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**ITB9380**

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## **Chapter II**

# **Multinational Corporate Sustainability: A Content Analysis Approach**

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## **ABSTRACT**

*Multinational corporate sustainability is dependent upon factors other than short-term profit concerns and the capacity to generate wealth for shareholders. In the 21<sup>st</sup> century, a corporation's future prospects are also linked to issues related to social acceptance and corporate legitimacy and respectability. Moreover, corporate viability increasingly requires the participation of all corporate stakeholders in the corporation's decision-making process. Organizational Data Mining (ODM), in the form of content analysis, can be used to examine or "mine" documents such as corporate annual reports for important data or trends. In this context, content analysis becomes useful in determining both the financial and non-financial measures of a corporation's viability. In addition to providing a reflection of current corporate performance, content analysis of corporate annual reports allows internal and external stakeholders to better determine the corporation's future direction and strategic orientation.*

## INTRODUCTION

Multinational corporate activities in the 21<sup>st</sup> century are unquestionably driven by a multitude of factors, including globalization and technological capabilities resulting in unprecedented economic re-alignments of entire industries. Moreover, multinational corporate sustainability, namely survival and viability, is a matter of far greater urgency. Multinational corporations exist by responding to new economic trends and adapting to strategic factors and industry volatility. In the past, the corporation's bottom line drove and signified superior or inferior corporate performance. For example, the corporation's primary objective lay entirely with its ability to maximize shareholder wealth. It is no longer enough for companies to be solely financially motivated. More than ever, societal concerns are being recognized and addressed by corporate board members of Fortune's Global 500. Managing stakeholder concerns significant to overall corporate performance, decision making and strategic thinking are the hallmarks of today's most successful companies. Fortune's annual corporate reputation survey is a popular source for information on social performance (Griffin & Mahon, 1997). The Fortune rankings are based on the opinions of senior executives, directors and analysts who are asked to rate the 10 largest companies in their industries on eight different aspects of reputation, one of which is social performance. As it turns out, the social performance scale is highly correlated with overall corporate reputation (Fryxell & Wang, 1994). The Domini 400 Social Index, a socially screened counterpart to Standard and Poor's 500, outperformed its competition over a three year period from 1997-2000. Furthermore, the Social Investment Forum reports that, in the U.S., there is over \$2 trillion in assets under management in portfolios that screen for ethical, environmental and corporate social responsibility concerns. This figure represents 13 percent of the estimated \$16.3 trillion investment assets managed by professional investment groups. The social performance indicators of this index include community impact, diversity, employee relationships, environmental impact and product safety.

The definition of corporate existence is broadening to include active stakeholder engagement in addition to wealth creation for shareholders. Thus, the multinational corporate sustainability perspective takes into consideration two complimentary concerns: corporate legitimacy and respectability as well as shareholder wealth creation. In order to balance this dichotomy of stakeholder engagement and wealth maximization in an age of accelerated globalization, rapid growth in cross-border trade and investments, and unprecedented technological advancements, it is crucial for multinationals to properly manage "knowledge flow" in order to create learning organizations and knowledge-sustaining systems. Organizational Data Mining (ODM) is a tool that CEOs, managers and corporate board members are turning to in order to more adeptly and synergistically manage globally dispersed assets and capabilities and engage external constituents and global stakeholders in long-term value creation and enhanced legitimacy. ODM facilitates cross-border information categorization and supports the quest for creating global competitive advantages, thereby contributing to the creation of rational strategic corporate decision making that benefits a wide array of a corporation's internal and external stakeholders.

Specifically, ODM is the process of sifting through large volumes of data to spot patterns and trends that may be useful in improving a company's overall strategic plan

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