CORPORATE POWER: THE BEAUTY OR THE BEAST?

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Abstract
During the postwar decades, the world economy was visibly changed by the more manifest presence of the multinational corporations; multinational companies, as the main vector of the direct investments, exert a major impact on the location or relocation of economic activities, the pattern of international trade, the dynamics of the national economies, the labor productivity etc. MNCs have become important sources of technology, capital, and knowledge; their activity has a significant impact on the global distribution of wealth. Strengthening the role of multinational corporations in the global economy has fueled numerous debates in the academic circles, particularly with regard to their effects on the host economies, but also to the challenges they launch on the balance of power and the position of the national states.

Key words: influence; multinational corporation, national state; power

JEL Classification: F23, M16

I. INTRODUCTION

The transformations in the global business environment, strongly fueled by the end of totalitarian regimes and the political changes from the countries with former centralized economies (mostly in Central and Eastern Europe), and by the propensity of more and more countries to economic liberalism, have considerably multiplied and diversified opportunities for multinational corporations (MNCs) and have plowed the land up for their expansion (Kicsi & Buta, 2012). Furthermore, the increasing role of the private sector in almost all the developing economies, the fast technological changes that transform the nature of the organizations and the international location of production, the globalization of the markets, the proliferation of regional integration arrangements etc. are added to these.

In the second half of the XX century certain defining features of what we call now ”the modern corporation” have been gradually developed in the global economy; the power and the influence of these entities, attested by empirical evidences (number, assets, contribution to the gross domestic product GDP, value added, international trade, foreign direct investments, etc.), as well as by the echoes in academic circles and among the public opinion, have turned them into major players in the balance of power at the global level.

II. POWER: WHAT’S IN A WORD?

The end of the Cold War (1989) and the spread of the influence of the West, along with other factors (such as the differences between Western and Eastern civilizations, the instability of international economic and political environment, the global crisis triggered in 2008, and so on) have not yet stabilized the balance of power at the world level, but on the contrary, they have created the premises and the conditions for the rise of new centers of power. In such circumstances, the idea of power and its forms of manifestation, long-debated by experts, sociologists and not only, have got new valences and have borne new dilemmas.

In its most general meaning, power is understood as the ability of an entity (a person, an organization, a government, etc.) to mold the behavior of other entities or persons. Traditionally, power has reflected the ability of a state or government to enforce certain social norms (even through the use of military force when needed) for the citizens within a managed territory.

A word closed to power and used frequently with an interchangeably connotation is influence. By influence we understand an action based on the authority and/or the prestige of a person and as a result of which a desired
behavior of other person is molded. In other words, influence is often viewed as a very subtle form of manifestation of the relational power. From above mentioned explanations regarding the concept of power or influence we can understand that to be exerted both involve a certain social context, i.e. they assume a relationship between at least two parties. From a historical perspective, we can talk about political, economic, military or financial power; money and wealth have always been associated with power, being considered as an attribute of those who have held the power at one time or another.

It is quite difficult to anticipate how the economic power will be divided at the global level during the next decades. Anyway, even the emergence of economies such as China, India, Russia or other rests to a large extent on the power of corporations located there. In other words, the practice of the relations among the states in the world shows a certain "mix" between corporate power and national state power (even some forms of military power, in certain situations in which the corporate interests may coincide and/or influence political interests, including certain political decisions).

Joseph Nye, a reputed analyst of the nature of power in the global society of today, argues the distinction between hard power, soft power and smart power (Nye, 2012); the economic power is based on the structures established by the political decision makers, who takes into account even the coercive power (but to a smaller extent than in the previous centuries). From the perspective of the interstate relations, Nye (2012) talks about three distinct types of power.

- **Hard power**, which is based on the tangible means such as military force or money; the economic position of a country, its military resources and political position are issues which shape the relations with the other countries of the world; in this category Nye (2012, p. 37) includes the use of force, money and the negotiating capacities deriving from them. During the history, hard power of countries or empires was doubled by a similar power given to corporations (for example: British East India Company, founded in 1600, was in control of military force granted by the British Empire; the Dutch East India Company founded in 1602 to protect the foreign trade of the Dutch Empire in East Indies, today Indonesia, etc.) (Korten, 2007, pp. 112-113).

Even now, the interests of some corporations may be above the interests of their mother-country, whereas there is a clear trend toward the rise of "corporations without country" (Korten, 1995, pp. 144-145).

- **Soft power**, which is based mostly on the non-tangible means, such as institutions, ideas, values, culture and legitimacy; even if the threat of force is a non-tangible element, as Nye argues, still this threat is a mean of hard power. Typically, this type of power is gained by the business organizations, no matter if companies operate in a local, international or global market. The use of soft power depends to a great extent on the quality of the executives from a company and their leadership skills; according to Drucker (2010, pp. 230-233), one of the basic requirements for a leader to be effective is to gain the trust of the people around him and the faith in what we call "integrity".

- **Smart power**, which usually appear as a mix of the first two types of power.

Theoretically, any of these three types of power can be associated with the power held by a corporation in a specific market, in a certain region or country; the power afforded by money and economic position of an entity can take the form of a tangible element of manifestation.

In order to understand who truly hold the power in the global economy we have to take into account the context in which the power is divided in the capitalist economy, the relationship between the authority of the state and the market (some questions may arise: Are the coercive force of the state, wealth and moral authority of some political leaders sources of power?) (Strange, 1997, pp. 35). Furthermore, Strange (1997) provides an in-depth analysis on the nature of power and conceptualizes two types of power, as follows.

- **Relational power**, which means conventionally the capability of an entity (A) to influence another entity (B) to do something which otherwise it would not want to do so. During a long period of history some empires (such as Rome, Egypt, etc.) have held a considerable relational power in the relations with other countries or territories; according to Korten (2007), most often the kings or emperors have sought to obtain an absolute power, either individually or through cooperation with the Church. It can be said, we believe, that this type of power is still an objective of some political leaders and/or executives who held an almost absolute power in large MNCs (in a certain way, we can say that large corporations allow to their CEOs and top management teams a position of autocratic power that will be exerted according to the values in which the top management believes). This type of power has been and still is attached to the position held by large corporations in the USA, Europe, Asia, or in other parts of the world; MNCs exert this type of power in their relationship with the usual suppliers, distributors and other categories of participants to the products or services value chains.

- **Structural power** is held by those organizations and/or countries which may influence the structure of the global economy, the competition in different markets and certain inter-organizational practices; particularly the power to decide how the things must be made and to establish a framework for the relationship among the companies, as well as for those between the companies and the citizens, has become nowadays a type of power/influence that require special attention.

According to Strange (1997), today it is important to individuate between relational power and structural power; the distinction between economic power and political power has become of a secondary significance.
example, as Huntington (2012, pp. 118-119) highlighted, during the greater part of its history, China was probably the most powerful economy in the world, but once with the Industrial Revolution the economic power has been taken over by the Western world; yet, the rapid dissemination of technologies and knowledge at the global level could erode the economic power of Western countries.

The structural power remains directly associated with the position of the MNCs in the global economy. This because different rules of operation in the foreign markets, the planning of the research and innovation activity, the organization of the distribution and promotion of products/services, along with other issues regarding the global competition are inspired or at least influenced by the practices of MNCs. Through the portfolio investments a lot of large companies sought to gain a certain control over production, marketing and other operations in insurance, bank, transport or industrial sectors; such investments abroad are often accompanied by inter-corporate alliances with companies from one or more countries; then such alliances, partnerships or other forms of cooperation among MNCs will be able to reconfigure the competition in the various markets (Gilpin, 2004).

III. THOUGHTS ON THE POWER OF MNCs: POSITIVE VIEW

We want to discuss a positive view of the presence of the MNCs in the global economy and global competition; this view is supported by many researches that have concluded that these entities have become real vectors of technological and socio-economic progress (these companies invest in research, technological and process innovation; use modern management practices, create a large number of jobs, etc.). Still this positive view is developed on a moderate attitude regarding the role and the influence of the MNCs in global economy. From this perspective, a large body of literature focuses on the link between the power gained by the MNCs and the globalization of the world economy; many authors admit that this power can and must be "bordered" by more clear regulations issued by states/governments and various international bodies/ institutions. When economic power tends to be concentrated by a small number of companies and individuals, the "phantom wealth" became larger and more important than the "real wealth"; Korten (2009) has mainly been interested in this topic and he has explained this trend by the lack of rules in order to limit speculation, corruption and monopoly power.

In a work become a gold standard in the theory of organizations, *The Visible Hand*, Chandler (1977) used the examples of some of the most important modern companies and draw our attention to the way they managed to integrate the mass production with the mass distribution, the way they managed to increase their productivity and he argued that such an achievement was due to the ability of their managers/shareholders to create and manage extremely complex human organizations. In other words, companies such as Ford, GM, and Du Pont have become organizational effectiveness "models" either for their competitors or for enterprises in other sectors; then these models have expanded rapidly through Europe, Japan and other countries in the world. Such models have fueled a "managerial revolution" which has led to vertical organization of the business entities, decentralization of power on units and the professionalization of executive jobs (Chandler, 1977).

According to Drucker (2008), the modern corporation has become a type of institution and it is based on the summation of the efforts of a large number of members in order to meet a common goal, respectively to produce goods and services in terms of maximum economic efficiency; this means leadership and a proper structure to gain profit and to regain the initial invested capital. This means ability to answer readily to threats and opportunities in the market (Drucker, 2002). The information revolution and the knowledge revolution have changed the structure of labor force within large organizations such as MNCs; knowledge and knowledge workers have become valuable assets of these companies, and their executives have to reinvent permanently the rules and the management practices in order to increase efficiency and productivity. As noted by Drucker (2002), the future of MNCs will take the form of corporate networks, alliances and partnerships. Is this a bad or a good thing? The answer depends on the values and principles that will influence their executives' behavior and the balance between the common good and the corporate interest.

Drawing on extensive studies, Dunning & Lundan (2008) point out that practices of MNCs may differ widely from one country to another, and sometimes tend to restrict competition in the local markets; the governments can and should enforce rules in order to limit such practices. All of this aside MNCs play a vital role in the development of new technologies, innovations, and business networks. In a word, MNCs have become one of the main vectors of the creation of wealth/prosperity in post-capitalist societies (Dunning & Lundan, 2008).

The increasing role of the MNCs in the global economy has become controversial, as Gilpin (2004) suggests; some studies support the view that such entities ensure an efficient allocation of resources and they are vectors of economic prosperity, but others accuse the giant corporations of undermining the democracy and concerning exclusively about their profit.

It is obvious, we believe, that the position and the influence of the MNCs in different host countries will depend in a large extent on antimonopoly and social policies pursued by governments in these countries.
Anyway, as Gilpin (2004, p. 133-135) emphasizes, during the 90s the public attitude toward the power of corporations has improved compared to the beginning of the postwar period. More recently, after the beginning of the global crisis in 2008, the public perception was rather anti-corporate especially regarding banks, large investment funds and other investment companies.

According to Held et al. (2004) economic actors like MNCs tend to concentrate an impressive economic power considering that they influence about two-thirds of world trade, technological development and other aspects of development; they have influenced the economy since the Industrial Revolution but they have strengthened their position of key actors during the postwar decades. Particularly technological progress (such as computers, telecommunications and transport) has fueled the development of the global network of production and distribution (Held, et al., 2004).

Porter (2008) maintains that companies operating in international business environment are facing more risks than companies operating in domestic markets; especially the global strategy developed by MNCs will lead to the success or failure in international markets. The leadership in multinational corporations should be shaped in a certain extent by the core competencies of the organization and by the importance of innovation in an extremely dynamic business environment; Porter (1990) recommends actions such as: to create pressure to innovate continuously, to develop industrial clusters, to accept local competitors, to set alliances and partnerships, etc. It is worth to mention, we believe, that certain directions of action for executives in their attempt to dominate the chaotics of business environment, directions to which Kotler & Caslione (2009, p. 108) have referred more recently, are found in the recommendations formulated by Porter. More precisely, since the 90s Porter (2008, p. 208) has discussed about the need for firms to establish early warning systems because businesses having such systems can receive early signals from the socio-economic environment and can act before other competitors in order to strengthen their competitive advantage in the market.

Table 1 provides a brief of some of the most prominent authors' beliefs about the role and the position of MNCs in global economy.

**Table 1. Prominent positive view: a short synopsis**

<table>
<thead>
<tr>
<th>Author</th>
<th>The implications and benefits of MNCs in global economy</th>
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<tr>
<td>A. Chandler Jr. (1977)</td>
<td>The modern corporation has integrated the mass production and the mass distribution, and so it took control of the product value chain, and reduced costs, increased productivity, etc. The executives' work has become some kind of &quot;visible hand&quot; which adjusts the competition in the markets.</td>
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<tr>
<td>P. Drucker (2002, 2008, 2010)</td>
<td>Corporations tend to integrate in some kind of confederative structures by alliances, mergers and networks; values and principles which shall apply by the top management of these confederations become of a strategic importance; they succeed to develop continuously new practices of management to valorize knowledge, qualified employees, new technologies and opportunities offered by a global market.</td>
</tr>
<tr>
<td>D. Held (1999)</td>
<td>MNCs have a strength position in international flows of trade, distribution, technology, ISD and other essential aspects of the development of the modern economy; the host country and the mother-country try to create a favorable business environment for corporations; such organizations shall develop the global network of production aiming to gain maximum efficiency, to reduce costs and other similar issues.</td>
</tr>
<tr>
<td>R. Gilpin (2004)</td>
<td>MNCs play a significant role in the flows of ISD among different countries, control a part of international trade, financial markets, etc.; they create new jobs, support transfer of technology, intensify competition in the local markets, etc.</td>
</tr>
<tr>
<td>J. Dunning &amp; S. Lundan (2008)</td>
<td>MNCs tend to concentrate the power afforded by money, technology, innovations, knowledge and other similar means; they exert a positive influence on technological capacity, R&amp;D, employment in host countries, etc. The governments and the civil society can and should limit the non-ethical practices of corporations, their monopolist tendency, etc.</td>
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<tr>
<td>Porter (1990, 2008)</td>
<td>Corporations are of a crucial significance for gaining or improving the competitive advantage of the countries due to the fact that they are organized on the criterion of efficiency, they enhance the dynamics of the business environment, develop clusters, support permanent innovation, etc.</td>
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Source: Drawn up by the authors
Undeniably MNCs have gained a considerable power in the contemporary world economy; the empirical evidences attest clearly the significance of these organizations for wealth creation in post-capitalist economies; the flows of ISD, exports, research, inventions and innovations, employment, etc. are linked directly to the presence of these companies in different countries of the world. But we believe that governments should and must try to limit the non-ethical corporate practices through a clear and transparent legal framework, in order to allow a proper functioning of the mechanism of the market and of competition both in the global market and in the domestic market.

IV. THOUGHTS ON THE POWER OF MNCs: THE SKEPTICAL VIEW

During the last decades in the literature on business and economics a mainstream has individualized seeking to emphasize through a suite of arguments the negative impact which the power, influence and the role of the MNCs have generated in contemporary economy; a growing number of authors criticize directly the power gained by multinational corporations, some of the practices of corporate management, some non-ethical behavior in foreign markets, etc.

Alvin Toffler (1983), characterizing the third wave in the evolution of humanity, considers that new actors play in international arena and they contribute to the significant reconfiguration of power hold by national state; this trend become more visible as the increased interdependencies among the countries of the world bring national governments in front of difficulties regarding the autonomous governance of their economies. Among these "vigorous actors which defies national power", Toffler (1983, p. 432) indicates the transnational corporation as a form of organization of production beyond national boundaries. Among other negative features attached to the increased corporate power Toffler (1983, pp. 432-437) reminds us of the transfer of jobs among countries, the non-compliance with environmental protection legislation, etc.

In a work also become a best-seller (When Corporations Rule the World), Korten (1995) adopts an extremely critical position against the power and influence gained by large corporations; he considers that at the global level the real power is concentrated by corporate elite and not by the governments, and corporations do not respond in front of people, so Western democracy is in danger. The originality of the corporation as a social innovation, Korten (1995, p. 80) argues, is given by the fact that it brings together thousands of people under a unique structure that can act in order to fulfill the organizational goals, without taking into account the welfare of individuals. In capitalist society a small number of people that controls the policy and strategies of multinational corporations concentrate the greater part of the wealth, so, according to Korten (1999), "the rich" become richer, and "the poor" become poorer. Among other issues, Korten (1995, pp. 155-161) points out that there are certain international organizations, less known by large public, which exert considerable influence on the decisions/policies developed by the Western countries; two such an organizations mentioned by Korten are:

a. The Bilderberg Commission, established in 1954, includes a limited number of members, among which are heads of state, politicians, industrialists, bankers, intellectuals, etc. This Commission meets annually, it does not have a preset agenda and not address publicly the issues discussed and the objectives concerned.

b. Trilateral Commission was founded in 1973 mainly as a response to the ascension of Japan in the global economy; it includes currently about 300 members, its policy is relatively more transparent, it shall meet annually and shall address publicly the issues on its agenda. Among the members of this commission were political figures such as the American presidents Carter, Bush, and Clinton, and top executives of large corporations of the world (Sumitomo Bank, Time Warner, Sony, etc.).

Korten's attitude (1995, 1999, 2007) towards corporate power was and still is extremely critical; he claims that these organizations hinder the competition in the markets, make use of monopolistic alliances, concentrate the power and wealth, cut jobs in order to increase their profits, apply their own "religion" of money, ignore the standards for environment protection, ignore the common interest, affect freedom and democracy as fundamental values of humanity, etc.

A considerable amount of studies have revealed that even during the turmoil of 2008 the position and the influence of large corporations have not been significantly affected, even if some companies have been facing bankruptcy; the corporate sector has expanded and has remained equally strongly in the main international markets. Most of the large companies have continued to develop their expansionist strategies and their policies in order to dominate the international business environment. Any society needs certain institutions to ensure the balance of power, as Löpfe & Vontobel (2012, pp. 14-15) shows; from 90s, competitive power in different markets has been transferred from the national companies to MNCs and, more important, capital markets have reached an unimaginable importance in only a few decades. In the post-crisis period the level of liquidity own by American public companies listed in the stock exchange have exceeded 1200 billion USD but it was created mainly by their foreign affiliates abroad, so wealth is created "down", at the base of the pyramid, and then it is transferred "up" (Löpfe & Vontobel, 2012, pp. 10-12). How have we come to this situation? The current trend in the corporate business environment, as Löpfe & Vontobel (2012) argues, is to outsource the production in foreign affiliates abroad and to keep only certain skills and knowledge in parent company.
A highly critical point of view with regard to the current corporate power, in a certain consensus with that of Korten’s, belongs to John Perkins, former business consultant in countries such as Ecuador, Peru, Venezuela, Panama etc. (Perkins, 2010). The major difference between their views is that Perkins focuses his criticism mainly on American corporations and he pays less attention to the influence of MNCs from Japan, Europe or other parts of the world. According to Perkins (2010), certain American corporations (i.e. Chevron, MAIN, Bechtel, etc.) have jointly operate with some of the American governmental agencies and with institutions such as the World Bank or the IMF in order to influence directly or indirectly certain political decisions and especially to exert influence on macroeconomic strategies in some Latin America countries or in other poor zones of the world. Korten's and Perkins's criticism has some common points because both of them discuss the tendency for MNCs to build a “global empire”, their unprecedented financial power and their links with governmental agencies. In fact, it is possible, as these authors claims (Korten, 2007; Perkins, 2010), that behind the failure of certain policies for the Third World and of some financing programs is to be found the influence of corporate elite (example: in Ecuador, during three decades of aid the public debt of this country has increased by several times, unemployment has risen from 15 % to 70 %, etc.).

Other two authors, namely Werner & Weiss (2004), criticize especially the immoral practices of large corporations, the fact that even though they have codes of conduct (by which they commit themselves to the public opinion that they will apply ethical principles and which are designed as commitments that exceed the law) de facto they use some blamable practices mainly in their foreign affiliates. As it well known, during the last two or three decades significant corporations from all over the world have taken account of the Corporate Social Responsibility (CSR), have drawn up quite detailed codes of conduct and they have allocated funds for the protection of the environment, supporting some projects for the disadvantaged social groups, etc. Yet some assessment shows that often there is a large gap between what MNCs declares publicly and decisions adopted "behind the closed doors". These two authors considers that some of the corporations from all over the world are motivated only by their annual profits, by cutting the costs of production, by gaining new markets, etc.; they accuse corporations of exploiting their employees from foreign affiliates and for non-compliance with human rights.

In table 2 we provide a brief of some of the well-known skeptical views on corporate power and its impact in global economy.

<table>
<thead>
<tr>
<th>Author</th>
<th>The power and influence of MNC; features, negative consequences, forms of manifestation etc.</th>
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<tbody>
<tr>
<td>D. Korten (1995; 1999; 2007)</td>
<td>The power and influence of MNCs have become a danger to the Western democracies and for next generations. Corporations back their interests by non-ethical practice and seek only the richness of a small number of people; their power overshadows the power held by the governments, with all the consequences resulting from this situation.</td>
</tr>
<tr>
<td>K. Werner, H. Weiss (2003)</td>
<td>MNCs are motivated only by the increase their annual profits; there is a major difference between their codes of conduct, and the CSR commitments and their practices in foreign affiliates.</td>
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<tr>
<td>J. Perkins (2004)</td>
<td>Some of the American corporations use unfair practices to obtain contracts, concession of lands, distribution channels, etc., including with the support of governments and international organizations (World Bank, IMF, etc.); he talks about a corporate &quot;empire&quot; comparable with other colonial powers in the past.</td>
</tr>
<tr>
<td>Ph.Löpfe, W.Vontobel (2012)</td>
<td>Corporations in the financial sector (banks and investment funds, sovereign funds, etc.) have almost become &quot;masters&quot; of international markets; the wealth is created at the bottom level of corporate structures but shall be allocated unfairly to the top level of these structures.</td>
</tr>
</tbody>
</table>

Source: Drawn up by the authors
During the last decades the evidences show that the large multinational companies have become more and more present and active in the business environment of any economies (especially developing ones). This tendency is expected to continue in the future and it could bring certain benefits, as well as negative influence on individuals, institutions and economic growth. Therefore, a simple critical quotation of the today’s corporate power could be just a starting point; de facto, there is a need for international organizations, national governments and the civil society to act jointly in order to enforce some principles to rule the practices of multinational corporations in different markets. Overall, even the critical and skeptical view of the power of MNCs refers to certain periods during the existence of these organizations and to some contexts in which they have been non-compliant with business ethics principles.

V. CONCLUDING NOTES

Although large multinational corporations have a quite long history in the world economy, they have strengthened their power, especially from the end of the 19th century. Today, the multinational corporation has become a complex and dynamic gear on a global scale with strongly interconnected components spread out in many countries. Its continuous transformation is an active response to the dynamics of the global business environment articulated on its main goals, that of gaining and increasing its competitive advantage.

Some analysts perceive the expansion of multinational corporations as a positive force generating progress, jobs, low prices, quality products etc. Others accuse these entities of exploiting workers, influencing the public policies, destroying the natural environment and harming cultural values. No matter what position we adopt, a fact is sure: global corporations have become a presence that’s hard to ignore in the global business environment, and they will continue to play a significant role in the future. Consistent with this tendency, the role of corporations in the global economy will become of a lesser importance than the need to adapt their behavior to the major purposes of the society, either these goals are of an economic nature or of another nature.

These entities have created new competitive mechanisms and have reshaped the global business environment. At the same time, they pose a lot of questions about the role of the nation-state and they have even opened the way to erode its position in international relations.

VI. REFERENCES