

## Sahiti Sri Upputuri

**Identify the ethical and social responsibilities of business operations of multinational firms working in a global market. In your discussion, address specifically the following issues:**

- a- Argue conceptually when multinational firms can be liable for violating human rights in their foreign business operations.**
- b- Explain why firms could be held liable when targeting developing countries for low-wage worker by providing real time example. *Hint: you may cite the experience of Nike and Reebok in Asia and Nestlé's and Hershey's involvement in the chocolate production and cocoa plantation in West Africa.***
- c- Argue why it is so important for future global managers to practice ethics and corporate social responsibility in order to maintain sustainable business practice.**

Answer:

Recently, to be a successful company, it must do its business not only in a home country and spread its wings to the whole world so that it will be reachable to more people and serve the purpose of greater demand in the global market. These are called multi-national firms. For example, Amazon is the top branded company that gained a lot of attention for its services due to the Covid-19 pandemic and is a successful company since it operates in almost every country in the world that has influenced people's and community's growth (for example, new jobs creation, creating new current state-of-art technologies). These giant companies have tremendous influence and contribute to the corresponding development of the global economy.

It is not easy to be establishing a company in a foreign country (other than the home country) since it requires excellent infrastructure and people. A multinational company must follow a set of ethics and social responsibilities in a foreign country:

1. The laws applied in the working/foreign country. (For example, the share market working hours in the working country)
2. Identify the cultural differences between the home country and the working country (for example: in a country with a large population follows a religion/celebrate the festivals are different compared to the home country).
3. The practices followed by the people and administrative systems can be different from the home country's policies.

However, it is always possible to exploit a foreign country for violating human rights for the maximum profits for these giant companies. Especially this exploit happens if the country is weak and poor in its domestic regulations. The exploitation of the workers in these developing countries affects the lives of millions that can potentially cause negative results in the community's growth. Hence these companies are liable if they violate these human rights. Since every company must provide to work in decent environment conditions such as minimum wages per hour, wage discrimination based on gender (male/female), workplace, proper food and water, providing sufficient skills to work, training time for the work, timing/hours, the number of days at work in a week/month (for example, consider lunch break and maximum working hours of 8 excluding the lunchtimes, additional working hours must be counted and paid accordingly based on the project status). Every multinational firm should abide by these laws and respect and comply with these

rules when they start working in a foreign country. There are multiple examples in the literature about companies that didn't follow the rules and exploited the weak/developing country. One famous example is the company "Nike" in Indonesia, which paid fewer minimum wages and provided poor working conditions [2,3]. People from the Indonesian country started working in the company since they didn't get the proper/decent work. Similar to Nike, other companies such as Reebok in Asia and Nestlé's and Hershey's involvement in the chocolate production and cocoa plantation in West Africa have a record of human rights violations.

From the Nike example, establishing a proper channel to account for the misuse of multinational firms' ethical and social responsibilities is a necessary step. Unfortunately, very few organizations are available to accommodate these issues (for example, Amnesty international) to hold the companies liable for exploiting developing countries. Also, every country should be pushing its laws against human rights violations and account for the companies for this action. This is especially required when the business is run by multinational companies (MNCs) in the global market. In developing countries, by applying proper laws/rules, the MNCs can't exploit workers for their financial growth. Also, joining the groups of the companies to welcome the independent audit of their working conditions will help to provide a better workplace. For example, in the case of Nike's independent audit [3], it realized the exploiting the workers in Indonesia and started making changes to its working factories (providing minimum clothes, masks when using toxic adhesives, raising the minimum wages by 16%, no underaged low-wages labors).

Suppose any multi-national firm doesn't follow ethical and social responsibilities. In that case, it must be liable to follow, and if it does not follow, then ready to face the severe consequences for its actions (increasing profit by exploiting). Finally, following the proper social and ethical responsibilities by the multinational firms can be long-lasting with more profits since the employees work dedicatedly towards the company's success/growth. In the example of Nike's audit [3], the company started the educational programs in the factories and raised the wages for the certified employees with desired skills at work. In addition, it also provides women empowerment by giving small loan amounts to make the small business/homemade goods. Women-empowerment aims to take care of the family's economy and well-being and pay for the community developments. Employees tend to work for the firm for extended durations (typically 5-10 years) by providing proper working conditions. The training cost for the new hiring will be reduced, and skilled people will be with the company for their growth. By giving suitable communities for the organization's employees, the employees' families will benefit from schools/hospitals/markets, and next-generation kids tend to work with these firms. These responsibilities also improve productivity and lead to long-term sustainability.

## References:

[1] Chan, Lok Yiu. "Corporate social responsibility of multinational corporations." (2014).

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[2] Zick, Paul. "CSR infrastructure for communication and the Nike controversy." J. Mgmt. & Sustainability 3 (2013): 63, Link: [https://heinonline.org/hol-cgi-bin/get\\_pdf.cgi?handle=hein.journals/jms3&section=8](https://heinonline.org/hol-cgi-bin/get_pdf.cgi?handle=hein.journals/jms3&section=8)

[3] Matt Wilsey, Scott Lichtig “The Nike Controversy.” (2002), Link:  
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