

INTERNATIONAL MANAGEMENT

CSR of MNCs: CSR considers the benefits vs harm wrought by MNCs, especially in less developed countries. Issues of social responsibility surround poverty and lack of equal opportunity, the environment, consumer concerns and employee safety and welfare.

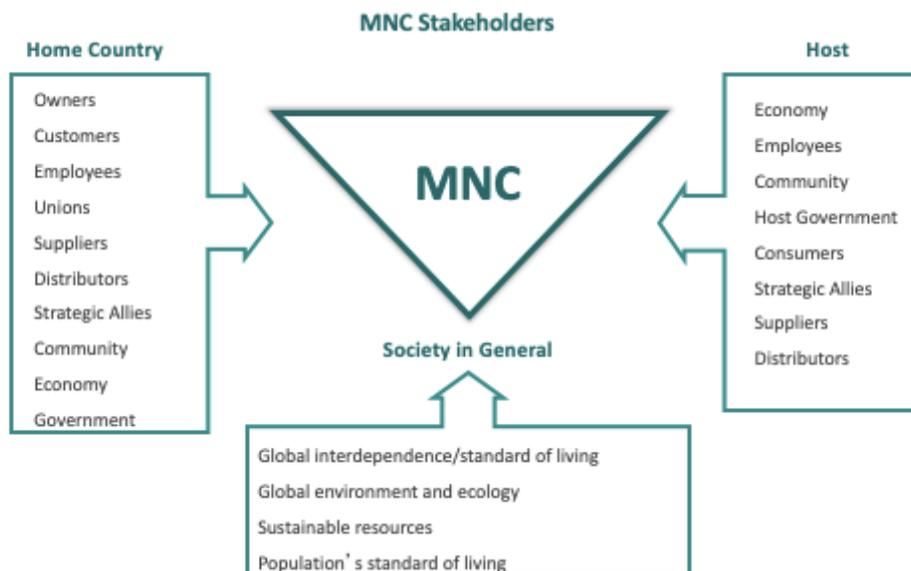
How much should MNCs concern themselves with the social and economic effects of their decisions?

One extreme – MNCs only responsible for earning profits

Other extreme – notion that MNCs should anticipate and solve social needs

Organisations require resources from different aspects of the environment, and they have a moral obligation to return back to the environment what they took from it.

MNC Stakeholders



International CSR is more complex than domestic CSR because there are additional stakeholders in the firm's activities.

Benefits of CSR:

- Improved access to capital
- Secured licence to operate (government – mining)
- Revenue increase and cost and risk reduction
- Improved brand value and reputation with customer attraction and retention (Bodyshop)
- Improved employee recruitment, motivation and retention

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General Guidelines for Code of Morality and Ethics in Individual Countries

Moral Universalism: Addressing the need for a moral standard that is accepted by all cultures

E.g. child labour. While there might be worldwide support to ban child labour, there might still be places around the world where child labour is utilised

Ethnocentric Approach: Applying the morality used in home country – regardless of the host country's system of ethics

E.g. An Australian company doing business overseas would ensure that the ethics practised in Australia would be enforced in all overseas locations even if the overseas countries practices are different.

Ethical Relativism: Adopting the local moral code of whatever country in which a firm is operating

E.g. continuing to do business in China, despite home country objections to China's continued violation of human rights.

Ethics in Global Management

International business ethics: The business conduct or morals of MNCs in their relationship with individuals and entities

Ethics based on the cultural value system in each country or society.

Policies to help MNCs to confront concerns about ethical behaviour and social responsibility

- Develop worldwide code of ethics (UN global compact)
- Build ethical policies into strategy development
- Plan regular assessment of the company's ethical posture
- If ethical problems cannot be resolved, withdraw from that market

Process for companies to combat corruption and to minimise risk of prosecution

- Having a global compliance system which shows that employees have understood, and signed off on, the legal obligation regarding bribery and corruption in the countries where they do business
- Making employees aware of the penalties and ramifications for lone actions, such as criminal sanctions
- Having a system in place to investigate any foreign agents and overseas partners who will be negotiating contracts
- Keeping an effective whistle-blowing system in place

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Common criticisms of MNC subsidiary activities

- MNCs locally raise their needed capital, contributing to a rise in interest rates in host countries
- Majority of the stock of subsidiaries is owned by the parent company
- MNCs do not adapt to technology to the conditions in host countries
- MNCs create a demand for luxury goods in host countries at the expense of consumer goods

MNCs Benefits and Costs to Host Countries

Benefits	Costs
Access to outside capital	Competition for capital
Foreign-exchange earnings	Increased interest rates
Access to technology	Inappropriate technology
Infrastructure development	Development investment exceeds benefits
Creation of new jobs	Limited skills development
More humane employment standards	Few managerial jobs for locals

Recommendations for MNCs operating and doing business with developing countries:

- Do not intentionally harm
- Produce more good than harm for host country
- Respect the human rights of their employees
- Pay their fair share of taxes

UNDERSTANDING THE ROLE OF CULTURE

Culture (of a society): the shared values, understandings, assumptions and goals that are learned from earlier generations, imposed by present members of a society and passed on to succeeding generations

Organisational Culture:

1. Exists within and interacts with societal culture
2. Varies a great deal from one company to another
3. Represents those expectations, norms and goals held in common by members of that group
 - a. E.g. IBM vs Apple

Cultural Sensitivity / Empathy: An awareness of and an honest caring about another individual's culture

Culture's Effects on Management:

Convergence: the phenomenon of the shifting of individual management styles to become similar to one another (diversity)

Self-reference Criterion: The subconscious reference point of ones own cultural values. Many people in the world understand and relate to others only in terms of their own cultures

Parochialism: occurs – for example when a Frenchman expects those from or in another country to automatically fall into patterns or behaviour common in France

Ethnocentrism: described the attitude of those who operate from the assumption that their ways of doing things are best – no matter where or under what conditions they are applied

Cultural Subsystems that influence people and their behaviour

- Kinship
- Education system
- Economic system
- Political system
- Health system
- Recreation
- Religion

VALUES: are a society's ideas about what is good or bad, right or wrong

- Determine how individuals will probably respond in any given circumstance
- Help managers anticipate likely cultural effects
- Allow for contingency management
- Can vary across subcultures
- Communicated through subsystems above

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POPULAR DIMENSIONS OF CULTURE

Language: low context cultures like Australia and USA are more direct and explicit in their use of language whereas high context cultures such as China and Japan are more implicit and indirect in their use of language

Interpersonal space: Arabs are high contact cultures and stand close to each other and greet each other with hugs, something that can be uncomfortable to some Americans who prefer a more distance interpersonal space.

Size of office and location can signal the importance or hierarchy of the manager – In Australia for example, the boss always gets the corner office whereas in India, the boss sometimes prefers the office in the middle so he/she can keep an eye on everyone else

Some cultures such as Australia value privacy very much, whereas in cultures such as China or India for example, privacy is not as importance

Time orientation: Monochronic cultures such as Australia value time in a linear way where a 9am meeting starts at 9am without much interruption. In Malaysia or Egypt which are **polychronic** cultures, a 9am meeting might start at 9:30am with frequent interruptions

Religion

Role of agreements: In Australia when a contract is signed, it becomes a binding and a legal document whereas in China an agreement that is signed is only the beginning of further negotiations

GLOBE RESEARCH PROJECT DIMENSIONS

Global Leadership and Organisational Behaviour Effectiveness

