities and based on that they should choose the role to play in that context. This is the way that companies can effective contribute to mitigate the impact on stakeholders after recognize the relevance to do it.

2. Increased surveillance and criticism

Deeply on this idea, the way that companies face operations in Developing countries arise as a relevant issue for all multinational corporations (MNCs). Developing countries represent in general their main source of natural resources (e.g., Mining MNCs) and work force (e.g., MNCs as Nike) and for that how the company faces this engagement is vital to keep operations going. But, operations even in a broad sense are not the only issue that MNCs should face in Developing countries. As MNCs increasingly shift their production to developing countries, they are finding that they are not the only ones who are going global. Civil society, and more specifically, environmental and corporate watchdog groups, are also globalizing and collaborating with civil society groups in developing countries. As a result, corporations are facing increased surveillance and criticism of their activities in Developing countries, as well as increased pressure to operate in a socially responsible fashion (Kapelus, P. 2002). The reasons mentioned above clearly configure a business case for CSR where merge a plethora of factors into this context. Using the Kurucz's argument, the business case may be described by four approaches: (1) reducing cost and risk; (2) strengthening legitimacy and

reputation; (3) building competitive advantage; and (4) creating win–win situations through synergistic value creation (Carrol, A. 2010). And these four approaches can be linked with the different contexts that each company face in terms of focus on one or more of them and specific topics address, and also underlying assumptions of how each one create value in the particular context that each Asian country represents. Then, how multinational corporations should face their relationship with stakeholders on developing countries?

3.   Increasing Community Control Over Resources

Even the level of global exposure that MNCs actually face is a real factor to develop community relations, there is a more profound one. Increasingly local people have greater control over their own destiny (Harvey, B., 2010) and this reality, particularly on developing countries, enforces MNCs to secure a social licence‖ to operate. The idea of obtain and retain a social licence to operate compels MNCs to develop CSR strategies based on real contribution to developing countries. And a real contribution cannot exist with real engagement with the context that the community particularly faces. Then, the level of effectiveness of community relations is directly related with the level of knowledge that the MNCs can achieve of the local context. And, this sentences the success or failure of the company's strategy and the expected valuable outcomes.

4.   Increasing Expectation on MNCs

Communities on Developing countries have more power and conscious involvement on their destinies than probably never before. And that implies more scrutiny and more expectations of MNCs operations. Communities on Developing countries want that MNCs really address their concerns and help to fill the gaps that they face on their less developed context. And it's not only an aspiration but also a real claim to MNCs. And MNCs should engage with these concerns in order to build a meaningful relation with communities that adds value to companies (e.g. social licence to operate, long life projects, etc) and also to communities, helping them to bridge the development gaps.

In a metaphorical figure, the relation between community and company on developing countries should be as a virtuous wheel of engagement. This relation is represented as a circle because it's a constant process that should be

systematic, logical and practical‖ (Jeffery, N. 2009) with a continuous feedback to assess together the next steps. Multinational corporations have a great role to play and also a moral imperative on developing countries.

5.   CSR is becoming compulsion:

Given the extent of their economic and social power, the global social contract cannot be established without their active participation and without their willingness to cooperate with other actors. Conversely, as long as this global social contract has not been set up, they will suffer a lack of legitimacy and understanding of their role, and run the risk that hostile steps be taken against them. (De Bettignies, H-C & Lepineux, F. 2009). As a research did on 2006 about the relation between mining MNCs and communities in Papua New Guinea shown, MNCs are compelled by the situational circumstances to play a leading role in the provision of social services for the people, as well as conducting mining operations. In other words, meeting CSR is becoming an indispensable part of managing large mining projects‖ (Young, B. 2006). And these kinds of insights are continuously extending to all MNCs with operations on Developing countries in many different sectors. The challenge and the opportunity for MNCs on Developing countries is clearly to build meaningful engagement with communities that have high expectations and also, increased power.

This can be described as moral obligation for MNCs on Developing countries, strategic business case for CSR or even as imperialism of MNCs as the detractors said. However, it's a trend that doesn´t have turn back. Organizations can no longer choose if they want to engage or not; the only decision they need to take is when and how successfully to engage (Jeffery, N. 2009). And in this context, the way that the relation between MNCs and local communities should be developed: (1) clear in terms of objectives and aspirations, (2) transparent from both sides and (3) committed with a better prospect through continuous feedback. These ideas can be summarized in the concept of meaningful engagement as the deeper challenge for MNCs in order to ensure a healthy climate to develop long life operations that guarantee long term viability and profitability. But in special from the Developing countries perspective, meaningful engagement as the way that MNCs can contribute to communities to bridge the particular gaps to

development on Developing countries reality.

Conclusion:

To summarize, from a MNC's point of view the necessity of develop and maintain community relations is not only based on its actual level of global exposure, but also on the idea of local licence to operate that encourage them to go beyond and engage with the local context and the real necessities of the communities involved on the operations in order to obtain their approval and with that, added value to company's operation. But on the other side, what implies community relations from community's point of view on Developing countries?

To analyze this perspective, it's necessary to firstly observe the community's expectations of MNC's. In OECD and emerging economies alike the last thirty years have seen a dramatic shift in the public expectations of corporate environmental and social performance (Harvey, B., 2010). Then, this view argues that communities in developing countries have high level of expectations about MNC's operations in their territory. Communities expect that MNCs develop operations as a responsible business being in terms of environmental and social behavior, and also as a committed neighbor that engage with them in a long term relation. However, there isn't a unique voice from community perspective about the role and expectations related to MNCs on developing countries. Some voices are more critical and go to the roots of the concept of CSR applied on developing countries. They question whether a western CSR concept in the developing world is really operationalized in that improve the conditions of its intended beneficiaries – local enterprises, workers and communities in social, economic and environmental terms‖ (Khan, F.R. & Lund-Thomsen, P. 2011). They also argues that in the context of developing countries, the emphasis on corporations voluntarily going beyond their legal obligations might be somewhat misleading (Khan, F.R. & Lund- Thomsen, P. 2011). However, going back to the MNCs perspective and their pursuit of social licence to operate from communities, the critical argument against the value of CSR initiatives on developing countries is flawed. Even it's true that the CSR concept has its roots on the western world that not necessarily means that it's either not applicable or not relevant on developing countries.

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