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Poverty Alleviation as Business Strategy? Evaluating Commitments of Frontrunner Multinational Corporations

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Summary. — In the debate on how to combat poverty, the positive role of MNCs is frequently mentioned nowadays, although doubts and criticism remain. Facing this societal debate, MNCs feel the pressure to formulate a position. This paper analyzes MNCs' policies on their poverty-alleviating potential. "Frontrunner" MNCs turn out not to be very outspoken, especially not on those issues that have the largest potential to help alleviate poverty. Placed in the context of other MNCs' behavior, a sector-coordinated morality seems important, which means that a meso approach to poverty alleviation needs to complement the current global (macro) and individual company (micro) focus.

Key words — poverty, MNCs, corporate social responsibility, international organizations, social policy, showcase companies

1. INTRODUCTION

In the international discussion on how to combat poverty, the potential contribution of companies is frequently mentioned nowadays by a number of international organizations, NGOs, and business associations. The Millennium Development Goals, which include the objective to halve income poverty by 2015, refers to the development of a "global partnership for development," in which there is a role for companies. The UN Commission on the Private Sector and Development, which specifically looked into how this potential could be realized, underlined the importance of Multinational Corporations (MNCs), although its main focus was on local businesses (UNDP, 2004). The contribution of MNCs is also recognized in the growing number of partnerships, in which expertise and knowledge, usually through best practices, are transferred. Such cooperation takes place in different forms and arrangements, with governmental, non-governmental, and/or private participants. While criticism of the negative impact of MNCs continues to be heard (e.g., Hertz, 2001; Klein, 2002; Stiglitz, 2002), most policy attention tends to be drawn to their (potential) added value in alleviating poverty.

From their part, MNCs and their business associations increasingly emphasize the business opportunities of helping the poor. The World Business Council for Sustainable Development published a field guide resulting from its "Sustainable Livelihoods Project" (WBCSD,

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2004). The description of almost 20 cases served to underline the fact that "doing business with the poor" could help MNCs to reach a so far largely untapped market of four billion potential customers. This is thus not just philanthropy, but a corporate social responsibility (CSR) strategy that also makes economic sense and can give companies active in this way a competitive edge (cf., Prahalad & Hart, 2002). Such a perspective posits that MNCs can realize this by focusing on activities related to their core competencies and unique resources and capabilities (see, Barney, 1991; Hamel & Prahalad, 1990), utilizing local capabilities and knowledge about markets, production, and distribution, and external expertise through partnerships. MNCs might then "do good" in both an economic and a societal sense at the same time, thus addressing criticisms that companies need to concentrate on profit maximization and not be distracted from that objective (Henderson, 2001; Whetten, Rands, & Godfrey, 2002).

While the potential and opportunities of MNCs in relation to poverty alleviation are receiving considerable attention, the exact components for fulfilling such a role, in the context of international efforts to delineate poverty and the contribution of MNCs in this regard, have hardly been addressed—let alone that their actual policies have been evaluated in this way. As an exploratory contribution, this paper develops a framework to analyze MNC policies, using the poverty issues outlined by international organizations. It subsequently examines to what extent MNCs that present themselves as frontrunners address the different elements in their policy statements. On the basis of these results, policy options for involving MNCs in poverty alleviation are also discussed, as part of an evaluation of their strategic position *vis-à-vis* other MNCs. In the first section, this broader background of MNCs and poverty—sometimes placed in the context of CSR—will be indicated briefly.

2. ON MNCS, POVERTY, AND CSR

The role of MNCs related to poverty at the international, macro level has been the subject of much academic and societal debate, as part of a broad discussion on foreign direct investment and development that also pays attention to income inequality and development in general (Bandow & Vásquez, 1994; Bauer & Yarney, 1957; De Soto, 1989; Fortanier, 2004; Hayter, 1981; Hertz, 2001; Kreye, Heinrichs, & Frobel, 1988; Lodge, 2002; Madeley, 1999; Tsai, 1995). It has been very difficult to assess the direct and indirect effects of MNCs' activities on developing countries overall, and this paper will not further enter into this complex debate.

What is important here, however, is that it involves issues that MNCs are confronted with, because they are being raised by non-governmental organizations, and discussed by and with international organizations. MNCs therefore feel increasingly pressured to formulate a position on how they see their responsibility (if at all), and what this would entail. This has become all the more notable with increasing power and influence of MNCs in the context of less government intervention, liberalization of markets, and higher levels of international trade and investment, all of which has put MNCs in the spotlight. Moreover, usually only a few MNCs account for a relatively large percentage of trade, and they thus have a dominant position in many sectors, particularly natural resources and agriculture. Such tensions between the power they have on the one hand, and how they "responsibly" deal with this on the other have received considerable attention (e.g., Hertz, 2001; Klein, 2002; Stiglitz, 2002).

In the international policy discussion on MNCs' impacts in relation to poverty, a range of aspects have been mentioned: one side pays most attention to the negative effects of their activities and powerful positions, while the other stresses the poverty-alleviating potential.

If the emphasis is placed on MNCs' negative impact on poverty (and development in general), issues that have been raised include the following. Foreign direct investment is highly concentrated in only a few developing countries, usually in particular sectors, and establishes only limited linkages; it can even "crowd out" local competitors that cannot meet standards and/or for whom lending on local markets becomes more expensive. Often mentioned are also that MNCs merely create low-wage jobs, increase inequality in societies, and contribute to the so-called "Americanization/McDonaldization," also in lifestyles; that they (ab)use their powerful political and economic position in the host country and internationally; are less interested in long-term sustained operations and have a negative impact on the physical environment. It is sometimes also costly for host countries to attract