INTERNATIONALIZATION OF COMPANIES AND PRIVATE SOCIAL INVESTMENTS: AN INVERSE RELATION?

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ABSTRACT - This paper has investigated the relationship between the degree of internationalization of Brazilian companies and the disclosure on private social investments. This research was motivated by the assumption that the lower was the involvement with the local consumer market, the less the corporate social investment in the community. The sample was formed by 30 Brazilian companies more internationalized. Data on social investments were surveyed in the annual reports, web pages and social balance of the respective companies based on year 2007. The rate of internationalization followed the criteria defined by UNCTAD, which considers three variables of operations in the foreign market: total revenue, value of assets and number of employees. The data were correlated and the results showed a significant negative relationship, suggesting that there was a minor interest of the most internationalized in evidence of possible social actions aimed at local community, compared to less internationalized companies.

Keywords: Globalization. Social responsibility. Social investment.
1. INTRODUCTION

The Corporate Social Responsibility is a theme more and more common on annual reports from various Brazilian and foreign organizations. Policies and practices socially considered responsible integrate the strategic view for 89% of the national companies (IRES, 2008), expressing the dimension and relevance of the theme realized by actionists, gestors, clients and the rest of stakeholders. Generically, these practices that turn to the internal and external public of the organizations target to attend interests and expectations of the involved parts and also associating to sustainability concepts and corporate governance.

Milani Filho (2008) emphasizes that many of the actions directed to the internal and external public contribute directly or indirectly to increase the competitiveness and add value to the own company, making compatible this kind of strategic decision to the rational behavior of the agents foreseen by the economic theory. Training and offering benefits to the employees represent investments in human capital and the upkeep of talents. The straightening of the relationship with supplies can obtain better conditions of buying. The obeying of legal obligations such as the payment of taxes or installation of filters to reduce the pollution avoids fines, legal proceedings and other kinds of penalizations. Promoting, spreading projects and social programs can strengthen the institutional image of the company with its customers.

Starting from the point of the much dependent on the internal market, the much the companies will be interested in making and spreading social investments to the local community this research targeted the investigation of a possible relation to the level of internationalization of Brazilian companies and the evidences of information about social investments promoted by them to the local community. The point of the research was the following: do the more internationalized enterprises make comparatively available less information about social investments to the local community than the less internationalized ones?

For this study was considered the financial and non-financial information about the private social investments spread by the thirty most internationalized Brazilian multinational companies, according to the ranking of Brazilian Society of Transnational Enterprises Researches (SOBEET, 2008).

It is expected for this exploratory report the contribution to the discussion about motivation and the social interests of the companies, considering the current questionings of governors, the academic community and the members of civil society about the involvement of the private economic agents in social projects. Still, there is demand to motivate new researches about the relation among social expenses of the companies, competitive advantage, customer market and sustainability.

2. THEORETICAL REFERENCES

2.1. Corporate Social Responsibility – CSR

The discussion about the social role and influence of the companies is not recent, because it comes since the beginnings of Industrial Revolution in face of new working relations that changed the traditional social structures (KORHONEN, 2002). One of the most
controversial and debated points that still generates different opinions is the relevance of the direct involvement of the private initiative in social projects under the responsibility of the State.

In the 60’s and 70’s, authors that considered self-regulation of market and the full liberty of the agents, as Friedman (1962), defended that the social function of the company would be the profit generation. Differently, authors as McCloughry (1972), Monsen (1972), Hester (1973), Ramanathan (1976), Tipgos (1977), Burton (1977) and Zenisek (1979), among others, they conceived the integration and incitement of social projects between the company and its related parts, even the local community. The two main features involved in this discussion concern about the economic liberalism and the responsibility of State to obey its duties inherent to the social well-being.

Under the Accountancy perspective, Ramanathan (1976) identified crucial points to the construction of the theoretical understructure of Corporate Social Accountancy, contributing to encouragement of the conceptual discussion about the relationship among the company, the market, the community and the evidences of the social impacts generated by the private companies.

By the 80’s, there was a predominance of reports which emphasized the relevance of participation of the companies on the local socioeconomic development and the straightening of relations between the agents and their respective stakeholders, as noticed in Wood (1991).

Esrock and Leichty (1998) signalled the tendency of a great social involvement from the private institutions in a research which pointed out that 82% of the big American companies dealt explicitly with questions about social responsibility in their annual reports. That fact made increase the concerning about pattern spreading of this specific information once that a significant amount of organizations started to adopt a socially responsible speech in the presence of their investors. For example, Beets and Souther (1999) emphasize the need of standardizing the information that was being published without the possibility of verification until that moment and they were not comparable among the companies. Some points already seen by Ramanathan (1976) were linked to the need of measurement, evaluation and communication of the events related to different stakeholders, accountability and the demonstration of economic value added to society are common and are part of discussions about the role of accountability on the corporate social responsibility.

Anderson and Frankle (1980) called as Social Disclosure the public diffusion of information related to involvement of the company to the community, employees, environment, characteristics of the offered products etc.

The complexity level of relations between the involved parts increased the amount of groups which are legitimately interested in the companies’ performance; as a result of, is many sources of pressure in order to the information spread by the organization can attend not only the investors but also different users (HENDRIKSEN; VAN BREDA, 1999).

Despite the existence of many definitions in scientific literature, the conceiving of sustainability is directly linked to the Corporate Social Responsibility (CSR) one in its generic feature. Eventually, both are used as synonyms. According to Ethos Institute
(2006), CSR integrates the joint of interests of the companies and their stakeholders, and incites the socio-economic development of surrounding communities. In doing so, there are three crucial and strategic dimensions (triple bottom line): social, environmental and the economical ones. Under the private perspective, SCR refers to the planning and performance turned to better results in relation to people, planet and profit of the institution.

Considering the triple bottom line, the practices socially responsible occurs in the business network of the company, displaying the generation of favorable conditions to the corporative sustainability. That deals with a dynamic process which demands adaptability conditions of the company in the presence of the own market (BORGER, 2001; FISCHER, 2002; FISCHER et al, 2005).

According to Milani Filho (2008), that is a common fact the adoption of a socially responsible speech in their respective reports and notes to the market, but between the speech and the evidences of information, which dimension and quantify the real involvement of institutions in projects and social actions, there is a distance to go through. For example, among the companies belonged to Organizational Sustainability Level of São Paulo Stock Exchange, which reunite the organizations of opened capital that have notable practices of sustainability (among them, the social involvement to the community), about 12% of these companies affirm that they carry out but they do not show up economic and financial information related to the social private investment (MILANI FILHO, 2008).

In the last years, some certifications were formatted to search for the reduction of the informational asymmetry between the institution and its stakeholders, such as AA 1000 (Institute of Social and Ethical Accountability), NBR 16001 (Brazilian Association of Technical Norms), SA 8000 (Social Accountability Institute), GRI Sustainability Report (Global Reporting Initiative), Indicators of Social Responsibility (Ethos Institute), besides the Social Balance.

Brown et al (2006) emphasizes that the direct investment to the community and the participation in social projects are related to some administrative characteristics of the organization, such as the council’s size and the level of existing shareholder concentration. According to Brown et al (2006), there is a tendency that the companies with less councils and high shareholder concentration are more favorable to the decisions of involving in social projects and transferring resources to philanthropic institutions.

Ulhman (1985) signalled that the social disclosure level of the company is positively correlated to the pressure exerted by stakeholders and that companies increase the amount of information spread voluntarily the more favorable is the social performance achieved.

The researched literature does not have studies which associate execution or evidences of social private investments with the level of internationalization of the companies.

2.2. Internationalization

According to Freire (1997), the internationalization process of each country directs the movements of productive factors as capital transfers, development of cooperation with
foreign partners or simply commercializing their products in other countries. The strategy of internationalization will depend naturally on characteristics of products and markets.

According to Rocha (2002), the internationalization of Brazilian companies intensified in 1990, influenced by factors as the increasing of internal market competition and globalization. Ball and McCloch (1996) said there is no national organization free of foreign competition through importations and establishment of companies with foreign head office in the local market.

The direct investment opportunities, the management of production costs, the logistic and the protectionist obstacles can stimulate the company to acquire, establish partnerships or create productive unities in destination country, besides the traditional goods exports.

On the perception of Garcia and Furtado (2002), there are two important points in the process of internationalization: the protagonism, which aims to the expansion of many different important companies further on territorial frontiers and also to the development of new corporative cultures which is understood as the result of cultural interaction of companies located in different countries and provides more flexibility and adaptation on the local customer markets. The cultural integration can be established as a competitive advantage.

The process of internationalization commonly starts with the product exporting to occupy a section of the market and subsequently, with the verifying of availability of local producer unities installation (ALÉM; CAVALCANTI, 2005).

Under the microeconomic view, the internationalization comes from the main idea that the external company arises to participate of transactions which the local market carries out by an inefficient or a more expensive way. Therefore, the company grows up by market internalizing until the point of marginal transaction costs can be null (LOMBARDO et al, 2007).

The eclectic approaching or paradigm OLI (Ownership Location International) of Dunning (1988), states that the company, which intends to internationalize, should present competitive advantages that justify the direct investment in another country, such as:

a. Property advantages, linked to the tangible and intangible active ones (for example, brand and technology);

b. Location advantages, which make possible to establish part of their productive activity abroad to take the local opportunities, which are superior in comparison to the own original country (as instance, labor, natural resources and infrastructure)

c. Internationalization advantages, which are represented by the direct exploration of external operations, providing a better control of the business.

Dunning (1998) consider that the companies are stimulated to promote their own internationalization, basically due to the need of:

a. Natural resources;

b. Commercialization;

c. Access to new markets;

d. Efficiency gains.

2.3. Social Marketing
Initially proposed by Kotler and Zaltman (1971), the expression social market was used to describe the use of marketing principles and techniques for the promotion of a cause, idea or social behavior and it was consolidated as a collection of techniques and actions turned to the implantation and control of projects in order to favor the acceptance of an idea or social practice in one or more selected groups.

Modernly, there are reports which link the social marketing to company strategies in the literature (ROMEIRO, 2006), targeting to attend the social and environmental expectations and, mostly, to influence the customers’ behavior.

Many studies, as the one from Levec et al (2002), relate practices of Social Responsibility to commercial and institutional benefits, as a greater brand visibility and the association of the company image with social projects which attract the sympathy of the customer and may result to an increasing of sales, besides the increasing of satisfying level of the own employees chart, contributing to the motivation and retention of professionals.

The Social Balance, which apparently does not seem to be a masterpiece, is an important instrument to diffusion and reduction of informational asymmetry among its different publics expressing the involvement level of the organization with Social Responsibility.

For Iudícibus et al (2003):

The Social Balance aims to demonstrate the result of company interaction with the environment that it is inserted. It has four slopes: the Environmental Balance, the Human Resources Balance, Demonstration of the Added Value and Benefits and Contributions to the Society in general” (IUDÍCIBUS et al, 2003, p.33).

Tinoco (2001) considers that the Social Balance is a managerial instrument which tries to show up clearly social and economical information of the performance from the institutions to different users.

Santos (2003) states that the Social Balance is elaborated under the accountant base of data, demonstrating that the social function of Accountancy surpasses the simple installment of information to the proprietors and creditors, representing the communication link between the legal institution (company) and the society that involves it.

Considering the dimensions of sustainability in which the actions in benefit of the community and their respective diffusion are relevant elements of the strategic position of the company, it can be supposed that social marketing is also adopted, concomitantly, according to a major or minor need of attending the expectations of its stakeholders.

3. METHODS OF RESEARCH

The general target of this exploratory and quantitative research was the investigation if there is a significant relation between the level of internationalization from the Brazilian companies and the evidenciation of information about social investments promoted by them to the local community. For this, it was used the correlation analysis in order to determine the power of relationship among the paired observations.

The analyzed variables were:

a) Level of internationalization: calculated according to the criteria defined by United Nations Conference on Trade and Development – UNCTAD
(2008), which considers three variables in the operations of institutions abroad: total revenue, the value of the actives and number of employees. These data was spread by the Brazilian Society of Transnational Companies Studies – SOBEET (2008), in research carried out with 211 Brazilian companies of expressive presence of market and the exercise of reference was the year 2007. The level of internationalization is expressed in percentual values, as presented on the Equation 1:

$$IL = \frac{E + A + R}{3} \quad (1)$$

$$0\% \leq IL \leq 100\%$$
$$0\% \leq E \leq 100\%$$
$$0\% \leq A \leq 100\%$$
$$0\% \leq R \leq 100\%$$

That:

IL = internationalization level;

E = proportion of the quantity of jobs abroad in relation to the total;

A = proportion of the quantity of values from the active abroad in relation to the total;

R = proportion of values of revenues got abroad in relation to the total.

This research did not target the isolated spreading of the data part of internationalization level calculus of the companies from the sample, opting to assume the values already calculated by SOBEET (2008).

b) Evidenciation of information about private social investments: characterized by the identification, dimension and diffusion of social investments carried out by the companies. It refers to the financial and non-financial information about the projects and social actions carried out during 2007 in benefit of the community. The data about social investments was collected on the annual reports, web pages and social balances (when they are existent) of the respective companies through the technique of content analysis and they were quantified by the following way:

$$Ev = BS + F + NF \quad (2)$$

$$0 \leq Ev \leq 3$$
$$0 \leq BS \leq 1$$
$$0 \leq F \leq 1$$
$$0 \leq NF \leq 1$$

That:

Ev= total evidenciation level

BS= Social Balance availability (yes=1, no=0)

F= availability of specific financial information about the social investments carried out by the disregarding of Social Balance information (yes=1, no=0)

NF= presence of non-financial information about social investments carried out (yes=1, no=0)

Among this, it is emphasized the fact about the existence of Social Balance does not imply necessarily in availability of detailed information about social investments promoted during the period. In the Social Balance models most used, such as the Ibase and the Ethos Institute ones, there is only an area to inform the accumulated value designated to community investments, without details about the consumed values or directed per project. Therefore, a company may have published its Social Balance but it may have not diffused to external public any specific financial or non-financial information about the social actions carried out. In this case, the evidenciation level calculated for this
The availability of specific financial is characterized by information as the identification of consumed values or directed per action or social project carried out in the period. This information does not depend on the publishing of Social Balance. Therefore, if a company did not spread the Social Balance, but made clear the spent values per social action or project with the community, so the variable value F will be equal to 1.

If the company spread individually the social actions or projects carried out without identifying the financial values involved, so the variable NF will be equal to 1.

In this report, investments in environmental programs were not considered as social investments to the community.

The relationship level among the variables was represented by the coefficient r of Pearson, varying as presented on the equation 3 and with the following characteristics:

\[-1 \leq r \leq 1 \]  \hspace{1cm} (3)

- The positive signalling ($r > 0$) indicates that the high (or low) values from one of the variables keep relation to high (or low) values of the other variable.

- The negative signalling ($r < 0$) indicates that the high (or low) values from one of the variables keep relation to low (or high) from the other variable.

- The value of the coefficient approximated to zero ($r \approx 0$) indicates that some high values (or low) keep relation to low (or high) values and others keep relation with high (or low) values.

The FIGURE 1, relates the companies of the sample, composed by the 30 most internationalized Brazilian multinational companies, according to the ranking from the Brazilian Society of Transnational Companies Studies (SOBEET, 2008). The classification of sectors followed the same denomination used by SOBEET.

<table>
<thead>
<tr>
<th>n</th>
<th>Company</th>
<th>Sector</th>
<th>n</th>
<th>Company</th>
<th>Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>JBS-Friboi</td>
<td>Food</td>
<td>16</td>
<td>Coimex Trading</td>
<td>International Trade</td>
</tr>
<tr>
<td>2</td>
<td>Odebrecht</td>
<td>Building and Engineering</td>
<td>17</td>
<td>Embraer</td>
<td>Vehicles and Parts</td>
</tr>
<tr>
<td>3</td>
<td>Gerdau</td>
<td>Steel Industry and Metallurgy</td>
<td>18</td>
<td>Marcopolo</td>
<td>Vehicles and Parts</td>
</tr>
<tr>
<td>4</td>
<td>Coteminas</td>
<td>Textile, Leather and Clothing</td>
<td>19</td>
<td>Mahle Metal Leve</td>
<td>Vehicles and Parts</td>
</tr>
<tr>
<td>5</td>
<td>Ibope</td>
<td>Specialized Services</td>
<td>20</td>
<td>DHB</td>
<td>Vehicles and Parts</td>
</tr>
<tr>
<td>6</td>
<td>Vale do Rio Doce</td>
<td>Mining</td>
<td>21</td>
<td>Grupo Brasil</td>
<td>Vehicles and Parts</td>
</tr>
<tr>
<td>7</td>
<td>Sabó</td>
<td>Vehicles and Parts</td>
<td>22</td>
<td>Tupy</td>
<td>Steel Industry and Metallurg</td>
</tr>
<tr>
<td>8</td>
<td>Ambev</td>
<td>Beverages</td>
<td>23</td>
<td>TAM</td>
<td>Transport and Logistics</td>
</tr>
<tr>
<td>9</td>
<td>Metalfrío</td>
<td>Electronics</td>
<td>24</td>
<td>ALL</td>
<td>Transport and Logistics</td>
</tr>
<tr>
<td>10</td>
<td>Artecologia</td>
<td>Chemical and Petrochemical</td>
<td>25</td>
<td>Petrobras</td>
<td>Oil and Gas</td>
</tr>
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<td>11</td>
<td>Marfrig</td>
<td>Food</td>
<td>26</td>
<td>Perdigão</td>
<td>Food</td>
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<tr>
<td>12</td>
<td>Gol</td>
<td>Transport and Logistics</td>
<td>27</td>
<td>Acumuladores Mora</td>
<td>Vehicles and Parts</td>
</tr>
<tr>
<td>13</td>
<td>Camargo Correa</td>
<td>Economic Group</td>
<td>28</td>
<td>Aracruz</td>
<td>Paper and Cellulose</td>
</tr>
<tr>
<td>14</td>
<td>WEG</td>
<td>Mechanical Industry</td>
<td>29</td>
<td>Banco Itaú</td>
<td>Finance</td>
</tr>
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<td>15</td>
<td>Itautec</td>
<td>Technology</td>
<td>30</td>
<td>CSN</td>
<td>Steel Industry and Metallurg</td>
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**FIGURE 1 – THE MOST INTERNATIONALIZED BRAZILIAN COMPANIES**
The statistical program used to the analysis of the data was the *Statistical Package for the Social Sciences* – SPSS.

### 4. DATA ANALYSIS

The TABLE 1, lists the companies from the sample with their respective internationalization levels (GI) and binaries values related to the presence (1) or absence (0) of the variables Social Balance (BS), non-financial information (NF), detailed financial information (F) and level of total evidenciation (Ev).

Only 5 companies (JBS-Friboi, Ibope, Sabó, WEG and DHB), which represented 16.7% of the sample, do not spread any further information about the carrying out of social investments to the community (Ev=0). This fact does not mean necessarily that these companies do not carry out social actions or develop some kind of project with the local community, but the inexistence of specific data about this cannot suppose that they have this social involvement.

On the other hand, 11 companies (36.7% of the sample) presented the maximum evidenciation level (Ev=3) of information about their social investments, so this means that they published Social Balance and made available the financial and non-financial information per social action or project carried out.

It was noticed there still were 9 companies (30.0%) presented only one kind of information about their social investments (Ev=1) and 5 companies (16.7%) showed up information in two considered variables (Ev=2)

<table>
<thead>
<tr>
<th>n</th>
<th>Company</th>
<th>GI*</th>
<th>BS</th>
<th>NF</th>
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### TABLE 1 – COMPANIES AND SECTORS ASSOCIATED TO NEGATIVE EXTERNALITIES

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<th>n</th>
<th>Company</th>
<th>GI*</th>
<th>BS</th>
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</table>

Sources: Elaborated by authors / * Sobeet (2008)
The FIGURE 2, presented the results got in the correlation analysis among the selected variables.

The statistical results got point out a linear and significant association with a negative sign between the internationalization level (GI) and the evidenciation level (Ev), with r=0.59. The value of the correlation coefficient indicates that, the higher is the internationalization level (GI) of the considered companies; the lower will be the informational amount available to the public about the possible actions and social projects developed.

The analysis also revealed that, when considered isolate with the variable GI, the variable F (specific financial information) has the highest value of negative significant correlation (r=-0.617), inferring that the more internationalized is the company, the less detailed information about the possible social investments will be displayed to the public.

The variable BS, which is related to Social Balance, was also considered significant by the used model, with the value of r=-0.468, pointing out with less relational power that the more internationalized is the company, the more frequent will be the diffusion of Social Balance.

Despite the signal of the correlation coefficient is kept negative, the magnitude of the relation of the variable NF (non-financial information) with the variable GI was not considered significant, with r=-0.304.

5. CONCLUSION

The adoption of the socially responsible speech is a fact more and more frequent on corporate managerial life and it is
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Present on formal communications of companies to their investors and stakeholders. Equally, the search for sustainability may integrate the strategic planning of many organizations, considering their three crucial dimensions: the economic, the social and the environmental ones. The Social Responsibility is part, in this way, of organizational sustainability policies, linking itself directly to social actions and projects turned to the local community.

The main target of this report was the investigation about a possible relation between the internationalization degree of Brazilian companies and the evidenciation of information about the level of dependence on the local customer market.

In doing so, it has been correlated the internationalization level (GI) of the 30 companies considered as the most internationalized ones, according to the ranking elaborated by Sobeet (2008), with the evidenciation level of social investments carried out by them to the local communities.

The analysis of the results has answered affirmatively to the research question purposed in the beginning of this study, suggesting that the most internationalized companies would display comparatively a less amount of information about social investments carried out in the local community than the ones which are more dependent on the local customer market.

The fact of some companies do not show up information about possible social actions and projects does not imply necessarily that these institutions do not carry out social investments, but the absence of data can also suppose those investments do not exist or that they do not show up the interest for this kind of investment. This situation rekindle the question discussed by Friedman (1962), Ramanthan (1976), Wood (1991) and other authors about the social role of the company and the kind of involvement of it to the community. In a globalized time, the competitive advantages which stimulate the internationalization and expansion of markets can relativize the influence of the local customers if these ones do not represent a significant piece on profitability of the economic agent. The sustainability speech and the respective social responsibility may be one more piece of social marketing with emphasis on target to influence the customer.

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