

The Multinational Enterprise In Developing Countries: Logic Versus Global Logic

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MNC Strategic Responses to Ethical
Pressure: An Institutional Logic Perspective

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ABSTRACT. In this study, we aim to investigate how multinational corporations (MNCs) balance ethical pressures from both the home and host countries. Drawing on theories from institutional theory, international business, and business ethics, we build a theoretical framework to explain the ethical behavior of MNCs. We apply the institutional logic concept to examine how MNCs with established logics and principles that have grown in the home country respond to local ethical expectations in the host country. We differentiate the core values from the peripheral components of a MNC's institutional logic and propose that a MNC will pursue distinctive ethical strategies under different scenarios and choose the "right" configuration of core values and peripheral components that align with institutional environment in host countries.

KEY WORDS: multinational corporations (MNCs), business ethics, institutional logic

Introduction

Both business ethics and international business researchers have long recognized the importance and urgency of examining ethical issues related to multinational corporations (MNCs) because of their powerful influences on economic, social, and even political landscapes in the era of globalization (Simpson, 1982). The literature in the past generally posits an optimistic projection that the global triumph of MNCs, supposedly headquartered in the developed countries and representing a set of thorough ethical philosophies embodied as codes of conduct, triple bottom lines, corporate social responsibility (CSR), and will introduce a new mode of business practices to the developing countries by spreading a set of universal organizational patterns and business ethical standards (De George, 1993). As a recent example of this line of research, Kwok and

Tadesse (2006) find that the presence of MNCs over the past four decades reduces the level of corruption in the host country.

Unfortunately, this optimistic view of MNCs has been increasingly challenged as the pace of globalization accelerated, with evidence suggesting that MNCs often approach ethical issues differently in the home and the host countries (Tan, 2009a). First, rather than spreading a universal code of ethics, MNCs, such as Nike in Indonesia and Gap in El Salvador in mid-1990s, have been found to allegedly take advantage of loose ethical regulations and institutions in emerging markets and exploit sweatshop workers (Arnold, 2003; Varley et al., 1998). Second, as emerging markets such as China rapidly acquire status as world economic powers and obtain confidence in setting their own policy agendas, MNC subsidiaries in such countries are facing increasing pressures to conform to cultural, institutional, and legal expectations that sometimes directly contradict MNC practices in the home country. For example, Internet companies such as Google and Yahoo! were recently criticized for cooperating with the Chinese government to self-censor any politically or culturally inappropriate information in China (Dann and Haddow, 2008). Third, foreign direct investment (FDI) from developing and transition economies has grown considerably, accounting for about 17% of world outward flows in 2006 according to the United Nations (UNCTAD, 2006). As MNCs originating from a wide range of developing countries such as Argentina, India, China, South Africa, Thailand, and Turkey continue to grow and extend their reach at an astonishing pace, the ethical practices of these newcomers, especially in other developing countries, generate additional complexities for the global business ethics landscape (Aykut and Ratha, 2004). These challenges

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develop an international extent to which MNCs exhibit an international logic in their capacity as . domestic (either Canadian or British), European and the 'Rest of the World'. Inkpen thanks the Seward Chair in Global Strategy for financial firms (SOEs) and multinational companies (MNCs) in at least two ways. First . of development (Bruton,) or the need for the government to .. imperfections in the home country as the logic for SOEs and consider extraterritorial market. This suggests that South African multinational corporations are still emerging .. enterprise in developing countries: Local versus global logic. Network innovation or? some say? open innovation is not a fundamentally new The development of those R&D activities in globalized networks changes MNCs and capitalism. Multinational companies, innovation and world economy The logic of global economy as a new configuration of globalization has become.

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