

Multinational Corporations: The Good, the Bad and the Ugly

Part A: Introduction to Globalization and Multinational Corporations

Globalization is the term used to describe the increasing integration of the world, particularly in terms of trade and economic ties between countries. It is characterized by the removal of trade barriers between countries and the creation of free trade blocs within large regions, like NAFTA and the European Union. It is also associated with the domination of world markets by multinational corporations (MNCs). While countries align themselves through free trade agreements, multinational corporations bind countries and economies within their corporate webs.

MNCs are very large companies which operate in more than one country. Their corporate headquarters usually remain in their country of origin, while subsidiaries carry on their business elsewhere. Typically, the parent company is located in a developed country where decision-making is centralized and branch plant profits flow back to. While the branch plants or subsidiary companies operate in both developed and lesser developed nations, it is their behaviour in poorer nations that many global activists and watchdog organizations are most concerned about. Lesser developed countries (LDCs), in dire need of economic development and employment opportunities, are more at risk of exploitation.

Host countries face both positive and negative impacts by welcoming MNCs. On the 'pro' side, MNCs bring some much-needed economic benefits to LDCs, like jobs and increased prosperity. Weaker economies also gain when introduced to new skills and technology developed in the industrialized world. Foreign investment helps improve infrastructure, like the building of transportation and energy networks, health care and water services. Sometimes, MNCs operate branch plants with better working conditions and less polluting technology than local operations.

On the other hand, MNCs are also notorious for participating in the 'race to the bottom', that is, locating in or 'out-sourcing' to the country with the least environmental controls, lesser standards of health and safety in the workplace, poor records on human rights and the lowest costs for wages. Multinational corporations tend to be motivated by profit, not social or environmental considerations. They can easily dominate the economies of LDCs and keep costs and wages low as they siphon profits 'offshore'—back to the parent company.

Some multinational corporations are so huge that they have more wealth than some of the countries they operate in. (For an excellent discussion of MNC vs. national wealth, see wikipedia.com). Some are so powerful that they routinely interfere in the internal affairs of the branch-plant countries, poor and rich alike, to suppress legislation that would lessen corporate profits. And, if some government regulation or public policy does interfere with their bottom line, they simply pull up stakes and locate in or out-source to another country. Branch plants will also be the first ones to be closed by the parent company during times of economic

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recession. Host countries have very little bargaining power when threatened by closures or corporate pull-outs.

However, multinational corporations also have the potential to use their power and wealth to improve global economic conditions and standards of living, ameliorate working conditions and put an end to sweatshops, take better care of the environment and even ensure that child labourers receive an education. We can all monitor the behaviour of MNCs and take action to encourage them to step up to the plate, to help better the world. With the eyes of the world upon them, multinational corporations could make globalization a user-friendly term, rather than the dirty word it often is.

Assignment:

Carry out 4 days of Internet research and analysis of MNCs, by completing Parts B to F, in preparation for an oral report of your findings to the class.

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Part B: Report on the Operations of a Multinational

To select a multinational corporation (MNC), go to the following (Quick March) website.

<http://www.quickmarch.com/WorldBusinessGiants.html>

Scroll down to **click on a country of your choice**, then **select an MNC** of interest to you (e.g. Switzerland - Nestle, France - L'Oreal, USA - Kraft) Once you have found the homepage of a specific MNC, there will be links to the company's various interests. You will have to explore the website and/or its site map to find the required information.

1. What corporation have you selected? From which country?
2. What products and services does this corporation sell? What are its 'brand names'?
3. How does this company try to impress viewers of its website (i.e. what's its corporate image? How does the company try to portray itself, or sell itself? Are there any 'good guy' boasts or 'good works' claims, like environmental programs?)
4. Having looked over the website of this MNC, what are your impressions of this corporation? Have you formed an opinion based on the website?
5. Does this MNC operate in Lesser Developed Countries? List several.

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Now, go to www.hoovers.com and do a search for your selected company.

Try to follow any links to the company headquarters, rather than subsidiaries.

1. In the space below, record the key information given in Hoover's *Overview* for this company.

2. Click on the *Key Numbers* link, *Get more Key Numbers* and then scroll down to click on *Basic Financial Information* and *View more detailed Annual Financials* to find the following data for your company (record the most recent year for which numbers are available).

a) Revenue/Sales

b) Gross Profit

c) Gross Profit Margin

d) Net Profit Margin

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Part C: The Ten Worst Corporations of Last Year

Go to <http://multinationalmonitor.org/>.

1. On the homepage, what are the titles of the main headline articles available as you scroll down?
2. Click on *Archived Issues* (right hand side). Then, click on the **most recent December issue** to find the list of 10 worst corporations. Then, go to the feature article (usually by Russell Mokhiber and Robert Weissman) to find the blue list at the top of the page).

1.	6.
2.	7.
3.	8.
4.	9.
5.	10.

3. In the space below, write a paragraph giving your reaction to the above list. Do you recognize any of the company names? Do any of the corporations on this list of the “10 worst” surprise you? Are you skeptical or believing that these corporations ‘behave badly’?

4. Now, select one of the ten, read the report on it and write a synopsis (summary) of why the authors have found it to be a corporation ‘behaving badly’.

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Part D: The Maquila Solidarity Network

Go to <http://www.maquilasolidarity.org/>

1. From the homepage of this website, click on *About MSN*. What is the Maquila Solidarity Network (MSN)?
2. Click on the *Take Action* link, then *Current Campaigns*. List the names the Maquila Solidarity Network campaigns below, with a brief point-form description of the objectives of each one.
3. Click on the *Take Action* link again, then *Other Actions*. List the 'other actions you can take'.
4. Click on the *Issues* link, then *Corporate Social Responsibility*. List the issues, with a brief point-form explanation of each.
5. Click the *News* link and scroll down through the various articles. Find one of interest, click on the *read more* arrow to access the complete article. After reading it, write a one- to two-paragraph synopsis of what the article has to say.
6. Now, click on any other link not already pursued. Identify the link and the information available there or what you learned from it.

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Part E: The Corporate Hall of Shame

For over 30 years, Corporate Accountability International (formerly Infact) has led public campaigns against corporations with irresponsible or dangerous actions known to have devastating impacts on people and their environments. Its first campaign, which ran from 1977 to 1986, challenged Nestlé in the unethical marketing of its infant formula to women in lesser developed countries who could not afford the product and lacked access to the clean water needed to mix it. Millions of babies in South America and Africa died from malnutrition from a diet of overly diluted, contaminated formula. As a result of the Infant Formula Campaign, the World Health Organization adopted a global code for marketing breast milk substitutes and Nestlé was forced to change its Third World marketing strategies.

Since that time, Corporate Accountability International (CAI) has led numerous successful campaigns against corporate “manipulation of public policy” and behaviours which cause suffering around the world. Its current campaigns challenge water, oil and agribusiness corporations, as well as the tobacco industry. Additionally, CAI now publishes an annual Corporate Hall of Shame on its website.

Depending upon the time of year, the website will either be asking for you to vote for the three corporations which are “the most abusive, manipulative and harmful” or be reporting on the results of the poll. The dishonourable stories behind the nominees and inductees to the Hall of Shame are provided in both summary and full text form.

Go to <http://www.stopcorporateabuse.org>

Click on a link to the *Corporate Hall of Shame*. Read the summaries about the corporations which have either been nominated for or inducted into the Corporate Hall of Shame. Report on the current year’s inductee or the nominee which you would vote for. What actions led this corporation to be nominated or inducted?

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Part F: Analysis of MNC Research

In the space below, write a 5-paragraph essay analysis of your research into multinational corporations and the criticisms against them. What have you learned about their operations in lesser developed countries? Do you think that watchdog organizations like the Maquila Solidarity Network, Multinational Monitor and Corporate Accountability International are doing worthwhile work? Does the everyday consumer have a role to play in putting pressure on MNCs to operate ethically? Will our actions make a difference? Give reasons to support your point of view.

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Appendix B: Optional Extension Activity

Teacher Backgrounder on Showing *The Corporation*

An optional extension activity to the unit *Multinational Corporations: the Good, the Bad and the Ugly* is to show the award-winning TVO film *The Corporation*. Parts 1 and 3 are of particular significance to a study of multinational corporations.

The first part of *The Corporation*, “The Pathology of Commerce”, poses the question: If a corporation is a legal person under the law, what kind of human being is it? The diagnosis: a psychopath.

The characteristics of a psychopath, as exhibited by corporations, are:

- callous unconcern for the feelings of others
- incapacity to maintain enduring relationships
- reckless disregard for the safety of others
- deceitfulness: repeated lying and conning of others for profit
- incapacity to experience guilt
- failure to conform to social norms with respect to lawful behaviours

Part 3 of *The Corporation*, “Reckoning”, examines how corporations leave ethics behind the pursuit of profits, in collusion with governments and other corporate entities, like the media.

The fast pace and entertaining footage of *The Corporation* makes it particularly well-suited to show to a teenage audience.

For a full overview of the film, as well as curriculum links, lessons and black line masters, go to the TVO website at: <http://www.tvo.org/thecorporation/index.html>.

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Name: _____
 Date: _____
 Teacher: _____
 Course: _____

Appendix C: Rubric - Multinational Corporations: The Good, the Bad and the Ugly

Students will submit their research findings and a short essay analyzing to the teacher for evaluation to demonstrate the skills and knowledge acquired. They will also give an oral report of their findings to the class to demonstrate the knowledge acquired, skills of thinking and inquiry, as well as communication.

Expectations: GCO.034, GFS.002, MGI.064, MGI.063, BKU.008, BKU.009, LTA.047, COM.082, COM.080, DPS.057, IAN.076, IAN.078, LTA.046

Criteria	Level 1 (50% - 59%)	Level 2 (60% - 69%)	Level 3 (70% - 79%)	Level 4 (80% - 100%)
Knowledge and Understanding				
demonstrate understanding of how quality of life is related to the global economy	demonstrates limited understanding of how quality of life is related to the global economy	demonstrates some understanding of how quality of life is related to the global economy	demonstrates considerable understanding of how quality of life is related to the global economy	demonstrates thorough understanding of how quality of life is related to the global economy
draw conclusions or make judgments or predictions on the basis of analysis	draws conclusions or makes judgments or predictions on the basis of analysis providing limited reasoning	draws conclusions or makes judgments or predictions on the basis of analysis providing some reasoning	draws conclusions or makes judgments or predictions on the basis of analysis providing good reasoning	draws conclusions or makes judgments or predictions on the basis of analysis providing sound reasoning
demonstrate understanding of the interdependence of ecology and economics	demonstrates limited understanding of the interdependence of ecology and economics	demonstrates some understanding of the interdependence of ecology and economics	demonstrates considerable understanding of the interdependence of ecology and economics	demonstrates thorough understanding of the interdependence of ecology and economics
Thinking				
evaluate the performance of a selected transnational corporation on sustainability	evaluation of the performance of a selected transnational corporation on sustainability demonstrates limited knowledge	evaluation of the performance of a selected transnational corporation on sustainability demonstrates some knowledge	evaluation of the performance of a selected transnational corporation on sustainability demonstrates considerable knowledge	evaluation of the performance of a selected transnational corporation on sustainability demonstrates thorough knowledge
evaluate the perspectives and arguments for stakeholders in a geographic issue	evaluation of the perspectives and arguments for stakeholders in a geographic issue demonstrates limited use of analytical thinking skills	evaluation of the perspectives and arguments for stakeholders in a geographic issue demonstrates some use of analytical thinking skills	evaluation of the perspectives and arguments for stakeholders in a geographic issue demonstrates considerable use of analytical thinking skills	evaluation of the perspectives and arguments for stakeholders in a geographic issue demonstrates thorough use of analytical thinking skills
evaluate the performance of a selected transnational corporation on human rights	evaluation of the performance of a selected transnational corporation on human rights demonstrates limited knowledge	evaluation of the performance of a selected transnational corporation on human rights demonstrates some knowledge	evaluation of the performance of a selected transnational corporation on human rights demonstrates considerable knowledge	evaluation of the performance of a selected transnational corporation on human rights demonstrates thorough knowledge

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Communication				
communicate perspectives and arguments for stakeholders in a geographic issue	communicates perspectives and arguments for stakeholders in a geographic issue with limited clarity	communicates perspectives and arguments for stakeholders in a geographic issue with some clarity	communicates perspectives and arguments for stakeholders in a geographic issue with considerable clarity	communicates perspectives and arguments for stakeholders in a geographic issue with a high degree of clarity
affect economies of others	places affect economies of others demonstrates limited ability to make connections	places affect economies of others demonstrates some ability to make connections	places affect economies of others demonstrates considerable ability to make connections	places affect economies of others demonstrates thorough ability to make connections
explain how decisions in some places affect environments of others	explanation of how decisions in some places affect environments of others demonstrates limited ability to make connections	explanation of how decisions in some places affect environments of others demonstrates some ability to make connections	explanation of how decisions in some places affect environments of others demonstrates considerable ability to make connections	explanation of how decisions in some places affect environments of others demonstrates thorough ability to make connections
use geographic terms in communication	rarely uses geographic terms in communication	sometimes uses geographic terms in communication	often uses geographic terms in communication	routinely uses geographic terms in communication
use oral communication skills	uses oral communication skills with limited clarity	uses oral communication skills with some clarity	uses oral communication skills with considerable clarity	uses oral communication skills with a high degree of clarity
use written communication skills	uses written communication skills with limited clarity	uses written communication skills with some clarity	uses written communication skills with considerable clarity	uses written communication skills with a high degree of clarity
Application				
evaluate and use information from a variety of sources	evaluates and uses information from a variety of sources with limited effectiveness	evaluates and uses information from a variety of sources with some effectiveness	evaluates and uses information from a variety of sources with considerable effectiveness	evaluates and uses information from a variety of sources with a high degree of effectiveness