

# CHAPTER 1

## INTRODUCTION

### 1.1. Background

It is not a recent development that globalization has emerged as a dynamic mechanism. As a result of its impact on several aspects of life, including economics, social, environmental, and political, our society has long been influenced by it. Globalization, in economic terms, involves the transfer of goods and services across borders, foreign capital transfers, the elimination of tariffs and barriers to commerce, immigration and the spread of technologies and information across borders. Like every source of immense influence, it is the topic of much discussion and dispute.<sup>1</sup> Globalization advances economic betterment with positive effects on social change and job growth, especially in the economic context, since it is powered by free trade.<sup>2</sup>

To put it another way, globalization promotes not just the flow of commodities, but also the movement of capital and labor, which is conducive to the improvement of welfare.<sup>3</sup> As there are massive movements of exchanges in the global business, the companies have to take account of considerable factors. And I would like to emphasize MNCs out of various kinds of firms here because

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<sup>1</sup>Parisa Samimi and Hashem S. Jenatabadi. "Globalization and Economic Growth: Empirical Evidence on the Role of Complementarities". *Plos One*. Accessed February 27, 2021 <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC3982958/>

<sup>2</sup>Daniels, John D, Lee H. Radebaugh, Daniel P. Sullivan, *International Business: Environments and Operations*.(Harlow: Pearson Education Limited, 2013)

<sup>3</sup>*ibid*

the multinational companies are a proxy for the economy as a way of coordinating international exchanges.<sup>4</sup>

Briefly show, the Global diversification and firm (MNCs) success should be favorably linked, according to international business. This is because first, economies are not fully interconnected and thus participation in more than one domestic economy helps to offset regional macroeconomic trends, which are not perfectly aligned. As a result, MNCs could do well in the market because investors respect and reward quality in results.<sup>5</sup> Similarly, a broader distribution across foreign markets decreases the risk level of the corporation's total portfolio of business divisions, which could improve the company's results.

Secondly, foreign diversification will offer cost advantages by helping the company to extend its distinctive expertise and improve the economy of production in the absence of diversification of products. This facilitates cross-subsidization between markets as well. Third, the market flaw hypothesis proposes that multinationals can utilize their home monopoly advantage (e.g., elusive, firm-explicit resources, for example, innovation and brand name acknowledgment) by expanding their global presence. Finally, global diversification will help a business gain market leverage by helping it to arbitrage tax regimes, collect more detailed environmental data, and increase entry

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<sup>4</sup>Hymer, Stephen. "The Efficiency (Contradictions) of Multinational Corporations." *The American Economic Review* 60, no. 2 (1970): 441-48. Accessed February 27, 2021. <http://www.jstor.org/stable/1815843>.

<sup>5</sup>Michel, Allen, and Israel Shaked. "Multinational Corporations vs. Domestic Corporations: Financial Performance and Characteristics." *Journal of International Business Studies* 17, no. 3 (1986): 89-100. Accessed February 27, 2021. <http://www.jstor.org/stable/154935>.

barriers.<sup>6</sup>

MNCS, as well as the companies, are now seeking customers all over the world, not customers in their own country. And as the industries are expanding rapidly, the form of development of productive forces to maximize profit-seeking in MNCs are growing more. Since they are eager for the profit, like all the other companies do, they operate and produce products without considering the environment. The world is linked together as I explained above, and are facing similar problems since they are linked. They are now facing a crisis of resources at the same time as the environmental problems increase. In particular, the issue of climate change is not only causing a series of weather disasters, but also threatening the survival of mankind by shaking the ecosystem order roughly.<sup>7</sup>

As awareness of environmental pollution increases, companies and consumers are increasingly interested in eco-friendly management that cares about the environment and health. In the new era of environmental paradigm, companies should strive to find solutions to environmental problems and environmental regulations, and efficient eco-friendly management that satisfy environmental and economic feasibility at the same time.<sup>8</sup> And nowadays, environmentally sustainable consumption has become a familiar phenomenon.<sup>9</sup> Thus, I find it

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<sup>6</sup>Gomez-Mejia, Luis R., and Leslie E. Palich. "Cultural Diversity and the Performance of Multinational Firms." *Journal of International Business Studies* 28, no. 2 (1997): 309-35. Accessed February 27, 2021. <http://www.jstor.org/stable/155257>.

<sup>7</sup>Sunkyu Noh. "Green growth and eco-friendly management: Understanding and education of new growth engines." (Seoul: Korea Business Management Institute, 2009)

<sup>8</sup>*ibid*

<sup>9</sup>Hanna Kim, Eun-Jung Lee, and Won-Moo Hur. "The Mediating Role of Norms in the Relationship between Green Identity and Purchase Intention of Eco-friendly Products." *Human Ecology Review* 19, no. 2 (2012): 125. Accessed February 27, 2021. <http://www.jstor.org/stable/24707751>.

interesting how the MNCs changed their strategy from less concerning social responsibility (including environmental issues) to focusing corporate social responsibility as well as caring about the environment by looking at some cases of Nike and VF Corporation. In analyzing the green products towards customer purchase behavior, I will also go through several secondary surveys that have been conducted by other researchers.

## **1.2. Research Questions**

Based on the background of this research introduced above, I suggest the following research questions to be answered in the thesis:

1. How Nike and VF Corporation introduce environmental sustainability?
2. Is environmental product affects consumer purchase behavior?

## **1.3. Research Objective**

The objective of this research is to identify the reasons why and how Nike and VF Corporation are using environmentally friendly process, along with producing eco-friendly products, and whether it affects the consumer purchase or not. The research also digs into the consequences of the MNCs that are using eco-friendly management to see whether it is important to have responsibility and either it gives some clear changes towards the way of operating the company. The outcome of this thesis will provide the advantages and perspectives of the firms that act towards the green process as well as bearing social responsibility and the buyer's behavior towards the green products.

#### **1.4. Research Significance**

I hope that the outcome of this research will provide the readers a better understanding of the purpose and the meaning of the eco-friendly process that MNCs use for their performance since this thesis will try to question their motive of using this kind of process. This research will also help the readers to understand how the MNCs use strategies to attract the consumers more than the ordinary way.

This thesis will also touch the surface of the purpose of customers who buy goods that are environmentally friendly, therefore, I hope the readers might broaden the perspective of the relationships between the MNCs using an environment friendly process, consumers and green products.

#### **1.5. Structure of Thesis**

The background, research questions, research aims, and significance of the research are all included in the first chapter of this thesis to provide the reader with a quick and clear overview of what will be explored later in this study.

The second chapter of this thesis will be divided into two parts: literature reviews from earlier books and peer-reviewed journals on themes related to this research, and a theoretical concept to be applied as a framework to explore MNCs changes due to responsibilities and environmental problem as well as the consumer's behavior regarding green products.

The third chapter focuses on the methodology utilized to complete this study, which includes the research method, data collection technique, and data

analysis process for acquiring data for this study.

The fourth chapter, which is the core of this research, is the analyzing of the data that has been collected regarding MNCs including Nike and VF Corporation and environment sustainable process, and the correlation of customers' purchase behavior with green products.

The fifth chapter, which is the conclusion and recommendations, summarizes everything that has been discussed throughout this research. The chapter will also point out some recommendations for future studies of MNCs strategy towards green management.

