AN INVESTIGATION OF CORPORATE RESPONSIBILITY PRACTICES AMONGST MNCs' SUBSIDIARIES IN SRI LANKA:

Implementation and influencing factors

Eshani Samanthi Beddewela

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ABSTRACT

This thesis examines the implementation of Community Corporate Responsibility (CCR) practices among ten subsidiaries of Multinational Corporations (MNCs) in Sri Lanka and the different factors which influence such implementation. Within this context, it specifically focuses on examining the internal factors residing within the MNC as an organisation and those factors which exist outside in the institutional environment of the host country. The study combines three broad theoretical domains: Corporate Responsibility implementation literature, International Business Strategy literature and Neo-Institutional theory. It uses a qualitative research methodology based upon the interview method. Qualitative interview data collected through sixty-two in-depth interviews with managers of the ten subsidiaries and key institutional actors in the host country were analysed using descriptive coding, interpretive coding and conceptualisation to arrive at the findings. The findings showed that non-specialist functional departments were mainly responsible for implementing CCR practices, indicating a lack of strategic and structural integration of CCR practices. The findings reinforces the dominant role of the MNC headquarters in implementing CCR practices within subsidiaries operating in a developing country, indicating that 'power' relationships between subsidiary and parent is an important denominator in internal organisational practices implementation. Furthermore, dynamic and complex relationships were found between the subsidiaries and the Sri Lankan government and other institutional actors indicating the existence of a strategic approach towards legitimisation by subsidiaries, using CCR practices. Based upon these findings, this research proposes the need to conduct future studies across different MNCs and their subsidiaries located in multiple developing countries to further examine the implementation of CCR practices as it would enable public policy makers and business managers to better influence the global CSR of MNCs.

Key Words: Corporate Responsibility, Community Corporate Responsibility, Institutions, Multinational Corporations, Subsidiaries, Legitimacy

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LIST OF ABBREVIATIONS

ACCA	-	Association of Chartered Certified Accountants
CCC	-	Ceylon Chamber of Commerce
CCR	-	Community Corporate Responsibility
CSP	-	Corporate Social Performance
CR	-	Corporate Responsibility
CSR	-	Corporate Social Responsibility
CSI	-	Corporate Social Investment
CRM	-	Cause Related Marketing
EFC	-	Employers Federation of Ceylon
FDI	-	Foreign Direct Investment
FMCG	-	Fast Moving Consumer Goods
GBC	-	Global Business Citizenship
GRI	-	Global Reporting Initiative
HQ	-	Headquarters
ILO	-	International Labour Organisation
IUCN	-	International Union for the Conservation of Nature
KPIs	-	Key Performance Indicators
MDGs	-	Millennium Development Goals
MNC	-	Multinational Corporations
NCED	-	National Centre for Economic Development
NGO	-	Non-Governmental Organisations
NPO	-	Not-for-profit Organisations
OECD	-	Organisation for Economic Co-operation and Development
PPPs	-	Public Private Partnerships
SADP	-	Sustainable Agricultural Development Programme
SCCR	-	Strategic Community Corporate Responsibility

UN	-	United Nations
UNCTAD	-	United Nations Conference for Trade and Development
UNGC	-	United Nations Global Compact

Chapter 1: Introduction

1.0 Overview

This opening chapter provides an overview of the thesis. It discusses specific issues, including the aims of the research and the rationale for undertaking it, the main research questions, the research setting and design, the empirical and practice-based contributions and their implications. It concludes with an overview of the different chapters.

1.1. The Research Aims and Rationale

The thesis deals with an important area of business management literature related to the management of Corporate Responsibility (CR) practices (or Corporate Social Responsibility) of Multinational Corporations (MNCs). Following an analysis of definitional constructs for CR (See Appendix I), it was defined for the purpose of this thesis as follows:

> "Corporate Responsibility of a business organisation is the achievement of social, economic and environmental objectives simultaneously while ensuring the long-term sustainability of the business and fulfilling the business's responsibilities towards multiple stakeholders."

As such, CR practices typically represent the continuing commitment by an organisation to behave ethically and contribute to economic development, while improving the quality of life of the employees and their families as well as of the local community and society at large. Due to its very nature, CR is multi-dimensional and activities labeled as 'corporate responsibility' varies from involvement with communities (Grayson, 1993; Muthuri, 2008; Seitanidi and Ryan, 2007) to establishing environment management systems (Ingram and Frazier, 1980; Rondinelli and Berry, 2000; Rondinelli and Vastag, 1996). Corporate responsibility is “not a single comprehensive activity but rather a bag consisting of many different activities that an organisation can select among” (Lindgreen *et al.,* 2009*:* 252). The focus of this thesis is on one key aspect of CR practices: Community Corporate Responsibility (CCR). CCR is the firm’s involvement with communities and has been defined in this thesis as follows:

> “Community Corporate Responsibility is a business organisation’s engagement with its community stakeholders to fulfill its responsibilities towards them.”

CCR is also known as corporate community involvement and community engagement within broader social responsibility literature. CCR herein involves firms responding to community stakeholders’ issues by using different methods of implementation such as corporate philanthropic donations, event sponsorships and capacity building projects. This thesis examines CCR practices and *not* specific CCR projects. **CCR practices** refers to the entire activity or business practice of CCR and **CCR projects** to individual/specific projects which are used as an implementation method when implementing the broader CCR practice within the subsidiary.

Within this context, the primary aim of this research study was:

> “To explore the implementation of Community Corporate Responsibility practices of MNC subsidiaries operating in a developing country”

The rationale for the above mentioned research aim and more broadly the resultant research itself is examined next.

The first rationale is the importance of CCR as an organisational practice. Implementing viable CCR practices could bring a host of benefits to organisations. It could help in attracting and retaining high quality employees (Greening and Turban, 2000; Turban and Greening, 1997), generating a positive corporate image (Smith, 2007), establishing a positive impact on the firm's financial performance (Aupperle *et al*., 1985; Benjamin *et al*., 2005) and influencing the perceptions that the organisation's customers have of the business (Du *et al*., 2007; Sen *et al.*, 2006). Therefore, CCR is recognised as being central to core business activities, has been shown to constitute a significant proportion of firms' CR expenditure and can vary across firms based upon their line of business (Brammer and Millington, 2003). However, research on CCR practices implementation still remains scarce (Lindgreen *et al.,* 2009). As eloquently stated by Bird and Smucker (2007:1), "if we assume that business firms should be socially responsible, in what ways should this be exercised?" Specifically, practitioners of CR lack guidance on various CCR implementation issues including its management, integrating its implementation within the organisational structure, measuring the outcomes of its implementation and communicating about CCR (Maon *et al*., 2009).

The second rationale is the need to understand the CCR practices of MNCs' subsidiaries operating in developing countries. Globalization and the disintegration of national and regional boundaries have meant that the operations of MNCs are now spread across the world. According to the United Nations Conference on Trade and Development (UNCTAD), the world's nearly 70,000 MNCs added 16 trillion dollars in value in 2010, comprising about a quarter of the whole world's Gross Domestic Product (UNCTAD, 2011). Foreign subsidiaries of these MNCs further accounted for more than one-tenth of global GDP and one-third of world exports (*Ibid*). The growing trend of increased inward foreign direct investment by MNCs in developing countries, has focused the world's attention on the consequences of their actions (Scherer *et al*., 2009), specifically intensifying calls for greater scrutiny of their CCR practices (Mohan, 2006; Rondinelli, 2007). The extent and level of CCR practices (and more broadly CR practices), being implemented by MNCs operating in developing countries has been debated amongst scholars. Some argue that propelled by global institutional and stakeholder pressures, MNCs are engaging ever more in CCR (Christmann, 2004; Cruz and Boehe, 2010). While others are more sceptical about these positive aspects and tend to emphasise the negative effects of MNC operations in developing countries, such as sourcing labour below subsistence pay levels, environment pollution and fostering substandard working conditions taking advantage of poor social and environmental regulations in developing countries (Baskin, 2006; Donaldson, 1982; Prout, 2006).

Therefore it is not only important to understand the nature and scope of MNC subsidiaries' social responsibility activities in developing countries, but to focus specifically on CCR, as it is closely linked with the communities in these countries. Previous research has confirmed that Corporate Social Responsibility (CSR) in most developing countries (typically the western conceptualisation of CSR) is introduced by MNCs (Mijatovic and Stokic, 2010) and that MNCs are more likely to adopt CSR than companies operating solely in their home country (Chapple and Moon, 2005). It raises a question about the degree of local adaptation or localization which occurs in CCR practices transferred to MNC subsidiaries, specifically those operating in developing countries. Developing countries provide a socio-economic and cultural context which is different from developed countries. As such, CCR practices implemented in developing countries should ideally be different to cater to the socio-economic needs of community stakeholders (Jamali and Mirshak, 2007; Uwem, 2004). Therefore, investigating how subsidiaries implement CCR would provide an understanding of whether the different CCR projects which are being implemented by subsidiaries are actually localized and are focused towards fulfilling their social responsibilities towards developing country community stakeholders.

The third issue which underpins the research aim of this study is the importance of understanding *what* influences the implementation of CCR practices of MNC subsidiaries. There are different perspectives on whether MNCs should develop centrally coordinated and standardised CCR practices or allow their subsidiaries to localise the practices (Muller, 2006; Weyzig, 2006; Peng and Lin, 2008). In the case of the former, it would mean that the implementation of CCR practices at subsidiary level would be tightly controlled and influenced by the parent company's head office (Muller, 2006). In the case of the latter, MNCs would allow subsidiaries to develop localised CCR practices which might be better suited to the unique cultural and other contextual factors of the host country. In such instances subsidiaries would have greater autonomy over the implementation of CCR practices (*Ibid*). On the other hand, subsidiaries are also influenced by local institutional actors in their quest to obtain legitimacy for their operations (Deephouse and Suchmann, 2008; Geppert and Williams, 2006). Therefore, internal organisational practices of subsidiaries (such as human resource management, advertising and CCR) could be influenced by a range of internal and external organisational, institutional and other factors. However, so far it remains unclear as to the state of CCR practices at subsidiary level and how these are affected by the actual parent-subsidiary relations in a multinational context (Muller, 2006; Chapple and Moon, 2007). This deficiency in research pertaining to CCR practices implementation at subsidiary level within MNCs underpins the need to conduct an in-depth study investigating their implementation of CCR practices.

The rationale for this study could further be explained by looking at other reasons as to why this study should be carried out: It is important for both public policy makers and other business organisations to understand how global, regional or local policies for CCR practices are actually integrated into the broader business strategies of MNCs and their subsidiaries. This would enable public policy makers to bring about effective public policy changes. Business organisations (i.e local and multinational) could also use new learning related to the internal implementation of CCR practices to adopt similar practices or further develop their existing CCR practices. Since CCR practices could have the ability to significantly influence the social welfare of people in developing countries, it is most important to examine how global businesses are addressing this area through their CR practices (Bird and Smucker, 2007).

Having examined the research aim and rationale the next section looks at the literature underpinning the three research questions of this study.

1.2. Research Questions and Literature

The overall research aim of this study was 'to explore the implementation of Community Corporate Responsibility practices of MNC subsidiaries operating in a less developed country'. In order to achieve this aim, three main strands of literature were reviewed and three research questions were derived.

Research Question I: 'How do subsidiaries of MNCs implement Community Corporate Responsibility practices?'

The first research question directly addresses the need to examine the policies, management processes and implementation methods which support the implementation of subsidiary CCR practices. *Implementation* for the purposes of this study was given a broader definition and was defined as "the organisational effectuation of decisions and policies related to the development and realisation of a CR practice" (Epstein, 1989: 30). The review of literature showed three different approaches related to CCR practices implementation: corporate social performance approaches (See Carroll, 1979; Wood, 1991a; Wartick and Cochran, 1985), codes of practice and global standard based approaches (Blowfield, 2004; Howard *et al.*, 2000; Ghisellini and Thruston, 2005; Kaufman *et al*., 2004; Leisinger, 2003) and practice-based approaches (Khoo and Tan, 2002; Cramer, 2005; Maignan *et al*., 2005, Werre, 2003; Maon *et al*., 2009; Perrini and Minoja, 2008).

The review of literature established that there were shortcomings in using practice- based approaches to understand the implementation of CCR practices, such as the focus on limited aspects of CR (See Maignan et al., 2005), lack of explanation pertaining to integration of CCR within organisational strategy and structure

(Bhattacharya, 2010; Smith, 2007) and the failure to explain how prioritisation occurs for CCR prior to its implementation and the specific processes and policies underlying such implementation (Godfrey and Hatch, 2007). The codes and standard based approaches too were found to be deficient in providing an understanding of the holistic process of CCR practices implementation (Wood and Rimmer, 2003; Svensson and Wood, 2008). As such, the corporate social performance theory was used in this study to examine the implementation of CCR practices, by adopting a 'principles-processes-outcome' approach (Wartick and Cochran, 1985; Wood, 1991a).

Research Question II: 'What internal factors influence the implementation of Community Corporate Responsibility practices within subsidiaries of MNCs?'

This research question examines the internal factors influencing CCR practices implementation within subsidiaries. As such, it specifically focuses on further understanding the subsidiary – MNC headquarters (HQ) relationship and its influence on subsidiary CCR practices implementation. Subsidiaries of MNCs are faced with a fundamental dilemma in relation to managing their organisational practices, which is whether they should follow the same practices of its head office or whether they should localise their organisational practices (Doz and Prahalad, 1984). This 'integration-responsiveness' problem has created a complex relationship between subsidiaries and their MNCs. As such, each headquarters-subsidiary relationship is unique in terms of the levels of integration and responsiveness and the related mechanisms of control used to manage it (Ghoshal and Nohria, 1994). Two key aspects of this relationship were examined through extant literature to identify internal factors which could influence CCR practices implementation: the influence of the role of the subsidiary and the use of mechanisms of control to manage this relationship and its complexities.

Pertaining to the role of the subsidiaries, the literature indicated the presence of different roles for subsidiaries within the MNC network (See Bartlett and Ghoshal, 1990; Roth and Morrison, 1992; Birkinshaw and Morrison, 1995; Jarillo and Martinez, 1991; Birkinshaw and Fry, 1998; Birkinshaw and Hood, 2001; Gupta and Govindarajan, 1994). As such, the overarching role of the subsidiary could be a decisive factor in influencing CCR practices implementation within subsidiaries. The subsidiary's role could decide whether it would have more power and control in making decisions pertaining to the implementation of CCR practices. This would be dependent on the subsidiary's resource ownership, role determination and its level of autonomy as well as the different mechanisms of control used by the HQs.

Pertaining to the use of control mechanisms, the literature review showed that the subsidiary–MNC HQ relationship is managed by utilising three key control mechanisms consisting of centralization, formalization and normative integration (Ghoshal and Nohria, 1989; Roth *et al.,*1991) as well as control and coordination (Cray, 1984; Mendez, 2003; Epstein and Roy, 2006; Egelhoff, 1984; Precott, 2003; Ferner *et al.*, 2004; Hennart, 1991). The review of literature also showed that subsequent empirical research studies have concluded MNCs do tend to standardise (integrate) other CR practices, such as environment management, through the utilisation of different types of control mechanisms discussed above (See Brammer *et al.*, 2006; Epstein and Roy, 2006), but how these control mechanisms would *influence* the implementation of CCR practices at subsidiary level is not yet being researched (Gnyawali, 1996; Meyer, 2004).

Research Question III: 'What external factors influence the implementation of Community Corporate Responsibility practices within subsidiaries of MNCs?'

The third and final research question looks at the factors in the institutional environment of the host country which could influence the implementation of subsidiary CCR practices. To further understand these external factors, Neo-Institutional literature was reviewed as neo-institutionalists have long recognised that MNCs are faced with multiple institutional pressures (Westney, 2005) and that establishing legitimacy in multiple host environments is a key issue for MNCs (Kostova and Zaheer, 1999). Accordingly, subsidiaries may have to conform to the formal rules and unwritten norms of specific institutional contexts (i.e internal and external) both for efficiency and legitimacy (Kostova and Roth, 2002). Since CCR practices of MNC subsidiaries *are* contextualised by national institutional frameworks (Matten and Moon, 2008), they may have to implement CCR practices which are less self-interested and are more acceptable or 'legitimate' within the host country. Two key perspectives of Neo-Institutional theory were examined within the literature: first, the issue of legitimacy within Neo-Institutional theory and its relevance for MNCs, especially within the context of CCR practices implementation; second, the agency-structure debate and its underpinning arguments with specific focus on how it could be applied in understanding the implementation of CCR practices by MNC subsidiaries in a developing country context.

The literature review showed that legitimacy was addressed in Neo-Insitutional theory mainly from two broad approaches: the first, is the institutional approach to legitimacy (Di Maggio and Powell, 1983; Powell and Di Maggio, 1991; Meyer and Rowan, 1983), emphasizing how constitutive societal beliefs become embedded in organisations; the second is the strategic approach to legitimacy propagated initially by Pfeffer (1978) and more recently by Oliver (1991), Ashforth and Gibbs (1990) and Suchman (1995) emphasising how legitimacy can be *managed* to help organisational goals. The review of literature also highlighted the importance of not underestimating the role of managerial agency in responding to legitimacy structures prevalent within the institutional environment when examining CCR practices implementation by MNC subsidiaries. This agency-structure debate was examined by looking at institutional control and institutional agency as posited by Lawrence (2010).

1.3. The Research Setting and Methodology

Having discussed the aim of this study and the main literature underpinning its research questions, this section will briefly introduce the research setting of the current thesis (a detailed discussion is presented in Chapter 3). The research focus of the study is subsidiaries of MNCs operating in a developing country. It was decided to locate this study in Sri Lanka, a developing country in South Asia. Sri Lanka was chosen for a number of reasons. First, Sri Lanka has one of the most liberalised economies of South Asia and leads the region in terms of human development indicators, with its high literacy rate of 95.7% placing it far ahead of other South Asian nations and on par with those of South East Asia (Board of Investment-Sri Lanka, 2010). These factors have made Sri Lanka an attractive destination for foreign direct investment (FDI) in South Asia (Central Bank of Sri Lanka, 2010). The FDI in Sri Lanka is composed of investment made by the United States, the United Kingdom and Asian and South East Asian countries such as Japan. While there are around 90 US-based Multinationals (including Fortune 500 companies) operating in Sri Lanka with an estimated investment of US$ 500 million, the United Kingdom is one of Sri Lanka's major investors, ranking first in terms of foreign direct investment from the European Union (Board of Investment – Sri Lanka, 2010). Sri Lanka also has FDI from Asian countries such as China, India and Japan. This mixed composition of MNC subsidiaries from a diverse range of countries would enable wider comparison of subsidiaries across industries, for the purposes of this study. Although the concentration on a single host country as opposed to a range of host countries may minimise the strengths of comparative investigation, it is expected to ensure minimisation of host country effects on this study’s results.

Second, Sri Lanka has demonstrated an increasing awareness of CR in recent years, mainly due to it being promoted by professional bodies such as the Association of Chartered Certified Accountants (ACCA) and trade associations such as the Ceylon Chamber of Commerce (CCC). However, there is no statutory requirement in Sri Lanka for private nor public sector companies to engage in CR and more specifically CCR. As such, Sri Lanka presents a unique context where the voluntary CR of private sector (especially public-listed) companies has been steadily increasing (albeit at a very embryonic stage) amidst a vacuum of regulatory pressures for CSR. Nevertheless, whether subsidiaries of MNCs operating in Sri Lanka have adopted this pattern of increased engagement in voluntary CR and more specifically CCR is unclear and so are the internal and external factors which may influence the implementation of CCR practices by these subsidiaries.

Third, the extant CCR research in Sri Lanka itself is minimal and has been limited to large scale surveys (International Alert, 2005; Rathnasiri, 2003) which are argued to be weak in two key aspects. Firstly, the grouping of MNC subsidiaries and local companies together to denote the total private sector companies in Sri Lanka is argued to be ineffective, as there are significant differences in the management practices of local firms and subsidiaries of MNCs (Muller, 2006; Epstein and Roy, 2006). Secondly, large scale opinion surveys do not provide a 'holistic' understanding of CR and are thus limited for investigating CCR practices. Therefore, taken together, Sri Lanka presents a context where voluntary CCR practices of companies have been increasing but overall remain at a very embryonic stage. None of the previous studies have paid particular attention to the CCR practices of Sri

Lankan based MNC subsidiaries and as such how CCR practices are addressed by these subsidiaries and implemented internally remains unexplored.

The research design: How was the research conducted?

A qualitative research incorporating an interview method research design has been employed together with qualitative data analysis, comprising of descriptive, interpretive coding and conceptualisation. The reasons for this choice are briefly discussed here (See Chapter 3 for a detailed discussion related to the methodology of the research). First, since the use of qualitative research interviews enables the researcher to cover both a ‘factual’ and a ‘meaning’ level (Easterby-Smith et al., 2012; Saunders et al., 2012; Kvale and Brinkman, 2009), it assisted this research by enabling the researcher to obtain in-depth and explicit descriptions of CCR practices, specifically focusing on its internal implementation and multiple factors influencing it by using in-depth interviews to collect the relevant data. Secondly, qualitative interviews also allowed the interviewer to focus the interview on particular themes which relate to the phenomenon being investigated (Kvale and Brinkman, 2009). Furthermore, by using probes, in-depth answers allowing the knowledge which is with the interviewee could be brought forth (Ritchie et al., 2011). As such a suitable way to achieve this need for in-depth qualitative data was to carry out in-depth interviews, as compared to large-scale surveys or structured interviews.

Thirdly, existing research into various aspects of CCR mostly follow the positivist, quantitative methodologies (For example see Arlow and Gannon, 1982; Harrison and Freeman, 1999) which do not provide high quality access to the data nor provide an in-depth understanding of the research problem. Finally, this research study also addresses the calls for more qualitative research to be used in International Business research (Wright, 1996 as cited in Marschan-Piekkari and Welch, 2004).

As such, the interview method study design utilised for this study enabled the researcher to gain high quality access to ten subsidiaries of MNCs operating in Sri Lanka. For example, during six months of data collection, fifty-two in-depth interviews (duration ranging from 30 minutes to 90 minutes) were conducted with subsidiary managers directly or indirectly involved with the implementation of CCR. A further ten in-depth interviews (duration ranging from 45 minutes to 60 minutes) were conducted with ten institutional actors from institutions within the host country which were in a position of influencing the CCR practices of subsidiaries operating in Sri Lanka. All of these sixty-two interviews were transcribed verbatim. A total of forty documents were collected from the subsidiaries and seventeen documents were collected from the institutional actors which were utilised to further enhance the researcher's understanding of CCR practices implementation within these subsidiaries. A rigorous and systematic coding procedure comprising of descriptive, interpretive coding and conceptualisation as advocated by King and Horrocks (2011), was followed to analyse the interview data. Inductively, the 216 descriptive codes were then reduced into dozens of interpretive codes, the most significant of which were then theoretically integrated into generating three important conceptual patterns. Two of these patterns explained the internal implementation of CCR within the ten subsidiaries and the third pattern explained how subsidiaries of MNCs gained external legitimacy from institutional actors in the host country.

Nevertheless, the use of the interview method is not without limitations. Such research designs have been criticised as producing idiosyncratic findings which lack generalisability (Charmaz, 2006: Stake, 2005). Other shortcomings such as the time taken to carry out these studies and the inability to gain proper access to data have been emphasised. Furthermore, the study does not by its very methodology support the possibility of obtaining empirical generalisation through its findings. This is because in order to ensure empirical generalisation data needs to be collected from a large sample. The objective of this research was therefore to ensure analytic generalisation which can be achieved through the examination of a smaller number of subsidiaries, in-depth, so that potential theoretical frameworks could be developed to explain the complex social reality being investigated.

Ensuring the quality of the research design

In order to uphold the quality of this research design, the tests of reliability and validity was measured by using the alternative criteria proposed by Guba and Lincoln (1985) consisting of credibility and transferability (i.e internal and external validity), dependability (i.e reliability) and confirmability (objectivity).

Credibility was achieved by ensuring quality access, maintaining detailed records and by establishing a chain of evidence. Transferability was addressed by acknowledging the different biases which may have occurred throughout this research and by providing details related to all aspects of the research. Dependability which replaces reliability based upon Guba and Lincoln’s (1985) trustworthiness criteria was demonstrated by structuring the data analysis through multiple stages and thus ensuring the robustness of the research findings. Confirmability, was addressed in all aspects of the data collection, with actual evidence of data collected and the data analysis being provided within this thesis.

1.4. Research Findings and Contributions

The findings of this research mainly have empirical contributions with some theoretical and practice-based contributions.

Empirical contributions to research gaps

The review of three main domains of literature identified three empirical research gaps which are briefly summarised below followed by a short overview of the anticipated findings and contributions of this thesis.

Research Gap One

At present, although empirical research has examined different CR practices of MNCs and their affiliates (See Maignan and Ralston, 2002; Mohan, 2006; Rondinelli and Berry, 2000; Welford, 2004, 2005), there is a paucity of research examining the internal implementation of CCR practices within MNC subsidiaries. Furthermore, CR research within Asia is more significantly under researched. Most CR research in Asia to date has focused on environment issues (Perry and Singh, 2002 as cited in Lee, 2007), and studies of comparative CR practices have been based on surveys dealing with the existence of firms' written policies (See Welford, 2004, 2005) or the perceptions of managers about corporate CR practices (See Naeem and Welford, 2009; Balasubramanian *et al*., 2005; Ahmad, 2006; Rathnasiri, 2003; Mohan, 2001; International Alert, 2005). Fulfilling this research gap would also sustain calls for more empirical understanding of CR as an overall organisational practice in order to propagate a unified theory on corporate responsibility (See Matten and Moon, 2008; Lockett *et al*., 2006; Godfrey and Hatch, 2007; Griffin, 2000).

The findings pertaining to 'how' CCR practices are implemented in subsidiaries showed that primarily these practices are controlled by the MNC head offices. In relation to specific implementation issues, the findings showed that CCR practices are being implemented primarily to achieve business objectives and the attainment of social objectives is considered to be secondary. Furthermore, the subsidiaries implemented CCR practices *not* as a strategic business activity and hence showed a lack of commitment towards its sustained implementation, which was emphasised by the lack of written CCR policies. The findings also showed that due to this lack of strategic focus there was an absence of structural and procedural integration of CCR within the majority of the subsidiaries.

These findings collectively contribute towards extending our knowledge on the internal implementation of CCR practices within MNC subsidiaries. The findings also fulfill the gap in extant empirical research pertaining to a lack of research examining the internal implementation of CCR practices within MNC subsidiaries operating in Asia.

Research Gap Two

Empirical literature examining the subsidiary-parent relationship has not specifically focused on how aspects of this relationship, such as the use of control mechanisms and decision-making, would be internal influencers on the implementation of subsidiary CCR practices. The few studies which have examined how internal pressures are manifested when implementing CR have established that MNCs tend to localise CCR (Muller, 2006; Mohan, 2006). Furthermore, an extensive review of literature (Cray, 1984; Husted and Allen, 2006; Epstein and Roy, 1998; Brammer *et al*., 2006) also identified a dearth of research studies examining the use of control mechanisms by MNCs to manage the implementation of CCR practices of their subsidiaries.

The findings showed that key decisions related to the implementation of subsidiary CCR practices are taken at either the global HQ or the regional HQ of the MNC. As such, the MNC-subsidiary relationship in relation to CCR practices is dominated by powerful MNCs, who are implementing a global CCR agenda across their subsidiaries. In relation to the use of different control mechanisms, the findings showed that the MNCs mostly used centralization, formalization and coordination. This has resulted in making CCR a routinised organisational practice. Although normative integration/shared values were used, evidence was not found of an established organisational culture supporting CCR within the subsidiaries.

These findings contribute towards extending extant empirical knowledge in International Business research in two key aspects: the influence of the subsidiary-parent relationship on subsidiary CCR practices implementation and the use of control mechanisms within this context. The routinisation of CCR practices through the use of control mechanisms and the implementation of a globally standardized CCR agenda within subsidiaries make an important contribution to the knowledge on MNCs' internal management of CCR practices globally. Furthermore, the increasingly regional concentration of power for decision-making within MNCs discovered in the findings adds further empirical support for extending the present thesis on regionalisation within the International Business literature (Rugman, 2003; Rugman and Coiteux, 2003).

Research Gap Three

The review of extant empirical research within Neo-Institutional literature, highlighted the dearth of empirical research examining the influence of institutional pressures on implementing CCR practices (Selekler-goksen and Yildirim Oktem, 2009; Judge *et al*., 2008; Mason *et al*., 2007; Seal, 2006; Zhang and Dhaliwal, 2009; Hoffman, 1999; Bansal and Clelland, 2004; Jennings and Zandbergen, 1995) and the issue of using CCR practices as a legitimacy-seeking strategy (Palazzo and Richter, 2005; Trullen and Stevenson, 2006). Although in a recent study Castello and Lozano (2011) have tried to address this gap to a certain extent, their study does not specifically examine subsidiary CCR practices implementation.

The findings show that the subsidiaries interact with key institutional actors in the host country through their CCR practices. Most importantly, the subsidiaries use CCR practices strategically as a tool for gaining legitimacy, specifically from the central government. This shows the existence of managerial agency to gain strategic legitimisation through CCR practices. Furthermore, these findings contribute towards understanding multiple institutional pressures/relationships and the particularity of the local institutional context as well as the potential of CCR as a viable legtimisation strategy within organisations (Jamali and Neville, 2011)

These findings offer valuable contributions to extant research which have confirmed the effect of institutional influences on various CR practices (Campbell, 2007; Tsai and Child, 1997; Delmas and Toffel, 2004). Furthermore, the insights gained into legitimisation of subsidiaries through CCR practices also contribute towards extending the existing knowledge in this area (Kostova and Zaheer, 1999; Suchman, 1995), especially the strategic approach to legitimisation (Oliver, 1991; Suchman, 1995). It is obvious from the findings that passive conformity to institutional pressures in relation to CCR practices does not occur within these subsidiaries and, as such, these insights contribute towards calls to explore the existence of managerial agency in responding to legitimacy structures related to CSR (Galbreath, 2010).

1.5. Structure of the thesis

Having discussed the overview of the thesis, its composition in terms of the structure of chapters with a brief synopsis of each is presented next. Overall the thesis comprises of seven chapters.

Chapter Two

This chapter reviews pertinent literature related to the implementation of CCR practices in subsidiaries of MNCs. It examines three main strands of literature. It first reviews CR implementation literature related to corporate social performance approaches (See Carroll, 1979; Wood, 1991a; Wartick and Cochran, 1985), codes of practice and global standard-based approaches (Blowfield, 2004; Howard *et al.*, 2000; Ghisellini and Thruston, 2005; Kaufman *et al*., 2004; Leisinger, 2003) and practice-based approaches (See Khoo and Tan, 2002; Cramer, 2005; Maignan *et al*., 2005, Werre, 2003; Maon *et al*., 2009; Perrini and Minoja, 2008). The critical analysis of CSP theory showed that its key elements could be adopted to provide a conceptual basis for collecting data related to CCR practices implementation.

Second, the chapter examines International Business literature specifically focusing on the subsidiary–MNC HQ relationship and its influence on subsidiary CCR practices implementation. Two key aspects of this relationship are examined: the influence of the role of the subsidiary (Bartlett and Ghoshal, 1990; Roth and Morrison, 1992; Birkinshaw and Morrison, 1995; Jarillo and Martinez, 1991; Birkinshaw and Fry, 1998; Birkinshaw and Hood, 2001; Gupta and Govindarajan, 1994) and the use of mechanisms of control (Ghoshal and Nohria, 1989; Roth *et* *al.*,1991; Cray, 1984; Mendez, 2003; Epstein and Roy, 2006; Egelhoff, 1984; Ferner *et al.,* 2004; Hennart, 1991) to manage this relationship and its complexities.

The third domain of literature reviewed is Neo-Institutional theory, specifically the issue of legitimacy within Neo-Institutional theory. As such, the institutional approach to legitimacy (Di Maggio and Powell, 1983; Powell and Di Maggio, 1983; Meyer and Rowan, 1983) and the strategic approach to legitimacy (Pfeffer, 1978; Oliver, 1991; Ashforth and Gibbs, 1990; Suchman, 1995) together with the 'agency-structure' debate (Lawrence, 2010) were reviewed with specific focus on how these could influence the implementation of CCR practices by MNC subsidiaries in a developing country context.

Collectively the literature reviewed in this second chapter establishes that while there are theoretical conceptualisations of *how* CCR practices could be implemented within subsidiaries of MNCs, there are very few empirical studies (Mohan, 2006; Muller, 2006; Bondy, 2008; Pirsch *et al.*,2007) which examine these aspects related to CCR. The chapter concludes with a presentation and discussion of the conceptual framework which underpinned this study.

Chapter Three

A detailed examination of the qualitative research methodology underpinning this research and the related methods of data collection and analysis are discussed in this chapter. As such a detailed overview of the interview method, following the seven stages of its application in research proposed by Kvale and Brinkman (2009:102), has been carried out in this chapter. A detailed overview of the issues encountered during the data collection stage when conducting in-depth interviews is discussed together with details related to the analysis of the data which was conducted using a four-stage rigorous coding process (data reduction, descriptive-coding, inductive coding and conceptualisation). This chapter concludes with a discussion about how academic rigour was maintained during this study.

Chapter Four

Chapter 4 will present two patterns of implementation derived from the in-depth analysis of the data collected from the ten subsidiaries. In the first part of this chapter, the non-market-related CCR practices implementation pattern is presented and discussed with supporting evidence from the in-depth interviews and the documentary analysis. The second part of the chapter examines the market-related CCR practices implementation pattern followed by a discussion of its key components supported by empirical data collected from the study. The latter section of this chapter discusses the findings related to the implementation of CCR with extant literature (both theoretical and empirical). The discussion here provides new insights into the implementation of CCR practices showing how the MNC HQs use their power over the subsidiaries to implement a global CCR agenda. This chapter concludes with the presentation and discussion of the Strategic CCR implementation framework which was derived from the findings of this research study and shows how CCR practices could be strategically aligned and thus mainstreamed within subsidiaries of MNCs.

Chapter Five

Chapter 5 presents findings related to internal factors which influence the implementation of CCR practices of subsidiaries operating in Sri Lanka. The chapter examines in detail the subsidiary–MNC HQ relationship in relation to market-related and non-market-related CCR practices. It examines how the MNCs manage the implementation of CCR practices implementation, using a range of control mechanisms to ensure that a MNC HQ decided CCR practice is implemented across most of the subsidiaries. It further discusses these findings within the context of extant literature.

Chapter Six

This chapter examines the interactions between the subsidiaries and the host country institutional actors in relation to the implementation of CCR practices. It presents an external legitimisation framework which shows how the subsidiaries are utilising different patterns of legitimisation. Each of these patterns are examined within the context of the findings and discussed in relation to strategic and institutional approaches to legitimacy.

Chapter Seven

This chapter provides a reflective overview of the thesis. It summarises the research examining the research context, its findings and provides an overview of the empirical and practice-based contributions of its findings. This is followed by a detailed examination of its limitations and a summary of its scope for future research. As such, it provides a synopsis of the key areas addressed in the research and thereby enables the reader to gain a summarised view of the entire thesis and its contributions.

Chapter Eight

This final penultimate chapter brings each aspect of the research study together and provides a protracted discussion of its contributions and future research. It first provides an overview of the main aspects of the research focusing upon the literature reviewed, identified research gaps, the resultant research questions, key focus areas examined through the conceptual framework, the main findings and the resultant contributions to knowledge. It then comprehensively discusses the contributions of this research study and potential future research directions.

1.6. Summary

This chapter has presented an overview of the thesis. The present study is intended to explore the implementation of CCR practices within subsidiaries of MNCs operating in a developing country. This has been highlighted as an important area to be researched in extant literature. Incorporating three key strands of literature, this study adopts a qualitative interview method as its research strategy. Using NVivo 8 software, a detailed analysis of the qualitative data was carried out using descriptive and interpretive coding and generating conceptual categories. The current study and its resultant frameworks of implementation have empirical implications for both Corporate Responsibility and Neo-Institutional theory and the management of CCR within subsidiaries of MNCs.

Chapter 2: Review of Literature

2.1 Overview

This research study has been based upon three key areas of literature. The following chapter provides a critique of this extant literature. It first examines literature related to Corporate Responsibility and Community Corporate Responsibility. Within this review, the focus is laid upon understanding the implementation of CR practices, specifically CCR practices within business organisations. The chapter then critiques International Business strategy literature to understand the relationship between subsidiaries and their headquarters and the mechanisms of control adopted by MNCs to manage this relationship. Section three critiques Neo-Institutional theory by looking at the concept of legitimacy and the agency-structure argument in relation to the implementation of CCR practices within MNC subsidiaries. The literature review concludes with a review of empirical research which has been carried out within Asia related to CCR practices implementation. Throughout this review of literature existing empirical research gaps are highlighted, as the key contribution of this thesis is to empirical research. The chapter then concludes with a presentation and discussion of the conceptual framework derived from the above-mentioned areas of literature.

2.2 Corporate Responsibility Literature

2.2.1 An overview of Corporate Responsibility implementation

The fundamental idea embedded in corporate responsibility is that business organisations have an obligation to work for social betterment (Frederick, 1994). The implementation of corporate responsibility has been examined from the perspective of diverse theoretical approaches (See Garriga and Mele, 2004; Secchi, 2007). These include for instance, stakeholder theories of CR (See Freeman, 1984; Freeman and Gilbert, 1988; Clarkson, 1994), social issues management theories (See Ackerman and Bauer, 1976; Sethi, 1979; Nigh and Cochran, 1987), corporate social performance approaches (See Carroll, 1979; Wood, 1991a; Wartick and Cochran, 1985), codes of practice and global standard-based approaches (Blowfield, 2004; Howard *et al*., 2000; Ghisellini and Thruston, 2005; Kaufman *et al*., 2004; Leisinger, 2003) and more recent practice-based approaches (See Khoo and Tan, 2002; Cramer, 2005; Maignan *et al*., 2005, Werre, 2003; Maon *et al*., 2009; Perrini and Minoja, 2008).The practice-based approach has contributed towards the implementation of CCR practices by emphasising the need for these practices to be integrated into the business management framework of an organisation, thus mainstreaming CCR.

The stakeholder view of CR considers it important that business organisations fulfil their social responsibilities towards *all* stakeholders who contribute to the achievement of business goals (Sachs *et al*., 2006). Collectively, both the stakeholder and social issues management approaches to CR examine either different stakeholder issues or societal issues as a set of specific responsibilities that need to be fulfilled by a business organisation. According to Wood (1991a) social issues management "involves devising and monitoring internal and external processes for managing a company's responses to social issues with the purpose of 'minimizing surprises' " (Wood, 1991a:706). Therefore, each of the issues that are identified by an organisation evolve gradually within the organisation and once they are solve' then the business organisation has to focus on a different set of issues. The key weakness in these two approaches is that they do not recognise that it is difficult to contain the scope of an organisation's CR practices to a set of specific stakeholder and/or social issues. Organisations may have to involve themselves with CR practices not because the practices have been identified as social issues or stakeholder issues, but because of business needs, such as enhancing the organisations' corporate image. As such, the stakeholder and social issues management literature does not state how business organisations could implement different CR practices to achieve such business and social goals.

In terms of broader empirical research which has been conducted in relation to the implementation of CR practices, numerous research studies during the past two decades have examined different aspects of CR practices, but very few studies have looked at the implementation of CCR practices within business organisations. Some research studies have concentrated on investigating *why* companies should engage in CR practices (Maak, 2008; Wilmot, 2001; Davis, 1973). Some have tried to find a positive relationship between corporate social performance and financial performance (See Callan and Thomas, 2009; Meng-Ling, 2006; Chand, 2006). Others have examined internal implementation of CR (including CCR) based upon the stakeholder perspective and thus examining how organisations implement different types of CR practices to cater for different stakeholders (Yang and River, 2009; Jamali, 2008; Sachs *et al.*, 2006; Thompson and Driver, 2005; Clarkson, 1995). However, since these studies use composite measures that group together fundamentally different aspects of CR (such as community relations, employee welfare, environmental management and health and safety) it is difficult to determine how internal implementation is carried out pertaining to each of these different types of CR practices. Therefore, it makes the strategic determinants and performance implications of CR decisions difficult to disentangle (Brammer and Millington, 2004). There is, therefore, an empirical gap in existing literature related to the examination of how CCR practices are implemented within business organisations. The present research study examined in this thesis is an attempt to fulfil this empirical research gap. It also sustains calls for more empirical and theoretical understanding of CR as an overall organisational practice in order to propagate a unified theory on Corporate Responsibility (See Matten and Moon, 2008; Lockett *et al*., 2006; Godfrey and Hatch, 2007; Griffin, 2000).

The next sections of this chapter critically reviews the CSP approach, codes of practice/standard-based approaches, and the practice-based approaches literature, to understand whether each of these approaches can be used to understand how CCR practices should be implemented within subsidiaries of MNCs.

2.2.2 Corporate Social Performance and Corporate Responsibility implementation

Frederick (1987, 1994) provides a broad overview of the 'implementation' aspect of CR practices by explaining it through its evolution from CSR_1, CSR_2 to CSR_3. In CSR_1 or Corporate Social Responsibility, the organisation implements what its management wants it to implement, in other words it *follows the preferences of its management* (Mitnick, 1995). In CSR_2 or Corporate Social Responsiveness, the focus is on *management* of a company's responses/relations with society (Frederick, 1994). As such, the organisation needs to learn how to be responsive to its social responsibilities. In CSR_3 or Corporate Social Rectitude, the organisations adopt a normative analysis of its social behaviour, and implements CR practices based upon three core values: utilitarian (economic self-interest of the firm), human rights (individual concerns of parties beyond the firm's managers) and social justice (distributional or societal-level concerns). The Corporate Social Performance approach to the implementation of CR practices, later elucidated more effectively by Wood (1991a), is based upon this 'normative' focus on Corporate Responsibility. CSP adopts a 'principle/process/policy approach' to the implementation of CR practices within organisations (Stead *et al*., 1990). The CSP models were developed more effectively by Wartick and Cochran (1985) and Wood (1991a). consisting of a more practice-oriented approach, and explains how the CR principles of an organisation together with the relevant processes would enable the firm to select relevant stakeholder issues and implement them.

Wartick and Cochran (1985) specifically emphasised the need to incorporate a 'policies' component (consisting of social issues identification, analysis and response development) to CSP in organisations to make implementation more viable.

Although Wartick and Cochran (*Ibid.*) did not incorporate an ‘action’ component (Wood, 1991a) in their theorisation of CSP, the need to have existing organisational policies for CR practices was first established by them. Such policies would act as guiding tools for subsequent implementation of CR practices. Structured upon Wartick and Cochran’s model and addressing its key weakness, Wood (1991a) proposed an alternative model which integrated ‘outcomes of corporate behaviour’ to denote what the results of an organisational CSP process is expected to be. She approached this concern from a normative analysis standpoint, identifying three key outcomes of social performance: social impacts, social programmes, and social policies (See figure 2.1). Wood (*Ibid.*) argued that CSP should be examined from three levels: institutional, organisational and individual and stakeholder management, environment assessment and issues management. All these comprise specific processes which an organisation needs, to establish a viable Corporate Social Performance in an organisation.

Figure 2.1:- The Corporate Social Performance Model

Principles of Corporate Social Responsibility
Institutional Principle : Legitimacy
Organisational Principle : Responsibility
Individual Principle : Managerial discretion
Processes of Corporate Social Responsiveness
Environment Assessment
Stakeholder management
Issues Management
Outcomes of Corporate Behaviour
Social Impacts
Social programs
Social Policies

Source: - Wood (1991)

Collectively, the normative models of CSP argue that prior to the commencement of any implementation of CR practice within an organisation, the organisation should clarify its values by devising principles (i.e. organisational principles) of CR, ideally written down in the form of policies. This should then be followed by various processes which should be adopted for the implementation of different CR practices within the organisation. This would ultimately result in several outcomes, such as CR programmes or alternative CR policies. However, the problem is in utilising normative CSP models directly in organisations, as it may be difficult to distinguish amongst the different elements within an organisation (Clarkson, 1990) and as such may fail to provide practising managers with a clear idea of how they should implement CR and measure its outcomes (Meehan *et al*., 2006). Furthermore, it is also challenging to link these three components effectively so that CSP could be made operational and supply a framework for the implementation of CR practices (Stead *et al*., 1995). As such, these normative models have not been applied to study the implementation of CR practices holistically within subsidiaries of MNCs in existing empirical research (See Griffin, 2000; De Bakker *et al*., 2005).

Empirical Research

A few studies have utilised CSP models to examine CR practices (See Jamali and Mrshak, 2007; De Graaf and Herkströter, 2007; Stainer, 2006; Maignan and Ralston, 2002; Dentchev, 2004; Davenport, 2000; Stead *et al*.,1990; Joyner and Payne, 2002). However, there are several shortcomings in these studies. First, some of them mainly examined reported CR practices (e.g. web pages, CSR reports or interviews with experts) in order to obtain the empirical data for their studies. This is considered a weakness because it is difficult to understand the complexities involved in the actual implementation of CR practices (especially Community CR) by simply examining reported data, as most of the time data related to implementation is not discussed in such publications. Secondly, the studies did not examine CR practices using the key constructs of CSP theory collectively, but examined them separately. This can be considered a weakness, as CSP provides a means of understanding how actual implementation should occur only if the ‘principles-processes-outcomes’ approach is applied holistically within a business organisation. For example, Dentchev (2004) explored the outcomes of CSP by focusing on the identification of a variety of strategic opportunities and threats (positive and negative effects) associated with CSP, and De Graaf and Herkströter (2007) examined the ‘processes of CSP’ (i.e. how CSP can be institutionalised within an organisational governance structure), through a descriptive research of the Dutch system of corporate governance. Thirdly, some of these studies have examined local or domestic companies as opposed to subsidiaries of MNCs (See Jamali and Mirshak, 2007; Stead *et al*., 1990). This is unsatisfactory because the implementation of CR practices within domestic companies as opposed to subsidiaries of MNCs would contain differences, especially in relation to those aspects of CR that are transferred to them by their head offices (Muller, 2006). Fourth, other studies have mainly examined the linkage between ‘corporate social performance’ as a holistic concept and other areas of the organisation, such as its financial performance (Meng-Ling, 2006; Chand, 2006; Callan and Thomas, 2009), its values and ethics (Joyner and Payne, 2002). Furthermore, researchers are currently highlighting the need to conduct more descriptive and inductive research in relation to CR (See Margolis and Walsh, 2003; Chapple and Moon, 2007). As such, there is a need to apply the CSP approach towards the implementation of CR practices to understand how subsidiaries of MNCs implement CCR practices.

2.2.3 Codes and standard based approaches

Codes and standards available for establishing and implementing different aspects of CR practices within organisations are underpinned by the need to establish general principles to which the organisation could eventually adhere. Therefore, while the CSP approach provides a normative base for implementing CR practices, the codes and standard-based approach provides an ethical base.

The various codes of conduct and standards which organisations could adopt are implicitly based upon various initiatives taken by international organisations, and as such are based upon global norms for corporate behaviour (Bethoux, *et al.*, 2007). The proliferation of industry-generated codes of practice governing environmental, health and safety management aspects of CR has been a significant development in this approach (Nash and Ehrenfeld, 1996). Furthermore, corporate codes of conduct, ethical codes or guidelines for corporate behaviour have also contributed towards this approach (Mijatovic and Stokic, 2010). While ethical codes of practice serve as a basic institutional indication of commitment and aspiration for social responsibility (Agatiello, 2008), they are also objective evidence of the existence of corporate rules in the areas they cover and act as the first line of damage control in relation to corporate litigation (*Ibid*.). MNCs, too, include a wider range of subject matter in their codes, and focus primarily on the issues concerning company protection, with almost half of all codes written by company personnel or provided by the head offices (Krumsiek, 2004; Carasco and Singh, 2003; Kolk and Van Tulder, 2001).

In relation to the use of codes of conduct for implementing different CR practices, Howard *et al.* (2000) have argued that the use of such voluntary codes of practice may lead firms to adopt uniform approaches for implementing CCR practices. Therefore, codes of conduct could act as a specific tool for the governance of CR within companies (Zingales, 2000). In terms of the factors that influence the implementation of codes of conduct of organisations, existing managerial practices related to CR (Kaufman *et al.*, 2004), consumer and community expectations of CR (Bethoux *et al.*, 2007) and values of specific stakeholders (Blowfield, 2004) have been identified in current literature. Many research studies have been carried out to examine different aspects of implementing codes of conduct in organisations. Some studies have found that there are positive effects for the organisation in using internal codes of ethics, such as increased ethical behaviour among employees (Schwartz, 2009; Somers, 2001) as well as increased managerial awareness of ethics (Wotruba *et al*., 2001).

In addition to the implementation of internal codes of conduct, organisations could also adopt voluntary standard-based approaches for implementing CR practices, such as Environmental Management System standard (EMSs) ISO 14001 or United National Global Compact (UNGC[1]). The intention of ISO 14001 is to provide a framework for a holistic and strategic approach to the organisation's environmental policies, plans and actions (ISO, 2011). More recently new standards, such as SA8000 (Stigzelius and Mark-Herbert, 2009) and ISO 26001 (Schwartz and Tilling,

[1] UNGC is a social contract whereby companies are asked to make an active commitment in their own activities and those of their business partners to live up to nine principles based upon the Declaration of Human Rights, the guidelines of the International Labour Organisation (ILO) and Agenda 21 of the environmental summit (Leisinger, 2003)

2009) have been used to implement environment management and supply chain management activities of companies.

In relation to the use of such standards to implement CR practices, studies have found that top management commitment was a decisive factor, especially when implementing global codes, such as the UNGC (Leisinger, 2003) as well as managers' acceptance of the standard as 'the right thing to do' (Lehmann *et al*., 2010). Nevertheless, codes and standard-based approaches have been found to be only capable of influencing the majority of CSR activities independently or in isolation of each other but not mutually (Mijatovic and Stokic, 2010; Sullivan, 2005). Other studies have found that the adoption of such standards was primarily driven by business and marketing concerns (Ghisellini and Thruston, 2005) with some organisations treating codes and standards as an isolated topic that is managed by a few individuals (Baumann and Scherer, 2010)**.**

Therefore, although codes and standard-based approaches could provide valuable guidance on implementing CR practices (Svensson and Wood, 2008), and could be an important first step towards establishing such a practice (Schwartz, 2009), organisations need to implement other self-regulatory and voluntary CR practices, such as Community CR, in order to ensure a consistent and effective approach to managing their ethical and corporate responsibilities (Sullivan, 2005). It is argued here that using codes and standard-based approaches would not provide an understanding of the whole process of Community CR practices implementation within MNC subsidiaries (Wood and Rimmer, 2003).

2.2.4 Practice-based approaches to Corporate Responsibility Implementation

The calls for a more 'strategic' stance on CR to be adopted (Porter and Kramer, 2006) as well as the scarcity of extant research on CR practices implementation (Lindgreen *et al.,* 2009) have propelled recent CSR literature to examine how CR could be operationalised within business organisations, by incorporating practice-based approaches (See Khoo and Tan, 2002; Cramer, 2005; Maignan *et al*., 2005, Werre, 2003; Maon *et al*., 2009; Perrini and Minoja, 2008). Some of the key frameworks presented by these authors has been examined in detail in table 2.1.

The concept of process improvement, which regard to CR practices implementation as being cyclical, is consistent across many of these frameworks (Lindgreen *et al.,* 2009). Some of the frameworks consider CR implementation to be a process of change that emerges via a process of sense making within each particular organisation (Cramer, 2005; Maon *et al*., 2009). As such, organisations evolve in distinct contexts and face different constraints for which reason they need to implement CR practices that fit their organisational culture, business rationale, and strategic goals. These studies have established that the implementation of CR within organisations *is* moving towards a more strategic focus, although it is a complex activity. These studies have further established that companies should adopt a structured approach towards implementing CR practices, with the difference in implementation based upon mere compliance to strategic embedding of CR within the company (Cramer *et al.,*2004). Furthermore, the dependency of a viable CR practices implementation process, upon the organisation's business principles/vision for CSR, the development of key performance indicators and on using appropriate CSR implementation projects too have been emphasised (Sachs *et al.*, 2006).

Table 2.1: Frameworks for CR practices implementation – An evaluation

Author	Basis for CR Implementation Framework	Key stages/aspects of the CR practices implementation framework	Identified shortcoming
Khoo and Tan (2002)	Adopts a system approach to CSR and using the Australian Business Excellence Framework a four stage model is presented for creating a socially responsible and sustainable organisation.	A cyclical system based approach consisting of four stages: Stage 1 – Preparation (leadership, strategies and plans) Stage 2 – Transformation (people and information management) Stage 3 – Implementation (embedding sustainability in the company process) Stage 4 – Continuous Improvement (review of business performance)	The model focuses specifically on health, safety and environment management only. As such, it does not address all aspects of CR practices as well as the strategic integration of it within organisations
Cramer (2005)	The emphasis of this framework is more on stakeholder management and engagement in CSR	A structured approach to CSR implementation comprising of six non-sequential activities were proposed : 1. Listing the expectations and demands of the stakeholders. 2. Formulating a vision and a mission with regard to CSR and, if desired, a code of conduct. 3. Developing short and longer-term strategies with regard to CSR and, using these, to draft a plan of action. 4. Setting up a monitoring and reporting system. 5. Embedding the process by rooting it in quality and management systems. 6. Communicating internally and externally about the approach and the results obtained.	The framework remains unclear on the strategic integration of CR practices
Were (2003)	The model provides a practice-based overview of four ‘implementation aspects’ that organisations should look at when implementing CSR.	Four main phases in a Corporate Responsibility (CR) implementation model: 1. Raising top-management awareness. 2. Formulating a CR vision and core corporate values. 3. Changing organisational behaviour. 4. Anchoring the change.	The weakness in this model is only four important aspects are provided and not a holistic model. The framework also does not show how CR could be integrated within an organisation as a viable strategic business practice.

Maignan *et al.* (2005)	The main focus of this framework is on driving marketing decision-making from a CSR perspective	Eight steps to implement CSR from a marketing perspective is provided: 1. Discovering organisational norms and values 2. Identifying stakeholders. 3. Identifying stakeholder issues 4. Assessing the meaning of CSR 5. Auditing current practices. 6. Implementing CSR changes and initiatives. 7. Promoting CSR 8. Gaining stakeholders' feedback.	The focus on only one function of the organisation and the integration of CSR perspectives within it, limits the scope of this framework. It also does not indicate how CSR as an over compassing organisational practice could be integrated within other business functions as well as within the corporate strategy
Perrini and Minoja (2008)	Focus is a single case study and shows how CSR was integrated within this organisation	Three inter-connected stages are seen, comprising of several elements : Stage 1 – Antecedents a) Owners beliefs, values and past experiences b) Firms Values, vision and mission c) Corporate governance Stage 2 – CSR integrated in strategy Stage 3 – Results a) Social Performance b) Trust c) Financial Performance	The key shortcoming in this model is that it has been developed for a single owner business. It also does not show the full extent of CR practices and is focused on corporate governance as opposed to an overall CR practice.
Maon et al (2009)	Shows an integrated framework of CSR design and implementation based upon Kurt Lewin's change management modle	Based upon Lewin's change model the framework comprises of four key stages and several sub-stages: Stage 1 – Sensitize 1. Raising CSR awareness inside the organisation Stage 2 – Unfreeze 2. Assessing corporate purpose in a societal context 3. Establishing a vision and working definition for CSR 4. Assessing current CSR status 5. Developing a CSR in organisational strategy Stage 3 – Move 6. Implementing CSR-Integrated strategic plan 7. Communicating about CSR commitments and	This framework does indicate the need to integrate CSR into corporate strategy, but the details about how it could be done is not provided. As such, it does not show the details of strategic and structural integration of CR within organisations.

	performance 8. Evaluating CSR integrated strategies and communication Stage 4 – Refreeze 9. Institutionalising CSR	Second, it does not show how specific CSR practices such as CCR, health safety and environment etc could be strategically integrated within the organisation .

Nevertheless, there are several shortcomings in these frameworks. First, most of these studies focus on limited aspects of CR. For example, marketing management and CSR (See Maignan et al., 2005), stakeholder engagement and management within CSR (See Cramer, 2005), corporate governance and CSR (See Perrini and Minoja, 2008) and health, safety and environment management and CSR (See Khoo and Tan, 2002). Only Maon *et al.*, (2009), presents a complete framework which integrates the development and implementation of CR into the organisation's strategy. However, even this framework lacks two key aspects; first, it does not show how strategic and structural integration of CR could occur within the organisation (Bhattacharya, 2010; Smith, 2007) and second, it does not show the complex nature of CR practices, where conflicting objectives need to be balanced while different CR practices need to be implemented (Aldama, 2009). Therefore, collectively, these practice-based frameworks have failed to explain how different CR practices such as Community CR are prioritised for implementation purposes, the resultant implementation processes and policies and the strategic and structural integration of CR within organisations (Godfrey and Hatch (2007).

2.3 Community Corporate Responsibility

2.3.1 Overview

Moon (2002) asserted that community involvement (or CCR) is the most established form of CR and is being followed by successive second and third waves of socially responsible production processes and employee relations. Within the business environment, CCR has been mainly carried out by using corporate donations (Fry *et al.*, 1982) and corporate philanthropy (Cowton, 1987).

CCR involves organisations using their resources (people, expertise, surplus products, premises, equipment and financial resources) to address problems in the communities in which they operate (Grayson, 1993). However, CCR practices within organisations have more recently been transformed from a voluntary activity to a key strategic management tool (Brammer and Millington, 2004a). Research has confirmed that if managed effectively CCR practices would assist organisations to retain and gain customers (Simmons and Becker-Olsen, 2006; Levy, 1999), foster a sense of commitment from employees (Gilder *et al.*,2005; Zappala, 2004; Grayson, 1993) and increase corporate reputation or image as a caring business (Hillenbrand and Money, 2007; Sebastian and Malte, 2010; Brammer and Pavelin, 2005). As such, in recognition of this 'business case' for implementing CCR practices, Grayson (1993) has recommended that CCR practices must be managed as professionally as any other business function by using different methods of implementation.

2.3.2 Methods of CCR practices implementation

In relation to how organisations could engage in CCR practices, a range of methods have been discussed in literature with significant differences being found across companies in relation to how they used these methods (Brammer and Millington, 2003). These implementation methods consist of corporate donations or corporate philanthropy (Waddock, 2008; Saiia *et al.*, 2003), cause-related marketing (Demetriou *et al.*, 2010; Baghi *et al.*, 2009; Varadarajan and Menon, 1988), corporate partnerships, and corporate social investments or capacity building (Warhurst, 2001; Nwankwo *et al.*, 2007). The shift from corporate donations to corporate social investments as a method of CCR practice implementation shows the change in motivations for CCR from simple altruism to strategic CCR (Nwankwo *et al.*, 2007; Hamil, 1999; Velaz *et al*., 2007). While previously corporate charitable donations were substantially determined by the profits and values of the business owners, at present the focus of these CCR methods are greatly influenced by other powerful stakeholders (Veser, 2004; Brammer and Millington, 2004). Hence, organisations today are not implementing CCR practices for their own sake but for instrumental reasons, such as maximising profits (Navarro, 1988) and the creation of competitive and comparative advantages for the firm (Waddock and Boyle, 1995; Hillman and Keim, 2001; Porter and Kramer, 2002). This has led to an increasing professionalisation of CCR practices within organisations (Hamil, 1999).

Corporate Philanthropy/ Corporate Philanthropic Donations

The most commonly practised and used method of implementing CCR over the years have been through corporate philanthropy (Fry *et al*., 1982; Cowton, 1987) consisting of philanthropic contributions/donations to social activities for which no payment or guarantee of future payment is made (Moon and Sochcki, 1998) and usually consists of contributions from a business to a community that are considered as gifts (Seitanidi and Ryan, 2007). The primary objective of corporate philanthropy is to do social good or to cater to requests for donations made by community stakeholders (Fry *et al.,* 1982). Empirical research on corporate philanthropy donations as a method of implementing CCR practices has found that social and collective interests together with firm-specific objectives, such as enhancement of corporate reputation amongst societal stakeholders (Brammer and Millington, 2005; Fry *et al.,* 1982; Brammer and Millington, 2003) motivates organisations to engage in corporate philanthropic donations (Moon and Sochacki , 1998). However, very few companies tend to adopt a strategic approach to corporate philanthropic donations (Campbell and Slcak, 2008).

Cause-Related Marketing and Social Sponsorships

Cause-related Marketing (CRM) usually links an organisation's products directly to a social cause through the firm's marketing plan. It was first defined as:

> "The process of formulating and implementing marketing activities that are characterised by an offer from the firm to contribute a specified amount to a designated cause when customers engage in revenue- providing exchanges that satisfy organisational and individual objectives" (Varadarajan and Menon, 1988:60).

CRM has also been noted as a communication tool by which business organisations could communicate their involvement with CCR or societal issues to their key stakeholders (Baghi *et al*., 2009) and demonstrate the organisation's responsiveness to heightened societal expectation and demands for responsible corporate behaviour (Chien *et al*., 2010). CRM efforts also have been identified as leading to enhancement of corporate image or brand (Demetriou *et al*., 2010) as well as maximisation of customer retention (Katsioloudes *et al*., 2007).

Social sponsorships occur when a company creates a link with an external social issue or event in order to influence the audience of that issue or event (Madill and O'Reilly, 2010). It is usually the company's brand that is involved in events and activities, so that different aspects of the brand can be communicated effectively to the consumers (Chien *et al.,* 2010). As such, the primary objective is to influence customer perception about the brand (Baghi *et al*., 2009), by building brand awareness, developing brand image and eventually creating brand loyalty among customers (Cliffe and Motion, 2005). Where the company links to an external event it is called 'event sponsorship', and where the link is with a social issue such sponsorships are called 'social sponsorships' (Simmons and Becker-Olsen, 2006; Chien *et al*., 2010). Sponsorships have been found to be a commonly-utilised mechanism for implementing CCR practices (Chien *et al*., 2010; O'Reilly and Madill, 2007).

Business-NPO Partnerships

Business-NPO partnerships, between business organisations and non-profit organisations consist of one of four different types of social partnerships as denoted by Seitandi and Crane (2009). Other types of social partnerships consist of Public-Private Partnerships, Public-NPO Partnerships and Tripartite Partnerships. The Business-NPO Partnership represents the integration of business objectives or interests with societal objectives (Austin, 2000). It is considered to be an effective implementation method for CCR practices as it is seen as an 'instant way of doing CCR' (Seitanidi and Crane, 2009:415).

The use of Business–NPO partnerships as a CCR implementation method could have numerous challenges such as: partner selection, deciding upon final agreements and objectives of the partnership, deciding upon reporting mechanisms and balancing personal relationships and management issues within the partnership (*Ibid*). However, partnering with NPOs is an especially suitable CCR practice implementation method for MNCs as it enables the building-up of relationships with local community-based organisations (Nwankwo, *et al.*, 2007) and public sector organisations (Bryson *et al.,* 2006). It can also enable MNCs to implement long-term and meaningful capacity-building projects progressively within the host country. By using Business-NPO partnerships to implement CCR, subsidiaries of MNCs can have an opportunity to play an active role in encouraging and building community enterprise in host countries, especially those in the developing world (Tracey *et al.*, 2005) and avoid paternalism and resource dependency that is so often seen in most of the Business-NPO partnerships in the long-term (Singer, 2006). This small but growing body of empirical research examining Business-NPO partnerships has looked at the strategic nature of such a relationship, but has not examined them as a specific method for implementing an overall community CR practice.

Capacity Building/ Corporate Social Investments

Capacity building or corporate social investments (CSI) have been defined by the United Nations as ''the long-term process by which organisations, networks, and societies increase their abilities to solve problems and achieve objectives'' (UN, 2006:10). It has become an important method of implementing CCR because organisations have realised that in the long-term if they are to operate sustainably in a given community they need to increase their engagement with it (Galbreath, 2010). This is especially relevant for MNCs who operate transnationally across different communities and countries around the world, and whose licence to operate may be dependent upon the goodwill of that community (Lehmann *et al.,* 2010). MNCs operating in developing countries have found the implementation of CSI projects is an important part of their corporate strategy (Kapelus, 2002), as it would result in business gains, such as corporate image improvements and reputational advantages as an ethical company, which would eventually protect their business interests in the country (Brammer and Pavelin, 2005; Fombrun, 2005). As such, investing in CSI projects or capacity building projects within these communities makes business sense in the long-term for the MNCs (Joyner and Payne, 2002: Wilkes, 2005). One way for MNCs to gain a foothold in these emerging economies is to help build capacity (both productive and social) in order to achieve the dual outcome of accelerating the development of local markets and generating goodwill (Nwankwo *et al.*, 2007). It also shows that MNCs have become more aware of the need to build and develop communities so that potential future markets are secure (Prahalad and Lieberthal, 1998) and have become more aware that they could also maximise the effectiveness of their activities by establishing cost-competitive suppliers (McAdam and Leonard, 2003).

Several issues related to the use of these different implementation methods in relation to CCR have been highlighted by Seitandi and Ryan (2007). First, a key limitation is the strong outcome focus in most of these methods, especially Social

Sponsorships and CRM. As such, power imbalances could lead to the organisation achieving its outcomes to the detriment of the community and thereby the achievement of social goals being preceded by the need to achieve business goals. Second is the lack of symmetry during the implementation of these different methods. Therefore asymmetrical division of power leading onto power dynamics between the profit and non-profit sectors may continue to favour the corporate entity. This may be especially true in CRM and Business-NPO Partnerships, when the corporate partner links up with a not-for-profit institution, and its increased dependency on the monetary support of the company may lead to power imbalances occurring. Third is the motivation behind each form of interaction. Although the most obvious motivation is to serve the community, the increased commercialisation of sponsorships and CRM activities, and even partnerships to a certain degree, could affect the trust that community would have on each of these mechanisms and their ability to achieve social goals. Therefore, more research is needed to develop new insights of process-based interaction within the area of CCR (Seitanidi and Ryan, 2007).

According to Brammer and Millington (2003), external and internal factors could provoke corporate responses to CSR. In terms of implementing CCR practices of MNC subsidiaries, such internal factors can vary from mechanisms of control to the relationship elements between the subsidiary and the its headquarters. External factors could consist of institutional factors arising from the host country's institutional environment. The next section examines International Business Strategy literature and Neo-Institutional theory with the intention of further understanding these potential internal and external factors.

2.4 International Business and Neo-Institutional Perspectives

Multinational Corporations operate within dynamic economic, political and societal environments in different host countries (Sundaram and Black, 1992). MNCs have been depicted as a network of organisations (i.e headquarters and different national subsidiaries) linked together by exchange relationships collectively encased within a global structure (Bartlett and Ghoshal, 1990). The plurality of its operating environments and the global spread of its operations have meant that the MNCs' structure of management needs to combine a decentralized base of operations and a centralized core which could simultaneously coordinate the sub-units globally (Kolde and Hill, 1967). As such, the relationship between the subsidiaries and the MNC headquarters is dynamic and complex (Gupta and Govindarajan, 1991).

Two broad theoretical frames are used in this literature review to understand MNCs and their management of organisational practices throughout its network of subsidiaries. The International Business literature suggests that the sub-units of MNCs face conflicting pressures towards global integration of its organisational practices and local adaptation of same (Gooderham *et al*.,1999; Kostova and Roth, 2002; Rosenzweig and Singh, 1991). Therefore, while MNCs may want to standardise (i.e homogenize) their organisational practices across their subsidiaries across the world to implement global strategies, they may not be able to do so as influences from host country enivornments may impel them to localise their organisational practices. International Business literature has long recognised this conflict between global integration and local responsiveness required in implementing MNC business practices across the world (See Spender and Frevesen, 1999; Doz and Prahalad etc).

Doz and Prahalad (1981) elucidate this specifically by stating that:

“the ideal of a clear, consistent global strategy is limited by powerful forces that push MNC’s in the direction of a more ambiguous, less well- integrated strategy that responds to national differences” (Doz and Prahalad (1981:64)

Therefore, International Business literature views factors influencing the implementation of organisational practices as consisting of internal (situated within the MNC network) and external (situated in the specific host country) factors.

Neo-Institutional theory however, focuses more specifically on the pressures and constraints of the institutional environments (Scott, 1995 and 2001) on organisational practices. It argues that business organisations are propelled to reproduce or imitate structures, activities, and routines in response to state pressures, the expectations of professions or collective norms of the institutional environment (Di Maggio and Powell, 1983 and 1991). Neo-Institutional theory most importantly explains non-choice behaviour of organisations in relation to taken for granted norms and beliefs (Di Maggio, 1988). In application to subsidiaries of MNCs, it suggests that the organisational practices of subsidiaries are influenced by a variety of institutional factors which may reside either in the host country or within the MNC network itself (See Kostova, 1999 and Kostova and Zaheer, 1999). In terms of application of Neo-Institutional theory to examining the implementation of CCR practices of MNC subsidiaries, the focus of this study was to examine how subsidiaries would utilise CCR practices to gain ‘legitimacy’ within the host country’s institutional environment.

Following on from the above discussion, International Business literature and Neo-Institutional theory were selected as two theoretical domains upon which to examine the factors influencing CCR practices implementation. There are several justifications for this selection. First, International Business literature explains the dual pressures for integration and responsiveness in relation to organisational practices implementation across the MNC network (Bartlett and Ghoshal, 1989; Doz and Prahalad, 1984 etc). Therefore, it is imperative that this body of literature is further examined to elucidate more on how MNCs would manage the CCR practices implementation by balancing these dual pressures.

Secondly, Neo-Institutional theory has been utilised in recent times to understand differences of organisational practices implementation in developed and developing economies (Peng *et al*.,2008). Such research has shown that differences in the institutional composition in developed and developing economies can result in both formal and informal institutions influencing the business operations of both local and multinational companies (Kim *et al*.,2004; Hoskisson *et al*., 2000; Wright *et al*.,2005). Therefore, it was considered important to look in-depth at Neo-Institutional theory to further understand how such institutions could influence the implementation of CCR practices in a developing country. Peng *et al* (2008) asserts that research focusing on emerging or developed economies based upon an institution based view of organisational practices would lead theorists to develop an alternative view of organisational strategic and management practices other than that of the traditional industry and resources based views. International Business theorists too have also made a compelling case to focus more on institutional elements in International Business research in recent times (See Leung *et al*, 2005).

The next section examines first, the International Business perspective, specifically carrying out a review of literature related to the subsidiary-MNC HQ relationship and then the mechanisms of control which influence different aspects of this relationship. Second, the Neo-Institutional theory perspective focusing on legitimacy and agency-structure issues is examined.

2.4.1 The International Business Perspective – The relationship between subsidiaries and MNC Headquarters

The relationship between subsidiaries and MNCs is complex (Doz and Prahalad, 1987). Two key aspects of the subsidiary/MNC relationship are examined: first, the influence of the role of the subsidiary on this relationship and second, the use of mechanisms of control to manage this relationship and its complexities.

2.4.1.1 Subsidiary Role

Within the larger MNC network, each subsidiary has been argued to have different levels of importance in terms of its size, turnover, market position and functional role (McGraw, 2004). From this basis, the subsidiary's role has received wide attention in IB literature and it has been described as a deterministic position when the subsidiary fulfils functions imposed upon it by the HQ of the MNC (Birkinshaw and Morrison, 1995). Subsidiaries could take on a diverse range of roles which would enable them to create value by utilising different competencies within the host country market and within the MNC network (Bartlett and Ghoshal, 1990). In terms of its implications for host-country-level implementation of CCR practices, the overarching 'role' of the subsidiary and the power for decision-making for CCR practices could be an important determinant.

The role of the subsidiary has been examined in different ways. Roth and Morrison (1992) examined subsidiary role based upon the extent of global rationalisation. Others have looked at the level of centralization of control which exists between the subsidiary and the HQs (Birkinshaw and Morrison, 1995; Martinez and Jarillo, 1991). Accordingly, Roth and Morrison (1992), differentiated between subsidiaries whose activities are globally rationalised and those which have a specific mandate for their operations – a global subsidiary mandate. Global subsidiary rationalisation occurs when the subsidiary specialises only in specific value chain activities and as such is dependent upon other subsidiaries within the MNC network. Herein the subsidiary acts as an implementer of strategy which had been developed elsewhere within the MNC network. However, the global subsidiary mandate acts in collaboration with the HQ or regional HQs in developing and implementing organisational strategy. Therefore the subsidiary here is responsible for the strategic management of value chain activities and related key business practices. In relation to the implementation of CCR practices, the overarching role of the subsidiary could be a decisive factor in whether subsidiaries would have more power and control in deciding on implementation of their own agenda of CCR practices. For example, a global subsidiary mandate would be more powerful than a global rationalised subsidiary in making decisions for CCR practices.

The second group of scholars perceives the nature of the subsidiary role as one based upon the degree of centralization of control. According to Birkinshaw and Morrison (1995), subsidiaries could be divided into three typologies consisting of *world mandate* (which has decentralised centralization whereby activities are integrated worldwide, but are managed from the subsidiary and not the HQ), *specialised* *contributor* (which has considerable expertise in specific functional activities within the MNC network but needs strict coordination with the activities of other subsidiaries) and the *local implementer* (which is limited in geographic scope, constrained to a single country with limited scope of value-added activities). Therefore, whilst the *strategic contributor* and *local implementer* subsidiaries would be controlled by the HQs through more bureaucratic mechanisms as their business practices are closely integrated with those of the MNC, the *world mandate* would have lesser control mechanisms as it has been granted global responsibilities by the HQ. Their argument was that in reality the two control mechanisms of centralization and decentralization are overlaid and any subsidiary–parent relationship will exhibit both types to a varying degree. Jarillo and Martinez (1991), too, identified three strategic roles for subsidiaries that mirrored those of Bartlett's (1979) and Porter's (1986) multinational strategies: the *autonomous* (a subsidiary which carries out most of the functions of the value chain independent of the parent organisation and other subsidiaries); the *receptive* (performs only a few of the value chain activities which are highly regulated by and integrated with the rest of the MNC); and *the active* (a subsidiary which performs many activities and does so in close interdependence with the rest of the firm). According to them, based upon the specific type of subsidiary, the head office will use different mechanisms of control and coordination. Hence, the subsidiary's role could influence its relationship with the MNC HQs (Martinez and Jarillo, 1991; Bartlett and Ghoshal, 1989) as well as be a deterministic factor in establishing organisational structures, management processes and mechanisms of control and coordination used by the MNC HQs (Ghoshal and Nohria, 1989). More current work on the role of subsidiaries indicate the emergence of a growing independence or autonomous subsidiaries (Birkinshaw and Fry, 1998; Birkinshaw and Hood, 2001; Gupta and Govindarajan, 1994). The autonomy of the subsidiary could be contingent upon certain factors such as: (1) the overall strategic approach of the MNC (Geppert and Williams, 2006), (2) the strategic position and the economic performance of the subsidiary itself (Kristensen and Zeitlin, 2001), (3) the degree of institutional entrenchment of the subsidiary in the host country (Geppert and Williams, 2006), and (4) home country rationalities (Geppert *et al*., 2003b). Other than the subsidiary role, factors such as the interrelationships between subsidiaries (Baliga and Jaeger, 1984), the size of the subsidiary (Snell, 1992), the subsidiary location (Schweikart, 1986; Daley *et al*., 1985), the nationality of the parent company (Egelhoff, 1984; Kriger and Solomon, 1992) and the cultural proximity of subsidiary to parent organisation (Schweikart, 1986; Baliga and Jaeger, 1984) have also been found to be influential on the relationship between subsidiaries and MNC HQs.

Empirical research studies have found evidence of these factors influencing the subsidiary–HQ relationship in relation to different organisational practices. Björkman and Lervik (2007), found that the governance mechanisms used by the MNC, characteristics of the subsidiary HR system, the social relationship between the subsidiary and MNC HQ and the transfer approach taken by HQ management were found to influence the transfer of HR practices from the HQ to the subsidiaries (Bjorkman and Lervik, 2007). Kostova and Roth (2002), looked at the transfer of quality management practice from the HQ of a large, privately held US MNC to its subsidiaries, and found that both the adoption of business practices and its implementation and internalisation varied across the foreign subsidiaries as a result of two key factors: the institutional environment in the host country, and the relational context within the MNC (Kostova and Roth, 2002). In another study which examined the forces which influence HRM practices in MNC affiliates, Rosenzweig and Nohria (1994) found that whilst, in general, affiliate HRM practices closely followed local practices, the degree of similarity to local practices was found to be significantly influenced by several factors such as: the method of founding, dependence on local inputs, the presence of expatriates and the extent of communication with the parent. Geppert *et al*., (2003a) showed how global and national effects shape the design of the work systems at the subsidiary level and reveal that there is no one best way of globalizing in MNCs. However, these studies do not give a clear answer regarding what levels of autonomy are associated with decision-making for implementation of CCR practices in subsidiaries (Cruz and Boehe, 2010). Nevertheless, the exact nature of the subsidiary–MNC HQ relationship, within the context of implementing CCR practices, has not yet been researched. Aspects such as the power of the subsidiaries based upon resource ownership, role determination and the level of autonomy of the subsidiary and the mechanisms of control used by the HQs could all have potential impacts on determining the subsidiary's CCR practice implementation.

2.4.1.2 Implementing CSR and Subsidiary–MNC HQ Relationship

Previous studies have examined the influence of MNC HQs on different aspects of CSR (Dunning, 2003; Hooker and Madsen, 2004; Logsdon and Wood, 2002; Snider et al., 2003) and others have found that the implementation of CSR within subsidiaries of MNCs could be influenced by the host country's national culture (Ringov and Maurizio, 2007) as CSR has been found to be context-specific (Chapple and Moon, 2007). This would mean that when decisions are taken about CSR within MNCs, such decisions could be driven by subsidiaries rather than the MNC HQs, as subsidiaries would have more knowledge about the culturally specific characteristics of CSR practices. As such, the MNCs may need to establish a set of policies and practices that allow a business organisation: to abide by a limited number of universal ethical standards; to respect local variations consistent with those universal standards; to experiment with ways to reconcile conflicting local practices with universal standards; and to implement systematic learning processes for the benefit of the organisation and the global community (Wood and Logsdon, 2002a; Logsdon, 2004). Several other scholars have also recommended different ways in which CSR could be implemented specifically focusing on the dynamics between the MNC HQ and the subsidiaries. For example, Ringov and Maurizio, (2007) recommends the adoption of a global position on CSR issues along with a keen sensitivity towards local CSR issues; Davids (1999) promotes the use of a code of ethics; and (Logsdon and Wood, 2005) recommends the adoption of a global business citizenship (GBC) approach to resolving subsidiary–MNC decision-making problems in relation to the implementation of CSR. According to them, the GBC approach should consist of the establishment of a code of conduct, local implementation, analysis and experimentation and organisational learning. However, very few empirical research studies have investigated the impact of the relationship between the MNC HQs and subsidiaries on the implementation of CCR practices (Epstein and Roy, 2007). Given this, what is lacking in extant empirical research is how the different facets of the subsidiary–HQ relationship, such as the power relations, the control mechanisms used by the HQs, and the role of the subsidiary, could influence the implementation of CCR practices at subsidiaries.

In relation to implementation of CCR practices by subsidiaries of MNCs in developing countries, such CCR practices can differ from those that they implement in their home countries (Torres-Baumfarten and Yucetepe, 2008) as different antecedents could influence these (Gjolberg, 2009). Such antecedents have been identified to be host-country institutional conditions (Campbell, 2007; Cruz and Boehe, 2010) and national business systems in host countries (Matten and Moon, 2004, 2008). Consequently, one cannot expect a uniform CCR performance across all countries by MNCs (Gjolberg, 2009). Furthermore, developing countries specifically may also have distinct kinds of social and environmental challenges due to transition problems, extremely low growth rates, or high income inequality (Cruz and Boehe, 2010). These challenges may result in a disintegration of CSR activities, which might render it difficult to foster worldwide learning from local experiences (Cruz and Boehe, 2010). Despite these and many other challenges, neither academic- nor practitioner-oriented literature has sufficiently addressed the question of how to strategically manage and implement CCR in MNC especially within those subsidiaries operating in developing countries (Rodriguez et al., 2006).

2.4.1.3 Mechanisms of Control

Several authors have contended that the MNC HQ–subsidiary relationship is managed by utilising three key mechanisms: (1) *centralization*, the lack of subsidiary autonomy in decision-making, (2) *formalization,* the use of systematic rules and procedures in decision- making, and (3) *normative integration,* consensus and shared values as a basis for decision-making (Ghoshal and Nohria, 1989; Roth et al., 1991). Based upon the utilisation of each of these three conditions MNCs create operational capabilities of configuration, coordination and managerial practices to support their relationship with the subsidiaries (Roth *et al.,* 1991).

Scholars have established that greater centralization of subsidiary organisational practices may result in greater coordination with headquarters (Roth and Morrison, 1992; Jones and Hill, 1988), with corresponding key strategic decisions being made at the headquarters rather than at the subsidiary (Ghoshal and Nohria, 1989). Centralization could be denoted as a governance mechanism where the decision-making process is hierarchically organized with the headquarters often making most of the crucial strategic and policy decisions (Ghoshal and Nohria, 1989). It is required for viable coordination amongst subsidiaries and head offices (Roth and Morrison, 1992; Jones and Hill, 1988) and has been denoted as one of the least expensive administrative mechanisms as it permits administration by fiat (Williamson, 1975). Nevertheless, according to Ghoshal and Nohria (1989), centralization would ultimately lead to higher costs as more administrative resources may be required to monitor implementation of HQ directives and mandates. Furthermore, decisions made under centralization would have a greater propensity to reflect the knowledge and competencies at HQ and thus ignore or under-utilise similar competencies residing within the subsidiary (Ghoshal and Nohria, 1989). Empirical studies have found a negative relationship between subsidiary size and centralization (Hedlund, 1980) indicating that as subsidiary size declines there would be greater centralization with the HQ of the MNC. However, in terms of whether greater centralization leads to greater coordination when implementing a global strategy within a MNC has been discerned to be non-existent and alternate administrative mechanisms such as normative integration seem to be providing coordination in this context (Roth *et al.,* 1991). The use of centralization in the implementation of CCR practices may result in a HQ-determined CCR agenda being implemented within the subsidiaries as key decisions pertaining to the focus of the subsidiaries CCR practices would be taken in the MNC's HQs.

Formalization as a tool of integration has been found to lead MNCs to establish formalised systems, rules and procedures (Nelson and Winter, 1982a). Formalization could be denoted as decision-making via bureaucratic mechanisms such as formal systems, established rules and prescribed procedures to achieve greater routinization of decision-making and resource allocation (Pugh *et al.,* 1968) and thus clearly outlines the nature of acceptable task performance and criteria for decision-making Frederickson (1986). As such, formalization could limit the discretion for decision-making at subsidiary level which would enable the achievement of goal congruence amongst the HQ and the subsidiary (Ouchi, 1977 Bartlett and Ghoshal, 1990; Frederickson, 1986). It would thus result in a decrease in the power of both the HQ and the subsidiary as it formalises the nature of the relationship between these two entities via a structured set of rules and regulations (Gates and Egelhoff, 1986). Specifically, formalization reduces headquarters' direct involvement in subsidiaries by replacing central control with rules and procedures and thus organisational norms and indirectly regulates organisation outcomes (Roth *et al.*, 1991). Although formalization provides a structured context for the determination of the HQ–subsidiary relationship, it constrains the ability of subsidiaries to adapt quickly to rapid changes in the environmental conditions (Hannan and Freeman, 1986). As such it ignores the uniqueness of the HQ–subsidiary relationship, which may require a greater understanding of host country cultures, the needs of foreign subsidiary managers, the needs of specific host country contexts and the MNC's global vision (Rodrigues, 1995). In relation to CCR practice implementation the use of formalization mechanisms would result in greater routinization of decision-making and resource allocation. This view is supported by empirical research which has established that formalization does lead to goal congruence amongst the headquarters and subsidiaries in relation to other organisational practices (See Ouchi, 1975; Bartlett and Ghoshal, 1990 etc.), but whether it is so for CCR practices is not yet known.

The shared values approach (also termed normative integration or integrating mechanisms) has been found to lead on to greater cooperation and participative decision-making across the MNC (Ouchi, 1980). The shared values approach (also termed normative integration or integrating mechanisms) emphasises the creation of 'common' values across all subsidiaries. Thus the adoption of common values leads to a legitimisation of differences across subsidiaries and facilitates cooperation and participative decision-making across the MNC (Ouchi, 1980). As suggested by Bartlett and Ghoshal (1989:66), unification through a shared organisational philosophy is a critical organisational capability to be developed and managed by

MNCs intending to pursue a global strategy. Several mechanisms have been proposed in extant literature to achieve greater normative integration within the MNC, such as utilisation of selection, training and rotation of managers to build shared values across the MNC network (Edstrom and Galbraith, 1977), open communication between headquarters and its subsidiaries (Martinez and Jarillo, 1989; Bartlett and Ghosal, 1987) and extensive socialisation (Schein, 1996). However, Ouchi (1980) accentuates that achievement of normative integration can be a costly administrative mechanism as it involves a significant investment of administrative resources for both initial socialisation and continued cultural fidelity. Normative integration in relation to CCR in terms of written value statements and ethical codes of conduct is most common amongst MNCs (Logsdon and Wood, 2005). However, the focus of this research was to gather sufficient data to discern whether such shared values are actually been utilised when implementing CCR practices at subsidiary level.

Apart from the above-discussed integrating mechanisms, several authors have also agreed that the MNCs use two other mechanisms to manage their relationship with their subsidiaries: control and coordination (Cray, 1984; Mendez, 2003; Epstein and Roy, 2007; Egelhoff, 1984; Prescott, 2003; Ferner *et al*., 2004; Hennart, 1991). This has been further asserted by Ghoshal and Bartlett (1990) who highlight the need for coordination within the MNC network in order to implement their international strategies. However, given the dynamic and complex global environment which MNCs face and the heightened distance between HQ and subsidiaries in terms of cultural and physical distance, exerting control at subsidiary level in a MNC is generally viewed as a complex process (Hawkins and Walter, 1981).

Control has been defined as a process which brings about adherence to a goal or target through the exercise of power or authority (Etzioni, 1995). It includes a variety of mechanisms utilised by corporate management to supervise and regulate activities across the MNC network (Mendez, 2003). Control tends to be 'direct, costly and episodic when compared to coordination' (Cray, 1984:4). The purpose of control as an integration mechanism is to lessen uncertainty associated with decision-making and simultaneously minimise idiosyncratic business practices amongst subsidiaries within the MNC, thus unifying all affiliates through commonly applied corporate polices and principles (Tannenbaum, 1968; Egelhoff, 1984). Nevertheless, Cray (1984) argues that such control mechanisms may be underutilised within MNCs to enable more strategic flexibility for the subsidiary and to lower costs associated with the implementation of control mechanisms. As such, these two reasons might determine the type and degree of control exerted by the MNC in relation to subsidiary business practices. With specific relevance to CCR practice implementation at subsidiary level, the type of control mechanisms being utilised and the way these mechanisms have influenced the different aspects of implementing CCR practices were key areas of focus within this study.

Different mechanisms of control have been suggested in extant literature. Output control (Ouchi, 1977; Ouchi and Maguire, 1975) is related to performance reporting systems established to gather relevant data from subsidiaries and subsidiary performance is assessed by comparison of achievements against targets (Egelhoff, 1974). Behaviour control, on the other hand, is described as specifying and monitoring the actions necessary to operate successfully (Hamilton, *et al.,* 1996). In order to achieve behaviour control within the MNC, a key mechanism utilised is the assignment of parent country managers to key management positions in foreign subsidiaries in order to monitor and control their behaviour and thus achieve ‘control by socialisation’ (Edstrom and Galbraith, 1977; Egelhodd, 1984; Baliga and Jaeger, 1984). Within the context of CCR practices, both output control and behaviour (socialisation) control could be utilised to the extent of establishing regular reporting of CCR practices and measurement of achievements against pre-planned CCR targets, together with the transfer of key personnel to oversee CCR in the subsidiaries. Whilst each of these areas was focused upon within the context of this research study, an interesting consideration would be to analyse the differences and similarities of these control mechanisms amongst the ten subsidiaries in this study.

Coordination has been denoted as more of an enabling process which provides an acceptable level of connectivity between subsidiaries and the HQ of the MNC to enable greater integration of their activities (Cray,1984; Matinez and Jarillo, 1989 and 1991). It is gained by situating the subsidiary in a network of responsibilities to other parts of the firm and is generally constituted of aspects of communication such as exchange of information through different media (Nobel and Birkinshaw, 1998). It is less costly, less direct and has a longer time horizon than control (Cray, 1984). In terms of the use of coordination as a control mechanism when implementing CCR practices within subsidiaries, the HQs may use different coordination tools to ensure consistency in the nature of the CCR practices being implemented by the subsidiaries, so that similar CCR practices could be implemented across their MNC network.

However, how such subtle and formal mechanisms of control are actually used in relation to the implementation of CCR practices has not as yet been empirically investigated. In short, relatively little is known about the management of CSR practices by MNCs (Gnyawali, 1996; Meyer, 2004). According to Cray (1984), in relation to CCR practice implementation, subsidiaries of MNCs may use coordination simultaneously as a mechanism for greater integration with HQs (in relation to global corporate policies and principles established for CCR) and as a tool for transfer of knowledge pertaining to specific aspects of CR practices. He further asserts that the degree of control and coordination exerted by MNC HQs on the CCR practices of subsidiaries may depend on three factors: the need for standardisation, the need for flexibility and the cost of control (*Ibid*). Husted and Allen (2006) support Clay's (1984) assertion. Epstein and Roy (1998) have also found that standardised procedures (integrated processes) are being used by MNCs to implement environment management practices. In subsequent empirical research studies, researchers have concluded that MNCs do tend to standardise (integrate) other CR practices such as environment management through the utilisation of different types of control mechanisms discussed above (See Brammer *et al*., 2006; Epstein and Roy, 2007). Nevertheless, how such integration mechanisms would *influence* the implementation of CCR practices at subsidiary level is as yet under-researched.

Given this, in relation to the CCR practices, the use of the above-discussed mechanisms of control by the MNCs could influence different aspects of implementation. First, these mechanisms of control could decide the degree of 'standardisation' which occurs in the CCR practices within the MNC. For example, if the MNCs use mechanisms of control such as centralization, output control and formalization, it would limit the subsidiaries' ability to be responsive to the host country's requirements and thereby develop new CCR projects. This would mean that the subsidiaries would eventually be implementing a globally decided CCR agenda within the host country and thereby allowing the MNC HQ to achieve a degree of standardisation of CCR practices. Second, in contrast, greater usage of other mechanisms of control such as normative integration or the shared values approach may result in the creation of a common mindset/philosophy for social responsibility throughout the MNC. This might benefit subsidiaries operating in developing countries to the extent that if the requirements of the MNC were greater than the institutional requirements of the host country, then it would result in the subsidiary implementing new and innovative CCR projects. Third, these mechanisms of control may become the tools by which the MNC actually manages the complex and dynamic nature of CCR practice implementation and thus bring at least some degree of consensus throughout its network in addressing diverse stakeholder issues in different host countries.

Having discussed the International Business literature and its contribution to this study, the next section focuses on critiquing Neo-Institutional theory with the objective of explaining how it too contributes to this research study.

2.4.2 Implementing Community Corporate Responsibility practices in subsidiaries: A Neo-Institutional Theory Perspective

There has been increasing interest among international business scholars in applying Neo-Institutional theory when studying MNCs and their subsidiaries (Dacin et al., 2008; Westney, 2005), as it provides a rich theoretical foundation for examining a wide range of critical issues, among which the issue of 'legitimacy' holds high importance. As such, Neo-Institutional theorists recognise that MNCs are faced with multiple institutional pressures (Westney, 2005) and that establishing legitimacy in multiple host environments is a key issue for MNCs (Kostova and Zaheer, 1999; Kostova and Roth, 2002). It also recognises that when host country institutional factors obtain the status of a 'social fact' (Oliver, 1991:148), subsidiaries have to implement organisational practices that become less self-interested and become more acceptable or 'legitimate' within the host country. This is because for any organisation to survive and grow within a given organisational field, an organisation needs to align itself and its practices with the existing institutional environment and thus comply with relevant institutional pressures (Dacin et al., 2008; Scott, 1995).

This section of the literature review examines Neo-Institutional theory and its main tenets related to two key perspectives. First, the issue of 'legitimacy' within Neo-Institutional theory and its relevance for MNCs, especially within the context of CCR practices implementation. Second, the 'agency-structure' debate and its underpinning arguments with specific focus on how it could be applied in understanding the implementation of CCR practices by MNC subsidiaries in a developing-country context.

2.4.2.1 Legitimacy in Neo-Institutional Theory

Legitimacy was a key concept which underpinned the development of Neo-Institutional theory in 1977 (Deephouse and Suchman, 2008). It was first brought into the central focus of institutional analysis by Meyer and Rowan (1977) who argued that 'legitimacy' would result from organisations conforming to institutionalised myths in the organisational environment. In 1983, Meyer and Scott provided an initial definition of 'legitimacy' by stating that:

> "Organisational legitimacy refers to the degree of cultural support for an organisation – the extent to which the array of cultural accounts provide explanations for its existence, functioning and jurisdiction, and lack or deny alternatives […] A completely legitimate organisation would be one about which no questions could be raised" (Meyer and Scott, 1983:201).

Accordingly, 'legitimacy' challenges organisations not only to achieve their mission and achieve their goals but also to ensure that the values underlining their business practices are congruent with the institutional requirements prevalent within the external business environment (Hirsch and Andrews, 1984). Knoke (1985) and Brown (1998) collectively argued that such legitimate organisations would be assured of largely unquestioned operational freedom to pursue their business activities. A more comprehensive definition of legitimacy was given by Suchman in 1995, stating that:

> "Legitimacy is a generalised perception or assumption that the actions of an entity are desirable, proper or appropriate within some socially constructed system of norms, values, beliefs and definitions" (Suchman, 1995:574).

As such, for organisations to gain legitimacy they need to ensure that their actions are accepted within that specific institutional environment (Meyer and Scott, 1983). 'Legitimisation' is therefore the perceived need by organisations to gain acceptance in society, leading them to strive for compliance with norms, values, beliefs, and definitions (Suchman, 1995). Without such legitimacy, an organisation would find it difficult to obtain and/or renew its licence to operate and gain new sources of power to grow in its operations.

Several authors have examined the different dimensions of organisational legitimacy. Scott (1995:33) has stated that "institutions consist of cognitive, normative and regulative structures and activities that provide stability and meaning to social behaviour". Accordingly, organisations need to gain legitimacy from adhering to these cognitive, normative and regulative structures within the specific institutional environment. Within the regulative structure, organisational behaviour is viewed as legitimate to the extent that such behaviour conforms to existing rules and laws. In relation to the CCR practices of subsidiaries, this would constitute the extent to which the subsidiaries' CCR practices follow legal and regulatory mandates institutionalised within the host country. The normative structure on the other hand, provides a 'moral framework' for assessing business practices (Scott, 1998), and when organisations ensure their adherence to these moral requirements of the institutions by implementing business activities deemed to be acceptable, they gain normative legitimacy. Whether subsidiaries are implementing and doing the right thing in terms of the CCR projects at the host country level, and whether these CCR practices are accepted by the institutional actors, would discern whether they could gain normative legitimacy from them. The third base of legitimacy, cognitive structures comprise of commonly applicable symbolic systems and shared meanings which define culturally supported and recognised business actions. When an organisation mimics those business practices and actions of other organisations operating within the organisational field, which have been ‘taken for granted’, then it could gain ‘cognitive’ legitimacy. In order to obtain cognitive legitimacy, subsidiaries may be compelled to imitate the CCR practices of local companies, as such practices would have already been established as taken for granted within the host country’s institutional environment.

Suchman (1995), arguing that legitimacy should focus more on examining the normative and cognitive forces within the institutional environment, which could ensure organisational empowerment or organisational restrain, presented three more types of legitimacy: pragmatic, moral and cognitive legitimacy. Suchman’s (*Ibid*) argument was that although all three types of legitimacy assume that organisational activities are appropriate, based upon the institutional structures prevalent within the given institutional environment, each type of legitimacy still rests on a somewhat different behavioural dynamic. Pragmatic legitimacy is gained from a specific set of constituents when they support organisational policy and practices, dependent on the value of the outcomes of the policy and/or practices to them. As such, organisations need to be calculative and adopt organisational policies and practices which would resonate more with their most immediate audiences, for example: the host country government. In relation to the subsidiaries of MNCs, under the pragmatic legitimacy view, powerful institutional actors in the host country will ascribe legitimacy to the subsidiary as long as they see a benefit from the subsidiary’s business activities. As such, it is a fundamental challenge for subsidiaries to persuade these powerful institutional actors of the benefits of their products, procedures, and outputs consistently. One way they could possibly do this is by using their CCR agenda to implement programs which the institutional actors would perceive to be beneficial to them. Moral legitimacy occurs when the institutional actors evaluate whether the organisations actions are "the right thing to do" (Suchman, 1995: 579) through a normative evaluation. It is therefore concerned with the conscious moral judgements on the organisation's business practices (Palazzo and Scherer, 2006). For subsidiaries of MNCs, since moral legitimacy could result from ''explicit public discussion'', subsidiaries can gain moral legitimacy only through their vigorous participation in these discussions (Suchman, 1995:585). Managing moral legitimacy must, therefore, be perceived as deliberative communication through persuasion using rational arguments (Palazzo and Scherer, 2006). In relation to CCR practices, subsidiaries could implement CCR practices which the host country's institutional actors view as the right thing to do as well as by communicating and publicising their work in relation to CCR, so that the image of the subsidiary as a caring MNC would be instilled upon the minds of the institutional actors.

Cognitive legitimacy occurs when the organisations' actions and business practices adhere to broadly 'taken-for-granted' assumptions prevalent within the institutional environment (Suchman, 1995). As such, the basis for cognitive legitimacy is the cognition of the organisational activity by the institutional actors. Dependent on how the constituents view the organisation's activities in terms of comprehensibility and taken-for-grantedness, they would confer legitimacy upon the organisation. The problem with cognitive legitimacy is that since it operates mainly at the subconscious level, it is difficult for an organisation directly and strategically to influence and manipulate these perceptions or cognitions of the institutional actors (Oliver, 1991; Suchman, 1995). The need is therefore to ensure that in the minds of the institutional actors that there is little question that the organisation is doing the right thing (Hannan and Carroll, 1995). The communication of the subsidiaries' CCR agenda and the projects which are being implemented by the subsidiaries within the developing country could be one way by which the perceptions of institutional actors could be manipulated.

2.4.2.2 MNC subsidiaries and Legitimacy

The application of legitimacy to MNCs has been studied in a series of early articles published by Kostova and others (Dacin et al., 2008; Kostova and Roth, 2002; Kostova and Zaheer, 1999). They argue that a multinational subsidiary has to gain 'dual' legitimacy and as such is in a state of 'institutional duality'. Headquarters pressurise subsidiaries internally to adopt organisational practices, which are transferred to it from the home country HQ. Externally the host country institutional environment pressurises it to adopt local organisational practices. As such, subsidiaries of MNCs have to decide which institutional influences are more important; is it those internal influences that would enable it to become legitimate within the MNCs or is it the external influences that would enable it to gain external legitimacy within the host country's local context?

Subsidiaries of MNCs can gain internal legitimacy by adopting and implementing organisational practices and strategies that are similar to that of the parent company (Davis et al., 2000; Hillman and Wan, 2005). Existing International Business literature (discussed in the previous section), also focuses on how MNC strategies and organisational practices are controlled by parent firms (Bartlett and Ghoshal, 1989; Cray, 1984). As such, internal legitimacy will be greater where the parent company exercises increasing control over the organisational practices of its subsidiaries (*Ibid*.) in order to gain higher levels of synergy through global integration of operations (Dacin et al.,2008). Ang and Cummings (1997) have found that MNCs tend to give more importance to economic considerations when subsidiaries implement an organisational practice, than to whether that practice is mimetic with the parent. Kostova (1999) and Xu and Shenkar (2002) supported this by later research. They recognised that differences in external institutional environments (i.e. host country institutional environments) may result in heterogeneity of organisational practices across countries based upon economic considerations. Hence, subsidiaries of MNCs may have a greater tendency to external host country institutional influences than internal MNC influences, as they need to ensure long-term business sustainability in the host country. According to Escobar and Vredenburg (2011), MNCs usually respond to pressures to implement global sustainable development practices arising as a result of global institutional normative pressures; they usually respond by changing their practices only at the host country level. Subsidiaries of MNCs, therefore, do not passively conform to internal pressures for adoption of organisational practices (Tempel et al., 2006) but launch strategic responses towards parent company attempts to transfer organisational practices (Ferner et al., 2005; Kostova and Roth, 2002), and aim to gain 'legitimacy' from different institutional actors by using different strategies. There are two different ways by which subsidiaries could gain legitimacy and these are discussed next.

2.4.2.3 Approaches to Legitimacy

Organisational legitimacy has been discussed within Neo-Institutional theory based upon two broad approaches. The first is the institutional approach to legitimacy advocated by (Powell and Di Maggio, 1991; Di Maggio and Powell, 1983; Meyer and Rowan, 1983), emphasising how constitutive societal beliefs become embedded in organisations. It shows how organisations could build support and gain legitimacy within specific institutional environments by maintaining ascribed and broadly endorsed organisational practices (DiMaggio and Powell, 1983; Scott, 1991). By developing and retaining specific organisational structures, policies and practices, organisations could show their compliance and conformity to institutional pressures which would result in legitimacy. This approach posits conformity as an antecedent of legitimacy (Deephouse, 1996; Fombrun and Shanley, 1990). Organisations may consciously or unconsciously use links to institutionalised structures or procedures to ''demonstrate the organisation's worthiness and acceptability'' (Oliver, 1991: 158). Developing CCR projects and implementing them would enable organisations to show that they are compliant with the expectations of community stakeholders (Deegan, 2002; Waddock, 2004).

The second, is the strategic approach to legitimacy propagated initially by Pfeffer (1978) and more recently by Oliver (1991), Ashforth and Gibbs (1990) and Suchman (1995). Suchman (1995), presenting a strategic perceptive of legitimacy, emphasised how organisational goals could be achieved by the management of legitimacy. This approach views legitimacy as an operational resource (*Ibid*) which the organisation can manage and directly influence (Asforth and Gibbs, 1990). In taking up this instrumental view of legitimacy, researchers propose gaining a higher level of managerial control over the process of legitimisation. As such, gaining legitimacy is purposive, calculated and frequently leads to conflicts with institutional constituents (Suchman, 1995). As stated succinctly by Suchman (1995:572) legitimacy resides in the ‘‘organisation’s ability to instrumentally manipulate and deploy evocative symbols in order to gain societal support’’. Within this context the process of legitimisation becomes a calculative and purposive practice and lead to frequent conflicts with institutional actors’ needs and those of the organisation (Asforth and Gibbs, 1990).

According to Palazzo and Scherer (2006), when organisations implement CCR practices under the assumption that their social environments consist of a coherent set of moral norms and rules, for example, when CSR definitions relate to the firm’s adaptation to ‘‘broader community values’’ (Swanson, 1999: 517) or its conformity with ‘‘the basic rules of society’’ (Friedman, 1970: 218), then the firm is operating under the institutional approach to gain legitimacy. However, the issue is that most CSR models such as Corporate Social Performance (Wood, 1991; Wartick and Cochran, 1985) and other management models such as risk and reputation management (Fombrun, 1996) and stakeholder management (Freeman, 1984) are not dictating that organisations passively accept how they should implement their CCR practices. These models are showing how organisations should operate under the strategic approach to gain legitimacy. As such, managers invest in CSR practices to gain reputational advantages and also as way to ensure business sustainability (McWilliams and Siegel, 2001). Therefore, the implementation of CCR practices by MNC subsidiaries may be carried out to gain legitimacy from host country institutional actors under the institutional approach by meeting the prerequisites established by these institutional actors. But the CCR practice may also be implemented to manipulate and compel institutional actors to confer legitimacy upon the subsidiary under the strategic approach. Therefore, it is important not to underestimate the role of managerial agency in responding to legitimacy structures prevalent within the institutional environment, when examining CCR practices implementation by MNC subsidiaries.

2.4.2.4 Legitimacy and Agency-Structure relationship: Neo-Institutional Literature

Neo-Institutionalists tend to downplay managerial agency, and rather than examine the strategic legitimisation efforts of specific individual organisations, they tend to emphasise collective structuralisation of entire sectors of industries (Suchman, 1995). More recent work on institutions has also focused more on exploring the roles of conflict, politics and specifically agency-structure relations within institutional theory (Lawrence, 2010). Lawrence (2010) posits that the agency-structure relationship underpinned by the relationship between power and institutions can be examined through “institutional control and institutional agency”. Since each of these dimensions describes an aspect of how institutions and actors relate to each other in terms of power relations, they also enable the further understanding of the agency-structure relationship in institutional theory (*Ibid*.).

Institutional Control

Institutional control is related to the “ways in which institutions organise, encourage and diminish particular forms of thought and action in organisational fields” (Lawrence, 2010:175). Di Maggio and Powell’s (1983) establishment of three sources of institutional control: mimetic, normative, and coercive, broadly defined as institutional isomorphism, enables powerful institutions to exert control over organisations. Coercive isomorphism is where organisations have to adopt different practices due to their imposition by a more powerful authority, such as the government. Normative isomorphism is where appropriate organisational practices are promoted by professional groups with which organisations need to comply, and mimetic isomorphism is where organisations respond to uncertainties in practice adoption by imitating those practices which have been adopted by other successful organisations in the same industry or in different industries. These three types of isomorphism become sources of institutional control as they provide three related but distinguishable bases of legitimacy which institutional actors could confer upon the organisations: legitimacy gained by conforming to the law of the land (through coercive isomorphism), legitimacy gained by moral compliance (through normative isomorphism) and the legitimacy gained by adopting a common frame of reference or definition of the situation (through mimetic isomorphism) (Di Maggio and Powell, 1991).

In relation to subsidiaries of MNCs, the presence of institutional control exerted through isomorphism could result in the subsidiary adopting certain organisational practices which could differ from those in the MNC HQs (Kostova and Roth, 2002) as they need to maintain legitimacy within the host country. In other words, conformity among firms' practices within countries is due to an overall pressure to conform to the institutional norms within the environment (Hillman and Wan, 2005). As such, practices that have been developed elsewhere in the MNC when adapted by subsidiaries in host countries could be influenced to a large extent by local institutional pressures (Sahlin-Andersson, 2006; Boxenbaum, 2006). For example, several studies have found that mimetic and normative isomorphism arising from local institutional environments influences the adoption of quality standards by subsidiaries of MNCs (Geppert et al., 2003b; Tempel and Walgenbach, 2007). However, in relation to CCR practices, the application of institutional control is much more complex. As suggested in recent studies, the application of institutional theory to MNCs and their subsidiaries may not necessarily conform to expected and straightforward patterns of isomorphism, given the multidimensionality and heterogeneity of MNCs (Westney, 2005). As per Kostova et al. (2008: 997) ‘‘MNCs have a very different institutional story that better fits the conditions of equivocality, ambiguity and complexity.’’

Institutional Agency

Institutional agency is related to ”the work of institutional actors to create, transform, or disrupt institutions” (Lawrence, 2010: 181). It requires an in-depth understanding of the relationship between institutional actors and the organisations on which their actions impinge (Wincott, 1998). Prior research has shown that MNCs show institutional agency through the adoption of different strategies, ranging from obtaining market leadership and lobbying for regulatory change (Holtbrugge and Berg, 2004). Oliver (1991:146) to assert that organisational responses to institutional pressures may not always be “invariably passive and conforming across all institutional conditions” and that organisations can deploy a range of responses to institutional pressures. Oliver’s (1991) proposed responses to exercising institutional agency comprising of Acquiescence, Manipulation, Compromise, Avoidance and Defiance. She further suggests that the multiplicity of demands made by institutional actors and the extent of the dependence of the organisation on these institutional actors would influence the strategic responses of the organisations. However, while using an optimal level of legitimacy-seeking behaviour is necessary for organisations to gain effective results, an excessive focus on legitimacy could potentially lead to stakeholder mismanagement, resulting in opposite consequences (Sonpar et al., 2009).

In relation to subsidiaries of MNCs, both these factors hold importance in deciding their CCR practices implementation. It can be challenging when subsidiaries are dependent on the MNC HQs for their resources but are simultaneously dependent on the host country's institutional actors for their business sustainability. In relation to CCR practices, the subsidiaries may have to comply with MNC HQs' global CCR agenda and implement CCR projects that are funded by the MNCs, but utilise this CCR agenda to manipulate host country institutional actors to gain legitimacy. According to Oliver (1991), when organisations face incompatible and competing demands from different institutional actors, conformity may be impossible. Hence, when the subsidiary management responds both to parent company and local institutional pressures, acquiescence to parent company pressures can mean the avoidance of local institutions, while, compromises with local institutions can mean the defiance of parent company practices. Thus Oliver's (1991) arguments are applicable to subsidiary management responses to pressures for internal and external legitimacy.

2.4.2.5 Corporate Community CR practices as a Legitimisation Strategy for MNC subsidiaries

In general, Neo-Institutional theorists have examined how different organisational practices are influenced by institutional factors. Such studies, however, have been limited to examining organisational practices such as corporate governance (Selekler-goksen and Yildirim Oktem, 2009; Judge et al., 2008; Mason et al., 2007; Seal, 2006) and supply chain management (Zhang and Dhaliwal, 2009). Several researchers have applied institutional theory to examining sustainability and environmental practices (See for example, Hoffman, 1999; Bansal & Clelland, 2004; Jennings and Zandbergen, 1995). Institutional theory particularly assists in examining CSR research, as the implementation of CSR practices do contain a balance between instrumental and moral decisions (Greenwood et al, 2008), and CCR practices of MNC subsidiaries are contextualised by national institutional frameworks (Matten and Moon, 2008). Empirical research on CSR practices, have provided historical analyses of the development of CSR (i.e. origins of CSR) by utilising institutional theory (Sharfman, 1994; Hoffman, 2007). In terms of extending the institutional approach to legitimacy, researchers have listed different national institutional conditions under which organisations are to be more socially responsible (Campbell, 2007; Beliveau et al.,1994) and others have looked at broad country differences amongst CCR practices resulting in country specific institutional conditions influencing organisational legitimacy (Moon, 2004; Matten and Moon, 2008). Husted and Allen (2006), applying both the institutional and strategic approaches to legitimacy examined the global and local CCR practices of MNC subsidiaries in Mexico and found that institutional pressures, rather than strategic analysis of social issues and stakeholders, are guiding decision-making with respect to CSR.

However, the challenge is to find empirical studies that show the forms and processes of legitimacy-building in relation to CSR (Palazzo and Richter, 2005; Trullen and Stevenson, 2006). Castello and Lozano (2011), in a more recent study, have examined legitimacy-building in CSR by looking at the rhetoric of CSR of companies and identified that companies are searching for a new form of moral legitimacy which aims to improve the discursive quality between corporations and their stakeholders. However, the key weakness in these studies is they do not examine Community CR practices as a legitimacy-seeking strategy by organisations.

Having examined the main domains of literature which informed this study, the next section examines empirical research studies focusing on Asis and more specifically on South Asia.

2.5 Corporate Social Responsibility in Asia: An empirical research overview

A review of empirical research focusing specifically on CSR in Asia, shows that there is a gap in studies examining MNC subsidiaries implementation of Community CR practices in a developing country in Asia.

Although increasing attention has been laid upon understanding different perspectives of CSR, as an essential requirement for responsible corporate behavior, there is very little known about CSR practices in developing countries (Jamali, 2010; Birch and Moon, 2004). Various scholars have emphasised the importance of focusing international business related CSR research on developing countries (Peng, 2001), specifically on developing countries in Asia, as a growing trend towards CSR has been observed in this continent during the last decade (Fukukawa, 2010; Chapple and Moon, 2007; Chambers *et al*., 2003). Since, globalization in Asia has occurred largely as a function of the increased activity of western businesses, as such one can surmise that higher levels CSR in Asia could be a result of the CSR practices of these western businesses (Chaple and Moon, 2005). This can be argued based on two aspects: firstly, as MNCs trade in foreign countries, their need to establish themselves as good citizens within the host countries may propel them to engage in higher levels of CSR practices. Secondly, global public policy regulations can result in higher level of CSR practices of MNCs in their foreign location due to global institutional pressure (*Ibid)*. However, empirical research studies based in Asia have so far not focused on identifying this apparent contribution of MNCs through their subsidiaries to the development of CSR and more specifically how they might actually influence the development of CSR practices in South Asia. Chapple and Moon (2007: 187) assert this by stating that :

> "To date, notwithstanding some notable exceptions, not only has much research on CSR in Asia been under-theorized but also the empirical research has not been addressed to the task of theory-building [..].In general, little is known about the management of CSR in MNCs, either academically or practically"

The different aspects of CR which have been examined through empirical research conducted in Asia in general range from corporate governance research (Claessens and Fan, 2003; Waagstein, 2011; Kimber and Lipton, 2005; Welford, 2007), perception studies of CR based upon different stakeholders (Ramasamy and Hung Woan, 2004; Ediraras *et al*., 2010) and evaluations of comparative CSR practices of companies (Holtbrügge and Berg, 2004; Welford, 2004 and 2005). Empirical studies focusing on corporate governance have established that the quality of public governance is a crucial determinant of such practices of Asian companies (Classens and Fan, 2003; Waagstein, 2011) and that corporate governance practices differ across companies in Asia based upon their CSR orientation and underlying ethical behavior (Kimber and Lipton, 2005). Other studies have established that MNCs tend to use lobbying and bribery as key public affairs management tools when interacting with their stakeholders in Asian countries (Holtbrügge and Berg, 2004) and that the cultural specific aspects of Asian countries *do* influence CR practices (Ringov and Maurizio, 2007). Nevertheless, as these studies do not examine implementation of CCR practices of companies operating in Asia, they do not contribute towards fulfilling the empirical research gap mentioned.

However, with regard to specific empirical research studies focusing on comparative CR practices of organisations', Welford's (2005, 2004) extensive surveys across different world regions (including North America, Europe and Asia), examining comparative CR practices, showed that Asian firms are less involved with CR practices in relation to wider ethical, accountability and citizenship aspects than their European counterparts. In his 2005 study, a growing trend of CSR was seen in some countries in Asia (62% of the surveyed companies in Japan and 50% in Korea had policies on CSR or sustainable development reporting), but however it was not commonly spread throughout other Asian countries such as Thailand, Malaysia, Singapore and Hong Kong. In another comparable study Chapple and Moon (2005), analysed the website reporting of top 50 companies in seven countries in Asia (India, Indonesia, Malaysia, the Philippines, Singapore, South Korea and Thailand), and found significant differences in the type of activities undertaken by firms in Asia pertaining to CSR practices. Whilst in Thailand, India and Malaysia there was greater emphasis on community involvement than production process, the latter was emphasised greatly in South Korea. As such they concluded that one cannot draw generalisations pertaining to the CSR practices of the total region by investigating a sample of Asian countries (Chapple and Moon, 2005). Baughn et al (2007) in a more recent study examined CSR practices in 15 Asian countries, and compared them to those of companies in different regions of the world. Their study addressed the extent to which hypothesized economic, political and social determinants of CR are as predictive of social and environmental practices in Asia as they are in other nations. Drawing from over 8700 surveys of firms in 104 countries, strong relationships between CR and country economic, political and social contexts were found, reflecting the importance of a country's development of institutional capacity to promote and support CR practices. However within countries in South Asia (Pakistan and Bangladesh) they found levels of CSR that fall below the average found in Eastern and Central Europe, as well as in Latin America and Africa.

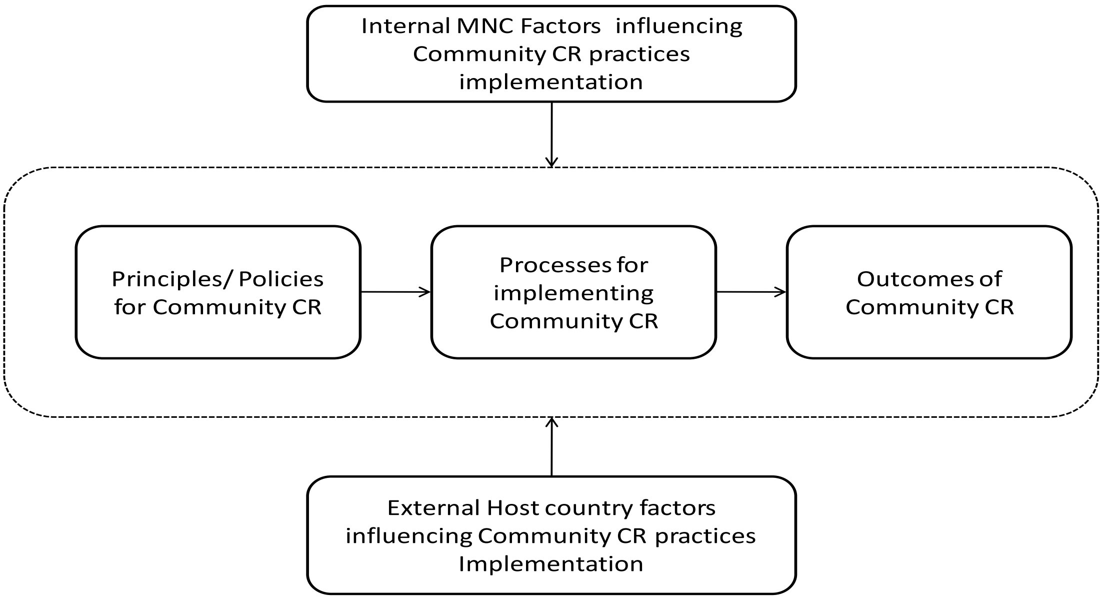
The few CSR studies which have focused on developing countries in **South Asia** too is minimal (See Mohan, 2001; Balasubramanian *et al*.,2005; Ahmad, 2006; Rathnasiri, 2003; International Alert, 2005; Belal and Roberts, 2010). These studies have identified the pervasiveness of community philanthropy in terms of addressing community issues or social issues in company CSR agenda's (Mohan, 2001 and 2006; Balasubramanian *et al*., 2005; Ahmad, 2006; Rathnasiri, 2003, International Alert, 2005; Rajapakse, 2005 and 2007) and the widespread distrust of business, especially MNCs as proponents of CR Balasubramanian *et al*., 2005; Rathnasiri, 2005). In relation to the study conducted by Mohan (2006), it investigated the management of stakeholder relations in MNC's, using a relational concept of CSR (i.e. ongoing stakeholder relations in non–crisis situations in routine business activities) and focused only on two MNC subsidiaries. Most of the other studies have been large scale opinion surveys examining either perceptions of managers or other stakeholders about CR practices including Corporate Social Reporting practices (Rajapakse, 2005 and 2007; Belal and Roberts, 2010).

In summary, the empirical research gap with regard to 'how' subsidiaries of MNCs operating in a developing-country in South Asia still exists and these studies have not been able to provide viable research solutions for it.

2.6 Conceptual Framework

The review of literature in the preceding sections of this chapter focusing on CR practices implementation literature, International Business Strategy literature and Neo-Institutional theory, enabled the researcher to develop a conceptual framework to guide this research (see figure 2.2)

Figure 2.2:- Conceptual Framework – Implementation of Community Corporate Responsibility Practices



Source: Author

Although various approaches postulated in literature for implementing CCR practices were reviewed, including codes of practice and global standard-based approaches as well as practice-based approaches, the review of literature showed that the corporate social performance approach was more viable and justifiable to be used in this study to examine the implementation of CCR practices. As such, the 'principles-processes-outcome' approach, adopted by CSP theorists have been used to develop this conceptual framework. Furthermore, the review of literature related to the use of control mechanisms by MNCs and the unique relationship dimensions between MNC

HQ's and their subsidiaries, showed that there could be different internal MNC factors influencing CCR practices implementation at subsidiary level. The review of Neo-Institutional theory, focusing on legitimacy aspects, also highlighted the existence of external host country factors which would not only influence CCR practices implementation within subsidiaries, but may result in reactive strategies by subsidiaries to gain legitimacy more strategically.

Therefore, based upon this broad review of literature, the conceptual framework depicted above postulates three main perspectives related to the implementation of CCR practices by MNC subsidiaries. First, it postulates that any subsidiary which is committed to implementing CCR practices may need ***principles or CCR policies*** to guide such implementation. The subsidiary may also need clear ***processes of implementation***. These may include structural and strategic integration of CCR within the subsidiary, specifying different CCR methods to be used to implement CCR projects and arrangements for communicating about CCR projects. The implementation of CCR practices would ideally result in ***outcomes*** in the form of different CCR projects.

The second perspective, postulates that the unique relationship context between the subsidiary and its parent, could result in several internal factors, influencing the implementation of CCR practices. These may consist of head office control mechanisms ranging from centralization, formalization, normative integration to control and coordination, as well as power relations between the MNC headquarters and the subsidiary. The third perspective, assumes the need for MNC subsidiaries to gain legitimacy from host country institutional actors. According to Neo-Institutional theory, subsidiaries could either conform to such external institutional pressures or manage these pressures strategically. However, what was evident from the literature review was that there are external influencing factors which could influence the implementation of CCR practices by subsidiaries.

Therefore, this conceptual framework, depicts how different concepts and theories from the review of literature have been used to provide a firm foundation upon which to build a conceptual understanding for this study.

2.7 Summary

This review of three main domains of literature related to CR practices implementation, International Business Strategy and Neo-Institutional theory resulted first, in the development of a conceptual framework and second, in the identification of three main empirical research gaps.

The first gap in empirical research, was related to the paucity of research examining the internal implementation of CCR practices within MNC subsidiaries, operating in developing countries in Asia. The second empirical research gap identified comprised of a deficiency in extant empirical knowledge on the use of control mechanisms by MNCs to manage the implementation of CCR practices of their subsidiaries. The final gap in empirical research, showed that there was an absence of studies examining the influence of institutional pressures on implementing CCR practices and more specifically, the issue of using CCR practices as a legitimacy-seeking strategy by MNC subsidiaries.

In summary, based upon the preceding literature review, it is evident that in order to address these empirical research gaps, an in-depth research examining how CCR practices are implemented within subsidiaries operating in a developing country was much needed. The methodology utilised to carry out this research is examined in detail next.

Chapter 3: Research Methodology

3.0 Introduction

This chapter provides an overview of the research methodology adopted for this study. It first justifies the selection of the interview method as its research strategy. Next, the selection of Sri Lanka as the research setting is examined. It also examines the techniques adopted in the selection of the interviewees from the ten subsidiaries, the collection of data through in-depth interviews and the qualitative analysis of data. Finally, it explores the academic rigour maintained throughout the study to uphold the research criteria of validity and reliability. The chapter concludes with a discussion on the possible limitations of the selected methodology.

3.1. Interview Method

The interview has been defined by Kvale (2007: 17) as “a specific form of conversation where knowledge is produced through the interaction between an interviewer and the interviewee”. Following on from this definition, Kvale and Brinkman (2009:2), denotes the interview method as consisting of ‘*inter view’,* meaning an ‘inter-change of views between two persons conversing about a theme of mutual interest’. As examined in Chapter 2, the research questions underpinning this research study, are primarily exploratory questions where knowledge related to the specific phenomena being researched (i.e. CCR practices) is as yet unexplored within the specific context of this research. Based upon Kvale and Brinkman’s (2009) argument that the interview method could be used as either a process of *knowledge collection* or as a process of *knowledge construction,* it is emphasized that it is the former and not the latter which this study aimed to achieve by using the interview method. As such, in order to obtain the relevant knowledge related to ‘how’ subsidiaries implement CCR practices and the factors influencing such implementation, it was deemed essential that this data be gathered from subsidiary managers who are directly involved in the management and implementation of CCR practices in MNE subsidiaries.

The decision to use the interview method as the research methodology in this study can be justified based upon the following key criteria. First, the use of qualitative research interviews enables the researcher to cover both a 'factual' and a 'meaning' level, resulting in the researcher gaining not only explicit descriptions of events and activities from the interviewee, but also being able to pursue meanings pertaining to such events/activities so that an in-depth understanding of the phenomena being investigated is obtained (Easterby-Smith et al., 2012; Saunders et al., 2012; Kvale and Brinkman, 2009). The phenomena which was investigated within this study was the implementation of CCR practices, which is a complex process, and as such there can be many influencing factors or phenomena which are yet to be discovered. Ritchie et al., (2011) advises the use of in-depth interviews to investigate 'complex systems, processes or experiences' (Ibid:58) due to the depth of focus needed to understand the phenomena, as well as the opportunity that in-depth interviews provide for clarification enabling the researcher to gain an overall detailed understanding of the phenomena. As such, the researcher was able to obtain in-depth and explicit descriptions of CCR practices, specifically focusing on its internal implementation and multiple factors influencing it from the interviewees by using in-depth interviews to collect data. Some of the data obtained through the use of the interview method was tested with other sources, specifically published documentation consisting of web-based social reports and annual reports of the subsidiaries, as well as through internal company documents such as internal newsletters and advertising material, which were subsequently obtained after the interviews from the subsidiary managers.

Secondly, qualitative interviews also allow the interviewer to focus the interview on particular themes which relate to the phenomenon being investigated (Kvale and Brinkman, 2009) and through the use of probes and collaborating with external documentation (as explained above), in-depth answers allowing the knowledge which is with the interviewee to be brought forth (Ritchie et al., 2011). As discussed in Chapter 2, the detailed review of literature resulted in the development of a conceptual framework which specifically directed the collection of data related to three themes consisting of; implementation of CCR practices, internal and external factors influencing its implementation. The broad focus of these themes called upon the researcher to use probing questions to gather as much in-depth data as possible related to the specific themes and the phenomena of CCR practices implementation. A suitable way to achieve this need for in-depth qualitative data was to carry out in-depth interviews, as compared to large-scale surveys or structured interviews.

Thirdly, since extant empirical research which have investigated different facets of MNCs' CCR practices, show a distinct tendency to be polarised between primary data which is mostly quantitative and/or secondary data (company publications), there was a need to obtain qualitative internal data providing detailed accounts of the implementation of CCR practices. The present empirical research consist mostly of large scale multi-country, multi-regional surveys (See Welford, 2004, 2005), as well as research studies utilising secondary data in the form of published CSR reports of companies, online material or previous study data (Abreu *et al*., 2005; Maignan and Ferrell, 2001, 2003; Rondinelli and Berry, 2000 etc). Although these studies *do* provide an understanding of CR practices of MNCs, are more viable for cross-country studies and are also more cost and time effective, there is a key weakness in these research designs; they examine CR practices based upon primary data collected through a questionnaire, or secondary data gathered from published CSR reports and other web-based publications of the companies. Collectively such data lacks depth and could thus result in superficial findings. Therefore, in order to counter this weakness, the present research study adopted the interview method so that internal data using in-depth interviews could be obtained to understand how CCR practices are actually implemented within subsidiaries of MNCs. Apart from in-depth interviews with key subsidiary managers, data was also collected from host country institutional actors.

Finally, the need to have analytic generalisation as opposed to empirical generalisation as well justifies the use of an interview method in this research. Analytic generalisation enables "the illumination and explanation of the causal mechanisms that govern the social reality through explanations which in turn supplant deduction, prediction, solution, determination, calculation and logical consistency as goals of theorisation" (Ackroyd and Fleetwood, 2000:15). With regard to the present research, such analytic generalisation was obtained through an enfolding literature stage of the data analysis where the findings of the research were examined in relation to extant theories on implementation and factors influencing implementation such as the corporate social performance approaches, neo-institutional theory and control and coordination literature in international business. The use of the interview method enabled the researcher to develop viable findings, related to the internal implementation of CCR practices through the analysis of the interview data and then compare these findings across the companies to find the extent of their applicability. Furthermore, the objective of analytic generalisation is to examine a smaller number of data, but in-depth so that potential findings can be developed to explain the complex social reality and as such, the use of the interview method facilitated the use of analytic generalisation in this research (see section 3.3.5).

Having justified the selection of the interview method as this study's research strategy, the next section examines the research setting for this study, which was Sri Lanka.

3.2. Sri Lanka: Overview and Rationale for selection

The need to examine the diverse corporate responsibility contexts and challenges seen within the Asian region has been emphasized by many researchers (See Chapple and Moon, 2007: Baskin, 2006; Baughn *et al*., 2007). However, since there is a lack of research studies examining the implementation of CCR practices in South Asia (See Naeem and Welford, 2009; Balasubramanian *et al*., 2005; Ahmad, 2006; Rathnasiri, 2003; Mohan, 2001; International Alert, 2005), it was deemed important to base this study within a country in South Asia, a sub-region in Asia.

South Asia is relatively a small geographic region of eight countries with a large combined population (1.5 billion people), second only to East Asia (2 billion), and with great diversity in size and circumstance. India (1.13 billion), Bangladesh (160 million), Pakistan (166 million), and Sri Lanka (20 million) compose the diversified economies (World Bank, 2010). By contrast, the region also contains two very small, relatively specialised economies: Bhutan (0.7 million) and the Maldives (0.3 million). The remaining two economies consist of the relatively undiversified and landlocked economies of Nepal (28 million) and Afghanistan (28 million) (*Ibid*). With an average per capita gross national income (GNI, by Atlas method) of US$963 (2008), South Asia remains a low-income region that is on the verge of becoming middle-income – in contrast to a decade ago (*Ibid*).

Sri Lanka is a country with a population of 20.3 million located in the South Asian region (World Bank, 2010). At a per capita Gross National Income of only $1990 per year (*Ibid),* it is presently experiencing post-conflict economic growth. Sri Lanka has aggressively pursued a market economy, through extensive economic liberalisation which took place from 1977 to 1994, resulting in a largely private sector-led economic growth (Central Bank of Sri Lanka, 2010). As such, the private sector in Sri Lanka, which includes MNCs, has become both the primary engine of financial growth and a major contributor to human resource development within the country (International Alert, 2005).

Having set Sri Lanka in context, it is important to provide a rationale for its selection in comparison to other countries in South Asia. First, as compared to other countries in South Asia, Sri Lanka has a long history of corporate philanthropy, which has largely been led by individual values and actions rather than established public relations practices or formal CR practices (Mayer and Salih, 2006). Second, in recent times there has been renewed interest in CR with many companies competing to show their excellence in addressing different aspects of CR. This increasing awareness of CR has been accompanied by an increasing interest in voluntary CCR amongst public limited companies (Rajapakse, 2005; 2007).

However, as with MNCs and CCR in general, there is a deficiency of CCR research in Sri Lanka examining the implementation of CCR practices of MNC subsidiaries. For example, in a review of CR practices in Asian countries by Baugh *et al*., (2007), the authors identified studies into CR practices of MNCs from Pakistan and India within the South Asian region, but did not examine Sri Lanka. Subsidiaries of MNCs, however, *are* different to indigenous companies as they have to adhere to directives which are sent to them by their MNC head offices as discussed in Chapter 2. Such control and coordination pressures may manifest themselves in the CR practices which the subsidiaries implement at host country level. Therefore, there may be distinctive differences between the CR practices of MNC subsidiaries and local companies operating within the same host country (Muller, 2006; Epstein and Roy, 2006). As such, research studies need to be conducted to examine how CCR practices are implemented internally within subsidiaries in Sri Lanka, ensuring that the focus is only on multinational subsidiaries.

However, there are some studies which have been carried out by local researchers and which have analysed both MNCs and local private sector organisations together as samples from companies listed on the Colombo Stock Exchange (Kumar *et al*., 2003; International Alert, 2005; Rathnasiri, 2003; Rajapakse, 2003, 2005 and 2007; Ajward, 2006). From these studies, it is clear that there has been a steady rise in voluntary CR amongst public quoted companies in Sri Lanka over the years. For example, a study by Rajapakse (2009) which evaluated CR practices by looking at published annual reports of quoted public companies published in 2006 revealed that 120 out of 238 companies did engage in some form of CR practice. This indicated an upward trend of voluntary CR in the private sector in Sri Lanka compared to an earlier study in 2004 (Rajapakse, 2007) in which only 24 public listed companies out of 123 engaged in CR. Rajapakse's (2009) findings also mirror findings from a study by ACCA in 2005, where in a survey of top 100 Sri Lankan private sector companies (i.e. 75 listed companies and 25 non listed companies) it was found that 69% of the 75 listed companies engaged in some form of CR practice, including environmental and/or social issues.

Third, Sri Lanka's private sector is undergoing rapid growth and the Sri Lankan government has promoted new initiatives to enable greater collaboration between the public and private sectors in achieving growth through a 'public-private partnership' model (NCED, 2009). As such, the present government has taken on a 'participatory' approach to the development of national economic policies and plans (*Ibid).* This new approach has created a 'Private-Public Partnership model' in the formulation of key economic policies including policies related to community development and their implementation through the enactment of 24 cluster committees focusing on key areas of the economy (*Ibid*). Therefore, given the present economic and social development of Sri Lanka, it would be pertinent to examine how subsidiaries of MNCs are coping with increased pressure from host country institutional stakeholders (especially the government of Sri Lanka) and the wider societal stakeholders to engage more in community development efforts in Sri Lanka.

Finally, the interest in voluntary CR practices amongst companies in Sri Lanka has been further increased over the last decade by several institutions in Sri Lanka. Non-governmental institutions and professional bodies have been taking visible steps to promote CR. Such attempts have included the organisation of CSR awards, such as the Association of Chartered Certified Accountants (ACCA) of Sri Lanka's awards for 'Sustainability Reporting', whose main objectives are to promote good corporate citizenship and encourage companies to be more open and accountable for the social, environmental as well as economic impact of their activities (ACCA, 2007), the National Chamber of Commerce of Sri Lanka's 'Business Excellence Awards', which aims to recognise local enterprises who have built sustainable market competitiveness (sustainable growth) together with CSR (NCCSL, 2010) and the Ceylon Chamber of Commerce's annual award scheme for the 'Ten Best Corporate Citizens' which raises awareness on CSR and encourage the adoption of

CSR practices among companies in Sri Lanka (CCC, 2010). Taken together, Sri Lanka presents a context where voluntary CR of private sector companies has been increasing but overall empirical research examining specific aspects of CR practices of MNC subsidiaries remains scarce. As none of the previous studies have paid particular attention to the CCR practices of Sri Lankan based MNC subsidiaries, whether the increasing trend in voluntary CR (identified across listed public limited companies) is prevalent within subsidiaries of MNCs is not yet known.

Given these reasons, it was decided by the researcher that the selection of Sri Lanka as a host country would enable both these issues to be resolved. Having discussed the research setting of this study, the following section provides details pertaining to the detailed stages undertaken to collect qualitative interview data across ten subsidiaries.

3.3. Application of the Interview Method

The systematic collection of qualitative interview data for this study was based upon the "seven stages of applying an Interview method" as proposed by Kvale and Brinkman (2009:102). Table 3.1 provides a summary of the seven stages together with a brief overview how each of these stages were designed and applied within this study.

Table 3.1: Application of the Interview Method

Stage	***Brief Description***	***Application***
Stage I Thematizing	Formulating the purpose of the investigation and conception of the theme/s to be investigated	Development of research questions, research objectives and the conceptual framework
Stage II Designing	Plan the design of the study in order to obtain the intended knowledge.	Research questions and conceptual framework required the collection of data about 'CCR practices' implementation within MNE subsidiaries and the factors influencing such implementation. The intended knowledge resides with subsidiary managers and institutional actors in Sri Lanka. In-depth interviews were planned to be conducted with these two groups of interviewees.
Stage III Interviewing	Conduct the interviews based on an interview guide with a reflective approach to the knowledge sought and the interpersonal relation of the interview situation.	Two separate interview guides based upon the conceptual framework and the research questions were developed and a total of 52 in-depth interviews were conducted across ten subsidiaries and a further 10 in-depth interviews were conducted with institutional actors.
Stage IV Transcribing	Prepare the interview material for analysis, which includes a transcription from oral speech to written text	Text based transcripts were prepared by transferring the interview data (i.e. audio files) into word documents, which were capable of being uploaded to NVivo8 qualitative data analysis soft ware.
Stage V Analyzing	Decide on the basis of the purpose and topic of the investigation and of the nature of the interview material which modes of analysis are appropriate for the interviews	The qualitative data was analysed by using descriptive coding, interpretive coding, development of categories, relationship building and enfolding literature stages.
Stage VI Verifying	Ascertain the validity reliability and generalisability of the interview findings	The criteria of credibility, transferability, dependability and confirmability was assured in place of reliability and validity.
Stage VII Reporting	Communicate the findings of the study and the methods applied in a form that lives up to scientific criteria, takes the ethical aspects of the investigation into consideration and results in a readable product	The findings of the study are presented in chapters four, five and six of this thesis.

Source: Adapted from Kvale and Brinkman (2009)

3.3.1. Stage One: Thematizing

Thematizing is related to the formulation of research questions and a theoretical clarification of the main themes being investigated through the study (Kvale and Brinkman, 2009). In relation to this study, thematizing was carried out in the following ways: first, prior knowledge of the subject matter to be investigated (i.e. the implementation of CCR practices) was gained through a critique and review of three key domains of literature, second, a conceptual framework based upon the literature reviewed was developed and finally, the purpose of the study was clarified by developing three research questions and related research objectives.

The first step in thematizing related to this research, involved gaining more knowledge about the subject matter being investigated; CCR practices implementation. This is important as the development of a conceptual and theoretical understanding of the phenomena to be investigated, in qualitative research not only aids in the design of the study (Ritchie et al., 2011; Maxwell, 2005; Miles and Huberman, 1994) but also enables the researcher to pose relevant questions to the interviewees (Kvale and Brinkman, 2009). Such, a theoretical understanding was gained by the researcher in this study by examining three broad domains of literature: CSR implementation literature, with a specific focus on CSP theory, neo-institutional theory, specifically reviewing literature on legitimacy and international business strategy literature. The critical analysis of these three domains of literature resulted in the development of the study’s conceptual framework (as shown in figure 2.2 in Chapter two) as well as the study’s three research questions.

Miles and Huberman (1994:18) defines a conceptual framework as “a framework which explains either graphically or in narrative form, the main things to be studied – the key factors, constructs or variables – and the presumed relationships among them”. It is therefore primarily a conception of what is out there, that the researcher plans to study, and of what is going on with the different themes or issues (Maxwell; 2005). The use of this conceptual framework, assisted this research study by enabling the researcher to be more *selective* in the data collection and not collect data about everything, which effectively minimised data overload and a lack of comparability across the CCR practices of the subsidiaries which were investigated (Miles and Huberman, 1994). As such, the conceptual framework acted as a guide in providing direction to the research, and in framing the research questions and the data collection.

Collectively, the literature, conceptual framework, the research questions and, enabled the researcher to clarify and further ascertain the key themes which were being investigated within this study, ensuring that the interview based study was effectively thematized.

3.3.2. Stage Two: Designing

The next stage in the application of the interview method, requires the researcher to plan the specific design of the study (Kvale and Brinkman, 2009). In relation to this study, this stage consisted of selecting interviewees by using purposive sampling. As such, the researcher had to first make decisions related to defining of the parent population (i.e. subsidiaries) and secondly, about sub-populations (i.e. subsidiary managers and institutional actors) from which interviewees were selected for interviewing. It was deemed quite important that interviewees selected through purposive sampling were those subsidiary managers who could provide an authoritative account of internal implementation of CCR practices, due to their seniority and their position within the subsidiary's hierarchy.

The selection of the subsidiaries

Since qualitative research does not seek to make empirical generalisations, the related sampling strategies are *not* aimed at producing statistical representativeness (King and Horrocks, 2011; Ritchie et al., 2011). However, as Mason (1996) and May (2002) have pointed out, a purely *ad hoc*, opportunistic sampling strategy is not appropriate as well. The sample needs to relate in some systematic manner to the social world and phenomena that it seeks to investigate (King and Horrocks, 2011). In this study, the subsidiaries were selected by using criterion based or purposive sampling. The objective in using purposive sampling is to choose the sample, with a specific 'purpose', either to represent a location or type in relation to a key criterion (Ritchie et al., 2011; Mason, 2002; Patton, 2002). According to Ritchie et al (2011), when using purposive sampling in qualitative research there are two key aspects which need to be considered: (1) The use of prescribed selection criteria and (2) diversity of the sample.

The use of prescribed selection criteria

It is important to ensure that the selected sample includes relevant constituents, events and/or processes typify a circumstance or hold a characteristic that is expected or known to have salience to the subject matter under study (Ritchie et al, 2011). In order to ensure this, two selection criteria was first established in this study. First, the subsidiary should have all its value adding activities within the host country. The argument here is that the subsidiaries which had full operations within the host country would engage more with the community of that country and hence would have a high level of CCR practices. In keeping with the qualitative nature of the study, no parameters were set in terms of subsidiary size or number of employees. Second, the subsidiaries should have been recognised in Sri Lanka for their CR practices, mainly by key institutional actors. This choice is justifiable based upon two factors: first, according to prior empirical research, those companies who have gained a reputation (or recognition) for engaging in CR by key stakeholders tended to engage in its implementation more effectively (See Sebastian and Malte, 2010; Hillenbrand and Money, 2007); second, MNCs have been found to engage more in CR practices in Asian countries mainly due to the need to gain image enhancement and a 'license to operate' from key institutional actors within these countries (Chapple and Moon, 2005; Jamali, 2010). As such, it can be justified to examine MNCs who are actively engaged in CSR as they would be more committed towards CCR practices. As there was no common measurement of recognising the level of CR practices of different subsidiaries in Sri Lanka, and taking into consideration

Ritchie et al's (2011), suggestion for using 'published lists' as a useful way of generating samples of organisations to be investigated, subsidiaries which were listed as being the 'Most Respected Entities in Sri Lanka' through an annual ranking of the top 100 business entities in Sri Lanka by Nielsen Company (LMD, 2008) were selected to obtain data for the study (Table 3.2 below provides details about the ten subsidiaries based upon this ranking).

Table 3.2: Sri Lanka's Most Respected Entities ranking for selected subsidiaries in 2008

Subsidiary	***Industrial Sector***	***Rank in 2008 (The Most Respected Entities in Sri Lanka)***
TELECOM	Telecommunications	**02**
CONSUMERG1	Diversified	**07**
BANK1	Banking	**09**
TOBACCO	Tobacco	**16**
INSURANCE	Insurance	**17**
CONSUMERG4	Food and Beverage	**28**
CONSUMERG2	Food and Beverage	**30**
CONSUMERG3	Food and Beverage	**34**
BANK2	Banking	**39**
CEMENT	Building Material	**46**

Source: LMD (2008)

Each of the preceding selection criteria is also justifiable in terms of the research problem and the focus of the study. The research problem of this study specifically focused on examining the CCR practices of MNC subsidiaries. While, the focus on CCR practices would provide a more complete insight into the subsidiaries' community activities than a focus on CCR projects, it is also important to obtain wide ranging data about the policies which drive CCR practices, the different ways that they are implemented and how communication occurs about the results of the practices in order to answer the research questions and achieve the aim of this research. Furthermore, an investigation of overall CCR practices can provide an insight into the factors which are influencing its implementation that focusing on specific CCR projects cannot.

In relation to the focus of the study on CCR practices, prior decisions related to the design of the study resulted in deciding to focus on multiple subsidiaries operating within a specific host country. First, the use of a specific host country within which to locate the research enables the minimisation of host country effects (i.e. cultural factors, economic, social and political factors) which would have rendered comparison of the CCR practices of the subsidiaries difficult otherwise. The use of data from multiple respondents from across multiple subsidiaries will also enable and assist the analysis and synthesis of data during the later stages of the research, specifically assisting in the relationship building and enfolding literature stage of the analysis.

Diversity of the sample

The second aspect which Ritchie et al., (2011), advocates to ensure a robust purposive sample is to ensure that sample selected is as diverse as possible within the boundaries of the defined population. Diversity optimises the chances of identifying the full range of factors or features that are associated with the phenomena being investigated. As such, the greater the diversity of characteristics or circumstances, the more opportunity there is to identify their different contributory elements or influences (*Ibid*). It is acknowledged here that since the sample of subsidiaries selected using the two prescribed selection criteria mentioned above, may have resulted in a less diverse sample, leading to some bias in the data obtained. This is due to the following two reasons: First, as the subsidiaries selected were from a ranking of ‘Most Respected Entities’ in Sri Lanka, it is obvious that they would already be engaging in CCR practices and have gained recognition for their CCR practices. The bias occurs because, had subsidiaries which were *not* recognised for their CCR practices been selected then the resultant data would have provided a different set of data. For example, such data would have provided information related to specific implementation issues which have resulted in their CCR practices not being recognized by rating agencies in Sri Lanka. Second, there may be subsidiaries which were engaging in CCR practices implementation in Sri Lanka, but did not take part in the specific rating mechanism which was used by the researcher in this instance to make a purposive selection of the subsidiaries from which to draw the interviewees. The selection of such subsidiaries could have also resulted in more diverse data and may have further complemented the findings of this study. While this bias is accepted and acknowledged here, it is also defended within this thesis by acknowledging that the research questions which underpinned this study could be answered effectively and as comprehensively as possible, with the existing data set, as the data *does* provide an in-depth view of *how* CCR practices are implemented and *what* factors influence such implementation within subsidiaries operating in Sri Lanka.

Number of subsidiaries

It was initially decided to focus on five subsidiaries and thus gain an in-depth analysis of their implementation of CCR practices. However, once data collection commenced in June 2008, it was clear that due to the size of most of the subsidiaries operating in Sri Lanka, a much larger number of subsidiaries would be needed to gain a more detailed understanding of the research problem. This was needed as most of the subsidiaries did not consider CR to be a specialist function, therefore on average only about 4-5 managers and/or executives were involved in the actual implementation of different CR initiatives. Furthermore, it was clear after the collection of data from the first few subsidiaries that the CCR practices (based upon design choices explained before) had a complex implementation process and the researcher felt the need to obtain data from a larger group of subsidiaries than only five to be able to better understand this complex phenomenon.

Therefore, keeping with the previous decision to focus on subsidiaries which would have the two selection criteria, eleven subsidiaries were contacted to obtain access to their subsidiary managers to collect interview data. One subsidiary belonging to a global pharmaceutical company rejected outright the possibility of gaining access, stating that their company policy did not promote data collection in relation to internal management practices by external researchers. Ten subsidiaries were thus contacted and access was obtained. Table 3.3 provides a detailed overview of the ten subsidiaries contacted which have been given acronyms (i.e code names) to maintain confidentiality of the data provided.

Table 3.3: Overview of subsidiaries

Subsidiary (Code Name)	Global Head Office Location	Regional Head Office Location	Industry Affiliation	Operational Description
TOBACCO	United Kingdom	Pakistan	Tobacco and Alcohol	Tobacco was incorporated in 1932 in Sri Lanka. It became a public listed company in 1954 with 84.5% of the shares being owned by TOBACCO – Global. Due to its monopoly of the manufacturing and selling of tobacco based products, TOBACCO is an important contributor to the Government of Sri Lanka, providing approximately 10% of all the State's tax income
INSURANCE	United Kingdom	Singapore	Insurance	Insurance was incorporated initially in 1988 in Sri Lanka. After several ownership changes during the years, in 2006, once again INSURANCE became a member of a INSURANCE – Global, UK's largest insurer with an indirect shareholding of 51%. INSURANCE currently holds approximately 18% of the Life Insurance Market in Sri Lanka
CONSUMER G1	United Kingdom	India	Fast Moving Consumer Goods (FMCG)	CONSUMERG1 was incorporated in 1938 in Sri Lanka. The company is home to 26 strong brands catering to the needs of Sri Lankans for hygiene, nutrition and personal care. CONSUMER G1 produces 95% of all the products marketed in Sri Lanka
CONSUMER G2	Switzerland	India	Fast Moving Consumer Goods (FMCG)	CONSUMERG2 is one of Sri Lanka's foremost food and beverage manufacturers as well as the largest private sector buyer of fresh milk and coconuts.
CONSUMER G3	New Zealand	Singapore	Fast Moving Consumer Goods (FMCG)	CONSUMERG3 is one of the biggest fast-moving consumer goods company in Sri Lanka. Its brands, including Anchor, dominate the Sri Lankan dairy market earning it 53% of the market in 2009
CONSUMER G4	United States	India	Fast Moving Consumer Goods (FMCG)	CONSUMERG4 is located in Biyagama 18 km north-east of Colombo and has the largest soft drink beverage bottling plant in Sri Lanka. The Sri Lankan soft drinks market is led by CONSUMERG4
BANK 1	United Kingdom	Hong Kong	Banking	BANK 1commenced operations in Sri Lanka in July 1892 and is one of the earliest banks to have been established in Sri Lanka. It has a network of 14 branches and one Premier Centre and 24 Express Banking Centres. Bank1 a leading player in Sri Lanka's banking sector and offers a broad range of banking and financial services.
BANK 2	United Kingdom	India	Banking	BANK2 is Sri Lanka's second largest international bank and the most profitable among its peers for wholesale banking.
TELECOM	Malaysia	No Regional Affiliation	Telecommuni cations	TELECOM operates Sri Lanka's largest and fastest growing telecommunications network. TELECOM accounts for 57% of mobile subscribers in Sri Lanka and 45% of the telecommunications sector overall in the country.
CEMENT	Switzerland	No Regional Affiliation	Cement	CEMENT is the market leader in the cement industry in Sri Lanka. It owns the country's fully-integrated cement manufacturing plant and operates in all nine regions of Sri Lanka, employing and contracting over 15,000 people.

Source: Various

The Selection of Interviewees

Once the ten subsidiaries were selected, the next step in further designing this research consisted of deciding 'who' to interview. Herein the sampling strategy which was adopted was once again of purposive sampling (Ritchie et al , 2011), whereby, from an identified sub-population within each subsidiary, access was gained to the key person responsible for overseeing the implementation of CCR practices within it and subsequently once an understanding of the management framework in place for implementing CCR practices was obtained all or most managers responsible for any element of CCR practices were contacted and interviewed within each subsidiary. The identification of the sub-population of managers within each subsidiary was carried out mainly based upon two criteria: first, the managers had to be directly involved in the implementation of CCR practices and as such could be considered to be an 'authoritative' source (Kvale and Brinkman, 2009), second, their knowledge related to the CCR practices implementation within the subsidiary would enable the research questions to be answered by obtaining the richest and most relevant information.

As such, interview data was gathered from managers residing across different levels of management (i.e mostly top level and middle levels of management) on how implementation occurs within the subsidiary in relation to its CCR practices. Flick (2002) and Kvale (2007) advises the use of such a strategy to gain a more complete understanding of the phenomena as information gained at different management levels can be integrated to better understand the overall context. Furthermore, by interviewing subsidiary managers across different management levels who were involved in different aspects of implementing CCR practices, strengthened the ‘accuracy’ of the information gathered through the interviews and thus overcoming participant bias (Saunders et al, 2012).

Gaining Access to Interviewees

Access to the ten subsidiaries and subsequently the interviewees was gained in two ways. First, where the researcher had prior business contacts within the subsidiaries, access was obtained by contacting that business contact and then obtaining a ‘referral’ to the manager identified by the subsidiary as the person responsible for managing and/or overseeing CR. Alternatively, where such personal referrals were not available, then the name of the manager responsible for CR was obtained from publications, the company website or through other interviewees (since the size of the host country meant that most of the corporate managers knew each other) and he/she was contacted directly by telephone with a follow up via email. In both instances of gaining access the researcher presented a formal letter and brief introduction to the research requesting access for the purpose of the research (See Appendix II and III) to the manager responsible for CR. After conducting an initial first interview with this manager (who was responsible for the overall management of CR practices in the specific subsidiary), and obtaining an understanding of the management framework for CCR practices implementation within the subsidiary, he/she assisted in gaining access to the other subsidiary managers who were considered to be authoritative sources.

Since this research was conducted under the auspices of the University of Bradford, the ethical stance throughout the research was guided by the University of Bradford’s Code of Practice for Ethics in Research (UOB, 2003) and also the more specific

Economic and Social Research Council's (ESRC) Research Ethics Framework (ESRC, 2005). In order to uphold the key ethical issues of confidentiality, informed consent and non-malfeasance, several measures were undertaken.

The confidentiality and privacy of research participants ensures that the private and confidential data supplied to the researcher remains as such and that the respondents have a right to decide its appropriate level of dissemination (ESRC, 2005; Sieber, 1992; Gregory, 2003). While the first refers to divulged information, the latter refers to persons. Anonymity ensures that "the researcher acquires no unique identifiers, such as the subjects' names etc. (Sieber, 1992: 56) to ensure confidentiality and privacy to respondents. The confidentiality of the information provided to the researcher was assured through the use of 'unique identifiers' for the ten subsidiaries from which the data was collected (See Appendix II for statement). However, the managers did not request full anonymity and agreed with the researcher that their designations could be used when discussing the findings of the research. Therefore, unique identifiers or code names were not given to the different interviewees and their corporate job titles were used to identify them.

The principle of informed consent means that participants should be provided with full information related to the study to enable them to make an informed judgement regarding their participation in the study (ESRC, 2005: Oliver, 2003; Sin, 2005; Wilkinson, 2004; Kimmel, 1988). In this research, informed consent was raised as an issue prior to the conducting of formal interviews with the managers of the subsidiaries. Accordingly, the interview participants were informed prior to the conducting of interviews about the participant's right of refusal and renegotiation at any point during the interviews. However, such voluntary informed consent was gained orally (Sieber, 1992), firstly from the manager responsible for corporate responsibility in each subsidiary and then the subsequent interviewees were verbally informed of their rights of participation in the research and their consent was thus obtained.

The principle of non-malfeasance requires the researcher to design the overall research in a manner so that potential harm to participants and/or participants' organisations are minimised and that the participating organisations themselves are caused no potential harm in the future as a result of the research (ESRC, 2005). As the data collected from the subsidiaries were mainly about their internal corporate responsibility practices, the divulging of such information was considered to be harmful to the subsidiary. Thus, in order to uphold the principle of 'no harm', each subsidiary was provided with detailed information about the collection, storage and final dissemination of the data (Oliver, 2003) through the formal letter of permission and they were also provided with anonymity through the use of acronyms (i.e code names) to identify the subsidiary instead of using their actual names (as mentioned before).

Maintaining the above-mentioned ethical guidelines, interview data was collected from the ten subsidiaries in parallel dependent mainly on the availability of the managers. In order to keep a viable record of the data collection, a detailed record of the interviews together with any documentary evidence collected was maintained. However, after conducting interviews with each set of interviewees in each subsidiary, all the interviews were listened to and questions arising out of the interviews in relation to areas where less information was provided or new questions which were generated as a result of the interviewees' responses were collated for each subsidiary. Subsequently, a final round of interviews was held again with the manager responsible for CR in each subsidiary to obtain information for these questions.

Having discussed in detail the research design choices made in relation to this research, the following section provides details with regard to the next stage in applying the interview method, which is concerned with the actual collection of the interview data for this study.

3.3.3. Stage Three: Interviewing

Interviewing stage consist of the actual process of producing knowledge through an interview (Kvale and Brinkman, 2009). As such, details related to the interviewees, the use of interview guides and the gathering of interview data are discussed.

The Interviewees

As denoted in Tables 3.4 and 3.5 below, forty-two interviewees from the ten subsidiaries and ten institutional actors were interviewed. As each of the ten subsidiary managers responsible for overall management of CCR in the subsidiaries were interviewed twice, the total number of interviews across the subsidiaries and the institutions comprised of sixty-two interviews.

No code names were given for the interviewees from the subsidiaries, as most of the designations are commonly used across the ten subsidiaries and also since anonymity was given for the subsidiaries it is impossible to identify the subsidiary manager just by the use of his/her designation. Furthermore, as this research was about examining the internal implementation of CCR practices, it is important to know which manager's views have been analysed in the findings. In relation to the ten institutional actors who were, the key objective in interviewing them was to understand the institutional pressures which could be influencing the CCR practices implementation of subsidiaries as well as to obtain an understanding of the interactions between the subsidiaries and these institutional actors in relation to CCR practices (see table 3.5). The institutional actors did not ask for anonymity and as such no code names were utilised for the institutional actors.

Table 3.4: Details of Interviewees interviewed in the ten subsidiaries

Subsidiary	Interviews	Interviewees	Job Responsibility	Frequency of Interviewing
TOBACCO	06	Director – Corporate and Regulatory Affairs (CORA)	CCR is located within CORA and he is responsible for overseeing the CCR projects and reporting to top management about implementation	01
		Corporate Social Responsibility Manager	Responsible for overseeing all CCR projects	02
		Corporate Social Investment Manager	Responsible for overseeing capacity building projects	01
		Corporate Communications Manager	Responsible for social reporting and internal communication of CCR projects	01
		Corporate Social Responsibility Executive	Responsible for collating information about CCR projects	01
INSURANCE	04	Assistant General Manager – Marketing	CCR is located in the marketing department – he has overall responsibility for implementing CCR projects	02
		Senior Executive Marketing	Responsible for operational implementation of CCR projects	01
		Communications Manager	Responsible for reporting on CCR and internal communication of CCR projects	01
CONSUMER G1	05	Corporate Relations Manager	CCR is located within HR and Corporate Relations department and she is responsible for coordinating CCR projects across the company.	02
		Consumer Activations Manager	Responsible for operational implementation of CCR projects	01
		Brand Manager	Responsible for operational implementation of CCR projects which are brand related together with the consumer activations team	01
		Corporate safety, health and environment manager	Responsible for implementing health, safety and environment (HSE) projects	01
CONSUMER G2	04	Vice-President – Human Resources	Responsible for implementing CR initiatives related to employee and community initiatives related to training. He is also responsible for overseeing the collection of information related to overall CR within the subsidiary	02
		Corporate Communications Manager	Responsible for reporting on CCR and internal communication of CCR projects as well as for applying for external CSR awards	01
		External affairs and activations Manager	Responsible for operational implementation of CCR projects including social and event sponsorships	01
CONSUMER G3	04	Human Resources Director	Responsible for overseeing long-term CCR strategy for the subsidiary and for establishing relationships with government regulatory agencies.	02
		Manager – Regulatory Affairs and Nutrition	Responsible for implementing public private partnerships which the subsidiary utilises to implement CCR	01
		Manager – Health, safety and security	Responsible for overall management of health and safety practices	01

CONSUMER G4	05	Country Human Resources Manager	CCR is located in the HR department – he has overall responsibility for overall CCR practices implementation	01
		Public Affairs and Communications Manager	Responsible for implementing non-market-related CCR projects	02
		Country Marketing Manager – Group	Appointed by the region HQ – he manages market-related CCR projects	01
		Country Marketing Manager – Sri Lanka	Appointed by the local subsidiary – he coordinates in implementing market-related CCR projects	01
BANK 1	05	Senior Public Affairs Manager	CR is located within the Corporate Affairs Division – She is responsible for the overall coordination of CCR practices	02
		Communications Manager	Responsible for internal and external communication of CCR projects	01
		Assistant Manager CSR – Education	Responsible for implementing CCR projects together with different NPOs	01
		Assistant Manager CSR – Environment	Responsible for implementing Environment projects	01
BANK 2	06	Head of Corporate Affairs	CCR is located within the Corporate Affairs Division and she is responsible for coordinating CCR projects and reporting back to HQs	02
		Corporate Affairs Officer	Responsible for coordinating and communicating about global CCR projects	01
		Head of Corporate Real Estate Services (CRES)	Responsible for overseeing health, safety and environment (HSE)	01
		Assistant Manager CRES	Responsible for implementing health, safety and environment (HSE) projects	01
TELECOM	06	Group Chief Corporate Affairs Manager	CCR is located within the Corporate Affairs Division and he is responsible for overseeing the implementation of CCR practices	01
		Senior Manager Public Policy & CR	Responsible for coordinating CR practices including HSE and CCR and managing public policy influences	02
		Senior Corporate Communications Specialist	Responsible for reporting on CCR and internal communication of CCR projects	01
		Senior Executive CSR	Responsible for implementing health, safety and environment (HSE) projects	01
		Executive CSR	Responsible for operational implementation of CCR projects	01
CEMENT	07	Vice-President Sustainable Development	CCR is located within the Sustainable Development Division and he is responsible for overseeing all aspects of CR	03
		CSR Manager	Responsible for operational implementation of CCR projects	01
		Environment Manager	Responsible for implementing environment projects	01
		Manager – Health and Safety	Responsible for implementing health and safety projects	01
		Coordinator Sustainable Development	Responsible for assisting in the implementation of HSE projects	01

Source: Author

Table 3.5: Details of Key institutional actors interviewed for the research

Institutional Affiliation	Interviewee	Job Responsibility	Frequency of interviewing
National Council for Economic Development	National Coordinating and Communications Officer for MDGs	Responsible for developing public-private collaborations to achieve MDG targets for Sri Lanka and for communicating the activities of the NCED to various local and international stakeholders involved.	01
The Ceylon Chamber of Commerce (CCC)	Deputy Secretary General	Responsible for coordinating the MDG Committees established by the Ceylon Chamber of Commerce and for implementing their own CCR projects, as well as for publishing the Chamber's annual CSR report. She is also in charge of the annual CSR awards organised by the Chamber – The Ten Best Corporate Citizens awards	01
Employers Federation of Ceylon (EFC)	Deputy Secretary General	Responsible for coordinating the implementation of EFC's voluntary codes among its members and for implementing global codes such as those of the International Labour Organisation in collaboration with local businesses.	01
National Chamber of Sri Lanka (NCCSL)	Deputy Director General	Responsible for organising the annual National Business Excellence awards and for reporting on the awards	01
The Association of Chartered Certified Accountants	Centre Manager – Sri Lanka	Responsible for organising the ACCA Sustainability awards in Sri Lanka, for carrying out periodic surveys of the extent of sustainability and sustainability reporting in Sri Lanka and for conducting periodic training programmes to communicate sustainability reporting to the corporate sector.	01
International Union for the conservation of nature (IUCN)	Coordinator Business and Biodiversity Programme	Responsible for liaising with private sector business to implement environment conservation programmes where specialist knowledge of IUCN is requested. He also provides technical support for the Ceylon Chamber's MDG Committee members when implementing environment related CR projects	01
United Nations Global Compact in Sri Lanka	United National Global Compact Focal Person	Responsible for implementing the UNGC's Ten Principles among the companies registered for the Global Compact programme in Sri Lanka and for communicating about the Global Compact in Sri Lanka within the business community. He is also responsible for publishing about the achievements of the UNGC-Sri Lanka network annually.	
United Nations Development Fund	Private Sector Partnerships Advisor	Responsible for arranging collaborative partnerships between public sector and private sector with funding by the UN, which are mainly focused on achieving country development goals related to the MDGs	01
Emsolve Consultants	Managing Director	Acts as an independent judge for the ACCA awards and is also a CSR consultant	01
STING Consultants	Director	Responsible for organising The Annual STING Corporate Accountability Index, published in Lanka Management Digest for Sri Lankan businesses.	01

Source: Author

Interview Themes and Questions

Some of the key problems in conducting in-depth interviews are related to potential issues of differences in the interpretation of terms used and problems of gaining proper focus on obtaining answers applicable for the research questions (Saunders et al., 2012; King and Horrocks, 2011). In order to counter these shortcomings, two interview guides were used for the interviews with the subsidiary managers and the institutional actors (See Appendix IV and V). The conceptual framework devised for this study helped in generating broad questions within the interview guides. According to Maxwell (2005:33), the conceptual framework of a research study is ‘primarily a conception of what you plan to study based upon prior literature’. As prior literature was reviewed to generate the conceptual framework, it also informed the researcher about what data needs to be collected through the generation of the interview questions (Miles and Huberman, 1994). However in order to ensure that the interviewees provided in-depth answers and to ensure that the interview questions were not structured too specifically, the key interview questions were more broadly stated while specific probes (based upon the understanding gained through the review of literature) were used to assist in directing the interviews effectively. The literature base, the related research questions and the resultant broad interview themes (for subsidiary managers) are shown in Table 3.6 to show the connection between all three aspects in this research. Some of the ‘gatekeepers’ who were contacted at the subsidiaries requested to see the interview guide prior to the actual interview although by the time the interview was actually conducted only a few managers had actually read the interview guide.

While the interview guide enabled the researcher to better focus the collection of data from the in-depth interviews, it did not restrict the use of probing questions to gather more detailed information from the interviewees. On average each interview lasted between thirty to forty-five minutes and approximately forty-one hours of interviews were taped from the total of sixty-two interviewees (Appendix VI provides a full interview transcript). Apart from the fifty-two interviews conducted with the subsidiary managers, ten interviews were also conducted with key institutional actors. These interviewees were selected based upon suggestions and recommendations made by the subsidiary managers and were responsible mainly for influencing different aspects of CCR practices of business organisations operating in Sri Lanka.

Table 3.6- Development of Interview Themes based upon literature and research questions

Main Theoretical Domains	Key Research Question	Broad Interview Themes	Interview Questions
CR Implementation literature	RQ1: How do subsidiaries of MNCs implement CCR practices	• Background related to the subsidiary and interviewee • CCR management process and outcomes	1. How did your overall CR practice commence and establish over time in your company? 2. Could you tell me how your company manages and implements the Community CR practices? 3. What would you say are the key outcomes of your company's overall CR practices?
International Business Strategy – Mechanisms of Control	RQ2: What internal factors influence the implementation of CCR practices within subsidiaries of MNCs	• Different factors and their influence on the implementation of CCR practices at the subsidiary	1. What do you perceive as key factors which are internal (i.e. inside) to your company has having a high degree of influence on the implementation of overall CR practices of your company? 2. How does you company co-ordinate with your head office in relation to your overall CR practices?
Neo-Institutional Theory	RQ3: What external factors influence the implementation of CCR practices within subsidiaries of MNCs		1. How do you perceive the influence of Sri Lankan institutional environment in managing and implementing CCR CR practices in your company?

Source: Author

Interview Technicalities

The use of in-depth interviews in this research study enabled the researcher to obtain detailed information about the different mechanisms that subsidiaries utilise to implement different types of CCR practices and the related factors in terms of MNC head office influences and host-country institutional factors which influence the implementation of such CCR practices and the nature of such influences. It also helped as a data collection instrument with the ability to follow up immediately to clarify areas which were not made clear during the course of the interview, and therefore enabled the understanding of the meanings, processes and structures related to the implementation of CCR practices more clearly (Marshall and Rossman, 2006).

Some of the problems encountered when using interviews were related to the scheduling of interviews, background interruptions and the tendency of interviewees to provide irrelevant or embellished information. At times it was difficult to schedule interviews with the required subsidiary managers due to their corporate engagements and as such the researcher had to change the strategy of data collection from the subsidiaries from a sequential to a parallel strategy.

Second, due to the open office environment maintained by most MNCs, there were background interruptions during the course of conducting the interviews. The cultural trait in Sri Lanka of providing refreshments for visitors was also considered as an interruption although the acceptance of refreshments enabled the researcher to establish an initial rapport with the interviewees. Thirdly, as noted by Saunders et al, (2012), there was an element of interviewee or response bias within some of the interviewee data. For example, such biases were related to inaccurate articulation at times due to the language used and more related to the use of ‘embellishments’. Saunders *et al*., (2012), states that interviewees may tend to provide a ‘socially desirable role’ (*Ibid:* 381) for the organisation by embellishing the facts presented during the course of the interview. This was actually anticipated and expected by the researcher as prior experience in asking questions about CCR practices have indicated the tendency of the interviewees to focus more on the different CCR projects and the apparent ‘good’ that those projects are doing (i.e. boast about their subsidiary’s CCR projects) to the people of Sri Lanka rather than focus on the actual implementation of such CR practices. The issue of response bias was managed in several ways. First, taking the advice of Saunders *et al.,* (2012), before conducting the interviews, the researcher obtained data about the subsidiary’s activities, and its CCR practices by perusing publicly available documents. This was mainly done by perusing published data which was available on the websites of these subsidiaries and through newspapers as well as other published material. Second, using this prior knowledge, the actual occurrence of embellishment and provision of irrelevant information was managed by using ‘probes’ to investigate the implementation aspect of the responses effectively, during the interviews. As advocated by Bryman (2004) and Gillham (2000 and 2005), probes (or probing questions) could be used to obtain clarifications, justifications for answers provided as well as to question the accuracy of the information. Therefore, during the interviews various probes such as ‘can you tell me how it is relevant for implementation?’, or ‘I don’t quite understand the connection between what you are saying and the actual implementation of the practice?’ were used by the researcher to re-direct the interview towards obtaining the information required for the study and overcome embellishment of information. However, in certain instances where embellished data was recorded, such data was edited out from the transcript before the descriptive coding was conducted. This is justifiable as the research questions of this study were not about the CCR projects (which is where the embellishments occurred), but was about how the implementation of the overall CCR practice itself. Third, the interview data thus obtained was corroborated by asking questions related to the data provided by the subsidiary managers interviewed first, from those manages who were interviewed subsequently. This was aided by the fact that the subsidiary managers who were selected to be interviewed through purposive sampling, were all authoritative sources and were involved extensively in different aspects of CCR practices implementation.

Documentary Evidence

Documentary evidence in the form of extant text material (Charmaz, 2006), was also obtained from each of the subsidiaries. As mentioned before, where information was available publicly pertaining to CR practices of the subsidiaries investigated, these were examined prior to the commencement of the initial round of interviews with subsidiary managers to facilitate the in-depth interviews and also to show the interviewee the researcher's familiarity with the CR and CCR practices of the subsidiaries. Nevertheless, certain documents such as internal company newsletters and CSR reports which were not publicly available were obtained after formal requests were made during the course of the interview. Appendix VII and VIII lists the documents obtained and their sources. Although the documents obtained were not individually analysed, they were utilised to further corroborate the data obtained through the in-depth interviews (Saunders *et* al, 2012) and as such enhance the accuracy of the interview data by gaining an overall understanding of the context. Therefore, the documentary evidence was used only to support the primary data obtained from the interviews and all findings which are discussed in this thesis were analysed by using only interview data.

3.3.4. Stage Four: Transcribing

In stage four, transcribing, the research proceeds from the live interaction of the actual interview to the first of the post interview stages of working with the outcome of the interview (Kvale and Brinkman, 2009). At the very outset of the data collection a database was created by using NVivo 8[2]. As advised by Saunders *et* al., (2012) and Fielding (2002), such an activity makes the analytic process more 'transparent' and accountable. NVivo 8 enables the creation of this database electronically through the use of 'Case Nodes'[3] to store data collected pertaining to each subsidiary (Di Gregorio, 2007). A Memo[4] titled 'notes during data collection' was created at the beginning of the data collection to write down the researcher's thoughts on the different interviews held with different interviewees and the results of these interviews. During the data collection, all the sixty-two interviews were digitally taped and were then transferred to the computer as mp3 files. However, since the researcher was working with an earlier version of NVivo at the time of data collection these files were not imported (or saved) in the NVivo database.

[2] NVivo 8 is software that helps you to work with unstructured information like documents, surveys, audio, video and pictures – it provides a means of a managing such information effectively.

[3] A 'case node' is a node with specific 'attributes' and it can be used to represent a person or an organisation involved in the research.

[4] Memos are a type of 'source' on NVivo 8 and the researcher can create memos to capture thoughts about data, concepts, research procedures and so on.

Data transcription involves the transfer of data collected in verbal form to written form so that it could be coded and analysed to derive thematic relationships. All the sixty-two interviews were transcribed after all the data was collected. These transcripts were typed into individual documents on Microsoft Word and were at times edited to make them easier for the researcher to follow. However, every effort was made to maintain the originality/identity of the interviewees' comments. Appendix V provides one of the interview transcripts for examination purposes.

Once all the sixty-two interviews were transcribed, two separate databases were created on NVivo 8 comprising of the 'Corporate Responsibility implementation database' and 'Institutional factors database'. This was needed as the ten interviews with the institutional actors needed to be analysed using descriptive and interpretive coding separately and to enable this analysis through NVivo 8 one needs to create two separate databases. The following section explains the fifth stage in the application of the interview method in this study, related to analysing the interview data.

3.3.5. Stage Five: Analyzing

The analysis stage of the interview method, consist of coding and condensation of the interview text so that viable meanings and knowledge could be extracted from the data (Kvale and Brinkman, 2009). King and Horrocks (2011), distinguishes between two basic approaches to analyzing interview data; the first approach, focuses strongly on the *language* of the interview data and the second approach concerns itself with the *content* of what the participants have to say. It is the latter approach which underpinned the focus of the qualitative data analysis in this study, as the requirement was to gain experience-focused understanding from the interviewee perspective related to the implementation of CCR practices. Three key levels of data analysis were carried out consisting of: Descriptive Coding, Interpretive Coding and Conceptualisation (King and Horrocks, 2011).

Descriptive Coding

The first level of coding which was carried out upon the interview data consisted of descriptive coding. Also known as Initial Coding, this type of coding involves attaching one or more keywords to a segment of text in order to permit later identification of the statement (Arksey and Knight, 2011; King and Horrocks, 2011; Kvale, 2007).

Descriptive coding was carried out first, on the fifty-two interview transcripts of subsidiary managers across the ten subsidiaries and then on the ten interview transcripts of the institutional actors. The aim at this point in the analysis was to produce initial descriptive codes. Therefore, the data was first read through and expressions were categorised by their units of meaning (i.e. word by word, line by line or paragraph by paragraph) so that relevant initial descriptive codes could be attached to them (King and Horrocks, 2011). In this study, descriptive coding was carried out at the paragraph level due to the nature of the research data. Since the descriptive codes were about ‘how’ implementation of CCR practices occurred within the subsidiary and the factors which influenced it, line by line or sentence by sentence coding would have caused the data to become separated and the meaning of the data would have been lost. As such, two hundred and sixteen descriptive codes were developed from the fifty-two interviews with the subsidiary managers and seventeen descriptive codes from the ten institutional actor interviews. However, forty-six descriptive codes from the ‘Corporate Responsibility implementation database’ which were directly related to institutional factors were copied to the ‘Institutional Factors database’ thus making the total number of descriptive codes in this database sixty-three codes.

The interview transcripts were scanned at least twice before generating descriptive codes from the transcripts. Using NVivo 8 helped greatly in this process as it enabled each code to be given a description and most importantly sorted the descriptive codes based upon the source. Memos which noted down the researcher’s thoughts on the emerging descriptive codes were attached to the relevant codes so that it could be used later to explain the researcher’s own observations of the material (Charmaz, 2006; Noerager Stern, 2007). Once the researcher felt that there were no more new codes to be generated from the data this stage of coding was stopped and then the researcher proceeded onto the next stage which was Interpretive coding and the development of larger categories of data.

Interpretive Coding and Development of Categories

After generating descriptive codes from the interview data, these codes where ‘grouped together’ to create interpretive codes to capture descriptive codes which shared a common meaning (King and Horrocks, 2011). As such, common patterns across descriptive codes were determined and were then coded together under one interpretive code, which was then given a detailed description. The interpretive coding of the ‘corporate responsibility implementation database’ had 143 descriptive codes coded around them. Some of the initial descriptive codes were dropped as they had an indirect bearing on the research context in this study, and some descriptive codes were use to fed more than one interpretive code. Due to the lesser number of descriptive codes in the 'Institutional Factors database', these codes were directly coded into three large conceptual categories rather than interpretive codes.

In the next stage of analysis, using Kvale's (2007), guidance for developing categories from interview data, relationships were sought between the interpretive codes so that such conceptual categories could be developed. Such categorization entails a systematic conceptualisation of a statement so that an overview of the data could be obtained to facilitate comparisons and hypothesis testing (*Ibid*). This was an iterative process whereby, the focus was on comparing data incidents to the drafted conceptual category, thinking about all the elements that might make it up, its properties and dimensions (Huberman and Miles, 1994). As such, the interpretive codes and their content (the assigned descriptive codes) changed from one category to another until the researcher was able to find viable patterns from the data which could be explained through these conceptual categories. In order to further reiterate this process, Table 3.7 shows how the specific categories which eventually resulted in the two implementation patterns of 'market-related CCR practices implementation' and 'non-market-related CCR practices implementation' were developed through this process.

Table 3.7: Interpretive coding and development of categories – CCR Implementation Data Base

Interpretive Codes	**Categories**	**Resultant CCR practices implementation pattern**
• Budgeting and Planning for CCR	Business Principles **(Bprin)**	
• Business Sustainability		
• Corporate Equity Building – CCR		
• Corporate Responsibility Strategy – CCorporate Responsibility		
• Deciding on CCR Activities	Globally Developed CCR projects **(GD- CCR Pro)**	
• 'Fitting In' CCR Responsibility		
• Transfer practices for CCR		
• Values and statements - CCR		
• Global - CCR Projects	Global Themes for CCR **(GTh – CCR)**	
• HQ Support for CCR		
• Importance of CCR		Non-Market-related CCR practices implementation pattern
• External Legitimacy		
• Localisation of CCR Projects		
• CCR Projects – Culture	Localisation Processes **(LZ- Proc)**	
• CCR Projects – NGO		
• Locally Developed Projects for CCR		
• Business Relevance of Local CCR Projects		
• Implementation of Locally Developed Projects for CCR		
• Employee Volunteering as a tool for Implementation	Local Development Processes **(LD-Proc)**	
• Employee Volunteering as Engagement in CCR		
• Local Projects – Long Term – CCR		
• Project Sustainability		
• Local CCR Projects – short – term		

• Trust Funds – CCR Projects • Monitoring CCR – HQ Level • Performance Targets • HQ Values/Principles • Knowledge Transfer – Outward • Knowledge Transfer – Inward	Long-Term & Short-Term CCR – (**L/T & S/T CCR Pro**)	
• Brand Activations – CCR • Brand Association or Equity - CCR • Business Relevance - CCR • Localised Activations – CCR • Managing Brand Activations – CCR • Marketing Budgets for CCR • Marketing Division – CC • Marketing Planning – CCR • Monitoring of CCR – Marketing • Outcomes from Brand Activations – CCR • Regional or Global Management of marketing /CCR • Subsidiary Business Plans and CCR	Brand Policies for MR-CCR **(B-Pol)** Implementation Processes In Marketing for MR-CCR (**MR-Processes)** Head Office Designed Brand Activations as MR-CCR (**HQ-MRCCR)** Locally Designed Brand Activations as MR-CCR (**LD-MRCCR)**	Market-related CCR practices implementation pattern

Source: Author

Relationship Building and Enfolding Literature Stage

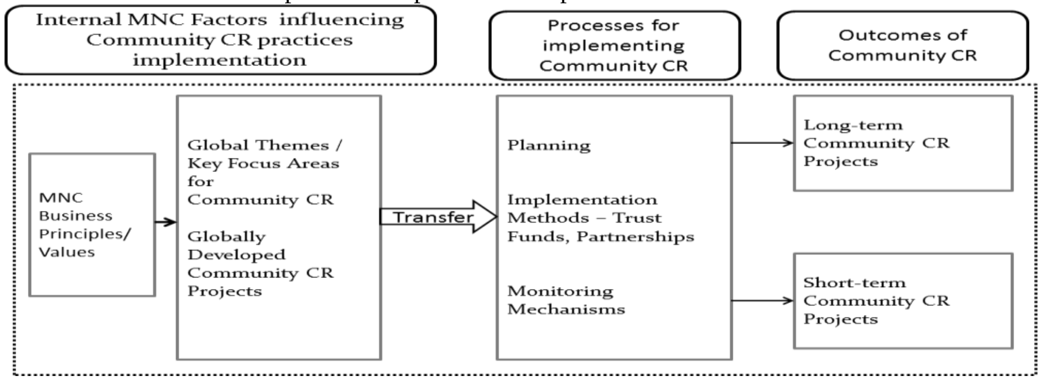
This stage consists of further analysing the tentative themes, concepts and possible relationships between and among the codes (Eisenhardt, 1989b; King and Horrocks, 2011). The need at this fourth stage of the data analysis process was therefore twofold. First is the need to develop new 'patterns' which could provide possible answers for the research questions of the study. Second is the need to compare them with existing literature which can either be similar or conflicting to that literature (*Ibid*).

At this stage, the researcher derived three implementation patterns based upon the categories and their interpretive and descriptive codes: they were the 'non-market-related CCR practices implementation pattern', the 'market-related CCR practices implementation pattern' and the 'external legitimisation framework'. Details about these frameworks are discussed in the findings chapters. Table 3.8 shows how the first two patterns of implementation were developed by translating the categories (shown in Table 3.7) into the implementation patterns by defining the categories and the relationships between the categories.

Furthermore, these implementation patterns were verified against the actual data in order to find out whether the emergent relationships (as described by them) fit with the evidence in each subsidiary, in keeping with the advice of Eisenhardt (1989a). She advocates such testing to ensure the maintenance of replication logic. The use of replication logic ensures that while the data confirming emergent relationships would enhance confidence in the validity of the relationships, data which disconfirm the relationship can also provide an opportunity to refine and extend the theory. This is the most important aspect of conducting qualitative research as opposed to quantitative research. Where the hypotheses are unconfirmed in qualitative research the reasons, ‘why’ or ‘why not’, can be sought by delving deeper into the actual data, which by itself confirms the internal validity of the research and assists the refinement of emergent theories.

The next step after the building of relationships and emergent patterns is the comparison of such emergent concepts, theory or hypotheses with extant literature. This is termed by Eisenhardt (1989a) as ‘the enfolding literature stage’. The comparison with extant literature involves the comparison of the emergent theories with existing theories and questioning “what it is similar to, what it contradicts and why” Eisenhardt (1989a:544). As such, the enfolding literature stage was carried out prior to the discussion of the findings and the results of this are presented as separate discussion sections in each of the findings chapters. Having discussed the detailed data analysis technicalities the next section examines how academic rigour was applied within this study.

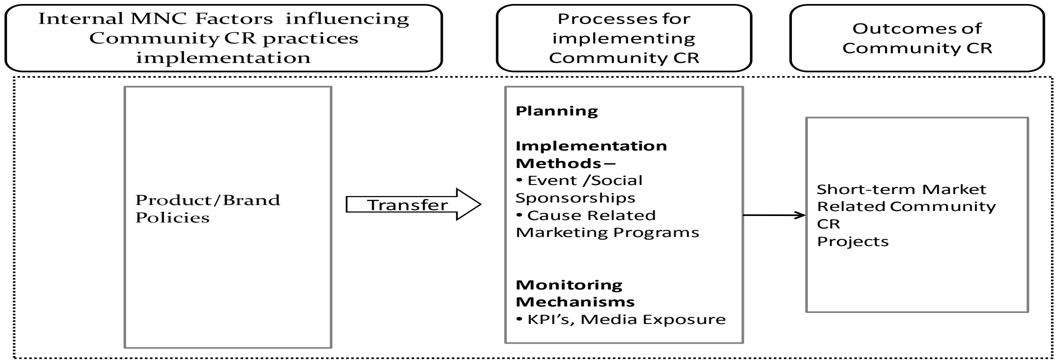
Table 3.8: Building 'patterns' through definition of categories and examining emergent relationships between categories - CCR Implementation Data Base

<table>
<tr><th>Categories</th><th>Definition of Categories and its Relationship to other Categories</th><th>Resultant CCR practices implementation pattern</th></tr>
<tr><td>Business Principles (Bprin)
Globally Developed CCR projects
(GD- CCR Pro)
Global Themes for CCR (GTh –CCR)
Localisation Processes (LZ-Proc)
Local Development Processes (LD-Proc)
Long-Term & Short-Term CCR –
(L/T & S/T CCR Pro)</td><td>Bprin (Based on global MNC business principles) influences both (GD- CCR Pro) and (GTh –CCR)
(GTh –CCR) influences (L/T & S/T CCR Pro)
Subsidiaries use several (LZ- Proc)to implement the (L/T & S/T CCR Pro) within the Host County (LD-Proc) are used to implement different (GD- CCR Pro)
Final outcome is different (L/T & S/T CCR Pro)</td><td>Non-Market-related CCR practices implementation pattern

</td></tr>
<tr><td>Brand Policies for MR-CCR (B-Pol)

Implementation Processes In Marketing for MR-CCR (MR-Processes)

Head Office Designed Brand Activations as MR-CCR (HQ-MRCCR)

Locally Designed Brand Activations as MR-CCR (LD-MRCCR)</td><td>(B-Pol) directs (HQ-MRCCR) and (HQ-MRCCR)

(MR-Processes) consist of sub-categories such as brand plans, marketing monitoring mechanisms</td><td>Market-related CCR practices implementation pattern

</td></tr>
</table>

Source: Author

3.3.6. Stage Six: Verifying

A major challenge in qualitative research is to ensure that the research design (i.e data collection and data analysis) meets tests of reliability and validity (King and Horrocks, 2011). For the purpose of this research, the tests of reliability and validity was measured by using the alternative criteria proposed by Guba and Lincoln (1985) consisting of credibility and transferability (i.e internal and external validity), dependability (i.e reliability) and confirmability (objectivity). Table 3.9 shows how each of these criteria was addressed during different stages of this research study.

Table 3.9: Tactics adopted for ensuring the quality of research

Tests	Tactic	Phase of research in which tactic occurs
Credibility (Internal Validity)	▪ Quality Access ▪ Research Diary ▪ Chain of evidence	▪ Data collection
Transferability (External Validity)	▪ Acknowledgement of Biases	▪ Data Collection ▪ Data Transcription and Analysis
Dependability (Reliability)	▪ Context specificity – Purposive sampling ▪ Rigorous multiple stages of coding	▪ Research Design ▪ Data Analysis
Confirmability	▪ Sample of evidence ▪ Information on data collection	▪ Data collection

Source: Adapted from Guba and Lincoln (1985)

Credibility is the extent to which the researcher's interpretation is endorsed by those with whom the research was conducted (Guba and Lincoln, 1985). Since, this research study was conducted by only one researcher, the credibility was achieved by ensuring that quality access was gained by the researcher to the subsidiaries, by maintaining detailed records of the research by having a research diary with details of the interviews conducted and also by establishing a chain of evidence so that a comprehensive account of the research study could be ensured.

Transferability, which replaces generalisability or attaining external validity from a quantitative perspective is based on the ability of the researcher to provide sufficient rich detail that a reader can assess the extent to which the conclusions drawn in one setting can transfer to another (Guba and Lincoln, 1985). This criteria has been addressed throughout this research and focused upon consistently in this chapter by acknowledging different biases which may have occurred throughout this research as well as providing details related to the subsidiaries, the interviewees, interview technicalities, transcription and subsequent analysis of the interview data.

Dependability replaces reliability based upon Guba and Lincoln's (1985) trustworthiness criteria. The conventional notion of reliability assumes a high degree of stability in research settings, so that the research as it is could be replicated elsewhere. However, since qualitative research is conducted with the assumption that real-world settings inevitably change, it is obvious that replication is thus unachievable. The need therefore in qualitative research is to demonstrate the researcher has taken into account the inherent instability of the phenomenon they are studying (Ibid). This research study was based upon three research questions which were exploratory in nature and specific in context. As such, at the research design stage itself it was acknowledged that the research is not replicable nor the results generasible beyond the context within which the data has been collected. By framing the research design as such, it is acknowledged that if the context changes then the data would also change. As such, instability of the research setting is acknowledged. The context specific nature of this research was also maintained during the purposive sampling, where the subsidiaries were selected so that data could be collected to answer the specific research questions effectively. Furthermore, the dependability of the data analysis was ensured through multiple stages of data analysis ensuring the robustness of the research findings.

Confirmability which replaces neutrality or objectivity, recognizes that qualitative research does not pretend to be objective. As such, the researcher should present sufficient detail of the process of their data collection and analysis so that it is clear to a reader of the research how the researcher might reasonably have reached the conclusions he/she did (Guba and Lincoln, 1985).In order to address confirmability, comprehensive details related to all aspects of the data collection, with actual evidence of data collected as well as the stages of the data analysis was provided within this chapter.

Having discussed the application of stage six of the interview method, verifying the next section briefly examines three methodological limitations identified in this study.

3.4. Reflexive account of methodological limitations: An overview

According to Haynes (2012) reflexivity is an essential element in qualitative research and could be termed as the process by which research turns back upon and takes account of itself. It is important to provide a reflexive account of the methodological limitations of this study. First, by incorporating an interview method and using in-depth interviews as the main data collection method, a main limitation is the *individualistic* nature of the interview leading to a *credulous* account of knowledge (Kvale and Brinkman, 2009). Secondly, a methodological limitation was evident in the lack of *diversity* within the sample of subsidiaries selected through purposive sampling (Ritchie et al., 2011). The third methodological limitation identified was the issue of response bias (Saunders et al., 2012), which occurred due to the tendency of the subsidiary managers to engage sometimes in an ‘embellishment’ of the data provided. While these three methodological limitations are acknowledged at this point in the thesis, these are discussed in specific detail, together with the possible implications on the research as well as strategies adopted to overcome some of them in chapter 7.

3.5. Summary

This chapter has covered a number of issues concerned with the overall methodology of this research study. First, key issues pertaining to the use of the interview method as its research strategy were discussed. This was followed by an overview of the research setting of Sri Lanka. Following on, the six stages of the interview method as applied within this study were examined in specific detail. This included a discussion of the data collection methods used to gather the relevant data, how issues related to research ethics were resolved, and a detailed discussion of the data analysis process, which showed how the findings of this study (which are discussed in the next few chapters) were derived from the data. Finally, the chapter concluded with an examination of the strategies used to ensure the quality of the research design and a brief overview of the three main methodological limitations identified in this study. The next chapter presents the first of the findings chapters consisting of key findings related to the implementation of CCR practices within the subsidiaries examined in this study.

Chapter 4:
Implementation of Subsidiary Community Corporate Responsibility Practices

4.1 Introduction

The complexity involved in the implementation of CCR practices[5] within the ten subsidiaries is examined in this first findings chapter. In aiming to find answers to the first research question, 'How do subsidiaries of MNCs implement CCR practices?', it assesses the different processes undertaken by the subsidiaries when implementing CCR practices, and examines the internal pressures that they face when doing so.

The analysis of the empirical material collected resulted in the identification of two different approaches to the implementation of CCR. The first of these, denoted by the researcher as the *non-market-related CCR practices implementation pattern* was observed to be the principal approach in six of the subsidiaries. It predominantly focused on implementing CCR projects which had a broad social objective, in contrast to the second approach, denoted the *market-related CCR practices implementation pattern*. This second pattern of implementation was found to be driven primarily by business-related goals.

The reason *why* the different CCR projects were being implemented – the objective in implementing them – proved to be the key decision point in identifying these two

[5] As explained in Chapter 1, **CCR practices** refers to the entire activity or business practice of Community Corporate Responsibility and **CCR projects** to individual/specific projects which are used as an implementation method when implementing the broader CCR practice within the subsidiary.

different patterns of implementation. Those subsidiaries which were concerned about achieving business goals (ranging from increasing market penetration levels to increasing sales), tended to use their CCR practices (and the related projects) as a tool by which they could achieve these objectives within a short period. However, in contrast, the other six subsidiaries, aiming to achieve more long-term goals which could not be directly attributed to market objectives (such as enhancing the corporate image or obtaining reputational gains through long-term CCR practices), were identified as utilising non-market-related CCR practices. The findings discussed in this chapter capture this complexity, and show that it is the underlying principles or brand policies that constitute the driving forces behind the different CCR projects in subsidiaries within this study, i.e. the factors which determine 'why' each specific CCR project is being implemented.

The chapter is organised as follows: first, a general overview of the two patterns of implementation is provided. This section specifically explains how these two patterns were derived from the data. This is followed by an in-depth examination of both the non-market-related CCR practices implementation pattern, and of the market-related CCR practices implementation. The chapter concludes with a brief summary.

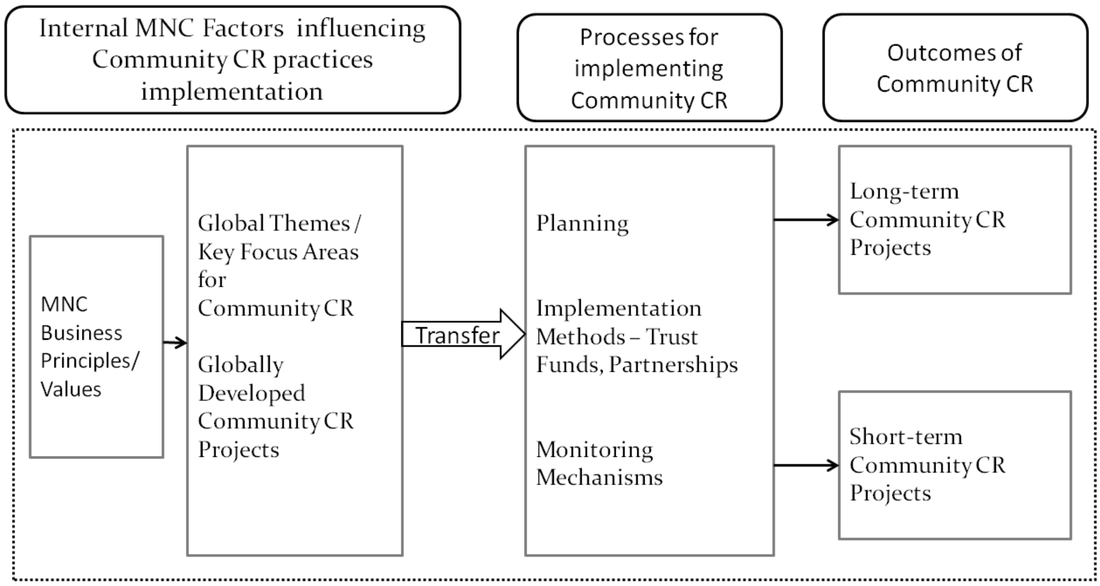
4.2 General Overview

The two patterns of CCR practices implementation were derived from the qualitative analysis of data (as discussed in Chapter 3). In order to maintain rigour in this analysis, the following steps were undertaken. First, descriptive coding was carried out across the subsidiaries using the empirical material, complemented by the conceptual framework of the study. Second, these initial codes were then used in an ongoing process of further analysis to develop categories which provided more understanding of the dynamics of implementation of CCR practices, by carrying out interpretive coding. Finally, linkages between these categories were made through further analysis of the data. This was an iterative process whereby the researcher constantly engaged with the empirical data to simultaneously develop common patterns and also to verify the patterns which were developed (See section 3.4.4 in chapter 3). The next section examines the specific findings related to non-market-related CCR practices in the subsidiaries.

4.3 Non-market-related Community Corporate Responsibility Practices: *Implementation and complexities*

The non-market-related CCR practices implementation pattern is shown in Figure 4.1 below.

Figure 4.1: Non-Market-Related Community Corporate Responsibility Implementation Pattern



Source: Author

When examined in detail, this pattern shows that the underlying force which propels these subsidiaries to engage in and implement different CCR projects is that of the business principles or values of their MNCs. These principles/values established at the MNCs' global HQs are then transferred to the subsidiaries. This transfer occurs in two ways. First, the MNCs establish global themes for CCR, consisting of key areas, which the MNC head offices want their subsidiaries to focus their CCR practices upon. This was an interesting finding. It shows that although the MNCs are not directly dictating the exact CCR practices which the subsidiaries in the developing country should focus upon, they are in effect indirectly restricting the scope of the subsidiaries' CCR practices. So, for example, if the MNCs want to focus on sustainable agriculture, then the subsidiaries *are* compelled to restrict their CCR practices to those which *are* related to sustainable agriculture. One could however, question whether this permits localisation to occur. The review of extant studies shows that CCR is localised by MNCs (See Muller, 2006; Mohan, 2006). However, can subsidiaries actually localise CCR practices to suit the needs of the developing country community, when they are being asked to concentrate on specific aspects of CCR by their MNCs? These nuances as to how MNCs actually drive CCR practices across their network is a significant finding in this research, as will be highlighted in the later sections of this chapter. Secondly, some MNCs in this study go beyond the mere directional guidance provided (as described above) by actually developing entire CCR projects at their head offices (making them, in effect, globally developed CCR projects), and then transferring them to their subsidiaries to be implemented within host countries such as Sri Lanka. This was seen specifically in BANK2.

In relation to how non-market-related CCR practices were implemented within the six subsidiaries, they utilised a host of processes comprising planning tools, various types of CCR projects (such as business-not-for-profit partnerships and trust funds), and monitoring mechanisms to assess the success/failure of their CCR practices. Having provided a brief overview of the non-market-related CCR implementation pattern, the following section examines it in more detail.

4.3.1 Principles: *Global CCR Themes and Projects*

As discussed above, the business principles and values of the MNC are foundational factors for this pattern of implementation. Nevertheless, the findings showed that although MNCs business principles were widely available and communicated to the subsidiaries, these were not translated into specific policies (i.e. Community CR Policies). Having a Community CR policy is important because, rather than a value statement or a business principles statement, a policy has to provide details about the scope of activities, the methods and the objectives of the CCR practices. The lack of such Community CR policies shows that as yet, this aspect of social responsibility is not yet institutionalised as environment management or health and safety. Another explanation could be that if the objective of implementing non-market-related CCR practices is to achieve goals, such as a corporate image enhancement, then it would be much easier for the MNC if it could adopt a more flexible approach in relation to what specific CCR projects are actually implemented and how they would be implemented. Of the ten subsidiaries, nine subsidiaries did not have clear Community CR policies. For example, only CEMENT had a Community CR policy which clearly stated the MNC’s stance towards dealing with community related issues:

> **‘Community Involvement -** We assess local needs, promote community involvement and partner with local stakeholders around our operations to improve educational, cultural and social development. We encourage and support our employees’ engagement in volunteering and local community work’ (Community CR Policy-CEMENT)

The above extract, shows that there are specifics mentioned in it in relation to which aspects of community involvement CEMENT would examine and the different ways that CEMENT would address the identified community needs (i.e. through partnerships with local stakeholders and employee volunteering). Nevertheless, the other nine subsidiaries had only corporate statements of business principles or statements of conduct, which were in effect broad statements about how the MNC would address Community CR. These did not provide specific details about how such CCR issues would be addressed. For example, according to the extract from BANK2’s CSR statement, although it mentions ‘to carry out activities which are relevant to the markets’, it does not specify how these activities would be selected and implemented. The same lack of specificity was seen across the statements of three other subsidiaries which are presented below:

> ‘To carryout Corporate Responsibility practices which are ‘relevant to the markets we operate in, do things which leverage our capabilities and infrastructure and focus where we can add distinctive value’
>
> (CSR Statement – BANK2)

> ‘The Business Principles and Core Beliefs cover the key issues that we believe underpin Corporate Social Responsibility (CSR) for a multinational business and, particularly, for the unique characteristics of a tobacco business. There are three Business Principles, Mutual Benefit, Responsible Product Stewardship and Good Corporate Conduct, each of which is supported by a number of Core Beliefs, which explain what we think the

> Principle means in more detail. Together, these form the basis on which we expect our businesses to be run in terms of responsibility'
>
> (TOBACCO – Statement of Business Principles)

> 'The domain of Corporate Responsibility at TELECOM is based on a philosophy of 'inclusion', which implies our commercial operations and Strategic Community Investments (SCI) take into account legitimate stakeholder impacts. This philosophy pervades both integral and outreach Corporate Responsibility activities […] and as a responsible corporate citizen'
>
> (TELECOM – CSR Strategy)

Such an absence of written Community CR policies could be significant for the implementation of CCR practices at the subsidiary level in two ways. First, it could enable the subsidiaries to implement CCR practices which are more relevant to the different communities in specific host countries. However, on the other hand it could also provide less detail about the scope of community involvement expected by their MNCs and therefore enable the MNC to either change or alter the focus of their CCR practices based upon business needs as mentioned before. What was interesting was that although the subsidiary managers were aware of these different statements of business principles, which were available on their websites, the actual determination of what type of CCR projects to implement was decided by the previously mentioned global themes or key focus areas, established by the MNCs global HQs. Therefore, one can argue here that while the rhetoric of CCR seems to be quite vague and less specific, the MNCs ensure consistency in the type of CCR projects implemented by establishing restrictive global themes/key focus areas. This suggests that the MNCs in this study, do not want to constrain themselves to specific CCR policies but would rather specify different themes or focus areas by which they could not only manage the CCR practices across their networks but which they could also then change dependent on the needs of their business activities.

Further examination of these global themes for CCR practices showed that these ranged from a narrow focus on specific areas of CCR such as entrepreneurship education and water, housing and infrastructure development to a much broader focus, thus, enabling the subsidiaries greater choice in selecting different CCR projects to be implemented in the host countries. Similar examples consisted of global themes such as ‘civic life’ and ‘sustainable agricultural development’. In Table 4.1 the relationship between these broad/narrow global themes and the subsequent CCR projects which were implemented by four subsidiaries have been further examined. TELECOM and INSURANCE is not included in the table, as in the case of the former, the subsidiary was operating independently from the MNC HQ based in Malaysia and in the latter, it was still in the early stages of being integrated into the MNC network, having being acquired recently by the MNC at the time of data collection.

Table 4.1: Analysis of the relationship between global themes for CCR and resultant local CCR projects implemented by the subsidiaries

Subsidiary	*Global Level*		*Local Level*	
	Global Themes	**CCR Projects**	**Local Themes**	**CCR Projects**
TOBACCO	Sustainable Agriculture Civic Life Empowerment	No Global Projects (Projects are developed locally)	Sustainable Agriculture Civic Life Empowerment	SADP Project[6] Bio-Diversity (Reforrestation Project) Community Donations and other Philanthropic Projects
CEMENT	Education Provision	No Global Projects (Projects are developed locally)	Education and Skills Development	Developing skills for youth – The 'Eve' centre
	Infrastructure Building		Water, housing and Infrastructure	Different infrastructure development projects for schools
	Sustainable Community Development		Livelihood Support	'A house for Life' project – in collaboration with another local bank
BANK2	No global themes	'Seeing is Believing' (Global project) 'Living with HIV' (Global project)	No local themes	'Seeing is Believing' Sri Lanka 'Living with HIV' – BANK 2 provides voluntary training in HIV-AIDS Education in Sri Lanka
BANK1	Education	Future First Education Project (Across 29 countries) Financial Literacy Programme (Across 20 countries)	Education (Entrepreneurship Education)	Future First Entrepreneurship Education Project Employable You Project English Language training for estate sector schools in Sri Lanka

Source: Author

[6] SADP – Sustainable Agricultural Development Project

When comparisons are made between the global themes set by the MNCs and the local themes adhered to by the subsidiaries, together with the resultant CCR projects which are being implemented across the four subsidiaries as shown in table 4.1 above, there are some interesting findings. There is an obvious similarity between the themes at the global level and the local level, but especially in BANK 1 and BANK 2, the local CCR projects which they are implementing are very similar to those global projects which the MNC itself is focusing upon. When questioned about this aspect, the subsidiary managers from BANK 1 and BANK2 substantiated this finding:

> "The group also focuses [on] entrepreneurship education. What we do [here in Sri Lanka] is also in line with that. [We] look at the problems that we have in Sri Lanka, but entrepreneurship education is something that the group is doing and therefore we also focus on that [...] So all our Community CSR projects are in line within [what] the group is doing […]"
>
> (Assistant Manager, CSR- Education, BANK1, 2008)

> "There are group initiatives or projects where we are given specific areas and even the guidelines [on how to implement them] are given by the group. [They also] give us the budgets. When they send [us] a campaign they ask us for our ideas as well […] then we roll it out the way we want and we discuss the budgets and stuff then they approve it and [then] we go ahead"
>
> (Head of Corporate Affairs, BANK2, 2008)

As seen from the above quotes, especially in BANK 2, globally-developed CCR projects are being transferred to it by the MNC HQ to be implemented locally (See table 4.1 for specific details). BANK2 was only able to change the way in which the specific project was implemented within Sri Lanka and the different ways in which they obtained funding for the project. However, they were not in a position to change or alter the focus of these projects to suit the community needs of the host country.

This finding again asks the question: 'are Community CR actually localised to suit the requirements of the host country's community needs?'.

However, in the other two subsidiaries (i.e. TOBACCO and CEMENT), the 'fit' between the local CCR projects and the global CCR projects were achieved by the establishment of global themes/key focus areas by the MNCs. The managers from TOBACCO and CEMENT explain this need to fit in the subsidiary's CCR projects to their MNCs' requirements.

> "Once we develop [our] CSR strategy we make sure that we align the game to the TOBACCO Global business principles. They have their platforms for CSR, so we obviously we have to fit our strategy into that. Our Sustainable Agricultural Development Project in Sri Lanka, is something that would fit into the theme of 'sustainable agriculture' [and others]"
>
> (Corporate Communications Manager, TOBACCO, 2008)

> "Our global HQ has a separate sustainable development department, and they decide the main areas that our group will focus on globally …. What we have to do [in Sri Lanka] is to make sure that whatever we do these projects are in line with the global areas"
>
> (Vice-President, Sustainable Development, CEMENT, 2008)

Therefore, it seems that the subsidiaries are being steered towards different areas of focus within their broader CCR agenda by their MNCs. This is being carried out through the establishment of global thematic areas or key focus areas established at the global level by the MNC. Subsequently the subsidiaries are asked to adhere to these key focus areas when developing their local CCR practices. One can argue that there is a degree of standardisation (i.e. similarity of practices across the MNC network) occurring in relation to the implementation of CCR practices. However, the interesting point of this finding is that if the key objective of CCR is to ensure that the subsidiary's responsibilities towards the community in which it operates is fulfilled, how and to what degree could this be achieved if the subsidiary is merely following the directives given by their MNC head offices by restricting their CCR practices to specific areas?

Having discussed and illustrated how initial decisions for non-market-related CCR practices occur within the subsidiaries, the next section examines its implementation and the different processes of planning, implementation methods and monitoring tools.

4.3.2 Processes: *Planning, Implementation Methods and Monitoring Tools*

The six subsidiaries used different processes to facilitate the implementation of non-market-related CCR practices. These processes enabled the subsidiaries to achieve some degree of localisation or local project development in their implementation of CCR practices in Sri Lanka. These identified processes consisted of planning, implementation methods and monitoring mechanisms.

Planning

In terms of planning for the implementation of non-market-related CCR practice, the most surprising finding was who was responsible for the planning in the subsidiary. As shown in table 4.2 below, across the six subsidiaries apart from CEMENT, two main functional departments were found to be having the overall responsibility for implementing CCR practices. These departments were Corporate Affairs/Public Policy and Marketing. The location of responsibility for CCR within these departments highlights some interesting findings. Firstly, the main responsibility of these functional departments (apart from CEMENT) is not focused on managing CSR. These departments are either responsible for managing the marketing of the subsidiary or the corporate reputation/public relations for the subsidiary.

Table 4.2: Analysis of planning for implementing non-market-related CCR practices

Subsidiary	Functional Department with overall responsibility for CCR practices	Manager with responsibility for implementing specific CCR projects	Process of Planning for CCR projects
TOBACCO	Corporate & Regulatory Affairs Department (CORA) *Headed by the Director, CORA*	• Corporate Social Responsibility Manager • Corporate Social Investment Manager	• Planning for CSI projects carried out by a separate Trust Fund managed by the CSI Manager • Other CSR projects planned under the departmental plan for CORA
BANK 1	Public Affairs Department *Headed by the Senior Public Affairs Manager*	Assistant Corporate Social Responsibility Managers	Planning for all CCR projects are carried out under the departmental plan
BANK2	Corporate Affairs Department *Headed by the Head of Corporate Affairs*	Head of Corporate Affairs (Coordinates CCR projects) Country Project Coordinators (Responsible for actual implementation of CCR projects)	Planning for individual CCR projects carried out separately from the departmental Plan Project based plans for globally transferred CCR projects
TELECOM	Group Public Policy and Corporate Responsibility Department *Headed by Group Chief Corporate Affairs Manager*	Senior Manager Public Policy and CSR (Coordination of CCR projects) Different project managers for implementing short-term CCR projects under the Trust Fund	Separate Plans for short-term CCR projects under the Trust Fund
INSURANCE	Marketing and Planning Department *Headed by Assistant General Manager Marketing*	Assistant General Manager Marketing and Marketing Executives	Planning for short-term CCR projects carried out under the departmental plan Separate plans for long-term CCR projects under Trust Funds
CEMENT	Sustainable Development Department *Headed by the Vice-President Sustainable Development*	CSR Manager and CSR Co-Ordinators	Planning carried out under sustainable development departmental plan

Source: Author

Here again we should question the underlying objective for implementing non-market-related CCR projects. If this objective is only related to achieving social goals, then CCR practices should be located within a separate department which have specialists for managing it. But, if the objective is about corporate image enhancement then it is more viable for the subsidiaries to locate the CCR practices as they have done so, within the functional department which has responsibility for both public relations management as well as corporate communications.

Secondly, the planning and implementation for CCR practices has become another functional activity within these departments rather than being considered a strategic business activity on its own. This is because as there is no line management responsibility for CCR in these departments, there would be very little influence that the heads of these functional departments could make in changing the strategic direction of CCR within the subsidiaries. However, in contrast to these common findings related to planning, in CEMENT, CCR practices are managed quite differently. It has an established Sustainable Development division with strategic responsibility for managing overall corporate responsibility for the subsidiary. As such, (See table 4.2) CCR forms part of the sustainable development plan of CEMENT and annual CCR projects are planned and implemented based upon pre-defined corporate responsibility objectives.

Another aspect which need examination is about how the actual planning occurs within the six subsidiaries under the above-mentioned functional departmental structure. In order to implement CCR practices which are non-market-related, the subsidiaries have adopted a project based approach. The specific activity plans for implementing the different CCR projects are pre-approved by the respective departmental head through the annual operational planning process. As explained by the mangers at TELECOM, CEMENT and TOBACCO they have well integrated this process into their annual business planning cycle.

> “[For each of the different projects] we have to submit a business plan [and] the trust fund has a separate budget but [all of] it also comes under corporate responsibility budget. So we go through the usual business planning process like all other departments [...]”
>
> (CSR Executive, TELECOM, 2008)

> “Because we have a separate department which manages CSR, our community projects are planned under this departmental plan […] So what we do is to allocate funds from our budget for the different community projects on a project by project basis [...]”
>
> (CSR Manager, CEMENT, 2008)

> “The projects we do for CSR is managed on a project basis […] sometimes, we allocate funds from our departmental budget, but since most of these project are globally coordinated, we get most of the funding from our global [head office]”
>
> (Corporate Affairs Officer, BANK 2, 2008)

A similar project based approach is also adhered to by both INSURANCE as well as BANK1 as shown in the quotes below:

> “[In relation] to planning, every year our projects are planned through the public relations or communications plan [...] we discuss [this plan] with the director board and [their approval] is gained ”
>
> (Communications Manager, INSURANCE, 2008)

> “Every year we have an operating plan procedure that is for the whole Bank [...] So what we do is during the planning process we re-look at our [CSR]

> strategy, we review our strategy and then we design our plan for the following year. [We do this] by reviewing the present projects and looking at what new projects that we should go into are and then having a detailed planning process for each project and how much we will allocate for each project".
>
> (Senior Public Affairs Manager, BANK1, 2008)

In summary, the emerging findings so far highlight two important points related to how CCR practices which are not market-related are being implemented by the six subsidiaries. First, these CCR practices are being managed mostly (other than in CEMENT) by non-specialist functional departments, such as corporate relations, corporate affairs and marketing/planning. This indicates that CCR as a business practice is not yet institutionalised within the subsidiaries. Second, the planning and implementation of CCR practices is carried out on a project basis. As such, each specific CCR activity is considered to be a specific project with planning being undertaken through the normal operational plans of these non-specialist departments. Collectively, so far the findings indicate that CCR is not being considered as a strategic business activity which should ideally be integrated within the strategic plans as part of the overall corporate responsibility practice, but is being used as tool to achieve other business-related objectives, such as corporate reputation and image enhancement.

Implementation Methods

The actual CCR methods used by the subsidiaries to implement CCR practices ranged from the creation of trust funds to collaborative partnerships, with not-for-profit organisations (NPOs) or with public sector organisations (i.e. through Public/Private partnerships).

Subsidiaries create trust funds as separate not-for-profit business organisations to ensure the long-term sustainability of CCR projects as well as to ensure its proper governance. The use of trust funds was seen in three out of the six subsidiaries (i.e. TOBACCO, INSURANCE and TELECOM). As explained below by the managers of these three subsidiaries, a key reason for establishing separate trust funds, is to ensure long-term sustainability of their CCR projects, especially those which are considered to be corporate social investment/capacity building projects.

> "The objective in creating this fund is that even if [TOBACCO] goes bust, this 'CSR Guarantee Company' [will be there]. [We did this because] we wanted to make sure that [the] money [for SADP] is separated. Only one or two persons from TOBACCO will get on board and all the others will be outsiders"
>
> (Corporate Social Responsibility Manager, TOBACCO, 2008)

> "Creating a Trust Fund will guarantee the continuity of the project. [We have already created] trust funds for some of our initiatives. [However, we don't create the trust funds] at the commencement stage [but it is created] only when we see the potential benefit [of it]"
>
> (Assistant General Manager- Marketing, INSURANCE, 2009)

> "[During] 1998 / 1999 [TELECOM] set up a foundation called [TELECOM] Change Trust Fund. This fund is used by us to cater to the daily requests we keep getting from all parts of the country for individual assistance from institutions and so on. [So] roughly for an year we take about 20 projects under this [trust fund]"
>
> (CSR Executive, TELECOM, 2008)

The above findings show, that the use of trust funds seems to be a common practice among these three subsidiaries. While, these trust funds ensure long-term sustainability of the specific CCR project, it also shows the non-strategic treatment of CCR within these subsidiaries. CCR practices seem to be treated as projects and are managed as such. This may occur due to two reasons. First, the location of responsibility for CCR as discussed in the previous section means that a project based approach may be the most viable implementation method, as there is a lack of CSR strategy integration through line management. Second, the creation of trust funds also enables the subsidiaries to link their CCR practices together with cause-related marketing programmes. This trend was seen within the data obtained from two of the three subsidiaries which used trust funds. Following quotes from INSURANCE and TELECOM shows this:

> "[We set up] the Change Trust Fund in 1999 with [our] subscriber participation. That was a unique idea where the company invited subscribers to contribute some of their bill value [such as] 0.5% or 25 Rupees which ever was lower towards this trust fund [which] the company was going to match. [So this trust fund] was an opportunity for the company to channel its profits to the local community"
>
> (Senior Manager Public Policy and Corporate Responsibility, TELECOM, 2008)

> "When we create a trust fund we gradually increase the amount invested in it […] For example if you take the higher education scholarships we have a trust fund for 10 million gone up to 40 million. We also get our customers to contribute to these trust funds […] and we match their contribution […] So it brings together the customers and company"
>
> (Assistant General Manager- Marketing, INSURANCE, 2009)

Based upon the quotes above, it is evident that most of the time the trust fund is linked to a cause and both the subsidiary and their customers contribute towards the fund. However, the subsidiary promotes their own monetary contribution as way of fulfilling their social responsibilities towards community among their customers.

Another CCR implementation method which was being used by three out of the six subsidiaries was to enter into collaborative partnerships with outside NPOs (i.e. Business-NPO Partnerships). Such, Business-NPO partnerships enabled these three subsidiaries to outsource the ground level implementation of the different CCR projects. What was interesting to note was the nature of this relationship between the subsidiary and the NPO. The subsidiary's main role was to provide the financial support for the CCR projects while the actual implementation of it was delegated to the NPO. However, the subsidiary in this case also actively encouraged the involvement of its own employees with the project through either direct participation in it or by getting them to monitor the progress of the projects. The NPO on the other hand developed the details pertaining to how the CCR project would be implemented at the ground level. These characteristics of Business-NPO partnerships are explained below in the quotes given by subsidiary managers of BANK1, CEMENT and TOBACCO.

> "[We partner] because of the work that is involved. We have a small team here so it won't be practical for us and also we will not have the resources. Now we partnered with an organisation called 'Young Entrepreneur Sri Lanka' [and] they were experts in that particular [area]. They also have their parent company somewhere in Hong Kong [so the group has recommended them] as well"
>
> (Assistant Manager CSR-Education, BANK1, 2008)

> "We have partnership with the IUCN[7] [it is because] IUCN is a global partnership [and] CEMENT Global has a partnership with IUCN [where] they partner with IUCN to do certain projects elsewhere in world"
>
> (CSR Manager, CEMENT, 2008)

> "We have a partnership with Fauna and Flora International. TOBACCO Global is in partnership with [them], so they definitely have a link to TOBACCO Global"
>
> (CSR Manager, TOBACCO, 2008)

It was also interesting to note that (based upon the above quotes) some of the NPOs that these subsidiaries partnered had strong links globally to their MNC head offices. This is seen in the quote given by the Assistant Manager CSR of BANK1 above. It may be a case of the MNC thus recommending a specific NPO for the subsidiary to partner; this pattern could be seen across the other two subsidiaries as well (See quotes above), especially in those Business-NPO partnerships which involved a large amount of investment.

Partnerships were also used by some of the other subsidiaries to partner within different public sector organisations. There were several reasons for entering into such Public Private Partnerships (PPP's) identified in the data. One such reason was the obvious expertise which these public sector organisations possessed. A second reason was to develop good relationships with key public sector institutions so that the subsidiary could gain recognition from them. As seen below, CONSUMERG1 and CONSUMERG3, were two such subsidiaries which made extensive use of PPPs.

[7] International Union for the Conservation of Nature

> "[…] It doesn't make sense to go and get partnered with everyone and everybody because we can't commit resources to them. So we are very selective in our partnerships – so the partnerships are formed to help us to do the current CSR work that we are doing […]"
>
> (Corporate Relations Manager, CONSUMERG1, 2008)

> "There were sometimes in the past when CONSUMERG3 didn't have a good name [and] the government didn't want to associate with us. [What we did] was to build up this relationship [by organising] one or two PPPs with the ministry of health. [We were able] to gain recognition by them that way"
>
> (Manager-Regulatory Affairs and Nutrition, CONSUMERG3, 2008)

The above discussion provides some important emergent findings regarding why partnerships are being used as an implementation method for CCR by most of these subsidiaries: First, subsidiaries enter into partnerships chiefly due to their inability to carry out ground-level implementation of CCR projects. This is mainly due to their lack of expertise about the relevant social issue and also the lack of resources to devote to such implementation. Therefore, partnerships have become an outsourcing mechanism whereby CCR projects could be effectively given to other third parties to be implemented. There are obvious advantages as well as disadvantages in doing this. While it is apparent that the expertise of the NPO ensures that the community gets the maximum benefit out of these CCR projects, the disadvantage is from the perspective of the subsidiary CCR becomes a corporate relations exercise due to the disassociation which occurs between the subsidiary and the actual implementation of the projects. The second reason for entering into partnerships is to do with gaining reputational advantages. It is obvious that partnering with public sector organisations is being carried out to ensure long-term beneficial relationships with these government institutions and as such obtain legitimacy for the subsidiary's operational activities (this is further discussed in detail in Chapter 6).

In summary, the non-market-related CCR practices are being implemented by the subsidiaries using three main methods: Cause-related marketing, Trust Funds and Business-NPO partnerships. The CRM acts as a way to fund the Trust Funds. The Trust Funds are used to provide corporate philanthropic donations as well as to sustain long-term capacity building projects. The Business-NPO partnerships are used to implement short-term CCR projects. The most important point of discussion here is that overall non-market-related CCR practices are most definitely being implemented by using a project approach.

Monitoring Mechanisms

According to figure 4.1, once the CCR practices are planned and implemented using different methods such as trust funds and partnerships, the subsidiaries then used internal monitoring mechanisms to assess the final outcomes. This was important from the perspective of the subsidiary and the MNC HQs for two reasons. First, these mechanisms enabled the subsidiary to ensure that the CCR projects were completed on time. Since, most of these projects were outsourced to third parties such as NPOs, it was useful to have such monitoring mechanisms. Second, these mechanisms also helped the MNCs to monitor the progress and the achievement of subsidiaries' CCR projects.

Some of these monitoring mechanisms consisted of allocated responsibilities and specific Key Performance Indicators (KPIs) specifically where globally transferred CCR projects were concerned. As indicated in the following quote, in BANK2 their head offices ensured that along with detailed specifics about the projects (such as the devolving of responsibility for implementing the projects amongst the employees), key targets were also transferred, ensuring that the projects would achieve expected outcomes. As such, clear authority and responsibility was pre-established and monitoring of the projects was also specifically delegated within BANK2.

> "At the beginning of the year we are given targets by our group office. So we (i.e Corporate Affairs) have to cover it as we are accountable for these group campaigns. There are [dedicated] people to implement them within the bank but [Corporate Affairs] have to make sure that it happens as we are accountable for it"
>
> (Corporate Affairs Officer, BANK2, 2008)

However, in contrast, the monitoring mechanisms used for ensuring the smooth implementation of CCR projects which were locally developed by the other subsidiaries were different. These consisted of mechanisms mostly of periodic reports. This was specifically used when CCR projects were being implemented by NPOs. This is explained below in the following from those three subsidiaries (i.e. BANK1, CEMENT and TOBACCO which (as examined earlier) used partnerships to implement CCR projects.

> "Sometimes we visit the schools and speak to them [by ourselves] So, very close monitoring is done although there is a partner organisation that is involved in implementing these projects […] We obtain a quarterly report from our partners and we meet with them monthly [to monitor the progress]"
>
> (Assistant Manager CSR- Education, BANK1, 2008)

> "We partnered with 'Grameen bank in Sri Lanka' to build houses for poor families […], our contribution was mostly project funding and expertise on sustainable construction […] they did the actual implementation and

> monitoring of this project was usually carried out by visiting the site and asking for reports"
>
> (Vice-President Sustainable Development, CEMENT, 2008)

> "When we partner with outside NGOs, like Fauna and Flora International, our contribution is mostly fund based […] I mean it is difficult for us to really engage ourselves in the implementation as we don't have the expertise, but, we do ask for reports on how the funds were being spent from the NGO"
>
> (CSR Manager, TOBACCO, 2008)

A key reason given by some of these subsidiaries for not having much more stringent and quantitative monitoring mechanisms, such as KPIs for monitoring non-market-related CCR practices, was the inability to quantify the outcomes of the different CCR projects and the duration these projects take to result in such measurable outcomes. Furthermore, because the CCR practices were implemented using a project-based approach, the completion of the project was deemed to be a sufficient outcome by the managers. The Assistant General Manager of Marketing at INSURANCE explains the time taken for their CCR projects to provide definitive outcomes and the inability to quantify the output of these projects as being the key reasons for not being able to establish quantifiable targets:

> "For some of our projects we do have KPIs. For example if you see the safety related initiatives, we measure them by expecting to see zero deaths [as a result of these initiatives]. Some of these initiatives cannot be measured in terms of number of accidents, number of applications we receive for a workshop. It is overall impact that we have to monitor [...] and ideally you need to continue a project for 5-6 years to see the level of change or the level of impact that it has created for the nation or for that selected segment"
>
> (Assistant General Manager- Marketing, INSURANCE, 2008)

The Senior Manager of Public Policy and Corporate Responsibility at TELECOM reiterates this view. According to him, the long-term duration of the overall Corporate Responsibility practice is detrimental in promoting it as a viable business practice within their subsidiary:

> "It is difficult to always quantify benefits because they are long term. Corporate Responsibility by nature […] if you are looking at sustainability of a function of Corporate Responsibility, it is long term, the benefits or the returns are long term and generally businesses aren't patient, and they want to see returns"
>
> (Senior Manager Public Policy and Corporate Responsibility, TELECOM, 2009)

A key discussion point here is the lack of stringent and quantifiable targets for monitoring non-market-related CCR practices within most of these six subsidiaries. This highlights, first, that these CCR practices not integrated with the corporate strategy of the subsidiaries (other than CEMENT). Second, since the overall CCR practice is being implemented by using different CCR projects, it is these projects that are monitored rather than Community CR as business practice.

4.3.3 Outcomes: *Long-term and Short-term CCR Projects*

The final outcomes of implementing non-market-related CCR practices are the CCR projects. These were found to be either short-term or long-term oriented. The differences between these CCR projects related to their business relevance and their objective. The short-term CCR projects mostly consisted of philanthropic donations made to different social causes and social sponsorships of events. However, the long-term CCR projects were focused more on achieving both social as well as business goals. These usually consisted of cause-related marketing programmes which were continued annually (for example, PEARS SAFE HANDS Campaign conducted by CONSUMERG1) and Corporate Social Investment/Capacity Development projects (for example, the Sustainable Agricultural Development Programme – SADP of TOBACCO).

It is important to highlight at this point that there were business-related gains expected from implementing both types of CCR projects. The data shows that these consisted of reputational gains, such as enhancement of corporate image amongst stakeholders and legitimacy gains from key institutional stakeholders. These gains were expected to result in the long-term business sustainability of the subsidiary within the host country. According to the subsidiary managers from four of the six subsidiaries (i.e. INSURANCE, TOBACCO, CEMENT and BANK1, the decisions to implement specific CCR projects were taken only if they could justify the returns (i.e. business gains) which they could expect from the investments in these projects. This perspective is explained below in the quotes given by different subsidiary managers from across the six subsidiaries, where they are adamantly stating the need to have different business gains such as an increase in corporate equity (i.e. image enhancement), connected with their CCR projects.

> "[Our CSR initiatives] usually are long-term oriented. It will take a minimum of 10 years [...] to create a significant impact [to the nation]. This will definitely enhance the equity of the corporate brand […] we consciously select initiatives where we can create a substantial impact in the market and so people will form the opinion that we are a good corporate citizen. That is definitely our long term objective"
>
> (Assistant General Manager- Marketing, INSURANCE, 2009)

> "So SADP[8] is going to be a reputation building arm [for us] [...] [we expect] that our corporate reputation would be enhanced through this project […] So that is how we make a business case [to the head office]. We present the holistic picture what SADP would do to our business, what kind of value it would bring back to the business […]"
>
> (Corporate Communications Manager, TOBACCO, 2008)

> "We [do these projects] so that […] TOBACCO would be known [as the company] who is [actually] doing some work for poverty alleviation in Sri Lanka [...] We don't want to be like other companies and join the CSR bandwagon or do it as a PR exercise […]".
>
> (CSR Manager, TOBACCO, 2009)

> "For us engaging in CSR is about two things, first, we of course want to make a contribution to society […] we also have to justify what we do with the funds given to us, so we also aim to build our corporate reputation as socially responsible company in Sri Lanka"
>
> (Senior Public Affairs Manager, BANK1, 2009)

> "CEMENT is quite clear about why they engage in sustainability […] We can make cost savings by integrating sustainability across our operations, but, engaging with the community is to ensure sustainability of our operations […] so it is important to us that the local stakeholder can trust us".
>
> (Vice-President, CEMENT, 2009)

[8] Sustainable Agricultural Development Programme – a Corporate Social Investment project

This first pattern of implementation, the non-market-related CCR practices implementation pattern, has provided several insights into the complex nature of Community CR practices implementation within MNC subsidiaries. The data discussed so far shows that the MNC has a decision-making role in devising the focus and direction of the CCR practices within the subsidiaries. The MNCs engage in this by transferring pre-specified key focus areas and in some cases whole CCR projects. The data also provides an insight into how decisions related to planning and monitoring mechanisms are taken towards implementing specific CCR projects within subsidiaries.

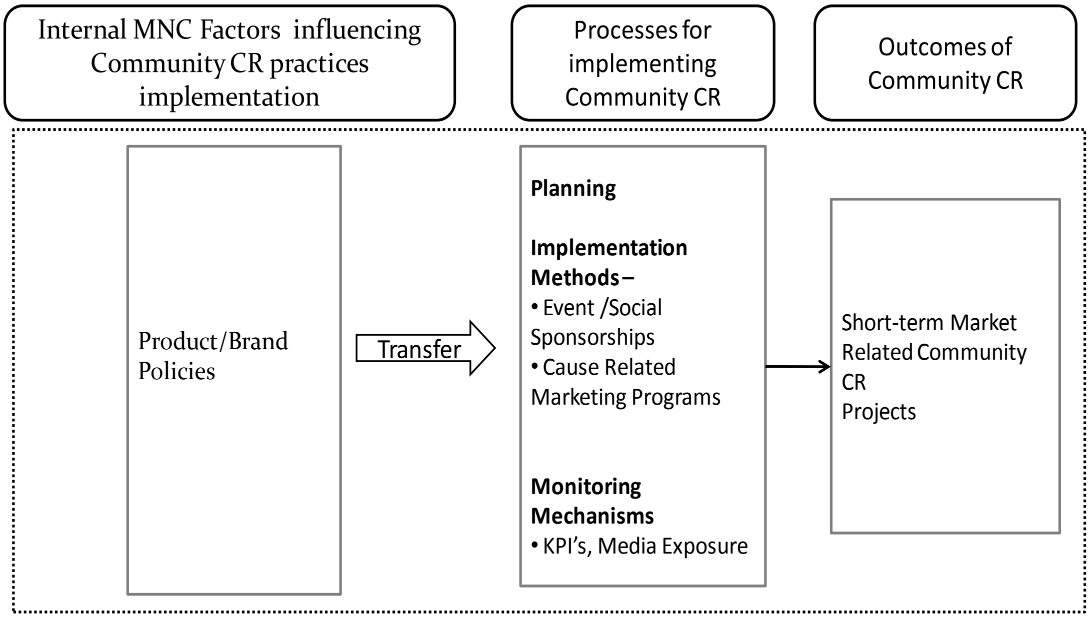
It is quite obvious from the findings that very few subsidiaries have recognised CCR to be a strategic business activity, and as such the implementation of CCR is carried out by business departments which have no specialism in CSR. Collectively, the findings discussed in the above section show that although the conceptual framework (See Figure 2.2 in Chapter 2) assumed an initial principles-processes-outcomes approach to CCR practices implementation (based upon the literature review), the non-market-related implementation pattern shows that although there is a principles-processes-outcomes approach, the different internal activities are complex and as yet are not strategically integrated within most of the six subsidiaries examined.

Having discussed the non-market-related CCR practices implementation pattern the discussion now focuses on explaining how subsidiaries operating within the fast-moving consumer goods industry implement their CCR practices, through a discussion of the market-related CCR practices implementation pattern.

4.4 Market-Related Community Corporate Responsibility Practices: *Implementation*

The market-related CCR practices implementation pattern, so named due to the strong links it has with the marketing function within the subsidiary and its focus on achieving market based business objectives, was identified through the qualitative analysis of the data. This pattern is different from the non-market-related CCR practices implementation pattern mainly due to its non-complex nature. It was found to have very clear policies, processes and objectives as well as monitoring mechanisms attached to the implementation of its different CCR projects. It was mainly implemented through the inclusion of the different CCR projects within the marketing plans of the subsidiaries and as such, these CCR projects were primarily aimed towards gaining business objectives. However, it was interesting to find from the data that the functional department responsible for overall management of corporate responsibility within the subsidiary was eventually provided with the details about the results of these CCR projects so that they could manage the communication aspect. Shown below in figure 4.2, this pattern of implementation was found to have similarity across the four subsidiaries in terms of its focus and implementation methods as well as its outcomes.

Figure 4.2: Market-Related Community Corporate Responsibility Practices Implementation Framework



Source: Author

These four subsidiaries belonged to the Fast Moving Consumer Goods (FMCG) industry in Sri Lanka. They consisted of CONSUMERG1, CONSUMERG2, CONSUMERG3 and CONSUMERG4. Various implementation methods (discussed in Chapter 2) were used by these subsidiaries to implement market-related CCR practices including event sponsorships (i.e. which the subsidiaries called brand activations[9]), cause–related marketing programmes, and social sponsorships.

While there is an obvious philanthropic motive to most of these implementation methods, (e.g. such as cause-related marketing), they tend to produce relatively short-term, product-related outcomes (Mc Alister and Ferell, 2002; Katsioloudes *et al*., 2007). Furthermore, the data showed that all market-related CCR practices across the four subsidiaries were driven mainly via their product brands. Therefore, these

[9] Brand Activation is defined as 'a practical and logical form of integration that enables companies on delivering activities, rooted in the fabric of the brand, that engage with customers' and 'as a collective term for all the below-the-line activities that promote the longevity of a brand' (Camille, 2007)

were guided by the requirements of the brand garnered through the specific brand's identity[10] and policy. This brand focused nature of market-related CCR practices is explained by different managers in the following quotes.

> "Most of our community development programmes are done by our brands, because our brands are uniquely placed to address the [different societal issues] as they operate in [...] the areas of health, nutrition, hygiene and personal care […] So each of those have identified CSR activities"
>
> (Corporate Relations Manager, CONSUMERG1, 2008)

> "Our brands have been in this country for the last 20 years 30 years […] so our projects involving communities [is linked] to our brands […] So [for example] Milo sponsors every sport, not only urban but every rural area […] we are not out there to be seen as […] giving things for free […] because we believe that community needs to invest in their future as well for there to be sustainability […] from an activations point of view CSR is brand related and business triggered, but with this underlying responsibility"
>
> (Vice-President, Human Resource, CONSUMERG2, 2008)

> "Things like sponsorships are handled by the product brands […] so marketing has a lot to do with it"
>
> (Human Resources Director, CONSUMER G3, 2008)

> "I mean when it comes to sponsorships basically we are talking about the […] brands […] we do sports sponsorships with Coca Cola […] but of course there is a social aspect to it […] it is not completely about the product also"
>
> (Country Marketing Manager, CONSUMER G4, 2008)

Two recurring words in the above responses are the terms 'brand' and 'community'. What can be seen is that these subsidiary managers are working under the strong

[10] A brand identity is defined as the attributes one associates with a brand, how the brand owner or company wants the consumer to perceive the brand (Chen *et al*., 2010)

perception that any CCR activity or project which their subsidiary carries out in Sri Lanka should have a link to their product brands but at the same time should have a community angle to it. The question is: can they actually state these activities as social responsibility practices? This is an important dilemma seen in market-related CCR practices discussed here.

4.4.1 Principles: *Brand Policies*

Across the four subsidiaries, the guiding principle for the market-related CCR practices, was the brand policy of different products. As such, what that specific brand represented to the consumer was the key guide which was used to decide the specific nature of the CCR project. The subsidiary managers explained this as the need to follow guidelines pertaining to the requirements of the product brands. As explained further by different managers below, the global brand policy guided what would be carried out within the host country. It can also be seen within these quotes that there is a strategic intent in integrating a social component to primarily market-focused activities and the subsidiary managers trying to justify that these brand activations are actually CCR projects as well.

> "So what global HQ says is to do something which is in line with our four business areas […] So, globally for the global brands [they] always have this kind of a social platform or an activity that they have to do. The objective is we don't just want to give [just] functional use [of the brand] but we want to [also] at the same time address consumer needs or the [social] issues that they have".
>
> (Corporate Relations Manager, CONSUMERG1, 2009)

> "All our product brands have their own identities…so anything we do related to these brands should show its identity […] any activity we do, with our product brands, we want it to have two elements, the business element which

is what we expect from the promotion and the social element which is what benefit it would give to the consumer".

(Corporate Relations Manager, CONSUMERG2, 2009)

"When we plan our brand campaigns, we always make sure there is a link to the brand, so for example, Anchor is associated strongly with 'nutrition' […] So, all the programmes that we do with this brand are targeted towards nutrition".

(Manager Regulatory Affairs and Nutrition, CONSUMERG3, 2008)

"I mean there are set guidelines that we can work within. [For example] 'Activating consumer passion' is one of them for our products. [Likewise] there are guidelines for each specific brand but within a market we have the room to play around with [the guideline]. Now the 'Cricket Pathway' sponsorship programme is based on the global lines of 'Activating consumer passion' as here in Sri Lanka [a consumer passion] is Cricket"

(Country Marketing Manager, CONSUMERG4, 2008)

Having discussed how a product's brand policies guide the implementation of market-related CCR practices, the next section examines the specific processes used for implementing such market-related CCR practices within the four subsidiaries.

4.4.2 Processes: *Planning, Implementation Methods and Monitoring Tools*

There are clear differences seen in relation to the various processes used by the subsidiaries when implementing market-related CCR practices. These are examined further in this section and table 4.3 below provides an overview of these across the four subsidiaries.

Planning

Planning for market-related CCR projects across the four subsidiaries resided within the marketing departments and more specifically with brand managers responsible for different brands. As the CCR projects were based upon the requirements of different brand policies, the product brand managers had the final responsibility of designing the specific details of the CCR projects and thereby integrating product brand requirements into each CCR project's outcomes. As such, the planning for specific market-related CCR projects is integrated into the brand-marketing plans in the subsidiaries. This is explained below by different subsidiary managers, who are explaining the need for marketing departments to be involved in the planning of these CCR projects.

> "These CSR projects are a part of our brand activations and [are included] in the brand marketing plans. It is because we consider the brand activations as an activity which takes care of a social issue. [So] they are a part of the annual plan for the marketing division"
>
> (Corporate Relations Manager, CONSUMERG1, 2008)
>
> "Any programmes to do with the product brands are handled by Marketing, by different brand managers […] all the planning for these projects also comes under marketing"
>
> (Corporate Communications Manager, CONSUMERG2, 2008)
>
> "In our community development […] once you decide what are the main activities that you are going to do […] and you know the process, I mean project [it is] marketing who mostly handles it […] so they plan it"
>
> (Human Resource Director, CONSUMERG3, 2008)
>
> "CSR initiatives are managed and planned for by [the] marketing division […] It is driven and implemented by marketing and it is spearheaded by

> marketing [but] when it comes to certain events we get the support of the sales division but the planning is done through marketing division”
>
> (PAC Manager, CONSUMERG4, 2008)

What is obvious from the above-mentioned quotes is that the planning for market-related CCR practices is clearly focused on achieving brand objectives. Furthermore, the implementation of the specific CCR projects are being co-ordinated and managed in the subsidiaries by the marketing departments. The interesting finding was that the communication of these CCR projects was primarily delegated to the corporate communications teams which resided (as shown in table 4.3) in the department with overall responsibility for corporate responsibility. The fact that corporate communication and not marketing communications was responsible for informing the subsidiary stakeholders about the impact of these CCR projects indicates yet again the objectives behind what the subsidiary wants to publicise and the actual objectives driving the market- related CCR practices.

Table 4.3: Analysis of organisational and management structure and implementation methods related to market-related CCR practices

Subsidiary	*Department with overall responsibility for CR practices within the subsidiary*	*Department with responsibility for management of Market-Related CCR practices*	*Managers with responsibility for implementing CCR projects*	*Planning for CCR practices implementation*	*Implementation Methods and related Brands*		
					Cause Related Marketing Projects	**Social Sponsorships**	**Event Sponsorships**
CONSUMERG1	Human Resources and Corporate Relations Department *(Headed by the Director of HR)*	Marketing Department *(Brand Managers)*	Brand Managers and Consumer Activation Manager	Planning under Marketing and Brand Plans	Pears Safe Hands Project *(Pears Brand)*	Signal Oral Health Service *(Signal Brand)* Lifebuoy Health and Hygiene awareness *(Lifebuoy Brand)* Flora Healthy Heart Campaigns *(Flora Brand)*	Fair and Lovely Foundation Projects *(Fair and Lovely Brand)*
CONSUMERG2	Human Resources and Corporate Relations Department *(Headed by the Vice-President HR)*	Marketing Department *(Brand Managers)*	External Affairs and Activation Manager and Brand Managers	Planning under Marketing and Brand Plans	None mentioned	Nestle Cereal Pre-School Show *(Nestle Cereal Brand)* Maximum Knowledge Drive *(Nespray Brand)*	School Sport Sponsorships *(Milo Brand)* Food Preparation Shows on TV *(Maggi Brand)*
CONSUMERG3	Human Resources Department *(Headed by the Director of HR)*	Marketing Department *(Brand Managers)*	Brand Managers and Event Managers	Planning under Marketing and Brand Plans	Various small projects used for implementing CCR under leading brands in Sri Lanka such as *Anchor, Anlene, Raththi*		
CONSUMERG4	Human Resources Department *(Headed by the Country HR Director)*	Marketing Department *(Brand Managers)*	Marketing Manager and Country Marketing Manager	Planning under Marketing and Brand Plans	Various small projects used for implementing CCR under leading brands in Sri Lanka such as *Coca-Cola, Fanta etc*		

Source: Author

Another interesting aspect was the requirement for the subsidiaries to obtain prior approval from their regional brand-marketing teams for their marketing plans. In three of subsidiaries (i.e. CONSUMERG1, CONSUMERG2 and CONSUMERG4) there was more integration with the region, where the regional HQ actually developed the brand plans as well as the different CCR projects. In such instances, the onus of developing market-related CCR projects was with the regional product brand teams and not the subsidiary's brand teams. These findings show that there is a broad alignment with the global/regional brand propositions and policies, which results in a low degree of localisation for the CCR projects. The following quotes by subsidiary managers in these three subsidiaries support this finding.

> "We have a plan [each year]. Now for 2010 I will be starting my plan in August of 2009 and those plans will get cleared by December from the region and from January we will start implementing them in Sri Lanka. We hardly do *ad-hoc* things [in Sri Lanka]. The main key [CSR] initiatives [are from] the regional brand plan [and looks at] is from a brand building point of view".
>
> (Country Marketing Manager, CONSUMERG4, 2008)

> "We have annual regional forums [where] a formal regional brand team meeting happens. The regional brand building for operational countries [happens in the regional head office] and we don't get involved in the development process. There are brand developers sitting in that region who develop whatever the necessary innovations or activations or the conceptualisation and they hand it over to us in Sri Lanka [for implementation].".
>
> (Brand Manager, CONSUMERG2, 2008)

> "If you take a regional brand [such as] Lifebuoy or Signal, how it works out is [that] the region designs brand activation campaigns. For Lifebuoy [they designed] the 'Germ Fighter' campaign as a regional campaign which is implemented across the region. So obviously, in Sri Lanka we can [...] twist

> or adjust our executional mechanisms [...] but by and large the concept would be the same"
>
> (Consumer Brand Activations Manager, CONSUMERG1, 2008)

However, where the integration with the global/regional brand propositions and policies was minimal, then these three subsidiaries were able to develop market-related CCR projects locally to meet the requirements of the local markets for the specific brands. This is indicated by the following quotes from the three subsidiaries.

> "We are aligned with India. Actually we have some freedom of working and developing the brand. Some brand activations are adopted locally to Sri Lankan market needs".
>
> (Consumer Brand Activations Manager, CONSUMERG1, 2008)

> "Whatever we [have] implemented periodically we [have to] update to [our] regional offices. Brand activations come as a whole through our Marketing section [...] But some [of these brand] activations, although there is a common parameter, we can change and localise those"
>
> (External Affairs and Activations Manager, CONSUMERG2, 2008)

> "We have the freedom to develop brand activations for our local brands […] [however] there is still internal reporting and budgets need to be approved from India [by] our regional HQ"
>
> (Country Marketing Manager, Group,, CONSUMERG4, 2008)

Implementation Methods

The most commonly used implementation methods by the four subsidiaries to implement market-related CCR practices were cause related marketing, social sponsorships and event sponsorships. The most interesting point to note here is that the subsidiary managers showed a degree of reluctance to identify these as brand activations, which they are if examined from a marketing point of view (See Chapter

2 for a detailed discussed of these methods of implementation). This may have been due to the managers wanting to emphasise the social aspect of these CCR projects rather than the business aspect of them. However, the data clearly highlights the different business/market-related objectives that are driving the implementation of these CCR projects. One such objective, as explained below by the HR Director of CONSUMERG3, was to increase brand awareness among the target consumers and simultaneously increase the brand's equity or worth of the brand.

> "Our business model is that you can't do business without doing [market] promotions [...] Consumers need to have brand equity, if the brand equity is not high [when] tomorrow someone [new] comes into the market they can take the market share from us. [but] we also need to build the trust [of the consumer] in the brand [so to do that we] do different social responsibility projects"
>
> (Human Resources Director, CONSUMERG3, 2008)

Other objectives ranged from the need to increase market share of the brand, the need to ensure the long-term sustainability of the brand and improve the overall brand image as a socially responsible brand. Two quotes which substantiate this finding provided by managers from CONSUMERG1 and CONSUEMRG2 are given below:

> "We will continue to do CSR because most of these brands are market leaders for us. Therefore the engagement with the masses is very high [...] These social projects [...] gives the brand a lot of mileage [in terms of], it builds image for the brand, it builds loyalty, it builds a soft spot in the consumers mind [because they feel that] at the end of the day you are the first person who has gone and done that for them"
>
> (Brand Manager, CONSUMERG1, 2008)

> "When we do projects with our product brands involved, we do expect certain objectives will be achieved […] like product brand exposure and improve the brand's image by associating it with a relevant project [...] we do expect the social benefits too"
>
> (Vice-President, Human Resources, CONSUMERG2, 2008)

Two out of the four subsidiaries, engaged in cause-related marketing programmes more than the other two subsidiaries in order to achieve some of these business-related objectives. The following interview quotes from, CONSUMERG1 and CONSUMERG3 shows the use of these different CCR projects.

> "When we started in 2002 [...] what we said [was] ok we are going to put away 25 cents from each Pears product sold to the 'Pears Safe Hand Fund' [...] it gives a kind of sense to our consumers that they are also contributing to some kind of a worthy cause [...]"
>
> (Brand Manager, CONSUMERG1, 2008)

> "We get our customers to participate in these projects by building awareness of the project first […] by buying the product for example, a brand like 'Anchor', they contribute 50cents to the project fund"
>
> (Manager Regulatory Affairs and Nutrition, CONSUMERG3, 2008)

Monitoring Mechanisms

The difference in the use of monitoring mechanisms between market-related and non-market-related CCR practices was quite obvious from the data. In relation to the monitoring of market-related CCR practices there were very clear and quantitative monitoring mechanisms, usually consisting of Key Performance Indicators (KPIs). Such KPIs were allocated for each CCR project and consisted of targets such as household penetration rates, financial (sales) levels, and other product brand targets.

Other than the use of KPIs, the subsidiaries also used other monitoring mechanisms, such as consumer surveys (usually outsourced to market research firms), media coverage assessment tools or public relations exposure assessment tools for each specific CCR project. Although similar monitoring mechanisms were used across the four subsidiaries, the following two quotes from CONSUMERG4 and CONSUMERG2 highlight their use effectively:

> "Through our 'Cricket Pathway programmes' we are hoping to increase the awareness for Coke and the visibility of the brand, [...] We also want to increase our media exposure [...] so at the beginning of the year we set KPI's for the media benefits we should get, such as this TRPs etc ".
>
> (Country Marketing Manager-Sri Lanka, CONSUMERG4, 2008)

> "What we need to find out is about the visibility and awareness of the brand [...] just what people thought about our products and brands [...] we have another research called the 'Brand Barometer' which calculates how customers perceive our brands"
>
> (Corporate Communications Manager, CONSUMERG2, 2008)

There was also strong monitoring of these KPIs by the regional head offices of all four subsidiaries. The degree of such monitoring which takes place from the region was explained by two subsidiary managers eloquently:

> "We get targets from the region. We need to give feedback and say post this brand activity this is how these indicators have moved […] Each brand has KPIs and every quarter the region will come and do a cross check to see whether the brand activity happened or not happened and if it was delayed what was the reason and all that's reported to the region".
>
> (Brand Manager, CONSUMERG1, 2008)

> "The region monitors most of the projects […] Our plans are approved regionally so they expect us to achieve the KPIs".
>
> (External Affairs and Activations Manager, CONSUMERG2, 2008)

The findings discussed so far show the brand policy-driven implementation of market-related CCR practices in these four subsidiaries. One key reason for this smooth implementation process is the fact that market-related CCR practices are included in the operational plans of the marketing departments, and the brand policies, implementation processes and the expected outcomes (i.e. CCR projects) are clearly aligned towards achieving strategic business objectives related to markets and products. Nevertheless, whether it is ethical to categorise market–related CCR as social responsibility practices (as explained by the subsidiary managers) is a dilemma.

4.4.3 Outcomes: *CRM, Event and Social Sponsorships*

Three different types of CCR projects consisting of cause-related marketing programmes and social and event sponsorships were the final result of implementing market-related CCR practices. These CCR projects were all focused on a specific area of community/societal well-being. However, it is important to note here that such social causes had to be those which the product brands could very well associate with. Therefore, we can see CONSUMERG1 in Sri Lanka carry out their Signal Oral Health Service camps or their one-off oral hygiene projects with the name of the brand 'Signal' in the forefront. Such event sponsorship programmes simultaneously provide sampling opportunities for consumers as well as fulfilling social goals, such the promotion of oral hygiene among rural communities. However, the four subsidiaries tend to emphasise the social aspect more in their publications, rather than the business aspect of it. For example, in the extract taken from the Sustainable Development report of CONSUMERG1's below, what is not written is the extensive use of brand promotions which occurs through sampling:

> 'Since its launch in 1982, the Signal Oral Health Service has been inculcating the importance of good oral habits in pre-school and primary school children through activities such as providing free dental check-ups and distributing samples of toothpaste and toothbrushes as well as educational leaflets and posters, and by conducting large scale community-based oral health camps. To date, Signal has reached over three million children with its message of how brushing twice a day with fluoridated toothpaste can play a significant role in preventing tooth decay and gum disease […] The campaign was also highly commended by Sri Lanka's tourism industry, for its dazzling portrayal of Sri Lanka's warmth and hospitality. This campaign continues to this day' (CONSUMGERG1, 2009).

But, according to the Consumer Brand Activations Manager of CONSUMERG1, such event sponsorships are effectively sampling opportunities to inform and induce customers to start using their brands:

> "When we do a event sponsorship [...] we give the sampling opportunity so that it will remind consumers about the brand [...] the real taste [and] the feel of the brand. The feeling comes from the sponsorship, taste will come from the sampling [...] what we do as sponsorships depends on the brand requirement [...] if we want to have more [market] penetration then they will go to [the areas] where the brand is not very strong [and] do the events"
>
> (Consumer Brand Activations Manager, CONSUMERG1, 2008)

The difference between the rhetoric of the CCR projects and the actual objectives underpinning their implementation is quite obvious from the above evidence. For subsidiaries operating within the FMCG industry, market-related CCR practices seem to be an ideal way of addressing CCR. It enables the subsidiaries to align social goals with business goals. It results in the implementation of CCR projects largely focused on achieving business objectives but which are publicised and communicated as social responsibility activities in Sri Lanka. The key findings discussed so far are examined within the context of extant literature in the next section.

4.5 Discussion

4.5.1 Implementing CCR: *Objectives, Commitment and Management*

Three critical issues arising out of the findings discussed within this chapter provide valuable insights into answering the first research question which related to 'how' CCR practices are implemented within subsidiaries of MNCs. The discussion of these three critical issues highlights three dimensions which should be focused upon when implementing Strategic CCR practices within subsidiaries.

The **first** critical issue is that 'business objectives' and not 'social objectives' actually drive CCR practices within subsidiaries. Almost all of the different CCR projects which were being implemented had a business objective. For example, during the implementation of Market-related CCR practices and in some instances in Non-market-related CCR practices, the majority of implementation methods consisted of cause related marketing, social sponsorships and event sponsorships. The more 'socially' aligned implementation methods like capacity building were quite rarely used across the ten subsidiaries (See table 4.4). Those CCR projects which did have primarily social objectives, were however, expected to achieve indirect business objectives such as reputational gains and corporate image enhancement. Some researchers have claimed that the increased commercialisation of CCR projects could deter the *trust* of the community stakeholders (Seitandi and Ryan, 2007). Nevertheless, the obvious dilemma that the subsidiaries seem to be facing is the question of balancing business objectives with their social objectives, when implementing CCR practices.

In the world of business, there is little debate that CCR practices *do* have to achieve certain business goals (Porter and Kramer, 2006; Meehan *et al.*, 2006). CCR which takes on a pure societal perspective is expensive. Thus, when organisations make rational decisions, it is important that CCR practices are undertaken so that not only significant social good is achieved but that they also bring significant business-related benefits to the organisation. These business gains could be manifested in different ways, but all would ultimately help a firm reach a competitively advantageous position and secure it over a period of time (Porter and Kramer, 2006; Perrini and Minoja, 2008). This perspective of attaining business gains from CSR has been denoted as **Strategic CSR** (Lantos, 2001; Porter and Kramer, 2006). Porter and Kramer (2006), who propagated the strategic CCR approach, stresses that business organisations need to address CSR issues not by merely utilising cosmetic changes but by using the frameworks which they would use to guide their strategic business decisions. This would then result in Strategic CSR practices which could be "a source of opportunity, innovation, and competitive advantage" Porter and Kramer (2006:78).

Table 4.4: Analysis of ‘objectives’ driving the implementation of specific CCR projects

Subsidiary	CCR Projects of the Subsidiaries	Key Objective		Type of CCR implementation method				
		Business	Social	CRM	Social and Event Sponsorships	Philanthropic Donations	Business – NPO Partnerships	Capacity Building
TOBACCO	SADP Project[11]		✓					✓
	Bio-Diversity –Re-forrestation Project		✓				✓	
	Donations in Cash		✓			✓		
CEMENT	Developing skills for youth – The ‘Eve’ centre	✓						✓
	Infrastructure development projects for schools		✓			✓		
	Coral Rehabilitation Project	✓					✓	
BANK2	‘Seeing is Believing’ Project		✓	✓				
	‘Living with HIV’ Project		✓	✓				
BANK 1	Future First Entrepreneurship Education Project		✓				✓	
	Employable You Project		✓				✓	
	English Language training for estate sector schools in Sri Lanka		✓				✓	
TELCOM	Small philanthropic projects through Change Trust Fund		✓			✓		
	Entrepreneur Training Programmes	✓			✓			
	Long-term investment in Mobile Communication Research Laboratory at a local university	✓						✓
	Collaboration with government to provide online educational facilities for rural schools		✓					✓
INSURANCE	Higher education scholarship scheme		✓			✓		
	Sponsorship of National Safety Awards	✓			✓			
CONSUMERG1	Pears Safe Hands Project *(Pears Brand)*	✓		✓				
	Signal Oral Health Service *(Signal Brand)*	✓			✓			
	Lifebuoy Health and Hygiene awareness *(Lifebuoy Brand)*	✓			✓			
	Flora Healthy Heart Campaigns *(Flora Brand)*	✓			✓			

[11] SADP – Sustainable Agricultural Development Project

	Fair and Lovely Foundation Projects - *(Fair and Lovely Brand)*	✓		✓		
CONSUME RG2	Nestle Cereal Pre-School Show - *(Nestle Cereal Brand)*	✓		✓		
	Maximum Knowledge Drive - *(Nespray Brand)*	✓		✓		
	School Sport Sponsorships - *(Milo Brand)*	✓		✓		
	Food Preparation Shows on TV - (Maggi Brand)	✓		✓		
CONSUME RG3	Farmer Development		✓			✓
	'Anchor' health camps	✓		✓		
CONSUME RG4	Cricket Pathway – *(Coca Cola)*	✓		✓		
	'Bottle Recycling' Project	✓			✓	

In this study, Strategic CSR has been utilised only in CEMENT, while TELECOM is the initial stages of integrating CSR into their strategy. For example, CEMENT had already mainstreamed the implementation of CCR by establishing a *separate* functional department and bringing CSR into line management. It has also provided their Sustainable Development department with the authority and resources to manage and implement *all* types of Corporate Responsibility practices. As such, it is part of strategic planning and have a separate operational plan for implementing annual Sustainable Development strategies in relation to different Corporate Responsibility practices (i.e Community, Health and Safety and Environment, Purchasing etc). Furthermore at least one CR objective was embedded within the other functional plans such as in Human Resources and Finance and thereby attaining a level of horizontal integration of CR goals across the subsidiary. Such horizontal integration of CR has been identified by other researchers as being the biggest challenge facing business organisations (Schaltegger and Wagner, 2006) and also a major determinant in the successful implementation CCR practices (Kleine and Von Hauff, 2009).

The **second** critical issue is the 'commitment' of the subsidiaries towards addressing their social responsibilities. Implementing CCR practices based upon a high commitment level ensures that the subsidiary is in principle willing to systematically address social issues and social problems present in the host country. This commitment however, could be either explicit or implicit (Baumann and Scherer, 2010). The findings show that at present other than in CEMENT, the commitment for implementing viable CCR practices seems to be at an implicit stage rather than an explicit stage. This is so because there is an absence of written CCR policies focusing specifically on CCR practices within these subsidiaries. CCR should have written policies as it would be the driving force behind actually integrating social concerns throughout all business activities of the subsidiaries. Commitment for addressing social concerns through viable CCR practices could also be at an implicit level by the existence of an organisational culture which is conducive to CCR. However, the findings clearly showed that due to the stringent controls being used by the MNC HQs, rather than inculcating a corporate culture promoting CSR, at present it is a case of 'filling in forms' and 'meeting budgets and deadlines' for implementing specific CCR projects. CCR practices implementation, and the underlying commitment towards 'social' concerns has therefore become *a routine exercise in implementation* rather than one which drives decision-making across the subsidiary. This may be due to the predominant preoccupation of MNCs to minimise corporate risks and obtain reputational gains (Brammer and Pavelin, 2005; Frynas, 2005).

The **third** critical issue is the absence of structural and procedural integration of CCR in the subsidiaries. As shown in table 4.5, when comparisons are made between the different methods of CCR practices implementation with the specific functional departments responsible for implementing them, the lack of structural and procedural integration of CCR could be effectively identified. As can be seen from these results, CCR is being managed by marketing/public affairs/ human resource departments rather than specialist CSR departments. Where CCR is being managed by specialist CSR departments (or at least by specialist personnel), the likelihood of more sustainable methods being used in implementing CCR practices such as capacity building can be seen. This may be due the fact that resource allocation and monitoring of long-term CCR projects would be much easier if there was a specific department for CSR practices with line management responsibility within the subsidiary. However, the lack of structural and procedural integration of CCR does not in this study show any clear relationships with the type of industry or the nature of product/services of the subsidiaries. This contradicts prior research results by Brammer and Millington (2003) who found that the choice of structural and procedural management of CCR was related to the industry in which the firm operated in.

In summary, the three critical issues identified above depict three important dimensions for embedding CCR practices strategically within subsidiaries of MNCs: commitment for CCR shown by establishing CCR policies, integrating a combination of business and social motives within CCR practices and establishing structural and procedural integration of CCR across the subsidiary. The strategic embedding of CCR should include an alignment of CCR policies, together with planning, implementation methods, reporting and monitoring mechanisms. This would allow CCR practices to be integrated across core business functions allowing for social dimensions to be included in corporate decision making across the subsidiary.

Table 4.5: Analysis of 'objectives' and types of CCR projects implemented by subsidiaries

Subsidiary	Departments with responsibility for coordinating CR and implementing specific CCR projects	CCR Projects of the Subsidiaries	Type of CCR implementation method: CR M	Social and Event Sponsorships	Philanthropic Donations	Business – NPO Partnerships	Capacity Building
TOBACCO	Corporate & Regulatory Affairs Department (CORA) – *Includes a CSR specialist*	SADP Project					✓
		Bio-Diversity –Reforestation Project				✓	
		Donations in Cash			✓		
CEMENT	Sustainable Development Department - *A CSR/SD specialist department*	Developing skills for youth – The 'Eve' centre					✓
		Infrastructure development projects for communities			✓		✓
		Coral Rehabilitation Project				✓	
BANK2	Corporate Affairs Department – *No CSR specialists*	'Seeing is Believing' Project	✓				
		'Living with HIV' Project	✓				
BANK 1	Public Affairs Department – *No CSR specialists*	Future First Entrepreneurship Education Project				✓	
		Employable You Project				✓	
		English Language training for public schools				✓	
TELCOM	Group Public Policy and Corporate Responsibility Department - *Includes a CSR specialist*	Small projects through Change Trust Fund		✓			
		Entrepreneur Training Programmes	✓				✓
		Long-term investment in Mobile Communication Research Laboratory at a local university				✓	
		Collaboration with government to provide online educational facilities for rural schools				✓	
INSURANCE	Marketing and Planning Department – *No CSR specialists*	Higher education scholarship scheme		✓			
		Sponsorship of National Safety Awards	✓				✓
CONSUMER G1	Human Resources and Corporate Relations Department and Marketing Department – *No CSR specialists*	Pears Safe Hands Project *(Pears Brand)*	✓				
		Signal Oral Health Service *(Signal Brand)*		✓			
		Lifebuoy Health and Hygiene awareness		✓			
		Flora Healthy Heart Campaigns *(Flora Brand)*		✓			
		Fair and Lovely Foundation Projects		✓			
CONSUMER G2	Human Resources and Corporate Relations Department and Marketing Department - *No CSR specialists*	Nestle Cereal Pre-School Show - *(Nestle Cereal Brand)*		✓			
		Maximum Knowledge Drive - *(Nespray Brand)*		✓			
		School Sport Sponsorships - *(Milo Brand)*		✓			
		Food Preparation Shows on TV - (Maggi Brand)		✓			
CONSUMER G3	Human Resources Department and Marketing Department – *No CSR specialists*	Farmer Development					✓
		'Anchor' health camps		✓			
CONSUMER G4	Human Resources Department and Marketing Department – *No CSR specialists*	Cricket Pathway – *(Coca Cola)*		✓			
		'Bottle Recycling' Project		✓			

4.6 Summary

Community Corporate Responsibility is about companies understanding and taking account of societal stakeholder concerns and integrating these concerns in their core decision-making, so that the company could implement appropriate CCR projects (Zappala, 2004; Muthuri, 2008). While, the findings discussed in this chapter, shows that the subsidiaries are concerned about social issues in Sri Lanka, the lack of decision-making power coupled together with resource dependency issues, have meant that they are powerless to implement locally developed CCR projects to a greater extent. The CCR agenda in these subsidiaries are being guided by the MNC HQs, propelling subsidiary managers to be more concerned about completing reports and meeting business targets than to really spend time finding out what the actual social concerns of Sri Lanka's community stakeholders are. Added to this, in the majority of subsidiaries the responsibility for CCR practices lies with HR/Corporate Affairs and/or marketing departments, showing what the subsidiaries labelled as CCR projects are actually implemented to achieve business objectives rather than social objectives. These findings show the need to have an integrated Strategic CCR practice within subsidiaries (Bhattacharyya, 2010). The subsidiaries dependence on the resources and knowledge of the MNCs (Jamali, 2010), makes it viable for them to engage in Strategic CCR practices. This would also assist the subsidiaries to ensure that host country community stakeholders views are integrated within local decision making and thus ensuring the implementation of CCR projects which actually address community issues in the host country.

Chapter 5:

Implementing Community Corporate Responsibility Practices: Headquarter and Subsidiary Relationship Perspectives

5.1 Overview

The relationship that MNC headquarters has with its subsidiaries will invariably influence the subsidiaries' internal management of CCR practices. Within this context, how MNCs use control and coordination to manage these CCR practices is an important aspect to examine. The following chapter looks at this, by examining the differences in control and coordination amongst the subsidiaries and their HQs based upon whether the CCR practice is market-related or non-market-related.

The chapter is structured as follows: first, the control and coordination for implementing CCR practices at the local, global and/or regional levels is examined. Second, the different control mechanisms being utilised by the HQs of the MNCs to ensure coordination of CCR practices between regional and/or global head offices and their subsidiaries are examined; finally, the chapter concludes with a discussion and summary of the key findings.

5.2 Subsidiary–MNC Relationship: *Control and Coordination*

In comparing the control and coordination across the subsidiaries, differences were identified in relation to three key areas: first, there were differences based upon *functional management/responsibility* for managing the CCR practices. Second, there was a *similarity of the management structures* between the subsidiary and the region/global HQs. Third, the differences were seen in whether the final decision-making was carried out by the *global or regional HQs*. The following section examines these differences in detail.

5.2.1 Non-Market-Related CCR Practices

Control and Coordination at Subsidiary Level

Amongst the six subsidiaries implementing non-market-related CCR practices (See section 4.2 for more details), only two subsidiaries (i.e. CEMENT and TELECOM) had separate functional departments which were allocated responsibility for managing the overall Corporate Responsibility practices for the entire subsidiary. The Vice-President of Sustainable Development at CEMENT offers the reason for this as the importance given to CSR within the broader sustainable development function by their MNC:

> "Sustainable development or CSR is a formal division of the organisation […] In terms of planning we have a separate 'Road Map' or [strategy] [...] also CSR is integrated within the other functional areas […] in their business plan […] they also have a CSR objective that is related to the [the specific function]"
>
> (Vice-President of Sustainable Development, CEMENT, 2009)

According to the Group Chief Corporate Affairs Manager of TELECOM, it is the need to have a 'business-integral' CR practice, by which he means the need to integrate business objectives into the CCR practices of the company:

> "Philanthropy is good but in the long run […] the CSR effort should be part of the business […] it [should not be] about giving charity to an organiastion […] so currently CSR is coordinated across the six different companies that we have in Sri Lanka by a central Corporate Responsibility and Public Policy

> department […] the reason is that we need a central authority to integrate CR into all aspects of our business we call it 'business integral CR"
>
> (Group Chief Corporate Affairs Manager, TELECOM, 2009)

It seems that when subsidiaries establish new departments with sole responsibility for overseeing CR practices (including CCR practices), they have at least to a certain degree adopted a strategic stance on implementing CR practices, hence the references to the need to make CR prominent within the subsidiary and integrate it across to other functional departments. Apart from this fundamental reason, other common elements were identified across the six subsidiaries as shown in table 5.1. One such commonality was about which functional department has responsibility for managing CCR. It is interesting to see that usually (with the exception of CEMENT) CCR was managed by a functional department which was also responsible for managing corporate relations or public affairs (See TOBACCO, BANK1, BANK2, TELECOM and INSURANCE in table 5.1)[12]. This could mean that subsidiaries are concerned more about the results of the CCR practices and how these results are communicated to key stakeholders via the efficient management of public relations. Therefore, in order to manage the communication of CCR practices, the functional department with the most capability of doing so has also been given the task of managing or coordinating the implementation of the practice itself, which is usually the Corporate Relations or Public Affairs department.

[12] Within INSURANCE, since there are no separate corporate affairs or public relations units, the Marketing and Planning unit has been assigned this responsibility.

Table 5.1: Control and Co-ordination at Subsidiary level for implementing Non-Market-related Community Corporate Responsibility practices

	TOBACCO	BANK1	BANK2	INSURANCE	TELECOM	CEMENT
Subsidiary Department with responsibility for managing CCR	Corporate & Regulatory Affairs Department (CORA) *Headed by the Director, CORA*	Public Affairs Department *Headed by the Senior Public Affairs Manager*	Corporate Affairs Department *Headed by the Head of Corporate Affairs*	Marketing and Planning Department *Headed by the Assistant General Manager Marketing*	Group Public Policy and Corporate Responsibility Department *Headed by Group Chief Corporate Affairs Manager*	Sustainable Development Department *Headed by the Vice-President Sustainable Development*
Subsidiary managers/s with responsibility for implementing and or coordinating the implementation of various CCR projects	CSR Manager and CSI Manager	Assistant Managers CSR	Head of Corporate Affairs (Co-ordination of CCR projects) Country Project Co-coordinators (Implementing different CCR projects)	AGM Marketing	Senior Manager Public Policy and CSR (Co-ordination of Community CR projects) Different project managers (Implementing different CCR projects)	CSR Manager and CSR Co-coordinators
Subsidiary manager with responsibility for Corporate communication of CCR	Corporate Communications Manager (Team member of CORA)	Manager External Relations and Communications (Team member of Public Affairs Division)	No Information acquired	Corporate Communications Manager (Team member of the Marketing Division)	Senior Corporate Communication Specialist (Team member of the Group Public Policy and CR Division)	Communications Co-coordinators (Team member of Sustainable Development Division)

Source: Author

Second, in five out of the six subsidiaries, managers or executives responsible for both internal as well as external communication worked in the same functional unit which had the overall responsibility for managing and implementing CCR practices (See table 5.1). This confirms yet again the need to utilise CCR projects to assist in promoting a positive corporate image of the subsidiary amongst the host country stakeholders. This may be due to the need to obtain a 'licence to operate' or gain external legitimacy from important external stakeholders. The following quotes from the subsidiary managers of the five subsidiaries affirm this need for communicating the CCR results:

> "Basically what [the CSR Manager] and his function would do is [implement] the actual overall strategy […] I would get involved because I handle [the] communications […] we have to make a report and publish it […] internally and externally as well"
>
> (Corporate Communications Manager, TOBACCO, 2009)

> "My function is to ensure that the stakeholders of [TELECOM] are informed of […] the outreach [CSR] aspects as well as the integral [CSR] aspects [and] making sure the sustainability report which is planned gets the due exposure in the media"
>
> (Senior Corporate Communications Specialist, TELECOM, 2008)

> " I am involved with both internal and external communication across the whole bank […] for CSR activities I get involved because we need to make sure that the information about our projects go to the important stakeholders […] we publish an small CSR booklet which we post to our important customers and I handle this…"
>
> (Communications Manager, BANK1, 2008)

> “ Corporate communication get involved [because] we handle the media […] for example when we have the ‘Poson Udana’ programme we do a lot of media stories around it”
>
> (Corporate Communications Manager, INSURANCE, 2008)
>
> “There is a corporate communications specialist in my team […] we have to publish detailed sustainability reports and I handle this aspect with her […] ”
>
> (Vice-President Sustainable Development, CEMENT, 2008)

It is important to examine the reasoning behind the location of CCR practices inside departments responsible for corporate affairs and corporate communications. The data yet again indicates that this decision seems to be based upon the need to control the communication aspect of the CR practices, rather than the specific functional department’s specialism in CR. As shown in table 5.1, only TELECOM and CEMENT had specialist CR departments because they had actual CR specialists. In all other subsidiaries the specialism was about Public Relations rather than CR. This shows that the subsidiaries are implementing CCR for reasons which are beyond the achievement of societal objectives. In fact, the control and coordination inside the subsidiaries are arranged to enable the achievement of business objectives such as gaining reputational advantages through effective corporate communications and public relations.

The emerging picture so far is that where subsidiaries implement non-market-related CCR practices, they are very rarely being managed at the subsidiary level by specialised CR departments. The functional departments responsible for corporate communications, usually the Corporate Relations/Affairs department, seem to be managing these CCR practices. This raises the inevitable question of the ‘motive’ behind the implementation of CCR practices – is it to actually achieve societal objectives or is it to fulfill business objectives? To further understand these underlying motives the control and coordination between global and regional HQs is examined next.

Control and Coordination at Regional and/or Global Headquarters

Control and coordination of non-market-related CCR practices between the subsidiaries and their global/regional HQs were mainly managed by the regional HQs according to the evidence. The regional HQs in this instance made key operational decisions related to the implementation of different CCR projects across the region with their decisions being filtered down to the subsidiaries. However, decisions about 'the focus' of CCR practices was made by the global HQs. Given this, although the separate CCR projects which were implemented by the subsidiaries were localised to suit implementation purposes, the subsidiaries were to a greater extent confined or restricted to focus their whole CCR practices on pre-specified 'areas of focus' given to them by their global HQs. What can be seen is the global HQ making decisions about the focus and future agenda for CCR practices, and the regional HQ monitoring and coordinating the implementation of the resultant CCR practices.

The evidence also shows a 'replication' of management structures (established for control and coordination) between the subsidiary, the regional and global HQs. For example, as shown in table 5.2 below, within TOBACCO, BANK1, BANK2 and CEMENT, CCR practices are being managed by the *same functional department at both subsidiary level and regional level*. The differences were in the extent of management control which each department had (i.e. the regional department's responsibility was extended to encompass the CCR practices of *all* of the subsidiaries within that specific region).

Table 5.2: Control and Co-ordination at Global and/or Regional level for implementing non-market-related Community Corporate Responsibility practices

	TOBACCO	BANK1	BANK2	INSURANCE	TELECOM	CEMENT
Subsidiary Department with responsibility for managing CCR practices	Corporate & Regulatory Affairs Department (CORA) *Headed by the Director, CORA*	Public Affairs Department *Headed by the Senior Public Affairs Manager*	Corporate Affairs Department *Headed by the Head of Corporate Affairs*	Marketing and Planning Department *Headed by the Assistant General Manager Marketing*	Group Public Policy and Corporate Responsibility Department *Headed by Group Chief Corporate Affairs Manager*	Sustainable Development Department *Headed by the Vice-President Sustainable Development*
Regional/Global Division with responsibility for managing CCR Practices	***Regional*** Regional Steering Committee at Regional HQ	***Regional*** Corporate Sustainability Unit at Regional HQ	***Regional*** Corporate Affairs Division at Regional HQ (for communication of CCR only) Different project managers located either in the regional HQ or global HQ are responsible for implementing different CCR projects	***Not Integrated***[13]	***Not Integrated***[14]	***Global*** Global Sustainable Development Division at Global HQ
Final decision-making with regard to specific areas of focus for CCR	***Global***	***Global***	***Global***	***Local***	***Local***	***Global***
Final approval of CCR budgets and plans	***Regional***	***Regional or Global***	***Regional or Global***	***Local*** (Plans) ***Regional*** (Budgets)	***Local***	***Global***

Source: Author

[13] The subsidiary was in the process of being fully integrated with their regional and global HQ after being acquired recently at the time of data collection

[14] TELECOM is an independent subsidiary which on reports on their CCR practices to their Global HQ but is not dictated the focus of their CCR agenda by the Global HQ

According to the Senior Public Affairs Manager of BANK1, there is a system in place which ensures the flow of decisions from the global HQ through the regional HQ to the subsidiary, due to this replication in the management structures:

> "We are managed by the Public Affairs Division in Hong Kong […] but there is also constant communication flowing our UK Head Office to Hong Kong and to us […] then the regional strategies and policies are communicated to us by Hong Kong and in terms of implementation also there are clear deadlines given by them […] we have to communicate half yearly what we do in Sri Lanka to Hong Kong […] so there is a system in place"
>
> (Senior Public Affairs Manager, BANK1, 2009)

The Corporate Affairs Officer of BANK2, also reiterated the existence of similar management structures which assisted when making decisions related to CCR practices implementation:

> "Basically, the regional office and our office here are the same […] I mean, only difference is that they coordinate all the other offices in the region […] so for anything to do with corporate affairs we have to liaise with the office in Singapore"
>
> (Corporate Affairs Officer, BANK2, 2008)

According to the Vice-President of CEMENT, his sustainable development department is directly linked to the Global Sustainable Development Division at their global HQ:

> "Our global HQ has a separate sustainable development department, and we liaise directly with them […] whatever we do [in Sri Lanka] we have to make sure that whatever we do, these project are in line with the global areas
>
> (Vice-President Sustainable Development, CEMENT, 2009)

The CSR manager of TOBACCO explained how their activities are monitored by 'Steering Committees' which are established at global and at regional level:

> "We have a global leadership team for TOBACCO for CSR [it is] the TOBACCO executive committee, then we get the South Asian leadership team and then the local CSR committee. The approval for projects has to go through all three of these [committees]".
>
> (CSR Manager, TOBACCO, 2008)

The evidence so far shows the emphasis laid by MNCs on ensuring similarity across their global network (i.e. at the global, regional and local levels) in managing for CCR practices. It seems that the MNCs (in this study) are attempting to establish specific region focused CCR programmes addressing those issues which the MNC had categorised as being unique to that specific region. The emphasis seems to be on a localisation of CCR practices at a regional level rather than at subsidiary/host country level. The MNCs are doing this by replicating management structures and by implementing a global CCR agenda through the MNC by getting regional HQs to drive it within the regional subsidiaries. As such, the decision flow from the global HQ to regional HQ to the subsidiary pertaining to CCR practices is clearly established.

However, with regard to TELECOM and INSURANCE this replication was not seen. There is no regional or global coordination in relation to CCR practices in TELECOM, as this subsidiary was essentially an autonomous subsidiary. As explained by the Senior Manager of Public Policy and Corporate Responsibility at TELECOM, the Sri Lankan subsidiary is not controlled by their HQ in Malaysia in relation to CCR practices:

> "On Corporate Responsibility […] there is no involvement from the parent company in our work [They] act as an investor, technology partner in sharing the best practice across [only]"
>
> (Senior Manager Public Policy and Corporate Responsibility, TELECOM, 2009)

In INSURANCE at the time of data collection for this study, the company was in the initial stages of establishing viable control and coordination having being acquired quite recently by the global MNC.

It is important now to examine further whether the way in which control and coordination have been established for implementing non-market-related CCR *does* result in a high level of integration across these five MNCs[15]. In terms of power, the data shows that it is the global HQs who have the ultimate power to decide the focus of the CCR agenda for the MNC and establish key focus areas. These key focus areas are then transferred to the subsidiaries via regional HQs using a range of control mechanisms (examined in the later sections of this chapter) so that specific CCR projects could be implemented at the local level. Given this, the regional HQs are essentially involved in shaping the broad CCR agenda set up by the global HQs to suit that specific region. They are also the key driver of the CCR agenda within that specific region and also collate data pertaining to the achievement of targets set for CCR by the subsidiaries.

As explained below by the CSR Manager of TOBACCO, once the global HQ sets broad guidelines to focus the CCR practices on, they need to select CCR projects to

[15] It was discussed why TELECOM is not integrated with its HQ.

'fit into' these broad guidelines and then the regional HQ coordinates their implementation.

> "Once we do a CSR strategy we make sure that we align the game to the TOBACCO –GLOBAL's requirements [I mean] their business principles and their platforms for CSR […] because we obviously [have to] fit into that"
>
> (CSR Manager, TOBACCO, 2008)

The Senior Public Affairs Manager of BANK1 states below how their global HQ established a policy in which they broadly defined which aspects of CCR that their subsidiaries should focus upon and how BANK 1 has to align itself with this agenda:

> "With the Group there is a policy that we support environment and education […] the policies or strategies are communicated through the regional office and those policies are implemented at the local level […] we support the group policies but we also just don't implement group policy […] we also look at Millennium Development Goals and see what are the issues in this country […] whilst not moving away from group policy we also try to meet a need that is relevant to this country"
>
> (Senior Public Affairs Manager, BANK1, 2009)

The CSR manager of CEMENT both emphasised the need to comply with global CSR requirements:

> "I mean as along as what we do here in Sri Lanka is in line with Switzerland [global HQ] , it is fine. [But] there is a lot of overseeing which happens on their part, so we have to be very careful and make sure that what we do here is ok with them"
>
> (CSR Manager, CEMENT, 2009)

Based upon the statements above (together with the data discussed in detail in Chapter 4), there is evidence of a high level of integration between the global HQs, regional HQs and subsidiaries in relation to the control and coordination of CCR practices. This again showcases the important role of the global and regional HQs in directing the focus of non-market-related CCR practices so that a more global/regional CCR agenda could be implemented throughout the MNCs.

This finding could be further substantiated by the way in which CCR practices are coordinated in BANK2. The global HQ of BANK2 pre-designs the CCR global/regional projects and then transfers these to BANK2 to be implemented in Sri Lanka after localisation. The 'Seeing is believing' campaign and the 'Living with HIV' campaign of BANK2 were such examples. As explained by the Corporate Affairs Officer of BANK2, depending upon *where* the global project was located within the MNC network, BANK2 had to coordinate with either the regional or global project managers:

> "The Group sends a campaign […] We roll it out the way we want and we discuss the budgets and stuff then they approve it and we go ahead […] for some [projects] we directly report to UK [and] for some [projects] we directly report to Hong Kong. It's like this, for 'Seeing is believing campaign' the managers are stationed in UK but the HIV project they are stationed in Hong Kong"
>
> (Corporate Affairs Officer, BANK2, 2009)

It can be reasonably concluded from the above discussion, that within at least four of the subsidiaries in this study, greater integration of non-market-related CCR practices *is* occurring with their global and/or regional HQs. This is being supported by, first, similar management structures established within global/regional HQs and subsidiaries and, second, through the level of control administered by global HQs by establishing pre-specified areas of focus to direct subsidiary CCR projects. This evidence shows that, contrary to the findings of previous studies which *have* claimed that Community CR is specifically an aspect of CSR that is localised as it needs to address host-country-specific social issues (Muller, 2006; Mohan, 2006), at least within the six subsidiaries examined here CCR practices are actually following a *global agenda* of the MNCs. Whether the same pattern of control and coordination identified above could be seen for market-related CCR practices is examined next.

5.2.2 Market-Related CCR practices

Control and Coordination at Subsidiary Level

In terms of control and coordination within the four subsidiaries that implemented market-related CCR practices, the respective Marketing departments of the subsidiaries had full responsibility for managing the implementation of these CCR practices. This was due to the close relationship to brands which the market-related CCR practices had. This is explained by the four subsidiary managers involved in the actual implementation of market-related CCR practices below:

> "Since the community Corporate Responsibility programmes are related to our brands, or more or less a product then the brands like 'Nespray' would do it. So those initiatives marketing would have in their annual plans"
>
> (Corporate Communications Manager, CONSUMERG2, 2009)

> "Because we have a lot of individual projects that we handle under each brand […] it is usually the brand activation teams and the brand managers in marketing who handle these projects and as a brand manager for 'pears' I too am involved in projects such as 'safe hands' campaign which is looking at the up-liftment of maternity care in Sri Lanka"
>
> (Brand Manager, CONSUMERG1, 2009)

> "As I said marketing handles the sponsorships […] so, the planning and the budgets for these projects come under the marketing departments plan and budget"
>
> (Manager, Regulatory Affairs and Nutrition, CONSUMERG3, 2008)

> "We handle these projects from a consumer point of view […] for example, the Cricket Pathway project is Brand related […] so marketing has to be involved [..] because we have to make sure that the awareness for the brand the visibility that we create on the Camp day through the media is achieved"
>
> (Country Marketing Manager, CONSUMERG4, 2008)

All market-related CCR practices in these subsidiaries are managed (including the development and implementation of the CCR projects) by their Marketing departments with the brand activation[16] teams involved with the ground level implementation as shown in table 5.3.

Table 5.3: Control and Co-ordination at Subsidiary level for implementing market-related Community Corporate Responsibility practices

	CONSUMERG1	*CONSUMERG2*	*CONSUMERG3*	*CONSUMERG4*
Subsidiary Department with responsibility for managing overall CR practices	Human Resources and Corporate Relations Department *(Headed by Director HR)*	Human Resources Department *(Headed by Vice-President HR)*	Human Resources Department *(Headed by the HR Director)*	Human Resources Department *(Headed by Country HR Director)*
Subsidiary Department with responsibility for managing market-related CCR practices	Marketing Department	Marketing Department	Marketing Department	Marketing Department
Subsidiary Department with responsibility for implementing Market-related CCR projects	Consumer Activations Unit *(Headed by Consumer Activations Manager)*	External Affairs and Activations Unit *(Headed by the External Affairs and Activations Manager)*	Brand Activations Team	Brand Activations Team
Subsidiary manager with responsibility for communication of CCR	Corporate Relations Manager *(Team Member of HR and Corporate Relations Department)*	Corporate Communications Manager *(Team Member of HR Department)*	No information obtained	Public Affairs and Communications Manager *(Team Member of HR Department)*

Source: Author

However, it is important to examine an important finding in relation to which department communicates the results of the market-related CCR practice implementation (i.e. communication about the different CCR projects). As shown in table 5.3 above, the manager responsible for communication of these CCR practices resides within the Human Resources department while the management and

[16] Brand activation teams consisted of specialist teams that were involved in carrying out the various Community CR programmes which were conducted as market-related Community CR practices, such as cause-related marketing programmes, event sponsorships.

implementation of the specific CCR projects are carried out by the Marketing departments as indicated above.

Therefore (as can be seen in table 5.3), [17]although the consumer activation or brand activation teams are responsible for ensuring the ground-level implementation of market-related CCR practices, the communication of this was carried out by corporate communications managers who (in these four subsidiaries) report directly to the head of the HR departments. The HR departments in this case act as a coordinating department for managing overall CR practices[18] by default. As explained by the Brand Manager of CONSUMERG1, it is the Public Relations (or PR) aspect inextricably linked with CCR that ensures that HR/Corporate Relations get involved so that communication can be handled by them.

> "There are Brand Managers for the different brands that we have, then we have [the brand] activations [team] which executes whatever below the line CSR or sustainability projects we have […]. When we are doing an activity there is also [the PR aspect for it], we get [Corporate Relations] involved to let them know that we are doing something like this [and we] have to bounce off all our PR releases, press releases, media briefing [and they] ensure that the corporate image also is linked in some way to these activities"
>
> (Brand Manager, CONSUMERG1, 2009)

This is again echoed by the Public Affairs and Communication manager of CONSUMERG4, and Corporate Communications Manager from CONSUMERG2 below:

[17] There was no information available about communication from CONSUMERG3

[18] Overall CR practices here means CR practices other than Community CR, such as environmental management, health and safety, employee welfare etc.

> “We have to handle the communication aspect of these projects […] we usually get support from our PR agency so we can allocate some communication activities to them [but] PAC has to approve all of it”
>
> (Public Affairs and Communication Manager, CONSUMERG4, 2008)

> “I work in HR because any communications to do with the corporate brand we have to be involved […] I also compile the CSR report so anything that marketing does as CSR they report to me”
>
> (Corporate Communications Manager, CONSUMERG2, 2008)

It is interesting to see that although it is obvious that market-related CCR practices are being implemented to achieve business objectives (See Chapter 4 for details), the Marketing departments are *not* involved in the communication of the results of the CCR projects. It can be reasonably questioned here whether this is because the subsidiaries want to emphasise the ‘social’ aspect through their communications whereas the Marketing department doing this may not come across as entirely believable. Or is it because the Corporate Relations/HR departments are more specialised and trained in communicating the ‘CSR’ angle than the Marketing departments? This leads to the issue of reported vs. actual CCR practices within organisations (in this instance, subsidiaries). A key weakness in existing research is their predominant focus upon the reported CCR practices of MNCs (See Jamali and Mirshak, 2007; De Graaf and Herkströter, 2007; Stainer, 2006; Dentchev, 2004; Davenport, 2000), but so far based upon the evidence which is emerging from this study, it seems that such reported CCR accounts are obviously being handled by professional departments (such as Corporate Communications) capable of inflating and exaggerating the contribution to society (Maignan and Ralston, 2002) from what is obviously business-related CCR projects primarily being driven by brand requirements in these subsidiaries.

Control and Coordination at Global and/or Regional HQs

In terms of 'who' controlled and coordinated market-related CCR practices within the MNC network, the data shows that within the four subsidiaries, this was mainly carried out by the **regional HQs** rather than the global HQs. As shown in table 5.4 below, again, a replication of control and coordination structures for market-related CCR was seen within the subsidiaries and their regional HQs. Furthermore, in terms of decision-making power, the Marketing departments at the regional HQs acted as a higher authority who oversaw the Marketing departments at subsidiary level. Overall a higher degree of controlling and coordination between the region and the local subsidiaries was seen for market-related CCR practices.

Table 5.4: Control and Co-ordination at Global and/or Regional level for implementing Market-related Community Corporate Responsibility practices

	CONSUMERG1	CONSUMERG2	CONSUMERG3	CONSUMERG4
Subsidiary Department with responsibility for managing Market-related CCR practices	Marketing Department	Marketing Department	Marketing Department	Marketing Department
Regional/Global Division with responsibility for managing Market-related CCR practices within the Region/World	**Regional** *Regional Marketing Division (India)*	**Regional** *Regional Marketing Division (India)*	**Regional** *Regional Marketing Division (Singapore)*	**Regional** *Regional Marketing Division (Singapore)*
Final decisions with regard to specific focus areas for Market-related CCR practices	**Regional**	**Regional**	**Regional**	**Regional**
Approval for Market-related CCR plans and budgets	**Regional**	**Regional**	**Regional**	**Regional**

Source: Author

The need for engagement in control and coordination by regional HQs may be due to the usual approach adopted within these MNCs when implementing marketing plans. As market-related CCR practices are linked to the product market strategies of the MNCs, it can be expected that they too would be managed by the regional HQs. In relation to regional brands (i.e. those brands which are marketed across specific regions), the data shows that all final decisions (i.e. final approval for budgets and future brand plans) are being made by the regional HQs. This regional affiliation was generally seen across all four subsidiaries, but was clearly substantiated by two out of the four subsidiaries (i.e. CONSUMERG4 and CONSUMERG1). According to the Country Marketing Manager of CONSUMERG4, the key reason is to build brands across the region:

> "We report to India [as] we belong to the South West Asia Division [We report] about our plans for the next year, once they are cleared by December from the region then from January we will start implementing them. The main key initiatives of the plan from a brand building point of view are planned [together with] India. So each marketing campaign has to be approved from the SWA Divisional office before I can go ahead with it"
>
> (Country Marketing Manager, CONSUMERG4, 2009)

The Brand Manager of CONSUMERG2's view is also that regional decision-making is gradually increasing within their MNC with the regional HQ being given more power:

> "If you take a regional brand [there are] regional campaigns which are implemented across the region. […] Once a year a formal regional brand team meeting happens [and that is where] the regional brand building for operational countries [take place]. [Now] more and more we receive mixes developed for the extended Asian continent".

(Brand Manager, CONSUMERG1, 2009)

All the above evidence points to the need to achieve viable business goals through the implementation of market-related CCR practices with the regional HQ acting as key driver in implementing these CCR practices, through brand polices and plans which are approved regionally. As such, there is a higher level of integration with the regional HQs within these four subsidiaries.

5.2.3 Community CR practices: *Local and Regional Management*

This section discusses the findings related to the management of both market and non-market-related CCR practices at local and regional levels across *all* the ten subsidiaries investigated for this study. Several conclusions based upon the previous findings pertaining to the control and coordination of both types of CCR practices can be made.

First, it is clearly evident from the previous discussion that in each of the ten subsidiaries, the subsidiary department which was given the responsibility for managing (or for coordinating) Corporate Responsibility practices has close links with the corporate communication function as well. In all of the subsidiaries investigated for this study the corporate communications function seems to reside within the specific departments responsible for overall management of CCR (See tables 5.1and 5.3). This confirms the need to utilise CCR projects to assist in promoting a positive corporate image of the subsidiary amongst the host country stakeholders in order to gain a 'licence to operate' and gain external legitimacy (Arendt and Brettel, 2010).

Second, in three subsidiaries (See tables 5.1 and 5.3), the subsidiary departments responsible for managing CCR practices were also identified by the interviewees as having a high degree of corporate power (i.e. INSURANCE, CONSUMERG3 and CONSUMERG2). This corporate power seems to stem from the expertise held by the specific departments in relation to their ability to implement CCR projects. For example, in INSURANCE, the non-market CCR practices were managed by their Marketing Department (See table 5.3). This department carries out various long-term CCR projects which are implemented utilising the corporate brand with the objective of improving the trust of the consumers in the subsidiary's products (i.e. insurance products). For the Marketing department to be spearheading the CCR practices at INSURANCE was justified through the experience that they've had over the years in implementing CR practices and their responsibility for corporate planning within the subsidiary. This is explained by the Assistant General Manager Marketing at INSURANCE as follows:

> "If you take Corporate Social Responsibility type of initiatives I would say it is strategised and spearheaded by marketing division. The reason being I would say that historically the marketing department initiated and implemented most of the CSR initiatives of the organisation […] It being in Marketing it is much more easier to implement it and we have the capabilities, expertise and experienced employees […]"
>
> (Assistant General Manager- Marketing, INSURANCE, 2009)

The responsibility for the management of the corporate image or reputation (or for being the custodians of the corporate brand) is another factor which was found to enhance the corporate power of the department responsible for implementing CCR.

This is explained by the HR Director of CONSUMERG3 and the Corporate Relations Manager of CONSUMERG1 as follows:

> “We are in HR [and we are concerned with the] corporate related matters. So the corporate brand comes first in [ConsumerG3]. HR is the corporate brand custodian therefore we are drive the CSR in CONSUMERG3”
>
> “There has to be a central body who collects information and who communicates [about our Corporate Responsibility activities] and also since I am in charge of the corporate brand so CSR comes under [human resources]”
>
> (Corporate Relations Manager, CONSUMERG1, 2009)

Third, in general across both market- and non-market-related CCR practices, there is a high degree of standardisation or similarity. This is more evident in market-related CCR practices as they are being controlled through brand plans and targets by the regional HQs, but it is more subtle in relation to non-market-related CCR practices. Although standardisation *is* occurring, with non-market-related CCR practices, it is happening through commonly applied CSR agendas rather than through specific plans and targets.

Having discussed how CCR practices are controlled and coordinated inside the subsidiaries and between the subsidiaries and their regional and/or global HQs, the discussion now turns to examining the different types of control ‘mechanisms’ used by the global and/or regional HQs.

5.3 Mechanisms of Control: *Community CR Practices*

Several mechanisms of control were used by the ten subsidiaries to ensure greater integration of CCR practices. These are discussed below in relation to non-market-related or market-related CCR practices.

5.3.1 Mechanisms of Control: *Non-Market-Related CCR Practices*

As shown below in table 5.5, several formal as well as informal mechanisms of control were being used by the MNCs to manage the implementation of non-market-related CCR practices. The formal mechanisms consisted of global principles or policies for CCR, periodic internal reports, CSR questionnaires, and steering committees. Informal mechanisms comprised conference calls and corporate visits.

Control Mechanism One: *Global 'Key Focus Areas'*

With regard to the use of mechanisms of control, an important finding was that the global/regional HQs did not utilise strict formal control mechanisms. The HQs' role was identified by four of the subsidiary managers (i.e. BANK1, CEMENT, INSURANCE and TOBACCO) as consisting more of a *steering* or *guiding* role (See section 5.1.1). This role was established through formal control mechanisms such as the use of global key focus areas.

As such, the Assistant Manager CSR at BANK1 and CSR Manager of CEMENT are of the view that their global/regional HQs direct only the areas in which they should focus their CCR practices rather than providing detailed plans which the subsidiary should strictly adhere to:

> "It's more of a shaping kind of thing. Our regional office won't tell us don't do this rather they would say 'why don't you concentrate more on this

project' they know what we do here because we report to them quarterly and yearly. [So] they [act as] more of a figurehead [by] giving directional support however once they give us the direction they would monitor and be with us throughout [implementation]"

(Assistant Manager CSR, BANK1, 2009)

"We have our own freedom to do CSR activities [in Sri Lanka]. But the basic guide lines like basic tools […] is developed by our head office […] they do the evaluation at the end of the year through their CSR questionnaire, other than that there are no major influences on CSR activities [by our head office]"

(CSR Manager, CEMENT, 2009)

The CSR Manager of TOBACCO also explained that whatever CCR project which the subsidiary implements in Sri Lanka has to 'fall in line' with global requirements:

"Whatever we do [in Sri Lanka] we have to fall in line with the TOBACCO guidelines [which] have become the key CSR areas they recommend us to work within". (CSR Manager, TOBACCO, 2009)

The Assistant General Manager – Marketing of INSURANCE further explained how although the subsidiary is not yet fully integrated with the HQ, they are beginning to see an increase in the directives they get:

"It's been only about a year since the INSURANCE group acquired us […] we have already received global directives about our environment practices, but, so far nothing for CSR"

(Assistant General Manager, INSURANCE, 2008)

Table 5.5: Use of control and coordination mechanisms to integrate Non-market-related CCR practices within MNCs

	TOBACCO	***BANK1***	***BANK2***	***INSURANCE***	***TELECOM***	***CEMENT***
Globally established mechanisms for deciding key focus areas for Community CR practices	Global Statement of Business Principles	No clear guideline or policy for community CR at global level. Only broad guidelines stated	Globally transferred projects only	Global CR Policy	No clear guideline or policy for community CR at global level	Global CSR Policy Statement – Addresses CEMENT's position towards Community Involvement
	Global focus areas for community CR: • Sustainable agriculture • Civic Life • Empowerment	Global focus areas for community CR: • Education • Environment	Globally designed community CR projects : • Seeing is believing • Living with HIV AIDS	No integration with regional or global HQ[19]	No global focus areas	Clearly states that CEMENT should focus on Community development 'around their operations'
Periodic reporting on Community CR practices	**Regional** – to the Regional CSR Steering Committee	**Regional** – to the Corporate Sustainability Unit at regional HQ	**Regional** – to the Corporate Affairs Division at Regional HQ	No reporting to regional or global HQ	No reporting on community CR to global HQ	**Global –** to the Global Sustainable Development Division
Type of reporting to global/regional HQ	Annual Reports on overall CSR activities	Quarterly and Annual Reports on overall CSR activities	Annual reports on different global Community CR projects to either regional or global HQ	Annual CSR Questionnaire to be completed and sent back to the regional HQ	Global HQ (not related CR)	Annual CSR Review conducted by global HQ – reports about all aspects of sustainability including Community CR
Formal Control mechanisms used by global/regional HQ	Regional CSR Steering Committees Periodic CSR reports Annual CSR Questionnaires	Periodic reports	Periodic reports	Online periodic reporting Annual CSR Questionnaires	No formal control mechanisms	Annual CSR Reviews Global audits
Informal Control	Corporate Visits	Periodic Conference	Periodic Conference	Periodic Conference	No informal control	Corporate Visits

[19] At the time of data collection INSURANCE has only been recently acquired by the present MNC and there was a low level of integration in relation to community CR with either the regional and/or global HQ

mechanisms used by global/regional HQ		Calls	Calls	Calls	mechanisms	
Finalisation of budgets for Community CR practices	**Regional CSR Steering Committee**	**Regional HQ**	**Regional or Global HQ (dependent on where the global community CR project is based)**	Local[2]	Local[20]	**Global HQ**
Detailed planning for implementing Community CR practices	**Local subsidiary**	**Local subsidiary**	**Local subsidiary**	**Local subsidiary**	**Local subsidiary**	**Local subsidiary**

[20] Telecom is not integrated with their global HQs pertaining to the implementation and management of Corporate Responsibility practices

Therefore, what the data shows is that the global HQs of the subsidiaries do not directly engage themselves in controlling the way in which the non-market-related CCR practices are planned and implemented at the subsidiary level. However, they *do* decide the specific areas upon which the subsidiary should focus through their CCR projects. They do this by establishing guidelines or key focus areas for CCR (this aspect was discussed in Chapter 4 in detail). As shown in Appendix X, where key extracts taken from published business principles and Corporate Responsibility policy statements across the ten subsidiaries are analysed, the guidance provided by the global HQs is quite evident. For example in the extract taken from the TOBACCO group website, under the explanation of their global activities towards Corporate Social Investment they clearly state that they focus only on three areas, namely, Sustainable Agriculture, Civic Life and Empowerment, which in turn corresponds with the key areas that TOBACCO in Sri Lanka focuses upon (as noted from interview extract below).

It can be surmised, that although the subsidiaries do not have clear policies for CCR practices they do have identified areas of focus which should be addressed when implementing CCR projects by their subsidiaries. This is further explained by the CSR Manager of TOBACCO and the Senior Public Affairs Manager, the BANK1 where they are explaining how the MNCs' specification of key focus areas, has an influence on their CCR practices:

> "Actually TOBACCO gives only broad guidelines [There are three] which are Sustainable Agriculture, Civic Life, Empowerment. Globally in 180 subsidiaries this is what the company wants them to do in relation corporate social investment. So whatever we do [in Sri Lanka] we have to fall in line and the guidelines have become the key CSR areas they recommend us to work within". (CSR Manager, TOBACCO, 2009)

> "Broadly [BANK1] supports education and environment. When they say Education it's in which language, then when we say entrepreneurship education, primary school education so those are the some of the key areas [...] we in Sri Lanka then has to make sure that our CSR projects match these areas"
>
> (Senior Public Affairs Manager, BANK1, 2009)

The above findings highlight that although Non-market-related CCR is mostly localised in terms of decisions on specific implementation methods, it is also standardised in terms of decisions made on *which specific areas* of community/social welfare to focus upon. What is evident is that while the MNCs do not decide upon the specific CCR projects, the subsidiaries are in effect implementing a globally standardised CCR agenda, which has been decided by the global HQs of the MNCs. Therefore, these subsidiaries do not seem to have the independence to decide the specific areas of CCR that they want to concentrate upon and implement localised CCR practices in Sri Lanka due to the extent of control by the global HQs.

Control Mechanism Two: *Periodic Reporting*

Periodic reporting was found to be another control mechanism being used quite frequently by four of the subsidiaries (i.e. TOBACCO, BANK1, BANK2 and INSURANCE) (See table 5.5). It ranged from quarterly and annual reports which are specifically focused on the CCR practices being implemented by the subsidiaries to more ad-hoc reporting of CCR. According to the managers from BANK1 and BANK2, periodic reporting focusing on the progress of the CCR practices are being regularly sent to the regional HQs, while INSURANCE and TOBACCO uses an online system to update the progress of their CSR initiatives and in BANK2 again the reports are regularly being sent to the regional HQs.

"There are reports that we send from time to time [for instance] quarterly they send a report asking how much we have spent, so we have to report and we have to give them a breakdown in each area. This quarterly [reporting] is to the regional office which is to Hong Kong and Hong Kong will consolidate all the Asia Pacific Region and then will report to group head office so that is how it is structured"

(Assistant Manager CSR, BANK1, 2009)

"Although we don't have direct reporting to seek the approval for CSR initiatives [...] but [we do] correspond with them about the CSR initiatives we are doing in Sri Lanka and we update most of our initiatives' success and the events we had [...] there is an online CR updating system [...] so it is made very easy to update them [...] we also share best practices regionally and globally"

(Assistant General Manager, INSURANCE, 2008)

" For some projects we have to do a report and send it to the head office [...] it has details like [...] how many number of cataract operations we did [...] we have to evaluate it [...] we need to show how much was spent on advertising and stuff and how much on CSR [...] we have to even account things like media value [in the reports]"

(Corporate Affairs Officer, BANK2, 2008)

"Actually the reporting is to [...] the region and region will put it to global [...] we report through a computerised online system [...] so both region and global can see it [...] we do regular reports [...] what they want is figures [and] although we have not even finalized our accounts, they are sending notes after notes so today I had to send the CSR annual report"

(CSR Manager, TOBACCO, 2009)

The purpose of using periodic reporting as a mechanism of control, it seems is twofold: first, it enables the HQs to track the progress and ascertain how funding has been allocated for various CCR projects which are being implemented at the subsidiaries. Second, it also assists the HQs to collate data and information about the CCR practices across their network , which makes it easier for the MNC to publish global and/or regional focused social reports. Hence, periodic reporting acts simultaneously both as a mechanism of control as well as an information gathering tool.

Control Mechanism Three: *CSR Surveys*

CSR Surveys or Questionnaires (sometimes called CSR Updates), were used by the MNC HQs in four of the subsidiaries (i.e. CEMENT, TOBACCO, BANK2, BANK1). Such CSR surveys consisted of a set of questions (sent by the regional/global HQs) about the subsidiary's annual overall CR practices. These had to be completed and sent back to the HQ with supporting documentation by the relevant CSR managers or by the manager responsible for managing overall Corporate Responsibility practices at the subsidiary. As explained by the Vice-President of Sustainable Development at CEMENT their CSR review ensures that their HQ is aware of the details about the CCR practices implementation within the subsidiary.

> "Annually the CEMENT Group (global) they [send us] a questionnaire, we call it the CSR review. It looks into all aspects of sustainable development and CSR is one of them [...] [In relation to Community CSR] we have to justify 75% of our Community CSR spending through the CSR review […] they also ask like you know the community advisory panels, how many meetings you have had […] sometimes they give us a feedback through the CEO"

(Vice-President Sustainable Development, CEMENT, 2009)

According to the other managers, the CSR Survey requires them to produce data to show the progress, which at times they find difficult:

> "There are certain templates and things like surveys [...] which we have to file it up and send to them [...] to show our progress"
>
> (Director CORA, TOBACCO, 2008)
>
> "They ask us for statistics [...] in the sustainability survey [...] things like how much is Sri Lanka doing in this regard, how much are people are aware of the fact that we are doing this so that you know the media monitoring [is] also checked"
>
> (Head of Corporate Affairs, BANK2, 2008)
>
> "We started recently on environmental data measurements in Sri Lanka [...] CO2 emissions and things like that […] in this country we are not that geared to measure [...] so things like that we found a bit difficult [to report] on because we don't have the measuring capabilities for that [...] but it's something they ask quite a lot about in their annual CSR questionnaire"
>
> (Assistant Manager CSR – Environment, BANK1, 2008)

The extent of data which is required to complete the CSR review was mentioned a subsidiary manager from INSURANCE as a difficult task. Sometimes, the subsidiary had to actually enact changes to *their* Corporate Responsibility practices so that they would be able to provide this information to their HQs the next year. According to the Corporate Communications Manager of INSURANCE, it is a question of not having sufficient measurements to find the data pertaining to CR practices:

> "It's basically like a table and we just have to fill it, but it's quite long [about] 70 pages. [It started after the MNC took us over], like they came in March 2006 and somewhere around December or January 2006 we had to send them

> this tabulated report. Because we started [reporting] only recently on environmental data we didn't know how to measure and it was difficult for us to fill the table with that data […] so we had to do some changes internally so that we would have the data next time"
>
> (Corporate Communications Manager, INSURANCE, 2009)

It seems that according to the above evidence, the CSR surveys is another way by which the HQs gather information related to CCR practices while simultaneously monitoring its implementation within the subsidiaries. Furthermore, the internal information (gathered through the CSR surveys) also act as a way of ensuring integration between the CCR practices being implemented by the subsidiaries together with the key focus areas provided by the HQs. Nevertheless, the subsidiary managers are not completely content with some of these mechanisms of control. Managers in CEMENT and CONSUMERG3 thought that there were too many 'forms to fill' at the end of the year to justify their CCR spending. The need to understand the different systems which have been established by the MNCs to coordinate the CR practices was also stated as being time consuming. The following responses by subsidiary managers in these two subsidiaries explain the problems that they face in responding to this mechanism of control:

> "It is a very complicated thing –by the 15th of December every year we have to fill and send the CSR Questionnaire. It takes a long time to fill it [because you have to enter] figures [and then attach] documents. The Corporate SD team has told us how to do it, but it is just that it is cumbersome, in the sense it covers so much".
>
> (CSR Manager, CEMENT, 2009)

> "CONSUMERG3 is getting more focused [on CSR] now because of various issues […] they are asking for more evaluation methods […] we have only

> our own evaluation methods [but] they want data about our programmes […] this not so easy to do"
>
> (Human Resources Director, CONSUMERG3)

> "The CSR review is a huge data gathering exercise for us in Sri Lanka […] We need to give data about our procurement practices, internal audit practices, customers, our business partners, HR practices and also communities […] so it's a very complicated thing […] it is cumbersome and it is so thorough […] you do feel that you are doing an honest job and you are not leaving anything out […] and we cannot keep changing the data we put into it [because] it is an online system [so] there is a lot of time we have to spend on it"
>
> (Vice-President of Sustainable Development, CEMENT, 2008)

The general consensus, among most of the subsidiary managers was that they were to a certain degree constrained by the extent and content of the details reporting which they needed to as well as the process of approval (related to budgets for example) which was carried out by the regional HQs and also. The evidence thus points out to the subsidiary managers being more concerned about 'filling the forms' so that proper CSR documentation could be sent to their HQs, than on actually being concerned about 'how' they should address the social issues in the country. This raises the question whether CCR practices implementation has become another routine within the subsidiaries. If so, then the primarily objective of implementing Community CR which is to actually address societal concerns within the host country, especially in developing countries would be lost. If MNCs want to change this situation they need to simultaneously provide more autonomy to their subsidiaries in the development and implementation of CCR practices and decrease the amount of control mechanisms being used. Otherwise, the need for the MNCs to ensure a standardised CCR practice across their network would result in detrimental effects in terms of localisation of CCR at subsidiaries.

Control Mechanism Four: Steering Committees

A key formal control mechanism which was being used specifically by TOBACCO was related to the use of steering committees. According to the CSR manager of TOBACCO, key decisions pertaining to CCR practices across the MNC is primarily controlled by their CSR committees.

> "We have a global leadership team for TOBACCO for CSR [it is] the TOBACCO executive committee, then we get the South Asian leadership team and then the local CSR committee. The approval for projects has to go through all three of these [committees]".
>
> (CSR Manager, TOBACCO, 2008)

As explained by Corporate and Regulatory Affairs Director of TOBACCO, the establishment of steering committees as a common mechanism of control enables an effective system of decision making for CCR.

> "Now there is a local CSR Committee, there is a Regional CSR Committee and a Global CSR Committee. All of our activities are monitored through these committees and we report to them on a bi-annual basis […] In the Region we don't have a CSR Manager overlooking, but globally we have a CSR Manager and he overlooks or monitors all the things".
>
> (Corporate and Regulatory Affairs Director, TOBACCO, 2009)

Therefore, it seems that these steering committees act in ensuring stringent controls over TOBACCO's CCR practices by scrutinizing the focus, content as well as the budgets of the specific CCR projects.

Control Mechanism Five: *Corporate Visits*

Corporate visits were another control mechanism found to be used by HQs. Some of these were mandatory (bi-annual etc) visits by key personnel such as Global Chief Executive Officers to see the progress of successful CCR projects and show support for the CCR agendas of the subsidiaries. Such visits were found to be a common occurrence across two of the subsidiaries (i.e. CEMENT and TOBACCO). As explained below by the Vice-President of CEMENT and Corporate Communications Manager of TOBACCO such visits assisted the subsidiaries in promoting their CCR projects and also enabled them to obtain greater regional or global commitment in terms of funding for long-term corporate social investment projects carried out by the subsidiaries.

> "[They only visit] to give us some feedback on our projects [and] but also they come down here if ever we want something, […] [like] negotiating with the parties [involved in the projects] [but] they don't go into controlling everything"
>
> (Vice-President Sustainable Development, CEMENT,2009)

> "I remember when our global head of corporate affairs came down [It is after that] where we got their commitment. We took him to Mahiyangana[21][to show him our projects for SADP] […] He was so convinced he gave us a global forum to present SADP and was the talk of the town in the TOBACCO Group. [we] also got a lot of funding from them so that's why our budgets are so big for SADP"
>
> (Corporate Communications Manager, TOBACCO, 2009)

[21] Remote district in Sri Lanka

Here again, we can see these two subsidiaries' CCR practices being monitored through these visits as well as the subsidiaries striving to obtain internal legitimacy from powerful constituents (in this case the MNC) for their CCR practices. This yet again raises the important issue of power for making decisions regarding CCR. Why does the subsidiary have to justify and showcase their CCR projects (as noted in the quote above by TOBACCO) to their MNCs? The obvious answer is that the subsidiary is seeking approval and, according to the tone of the quotes given above, the managers are proud of the fact that the MNC officials were actually happy about the projects. This indicates that the approval of the MNC is much needed as they are in effect the final decision-makers as well as the resource providers.

Control Mechanism Six: ***Regional Forums***

Official regional forums (or in the case of TOBACCO, global), which act as a way of imparting knowledge while simultaneously sharing best practice across the MNC, were also mentioned by the subsidiary managers across four subsidiaries (i.e. CEMENT, CONSUMERG1, TOBACCO and INSURANCE) as being another control mechanism. This is further explained by four managers from these subsidiaries below:

> "We have 'Official forums' where you have to go [and] CR people come and they teach you the CEMENT Group standards on environmental management [...] if you are doing a big project that needs to be shared with them and you feel that they should be informed, then we share it with the HQ. Also if there is a risk involved then we have to keep them informed […] then we will have discussions, conference calls, send reports and we have to work on it and finally decide how we will handle it"
>
> (CSR Co-coordinator, CEMENT, 2009)

> “We have regional meetings every year […] [last time] the global head of CR who is in London came and took us through what the global framework before they finalised it […] there is always a dialogue happening with region […] We also share our best practices and are trained professionally during the meeting […]”
>
> (Corporate Relations Manager, CONSUMERG1, 2008)

> “Annually we get training in London at Global head office […] They keep updating things like the social reporting cycle […] we get trained on these new changes […] there is an opportunity to share our experiences and learn about best practices, so it is quite important ”
>
> (Corporate Communications Manager, TOBACCO, 2009)

> “There are regional meetings […] it’s a mix of sharing what we did as well as an opportunity to be updated on the new policy changes happening in the group”
>
> (Assistant General Manager, Marketing, INSURANCE, 2009)

The regional forums organised by these four MNCs therefore primarily seem to have two responsibilities: first, to communicate and train the subsidiaries about the global standards they are adopting for CR practices, and second, to examine country-specific issues which the subsidiaries will encounter when implementing CR practices so that risk mitigation can occur. In effect, these regional forums are acting as a knowledge transfer tool between the MNC and the subsidiaries and vice versa. A question which could be raised here is whether the MNC actually acts on the knowledge that they obtain from the subsidiaries? And if they do, what is the degree and extent of the influence of this knowledge transfer on their CCR practices? It seems that the use of regional forums again complements the overall picture emerging from the evidence of powerful MNCs implementing a global CCR agenda.

In summary, looking over the mechanisms of control being used by the six subsidiaries to implement and manage CCR practices, a distinctive scenario emerges. We can see powerful HQs (mostly global HQs) setting a global CCR agenda, using key focus areas to guide the CCR practices of the subsidiaries so that essentially the subsidiary is engaged in implementing specific CCR projects which fall within those societal areas that the MNC wants globally to be known and recognised for. A range of control mechanisms are then used to monitor the detailed implementation of CCR practices at subsidiary level and gather information so that global social reports can be published. Corporate visits are used to confer legitimacy upon the successful implementation of specific CCR projects, while regional forums are used to update the subsidiaries on new changes to CR practices. Based on this overall picture, it is quite difficult to say that Community CR practices are carried out at the behest of the subsidiary to address local, country-specific issues at this point.

5.3.2 Mechanisms of Control : *Market-Related CCR Practices*

The following section discusses the findings derived from the data in relation to the different control mechanisms used by the subsidiaries to further integrate their market-related CCR practices with those of their global and/or regional HQs. Table 5.6 shows a detailed analysis of the different types of control mechanisms used by MNCs at regional/global level to enable such an integration.

Table 5.6: Use of control and coordination mechanisms to integrate Market-related CCR practices within MNCs

	CONSUMERG1	***CONSUMERG2***	***CONSUMERG3***	***CONSUMERG4***
Globally established mechanisms for deciding key focus areas for Community	Global Code if Business Principles	No global policy o guideline for Community CR	No global policy o guideline for Community CR	No global policy o guideline for Community CR
	Global Key focus areas (based upon product markets and operations): • Health • Nutrition • Hygiene • Water	Global Key focus areas (based upon product markets and operations): • Nutrition • Water • Rural Development	Global Key focus areas (based upon product markets and operations): • Water Stewardship • Activity Healthy Living • Community Recycling • Education	No specific global key focus areas provided
Periodic reporting on Community CR practices	Regional HQ	Regional HQ	Regional HQ	Regional HQ
Type of reporting to global/regional HQ	Market based reports	Market based reports	No Information	No Information
Formal Control mechanisms used by global/regional HQ	• Brand Policy *(Regional/global)* • Marketing Plans • Budgets	• Brand Policy *(Regional/global)* • Marketing Plans • Budgets	• Brand Policy *(Regional/global)* • Marketing Plans • Budgets	• Brand Policy *(Regional/global)* • Marketing Plans • Budgets
Informal Control mechanisms used by global/regional HQ	Regional Forums	Regional Meetings	No Information	Regional Meetings/ Conference Calls
Finalisation of budgets for Community CR practices	Regional HQ	Regional HQ	Regional HQ	Regional HQ
Detailed planning for implementing Community CR practices	Subsidiary	Subsidiary	Subsidiary	Subsidiary

Control Mechanism One: *Brand Policies*

Formal integration with the global CCR agenda in relation to market-related CCR practices implemented by the subsidiaries was achieved mainly by policy mechanisms and more specifically through brand policies. Such brand policies are commonly applied to regional brands and locally applied to local brands marketed by the subsidiaries.

As explained below by the External Affairs and Activations Manager of CONSUMERG2 and the Country Marketing Manager of CONSUMERG4, the brand policy ensured that the requirements of the brand and its brand values were achieved through the implementation of different CCR projects. Thus in this instance the brand policy enabled the MNC to control not only the focus of the CCR projects but even the implementation methods (See Chapter 4 for more detailed analysis of market-related CCR implementation methods):

> "When it comes to sponsorship [its] about the core values of the brands […] There is no sponsorship without business benefit. So we do the sponsorship [based on the brand value] [...]"
>
> (External Affairs and Activations Manager – CONSUMERG2,2008)

> "The brand is policy is very crucial, for example, the 'Cricket Pathway' project is all about 'people having fun' as the brand policy is about that […] we can't do any activity which is different from what the brand stands for"
>
> (Country Marketing Manager, CONSUMERG4, 2008)

The identification of brand policy as a control mechanism shows that in the case of market-related CCR practices, the MNCs are more concerned about establishing proper monitoring and control mechanisms at the very outset and the controls used for doing so are much more formalised than those used for non-market-related CCR practices. Given this, all the focus of the market-related CCR practices in this instance is on what the brand requirement is. This raises the question of whether CCR methods such as social sponsorships and cause-related marketing programmes should be identified as Community CR as they are essentially founded upon business requirements as seen from the data mentioned above.

Control Mechanism Two: ***Marketing Plans and Marketing Budgets***

Other control mechanisms which were used by the regional HQs were marketing plans and marketing budgets. As explained below by the managers from the four subsidiaries, the MNC approves those market-related CCR projects which are geared towards achieving brand policies and regional targets for the specific brands. Not only the scope of the CCR project but the commitment of the subsidiary towards it, too, would be decided by the regional HQs' approval of these marketing plans and budgets.

> "We have a marketing plan [and] those marketing plans get cleared from the region and from January [of the next year] we will start implementing them [...] we hardly do ad-hoc things. The main key initiatives of the plan from a brand building point of view are planned and whatever we do our regional HQ that's in India, our plans are both aligned"
>
> (Country Marketing Manager- Sri Lanka, CONSUMERG4, 2008)

> "I mean these CSR projects are part of our brand marketing plans […] there is always an activity which takes care of a social issue [for the brands] […] So we don't need to get involved and tell them [what to do] as [these projects] are already part of the annual plan for marketing"
>
> (Corporate Relations Manager, CONSUMERG1, 2008)

> "As any brand activation or sponsorships is brand related as I said before [….] region has to approve the plans […] marketing, specially the brand managers need to get regional approval before they can do anything …"
>
> (Corporate Communications Manager, CONSUMERG2, 2008)

> "Only the large projects, like the one where we gave the government money to fund a research, we need to get approval from the head office in New Zealand […] other small projects marketing has to get approved from the region…"
>
> (Human Resource Director, CONSUMERG3, 2008)

Here again, the strict control being maintained by the MNCs from the very outset (i.e. from designing CCR projects to their actual implementation), is obvious as all aspects of these practices are being monitored and controlled through the marketing budgets and plans. Furthermore, the marketing plans also come with defined KPIs which are then manifested via their implementation of the specific market-based CCR projects to be achieved. Although there are social goals which are less quantifiable behind these CCR projects, from the viewpoint of the MNC the focus is on achieving predefined business goals. By setting such targets, as explained below by three of the four subsidiary managers, the MNC is ensuring that regional level goals for different brands are being achieved while simultaneously using the targets as control mechanism:

> "We have targets [such as] household penetration [...] so you set yourself the target and then you get feedback and say ok post this activity this is how these indicators have moved [...] The region also tells us under each brand these are the KPIs for the brand [and] every quarter they will come and do a cross check to see whether we have achieved those KPIs"
>
> (Brand Manager – CONSUMERG1, 2008),

> "We do have targets like 'Image promotion Score' […] that's basically where we gauge how many customers would promote us to the their friends and relatives and how they perceive as socially responsible company […] we get these from the region"
>
> (Country Human Resources Manager, CONSUMERG4, 2008)

> "Once we finish a campaign our PR agency […] gives us the statistics for the targets […] then we have a 'Sanvada' which is 'to discuss' the achievements of the targets […] our targets come with brand plans from the region […]"
>
> (External Affairs and Activations Manager, CONSUMERG2, 2008)

The business focus underpinning CCR practices which are market-related becomes more clear with the identification of KPIs as targets for each resultant CCR project. If the objective is to achieve societal goals then why KPIs which are directly related to markets and brands are included within the marketing plans as control mechanism is a viable question to ask here.

Control Mechanism Three: *Market-Based Reports*

The use of market based reports to periodically report the achievement of KPIs and the overall implementation of market-related CCR projects was another control mechanism seen within the data in two out of the four subsidiaries engaged in market-related CCR practices (i.e.CONSUMERG1 and CONSUMERG2). The regional HQ, it seems (according to the data) plays a very important controlling and coordination role in relation to managing market-related CCR practices. Both the marketing managers providing supportive evidence below have highlighted the important role that the regional HQs play in not only acting as a hub for instructions on ‘how’ to manage and implement market-related CCR practices, but also as a coordinator who oversees the implementation as well.

> “It’s with India that we are aligned with. We do have our own freedom of working and developing the brand [...] but the regional office coordinates with the brand and says what can be conducted and so we have category heads and these category head will coordinate with you and come and sit with us on activations and then we take it from there [before implementing any of the brand activations]”
>
> (Consumer Activations Manager, CONSUMERG1, 2008)

> “The brand activations come through our Marketing section and that part we report to India, India is our regional office [...]
>
> (External Affairs and Activations Manager – CONSUMERG2, 2008)

The evidence points to the regional HQs using market based reports which are essentially internal periodic reports (like those which were being used for monitoring non-market-related CCR practices) to track the progress of these subsidiaries in achieving the KPIs set by them initially for CCR practices.

Control Mechanism Four: *Periodic Forums*

Annual or bi-annual regional forums were also utilised in CONSUMERG1 for the purpose of knowledge sharing and also as way of achieving coordination across different subsidiaries within the MNC in relation to Market-related CCR practices. The knowledge sharing occurs mostly in relation to latest CR developments, guidelines and future CR agenda of the MNC. This is explained by the Corporate Relations Manager of CONSUMERG1 as follows:

> "We have regional meetings every year we have two meetings which I attend and last time we were in Japan and we had the global head of the Corporate Responsibility, who came and took us through what the global framework was [...] There is always a dialogue as to what they are doing and what we need to do [...] If we need any support we ask the Regional HQ"
>
> (Corporate Relations Manager – CONSUMERG1, 2008)

In summary, what is highlighted by the evidence above is that the regional HQ seems to play a major role in acting as the coordinator for market-related CCR practices while for non-market-related CCR practices it is the global HQ which plays an important role. Although the level of control for market-related CCR practices is much more than that for non-market-related CCR practices, a common finding across both these two different types of CCR practices is the efforts taken by the MNCs to establish their 'stamp' on the type and method of implementing CCR practices by the subsidiary by using a range of control mechanisms discussed above. The next section places the findings examined in this chapter within extant literature and discusses the relevance of these findings.

5.4 Discussion

5.4.1 Subsidiary-MNC HQ Relationship in the implementation of CCR practices

This section discusses the findings presented in this chapter. In relation to the subsidiary – MNC HQ relationship, the findings point to powerful MNC HQs making key decisions on CCR practices and using a range of control mechanisms to ensure the implementation of a global CCR agenda within the subsidiaries. These findings are discussed further in this section focusing on first, the subsidiary-MNC HQ relationship in relation to CCR practices implementation and second, on the use of mechanisms of control to support that relationship.

'Power' of the Subsidiary and MNC HQs

The evidence found within this study, shows the extent to which the power for making key decisions related to CCR practices implementation at subsidiary level rests with either the Global HQ or the Regional HQ of the MNC. As shown in table 5.7 below, other than in TELECOM, which was identified as the only autonomous subsidiary, all decisions related to the establishment of a CCR agenda was taken in the Global HQs. Dependent upon the relationship to marketing that the CCR practice had (i.e. whether it was market-related CCR or not), decisions pertaining to the finalisation of budgets needed for implementing CCR practices were either carried out at the Regional HQ or the Global HQ. The only exception to this was TELECOM and INSURANCE. The 'role' of the subsidiary, is thus limited to implementing detailed plans for CCR projects, provided these plans were pre-approved and sufficient funds allocated by the MNC HQs.

Table 5.7: The analysis of 'power' in relation to decision making for CCR practices implementation between subsidiaries and MNC HQs

Subsidiary	Decision Making at MNC HQ/Regional HQ in relation to CCR		Decision Making at Subsidiary in relation to CCR
	Finalisation of Budgets	*Setting the CCR agenda through Key Focus areas*	
TOBACCO	Regional HQ	Global HQ	Detailed Planning for CCR
CEMENT	Global HQ	Global HQ	Detailed Planning for CCR
BANK1	Regional HQ	Global HQ	Detailed Planning for CCR
BANK2	Global HQ and Regional HQ	Global HQ	Implementation of Global CCR projects
CONSUMERG1	Regional HQ	Global HQ	Detailed Planning for CCR
CONSUMERG2	Regional HQ	Global HQ	Detailed Planning for CCR
CONSUMERG3	Regional HQ	Global HQ	Detailed Planning for CCR
CONSUMERG4	Regional HQ	Global HQ	Detailed Planning for CCR
TELECOM	No decision making for CCR at MNC HQs		Detailed Planning for CCR
INSURANCE	No decision making for CCR at MNC HQs	Global HQ	Detailed Planning for CCR

Source: Author

The evidence points towards a standardisation of CCR practices across MNCs. For example, when the global HQ of the MNC establishes what areas the subsidiaries should focus their CCR practices on, they are in fact ensuring that similar CCR practices are implemented across the MNC globally. Furthermore, as in the case of BANK2, when the MNC develops a global CCR project and then transfers it to the subsidiary, then the MNC is in effect implementing a unified global CCR agenda. Previous researchers too have found that powerful HQs use subsidiaries dependence on them for resources to implement globally standardised environmental policies and practices (Kishnan and Balachandran, 2004; Epstein, 2006). In a more recent study Jamali and Neville (2011), too, found patterns of global CSR being diffused to developing country subsidiaries, but being diluted to a certain extent in view of local requirements. She argued that the local subsidiaries are therefore *not* the main initiators and decision-makers for CSR practices. Furthermore, a key reason for the adoption of a global CSR agenda by the HQs could be to reduce direct hierarchical controls and use more informal control mechanisms such as normative integration and shared values so that the subsidiaries could draw from the HQs' overall CSR vision (*Ibid).*

This 'power' of the MNC HQs identified in relation to the decision-making for CCR practice implementation also ensures the establishment of several management conditions within the MNC. First, it enables the MNC to establish a strategic clarity between the MNC HQs and subsidiaries by ensuring that there is a *common strategic imperative* across subsidiaries (Hamel and Prahalad, 1983) in relation to CCR practice implementation. This would ensure that the subsidiary implements CCR practices based upon the key focus areas devised by the MNC HQs and that similar global CCR projects would be implemented across those MNCs which are interested in doing so. Second, this power also enables the MNCs to overcome the pressure to consider social and environmental issues at each host country level and compel subsidiaries to adopt global standards and policies for managing their CCR practices because doing so is an efficient response to the presence of varied expectations across the world (Sharfman *et al*., 2004; Kostova and Zaheer, 1999). Third, the power of the HQ enables it to ensure that internal legitimacy occurs through the internal standardisation of CCR practices across the MNC. In the case of a subsidiary, the internal legitimacy refers to the acceptance and approval of its actions and organisational practices by the parent company (or other subunits of the parent firm) (Yang and Rivers, 2009). The findings discussed in this chapter show that in nine of the subsidiaries in this study there is knowledge transfer (in terms of transferring CCR-related knowledge) and therefore internal legitimacy could only be gained in such an instance by ensuring that the subsidiaries CCR practices are ‘accepted’ by their HQs by adopting similar CCR practices as their global/regional HQs. However, in relation to TELECOM, since it is an autonomous subsidiary, there is no effort made by the local subsidiary to follow the CCR practices of their HQs. Similar control by the parent over its subsidiaries' decisions have been found to be an important internal driver for the global standardisation of other MNC organisational practices, such as advertising and human resource practices (See Hannon *et al*., 1995; Fey and Bjorkman, 2001; Bjorkman and Lervik, 2007; Laroche *et al*., 1999).

Finally, the high degree of power seen to be resting with the ‘regional HQs’ indicate recognition by MNCs of the existence of region-specific social issues. According to Brammer *et al*., (2006) the most region-specific social issues for MNCs operating in the developing world relate to issues such as poverty, inequality, corruption, war and child labour. They argued that MNCs whose activities are spread across more countries appear to focus on ‘region’-specific social issues rather than global issues.

In relation to the findings of this study, two key points can be noted. First, MNCs which have strong regionally focused management structures (in at least seven of the MNCs in this study) tend to develop and implement unified CCR practices across the region. These findings support Brammer *et al.*’s (2006) assertion, as some of the CCR projects which were being implemented across the region by the MNCs examined for this study *were* focused on specific social issues relevant for the Asian region. Second, there seems to be a demarcation of responsibility across the MNC whereby the global HQ is mainly focused on shaping and creating a global CCR agenda and the regional HQs are mainly focused on controlling and coordinating the CCR practices of the subsidiaries to ensure that they adhere to the global CCR agenda. These findings collectively complement Rugman's (2003) argument that MNCs are moving away from a global focus on their operations to a more regional focus, showing an increasing regionalization of MNCs (Rugman, 2000; Rugman and Verbeke, 2003). Furthermore, Rugman (2003) emphasises that Asia is becoming increasingly regionalised in terms of intraregional trade, which would mean that the regional HQs of MNCs operating within the region would have more 'power' in terms of managing the regionwide operations of the MNC.

Use of Mechanisms of Control in the implementation of CCR practices

The findings in this chapter indicated the use of a range of control mechanisms by the ten MNCs to control and coordinate the implementation of CCR practices within their subsidiaries (See table 5.8 below).

Table 5.8: The use of Mechanisms of Control in the Implementation of CCR Practices of the Subsidiaries

Control Mechanisms			**Coordination Mechanisms**
Centralization	**Formalization**	**Normative Integration/ Shared Values**	
Global/Regional Steering Committees	Periodic Reports and Market-based Reports	Corporate Visits	Management Structures for CCR
Periodic Conference Calls	Annual CSR Reviews	Regional Forums and Meetings	Global/Regional Steering Committees
Brand Policies	Marketing Plans and Budgets	CSR Value Statements	

Source: Author

In relation to the use of *centralization* as a mechanism of control within the ten subsidiaries, the findings point to steering committees, periodic conference calls and brand policies aimed at enabling greater centralization. Centralization is the lack of subsidiary autonomy in decision-making (Ghoshal and Nohria, 1989; Roth *et al.*, 1991). In relation to the CCR practices implemented by subsidiaries, the use of these centralization mechanisms acts as a key decision-making tool. For example, when TOBACCO used such steering committees at global, regional and local subsidiary levels, all future decisions pertaining to CCR practices were discussed first at the local level and then finally approved by the quarterly regional steering committees. The annual plans were approved every year by TOBACCO's global steering committee. Both brand policies and periodic conference calls acted as decision-making tools as seen in the data discussed in this chapter. Collectively, the presence of *centralization mechanisms* indicates the existence of a centralised CSR strategy, resulting in a head-office-determined CCR agenda being implemented within the subsidiaries as key decisions pertaining to the focus of the subsidiaries' CCR practices *are* centralised. Although a decentralised CSR strategy would be more locally responsive, it would also lead an MNC's CSR strategy to become fragmented, which would further increase the complexities involved in managing it across the MNC (Muller, 2006).

In relation to the use of *formalization* as a mechanism of control, evidence indicated that across the ten subsidiaries, periodic reporting, annual CSR reviews and marketing plans and budgets were used to ensure a more routinised CCR practice within the subsidiaries. Formalization is considered to play an important role in MNC management, constituting the necessary foundation for controlling and coordinating operations (Martinez and Jarillo, 1989). Previous studies have identified that MNCs have used periodic strategy reviews, annual operating plans, and formal monitoring through periodic reporting as formalization mechanisms to control its subsidiaries (Goold, 1991). Cruz and Boehe (2010) found that MNCs do use hierarchical mechanisms such as specific goals, measurable indicators and periodic reporting to make the implementation of CSR more effective. These mechanisms are used in a top-down manner with the subsidiaries expected to comply with them and were centrally administered. This eventually has permitted each MNC subsidiary to introduce CSR into its own local strategic goals, develop projects and activities to achieve them and create competitive advantage. However, it has also resulted in the

MNC HQs ignoring (to a certain extent) the needs of Sri Lanka's community and making CCR a 'routine' organisational practice within these ten subsidiaries.

According to Martinez and Jarillo (1989), complex strategies (those resulting from interrelated, multi-plant, multi-market policies) need a high degree of coordination effort. As such, formalization by itself may not be sufficient to ensure the internalization of the organisational practices transferred by the MNC HQs (Bjorkman and Lervik, 2007). Thus, in practice, MNCs add on the normative mechanisms to the already existing formal mechanisms to manage these complex strategies (Galbreath, 2006).This was also seen in the evidence in this study where, other than formalization and centralization, normative integration/shared values were also used as mechanisms of control. As such, corporate visits, regional forums and CSR value statements were used by the ten subsidiaries as *normative* mechanisms of control. The MNCs use such control mechanisms (e.g. CSR policies and principles) to create a common organisational context or shared values across the MNC, which would in effect minimise divergent interests and enhance the subsidiaries' sense of mutual interdependence (Edstrom and Galbraith,1977; Ouchi, 1980). It also leads to a legitimisation of differences across subsidiaries and facilitates cooperation and participative decision making across the MNC (Ouchi, 1980). Although previous research studies have not specifically focused on CCR practices implementation, the concept of a 'common culture' geared towards the inculcation of CR values was seen in most of the ten subsidiaries through their adherence to the CR guidelines and areas of focus in relation to CCR practices. Several mechanisms which have been proposed in extant literature to achieve greater normative integration within the MNC such as, utilisation of selection, training and rotation of managers to build shared values across the MNC network (Edstrom and Galbraith, 1977), open communication between headquarters and its subsidiaries (Bartlett and Ghoshal, 1987; Martinez and Jarillio, 1989), were seen in this study as well. Within this context, the data showed clear evidence of training and inward knowledge transfer, open and informal communication between subsidiaries and regional/global HQs. According to Cruz and Boehe (2010), the use of such normative integration/shared values results in an effective dissemination of CSR policies and strengthens CSR activities in the MNC organisation network. The objective is to ultimately make CSR a part of the internal culture within the subsidiary.

However, whether the creation of a common set of Corporate Responsibility values has actually influenced the managers in the subsidiaries when making their decisions or whether it was more about the need to adhere to the mandated key focus areas of the MNC was a key question which was raised in the findings. It seems that within the these ten subsidiaries, the Corporate Responsibility managers were more concerned about meeting deadlines and implementing CCR projects so that specific predefined targets could be met on time. While the majority of the interviewees *did know* about the corporate values and the corporate stance in relation to Corporate Responsibility, the actual implementation of CCR practices was more focused on the completion of projects on time, being able to enter the correct data in reports required by the MNC, and keeping to CSR budgets. Thus, if the MNC want to inculcate a ‘culture’ of CSR they should refrain from using strict controls over CCR practice implementation and most of all not act as ‘decision-makers’ in shaping the CCR agenda of the specific subsidiaries.

In the use of coordination as a mechanism of control, the evidence points towards a similarity in the management structures of the subsidiaries, their regional HQs and the global HQ of the MNC. Such a replication of management structures usually occurs when MNCs enact routines and standard operating procedures used in their head offices in a similar form and context within their foreign affiliates, resulting in similar hybrid operations spread throughout their global network (Nelson and Winter, 1992). This resulting similarity between HQs and a foreign subsidiary has also been called the ‘mirror effect’ (Brooke and Remmers, 1970). It should, however, be pointed out that the replication of management structures between the MNCs and subsidiaries was used primarily to facilitate the implementation of product market strategies across the MNCs. However, as CCR is being managed by the existing functional departments in most of the subsidiaries, the replication of management structure is seen when implementing CCR practices as well. For example, BANK1 implements CCR through their Corporate Affairs department and there was replication seen in the management structure of the Corporate Affairs department in BANK 1 and its regional HQs; however, this is *not* to facilitate the implementation of CCR but to ensure that the Corporate Affairs function is implemented. Therefore, the re-enactment of routines and standard control mechanisms used in global/regional HQs within the subsidiaries has resulted in a similarity of these control and coordination structures as explained above. According to Cray (1984), in relation to Corporate Responsibility practices implementation, subsidiaries of MNCs may use coordination simultaneously as a mechanism for greater integration with HQs (through global corporate policies and principles established for CR) and as a tool for the transferring of knowledge pertaining to specific aspects of Corporate Responsibility practices. The findings discussed here also show that in relation to

CCR practices the degree of coordination was dependent primarily on the need for standardisation followed closely by the need to manage costs of implementation, but the need for flexibility seems to be of least concern (Husted and Allen, 2006; Clay, 1984).

5.5 Summary

In summary of this chapter, three points are noted.

First, CCR practices of the ten subsidiaries are significantly shaped by the relationship that they have with their MNC HQs. Amongst the ten subsidiaries in this study, decision-making power for CCR practices rests with either the global HQ or regional HQ. Such decisions relate to planning for region-wide CCR practices (in terms of market-related CCR practices), approval of budgets for CCR and monitoring the achievement of targets set. Consequently, this has led to the implementation of a head-office decided CCR agenda across the subsidiaries apart from TELECOM. Overall (across the other nine subsidiaries), the global CCR strategy of the MNC group influenced all decisions taken in Sri Lanka, thereby shaping local subsidiary managers' decisions as well as the subsidiaries' resource dependencies.

Second, the evidence has shown that the different control mechanisms being used by these subsidiaries complement the implementation of a global CCR strategy. However, although this has resulted in an efficient and effective organisational practice, it has failed in inculcating a 'culture' of social responsibility within some of the subsidiaries. Managers are too concerned about meeting deadlines for internal reports and filling forms sent by their HQs to actually reflect upon 'how' the subsidiary as an important business entity could contribute towards fulfilling its social responsibilities towards community stakeholders in Sri Lanka. In effect, Community CR has become another business activity.

Chapter 6:
Institutional Factors Influencing the Implementation of Community Corporate Responsibility practices of subsidiaries

6.1 Introduction

This chapter provides the emergent findings related to the institutional actors influencing the implementation of subsidiary CCR practices in Sri Lanka. Within this context first, it explores the diverse activities that these different institutional actors engage in to influence the broad CR agenda of Sri Lankan companies. Second, four different responses of the subsidiaries identified from the data is discussed. The chapter concludes with a discussion on how these responses are influencing the 'legitimacy' of the subsidiaries in Sri Lanka. Overall, the findings highlight the influence of key institutional actors such as the Sri Lankan government, on the implementation of subsidiary CCR practices. The data also shows that subsidiaries are adopting 'pragmatic' approaches to the way in which they use their CCR practices in Sri Lanka to obtain legitimacy from key institutional actors.

6.2 Overview of Institutional Actors

Several institutional actors, comprising of government bodies, internationally affiliated non-governmental bodies and chambers of commerce were identified as being actively engaged in promoting CSR in Sri Lanka. It is important to reiterate here again that, most of these institutional actors were identified as a result of the in-depth interviews with subsidiary managers. These ten institutional actors (interviewed) may not include *all* institutional actors involved in influencing CSR (such as Sri Lankan government ministries and departments and most of the United

Nations agencies) and as such comprises only of institutional actors 'as identified' by the subsidiary managers.

The following section provides an overview of the 'claims' made by the institutional actors on their influence upon the CR practices of business organisations in Sri Lanka. This discussion also uses corroborative evidence from the subsidiary managers either affirming or disapproving these claims made by the institutional actors.

6.2.1 The Government of Sri Lanka and National Centre for Economic Development

The Sri Lankan central government controls the legal and regulatory framework in the country. It is expected that foreign affiliated companies would abide by the laws and regulations of Sri Lanka. In relation to different CR issues such as community CR, employee welfare, environment management and health and safety, the subsidiaries are regulated by different central government ministries and regulatory authorities (See table 6.1). In such an instance, the Sri Lankan central government establishes the parameters within which subsidiaries should implement these CR practices. For example, all matters related to environment management are regulated through the Central Environmental Authority of Sri Lanka. Subsidiaries have to obtain licenses from this authority and allow periodic inspections to take place. In this instance, the subsidiaries' environment management practice (in Sri Lanka) would have to be altered to take into consideration these regulatory influences.

Table 6.1 – Sri Lankan Governmental Ministries and Regulatory Authorities involved in regulating the institutional environment in Sri Lanka

Government Institution	Operational Focus	Type of Corporate Responsibility Practice most influenced
Ministry of Labour and Labour relations (Department of Labour)	It is responsible for the enforcement of Labour Laws and settlement of industrial disputes within Sri Lanka and for monitoring occupational hygiene and prevention of industrial accidents. It is also involved in the implementation of Social Security Schemes for employees in both the private and public sectors in Sri Lanka. The ministry also works closely with the Ministry of Labour Relations & Foreign Employment in fulfilling Sri Lanka 's obligations as a member of the ILO (Labour Department, 2010)	• Employee Welfare • Health and Safety in the workplace
Environment Ministry	The Ministry of Environment of Sri Lanka manages the environment and natural resources of the country, maintaining the equilibrium between the trends in rapid economic development and use of natural resource base. Through a large network of implementing agencies that come under the purview of the Ministry of Environment Sri Lanka's Environment policies are implemented (Ministry of Environment- SL, 2010) Two such implementing agencies include:- • **<u>Central Environment Authority –</u>** The key objective of CEA is to make provision for the protection, management and enhancement of the environment, regulation, maintenance and control of the quality of the environment and prevention, abatement and control of pollution in Sri Lanka (CEA, 2010) • **<u>Marine Pollution Prevention Authority</u>** Marine Pollution Prevention Authority contributes to protect the marine environment of Sri Lanka from ship based and shore based maritime related activity. It also implements laws and regulations and international Conventions relating to marine pollution prevention in Sri Lanka in order to comply with International and national obligations (MPPA, 2010)	• Environment Management
The Department of Health	The department is responsible for the management and effective implementation of health services and thus ensuring a quality, accessible, and sustainable health system for the people of Sri Lanka (MOH, 2010)	• Community Corporate Responsibility
Ministry of Livestock and Rural Community Development	The Ministry of Livestock & Rural Community Development is the apex organisation responsible for the implementation of policies, plans, programmes and the relevant statutory provisions for the management and development of the livestock sector and rural community development in Sri Lanka. Developing the dairy sub-sector is the priority activity in the medium term development agenda of the Ministry.	

In relation to the regulation of Community CR, the National Centre for Economic Development (NCED) was identified by the subsidiary managers (Vice-President Sustainable Development CEMENT, 2008; Human Resources Director CONSUMERG3, 2008), as an important institutional actor. This is because the NCED has been tasked with achieving the United Nation's Millennium Development Goals (MDGs) in Sri Lanka. Since, MDGs have extensive community development goals; the NCED's main task (according to the interview data) is to encourage the private sector business organisations in Sri Lanka to potentially undertake activities to meet the MDGs. When doing so, if the business organisations encounter any policy related issues, the NCED acts to resolve these to make implementation much easier (NCED, 2009).

The NCED has established twenty four cluster committees based upon different industrial sectors and any MNC subsidiary belonging to any of these cluster committees could obtain the assistance of the NCED when they encounter any governmental shortcomings (i.e. policy barriers, taxation etc.) when trying to implement Corporate Responsibility practices as reflected in the following quotation:

> "NCED is practicing an institutionalised stakeholder consultative and participatory process in the government policy formation, with the aim of achieving a coherent development plan for the country" (NCED, 2009)

According to the National Coordinating and Communications Officer of NCED, the government of Sri Lanka is using it to try and improve its engagement with the private sector companies in Sri Lanka. The overall objective is to align the business objectives with the Millennium Development Goals[22] (UN, 2009), so that effective and progressive social and economic development can be achieved in Sri Lanka. One such way, is by influencing the CCR practices of private sector companies by removing any policy issues that the companies would encounter, as noted below by the NCED officer:

> "What the Government does is wherever there are bottlenecks [regarding] policy issues, [it will] see that those issues are [resolved] and the bottlenecks are removed so that the companies can go ahead with their community development plans […] [but] the government can't impose that the companies do CSR […] it is going to create other complications [because] the companies will expect something more [from the government]"
>
> **(N**ational Coordinating and Communications Officer, NCED, 2009)

6.2.2 Chambers of Commerce

Two main chambers of commerce were identified by subsidiary managers (Corporate Relations Manager CONSUMERG1, 2008; Public Affairs and Communication Manager CONSUMERG4, 2008), as influencing their CR practices: the Ceylon Chamber of Commerce and the National Chamber of Commerce in Sri Lanka. According to the subsidiary managers, these chambers of commerce influence their CR practices by promoting different award schemes (See Appendix XI for detailed information with regard to these CSR competitions) which recognises the achievements of companies' related to CSR in Sri Lanka.

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[22] The Millennium Development Goals established quantitative benchmarks to halve extreme poverty in all its forms in the world through the achievement of eight goals consisting of eradicating extreme poverty and hunger, achieving universal primary education, promoting gender equality and empower women, reducing child mortality, improving maternal health, combating HIV/AIDS and other diseases, ensuring environmental sustainability and developing a global partnership for development (UN, 2009)

The Ceylon Chamber of Commerce organises the *Ten Best Corporate Citizen* awards, which recognises and promotes CSR initiatives among its member companies. While, the National Chamber of Commerce of Sri Lanka, conducts the *National Business Excellence* awards which amongst other criteria evaluates applicant business organisations for their CR practices (NCCSL, 2007). Out of the ten subsidiaries interviewed for this study, five of them (i.e. TOBACCO, CONSUMERG2, CEMENT, BANK1 and CONSUMERG1) had won the Best Corporate Citizen award at least once within the last five years. However only one subsidiary had entered the National Business Excellence awards, as this chamber of commerce mostly comprised of local companies than MNCs. The impact of participating in these awards were explained by the subsidiary managers of BANK1 and CONSUMERG2 as an 'encouragement' to further engage in CCR practices as shown in the quotes given below:

> "Yes, I think if the [chamber] didn't have the awards [companies] might not have got into [CSR] at all. So you need awards to encourage organisations to do more and I think it's a good start and it's come a long way in Sri Lanka"
>
> (Senior Public Affairs Manager, BANK1, 2008)

> "[The] awards are good […] we always participate in the awards […] and we do that because it provides us with channel to tell others about our CSR programs [also] the recognition the awards bring us is good for CONSUMERG2"
>
> (Vice-President, Human Resources, CONSUMERG2, 2008)

Subsidiary managers from CONSUMERG2 and TOBACCO also stressed the impact of participating in these awards upon the way they organise their CR practices internally in terms of enabling greater collection of data and information. This is stressed by the Vice-President of HR in CONSUMERG2 and the Corporate Communications Manager of TOBACCO below:

> "Our Corporate Communications Manager had to sit down and put all of this [information about our Corporate Responsibility] together into a document [so that we could] answer those questions that the Chamber had asked [in the award application] and I think it kind of gave us a detailed interpretation of our Corporate Responsibility activities"
>
> (Vice-President- Human Resources, CONSUMERG2, 2008)

> "I mean the problem is we have to make sure we give the correct documents [in the award application] Sometimes I have to collect the information and then put it together [but] we do have most of the information because of our social reporting cycles"
>
> (Corporate Communications Manager, TOBACCO, 2008)

The most recent initiative undertaken by the Ceylon Chamber of Commerce was to launch a voluntary CSR charter called the *Voluntary Agenda for Responsible Business*, to be adopted by the private sector organisations (including multinational subsidiaries) operating in Sri Lanka. Its objective was to "shape the business strategy to promote a sustainable balance in a society that is developing and growing" (Ceylon Chamber of Commerce, 2008:01). This voluntary charter was a collaborative effort amongst several institutional actors and international organisations who are actively engaged in promoting greater sustainability within the business practices of Sri Lankan organisations.

The Ceylon Chamber of Commerce also promotes the integration of the eight MDGs into the CCR agendas of its member organisations through a CSR steering committee system. These steering committees simultaneously promote the integration of MDGs and also provide technical advice on how to achieve them through viable CCR projects. As explained by their Additional Deputy Secretary General below, the Ceylon Chamber now publishes a CSR report based upon what their member companies are doing under the MDGs:

> "We have about 10 – 12 private sector companies that come together and then we also invite people from the UN, from the World Bank and IUCN. Organisations that could provide technical support or advice to the private sector companies, on how to handle different CSR projects […] we have been doing some form of CSR but probably never documented it […] 5 years ago [our] Annual Convention [was about] CSR after that we […] accelerated our programmes and decided to launch the awards scheme […] and we started promoting the concept to our member companies using the MDGs"
>
> (Additional Deputy Secretary General, CCC, 2008)

The analysis of documentary evidence provided by the Ceylon Chamber of Commerce shows that their CSR Steering Committee system has resulted in influencing the *type* of CCR projects undertaken by four of the subsidiaries which were actively engaged in these steering committees. This is shown in table 6.2 below (See TOBACCO, BANK1, CONSUMERG1, CONSUMERG2 and INSURANCE).

Table 6.2: The Ceylon Chamber of Commerce's MDG agenda and Subsidiary Community Corporate Responsibility projects

The Millennium Development Goals (MDGs)	Subsidiary	Community CR Projects
Goal 1: Eradicate extreme poverty and hunger	TOBACCO	Sustainable Agricultural Development Project (SADP)
Goal 2: Achieve universal primary education	BANK 1	English Education Projects
Goal 3: Promote gender equality and empower women	Collaborative initiative by INSURANCE with other local companies to promote gender equality	
Goal 4: Improve maternal health	CONSUMERG2	Clean Drinking water projects
Goal 5: Reduce Child Mortality	CONSUMERG1	Pears Safe Hands Project *(Pears Brand)*
Goal 6: Combat HIV/AIDS, Malaria and other diseases	John Keels Sri Lanka	John Keels HIV/AIDS awareness campaign
Goal 7: Ensure environmental sustainability	Brandix Sri Lanka Talawakelle Tea Estates Kelani Valley Plantations	Different CCR projects
Goal 8: Develop a Global Partnership for development	Microsoft Sri Lanka Sampath Bank Sri Lanka	Microsoft's unlimited potential project Sampath Bank's entrepreneur development projects

Source: Ceylon Chamber of Commerce (2008a)

When the relevant subsidiary managers were questioned about their involvement with the Ceylon Chamber's MDG project, they gave interesting responses. Subsidiary managers from BANK1 said that they *did* start new CCR projects to meet the MDGs promoted by the Ceylon Chamber (i.e. Assistant CSR Manager, BANK1, 2008) but later on there were conflicts on ownership for the projects and they withdrew from these projects. Some managers from TOBACCO stated that it is difficult to find the funding as a single company so the Ceylon Chamber has to put more effort into bringing about collaborations between the companies:

> "It came up actually as we won the chamber awards [...] and so we started heading the MDG Goal no. 2 [...] and we did the hard bit of identifying a project and starting them which was very difficult [...] Initially CONSUMERG4 also collaborated with us but then for some reason, they

> didn't come for the meetings and all that and they slipped off and we had to carry off the projects ourselves"
>
> (Assistant Manager CSR- Education, BANK1, 2008)

> "I mean the program is good [...] but it is not easy for companies to take up big projects [we can] do that but it will be better if companies join hands [...] but what has happened in the Chamber's program is that some companies have dropped out, two years back when I went for the first meeting there were 10 companies for each MDG goal [...] by October there was only about six companies left [including] us"
>
> (Corporate Social Responsibility Manager, TOBACCO, 2008)

As explained below by other subsidiary managers from CONSUMERG2 and INSURANCE the 'real' reason for setting up the Ceylon Chamber's MDG project administered through eight CSR Committees was simply an information and/or data collection strategy by the Chamber:

> "We are in one of the Chamber of Commerce CSR Committees and one of things that we are doing on that Committee is sharing information [about our CSR practices] and [our] knowledge. [It is actually there because] the Chamber as a body would like to see and tell what its member organisations are doing in terms of CSR. That is what that CSR Committees are really about"
>
> (Vice-President- Human Resources, CONSUMERG2, 2008)

> "It came about because I head one of the Chamber's committees […] I think they want to report on the different areas that they work on under the MDGs […] so basically we share our CSR projects and information with them "
>
> (Assistant General Manager-Marketing, INSURANCE, 2008)

The above findings highlight some interesting discussion points. First, it is obvious that the two most important chambers of commerce in Sri Lanka *is* actively promoting CSR among its member organisations using various initiatives. Second, some of the subsidiary managers, however, seem to be quite skeptical about the actual influence of these chambers: some subsidiary managers consider these initiatives (such as the Annual Corporate Responsibility awards and MDG projects) to be useful in terms of influencing their own CCR agendas (e.g. TOBACCO) but, others are skeptical about the actual reasons underlying the chambers' efforts in promoting CSR (e.g. CONSUMERG2 and INSURANCE). Nevertheless, what is clearly evident from the data is that there is an increasing *awareness* of CSR in Sri Lanka among both the businesses as well as trade associations and in some cases it *is* being actively promoted by chamber of commerce and other government institutions who work with businesses, such as the NCED to some extent.

6.2.3 Association of Chartered Certified Accountants of Sri Lanka

The Association of Chartered Certified Accountants of Sri Lanka (ACCA) is affiliated to ACCA in the United Kingdom, a global body of professional accountants. ACCA in Sri Lanka influences the corporate responsibility practices of organisations operating within the country in two key ways. First, they conduct the *ACCA Sri Lanka awards for sustainability reporting* aimed at identifying and rewarding the communication of corporate social performance. Secondly, they promote sustainability reporting in Sri Lanka among business organisations by arranging informative forums, publication of sustainability reporting guides and through sustainability reporting research (Country Manager, ACCA-Sri Lanka, 2008). The low participation levels of companies in their sustainability reporting awards and the reluctance of participants to accept losing the awards were stated by the Country Director of ACCA Sri Lanka as key issues that ACCA faced in trying to promote sustainable reporting in Sri Lanka. She observed the following:

> “Companies that promote CSR in Sri Lanka […] still fail to report [...].we cannot force an agenda on to companies. Secondly, our competitors like CIMA and ICA are on the bandwagon but sometimes these award programmes tend to reward superficial CSR programmes […] So most companies lose site of the main goal—which is to have a core sustainability strategy […] I think in Sri Lanka there are about 169 public listed companies but we got only 30 applications for the awards [Previously] we had a practice of being transparent about our competition, so we would give a list of all the companies that participated but that became a deterrent to other companies who didn’t win”
>
> (Country Director, ACCA-Sri Lanka, 2008)

A few important discussion points need to be raised here about ‘award’ schemes organised by the institutional actors and the views of the subsidiary managers about them. Three key award schemes are presently being organised and promoted in Sri Lanka (See Appendix XI for more details). Some of the subsidiary managers stressed that these awards could encourage people to do more and were about sharing of experience in CSR. Conversely, however, some subsidiary managers (i.e.CONSUMERG4, BANK1 and TELECOM) criticised the awards saying that the expectations were too high so that companies would not engage with the social responsibility and reporting agenda at all and that ongoing projects and initiatives would not be captured by the awards available in Sri Lanka. Some managers even went on to note that the local awards could be corrupted and political reasons could hamper the engagement in CSR in Sri Lanka. These quotes are given below:

> “Sometimes when you look at the criteria of the awards and the projects which win the awards are [always] huge projects […] which is not fair for companies who do small projects”

(Public Affairs and Communications Manager CONSUMGERG4)

> “Awards always help to do new things but awards also prevent people from doing the same things... I think if they didn’t have the awards companies might not have got into CSR at al […] but at the same time these awards also need to encourage people to do more in CSR”
>
> (Senior Public Affairs Manager, BANK1)

> In Sri Lanka we can’t win, I mean we have won a few awards globally …but then it is all confidential […] here in Sri Lanka a lot of politics matter and we have completely stopped taking part in these local awards because it’s not good for our image
>
> (Senior Manager Public Policy and Corporate Responsibility, TELECOM)

What could be concluded from these quotes is that there seems to heightened interest in the Sri Lankan business environment to promote CSR among the private sector and some of the institutional actors do seem to be influencing the CCR practices of the subsidiaries as well. Whether subsidiaries can contribute to this CSR agenda by developing new and innovative CCR projects is however doubtful given the strict controls being imposed upon them by their MNCs (as discussed in previous chapters).

6.2.4 Employers Federation of Ceylon

The Employers Federation of Ceylon (EFC) is the only member of the International Labour Organisation (ILO) in Sri Lanka and is focused at promoting employer interests at national level and providing a wide range of direct services to its members (EFC, 2009). The EFC’s key focus area pertaining to CSR is about employee relations and welfare. In an effort to promote employee welfare the EFC has taken steps to publish two codes of conduct for their members: *Code of Conduct* *and Procedures to address Sexual Harassment in the workplace* and *Code of Good Practices on the Employment of Disabled People* (EFC, 2009). They promote these codes by obtaining the voluntary participation from their member organisations in Sri Lanka. This voluntary adoption of these codes is boosted by EFC's extensive collaboration with the International Labour Organisation (ILO). Overall, EFC's influence on the CSR practices of business organisations is focused *not* on Community CR but on the employment practices including employee welfare and grievances handling within the purview of Sri Lanka's labour Laws. EFC's influence is explained by the Deputy Director General of the EFC as follows:

> '[We have two aims]. One is to help to promote awareness with regard to Corporate Social Responsibility and how it would work from a business point of view [...] and secondly to improve the quality of life of employees [by getting organisations] to focus on gender equality and sexual harassment. [We are focusing on these areas in relation to corporate responsibility] because these things are also very close to the work of the International Labour Organisation'.
>
> (Deputy Director General, EFC, 2008)

As such, the institutional actors interviewed are also involved in influencing other types of corporate responsibility such as employee wellbeing. What is interesting is the filtering through of global institutional standards and good practice measures, such as that of ILO via the local institutional actors to the subsidiaries.

6.2.5 Global Compact Sri Lanka

The United Nations Global Compact Local Network Sri Lanka was established in 2007 in Sri Lanka (UNGC, 2008). It mainly influences the corporate responsibility practices of its members (consisting of both local and multinational companies) through their voluntary adoption of the Ten Principles of the United Nations Global Compact. The Global Compact Local Network in Sri Lanka has established three cohesive networks consisting of a business network, an academic network, and an advisory network. As explained below by the Focal Person for Global Compact in Sri Lanka, the key reason for their member business organisations to accept the promotion of the principles of the global compact is to enable them to gain strategic advantages when trading in international markets:

> "We actually went and told [the companies] the benefits of being a member of the global compact. [We said] that we can showcase Sri Lanka's companies [and their corporate responsibility activities to the] the global market through the global compact then they [could] get global credibility and in that way they stand to strengthen their business credentials also"
>
> (Network Focal Person, UN Global Compact- Sri Lanka, 2008)

The data presented here shows the different ways by which subsidiaries' CR practices could be influenced from the actions of different institutions in Sri Lanka. These different ways comprise of various CSR award schemes, CSR agendas of trade associations, through the adoption of voluntary codes of conduct promoted by business networks', and government affiliated institutions promoting macro country development goals via public-private networks. While these influences (discussed in more depth in the section 6.3) maybe intangible, they do seem to shape the CCR practices of the ten subsidiaries examined in this study.

6.2.6 The International Union for Conservation of Nature

The International Union for Conservation of Nature in Sri Lanka (IUCN-Sri Lanka) largely facilitates conservation action of business organisations by offering technical, institutional and policy support to government agencies and NGOs (IUCN, 2010). IUCN-Sri Lanka influences the CR practices of business organisations that they work with by providing technical support in three thematic areas of forestry and biodiversity, coastal resources management and business and biodiversity (*Ibid*). In Sri Lanka, the Ceylon Chamber of Commerce acts as collaborator by enabling IUCN–Sri Lanka to form partnerships with their member business organisations if they require the technical expertise offered by IUCN-Sri Lanka. Therefore, especially in relation to CR practices related to environment management, IUCN collaborates with the Ceylon Chamber of Commerce as explained by their Coordinator for Business and Biodiversity Programme:

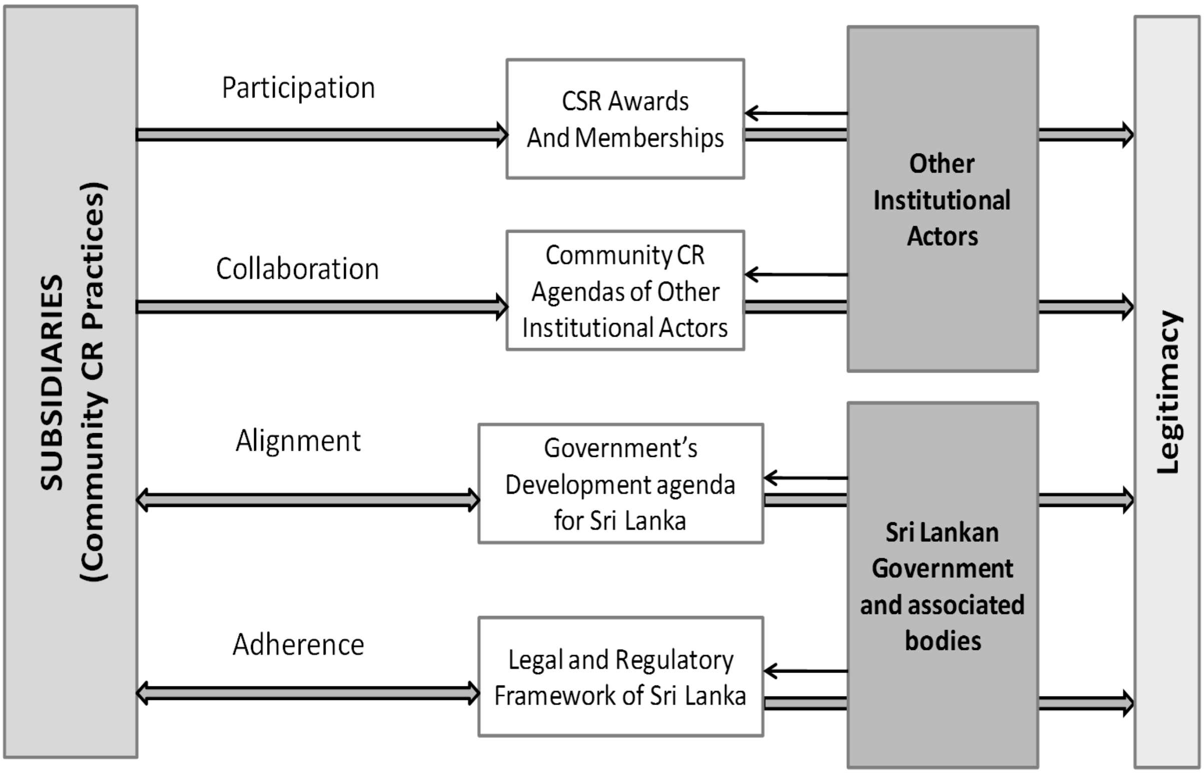
> "So [we have] signed an agreement the Ceylon Chamber of Commerce and also with the Federation of Chamber of Commerce in Sri Lanka […]. [There is a lack of availability in expert advice] in Sri Lanka for example in areas such as carbon trading and we have the expertise which we want to share with the companies"
>
> (Coordinator for Business and Biodiversity Programme, IUCN-Sri Lanka, 2008)

In summary, the preceding findings show that various institutional actors identified by the subsidiary managers *do* influence the CR practices of the subsidiaries albeit in different ways. What is interesting to note however, are the different agendas that the institutional actors themselves have in relation to promoting CR in Sri Lanka. Their individual agendas differ based upon their scope of activities and the influences that global institutions have on their operations in Sri Lanka. It is also obvious from the subsidiary managers' responses, that they are more than willing to take part in CSR competitions and awards or sign-up for membership of voluntary CSR networks such as the UNGC, provided they do not have to change their present CCR practices. This maybe because they cannot change their CCR agendas which are (as discussed in Chapter 4 and 5) closely controlled by their MNCs. In summary, there are different levels of engagement between the subsidiaries and these institutional actors. The following section examines these different interactions in detail.

6.3 Patterns of Gaining External Legitimacy by subsidiaries

The in-depth analysis of interview data (See section 3.3.5 in Chapter 3 for details on analysis), showed four patterns of engagement that the subsidiaries had with the various institutions in Sri Lanka (See figure 6.1). These four patterns of engagement essentially depict how the subsidiaries are engaging with institutional actors through their CR practices to gain legitimacy for their operations in Sri Lanka. The patterns also indicate that collectively this engagement is shaping what business activities could legitimately be considered to be Community CR in Sri Lanka.

Figure 6.1: The External Legitimisation Process



Source: Author

These four different patterns of engagement were identified as Adherence, Alignment, Collaboration and Participation. *Adherence* could be defined as 'complying with the legal and regulatory framework of the host country'. *Alignment* was defined as 'matching of the CCR agendas of subsidiaries to that of the Government of Sri Lanka's long-term development plans'. *Collaboration* was defined as 'subsidiaries working together with institutional actors to implement a common CCR agenda'. *Participation* was defined as 'the voluntary participation of the subsidiaries in CSR awards to obtain recognition for their CR practices'. Each of these four patterns is examined below with relevant empirical data.

6.3.1 Adherence

The pattern of *adherence* explains how most of the subsidiaries' (i.e. six out of the ten subsidiaries) comply with the legal and regulatory requirements of the government of Sri Lanka. *Adherence* is closely tied to the government's role as a regulator and law maker of the industrial and trade environment in which the subsidiaries operate. Probing deeper into how these subsidiaries complied, there were two interesting findings: first, subsidiaries laid a high level of importance in complying with the legal and regulatory requirements of the government, although some of these regulations and laws restricted their operations in the country. As explained by the Manager Regulatory Affairs and Nutrition of CONSUMERG3 and Corporate Communications Manager of TOBACCO, below if the subsidiaries wanted to ensure business sustainability, they had to comply with the laws and regulations in Sri Lanka:

> "[We need to] manage [government] policies. [In] the food sector, there are many [government] policies [such as] the nutrition policy and the food safety policy [and] there are laws such as the Food Act. So [we] have to comply

with [all these] laws and regulations. [These are] certain parameters which [could] actually restrict our operational freedom in this country and [therefore] could directly affect our business"

(Manager Regulatory Affairs and Nutrition, CONSUMERG3, 2008)

"We have no option but to make sure we comply with this law […] yes, we have a monopoly in Sri Lanka, but we have do to what the government tells us […] if they decide to ban advertising totally [of our products] we can't do anything about it"

(Corporate Communications Manager, TOBACCO, 2008)

Second, in relation to the management of health, safety and environment in their companies, some of the subsidiaries considered it easy to comply with the existing regulations in Sri Lanka. This was an unusual finding, as business firms are prone to complain about stringent regulations stating how cumbersome it is to comply. Therefore, it was surprising to find that the subsidiary managers in this study thought differently. Nevertheless, given the fact that the subsidiaries are already adhering to stringent global health, safety and environment standards as a requirement of their HQ directives, complying with the legal and regulatory framework of Sri Lanka may not be that difficult. It was acknowledged by the subsidiary managers, that their internal systems and standards *are* much more sophisticated (i.e. such as global environment management systems) and therefore, meeting the legal and regulatory requirements of the Sri Lankan government *was* quite easy for them. This is explained by the Corporate Relations Manager of CONSUMERG1 and the Head of Corporate Real Estate Services in BANK2 below:

"Obviously we have to follow the regulations that are set [by the government] but our standards are higher than [those of] the government of Sri Lanka. I mean we do adhere to all the environmental laws but sometimes the

CONSUMERG1 regulations and procedures are much above the standards of the local government”

(Corporate Relations Manager, CONSUMERG1, 2008)

“There is very strict following up of health and safety in BANK2 [...] if you compare what we have to do inside the bank with the actual health and safety laws in Sri Lanka, I can certainly say the internal requirements are much higher […] for us, it’s much harder to meet internal standards than the Sri Lankan regulations”

(Head of Corporate Real Estate Services, BANK2, 2008)

Some of the subsidiary managers’ views were that the companies tended to adopt regulatory standards of a much higher level than those which are required by the Sri Lankan government. This point is explained below by the CSR Manager of TOBACCO and the Environment Manager of CEMENT below. According to the CSR Manager of TOBACCO, the subsidiary had to adopt more stringent regulations for the permissive age for smoking, prior to such regulations being imposed by the Sri Lankan government due to the adoption of a global voluntary code of conduct within TOBACCO-Global:

> “Before any regulation [was imposed in Sri Lanka about the legal age for smoking] we had our own [global] voluntary code of conduct. [So this new] regulation came in 2006 [in Sri Lanka to make] the age for smoking [to be] 16 but we always [considered it to be] 18 [due to this voluntary code of conduct]”
>
> (CSR Manager, TOBACCO, 2008)

> “I mean if you look at our coral rehabilitation programme here [in Sri Lanka], there is no law in Sri Lanka saying we have to do that [but] CEMENT – global has a global environment strategy and their environment standards are very high, obviously because we

manufacturing cement [...] I mean, yes, as a company doing business in Sri Lanka, we have to follow the Central Environment Authority's guidelines, but if you compare what we need to do internally [...], and the local regulations, the head office standards are much more higher […] so that is the reason we started this programme in Sri Lanka"

(Environment Manager, CEMENT, 2008)

As a pattern of engagement to obtain legitimacy, *adherence* was mostly about the subsidiary abiding with the legal and regulatory requirements of the Sri Lankan government. However, closely related to this pattern there was also an intermittent inverse pattern of *advocacy*. This occurred when some of the subsidiaries (i.e. TELECOM and CONSUMERG3) directly engaged with the Sri Lankan government, to bring about changes to existing legal and regulatory frameworks. The reasons for *advocacy* were noticeably to ensure that the industry remained competitive, ensure that best practices were integrated into the regulatory framework of the industry and deter unfair competition in the market. It was a form of 'interest representation' by the key companies in the industries to ensure that their needs too were addressed by any new governmental regulatory or legal changes. *Advocacy* was also used as key tool with which to build relationships with governmental institutions having a direct influence on the long-term sustainability of the subsidiary. These aspects are explained below by different subsidiary managers below:

"If [there are] regulations coming up [which are] going to be detrimental to the community we will then play an advocacy role with the government. We have done that for mobile taxes, the green mobile levy. We also pre-empt legislation or regulations [by] voluntarily adopting good practices"

(Senior Manager Public Policy and Corporate Responsibility, TELECOM, 2008)

> "[Now for example] the Media Minister can come up with a cabinet paper saying that milk powder advertisements are [going to be] banned. [This would] directly affect our business. So we have to manage them strategically [how we do this is that] we [get] involved in the policy making process [at the industrial level] and make sure that whatever the policies [that the government changed] are [also] in line with our business strategies"
>
> (Manager Regulatory Affairs and Nutrition, CONSUMERG3, 2008)

The above discussion shows that although engaging with the host country government through the pattern of *adherence*, is considered to be important by the subsidiaries, its influence in altering the operational practices of the subsidiaries tends to be minimal. In relation to specific CR practices such as health, safety and environment and employee welfare, the subsidiaries have much more higher level of standards which they have to maintain as a requirement of the MNC directives. These occur in the form of various internal standards and policies.

An interesting emerging point here is that the subsidiaries are not passive in their compliance with local laws and regulations. They engage actively in advocating and/or lobbying the Sri Lankan government, when any changes to government policies and legal regulations which could threaten their business sustainability in the country is anticipated. Where the subsidiaries' Community CR practices fit in within this intricate but complex web of relationships that they seem to be developing with various institutional actors in Sri Lanka is an important point.

6.3.2 Alignment

The second pattern of influence identified is *alignment*. The subsidiaries engage in gaining legitimacy here through an alignment (or matching) of their CCR practices agendas with the Sri Lankan government's developmental plans. Essentially this occurs through large investments in capacity building projects made by the subsidiaries. However, this pattern was not identified across *all* ten subsidiaries. It was only clearly discernible in subsidiaries operating within an industry which was controlled (to some extent) by the Sri Lankan government. These subsidiaries' business operations in Sri Lanka were thus dependent on the 'good graces' (i.e. continued support) of the Sri Lankan government. They had to make sure that the government, acknowledged the important contribution of their companies to Sri Lanka, specifically their contribution to the further development of the industry and the country. This was important for the subsidiaries, because the continued support of the Sri Lankan government was required for them to operate in industries under the direct regulatory control of the government. Furthermore, the subsidiary managers' view was that through *alignment*, they could build strong relationships with the government. This would enable the subsidiary to either prevent any negative future government actions (for example, such as the enactment of new laws restricting the business practices of the subsidiaries or opening up monopolised markets to competition) or would at least ensure that the subsidiary is notified in advance of any such changes so that preventative measures could be taken to ensure their continued operations in the country.

Table 6.3 assesses the Sri Lankan governments' regulatory control on three industries and the large capacity development projects, which three of the subsidiaries in this study are engaged in. These industries, consisting of processed milk powder (falling within the Fast Moving Consumer Goods industry), tobacco and alcohol and the cement, are all regulated by the Sri Lankan government through either price control, licensing or taxation (See table 6.3). When the degree of investment and focus of the capacity building projects being implemented by these subsidiaries are considered, it is quite evident that their CCR practices (in this instances) are *aligned* with the Sri Lankan government's country development goals. Although it is not explicit, the expectations of the subsidiaries are obviously legitimisation of their business operations in the country by the government.

Table 6.3: Influence of the Sri Lankan government on the operations of subsidiaries in relation to business sustainability

Subsidiary	Industry	GOSL regulation of the Industry	Regulatory Authority	Regulatory Activities and Implications for subsidiaries	Large scale capacity building and other CR projects
CEMENT	Cement	Price Control	Consumer Affairs Authority (Ministry of Trade Commerce, Consumer Affairs and Marketing Development)	Cement products are specified as an essential commodity by the Minister of Trade, Commerce & Consumer Affairs Section 18 of the Consumer Affairs Authority Act No.09 of 2003 and the prices of Cement products are determined by the Consumer Affairs Authority (CAA, 2010)	• Coastal Rehabilitation Programmes • Three year apprentice development programmes for unemployed youth in the villages near to the cement manufacturing facilities
CONSUMER G3	Fast Moving Consumer Goods (Processed Milk Powder)	Price Control and Import Taxes	Ministry of Livestock Development Sri Lanka Consumer Affairs Authority (Ministry of Trade Commerce, Consumer Affairs and Marketing Development) Ministry of Finance	As the domestic milk production only constitutes about 17% of the requirement and the rest is imported, import taxes are imposed and Full Cream Milk Powder is specified as an essential commodity by the Minister of Trade, Commerce & Consumer Affairs Section 18 of the Consumer Affairs Authority Act No.09 of 2003 and the prices of FMCP products are determined by the Consumer Affairs Authority (CAA, 2010)	• Investment of 19 million New Zealand Dollars in a livestock development study for the government • Free training programmes for government medical personnel
TOBACCO	Tobacco and Alcohol	Taxation and Licensing	National Authority on Tobacco and Alcohol (NATA) Ministry of Finance	The Government taxes both tobacco and alcohol products in Sri Lanka (presently about 12%) (ADIC, 2010). The government enacted a Tobacco Control Act in 2006 for comprehensive tobacco control and established NATA to implement the Act (NATA, 2010) In Sri Lanka the largest monopoly of cigarettes come for the ***TOBACCO*** (ADIC, 2010). However, as more stringent legislation has been enacted within the country, ***TOBACCO's*** business sustainability is dependent on its acceptance as a key contributor to the GOSL's revenue and development initiatives.	• Sustainable Agricultural Development Project- SADP An investment of 225 million rupees to alleviate rural poverty in Sri Lanka

Source:Various

All these three subsidiaries (i.e. CONSUMERG3, TOBACCO and CEMENT) are operating within price controlled industries. In the case of TOBACCO, its monopoly in Sri Lanka is dependent on the government not deregulating the tobacco industry. Collectively, the subsidiaries' long-term business sustainability is dependent on the Sri Lankan government. The overriding point in the following quotes given by different subsidiary managers from these three subsidiaries is that they want to build a good relationship with the Sri Lankan government:

> "Now when it comes to the price of milk powder [it is] determined by the government. Actually, it is the consumer affairs authority. Now that would have an influence on our profitability so managing that becomes more important than [managing] the competition […] so we have established a separate department to deal with the government"
>
> (Manager Regulatory Affairs and Nutrition, CONSUMERG3, 2008)

> "We basically support and work very closely with the [Sri Lankan] Livestock Ministry. We are doing this through two ways. [The first] is that we are helping them to articulate a dairy development policy for Sri Lanka. The present government wants to increase the local milk consumption from 15% to 50% to gain self sufficiency in 2015. So [...] we told the government [that] we have the expertise and [we can help them do this]".
>
> (Human Resource Director, CONSUMERG3, 2008)

> "The Sustainable Agricultural Development Project is one of the key CSR projects which TOBACCO handles now. We select villages with the support of the government agents and then we assist them to develop home gardens which would self-sustain them. Our target [is to] register 10000 families by 2010 and to support them till 2013. We are hoping to spend 225 million rupees on the whole project"
>
> (CSR Manager, TOBACCO, 2008)

> “We don’t usually talk about these big projects because, we are doing it in good faith […] We prefer to do it and just show it to people who really matter […] like the Finance Minister, Agricultural Minister all those top government officials […] rural poverty elevation is a government priority […] This project has come up from the government priority list […]”
>
> (Director, Corporate and Regulatory Affairs, TOBACCO, 2008)

> “So what we do is we have to make a case to get money [from our global head offices]. So we [justify by] saying [that] SADP is going to be a reputation building arm [for us] in Sri Lanka [...]. The obvious side of it that we are doing well to society [so we can meet] our societal expectations. [But] then there is the corporate reputation that would be enhanced through this project. Also [another reason] is the engagement part of it. It would give us avenues for engagement with our stakeholders [especially the government]”
>
> (Corporate Communications Manager, TOBACCO, 2008)

> “Well we do need to keep the government happy […] but at the same time we need to take care of the communities around our factories […] we try to make sure that we engage the government authorities when we do these projects […] it is important for us here in Sri Lanka to develop a good relationship with the government”
>
> (Vice-President Sustainable Development, CEMENT, 2008)

As explained in the above quotes, one example of alignment is CONSUMER G3 spending 19 million New Zealand Dollars on a study of livestock development and a dairy development plan for Sri Lanka, in order to build strong relationships with the government. A similar example is the flagship project of TOBACCO called the Sustainable Agricultural Development Project (SADP) where TOBACCO has made an investment of 225 million rupees to alleviate rural poverty in Sri Lanka, which also happens to be one of the key goals of the present government's country development agenda.

Alignment therefore seems to be a way by which subsidiaries try to manipulate the host country government towards gaining positive benefits for themselves. It raises questions as to whether subsidiaries passively accept the 'legitimacy' granted to them by both the host country communities and its institutional actors, or whether they are actively engaging in obtaining this legitimacy strategically.

6.3.3 Collaboration

The third pattern identified occurs when subsidiaries engage with institutional actors to gain legitimacy by *collaborating* in different CR initiatives being promoted by them. As discussed in section 6.2, some of these institutions such as the Ceylon Chamber of Commerce and the Employers Federation of Ceylon have their own CR agendas focused towards influencing the CR practices of their member . Within this context, the Ceylon Chamber of Commerce encourages *collaboration* by their member companies in implementing CCR projects based upon the UN's eight Millennium Development Goals (See section 6.2). In order to implement their CR agenda the Ceylon Chamber of Commerce utilises a CSR Steering Committee system. As such, different CSR steering committees are established to focus on each of the eight MDGs and member companies are encouraged to *collaborate* with the Ceylon Chamber in implementing their CCR projects under the MDGs. The Additional Secretary General of the Ceylon Chamber of Commerce explains this as follows:

> "[We use] the Steering Committees [to] focus on the MDGs and try and identify areas that would reduce the gap of MDGs in Sri Lanka. [In these]

> CSR Steering Committees we invite people from the United Nations, from the World Bank from the IUCN. [They are there to provide] technical support or advice to the private sector companies on how to handle different projects [...] We thought we [will] try and do projects that reflect these 8 goals so [each] committee is focused [on achieving one goal]. For example if BANK1 is leading one committee, TOBACCO leads the other and so on and then they have brought in other companies also into their teams. We call [these] steering committees 'Goal Coordinating Committees' and every month they present the progress on what [each one of them] they are doing and on how they are progressing, the issues they have and we see [whether] we can help them out if they have issues related to implementation"
>
> (Additional Deputy Secretary General, Ceylon Chamber of Commerce, 2008)

However, the level of *collaboration* by each of the different subsidiaries in the CR initiatives of the Ceylon Chamber seems to be based upon how actively they each participate and the extent of resource contribution that they can make to these projects. This is explained below by the Assistant Manager of CSR at BANK1 and Vice-President of HR of CONSUMERG2 below:

> "It came up actually [because] we won the Ceylon Chamber of Commerce Best Corporate Citizen awards and then whoever [who] won the chamber awards [was asked] to [form each of] the committees… Because we focus on Education [in our Community Corporate Responsibility agenda] we started heading the [Goal Steering Committee] for MDG two which is 'Universal education for primary schools'. Initially [as a] project [we did] spoken English [classes] for estate schools and CONSUMERG4 helped us in the beginning […]. It was difficult [to find] financing because not like earlier now companies don't really give money. But somehow we got [these projects] off the ground under this committee"
>
> (Assistant Manager CSR- Education, BANK1, 2008)

> "We are on [one of] the Goal Steering Committees and one of things that we are doing on that Committee is sharing the information and the knowledge that we have but also the Chamber as a body would like to see and tell what its member organisations are doing in terms of CSR"
>
> (Vice-President of Human Resources, CONSUMERG2, 2009)

The Employers Federation of Ceylon on the other hand encourages the voluntary participation of their member companies in enabling codes of conduct against sexual harassment and in establishing equal opportunities towards employees (See section 6.1.3 for further details). According to the Deputy Director General of the Employers Federation of Ceylon, the main way in which they enable voluntary 'participation' of their member companies is by requesting them to *collaborate* in enacting these voluntary codes of conduct within their business organisations and thus integrating them to the corporate responsibility practices of their organisations:

> "[we have] steering committees [which are responsible] for ensuring that our member companies collaborate in adopting these voluntary codes […] in certain cases we have picked companies, the ones we know who will do this and who would do it properly - but it is a voluntary process"
>
> (Deputy Director General, EFC, 2008)

6.3.4 Participation

The fourth pattern is one of *participation* by the subsidiaries in the different CSR competitions conducted by different institutional actors with the objective of being recognised by key stakeholders. It is mostly a singular interaction whereby legitimacy is conferred to the subsidiary by the host country stakeholders when it wins these CSR awards based upon their CR practices. Within this context, various awards are presently being organised by different institutional actors (See Appendix

XI). Although these competitions have different objectives, they collectively promote the ability of the winning companies to gain recognition for their CR practices.

According to the data, the key reasons for participating in these awards has been provided (by the subsidiary managers) as the need to share the subsidiaries' various CCR projects' successes as well as the peer pressure of companies from even outside the industry to participate. The justifications provided in the awards schemes' documentation about why the awards are organised ranged from encouraging businesses to engage more in CR practices, creating an awareness of CSR among business organisations in Sri Lanka and enabling companies to showcase their achievements. When questioned about this during the interviews, the institutional actors' perceptions of why companies participate were mostly focused on two aspects: first, it was about the recognition and prestige of winning the award. Second, it was about influencing other companies to also engage in CR, by mimicking the best practices of the companies who have won the awards. The quotes from interviews given by the Deputy Secretary General of National Chamber of Commerce in Sri Lanka and the Managing Director of EMSOLVE Consultants explain these views:

> "So what these companies want is to receive [are] the gold awards [because] they get a lot of publicity [and] the news about the awards is published in the newspapers. [For the ceremony] all the foreign ambassadors [come] and [when the companies] receive [their awards] they think that they have achieved something in front of 600 top corporate executives [in Sri Lanka]. It's the recognition that the companies want. It enhances their business activities enhances their corporate image and their brand image"
>
> (Deputy Secretary General of National Chamber of Commerce in Sri Lanka)

> "In the last five years I think there has been a greater appreciation of what CSR actually is and people are getting a little more structured in their approach to CSR in Sri Lanka [...] I must say that [organisations] are getting more structured in their thinking and there are lots of non-government organisations which now give awards, like the Institute of Chartered Accountants of Sri Lanka, The Ceylon Chamber of Commerce and the ACCA. So from [an] image point of view [organisations] are now getting more interested in [...] trying to look at the 'business case' for CSR"
>
> (Managing Director, EMSOLVE Consultants, 2008)

However, some subsidiary managers (i.e. TELECOM) and some institutional actors both recognised that biases may be prevalent in the judging processes for such awards or competitions and also in relation to the specific criteria of different awards. According to the subsidiary managers of TELECOM these awards were biased due to the close links that most of the awarding bodies in Sri Lanka has with large MNCs and local companies and therefore were less objective in their approach. The Senior Executive - Corporate Responsibility of TELECOM expressed this as follows:

> "We see that there are certain biases on decisions made when you look at the local awards, because the local community is very small and [there are only] a few companies and even if fewer more Directors. If you see one Director he is probably in the board of ten or fifteen companies [...] These Directors are also sitting on the boards of ACCA and the other awarding panels [...] so when it comes to judging of the report at the end of the day that plays a very big role"
>
> (Senior Executive - Corporate Responsibility, TELECOM, 2008)

This point has also been highlighted by some of the institutional actors themselves especially in relation to the quality of judging in different CSR competitions. As expressed by the Managing Director of EMSOLVE consultants who also act as a judge in the ACCA Sustainability Awards in Sri Lanka, since the criteria for the awards were not stringent there could be a question about the objectivity of the final decisions made:

> "Awards are always good because you get the companies becoming more enthusiastic about [CSR] but I don't know how good the quality of the judging is. Now for the ACCA awards they send us their international guidelines and we do it in a structured way but I don't know about the Chamber of Commerce Awards and the Institute of Chartered Accountants awards"
>
> (Managing Director, EMSOLVE Consultants, 2008)

The four patterns of legitimisation discussed above indicate some important points: first, *adherence* shows compliance of the subsidiaries with the legal and regulatory framework in relation to different CR practices, such as health, safety and environment management. It is obvious that while some efforts are being taken by the subsidiaries to lobby the Sri Lankan government to advocate their own interests, (when legal and regulatory changes occur), mostly, *adherence* shows compliance. Second, the three other patterns of legitimacy however, indicate deliberate actions taken by the subsidiaries to obtain legitimacy through a more manipulative manner. Together *alignment, collaboration* and *participation,* indicate that for the subsidiaries their CCR practices are an important tool in managing legitimisation. These interesting findings are discussed in the next section, within the context of extant literature.

6.4 Discussion

The findings examined in the preceding sections of this chapter offer valuable insights on the influence of host country institutional actors on the implementation of subsidiary CCR practices. It also showed how CCR practices are being used by the subsidiaries in the process of legitimisation. These findings correspond with prior research arguments which state that subsidiaries *are* influenced by host country institutional actors and that subsidiaries respond to these influences, mainly because of their need to strengthen linkages with local institutional stakeholders (Yang and rovers, 2009; Westney, 2005). Furthermore, the findings also show that the subsidiaries interact with key institutional actors in the host country, specifically the Sri Lankan government and others such as trade associations, non-governmental organisations and international professional associations, through their CCR practices. The most important finding however, is the strategic use of CCR practices as a tool for gaining legitimacy, specifically from the Sri Lankan government, by some of these subsidiaries. Collectively, these findings contribute towards understanding multiple institutional pressures/relationships and peculiarity of local institutional context as well as the potential for CCR as a viable legtimisation strategy within organisations (Jamali and Neville, 2011)

6.4.1 Community CR as a Legitimisation Tool: *Strategic Vs Institutional Legitimacy*

The four patterns of legitimisation identified from the data analysis can be discussed broadly within strategic and institutional approaches to legitimacy and more specifically by using Suchman's (1995) three types of legitimacy.

The institutional approach to legitimacy is primarily about conforming to external institutional pressures (Deephouse, 1996; Di Maggio and Powell, 1983; Scott, 1991). The pattern of *adherence* shows such compliance with the legal and regulatory aspects related to the implementation of CCR practices. Government legislation influences corporate responsibility practices in two ways: (1) by providing tangible inducements for firms to apply some of their resources towards stakeholders and behave in a socially responsible way; and (2) by applying penalties if actions are not taken or standards are contravened (Yang and River, 2009). Previous research too has established the importance of a stringent legislative and regulatory environment to get business organisations to be more socially responsible (Stone *et al*., 2004; Maignan and Ralston, 2002). Nevertheless, as shown in the data, the fact that the subsidiary managers' considered such compliance to be easy, also shows that subsidiaries usually tend to preserve their parent country organisational practices (Ferner *et al*., 2004), and in this instance, these practices were of a much higher standard than those required by the Sri Lankan regulations.

On the other hand, the strategic approach to legitimacy emphasises the management of gaining legitimacy through viable organisational strategies (Oliver, 1991; Ashforth and Gibbs, 1990; Suchman, 1995). As such, the three patterns of *alignment*, *collaboration*, and *participation*, respectively showcase three legitimisation strategies. In the pattern of *alignment*, the subsidiaries are linking their long-term CCR plans with those of the Sri Lankan government's national development plans, where it is most suitable and viable to do so. However, they are not doing this with naïve optimism, expecting that the Sri Lankan government would bestow their favour upon them. The subsidiaries *do* have a long-term agenda in mind and in effect they are strategically managing their relationship with the Sri Lankan government using CCR practices to ensure that long-term business sustainability is achieved. According to Amba-Rao (1993), it is important for subsidiaries to link their long-term plans with those of the host county's national planning objectives as it would enable them to gain the attention of government officials and develop collaborative partnerships with the host country government. The pattern of *collaboration* arises when the subsidiaries become signatories to voluntary codes of conduct promoted by industrial or trade bodies or where they engage in collaborative CCR projects to gain legitimacy (Yang and Rivers, 2009; Campbell, 2006). This was seen in relation to the Ceylon Chamber of Commerce's strategy of driving the adoption of the MDGs within the CCR practices of its member subsidiaries and when the Employers Federation of Ceylon promoted the adoption of voluntary codes of conduct in relation to employee CR. *Participation* was another pattern identified which showed how the subsidiaries enter CR competitions to obtain legitimacy from key stakeholders. Such symbolic adoption enables the subsidiaries to maintain stability and social legitimacy among the host country's stakeholders (DiMaggio & Powell, 1983; Meyer and Rowan, 1983).

The findings offer insights into how some of the subsidiaries are engaging in political behaviour by using CCR practices, which are aimed at setting or redefining legitimacy requirements within Sri Lanka (Scherer and Palazzo, 2007). Previous studies have highlighted that CCR practices do play a significant role in the political behaviour of business firms (Gugler and Shi, 2009). As a consequence, the subsidiaries are *not* simply adapting to a particular set of institutional demands to gain legitimacy but are instead consciously implementing their own political strategies to gain legitimacy and CCR practices are being used as means of engaging in such political behaviour. A strategic approach to gaining legitimacy would also ensure that the subsidiaries would not only be able to enhance their competitiveness through reputation building but more importantly be able to mitigate future regulatory risks (Gugler and Shi, 2009). Nevertheless, the use of certain legitimisation strategies such as that of *alignment*, contradicts previous research which have argued that social projects of business firms are mere window dressing exercises (Kleine, 2000; Laufer, 2003) because of the resources committed to these CCR projects as well as their importance as a means of gaining legitimacy. For example, TOBACCO, spends 300 million rupees on their SADP project which is explicitly linked to the Sri Lankan governments country development goals. This does emphasise the commitment of the subsidiary to CCR. That this study found the subsidiaries adopting such a strategic approach to gaining legitimacy, does not discount the influence of institutional pressures, but rather suggests that managerial agency does play an important role in how firms respond to the institutional environment (Galbreath, 2010).

These four patterns of gaining legitimacy could be further discussed in relation to the three types of legitimacy as identified by Suchman (1995). As shown in table 6.4 below, the four patterns of legitimisation do enable the subsidiaries to gain the three types of legitimacy. Through *alignment* the subsidiaries have adopted calculative CCR practices to get key institutional actors (in this case the Sri Lankan government) to ascribe legitimacy to them. For example, when TOBACCO and CONSUMERG3 works closely to 'match' their CCR agendas with that of the Sri Lankan government they are in effect gaining pragmatic legitimacy. It thus becomes a sort of exchange whereby a particular constituent (in this case the government) is provided resources due to its expected value to the organisation (in this case the relevant subsidiary) in the future.

Table 6.4: Gaining organisational legitimacy through subsidiary CCR practices

Patterns of legitimisation through CCR practices implementation	Suchman's (1995) three types of legitimacy	Examples from research study – CCR projects
Alignment	Pragmatic Legitimacy	The Sustainable Agricultural Development Programme (SADP) By TOBACCO
Adherence	Cognitive Legitimacy	Complying with the Legal and Regulatory Framework of Sri Lanka
Collaboration	Moral Legitimacy	Contributing resources and carrying out joint Community Corporate Responsibility projects with member companies under the purview of institutional actors (e.g Ceylon Chamber of Commerce)
Participation	Pragmatic Legitimacy	Entering CSR awards programmes by the subsidiaries

Source: Author

Furthermore, by *collaborating* in different ways with key institutional actors, such as the Ceylon Chamber of Commerce by contributing resources and carrying out joint CCR projects the subsidiaries are attempting to gain moral legitimacy. By implementing such CCR practices which the key institutional actors consider to be the 'right thing to do', the subsidiaries are attempting to influence the moral judgements of the institutional actors. On the other hand, *adherence* results in subsidiaries conforming to acceptable practices to gain cognitive legitimacy. The institutional actors should be persuaded through such compliance that the organisation is doing the right thing (Hannan and Carroll, 1992). As such, the findings imply yet again that CCR practices could be used as an ongoing means of reinforcing corporate legitimacy and managing reputation, provided that it does address societal concerns at the same time (Clarke, 1999)

6.4.2 Managerial agency in gaining legitimacy through Community CR practices

The findings so far *do* emphasise the important role that managerial agency is playing in using CCR practices as viable legitimisation strategy. Oliver (1991) has asserted that five responses and corresponding tactics could be used to exercise such managerial agency in response to external institutional pressures. These five responses are evaluated against the four patterns of legitimisation found from the data in table 6.5.

Only three of the five strategic responses proposed by Oliver (1991) could be identified. These were acquiescence (comparable to the pattern of *adherence*), manipulate (comparable to the pattern of *alignment*) and compromise (comparable to the pattern of *collaboration*). The two other strategic responses of avoid and defy were *not* seen in the findings. This maybe because the primary objective in using CCR practices by the subsidiaries was to gain legitimacy and since, the strategies of defy and avoid are about resisting external institutional pressures, it may be clearly impossible for subsidiaries to use CCR practices in such a manner.

In relation to the specific tactics which could be used to further establish managerial agency as proposed by Oliver (1991), there were several interesting points of discussion. First, some of the tactics proposed by Oliver (*Ibid)* were actually being used by the subsidiaries in this study to exercise different strategic responses. For example, the tactic of bargain (i.e. negotiating with institutional actors) was seen in relation to the pattern of alignment rather than in exercising compromise as suggested by Oliver (*Ibid*). Two other tactics which were not being used by the subsidiaries, were habit (i.e. following invisible, taken-for granted norms) and imitate (i.e. mimicking other organisations). Furthermore, *participation* which was a pattern of gaining legitimacy as identified from the findings, did not match any of Oliver's strategic responses.

In summary, the four patterns of gaining legitimacy and the comparable assessment of strategic responses which managers could utilise to exercise managerial agency (as proposed by Oliver,1991) clearly establishes that the subsidiaries are *not* mere passive participants in the process of legitimisation. They engage in manipulating this process in a proactive manner, by exercising managerial agency and using CCR practices as a tool by which to implement strategic responses. The objective is to obtain operational freedom to pursue their business activities within the host country and to gain acceptance amongst key institutional stakeholder as a legitimate business organisation.

Table 6.5: Assessment of Strategic Responses and Tactics used by the ten subsidiaries in this study

Patterns' of gaining legitimacy	Comparable strategic responses proposed by Oliver (1991)	Example from the findings to explain each strategic response	Tactics for implementing strategic responses as proposed by Oliver (1991) (found in the data)		Tactics for implementing strategic responses as proposed by Oliver (1991) (not found in the data)	
Adherence	*Acquiescence*	All the subsidiaries complied with the legal and regulatory framework of Sri Lanka.	Comply	Obeying rules and accepting norms	Imitate	Mimicking other organisations
Alignment	*Manipulate*	TELECOM advocating the Sri Lankan government to gain changes in the legal and regulatory frameworks for the Sri Lankan Telecommunications Industry	Influence	Shaping Values and criteria	Co-opt	Importing influential constituents
		The Sustainable Agricultural Development Programme being used to gain reputational advantages with the Sri Lankan government and thereby ensuring business sustainability in a monopolised market	Control	Dominating institutional actors and processes		
			Bargain	Negotiating with institutional actors		
Collaboration	*Compromise*	Becoming signatories for globally and locally voluntary CSR standards such as the UN Global Compact	Pacify	Placating and accommodating institutional elements		
		Contributing resource and carrying out joint CCR projects with member companies under the purview of institutional actors (e.g Ceylon Chamber of Commerce)	Balance	Balancing the expectations of multiple constituents		
			Habit	Following invisible, taken-for granted norms		
Participation	Not comparable with Oliver's Strategic Responses	Entering CSR award programs by the subsidiaries				

Source: Adapted from Oliver (1991)

6.5 Summary

In summary of this chapter, two points are noted.

First, the subsidiaries' CCR practices are being influenced by different institutional actors operating within the host country's institutional environment. However, the subsidiaries are adopting mostly a strategic approach to legitimisation by using their CCR practices to manage these influences by using four different patterns of legitimisation: *adherence, alignment, collaboration and participation.* Collectively these legitimisation strategies have resulted in the subsidiaries gaining pragmatic, moral and cognitive legitimacy from the institutional actors interviewed in this study.

Second, the findings strongly indicate the presence of managerial agency in legitimisation, within the context of CCR practices implementation. The subsidiary managers are therefore using their CCR agendas as a tactical tool to exercise managerial agency and establish a strategic approach to legitimisation.

Chapter 7:

Reflective Summary

7.1 Introduction

This chapter's purpose is to revisit the research process in a reflective manner. It will first examine the key findings of this study and briefly outline its contributions to empirical theoretical knowledge and to management practice. Next, the chapter provides an in-depth reflexive account of the limitations of the study, focusing upon methodological reflexivity. The chapter concludes by presenting briefly a set of future research suggestions intended to extend further the study's findings.

7.2 Revisiting the Research Process

It is appropriate, with hindsight, to assess the study's research process and evaluate whether its research methodology has resulted in achieving its aims and provided valid answers to the research questions.

7.2.1 Research Aims, Literature and Research Questions

The primary aim of this research study was:

"To explore the implementation of Community Corporate Responsibility practices of MNC subsidiaries operating in a less developed country"

This aim was underpinned by three main rationales: first was the importance of CCR as an organisational practice and the need to provide practical guidance on various CCR implementation issues; the second rationale was the need to understand the implementation of CCR practices of MNCs' subsidiaries operating in developing countries to provide an understanding of the extent of localisation of these CCR projects; the third rationale was the importance of understanding *what* influences the implementation of CCR practices of MNC subsidiaries so that better understanding could be gained about how the parent-subsidiary relationship influences the degree of control exerted on the subsidiaries' CCR practices implementation.

Three key areas of literature, related to CR and CCR, International Business strategy literature, and Neo-Institutional theory, contributed to the theoretical base for this study. The review of CR literature mainly focused on critiquing CR implementation literature such as the corporate social performance approaches (See Carroll, 1979; Wood, 1991a; Wartick and Cochran, 1985), codes of practice and standard-based approaches (Blowfield, 2004; Howard *et al.*, 2000; Ghisellini and Thruston, 2005; Kaufman *et al*., 2004; Leisinger, 2003) and practice-based approaches (See Khoo and Tan, 2002; Cramer, 2005; Maignan *et al*., 2005, Werre, 2003; Maon *et al*., 2009; Perrini and Minoja, 2008). After an extensive review of all three approaches, a gap in empirical research related to the internal implementation of CCR practices within MNC subsidiaries operating in developing countries in Asia was identified. This empirical research gap led to the development of the first research question **(RQ1):** *'How do subsidiaries of MNCs implement Community Corporate Responsibility practices?'*

The review of literature related to international business consisted of a critique of literature related to the subsidiary–MNC HQ relationship, specifically focusing on the subsidiary's role (See Bartlett and Ghoshal, 1990; Roth and Morrison, 1992; Birkinshaw and Morrison, 1995; Jarillo and Martinez, 1991; Birkinshaw and Fry, 1998; Birkinshaw and Hood, 2001; Gupta and Govindarajan, 1994) and the mechanisms of control such as centralization, formalization and normative integration (Ghoshal and Nohria, 1989; Roth *et al.,* 1991) as well as control and coordination (Cray, 1984; Mendez, 2003; Epstein and Roy, 2006; Egelhoff, 1984; Prescott, 2003; Ferner *et al*., 2004; Hennart, 1991) which could influence different aspects of this relationship. After an extensive review of the literature, an empirical research gap was identified in extant research studies related to the use of mechanisms of control by MNCs to manage the implementation of CCR practices of their subsidiaries. The generation of the second research question **(RQ2)** which examines *'What internal factors influence the implementation of Community Corporate Responsibility practices within subsidiaries of MNCs?'* was resultant upon the above mentioned empirical research gap.

Neo Institutional Theory

In reviewing Neo-Institutional literature, the issue of legitimacy and its relevance for MNCs, especially within the context of CCR practices implementation, was examined. Within this the institutional approach to legitimacy (Di Maggio and Powell, 1983; Powell and Di Maggio, 1991; Meyer and Rowan, 1983), and the strategic approach to legitimacy propagated initially by Pfeffer (1978) and more recently by Oliver (1991), Ashforth and Gibbs (1990) and Suchman (1995) were reviewed. The review of literature also examined the 'agency-structure' debate and its underpinning arguments with specific focus on how it could be applied in understanding the implementation of CCR practices by MNC subsidiaries in a developing country context by specifically examining institutional control and institutional agency as advocated recently by Lawrence (2010).

The extensive review of empirical literature related to the use of Neo-Institutional theory in CR practices identified a gap related to the influence of institutional pressures on implementing CCR practices and the examination of Community CR practices as a legitimacy-seeking strategy by organisations. This research gap relates to the third research question **(RQ3),** *'What external factors influence the implementation of Community Corporate Responsibility practices within subsidiaries of MNCs?'*

7.2.2 Revisiting the Research Methodology

This section examines whether the methodology adopted has been able to provide satisfactory answers for the above-mentioned three research questions. In critiquing the methodology of a study, it is important to **reflect upon** the research strategy, the collection of data and data analysis.

Overall, an interview method was adopted as the research strategy of this study. The justifications for selecting an interview method consisted firstly, of the ability of in-depth interviews to provide data at both a 'factual' and at a 'meaning' level and thereby enabling the researcher to obtain descriptive data related to specific organizational events, while simultaneously assisting the researcher to pursue meanings about such events so that a more in-depth understanding of the phenomena could be finally obtained (Easterby-Smith et al., 2012; Saunders et al., 2012; Kvale and Brinkman, 2009). The second justification was the need to obtain in-depth answers to particular themes identified from the review of literature so that this knowledge which is with the interviewees could be obtained (Ritchie et al., 2011). Thirdly, the dearth of extant empirical research data related to the internal implementation of CCR practices by MNC subsidiaries deemed it important that such data (providing detailed accounts of the implementation of CCR practices) was obtained by using in-depth interviews. Finally, the requirement for analytic generalisation (Ackroyd and Fleetwood, 2000), as opposed to empirical generalisation, also justified the use of the interview method in this research.

The collection of data was carried out by using sixty-two in-depth interviews across the ten subsidiaries and host country institutions operating in Sri Lanka. The use of in-depth interviews enabled the researcher to gain deep insights about the actual implementation of CCR practices in subsidiaries. It also assisted in obtaining insights into how different mechanisms of control were used by the MNC HQs to manage the implementation of CCR practices. The in-depth interviews with the institutional actors provided further insight into how subsidiaries use CCR as a pragmatic strategy to obtain legitimacy in the host country. Together the qualitative interview data provided context specific but important findings related to the implementation of CCR practices within subsidiaries operating in a developing country.

On reflection, a mixed method study consisting of a smaller number of interviews together with a large scale survey may have enabled empirical generalisations to be made rather than the context specific results obtained from this study, thus countering some of the limitations inherent to the use of a qualitative research strategy. However, the use of in-depth interviews provided knowledge about the internal operational aspects of CCR practices implementation which would not have been possible with the use of a smaller number of interviews and a large scale survey.

In relation to the actual interviews conducted for this study, these were broadly confined to the subsidiaries' managers (fifty-two interviews were conducted across the ten subsidiaries) and the ten institutional actors. Due to the authoritative knowledge that these interviewees had because of their executive positions within the subsidiaries' management hierarchy and their involvement in the actual implementation of CCR practices (i.e. in relation to subsidiary managers) or their involvement with the institutional environment in Sri Lanka (i.e. in relation to institutional actors), the data collected, provided in-depth answers to the research questions. However, on reflection, interviews with the managers responsible for implementing CR at regional and/or global headquarters of the MNCs to which the subsidiaries belonged may have enabled the researcher to further extend the understanding of the 'head office perspective'. Nevertheless, this limitation is overcome to a certain extent as the findings derived from the large amount of data obtained from conducting the sixty-two in-depth interviews *have* provided extensive answers to the research questions of this study, which were primarily focused on understanding the implementation of Community CR practices *within* MNC subsidiaries in Sri Lanka and *not* across all MNCs.

On reflecting upon the data analysis methods used, this study adopted three levels of data analysis consisting of Descriptive Coding, Interpretive Coding and Conceptualisation (King and Horrocks,2011). The researcher was able to derive two key implementation patterns across the ten subsidiaries and a framework which depicted how the subsidiaries attempted to gain external legitimacy from institutional actors within the host country. Furthermore, the qualitative coding of the interview data collected was greatly assisted by the use of NVivo 8 software to manage the data. In the final stage of the data analysis, these frameworks developed from the data were compared with extant literature to assess their contribution towards empirical research gaps and practice.

There are several 'lessons learnt' in relation to the use of the interview method as research methodology of this study. First, even with the use of NVivo 8 to manage the large the amount of text which was compiled from the interviews, the use of coding takes a long time. The key issue which was faced by the researcher was that the preparation of the data, specifically transcribing from digitised files into a Word document, was time consuming. Afterwards, in order for NVivo 8 to distinguish between the questions and the answers, each transcript had to be formatted according to headings, which was again a laborious task. Therefore, before any attempts were made to analyse the data, the researcher had to spend around six months engaged in the preparation of the data compiled from the sixty-two interviews. This was a valuable lesson learnt. Taking into account the researcher's limited experience with the magnitude of a similar research effort and the substantial amount of interview data, it can fairly be asserted that the resultant findings were arrived at after an extensive and a detailed analysis.

Second, on reflection the researcher's influence in the research process should be recognized, in particular in the data creation and analysis stages of this research. Although various strategies were applied to assure the study's objectivity, such as the use of an interview guide and a data analysis protocol, the researcher's influence cannot and should not be overlooked, specifically taking into account the qualitative nature of the research. Therefore, it is recognised that there can be an element of subjectivity arising from the researcher's selectivity in deciding upon the codes and also in the direction of coding. Nevertheless, this limitation is *not* confined to this specific research study, but according to King and Horrocks (2011), complete objectivity is difficult to achieve in social science research in general.

However, in consideration of the academic rigour applied in both the collection and analysis of the data in this study, it can be reasonably stated that the findings discussed in chapters four, five and six do provide an in-depth understanding of the management and implementation of CCR practices and the key factors influencing its implementation within the ten subsidiaries examined, as seen by the interviewees. The researcher's aim here was to ensure that by condensing the large amount of data through coding, the significant and revealing patterns inherent in the data were not overlooked.

The next section examines briefly, the key findings of this study, in order to identify its contributions towards answering the key research questions and in extending the present empirical research related to the implementation of CCR practices within MNC subsidiaries.

7.3 Findings, Contributions to Empirical Research and Management Practice: An Overview

The focus now shifts to discussing the findings and empirical contributions of this thesis as well as its contributions towards advancement of management practice in corporate responsibility, briefly. A more in-depth and detailed examination of the contributions of this study is provided in Chapter 8.

7.3.1 Findings

The empirical findings suggest that subsidiary CCR practices are being standardised by MNCs. Key decisions related to CCR practices are taken either globally and/or regionally and a range of control mechanisms are used by the MNCs to ensure that CCR practices are routinised within the existing management and organisational structures of the subsidiaries. Evidence was found to indicate the transfer of specific areas for CCR practices and in some instances globally developed CCR projects to the subsidiaries by the MNCs. Close monitoring and reporting found in relation to CCR practices showed that the subsidiaries are *not* in a position to influence and localise CCR practices without obtaining prior permission from their headquarters. The findings also showed a lack of strategic integration of CCR practices within the majority of the subsidiaries resulting in a weakness in structural and procedural management. Non-specialist functional departments, such as Human Resources, Corporate Affairs and Marketing, were responsible for implementing CCR practices in the majority of the subsidiaries. All of these findings reinforce the dominant role of the MNC headquarters in implementing CCR practices within their subsidiaries operating in a developing country, indicating that 'power' relationships between subsidiary and parent is an important denominator in internal organisational practices implementation.

The most interesting findings in this study came from the dynamic and complex relationship that the subsidiaries seem to be having with various institutional actors in Sri Lanka, especially the central government. Four different patterns of legitimisation were identified from the data, indicating that the subsidiaries tended to undertake a strategic approach towards addressing the various institutional influences arising from the host country environment. Most importantly, these patterns further reinforce the existence of managerial agency in implementing organisational practices. In this instance, the subsidiary managers used their CCR practices as a tool for exercising managerial agency to pragmatically manipulate institutional actors to gain legitimacy.

7.3.2 Empirical Contributions

This study offers valuable insights on a previously unexplored area in business and management that is CCR practices implementation within MNC subsidiaries operating in a developing country in South Asia. There are four main empirical contributions, which are summarized forthwith, with an extended and in-depth discussion of these being carried out in Chapter 8.

First, the insights gained into how CCR practices are implemented within MNC subsidiaries revealed the extent to which the headquarters of MNCs dominate the decision-making processes for CCR practices. The extent of decision-making power of the MNC headquarters was evident in the setting up of key focus areas for the subsidiaries to address through different CCR projects. The result was a CCR practice which was more globally standardized than was previously discovered in empirical research (Muller, 2006; Mohan, 2006; Epstein, 2006). Furthermore, the findings also showed that CCR practices are being driven primarily by business objectives and secondarily by social objectives within these subsidiaries. In relation to implementation, CCR practices were found to be managed by non-specialist functional departments indicating a lack of commitment, strategic focus as well as structural and procedural integration within the subsidiaries. These findings extend our knowledge on the internal implementation of a crucial business practice within MNC subsidiaries and simultaneously overcomes a key weakness in extant research which has predominantly used reported CR data to generate findings (See Jamali and Mirshak, 2007; De Graaf and Herkströter, 2007; Stainer, 2006; Maignan and Ralston, 2002; Dentchev, 2004; Davenport, 2000).

Second, the findings also contribute towards extending extant empirical knowledge in international business research. In the field of International Business, there still exists a scarcity of studies examining the influence of the subsidiary-parent relationship on subsidiary CCR practices implementation and more specifically the use of control mechanisms within this context. Accordingly, the findings of this study related to the use of control mechanisms to routinise CCR practices implementation within the subsidiaries by the headquarters of the MNCs can make an important contribution to the knowledge on MNC's internal management of CCR practices globally. Furthermore, the increasingly regional concentration of power for decision-making discovered in the findings further extends the existing thesis on regionalization within International Business literature (Rugman, 2003; Rugman and Coiteux, 2003). The overall insights into the subsidiary-parent relationship within the context of implementing CCR practices was of a global and/or regional agenda for CCR being implemented within the subsidiaries with key decisions being made either at the global and/or regional headquarters. As such, these findings contradict prior empirical research which has asserted that CCR does not lend itself to global integration (or standardisation) as different host country contexts require more localised unique practices (Muller, 2006; Mohan, 2006; Husted and Allen, 2006).

Thirdly, the subsidiaries' interactions with institutional actors in the host country revealed how CCR practices are being influenced by their actions to differing levels. This contributes to existing empirical studies which have shown that institutions *do* have the ability to shape specific aspects of organisational CR practices (Campbell, 2007), including environmental management practices of MNC subsidiaries (Tsai and Child, 1997; Delmas and Toffel, 2004). Besides this contribution, this study also extends knowledge in the area of legitimisation (Kostova and Zaheer, 1999; Suchman, 1995), specifically on the strategic use of CCR practices as a tool for gaining different types of legitimacy from host country institutional actors by MNC subsidiaries operating in a developing country. The evidence in this study clearly shows that MNC subsidiaries are not passive participants who willingly conform to institutional pressures (Oliver, 1991; Greenwood and Hinings, 1996; Tempel, 2006) and strongly suggests that internal dynamics and deliberate strategies play a significant role in how subsidiaries aim to achieve legitimacy. The influence of managerial agency in organisational legitimisation (Lawrence, 2010) is quite evident from this study's findings, contributing towards calls to explore the synergistic relationship between institutional pressures and internal firm dynamics related to CSR (Galbreath, 2010).

Finally, with its focus on Sri Lanka and those subsidiaries operating there, this research study provides an important contribution towards empirical knowledge about CSR in Asia. As such, it adds to the few studies which *have* examined the CSR practices of western MNCs in Asia (For other studies see Welford, 2004 and 2005; Mohan, 2006; Lee 2007).

The study's findings also offer practitioners a deeper understanding of CCR implementation. This aspect is examined next.

7.3.3 Contribution to Management Practice

Although the key focus of this study was to contribute empirically to academic knowledge, its findings are uniquely important for the development of management practice as well. The research problem is a real life problem which any subsidiary manager responsible for overseeing the implementation of CCR practices would face today. As such, three contributions to management practice are examined below.

First, this study contributes to subsidiary managers' understanding of how a strategic CCR practice could be implemented within subsidiaries. To this end, the findings in Chapter 4, indicate how CCR practices could be strategically implemented by an integration of structure, CCR strategy and CCR methods. Such an understanding could be used by those subsidiary managers, responsible for CCR practices implementation of subsidiaries in a developing country, to ensure that more effective use of CCR practices are obtained.

Second, the four patterns of legitimisation derived from the data in this study provide a useful indication to Sri Lankan subsidiary managers on how to engage with key institutional actors such as the Sri Lankan government. As such, if applied in a more practical context the pragmatic strategies adopted by some of the subsidiaries, such as *alignment*, can be used as benchmarks by other subsidiaries as well as locally owned organisations of a similar size as best practices in managing institutional influences through the use of their Community CR agendas.

Finally, this study and its in-depth look at CCR practices could be used as a learning tool by subsidiary managers operating in similar developing country contexts to better understand the complexities involved in relation to the implementation of CCR practices within a Multinational Corporation. For example, the insights related to the internal control and coordination of the regional head offices over the CCR practices of subsidiaries could be utilised by subsidiary managers as a learning tool to understand 'how' they could gain better control over their CCR agendas.

In summary, this research study and its findings have provided not only empirical contributions towards the advancement of CR literature but have also provided useful understanding of CCR practices implementation for subsidiary managers.

7.4 Reflexive Analysis of Research Limitations

7.4.1 Methodological Limitations

Three methodological limitations were briefly examined in Chapter 3. These limitations are revisited here and reflexively analysed in more detail. First, the use of the interview method as the research strategy and in-depth interviews as the main data collection method, could result in *individualistic* interviews leading to *credulous* accounts of knowledge (Kvale and Brinkman, 2009). The in-depth interviews in this study were carried out as individual interviews and as such, could have been limited in its focus on the individual and thereby neglecting the person's embeddedness in social interactions. As such, the interpersonal dynamics which could have provided more social context specific data had group interviews (such as focus groups) were carried out was not obtained in this study. Such qualitative data could have been beneficial in providing more understanding of the internal dynamics prevalent within subsidiaries in the implementation of CCR practices. Furthermore, by conducting individual in-depth interviews (with subsidiary managers and institutional actors), the knowledge obtained in this study could provide a credulous account, and as such the tendency to take everything an interviewee says at face value with an absence of a critical attitude towards the data could be present. However, as the researcher was aware of this limitation and was therefore quite conversant about the published data which was publicly available in relation to CCR practices of the subsidiaries as well as the activities of the institutional actors, prior to conducting the interviews, this limitation was to a certain extent overcome. Furthermore, as such data obtained from the subsidiary managers *were* also corroborated with other subsidiary managers (across multiple levels of responsibility and authority) in order to obtain an overall understanding of the context of CCR practices implementation within the subsidiary, herein again the overreliance on credulous data was overcome as a limitation.

The second methodological limitation was related to the lack of diversity of the sample of subsidiaries selected through purposive sampling (Ritchie et al., 2011). As diversity of the sample optimises the chances of identifying the full range of factors or features that are associated with the phenomena being investigated, the most appropriate sampling strategy would have been to use purposive sampling to select subsidiaries which were already recognized for their CCR practices as well as those subsidiaries which were *not.* Since, the ten subsidiaries sampled were all recognized for their implementation of CCR practices, this is likely to have biased the sample selected. On reflection, if a more diverse sample of subsidiaries were selected, the data collected could have provided a much broader perspective of why some subsidiaries did not implement CCR practices. However, while this bias is acknowledged, it is also defended within this thesis by acknowledging that the research questions of this study were answered effectively and as comprehensively as possible, with the existing data set, as the data *does* provide an in-depth view of *how* CCR practices are implemented and *what* factors influence such implementation within subsidiaries operating in Sri Lanka.

The third methodological limitation was related to the issue of response bias, which occurred due to the tendency of the interviewees, specifically the subsidiary managers, to focus more on the different CCR projects and the apparent 'good' that those projects are doing (i.e. boast about their subsidiary's CCR projects) to the people of Sri Lanka rather than focus on the actual implementation of such CCR practices. However, as the researcher anticipated this specific response bias due to previous experience in interviewing organizational managers, it was managed by adopting several strategies. These consisted of using 'probes' to obtain clarifications, justifications as well as to question the accuracy of the information (Bryman, 2004; Gillham, 2005) and by corroborating the interview data by asking other subsidiary managers the same questions and by examining published data.

7.4.2 Other limitations

The study was also confined to a certain degree by the collection of data only from subsidiaries. If data had also been collected from the regional and/or global head offices of the MNCs, it would have enabled a much deeper understanding of 'how' the MNCs decided their global and/or regional CCR agendas and its implementation across different subsidiaries. Nevertheless, the present findings of this study *do* provide an understanding of the actual implementation which occurs within the subsidiaries at the time of data collection, as stated by the respondents interviewed for the study.

The complex nature of the organisational practice which was studied, in this research, may also have created certain limitations on the study's findings. CCR, as explained in the detailed discussion section in Chapter 4, was found to be a complex organisational practice. Therefore, unravelling the complexities involved in implementing it, through the analysis of the subsidiary managers' interview data, was not a simple task. The limitation here is that unless further studies are conducted to examine the applicability of these findings about the internal implementation of CCR practices, perhaps by using a large scale survey, it may be difficult to further establish the findings.

In summary, it is recognised that the various limitations examined above may have impinged on the study's findings, in particular the context specificity of the study's findings due to its qualitative research design. Although the findings did produce several important contributions to both empirical research and management practice, it is also important to further establish these findings through future research studies.

7.5 Future Research

Building on the study's exploratory nature and its limitations related to empirical generalisibility, together with the findings explained above, the key suggestion for future research is to seek broad-based generalisations by examining whether similar implementation patterns could be seen within a larger sample of subsidiaries across different developing and developed countries in the Asian region. This research could be carried out as two separate studies. The first study could assess the applicability of this study's findings related to the internal implementation of CCR practices to other subsidiaries operating in similar developing countries. Such research may show similarities in the way in which MNCs manage the CCR practices of those subsidiaries in a specific region. The second study could further examine the use of mechanisms of control on the implementation of CCR practices by MNCs across their subsidiaries by obtaining the MNC head office perspective pertaining to it. Since the absence of the head office perspective was highlighted as a limitation of this study, it is important that the head offices of these MNCs are contacted to find out how they strategise for CCR practices across all of their subsidiaries.

Furthermore, future research, especially in South Asia, is needed to ascertain whether the unique relationships identified between subsidiaries of MNCs and the host country governments could be seen in a similar manner across countries with similar economic conditions. The findings of this study in relation to the relationships that the subsidiaries develop with the host country government are important and pave the way for future research to be designed to examine the aspects of relational governance when enacting public policies related to CR practices such as CCR and/or Environment Management.

7.6 Summary

This chapter has provided an overall reflection on the whole research study. First, it revisited the research process and reflected upon the key objectives of this research study, followed by a reflective account of the development of the research questions based upon the review of three domains of literature. Second, the chapter revisited the research methodology of this study, by reflecting upon the justifications for using an interview method as its research strategy, the data collection methods used, and reflecting upon how the study's methodology could have been further improved. Afterwards, the chapter examined the 'lessons learnt' as a result of implementing this research. This was followed by a brief summary of the key contributions of its findings to empirical research, theory and management practice. The final sections of this chapter were focused on addressing critically and reflexively the three main methodological limitations and other more general limitations of this research study. It then concluded with a brief overview of future research directions. The next chapter provides a more comprehensive examination of the contributions of the findings as well as a more detailed overview of future research.

Chapter 8: Conclusions, Contributions and Future Directions

8.1 Overview

Having presented a reflective summary of the research study in the previous chapter, this final? chapter brings each aspect of the research study together in order to provide an extended discussion of its contributions and future research.

8.2 Recapitulating the research

Corporate social responsibility, at its core reflects the social imperatives and the social consequences of business actions. The focus of this study was to examine how multinational corporations organised and implemented their *social* responsibilities (or more precisely Community CR practices), within their affiliates operating in a developing country in South Asia. In exploring this perspective, three domains of literature were critically reviewed:

(1) CSR implementation literature, consisting of corporate social performance approaches (See Carroll, 1979; Wood, 1991a; Wartick and Cochran, 1985), codes of practice and global standard based approaches (Blowfield, 2004; Howard *et al.,* 2000; Ghisellini and Thruston, 2005; Kaufman *et al*., 2004; Leisinger, 2003) and practice-based approaches (Khoo and Tan, 2002; Cramer, 2005; Maignan *et al*., 2005, Werre, 2003; Maon *et al*., 2009; Perrini and Minoja, 2008),

(2) HQ-subsidiary relationship literature, focusing on the role of the subsidiary(See Bartlett and Ghoshal, 1990; Roth and Morrison, 1992; Birkinshaw and Morrison, 1995; Jarillo and Martinez, 1991; Birkinshaw and Fry, 1998; Birkinshaw and Hood, 2001; Gupta and Govindarajan, 1994) and

the use of control mechanisms (See Ghoshal and Nohria, 1989; Roth *et al.*,1991; Cray, 1984; Mendez, 2003; Epstein and Roy, 2006; Egelhoff, 1984; Precott, 2003; Ferner *et al*., 2004; Hennart, 1991), and

(3) Neo-institutional literature focusing on the institutional approach to legitimacy (Di Maggio and Powell, 1983; Powell and Di Maggio, 1991; Meyer and Rowan, 1983) and the strategic approach to legitimacy (Oliver, 1991; Ashforth and Gibbs, 1990; Suchman, 1995).

This critical review resulted in the identification of several research gaps within extant literature related to:

(1) How CCR practices are implemented within business organisations specifically focusing on the strategic and structural integration of CCR practices, the related implementation processes used and the use of different CCR methods within MNC subsidiaries;

(2) The internal HQ-subsidiary relationship dynamics when implementing CCR practices such as the level of subsidiary autonomy, resource dependency and mechanisms of control used by HQs to control subsidiary CCR practices;

and

(3) The influence of external host-country institutional factors on subsidiary CCR practices implementation such as the manifestation of institutional control and institutional agency elements.

(4) An overarching empirical research gap was also identified pertaining to the lack of research studies examining the CSR practices of subsidiaries operating in developing countries in South Asia.

The identification of these research gaps resulted in the following three research questions:

RQI: 'How do subsidiaries of MNCs implement Community Corporate Responsibility practices?'

RQ II: 'What internal factors influence the implementation of Community Corporate Responsibility practices within subsidiaries of MNCs?'

RQ III: 'What external factors influence the implementation of Community Corporate Responsibility practices within subsidiaries of MNCs?'

As examined in detail at the end of Chapter 2 (See page 86.), a conceptual framework was developed that built on the critical review of literature, also encapsulated the main focus areas of this research study. The findings which were examined in detail in chapters four, five and six and reflected upon in chapter seven, have provided an in-depth understanding of the three key aspects examined in this research as follows:

(1) First, the findings discussed in chapter four provided an understanding of the dynamic and complex nature of CCR practices implementation within subsidiaries.

(2) Second, clarifications pertaining to the nature of the HQ-subsidiary relationship in relation to CCR practices implementation were obtained from the findings discussed in chapter five.

(3) Third, chapter six provided findings which indicated the influence that host country institutional actors have on subsidiaries. Four patterns of legitimisation, based upon subsidiary CCR practices, were derived from the data analysis.

Table 8.1 provides a comprehensive recapitulation of the entire research study by bringing together all aspects of the research.

Table 8.1: Review of the Research and Research contributions

Literature	Research Gaps	Research Questions	Focus Areas (See conceptual framework)	Research Findings	Research Contributions
CSR implementation (a) Corporate social performance approaches (See Carroll, 1979; Wood, 1991a; Wartick and Cochran, 1985), (b) Codes of practice and global standard based approaches (Blowfield, 2004; Howard *et al.*, 2000; Ghisellini and Thruston, 2005; Kaufman *et al*., 2004; Leisinger, 2003) (c) Practice-based approaches (Khoo and Tan, 2002; Cramer, 2005; Maignan *et al*., 2005, Werre, 2003; Maon *et al*., 2009; Perrini and Minoja, 2008).	How CCR practices are implemented within business organisations: (a) Strategic and structural integration of CCR practices (b) Implementation processes used (c) The use of different CCR methods	RQI: 'How do subsidiaries of MNCs implement Community Corporate Responsibility practices?'	Community CR Implementation	(a) Lack of CCR policies (b) Business-led CCR resulting in market-related implementation methods (c) Absence of strategic and structural integration in subsidiaries for CCR practices implementation	a) *Extends* knowledge of the *internal perspective* of implementing CCR and adds to the few studies which have utilised internal qualitative data b) *Adds to* extant knowledge related to the *'strategic' use of CCR* and the *application of strategy and structure* related to MNC CSR practices c) *Refutes* prior research which claim that CSR implementation should be managed by marketing and public relations departments to be more effective
HQ-subsidiary relationship (a) The role of the subsidiary (See Bartlett and Ghoshal, 1990; Roth and Morrison, 1992; Birkinshaw and Morrison, 1995; Jarillo and Martinez, 1991; Birkinshaw and Fry, 1998; Birkinshaw and Hood, 2001; Gupta and Govindarajan, 1994) (b) Control mechanisms (See Ghoshal and Nohria, 1989; Roth *et al.*,1991; Cray, 1984; Mendez, 2003; Epstein and Roy, 2006; Egelhoff, 1984; Precott, 2003; Ferner *et al*., 2004; Hennart, 1991).	Internal HQ-subsidiary relationship dynamics when implementing CCR practices: (a) Level of subsidiary autonomy (b) Resource dependency of the subsidiary (c) Mechanism of control used	RQ II: 'What internal factors influence the implementation of Community Corporate Responsibility practices within subsidiaries of MNCs?'	Internal Factors *(MNC-Subsidiary Relationship)*	(a) Standardized MNC CCR practices (b) 'Powerful' MNC HQs directing subsidiary CCR agenda (c) Regional management of subsidiary CCR practices (d) Use of formalised control mechanisms (e) Lack of a culture of social responsibility *(Normative Integration)*	(a) The reduced autonomy of the subsidiaries in making key decisions on CCR practices implementation *contradicts* prior research which has claimed the *dispersion of power* by *MNC HQs* to their subsidiaries. (b) *Extends* current knowledge about *HQ control of critical resources* and use of *control mechanisms* to manage CCR. (c) The *'standardization' of CCR* in the MNC subsidiaries directly *contradicts prior research* which has claimed that CCR is localised. (d) The *'region-focused' CCR agendas* found within the subsidiaries supports and *contribute*s towards extending our knowledge of the *regionalisation thesis* *(e)* The *lack of normative integration in relation to CSR, contradicts* extant knowledge which indicate that in

					MNCs *CSR is part of their internal corporate culture* (f) *Contributes* towards extending the knowledge of *global CSR*
<u>Neo-institutional literature</u> (a) Institutional approach to legitimacy (Di Maggio and Powell, 1983; Powell and Di Maggio, 1991; Meyer and Rowan, 1983) (b) Strategic approach to legitimacy (Oliver, 1991; Ashforth and Gibbs, 1990; Suchman, 1995).	Influence of external host-country institutional factors on CCR practices implementation in relation to: (a) Institutional Control (b) Institutional Agency	RQ III: 'What external factors influence the implementation of Community Corporate Responsibility practices within subsidiaries of MNCs?'	External Factors *(Subsidiary-Host country institutions relationship)*	(a) Presence of managerial agency seen through the identification of four 'new' legitimisation strategies using CCR practices	(a) *Extends knowledge* about the *forms and processes of legitimacy building* in relation to CSR (b) *Confirms* prior research which have also identified *institutional pressures by host-country institutions* on MNCs to demonstrate socially responsible business practices (c) *Provides new knowledge* about how such *external institutional influences* arising from the host-country's institutional environment could be *managed strategically* by subsidiaries using their CCR agendas (d) *Provides new knowledge* about the *use of CCR practices to further the political agendas of subsidiaries* operating in *controversial and highly regulated industries.*
Empirical Research focusing on CSR in Asia		All three research questions are specifically focusing on Sri Lanka as the research context			Overall findings *extend empirical understanding of CSR practices of Multinationals operating in a developing country in South Asia*

8.3 Contributions

The contributions discussed in detail below specifically examine three aspects of CCR practices implementation within MNC subsidiaries consisting of: the internal implementation of CCR practices, the HQ-subsidiary relationship dynamics and the influence of external host-country institutional factors when implementing CCR practices at subsidiary level. Collectively the contributions of this research study fulfils calls for more empirical and theoretical understanding of CSR as an overall organisational practice in order to propagate a unified theory on CSR (See Muller and Kolk, 2009; Matten and Moon, 2008; Lockett *et al*., 2006; Godfrey and Hatch, 2007; Griffin, 2000).

8.3.1 Internal Implementation of Community CR practices

This research study makes some important contributions towards extending our knowledge related to the internal implementation of CCR practices within subsidiaries. First, by examining the implementation of CCR practices from a policies-process-outcomes approach, it contributes collectively towards gaining a more holistic understanding of CCR practices while simultaneously extending our knowledge of the *internal perspective* of its implementation within subsidiaries. From a more broader CSR study perspective this research represents one of a few studies which have utilised internal qualitative data (For other studies see Mohan, 2006; Enquist *et al.,* 2006; Maon *et al*., 2009; Perrini and Minoja, 2008; Richter, 2011) in the study of CSR within MNCs.

Focusing on the specifics of internal implementation of CCR practices, it contributes towards extending our knowledge related to the use of subsidiary CCR policies and the strategic and structural integration of CCR practices within MNC subsidiaries. Taking into consideration the qualitative nature of the study, these contributions *are* contextual and case specific, but do have the potential to be studied further in order to obtain empirical generalisations. CSR implementation literature has postulated that the derivation of 'corporate policies' related to CSR, and more specifically to CCR, would assist in the internal implementation of such practices (Carroll *et al*., 1987; Du *et al*., 2007; Campbell and Slack, 2008). Nevertheless, this study found that the corporate policies for CCR practices were virtually non-existent within the majority of the ten subsidiaries. Furthermore, in the absence of clear CCR policies, the findings also showed that what actually motivates subsidiaries to implement CCR practices is the need to attain business-related objectives such as 'reputational gains' and 'corporate image enhancements' rather than social objectives. As such, these findings contribute towards further knowledge and understanding about how CSR practices could be a viable source of competitive advantage(Bhattacharyya, 2010), as it not only enables business organisations to enhance their legitimacy amongst stakeholders (Jamali, 2008) but also enables firms to develop a strong long-term reputation (Brammer and Pavelin, 2005; Sen *et al.*, 2006) and a strong corporate identity as a socially responsible firm (Maignan and Ralston, 2002; Bravo *et al*., 2012). This contribution also gains more relevance because it refutes the findings of previous researchers who have found CSR practices are generally non-strategic, primarily driven by social objectives (Ofori and Hinson, 2007; Jamali and Mirshak, 2007).

The *lack* of strategic and structural integration found in this study, where CCR was 'owned' mostly by marketing, human resources and corporate relations departments in the majority of the subsidiaries and thus leading to a lack of separation in operational planning for CCR specifically (and CSR in general) contributes towards extant knowledge related to the application of strategy and structure in CSR (Porter and Kramer, 2006; Aldama *et al*., 2009; Galbreath, 2010b). It also refutes prior research claims which seem to establish that CSR implementation would be more effective if it is managed by marketing and public relations departments (Murray and Montanai, 1986; Lantos, 2001). Other studies have also established that the 'ownership' of CSR by departments which are closely linked to corporate communication *is* important in terms of ensuring stakeholder awareness of organisational CSR practices (Podnar and Ursa, 2007; Jahdi and Acikdilli, 2009), to prevent legitimacy concerns related to organisations (Arvidsson, 2010) and as way to build corporate equity (Galbreath, 2010a). However, this study's findings indicate that issues related to source reliability and credibility is raised by host country institutional actors, when CSR messages are communicated by corporate communications units in MNC subsidiaries.

The prevalent use of 'partnerships' to outsource CCR projects by the subsidiaries correspond with other studies (See Seitanidi and Ryan, 2007; Seitanidi and Crane, 2009) which have also suggested that it could result in both accountability and reputational issues for the companies, specifically in relation to funding and implementation of partnered CCR projects. Furthermore, the use of cause-related marketing programs to implement CCR practices, specifically to promote product brands also support other empirical research which have found that an affinity with specific social causes *can* differentiate and provide meaning to brands (Sana-ur-Rehman and Beise-Zee, 2011) and provides a 'halo effect' (Klein and Dawar, 2004), whereby selecting the ‘right’ social causes could safeguard a company against future ethical troubles.

These contributions collectively provide a more detailed understanding of the instrumental perspective of CCR practices (Garriga and Mele, 2004; Pirsch *et al*., 2007; Campbell and Slack, 2008) whereby it could be utilised to successfully manage the achievement of tangible and intangible business goals, ultimately serving the economic interest of MNCs operating in developing countries.

8.3.2 Internal Factors - HQ-subsidiary Relationship

Multinational corporations have a complex relationship with their foreign affiliates and are usually engaged in the transfer of organisational practices and resources to ensure consistency in its global operations. The focus of this study was on the influence of the level of autonomy and resource dependency of the subsidiaries and mechanisms of control used by the MNC HQs, related to the implementation of subsidiary CCR practices. The findings showed powerful MNCs operationalising a standardized agenda for CCR, used formal control mechanisms with the authority for management of CCR practices being transferred to regional HQs and thus resulting in a ‘region’ focused CCR practice. The findings also indicated that although formal control mechanisms are being used by the MNCs (within the ten subsidiaries studied), there was a remarkable lack of a ‘culture’ of CSR (i.e. integrated values and norms of responsibility) and managers regarded CSR and more specifically CCR, to be a routine operational activity rather than one which influences the values and norms underpinning managerial decision-making.

As such, these findings provide several important contributions towards substantiating as well as extending extant knowledge related to the unique HQ-subsidiary relationship. The reduced autonomy of the subsidiaries in relation to their ability to make key decisions about their Community CR agenda contradicts prior research which has suggested that MNCs are increasingly dispersing their structures of power with its subsidiaries being provided more strategic decision-making power for organisational practices (Hedlund, 1986; Doz and Prahalad, 1991). However, the predominant dependency of these ten subsidiaries on the resources of their HQs, seen by the periodic approval of subsidiary budgets and plans for their CCR practices further extends extant research which have also stated that HQ 'power' mainly occurs due to their control of critical resources (Andersson *et al*., 2007). More importantly, the findings related to the 'standardization' of the CCR agenda within MNCs, directly contradicts prior research which has claimed that Community CR specifically is localised due to the need for subsidiaries to address host-country specific social issues (Mohan, 2006; Muller 2006a; Muller and Kolk, 2009).

The findings on the 'regional' focus of the CCR agendas and the management of subsidiary CCR practices by regional HQs seen within some of the subsidiaries in this study, contribute towards extending our knowledge of the 'regionalisation thesis', which suggests that a vast majority of MNCs operate on an intra-regional basis rather than a global basis. As such, these findings strongly support the original regionalisation work of Rugman and Verbeke (1992) as well as more recent work by Rugman and Verbeke (2004 and 2008). The strong relationships that most of the subsidiaries in this study have with their regional HQs further indicate that regional strategies of MNCs. In this case, the CCR practices are embedded within the broader competitive, organizational and institutional contexts at the regional level. These findings further support the work of other researchers who have also argued that MNC when managing their region-based networks would tend to devolve more power to their regional HQs (Ghoshal and Nohria, 1994; Rugman and Coiteux, 2003).

The use of formal control mechanisms such as periodic reports, annual reviews and budgets by HQs to control and coordinate the subsidiary CCR practices through regional CCR agendas, correspond with other empirical research which have found that the use of control mechanisms is an important driver for global standardisation of other organisational practices such as human resources (Hannon *et al*., 1995; Fey and Bjorkman, 2001) and advertising (Laroche *et al*., 1999).The lack of cultural integration in relation to CSR, within the ten subsidiaries even when CSR *was* being integrated within the corporate management framework of the MNCs through the use of formalised control mechanisms was an important finding in this research. This finding contradicts previous researchers who have found that MNCs make CSR part of their internal corporate culture by using internal communications and by making CSR part of their overall ‘management approach’(Cruz and Boehe, 2010). As such, this study’s findings show that even when such integration mechanisms *are* present, subsidiary managers still consider CSR to be a mere routine organisational practice which requires a ‘ticking of a box’ to indicate its adoption to their HQ. However, in agreement with Martinez and Jarillo (1991), the stringent use of control mechanisms being used by many of the subsidiaries in this study, may also indicate a need to have a concomitant increase of formal integration, in order to facilitate the use of more subtle control mechanisms and the subsequent institutionalisation of a ‘culture’ of CSR across the MNC. Furthermore, it also indicates the shortcomings in *not* have a pervasive culture of responsibility within MNC networks, leading to a neglect of responsibility in informal problem-solving and decision-making processes at subsidiary level. CSR focused organisational cultures reinforce a view that environmental and social values are important to the organization and guide the behaviour of managers and employees (Bonn and Fisher, 2011) and the absence of such a culture especially within MNCs could result in 'irresponsible decisions' being taken at subsidiary level leading to possible reputational losses for the entire MNC.

Overall the contributions of this study related to internal factors influencing the CCR practices implementation of MNC subsidiaries, extends our knowledge of global CSR, of which there is only scant existing research (For some other studies see Chaudhri, 2006; Mohan 2006; Muller 2006; Muller and Kolk, 2009; Yang and Rivers, 2009; Cruz and Boehe, 2010, Richter, 2011). As such, this study extends the discussion of present knowledge on the management and implementation of Community CR within subsidiaries in international business literature and strongly indicates that MNCs operate in a world which is semi-globalized and that a renewed focus on examining the regional focus of CSR strategy development and the influence of regional institutional factors on their implementation within the subsidiaries in that region is much needed.

8.3.3 External Factors – Subsidiary-Host country Institutions

There has been an increasing interest in applying neo-institutional theory constructs, specifically those related to the issue of 'legitimacy' to international business research recently. As such, the findings of this study related to the legitimacy-seeking behaviour of the subsidiaries using CCR practices and the presence of managerial agency in doing so, denotes important contributions to knowledge.

The findings discussed in detail in chapter six, identified four patterns of legitimisation or legitimacy-seeking behaviour across the ten subsidiaries. The identification of such legitimacy-seeking behaviour by the subsidiaries, given the fact that CCR practices were being used as the legitimisation tool, provide important contributions towards extending empirical knowledge related to legitimacy. First, these findings extend our understanding about the forms and processes of legitimacy building in relation to CSR (as noted by Palazzo and Richter, 2005 and Trullen and Stevenson, 2006 as being important). Although prior studies have been populating the management literature with theoretical research examining legitimacy (See Oliver, 1991; Suchman, 1995), empirical knowledge building in this area is still deficient (Castello and Lozano, 2011) and as such, these findings provide important empirical findings to this body of knowledge. Secondly, the four patterns of legitimacy identified collectively confirms prior research which have also identified similar pressures brought forward by host-country institutions on MNCs to demonstrate socially responsible business practices (Waddock, 2008). More importantly, the specific patterns of *Adherence* and *Collaboration* also agrees with other researchers who have argued that in the absence of a stringent local regulatory environment within the host country, MNCs take greater care to implement CSR practices which are globally similar (Mohan, 2006).

An important contribution to knowledge from this study relates to the exercise of 'managerial agency' to manage institutional control by some of the subsidiaries. Prior research has identified the influence of external and internal institutional control when implementing organisational practices within MNC subsidiaries (Kostova and Roth, 2002). However, the findings of this research contributes towards extending this knowledge to CCR practices and also provides new knowledge which shows that external institutional influences arising from the host-country's institutional environment could be *managed* strategically by subsidiaries using their CCR agenda, whilst ensuring their internal legitimacy requirements are met. As such, it simultaneously confirms the argument made by previous researchers that in MNCs the implementation of an organisational practice is affected by the external institutional context as well as the internal relational context (Kostova, 1999; Kostova and Zaheer, 1999), but provides new knowledge which indicates that: (a) within MNC subsidiaries the internal relational context has more influence than the external institutional context in shaping the CCR practices and (b) the strategic use of CCR practices as a 'tool' to manage external institutional influences arising from the host-country shows that rather than an institutional approach, a more strategic approach is adopted by subsidiaries to manage their legitimacy-seeking behaviour at host-country level. In other words, institutional duality is clearly salient in the case of MNC subsidiaries (in this case in relation to CCR practices implementation) as suggested by Kostova and Roth (2002), but the findings also suggest that internal managerial dynamics and characteristics play an important role in 'shaping' a subsidiary's CCR agenda.

Additionally, the findings also indicate the use of CCR practices to further the political agendas of subsidiaries, specifically those subsidiaries operating in controversial and highly regulated industries such as tobacco, thus adding to the calls to investigate the 'political CSR' perspective through empirical research (Gugler and Shi, 2009; Scherer *et al*., 2009) to understand how companies, and specifically large MNCs mitigate future regulatory risks when operating in developing countries by engaging manipulative political CSR strategies.

8.3.4 CSR research in Asia

Although the interest in CSR practices of MNCs has been present within extant research for sometime there is a startling shortage of qualitative research studies which focus exclusively on Asia. As such, the present research, with its focus on Sri Lanka and those subsidiaries operating there, provide an important contribution towards empirical knowledge. It adds to the few studies which *have* examined the CSR practices of western MNCs in Asia (For other studies see Welford, 2004 and 2005; Mohan, 2006; Lee, 2007).

Scott (1995:146) has emphasised the need to examine more closely the 'particular institutional context' prevalent in Asian institutional environments. These institutional environments (specifically seen in those countries which are as yet developing in Asia), could provide an understanding of the influence of the institutional context on a firm's strategy which is dependent upon cultural and economic effects (Peng, 2002). As such, the identification of legitimacy-seeking strategies such as *Alignment*, *Collaboration* and *Participation***,** in this study clearly show that subsidiary organisational practices (in this case in relation to CCR practices) are dependent upon the economic requirements of the country as well as culture-specific needs.

8.3.5 Contributions to Management Practice

Firms around the world are being constantly challenged to demonstrate responsible corporate behaviour. However, at present there is no consensus as to 'how' CSR practices, and mostly community corporate responsibilities of MNCs should be managed (Berman and Rowley, 2000). As such, although contextual, the findings of this study contribute towards providing some prescriptive guidance for MNC subsidiaries operating in similar developing countries in Asia on 'how' they could address CCR practices effectively. To this extent, first, based upon the findings of this study, MNC subsidiaries could consider exploring the strategic integration of CCR. This would mean achieving an integration of strategy and structure for CSR, but it could ensure that rather than short-term business benefits, more consistent long-term competitive advantages are achieved through a properly institutionalised CSR practice.

Second, given the importance of corporate reputation and image for MNCs operating in poorly or less developed countries, subsidiaries should be encouraged to adopt globally standardized CSR practices which would enhance its transparency and reporting practices (Vilanova *et al* .,2009), but as the findings of this study indicate, it is imperative that rather than focusing on internalising CSR as a routine organisational practice, MNCs should concentrate on inculcating a overarching 'culture' of social responsibility across their network. In the absence of such normative integration of CSR, subsidiary managers may tend to consider the implementation of social responsibilities as 'just another target' and as such diminish the importance of integrating 'responsible' thinking in their operational activities.

Finally, the findings provide some viable suggestions for subsidiaries as to how they could engage in legitimacy-seeking behaviour in a developing country. To this extent, the four patterns identified show that subsidiaries *could* engage in political behaviour, especially with the host-country governments by using their Community CR projects as a negotiating tool. By doing so, subsidiaries may be able to ensure long-term sustainability of its operations in developing countries, where nationalistic sentiments could threaten future operations, but also ensure that any present or future reputational risks are mitigated.

8.4 Future Research Directions

While this study provides some significant findings related to CCR practices implementation in MNC subsidiaries, further research is needed to strengthen these findings and explore legitimacy-seeking behaviour in relation to CSR practices in particular.

Exploring Corporate Responsibility Practices Implementation in other contexts

The current study only explored the implementation of CCR practices within ten subsidiaries in Sri Lanka. This study was exploratory and the findings obtained are context bound. Future research studies could expand this research design across multiple countries to better understand if the identified elements in the internal implementation of Community CR exist within other MNC subsidiaries operating within different national institutional environments. Such studies could be similar qualitative studies using the same research design or could be a large-scale survey spanning several MNCs and their affiliates across multiple Asian countries, which could enhance generasability of the resultant data.

Mapping CSR practices development within MNCs

Given that the findings showed different stages of adoption in CCR practices by some subsidiaries, it is advisable to conduct more rigorous longitudinal research focusing upon a cluster of MNCs and their subsidiaries to examine the overall institutionalisation of CSR within subsidiaries, commencing from the transfer of practices through to its internalization. A multiple method study using interviews, participant observations and focus groups could be used to further explore the complex processes involved in the institutionalisation of CSR within and across MNCs globally.

Further research about CCR and the use of 'partnerships'

Further research should also examine the formation, implementation and outcomes of 'public-private-partnerships' as a method of implementing CCR practices by MNC subsidiaries in developing countries. This area needs further investigation as the findings of this study indicate such partnerships *are* being increasingly used by subsidiaries to develop long-term relationships with host country governments and other non-governmental organisations. As such, examining specific cases of partnerships would provide further data related to the strategic use of CCR practices as a legitimacy-seeking tool.

Political CSR

Future research that investigates the 'political' aspects of the 'voluntary' engagement by MNC subsidiaries in CCR practices needs to be carried out with a focus on developing countries due to several reasons. For example, the governments in developing countries due to the pressure to improve societal well-being in those countries would most likely expect an additional contribution from companies and specifically from MNCs. However, unlike in western developed countries, it is most unlikely that such expectations would be codified through regulations, as was seen within the findings of this study. Government expectations, as such, are more tacit and intangible and are dependent upon the unique relationships that they forge with MNC subsidiaries. Therefore, future research examining the different modes of corporate contributions towards solving those social and environmental issues identified by developing country governments as crucial is needed. This could further include the identification of substitution, supplementation and compensation, identified by Aßländer (2011:119) as comprising of different 'modes' of corporate engagement in nation-state CSR.

Managerial Agency in CSR

An important finding of this study was the exercise of managerial agency by subsidiary managers to strategically manage external institutional influences. As such, further research which explores more closely internal firm dynamics and institutionalisation of managerial agency within subsidiaries, and thereby exploring the synergies which seem to exist between neo-institutional theory and the strategic legitimacy perspective, would likely to enrich our understanding of 'why' subsidiaries demonstrate different levels of CSR when operating in different host-countries.

8.5 Concluding Remarks

The growing power of the MNCs in the world economy, and especially their involvement in developing countries, have increased calls for them to be more responsible towards the citizens of those countries. CCR practices could be used by MNCs to provide positive social impacts towards citizens in such developing countries. This study examined how the internal implementation of such CCR practices occurred within MNC subsidiaries operating in a developing country. The findings show that although the MNC subsidiaries (in this study) *are* contributing towards the social advancement of communities in Sri Lanka, the forces and decisions driving such contributions are more business related. Therefore, there has to be a sustained effort to conduct future research studies examining the internal organisational dynamics related to the management of CR practices within MNCs to assess how they are meeting their social responsibilities by contributing towards the sustainable development activities of developing countries.

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Appendix I: Definition of Key Terminology

Corporate Responsibility

Although Corporate Responsibility is not a new concept and has been at the forefront of academic examination for over half a century, there is as yet no commonly agreed definition of it (Frederick, 1987; Brice and Wegner, 1989; Carroll, 1999). Definitions for Corporate Responsibility range from the wider and more inclusive socio–economic view of Corporate Responsibility (Carroll, 1979; Epstein, 1989; Sethi, 1975; Anshen, 1980) to the more narrower and exclusive classical view of Corporate Responsibility propagated by Milton Freidman (Friedman 1970 and 1962). The key difference in these definitions of Corporate Responsibility is related to the 'scope' of an organisation's corporate responsibilities. Therefore, while the socio-economic definitions of Corporate Responsibility emphasise the need for business organisations to manage *all* of their corporate responsibilities towards diverse stakeholders, the latter, classical definitions of Corporate Responsibility accentuate that business organisations should ensure that their profitability is maintained as not doing so would be irresponsible towards the one and only important stakeholder which is the shareholders.

In consideration of 'how' Corporate Responsibility should be managed and implemented within business organisations, recent developments in Strategic Corporate Responsibility (See Porter and Kramer, 2006; Husted and Allen, 2007; Bhattacharyya, 2010) are advising organisations to ensure that Corporate Responsibility should ideally be about an integration of both social as well as business goals. Therefore, it is important to examine Corporate Responsibility definitions over time to examine the viability of doing so.

Considered by some to the most important definition of Corporate Responsibility, Carroll in 1979 introduced four different 'types' of responsibilities and also stressed the 'ethical' and 'discretionary' nature of Corporate Responsibility, in his pioneering definition:

> "The social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organisations at a given point of time" (Carroll, 1979:500)

As such, Carroll's definition argues for an organisation to carryout out all its obligatory responsibilities such as adhering to the law and making a profit, but, it most importantly expands the scope of an organisation's responsibilities to include those which are ethical and discretionary. It is however, unclear as to 'how' organisations would identify the different sections of society towards whom they should practice their discretionary and ethical responsibilities.

A solution to the question of to 'whom' should business organisations be responsible for was answered by Jones in 1980 where the term 'constituent groups' was used to mean 'stakeholders' and was thus included to show that Corporate Responsibility practices of an organisation went beyond mere philanthropic activities. Jones's (1980) definition of Corporate Responsibility states that:

> "CSR is the notion that corporations have an obligation to constituent groups in society other than stockholders and beyond that prescribed by law or union contract" (Jones, 1980:59)

Since this definition advocates the inclusion of responsibilities towards 'constituent groups' (i.e such as consumers, suppliers, employees, communities etc) other than the traditional shareholders of a firm it paved the way for a broader stakeholder based approach to Corporate Responsibility to be established.

In summary, the academic definitions of Corporate Responsibility do not provide much clarity on how Corporate Responsibility should be implemented within business organisations. The main focus of academic definitions seems to be on establishing two key points with regard to Corporate Responsibility. First, these definitions establish that the corporate responsibilities of business organisations are not limited to shareholders but range across a multitude of stakeholders ranging from 'community' to 'employees'. This is especially accentuated in Jones's (1980) definition. Secondly, academic definitions also emphasise that Corporate Responsibility practices could be voluntary (or discretionary) as well as obligatory (or legally required). Carroll's (1979) definition of Corporate Responsibility accentuated this fact and others have extended this view later on (See Clarkson, 1995: Wood, 1991). The focus of this discussion now turns to examining some of the global practitioner definitions of Corporate Responsibility. This is needed to assess whether there may be contrasts in terms of content and scope between the academic definitions of Corporate Responsibility and practice focused definitions.

Although the United National Global Compact (UNGC) does not directly provide a definition for Corporate Responsibility, it does define what the objective of business organisations adopting the UNGC ten principles should be as follows:

> "By doing so, business, as the primary agent driving globalization, can help ensure that markets, commerce, technology and finance advance in ways that benefit economies and societies everywhere and contribute to a more sustainable and inclusive global economy" (UNGC,2008:02)

Through the above statement the UNGC is advising their partner business organisations to move away from a focus on Corporate Responsibility to a Sustainability (or Sustainable Development) focus in their management of corporate responsibilities. In terms of 'how' business organisations, especially multinationals should ensure that they manage their corporate responsibilities has been provided by the Organisation for Economic Co-operation and Development's (OECD) 'Guidelines for Multinational Corporations'. The guidelines state 'how' MNCs should operate in the different host countries by ensuring that the following responsibilities are met:

> "Enterprises should contribute to economic, social and environmental progress with a view to achieving sustainable development, respect the human rights [...], encourage local capacity building through close co-operation with the local community [...], Encourage human capital formation, in particular by creating employment opportunities and facilitating training opportunities for employees [...]" (OECD,2008: 14).

The OECD has in effect incorporated the stakeholder based definitions of Corporate Responsibility, by incorporating into the guidelines that MNCs should fulfill their responsibilities towards a diverse range of stakeholders in the host country. The guidelines also reflect the need to not just ensure that 'social' responsibilities are met but also to meet the economic and environmental responsibilities and thereby integrating the need for sustainable development focus in their operations in these host countries.

Based upon the above discussion of the evolving nature of definitions for Corporate Responsibility, for the purposes of this study and use in this thesis Corporate Responsibility has been defined as follows:

> "Corporate Responsibility of a business organisation is the achievement of social, economic and environmental objectives simultaneously while ensuring the long-term sustainability of the business and fulfilling the businesses responsibilities towards multiple stakeholders"

This definition integrates the stakeholder based definitions where the fulfillment of multiple stakeholder needs is considered (including that of society or community) and it also acknowledges the need for business organisations to focus on the long-term sustainability of their business operations by integrating a strategic stance on the achievement of business and social (i.e societal) objectives. Having established a definition for Corporate Responsibility the next section will critique the definitions which have been discussed in academic literature for Multinational Corporations and subsidiaries.

Multinational Corporations and Subsidiaries

An early definition of MNCs was presented by Phatak (1989) as follows:

> "Enterprises that have a network of wholly or partially (jointly with one or more foreign partners) owned producing, marketing or R&D affiliates located in a number of countries" (Phatak, 1989:31)

Phatak's (1989) definition shows that the MNC consist of a headquarters and different national subsidiaries linked together by exchange relationships collectively encased within a global structure or network. The different value chain activities according to the above definition are also spread throughout this network of subsidiaries. While Phatak (*Ibid*) managed to clearly set out the operational scope of a Multinational Corporation (or Enterprise), Sundaram and Black (1992) addressed the issue of decision-making in Multinationals through their definition. They defined the Multinational Corporation as:

> "Any enterprise that carries out transactions in or between two independent entities, operating under a system of decision making that permits influence by factors exogenous to the home country environment of the enterprise" (Sundaram and Black, 1992: 25).

The above definition highlights the influence of 'factors exogenous' to the home country which could influence the operations of the enterprise. As such, the definition recognizes that host country factors and/or global institutional factors would have the ability to influence the MNC's decision making pertaining to its global operations.

Another interesting and a more detailed definition of MNCs are provided by the OECD, in its 'Guidelines for MNCs' handbook (OECD, 2008). They define a Multinational Corporation as:

> "These usually comprise companies or other entities established in more than one country and so linked that they may co-ordinate their operations in various ways. While one or more of these entities may be able to exercise a significant influence over the activities of others, their degree of autonomy within the enterprise may vary widely from one multinational enterprise to another" (OECD, 2008:12)

This definition summarises three key characteristics of MNCs. Firstly, a globally dispersed operation with a 'network' of subsidiaries and head quarters. Secondly, influence of external factors outside its country of origin which may influence its decision making. Thirdly, the control and coordination required of the different subsidiaries to varying degrees by the Head quarters of the MNCs.

Based upon the above considerations, a Multinational Corporation is defined for the purpose of this research as follows:

> "It is an enterprise which has a network of subsidiaries located across the world controlled and coordinated by either global and/or regionally based

> head quarters, whose decisions are influenced by factors exogenous to the home country of the enterprise"

This definition most importantly recognises the dilemma faced by most MNCs in managing its operations globally, the 'integration–responsiveness' issue (This is discussed further in Chapter 3) and it also emphasises the control and coordination problems that MNCs encounter when managing their globally dispersed subsidiaries. Having established a definition for Multinational Corporations, it is also important to examine how subsidiaries have been defined in extant literature prior to the establishment of a definition for it.

The subsidiaries of MNCs represent one part of a complex inter-organisational network. The management of MNC subsidiaries takes place within plural national environments and institutional structures and the relationship between the subsidiary and its MNC is thus dynamic and complex. It has been denoted as that of a 'principal-agent relationship' (Gupta and Govindarajan, 1991)**.** As a 'principle' the head quarters of the Multinational Corporation has to balance the need to simultaneously control and collaborate with its 'agent', the subsidiary (Doz and Prahalad, 1984; Rosenzweig and Singh, 1991). Hence, one encounters the classic control problem which has been discussed overtime in International Business literature (See Ghosal and Nohria, 1994). Nevertheless, as each subsidiary operates within a different context, the control and coordination issues would also vary from one subsidiary to another and in relation to each subsidiary – head quarters relationship (Prahald and Doz, 1987). In summary one can assert that subsidiaries of MNCs have both a dynamic and complex relationship with their parent companies.

As such, it is important to clarify ‘what’ a subsidiary is. Birkinshaw (1997) defines a subsidiary as follows:

> “A subsidiary is an operating unit under the ownership of the MNC and located in a host country” (Birkinshaw, 1997:30).

A later definition by Birkinshaw and Hood (1998) adds onto the above definition and states:

> “A subsidiary is a value-adding entity of the MNC operating in a host country” (Birkinshaw and Hood, 1998:774)

Both these definitions clearly emphasise that subsidiaries do engage in some type of value addition activity in the MNC operations and are located outside the home country in different host countries. Based upon the above definitions a subsidiary is defined as below for the purposes of this research:

> “A subsidiary carries out either full or part of the value addition activity, which is controlled and coordinated (to varying degrees) by the head quarters as it is located in a country outside the home country of the Multinational Corporation”

The above definition recognizes that subsidiaries carryout either full or partial value adding activities on behalf of their MNCs, that they are located in countries outside the home countries of the MNCs and most importantly the different organisational practices of the subsidiaries are controlled and coordinated by either the regional and/or global head offices of the MNCs. The discussions of the findings in Chapter 6 was thus made taking into consideration the above mentioned working definitions established for MNCs and subsidiaries. The next section examines the research setting for this study, Sri Lanka.

Appendix II: Letter of Introduction

............., 2008

Dear Sir,

I am a doctoral researcher attached to the School of Management of the University of Bradford, in the United Kingdom. I am presently reading for a Doctor of Philosophy Degree at this university. My research is concerned about the issue of implementation of Corporate Social Responsibility practices by subsidiaries of Multinational Corporations in Sri Lanka.

As an essential part of my research I am presently collecting information with regard to the above issue and as a valued member of ...., I need your help to enable me to better understand this issue. In order to clarify to you the important concerns which you might have as a participant of this research study I have attached herewith a brief overview of it and related issues such as the maintenance of confidentiality and privacy of data provided.

Your assistance and participation in this research would be highly appreciated.

Yours Faithfully,

Eshani Beddewela
Doctoral Researcher/ Associate
Strategy, Economics and International Business Group (SEIB)
School of Management
University of Bradford

Appendix III: Introduction to the research document provided to the subsidiaries

DOCTORAL RESEARCH RELATING TO IMPLEMENTING

CSR PRATICES

OF SUBSIDIARIES IN SRI LANKA

Doctoral Researcher: Eshani Beddewela

Supervisors: Dr J. Fairbrass and Dr. A.T. Mohr

Bradford University School of Management
Emm Lane
Bradford
BD9 4JL
West Yorkshire
United Kingdom

1. Introduction

Corporate Social Responsibility or CSR is concerned with how a company addresses its social responsibilities whilst simultaneously making a profit. CSR therefore, is not simply limited to philanthropic activities of a company but it signifies a much broader and strategic practice which takes into consideration the economic, legal, ethical and discretionary responsibilities of the firm.

CSR is practiced by both local and global firms. However, this research focuses specifically on the CSR practices of subsidiaries of Multinational Corporations (MNCs). Multinational Corporations, who typically operate across national boundaries have frequently been criticised especially for relocating production to less developed countries, where environmental, health and safety, governance and employee welfare standards are deficient or non – existent. However, most MNCs have actually taken quite significant steps to ensure that all of their regional operators comply with social responsibility principles and standards in a universal manner.

Nevertheless, there is a significant lack of research in this specific area, on what the nature of the link is between CSR practices at subsidiary level and parent-subsidiary relations in the multinational context (Muller, 2006a). This is more noted in the lack of research investigating how subsidiaries of MNCs in less developed countries actually implement CSR practices and what factors affect such implementation (Welford, 2007).

This doctoral research focuses on investigating the implementation of Corporate Social Responsibility practices in subsidiaries of Multinational Corporations in Sri Lanka. Therefore for this doctoral thesis Ceylon Tobacco Company Ltd would constitute a key case study for in-depth organisational analysis because of its leading status in the Cement industry in Sri Lanka.

2. <u>Types of data (information) requested</u>

It is anticipated that the following types of data would be required from your organisation:

- Information related to the management and implementation of CSR practices in ....
- Information about corporate policies, processes and specific CSR programmes of ....
- Information pertaining to the coordination of local CSR practices with head quarters / regional head quarters and its influence on the CSR practice
- Information about possible local factors which have influenced the development and management of the CSR practices of your company.

3. <u>Maintenance of Ethical Guidelines and Confidentiality</u>

This research is conducted under the auspices of the University of Bradford, and as such it is guided by the University of Bradford's Code of Practice for Ethics in Research and also the Economic and Social Research Council's (UK), Research Ethics Framework.

Strict confidentiality and privacy would be maintained throughout this research in the following manner:

- No names would be used in transcribing from the audio tape or in writing up the case study. <u>Each interviewee would be addressed by their official designation and the organisation itself would be given a unique identifier</u>.
- The audio tapes which I make during the course of the interviews would only be listened to by me and would not be transcribed by another person. Any transcription so done would be done within the confines of my home or office and not in a public place.
- The data which would be obtained during the course of this research would be kept under strict safety measures and would not be given to anyone for further analysis other than myself and my supervisor.
- The results of this study would be used to publish several journal papers but as mentioned above the utmost confidentiality would be maintained to ensure that the organisation is not identified in any manner in these journal articles.

4. Potential Findings and Implications

It is expected that this research would result in a deeper understanding of the complexities involved in the implementation of CSR practices by subsidiaries of MNCs in Sri Lanka. Specifically, the findings obtained from your company would depict the factors influencing the implementation of CSR practices of your company and how the CSR practice has been established within your company. These findings would be then compared to the findings of the other subsidiaries in Sri Lanka and finally, an overall framework to explain a complex practice such as CSR would be drawn.

The findings of this research would have multiple managerial implications:

a. It would provide an independent view of the CSR practice of your company and the factors which influences it.
b. The overall findings of the study would have clear implications for MNCs hoping to establish CSR practices in less developed countries in the form of :
    i. Identification of factors which are internal and external to a subsidiary which would have clear implications for the successful implementation of CSR practices.
    ii. Ability to understand the unique differences in CSR practices in Asian countries due to host country factors.
    iii. To assist the MNCs in making decisions pertaining to whether a certain CSR practice should be localised or standardised across it whole network.

Therefore, your cooperation and support in this research is greatly appreciated and further information pertaining to it can be obtained by contacting me.

Eshani Beddewela
Email :-e.s.beddewela@bradford.ac.uk
Tel :- (00) 94 081 2237913, (00) 94 081 2210545
Mobile :- +94 777 411137

Appendix IV: Interview Guide - Subsidiary Managers

Implementing Corporate Responsibility practices within subsidiaries

Interview Guide

Section A: Background related to subsidiary and interviewee

1. Can you provide me with an overview of your company and its key activities in Sri Lanka?
   [Probe: type of industry and key businesses, company history, subsidiary context and role within the MNC network]

2. Could you explain your duties and responsibilities?
   [Probe: designation and associated duties and responsibilities, job role fit in Corporate Responsibility/or business management process, authority and relationship with executives in headquarters]

Section B: Corporate Responsibility management process and outcomes

1. How did the Corporate Responsibility practice commence and establish over time in your company?
   [Probe: initiation, reasons for initiation, timeline, development of the practice, present status]

2. Could you tell me how your company manages and implements the Corporate Responsibility practices?
   [Probe: key Corporate Responsibility initiatives/ areas addressed, stakeholder engagement, management processes for Corporate Responsibility, corporate social policies and policy formulation, implementation of policies through Corporate Responsibility processes, Corporate Responsibility planning – operational or strategic?]

3. What would you say are the key outcomes of your company's Corporate Responsibility practices?

   [Probe: specific Corporate Responsibility programmes and their initiation, management and performance evaluation, factors influencing their success, measurement of Corporate Responsibility outcomes, reporting practices related to Corporate Responsibility and sustainable development, Corporate Responsibility assurance practices, adoption of global standards and frameworks – e.g.:- GRI, AA1000 etc]

Section C: - Factors and their influence on Corporate Responsibility practices implementation at the subsidiary

1. What do you perceive as key factors which are external (i.e. outside) to your company as having a high degree of influence on the Corporate Responsibility practices implementation of your company? *(possible factors - public policy in Sri Lanka (normative isomorphism), NGO and activists, specificities of Sri Lankan culture, mimetic isomorphic factors- e.g:- competitor pressure)*
   [Probe in detail about factors mentioned: how? why? to what extent? what aspects of the Corporate Responsibility practice examples?]

2. What do you perceive as key factors which are internal (i.e. inside) to your company as having a high degree of influence on the CSR practices implementation of your company? *(possible factors- core values/principles of HQ, control and coordination mechanisms in place by HQ, the subsidiary role/type, the international organisational structure of the MNC]*
   [Probe in detail about factors mentioned: how? why? to what extent? what aspects of the CSR practice? examples?]

3. How does your company coordinate with your head office in relation to your Corporate Responsibility practices?
   [Probe: Communication? time dimension? HQ assistance in CSR – resources, training, other, Corporate Responsibility budgets and plans, Corporate Responsibility policies enactment and alteration of Corporate Responsibility policies, Corporate Responsibility measurement, Corporate Responsibility reporting and standardisation, similarities amongst HQ and subsidiary Corporate Responsibility practices]

Section D: Conclusion

1. Do you have anything else you might like to add, specifically related the management of CSR practices and what influences such a management process at the subsidiary level?

Appendix V:Interview Guide - Institutional Actors

Engagement in Corporate Responsibility practices in Sri Lanka

Interview Guide

Section A: Background related to the institution and institutional actor interviewed

1. Can you provide tell me how your institution is involved in corporate responsibility in Sri Lanka?
   [Probe: key activities undertaken, scope of institutional influence, companies involved with the institutions activities related to CR]

2. Could you explain your own duties and responsibilities?
   [Probe: designation and associated duties and responsibilities, job role fit in relation to CR promotional/influencing activities]

Section B: Specifics about Corporate Responsibility influencing activities undertaken by the institution

3. Why did your institution decide to engage in this specific activity [to name activity based upon response to section A] to encourage/influence CR practices of Sri Lankan based companies?
   [Probe: scope of activity, reason for commencing activity, key objectives and results achieved so far, present status]

Section C: - General views on Corporate Responsibility practices implementation, and more specifically on Community CR practices of Sri Lankan based MNCs

4. What are your views on the general level of engagement in CR by private sector companies in Sri Lanka?
5. What do you think about the contribution of MNCs in Sri Lanka towards community development?

[Probe in detail about different aspects of CCR practices of MNCs, any experiences that the institution had with MNCs and their CCR practices, objectives underpinning MNC CR practices]

Appendix VI: Sample Interview Transcript

First Interview with the Senior Manager for Public Policy and Corporate Responsibility of Telecom, held on [27/08/2008]

<u>Interviewer</u>

'Can you provide me with a brief overview of your company activities in Sri Lanka as a subsidiary?

<u>Senior Mgr - CSR and Public Policy</u>

We initially started off as a mobile operator, operating 3GSM and 2.5GSM Telecommunication. We since have become a provider of multisensory connectivity, that is , by that we mean, we provide TV and Satellite connectivity, we provide broadband and fixed line connectivity, we provide interconnecting termination facility to IDD and we also provide mobile facilities. So we've got a range of ICT – information Communication technologies that span across various access technologies. That includes GSM, CDMA … a range of technologies that help establish connectivity in Sri Lanka. So, we now look at ourselves not just as a mobile operator but we look at ourselves as group providing connectivity, ICT services across the board.

<u>Interviewer</u>

'In terms of being a subsidiary, how do see yourselves in relation to your head office?'

<u>Senior Mgr - CSR and Public Policy</u>

Well we offer if not all perhaps more services than the brand company because of the potential in the local market. Our main shareholding is from TMI, that is Telekom Malaysia International, um... the relationship that we have with the parent company is they are every strong investors in the local subsidiary company, so whatever business plans that we come up with have to be supported by the parent company and whatever, technology investment that come into this country through TELECOM is backed by the TMI company.

Interviewer

So do they take the initiative pertaining to the activities of TELECOM Telekom?

Senior Mgr - CSR and Public Policy

Well, the board constitutes of members of TMI... um.. and they are very much part of how the company is managed, how the company is been run. Strategies are developed locally by the local senior management team, that is presented to the board and at the board level too there is top down feedback… it's a two way process…certainly there is a lot of connection between TMI and TELECOM.

Interviewer

'How did you'll commence the CSR process and how did it develop overtime?'

Senior Mgr - CSR and Public Policy

Um…since the company started, that was in 1994, when the company really began operations, Corporate Responsibility in its early stages was not known as Corporate Responsibility in this company, call it what you may, charity, philanthropy, various names by which it was known, even sponsorship, and that has been part and parcel of how the company has sort of engaged with the local community. But, in a 1999, we set up the first…sort of formal charity... under the company... which was a separate entity… the Change Trust Fund, which was set up in 1999 with subscriber participation. That was a unique idea where the company invited subscribers to contribute some of their bill value … ur… that was 0.5% or 25 rupees which ever was lower towards a suspense fund and the company was going to match that fund. That was set up primarily … that would be an opportunity for the company to channel its profits to the local community. Change trust fund continues even today, but in 2005/2004 there was a sort of an effort created to make a special Corporate Responsibility team …

Interviewer

'What propelled you'll to do that?'

Senior Mgr - CSR and Public Policy

Well the company grew exponentially in the early 2000s and from 2004 there was a review going public, we were going to become a publicly listed company and with the IPO as well, I believe that the management thought that it was necessary to formalise Corporate Responsibility management as well in the company. Our operations were also becoming quite broad based, we were growing something like from 300 employees to what we are toady which is 4000 employees, so from a management point of view Corporate Responsibility became more of a business case and that business case was to become closer to the local community but at the same time use the company's core resources within the local community to address certain national development needs …um.. It was really in 2004/5 that we began to look at Corporate Responsibility as a discipline, we looked at it as an opportunity as well as a compliance tool …um and we drew up an approach that looked at Corporate Responsibility as an Integral approach as well as an Outreach approach… um.. Integral in the sense that it was going to apply certain checks and balances as to how we did business, it was also going to apply a certain strategic focus on looking for opportunities by doing business better .. ur .. that could be in the form of efficiency in terms of energy or environmental.. input resources, and it was also going to look at opportunities in the terms of new markets which will help us to leverage whatever our core competencies are in these new markets and in getting to new markets we were looking at opportunities to create wealth at the bottom of the pyramid as well, in terms of affordability, accessibility making our products more applicable to the local community. On the outreach front we have to … since we are becoming very large... we are getting flodded with lost fo requests we have to become more focused and to do that we idetifed critera, how we are going to engage with the local communities and we came up with five thematic areas and across the five thematic areas and across the five thematic areas we have specific focus. Ur… and we internally agree on strategy that would help us to focus across these five areas and as a team we then began to build capacity internally. The Integral team given a mandate to build capacities so that we would move towards a sustainability report .. ur.. to consolidate in terms of doing business better. The outreach team was given a mandate mainly with project management and a relationship building exercise …with community and stakeholders. Those two not divergent but complementary approaches

Interviewer

'So basically you stakeholder management aspect is Outreach CSR?'

Senior Mgr - CSR and Public Policy

Not necessarily, the integral element is also is … although we say it is integral it doesn't mean it's limited to the company. We are looking at ways in which we can use our competencies and our services to bring about development but to a sustainable platform. Since, these are not handouts .. these will be solutions to the local community …it will help them develop but at the same time they will be paying for it which means that the company will also get revenue. Whereas, on the outreach side projects are less sustainable, they are more oriented towards the third world context fi you like, where we have the tendency on grants to staisfay basic physicilogical needs. There is a pressure on the company to do that … because we operate in this part of the world, and I assume in Europe that would be less of a problem, where we have the government doing most fo the welfare and the private sector is not called on to do that , but in this part of tehw orld we find that pressure on corporates , particularly from government to come in and share the a role… which most companies in order to have their license to operate …. you need to be able to do that. Within that again we can decide or we ought to decide where we can make the most impact and then focus on it.

<u>Interviewer</u>

'Within the context of TELECOM signing up for the UN Millennium Development Goals, could you tell me how it context to your outreach CSR?

<u>Senior Mgr - CSR and Public Policy</u>

See because there are so many initiatives across the world and fitting what we do into one of these is not what we want to do… um… but if it happens to fit we assume that we are doing something right …. What we have looked at is , specifically what are the national development goals , not in terms of the millennium development gaols, but the national development needs is generally aligned with UN development goals…and around these five thematic areas we have identified education in particular to have a directly linked with one millennium development goal…even if we take the Global Compact for that matter, again we haven't gone about creating a project just to fit in with this sort of compartment.. we've continued to do projects that have national significance because they appropriate for the local context.

<u>Interviewer</u>

Are your CSR projects influenced by governmental or non-governmental organisations?

<u>Senior Mgr - CSR and Public Policy</u>

Not quite … but there is pressure on the companies to give back which we don't agree with again it presupposes that you have taken something away from the country…which is not true, but contributing towards national development when you make profits , I think is more or less a status quo now as opposed to an exception. But, there is no pressure as such there is engagement, there is engagement with NGO's with government who are our key stakeholders and we listen to them as to what they think that we should be doing , we also listen to the parties who are actually affected and we again decide as a company where we can make the most impact… for example, people might argue that we could be doing something for the IDP's (i.e. Internally Displaced People) who are currently displaced due to the war in Sri Lanka … on the other hand, we could make a decision internally that while there is a need in the country for companies to do that our core competency lies in perhaps connecting people with information… and that's where we would like to focus , so while there is pressure from non governmental organisations, particularly in this day and age because funding in Sri Lanka is tough and NGO's are depending more on corporate like TELECOM to fund their existence in these countries.. sorry locally in Sri Lanka, and these local NGO's have developed their worn programmes particular focused on the war in the country and they come to us asking us for support which we have on a case by case basis evaluated, but be careful to say yes or no based on again where we can align them with our own strategic objectives. So our projects are very strategic in the sense that we are focused on education very heavily .. we are focused on disaster mitigation quite heavily … we are focusing currently on developing economic opportunities at the bottom of the pyramid … these are not traditionally the kinds of projects that companies get involved with.

Interviewer

'What is the reason for your company to get involved in these particular areas for your outreach Corporate Responsibility?'

Senior Mgr - CSR and Public Policy

I believe it stems from the way we think as a company, the teaching of Corporate Responsibility is streamed down from the senior management … from Dr Hans … the thinking is that we have to make communication an empowerment to not just to… we don't we don't basically … it's very simple to say we sell mobile telephony we make money with that service, we take that profit and we'll build roads or we'll you know build orphanages … but then there is no linkage with what we do, so our … we.. our Corporate Responsibility strategy is always align with what we do… in the sense, we have the ability to connect with an unconnected community with information, with technology, with knowledge with whatever, and in order for us to provide that we identify segments in this country that need to be connected …we take a vulnerable community living in the coastal belt affected by the Tsunami, we believe that we could use our technology to mitigate that kind of situation from occurring. So we've invested in looking at disaster mitigation which in the long run is poverty alleviation programme, because if you can mitigate disaster from happening you could stop people from losing their life and property or their livelihoods. From the education angle, I think Sri Lanka lacks a fundamental teacher's to be stationed in rural schools and their is a disparity in terms of the teaching standards in the rural schools, there is a disparity in the number of dropouts in rural schools as compared to Colombo schools, and this disparity will not affect us perhaps now but maybe in 10 -15 years, but then almost 70% of our O/L students fail there exam … that is an indication of this huge disparity…

Appendix VII: List of documents collected from subsidiaries

Subsidiary	Documents Collected	Information Provided in the Documents
TOBACCO	Completed Application for the 'Corporate Excellence Awards' submitted by TOBACCO in 2008	Contains key information pertaining to TOBACCO's CSR practices and references to supporting documentation.
	Social Report – TOBACCO Sri Lanka – 2001	Contains information addressing stakeholder issues and concerns and CSR practices of TOBACCO Sri Lanka for 2001
	Social Report – TOBACCO Sri Lanka – 2003	Contains information addressing stakeholder issues and concerns and CSR practices of TOBACCO Sri Lanka for 2003
	Social Report – TOBACCO Sri Lanka – 2005/06	Contains information addressing stakeholder issues and concerns and CSR practices of TOBACCO Sri Lanka for 2005/06
CEMENT	Corporate Sustainable Development Report – CEMENT GLOBAL – 2005	The report provides details pertaining to social, environmental and economic performance of CEMENT Global for 2005 and uses case studies from their worldwide operations to provide examples of such Triple Bottom line performance.
	Annual Review and Sustainability Report – CEMENT Sri Lank 2006 Corporate Sustainable Development Report - CEMENT Sri Lanka – 2007	The report shows CEMENT Sri Lanka's implementation of the sustainable development strategy of CEMENT Global in their operations in Sri Lanka and again reports on the Triple Bottom Line – The Economic, Environmental and Social aspects of sustainability.
INSURANCE	'Eagle Uplift' – The Annual News letter of INSURANCE Sri Lanka	Provides details about the different Community CR projects carried out by INSURANCE during the year.
	Annual Report 2007 – INSURANCE Sri Lanka	Carries a 'Sustainability Report' which contains information about the different Community CR projects and other CSR projects carried out.
CONSUMERG1	'Sankalana' – Internal News Magazine of ConsumerG1 - December 2004 - Issues 03 – 2005 - March 2005 - Issue 04 – 2005 - December 2006 - September 2008 - January 2009	Provides details about the different Community CR projects carried out by CONSUMERG1's different brands over the quarter for which the magazine is published. Also includes other news about the organisation.
	Sustainable Development Report – 2006 (CONSUMERG1 – Global)	Contains information about different Community CR and other CR

		projects which are being carried out by different subsidiaries of the MNC
	'Apey Puwath' – Internal News Magazine of CONSUMERG1 - January 2008 to - October 2008	Provides details about the different Community CR projects carried out by CONSUMERG1's different brands over the month for which the magazine is published. Also includes other news about the organisation
CONSUMERG2	'CONSUMERG2' and Community Relations	This booklet which was compiled as part of the application for the Best Corporate Citizen awards of the Ceylon Chamber of Commerce – contains information pertaining to the largely market-related Community CR practices which were carried out by CONSUMRTG2 within 2007
	'CONSUMERG2 Puwath' – The Internal News Magazine of CONSUMERG2 – 1st Issue , 2nd Issue and 3rd Issue 2008	The quarterly published news letter contains information pertaining to the different Community CR projects carried out by different brands in the subsidiary.
CONSUMERG3	'The Big Picture' – Issue 1, March 2008	The Internal newsletter of CONSUMERG3 global – maps out the various events including Community CR projects carried out within the MNC
	'Perspectives' – Issue 17, January 2008	The Internal news magazine of CONSUMERG3 (local) – Provides information about the different marked related Community CR projects carried out by the subsidiary and other news
CONSUMERG4	'Vindanayen Bindak' The Offical News Magazine of CONSUMERG4 Sri Lanka – April 2008 – July 2008 – October 2008	This internal news magazine contains information pertaining to CONSUMERG4's Community CR projects (brand related) for the given period
BANK 1	'Beyond Banking' – BANK1 in the Community - 2004	This booklet contains details of the different Community CR projects which are being carried out by BANK1 in 2004
	'Beyond Banking' – BANK1 in the Community – 2006	This booklet contains details of the different Community CR projects which are being carried out by BANK1 in 2006
	BANK1 – Reaching Out – Corporate Responsibility at BANK1 – 2007	This booklet contains details of the different Community CR projects which are being carried out by BANK1 in 2007

BANK2	Corporate Social Responsibility Review – Sri Lanka 2006	Contains details about the different Community CR projects carried out by BANK2 in Sri Lanka
TELECOM	TELECOM Annual Report – 2005 TELECOM Annual Report – 2006 TELECOM Annual Report – 2007	Contains a section titled 'Corporate Responsibility' where TELECOM's strategy for CR is discussed

Appendix VIII: List of documents collected from institutional actors

Institutional Actor	Documents Collected	Information Provided in the Documents
Association of Chartered Certified Accountants (ACCA)	A survey of environmental and social disclosures in the Annual reports of the Top 100 Sri Lankan companies – 2005	Provides a detailed examination of environmental and social reporting of 100 top Sri Lankan companies which publish annual reports (both public and private) in 2005
	'Professionalism and Ethics – Global Series' – ACCA National Conference 2007	Contains key speeches given about sustainabilit6y reporting practices in Sri Lanka during the ACCA National Conference in 2007
	'Report of the Judges' - ACCA Sri Lanka Awards for Sustainability Awards – 2004	Contains information pertaining to the sustainability reports of the organisations which have won the ACCA awards for 2004
	'Report of the Judges' - ACCA Sri Lanka Awards for Sustainability Awards – 2005	Contains information pertaining to the sustainability reports of the organisations which have won the ACCA awards for 2005
	'Report of the Judges' - ACCA Sri Lanka Awards for Sustainability Awards – 2006	Contains information pertaining to the sustainability reports of the organisations which have won the ACCA awards for 2006
	Sustainability Reporting – An Introduction for Organisations in Sri Lanka	Contains guidelines on how to implement sustainability reporting within business organisations
Employers Federation of Ceylon (EFC)	Guidelines for Company Policy in Gender Equality/Equity	Contains the policy implemented by EFC amongst its member organisations related to Gender Equity
	Code of Good Practice on the employment of Disabled people	The code of conduct implemented by the EFC amongst its member organisations related to the employment of differently abled people
The National Chamber of Commerce of Sri Lanka (NCCSL)	National Business Excellence Awards Booklet	Provides details pertaining to the 2008 National Business Excellence awards organised by the NCCSL

Institutional Actor	Documents Collected	Information Provided in the Documents
International Alert – Sri Lanka	Sri Lanka – Business as an agent for Peace	Contains data from a survey conducted to gauge how CR practices of businesses in Sri Lanka could be used to generate peace in the country.
The Ceylon Chamber of Commerce (CCC)	The CSR Handbook	Provides guidance on implementation of CSR for its members
	The Best Corporate Citizens Awards -2008 Booklet	Provides details on applying for the 2008 Best Corporate Citizen Awards organised by the CCC
	Voluntary Agenda for Responsible Business	Provides details about the 'Voluntary Agenda for Responsible Business' developed and adopted by 11 Institutional actors in Sri Lanka
	Corporate Responsibility Report – 2007/08	Provides an overview of the different CR projects which are being carried out by their members under the Millennium Development Goals
Global Compact Network – Sri Lanka	Globally Positioning Sri Lanka's Best	Provides an overview of the Global Compact Network in Sri Lanka and its related work
National Council for Economic Development (NCED)	Overview of NCED	Provides details about how the NCED engages with the different private sector organisations in Sri Lanka through their Cluster Action Plans to achieve the Millennium Development Goals for Sri Lanka
STING Consultants	'Working with Responsibility' – Corporate Accountability Rating 2008	Contains information on applying for Corporate Accountability Ratings Competition launched by STING Consultants

Appendix IX: Key Extracts of Reported Corporate Responsibility Policies/Business Principles and Corporate Values

Subsidiary	Elements of Corporate Responsibility Policy/Guidelines/Business Principle	Illustrations
TOBACCO	Statement of Business Principles – Address all aspects of Corporate Responsibility Community Corporate Responsibility addressed through Corporate Social Investment	‘The Business Principles and Core Beliefs cover the key issues that we believe underpin Corporate Social Responsibility (CSR) for a multinational business and, particularly, for the unique characteristics of a tobacco business. There are three Business Principles, Mutual Benefit, Responsible Product Stewardship and Good Corporate Conduct, each of which is supported by a number of Core Beliefs, which explain what we think the Principle means in more detail. Together, these form the basis on which we expect our businesses to be run in terms of responsibility’ (TOBACCO, 2009B:01) **Corporate Social Investment** ***We recognise the role of business as a corporate citizen and our companies have long supported local community and charitable projects. We approach corporate social investment (CSI) as an end in itself, rather than as a way to promote ourselves, and our companies have always been closely identified with the communities where they operate.*** We are also encouraging our companies to focus their CSI activities around three themes: ▪ Sustainable Agriculture - Covers CSI contributions to the social, economic and environmental sustainability of agriculture. ▪ Civic Life - Encompasses activities that aim to enrich public and community life, including supporting the arts and educational institutions, conserving indigenous cultures and restoring public spaces. ▪ Empowerment - focuses on giving people training, education and opportunities to help them develop (TOBACCO, 2009a)
INSURANCE	The MNC Group specified a clear Corporate Responsibility policy (which does not however address Community Corporate Responsibility) but the subsidiary has as yet does not display this policy in its documents	CORPORATE RESPONSIBILITY **Policy objective** To provide guidance and direction to all staff on managing risks and opportunities relating to the conduct of corporate social responsibility by the Aviva group. **Key features and improvements** Conveys senior management's attitude towards integrity, high ethical values and the conduct of Corporate Responsibility by the Aviva group. Replaces five existing policies: Corporate Responsibility, Standards of Business Conduct, Human Rights, Sponsorship and Community Investment and Diversity.

		Key risks Corporate Responsibility awareness - staff are not sufficiently informed / aware of the group's Corporate Responsibility standards and vision. External profile of Corporate Responsibility - failure to promote the group's Corporate Responsibility initiatives (eg via annual report and accounts, website) resulting in missed investment opportunities by potential investors. Human rights / diversity - the group is not able to create a working culture that respects, celebrates and harnesses differences. Business unit embedding - the group fails to embed Corporate Responsibility in the business. Community investment - reputational risk if the group is not seen to be supporting communities in which it operates. **Control standards** Adherence to the code of conduct. Appointment of Corporate Responsibility regional contacts and nominated managers in each business. Businesses apply Corporate Responsibility standards eg fair business practice, community investment. Businesses undertake risk assessment to identify areas susceptible to social responsibility risk. Businesses comply with group compliance for policy compliance reporting requirements. Regions disclose material areas of non compliance. Businesses maintain Corporate Responsibility management system and report progre0ss through Corporate Responsibility key performance indicators annually to group Corporate Responsibility. (INSURANCE – GLOBAL, 2009)
BANK1	Broad guidelines for Community Corporate Responsibility provided – but no clear Community Corporate Responsibility policy	We at BANK1 value the communities in which we operate. Education and the Environment remain the key focus in our Corporate Responsibility (Corporate Responsibility) programmes (BANK1, 2008:01) ‘In Sri Lanka, our main focus is on helping ‘At-Risk’ communities by providing them opportunities to better themselves through education and creating awareness about good environmental principles’ (BANK1, 2008) ‘We refer to ‘corporate sustainability’ rather than ‘corporate responsibility’ as it describes more succinctly the management of our direct environmental footprint, sustainability risk and business opportunities, and our community investment activities’ (BANK1, 2007:01)
BANK2	Broad statements in relation to Community Corporate Responsibility exists but no Community Corporate Responsibility policy in existence	‘We take pride in using our skills for the benefit of our community and we demonstrate our sincerity of purpose by focusing on a three pronged CSR strategy encompassing good governance, sharing expertise and uplifting the community. CSR is as essential ingredient in our core brand values that connect meaningfully with our customers, staff, business associates and the community at large, wherever we operate in the world’ (BANK2, 2006:01) To carryout CCorporate Responsibility practices which are ‘relevant to the markets we operate in, do things which leverage our capabilities and infrastructure and focus n where we can add distinctive value’ (BANK2, 2007:30)

CONSUMERG1	Code of Business Principles which address all aspects of Corporate Responsibility (broadly) available in the global website	**<u>CODE OF BUSINESS PRINCIPLES - STANDARD OF CONDUCT</u>** We conduct our operations with honesty, integrity and openness, and with respect for the human rights and interests of our employees. We shall similarly respect the legitimate interests of those with whom we have relationships. Obeying the Law Employees Consumers Shareholders Business Partners **Community Involvement** – Unilever strives to be a trusted corporate citizen and, as an integral part of society, to fulfil our responsibilities to the societies and communities in which we operate. Public Activities The Environment Innovation Competition Business Integrity Conflicts of Interest Compliance – monitoring – reporting (CONSUMERG1, 2009)
CONSUMERG2	▪ Business Principles which address all aspects of Corporate Responsibility (broadly) available in the global website	At CONSUMERG2 CSR is the responsibility of each and every member of our team. It is our responsibility to look after the environment we work in, to build relations with the local community, to develop all our suppliers as well as to add value to our customers and shareholders. Therefore, we do not have one specific trust, foundation or employee to implement societal activities. Corporate social responsibility is an integral part of CONSUMERG2 business principles (CONSUMERG2: 2007) ***The CONSUMERG2 Corporate Business Principles*_**- CONSUMERG2-GLOBAL is committed to the following

		Business Principles in all countries, taking into account local legislation, cultural and religious practices: **1. National Legislation and International Recommendations** CONSUMERG2 supports and publicly advocates the United Nations Global Compact and its ten principles, an initiative of the United Nations Secretary-General. The Global Compact asks companies to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labour standards and the environment. Nestlé endorses relevant commitments and recommendations for voluntary self-regulation issued by competent sectoral organisations, provided they have been developed in full consultation with the parties concerned. These include the International Chamber of Commerce (ICC) Business Charter for Sustainable Development. Also, CONSUMERG2 uses the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises, approved in June 2000, as a reference point for its Corporate Business Principles 2. Consumers 3. Infant Health and Nutrition 4. Human Rights 5. Human Resources and the Workplace 6. Child Labour 7. Business Partners 8. Protection of the Environment 9. The Nestlé Water Policy 10. Agricultural Raw Materials 11. Compliance (CONSUMERG2: 2009)
CONSUMERG3	No Corporate Responsibility policy or Community policy available in either global or local websites or documentation	Our sponsorship programme allows us to actively demonstrate our commitment to local communities. We want to get involved in the communities we operate in, and enhance them through causes that matter to them and to us. These community partnerships are chosen to align with what CONSUMERG3 stands for (CONSUMERG3, 2009)
CONSUMERG4	▪ No specific Community Corporate Responsibility Policy for CONSUMERG4	Our Corporate Responsibility framework remains the same, being fully aligned with The Coca-Cola Company. We strive to achieve sustainability goals in the: ▪ Workplace ▪ Marketplace ▪ Environment ▪ Community (CONSUMERG4-GLOBAL, 2007:11)

		Our commitment is to invest time, expertise and resources to provide economic opportunity, improve the quality of life and foster goodwill in communities through locally relevant initiatives. We have a clear policy and guidelines for community investment to ensure focus and effectiveness (CONSUMERG4-GLOBAL, 2007:12)
TELECOM	Although a clear Corporate Responsibility strategy is explained by the subsidiary, no specific Community Corporate Responsibility Policy exists	The domain of Corporate Responsibility at TELECOM is based on a philosophy of 'inclusion', which implies our commercial operations and Strategic Community Investments (SCI) take into account legitimate stakeholder impacts. This philosophy pervades both integral and outreach Corporate Responsibility activities […] and as a responsible corporate citizen'(TELECOM, 2007:41) 'We make a distinction between what we refer to business integral Corporate Responsibility from philanthropy. Integral Corporate Responsibility implies that regular business decisions are taken with due diligence given the socio-economic and environmental impact considerations (triple bottom line) […] Altruistic outreach Corporate Responsibility initiatives often de facto face of Corporate Responsibility, may on the other hand be less sustainable in the absence of a clear business case […] as a business organisation operating in the developing world, TELECOM is called upon to contribute towards altruistic causes that address National Development goals' (TELECOM, 2008:13)
CEMENT	CSR Policy Statement Available in Global as well as local websites and documentation	**Policy Statement** The principles of sustainable development (SD) – value creation, sustainable environmental performance and corporate social responsibility (CSR) – are integral to our business strategy. Social responsibility has always been a cornerstone of our commitment to SD. CSR is defined as our commitment to work as partners with all our stakeholders, building and maintaining relationships of mutual respect and trust […[The present policy is an important element of our way of doing business and serves as guidance for our decisions and actions. It has to be integrated in our business activities and applied in our sphere of competence and influence in full alignment with specific local or regional needs. Each Group company is to elaborate its own CSR policy and strategy that fully integrates the principles of the present corporate policy. **Policy Principles** There are six main pillars of our CSR policy, for which we have assigned principles to guide our progress. **1. Business conduct**. **2. Employment practices** **3. Occupational Health and Safety (OH&S)** **4. Community Involvement** We assess local needs, promote community involvement and partner with local stakeholders around our operations to improve educational, cultural and social development. We encourage and support our employees' engagement in

	volunteering and local community work. **5. Customer and Supplier Relations** **6.Monitoring and Reporting Performance** (CEMENT, 2010)

Appendix X: Analysis of CSR competitions in Sri Lanka

The awarding body and the name of the awards scheme	***Key Focus***	***Key Function of the awards***	***Format of the awards***	***Method of Application***	***Method of Selection***	***Business Case for Participation***
The Ceylon Chamber of Commerce (CCC) – Ten Best Corporate Citizen Awards(CCC, 2009)	To raise awareness on the importance of CSR to the business community To promote and encourage CSR practices amongst the corporate sector	The Ten Best Corporate Citizens awards will rate the different companies in five key areas Awards are also given for ‘special projects’ which would highlight the significant and noble efforts of the private sector towards specific projects which are beyond their normal course of business	Five key areas: Environment Community Relations Employee Relations Customer and Supplier Relations Economic Performance Areas for classification of ‘special projects’ : Infrastructure Education and Training Projects to assist the Differently-abled Health and Nutrition programmes Disaster relief and rehabilitation Sports and recreation Empowering women Other Projects	All private sector entities are eligible to apply. In the case of group companies, holding companies and its subsidiaries are both eligible to apply for different projects Application forms duly completed are forwarded together with relevant supporting documents to the CCC	Evaluated through an ‘independent evaluation panel and panel of judges’ as per a predetermined marketing scheme.	The CSR awards are a measure of the rankings of the services of a corporate entity to its stakeholders- customers, shareholders, employees, environment and the community. Adoption of CSR practices will also enhance social acceptance of companies through ethically responsible behaviour (CCC, 2009)
The Association of Chartered Accountants of Sri Lanka (ACCA) – ACCA Sri Lanka Sustainability Awards	To give recognition to those organisations which report and disclose environmental, social or full sustainability information To encourage the uptake of environmental, social	The aim of the awards is to identify and reward innovative attempts to communicate corporate performance. The award winners are judged on completeness, credibility and communication. They would demonstrate that	Companies have to submit their social and/or sustainability reports for the awards These reports are then evaluated using the agreed ACCA judging criteria	Any business organisation from any sector can apply The business organisation needs to complete the application form together with the required social or sustainability report	All applications are evaluated by a judging panel comprising of experts in the field of environmental and sustainability reporting Full details of the judging panel and judging criteria is available on	By participating in these awards business organisations can demonstrate their adherence to corporate accountability, transparency and integrity through recognised public environmental, social

	and sustainability reporting To raise awareness of corporate transparency issues (ACCA, 2008)	by emphasising these key elements, companies can target significant improvements in the quality of information disclosed during the reporting process. The ultimate objective is to help underlie the business case for sustainable practices and development (ACCA, 2008)			www.accagloba.c.m/sustainability Following the Awards Ceremony a report is produced which provides an overview of the findings of the judges. (ACCA, 2007)	and sustainability reporting (ACCA, 2008)
The National Chamber of Commerce of Sri Lanka – National Business Excellence Awards (NCCSL, 2007)	To recognise and reward contributions made by business enterprises to the economic progress of the country (Realised Growth) To recognise enterprise that have created capacity for economic growth and employment generation (Future growth) To recognise enterprises that have built sustainable market competitiveness (Sustainable growth) To recognise enterprises that have institutionalized best practices and business excellence	The National Business Excellence Awards recognizes business enterprises which have demonstrated excellence in business while contributing to the economic progress of the country It's awards range from the Extra Large sector to the Micro Enterprises consisting mostly of locally owned business enterprises	Awards are given for the five categories based upon the size of the business : Extra Large Large Medium Small Micro The applicant organisations are evaluated on the specific areas of business: Business and Financial Performance Global Reach Knowledge Integration Technology Investment Capacity Building Excellence in Performance Management Practices Best practices in	Any registered business organisation domiciled in Sri Lanka and has been in operation for a minimum period of 3 years prior to the data of application is eligible to apply for the awards (NCCSL, 2007) Duly completed application forms are forwarded to the NCCSL with relevant supporting documentation	Evaluated through a three staged process consisting of : **Stage I – Desk Review** (Applications are reviewed by a technical panel and preliminary marks indicated and the panel determines the need for a site visit) **Stage II – Site Visit** (The expert panel visits short-listed organisations to obtain further clarifications of the information submitted as well as to observe the operations of the business. **Stage III – Judges' Final Review** The Panel of Judges would make the final	All award winners will be permitted to use the award logo on their promotional material for a period of 3 years from the date of winning the award Every winning enterprise will be permanently listed in the virtual hall of fame hosted in the website dedicated for the National Business Excellence awards The Chamber will arrange for the winners to be showcased in leading business journals The winners will be given recognition at various events sponsored by the Chamber

	Corporate Governance Corporate Social Responsibility	selection of the award recipients after a careful review of all preliminary evaluation reports and the reports on site visits. (NCCSL, 2007)	(NCCSL, 2007)