

# GRADE – 12 BUSINESS STUDIES

## CHAPTER -37. CONTROLLING MNCs

Why are the activities of MNCs controlled?

- to protect workers from exploitation and unsafe practices
- to discourage resource depletion
- to protect local traditions and cultures
- to promote long term commitment to a host country

In what ways are MNCs controlled?

- Political influence (via governments)
- Legal control
- Pressure groups
- Customers via social media

How are MNCs controlled/influenced via political influence?

- protectionist policies
- requirements for joint ventures
- trading blocs
- trade initiations and delegations
- subsidies and tax incentives
- lobbying
- Parliamentary visits abroad to promote industries

However, controlling MNCs can be difficult for governments, even those in developed countries.

What are the advantages of political control of MNCs?

- can create, manage and end businesses
- helps elected officials challenge private companies and tackle the ethical/environmental concerns of the public

What are the disadvantages of political control of MNCs?

- facilitates corruption

- entrenches inefficiencies such as mis-allocation of capital and lack of r&d

How is legal control used to control/influence MNCs?

MNCs operate under the same legal controls of other businesses, but governments may struggle due to the size of the MNCs and their global reach.

What are the advantages of legal control of MNCs?

- can be used to improve competition
- helps to check corporate power
- facilitates consumer protection

What are the disadvantages of legal control of MNCs?

- difficult to achieve consistent legal practice in all countries - developing countries have much weaker legislation
- easy for MNCs to relocate to get a better deal
- the laws are not easy to enforce.

How are pressure groups and social media used to control/influence MNCs?

PGs use a combination of direct and indirect action to influence governments and MNCs to change their behaviour.

Social media is used by customers to highlight and report issues relating to the behaviour of MNCs. Increasingly used by younger demographics.

MNCs can see off unwanted attention due to the strength of their brand, nature of their product, financial resources and political prowess.

What are the advantages of using PGs and social media for the control of MNCs?

- enlists committed people
- activists can be gathered very quickly via social media for gatherings/protests
- helps to raise issues that may not come to public attention otherwise
- alerts politicians and authorities to the concerns of the public

What are the disadvantages of using PGs and social media for the control of MNCs?

- campaigns may be ill-informed or misguided
- may be impossible for pressure groups to control viral messages
- direct action can lead to violence

Define POLITICAL INFLUENCES

Political influences are the actions taken by governments that influence the behaviour of businesses and their customers.

Define PRESSURE GROUPS

Pressure groups are organisations that fight to influence the actions of others for the good of a particular cause.

Define SOCIAL MEDIA

Social media is the use of channels of communication generated by the public and tapped by businesses, using technologies such as websites and blogs.