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**How CSR practices might differ in the same MNC between a
developed vis-à-vis an emerging country context and its
potential implication on their CSR practice?**

**By
Aditi Rai**

2007

A dissertation presented in part consideration for the degree of
MBA in Corporate Social Responsibility

ABSTRACT

The aim of this study is to investigate how CSR practices differ within the same company in a developed vis-à-vis an emerging country context. Three companies are used as case studies to determine the prevalent practices for formulation, implementation and evaluation of CSR across companies within UK and India. It looks at the motivations for these, studies the processes engaged in and the possible strategies employed by these companies to overcome contextual differences across national boundaries.

The literature on CSR in an internationalized context is reviewed to understand the factors that are prevalent that could influence practices across countries. Key elements of National Business systems and new institutional theory are considered to explain differences in practice across national boundaries. Additionally, possible approaches to CSR practice among MNCs in an international environment are studied.

The study observes that there exists a key distinction in the overall perception and definition of CSR between both the countries. There also exists a strategic correlation between the firm's international strategy in a country and its CSR practice. Additionally, the effectiveness of global implementation of its policies along with the National Business system of that country might influence more traditional systems shaping companies practices. Increasingly new institutionalism might go on to influence global CSR policy implementation through CSR communication within the company internationally. Institutionalized practice might also be reflected in specific local practices which might be followed in order to compete or 'fit in' with the local market.

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Introduction

In general, little is known about the management of CSR in MNEs, both academically and practically. MNEs often struggle with the global versus local issues, and the tensions that emerge from the various demands at these levels. Many policies are formulated at their head office, and, as a result, policies are shaped by institutional settings, stakeholder pressures and corporate governance mechanisms of their home country. However this often creates tension as these may be informed by very different ethical norms, histories and traditional roles of business in society in countries of operation. This raises interesting questions for MNEs in the Asian context. (Chapple and Moon, 2007 forthcoming). If MNEs in developed countries do struggle with the concept of CSR, emerging countries do even more so. Many aspects of 'responsibility' which are 'implicit' or taken as a matter of routine course among MNEs in developed countries are to yet emerge or remain unnoticed in the developing world. Stakeholder management practices such as at the workplace, responsible consumer practices or towards 'silent stakeholders' such as the environment almost go unnoticed in many instances. The attempts of MNEs today to cover such gaps, and the potential to progress at a more accelerated pace is a focus of this project. As it is an area not covered in much depth in the literature on CSR, it has also been of immense personal interest to me.

The dissertation will firstly review the literature on Globalization and Internationalization companies with relevance to its impact on CSR practices, secondly, views of CSR practices in MNCs and thirdly, the impact of New Institutionalism and National Business Systems on CSR practices within MNCs in UK and India in Chapter 1, 2 and 3. Chapter 4 would discuss the research methodology and examine the methods of data collection. Chapter 5 analyses and discusses the information gathered on the companies across the two countries and conclusions drawn for these. Finally, Chapter 6 presents the discussion and conclusions of this project and highlights the potential areas for future research.

CHAPTER 1 – Literature Review

The section on literature review will firstly review the literature on Globalization and Internationalization of companies with relevance to its impact on CSR practices. Chapter 2 would then briefly review the literature on Stakeholder theory as defined in literature, and then go on to link internationalization approach to international CSR practices by studying the approaches of Global vs. Local CSR, as well as the literature on management of CSR in MNCs. Finally, Chapter 3 would look at the literature on National Business Systems and New Institutionalism and their potential impact on CSR practices in MNCs in UK and India.

1.1 Corporate Social Responsibility

Relatively little is known about the management of corporate social responsibility (CSR) by multinational enterprises (MNEs) (Husted 2006, Gnyawali, 1996; Meyer, 2004). As a result, global MNEs often fail to respond effectively to issues of importance in their host countries (Logdson and Wood, 2005). Well known examples include protests and consumer boycotts experienced by Nestle in selling baby formula in Africa and by Nike as a result of child labor in outsourcing in Asia (Husted and Allen, 2006). It is common practice for global MNEs to use strategies in which local market units have limited functions with small staffs and then find themselves unable to monitor and respond successfully to CSR issues. Such cases have given impetus for business leaders to reconsider the relationship between business and society and to call for a more strategic approach to CSR (AX).

CSR considers the view that businesses do not exist in isolation and is intertwined with the society within which it operates and cannot be separated from it. Therefore companies should not be only held legally and economically accountable for their actions but also be held accountable for the repercussions of their actions on society and environment. CSR has been defined as *strategic* when it yields substantial business-related benefits to the firm, in particular by supporting core business activities and thus contributing to the firm's effectiveness in accomplishing its mission (Burke and Logdson, 1996).

1.2 Globalization and Internationalization with relevance to Multi-national companies

The 1980s had been watershed for most large corporations worldwide. The era of “globalization” left most managers scrambling to understand the nature of the forces of change in their particular businesses, what responses were most appropriate, and, above all, how they could manage the more complex strategies and operations on an ongoing basis (Bartlett and Ghoshal, 1998). As Dickens (2003) observed, one of the most striking developments in the international business in the last few decades has been intensification in competitive bidding between states (or between communities within states) for internationally mobile investment. Multinational firms can exploit regulatory differences between states by relocating some of their manufacturing plants from one country to another, or by shifting to sourcing their suppliers from a different country with a more advantageous regulatory regime, which is termed ‘regulatory arbitrage’ (Leyshon 1992; Mellahi, Frynhas, Finlay 2005). Large multi-national firms maybe able to play off one government against another as states compete against each other to attract foreign investment by offering the best incentive packages.

In addition to offering financial aid or favourable taxation rates for foreign investors, national governments may also be reluctant to impose environmental and social regulations on firms. Like national governments, inter-governmental organizations are also reluctant to impose regulations on firms. In 2002 the European Commission firmly rejected a regulatory approach to Corporate Social Responsibility, making it clear that it does not at present intend to impose responsible behaviour on companies by regulation or directive (Mellahi, Frynhas, Finlay 2005). Even where international agreements for the protection of the environment or worker’s rights exist, they are ‘vaguely worded, slow to negotiate and difficult to enforce’ (Newell 2000:33; Mellahi, Frynhas, Finlay 2005).

The increased focus of NGOs on multinational companies may reflect frustration with the pace of inter-governmental environmental and social reforms (Korten 1995). In the new global business environment, NGOs perceive that firms are often more powerful than states. NGOs’ targeting of multi-national firms is indicative of their attempts to check the

growth in the power of those forms associated with globalization. NGOs are actively working to develop global norms of corporate behaviour, which multi-national firms find increasingly difficult to escape (Newell; Bendell, 2000).

1.2.1 Internationalization and CSR

Several studies of international business have indicated that internationalization of firms is a process in which firms gradually increase their international involvement. Within the frame of economic and business factors, the characteristics of this process influence the pattern and pace of internationalization of firms. Johanson and Vahlne¹ distinguish the two directions of internationalizations as: *increasing involvement* of the firm in the individual foreign country, and successive establishment of operations in *new* countries. Looking at the former, i.e. extension of operations in individual markets, they introduce a model to explain the steps of internationalization. They explain two aspects for the main structure of the process: ***State*** and ***Change*** aspects.

The ***State*** aspects that influence a decision are the *resource commitment* to foreign markets and *knowledge* about foreign markets and operations. The more specialized the resources are to the specific market, the greater is the degree of commitment. Knowledge of opportunities and problems is assumed to initiate decisions and also evaluation of alternatives. They also believe that the less structured and well defined the activities and the required knowledge are, the more important is experiential knowledge. The ***Change*** aspects are *decisions* to commit resources and the *performance* of current business activities.

In a case research of nine companies to describe the changing nature of the global competitive firm, Bartlett and Ghoshal, 1998 found that these represented three distinct models of strategic and organizational responses to changes in their environment and the challenges of a globalized economy. They characterized these as Multinational, Global, International and a new fourth, Transnational companies.

¹ *Journal of International Business Studies*

Companies which have developed a strategic posture and organizational capability that allows them to be very sensitive and responsive to differences in national environments around the world, effectively managing a portfolio of multiple national entities were characterized as *Multinational Companies*. In contrast, other companies (particularly Japanese), have developed international operations that are much more driven by the need for global efficiency, and much more centralized in their strategic and operational decisions. These companies treat the world market as an integrated whole and have been characterized as *Global companies*. The third group of companies is based on transferring knowledge and adapting the parent company's knowledge or expertise to foreign markets. The parent retains considerable influence and control, but less than in a classic global company, national units can adapt products and ideas coming from the centre, but have less independence and autonomy than multinational subsidiaries. These have been characterized as *International companies*.

Transnational company on the other hand, is described as an operation that seeks efficiency not for its own sake, but as a means to achieve global competitiveness. It acknowledges the importance of local responsiveness, but as a tool for achieving flexibility in international operations. The transnational centralizes some resources at home, some abroad, and distributes yet others among its many national operations. It integrates the dispersed resources through strong inter-dependencies. The result is a complex configuration assets and capabilities that are distributed, yet specialized.

As Bartlett and Ghosal, 2001 have talked about the need for Multinational firms to respond to pressures for *integration and responsiveness from salient stakeholders*, they argue that it is common practice for MNEs to use strategies in which local market units have limited functions with small staffs and then find themselves unable to monitor and respond successfully to CSR issues. Scholars like Gnyawal, 1996 and Arthaud-Day, 2005 have built on the strategy typology by Bartlett and Ghoshal, and hypothesized that MNEs should respond to pressures for global integration and local responsiveness with respect to CSR issues just as their organizational strategies respond to pressures of integration

and responsiveness in their product markets². Husted and Allen, 2006 sought to bring greater theoretical and practical coherence to CSR by examining CSR in relation to organizational strategy in MNEs, which would be discussed in greater detail in the section on Managing CSR.

² Husted and Allen, 2006

CHAPTER 2 Literature Review - Views of CSR

Chapter 2 would briefly review the literature on Stakeholder theory as defined in literature with relevance to management, and then go on to link internationalization approach to international CSR practices by studying the approaches of Global vs. Local CSR, as well as the literature on management of CSR in MNCs.

2.1 Stakeholder approach

Although CSR is usually considered to be a construct that evolved and developed in the United States, the influence of CSR has not remained territorially limited to that country. Aaronson (2002) argued that Europeans recently took the lead in maturing the concept. Moreover, certain characteristics of the concept are visible in many countries, India being no exception. (Sood and Arora). The evolution and progress of the **stakeholder concept** parallels the evolution of the business enterprise. As major occurred in businesses, managers have been required to undergo a revolutionary conceptual shift in how they perceive the firm and its multilateral relationships with constituent stakeholder groups. In this view, management must perceive its stakeholders as not only those groups that management think have some stake in the firm but also including those groups that themselves think or perceive they have a stake in the firm. The approach is oriented towards “stakeholders” or people who affect or are affected by corporate policies and practices. Emshoff and Freeman (1978) presented two basic principles, which underpin stakeholder management. The first is that the central goal is to achieve maximum overall cooperation between the entire system of stakeholder groups and the objectives of the cooperation. The second states that the most efficient strategies involve efforts, which simultaneously deal with issues affecting multiple stakeholders. (Garriga & Mele, 2004). Stakeholder dialogue is used to address the question of responsiveness to the generally unclear signals received from the environment.

2.2 Views of CSR in MNCs

Approaches to study MNC management practices across countries

CSR has suffered numerous and contradictory characterizations (Garriga and Mele, 2004). Focusing on the descriptive and instrumental aspects of CSR, Husted and Allen build on a definition drawn from the perspective of welfare economics in which corporate social responsibility is defined as the firm's obligation to respond to the externalities created by market action (Sethi, 1990). *Externalities* are positive or negative impacts of a firm's production on the utility or production of a third party.

The dominant theoretical approach to studying CSR practices within the international business domain which has been applied **to analyze general MNC management practices**, has been that of the extended typology of Bartlett and Ghoshal (1989) and Prahalad and Doz (1987) discussed earlier. This framework was then extended by Yip (1992) and Husted et al (2006) to cover CSR practices. The underlying theory point is that CSR is not unlike any other management strategy, in that, MNCs adopt multi-domestic, transnational or global approaches to management.

Building on the organizational strategy typology of the MNE developed by Bartlett and Ghoshal (1989), some scholars have hypothesized that MNEs should respond to pressures for global integration and local responsiveness with respect to CSR issues just as their organizational strategies respond to pressures of integration and responsiveness in their product markets (Gnyawali, 1996; Arthaud-Day, 2005).

CSR represents a strategic opportunity as well as a set of obligations, and that MNEs would be well advised to analyse CSR issues and opportunity as well as a set of obligations, and that MNEs would be well advised to analyse CSR issues and opportunities with the same tools and skills they apply to market strategy³. In some cases,

³ McKinsey CEO, Ian Davis (2005)

CSR responsibilities and stakeholder demands require MNEs to respond to both global issues and local issues; the underlying argument, similar to that of Davis's, is that diverse stakeholders and conflicting value systems require complex CSR strategy responses (Logsdon and Wood, 2005).

However, as further examples would indicate, firms do not always manage CSR strategically. Rather, CSR management is often subject to strong pressures of institutional isomorphism that attenuate the strategic logic. Instead of applying the Bartlett and Ghoshal, 1989 logic through a rational CSR decision-making process, firms may replicate the organizational logic relevant to their product markets and apply it mechanically to CSR. Further, looking at the consequences experienced by MNCs, the failure to manage CSR strategically can have serious economic consequences for the firm. On the other hand, effective strategic management of CSR can reduce risk (Husted, 2005); and CSR initiatives may also bring significant benefits to the firm (Hillman and Keim, 2001; McWilliams and Siegal, 2001). These benefits go beyond mere reputation-building to the development of valuable organizational capabilities (Sharma and Vredenburg, 1998).

2.1.1 Global vs. Local CSR

There is no explicit theory that distinguishes between global and local CSR, though there is a brief discussion on the issue in the literature (Gnyawali, 1996). After Gnyawali (1996) briefly touched upon it, Donaldson and Dunfee (1994) gave a more extended consideration to the concept of global versus local CSR. Donaldson assumed that a sort of implicit social contract exists between business and society. According to them, there exists a '*set of principles regarding economic morality to which contractors would agree*'. These universal principles can be identified by a 'convergence of religious, cultural and philosophical beliefs around certain core principles'. (Donaldson and Dunfee, 1994:265). Recent research has found empirical evidence for the distinction between universal principles and local norms. (Spicer *et al.*, 2004).

The key difference between global and local CSR is the community that demands it. '**Local**' CSR deals with the firm's obligations based on the standards of local community, whereas '**global**' CSR deals with the firm's obligations based on those 'standards to which all societies can be held'. It is found then, that there are issues that transcend national boundaries and about which considerable consensus is emerging, such as protecting human rights (De George, 1993) and environmental protection (Fredrick, 1991; Gnyawali, 1996). These can be called 'global'. (Husted and Allen, 2006).

The prominence of new agreements, such as the UN Global Compact, is evidence of the perceived need to provide an *institutional structure* for treating **global** CSR issues. Such agreements share the view that the Multinational Enterprise is uniquely situated to help solve these problems, often in collaboration with governments and non-governmental organizations. In contrast to global CSR issues, **local** issues exist according to the needs and circumstances of each community (Reed, 2002). For these, there is no global consensus as to the obligation of firms to deal with these kinds of CSR issue.

Husted and Allen, 2006 identify two interdependent factors towards determining what are local and global issues for Multi-national Enterprises. Firstly, the extent of the social impact on an issue in MNE home and host countries; and secondly, the importance given to an issue by salient stakeholder groups, where the MNE has overseas manufacturing operations and or product markets.

Local issues have impact and importance for salient stakeholders in either the home or the host country, but not both. *Global* issues must have an impact and importance in both home and host countries (Husted and Allen, 2006).

2.2.2 Managing CSR: Strategic approach vs. Institutional approach

Having identified CSR issues as global or local in nature, it is also useful to study whether CSR approaches and strategies vary according to whether CSR is **institutionally driven** or **strategically managed**. If within the MNC, CSR is institutionally driven, one could expect institutional isomorphism within the firm to create consistency in

approaches. On the other hand, if CSR is treated strategically, CSR activities would be contingent on relative demands of local and global stakeholders.

Strategic approach

According to Ansoff (1980: 133), an issue is of strategic importance based on its 'impact on the ability of the enterprise to meet its objectives'.

A firm that handles CSR strategically will examine global and local CSR issues independently of product-market pressures and respond to those CSR issues according to demands for responsiveness and integration by local and global NGOs, host and home country governments, and local market structure.

A strategic approach to the analysis of the importance of CSR issues also parallels the Bartlett and Ghoshal, 1989 approach to organizational strategy. Organizational strategy in the MNE has been conceived as a response to two different pressures in the product market – i.e. *integration* or *local responsiveness*. Building on these two dimensions (Bartlett and Ghoshal, 1989), many studies have developed typologies of multinational firms.

Harzing (2000) reviews these typologies and finds empirical support for the multidomestic firm, the transnational firm, and the global firm. The prototype **multidomestic** firm combines *high responsiveness and low integration*. It is organized as a federation of autonomous subsidiaries defined by national markets that modify products and services to meet local needs and tastes.

In contrast, **global** firms are characterized by *low responsiveness and high integration*. The local organizational structures of global firms tend to be lean – frequently limited to well-developed distribution and sales – focusing on a limited number of products and services. Some industries seem ideal for global competitors – for example, telecommunications equipment and pharmaceutical drugs.

Finally, the **transnational firm** attempts to combine the best of both worlds – *local responsiveness and global economies of scale and coordination*. For e.g., professional

services firms such as McKinsey have focused on developing transnational strategies to leverage organizational knowledge that can be transferred throughout their network.

The strategic importance of global or local CSR turns on pressures for global integration and local responsiveness. Integration pressures for CSR stem from multinational stakeholders and NGOs, global social problems, and the need to economize in the provision of CSR. Similarly, pressures for CSR response to local issues stem from differences in stakeholders as well as market structure and the demands of host governments. It is essential to observe that the pressures for CSR integration / responsiveness may not correspond to pressures for integration / responsiveness in the product market. Thus, in the product market, a firm could be organized globally, but, in terms of CSR, the global firm should be responsive to local demands.

Therefore, a firm that handles CSR strategically will examine global and local CSR issues independently of product-market pressures and respond to those CSR issues according to demands for responsiveness and integration by local and global NGOs, host and home country governments, and local market structure (Husted and Allen, 2006).

Institutional Approach

The strategic importance given to CSR issues may not typically be dependent on the rational application of the Bartlett and Ghoshal (1989) framework to CSR but upon the firm's business agenda (Husted and Allen, 2006). Institutional theory provides an understanding of the forces behind organizational inertia within the firm. Institutional theorists argue that pressures for firm adoption of policies and structures emerge from three main sources: the coercion of the *state*, the effects of the *organizational field* on firm policies and structures, and the *internal* generation of such policies and practices with organizations (DiMaggio and Powell eds., Fligstein, 1991).

A number of forces play a role in the isomorphism that is seen in the area of CSR. Following DiMaggio and Powell (1983), first, the dependence of the CSR function on other units, in terms of both financial resources and managerial capabilities. Second, the uncertainty of the relationship between means and ends, i.e. CSR and financial

performance. Finally, the ambiguity of goals in the CSR area may motivate the department to model itself after other areas within the firm that are perceived more successful. These may all contribute to CSR functions imitating patterns established by the market-oriented areas of the firm.

Conclusion:

Strike *et al.*'s (2006) finding that MNEs reach an inflection point where increased diversification leads to increased corporate irresponsibility suggests that inadequate international organizational strategy maybe a factor in CSR failures. It is possible that growth brings with it globalization of functions and a loss of contact with host country issues.

Importantly, Husted and Allen, 2006 in their paper argue that firms should manage CSR more strategically and not simply be carried along by mimetic isomorphism and inertial forces. When managers analyze CSR within a strategic local-global framework, just as they do when considering traditional organizational strategy issues, they are in a better position to decide which CSR activities ought to be integrated globally and which ought to be managed at the local level. Thus a firm can be global in its market strategy and multidomestic in its CSR strategy if the benefits involved in having differing strategies outweigh the costs.

While an argument to this conclusion is the logic that institutional isomorphism maybe internally efficient, regardless of the whether the firm neglects some CSR issues, and CSR remains an activity that is made to 'fit in' with firm market strategy, Husted and Allen have argued that this would work only in the case if, stakeholder demands do not affect the strategic outcomes or the performance of the firm. Local subtleties and nuances can be ignored in a firm's CSR agenda, only with attendant risks.

CHAPTER 3 – NBS vs. New Institutionalism

Finally, this section would look at the literature on National Business Systems and New Institutionalism and their potential impact on CSR practices in MNCs in UK and India.

A case of National Business Systems vs. New Institutionalism and their impact on comparative CSR practices

To date, notwithstanding some notable exceptions, much research on CSR in Asia has not only been under-theorised but the empirical research has not been addressed to the task of theory-building. (Chapple and Moon, 2005). Therefore, it has been proposed that there are opportunities to “import” core disciplines in to the study of CSR. These approaches to research in combination might act as a catalyst to move beyond the descriptive “what is” research to more theory building and to addressing the “why”, “how” and “should” style questions. There has been a debate on the effects of globalization on organizations forms and management practices which can be used to understand standardization or divergent CSR practices across two countries.

There are two schools of thought in organizational theory which can impact on whether organizational forms or practices converge or differ. **New Institutionalism** and the **Business Systems Approach** offer two institutionalist approaches to explain the adaptation of organization to their institutionalist environments, where New Institutionalism theorises on convergence and National Business Systems approach theorises on divergence of practices.

There is considerable literature on the question of why MNCs choose to locate their subsidiaries in certain countries. Most of this literature has been dominated by contingency and economic approaches (Morgan et al, 2001). Although this literature acknowledges varying degrees of global standardization and convergence of organizational forms (Bartlett and Ghoshal 1989; Harzing 1999), the general view seems to be that a combination of global competition and mimetic isomorphism is resulting in the emergence of homogenous strategies and network structures in ‘global’ MNCs across industrial sectors (Nohria and Ghoshal 1997, Geppart and Matten, 2005).

This view is contested by institutionalist scholars who claim that national institutions and ‘business systems’ have a remaining and distinctive influence on dominant practices of firms in relation to work systems and , hence, the overall manufacturing approach of the firm (Lane 1992; Maurice et al. 1980; Sorge 1991; Whitley 1999)

3.1 Significance of New Institutionalism

In their review of Institutional theory, DiMaggio and Powell, 1983, distinguished between the old and the new institutionalism. In the *old institutionalism*, issues of influence, coalitions, and competing values were central, along with power and informal structures (DiMaggio & Powell, 1983; Clark, 1960, 1972; Selznick, 1949, 1957). This focus contrasts with the *new institutionalism* with its emphasis on legitimacy, the embeddedness of organizational fields, and the centrality of classification, routines, scripts and schema (DiMaggio & Powell, 1983; Meyer & Rowan, 1977). Underlying DiMaggio and Powell’s (1991a) analysis is that organizations conform to contextual expectations of appropriate organizational forms to gain legitimacy and increase their probability of survival.

Contemporary *institutional theory* illumines the global spread of CSR and its social contextualisation beyond its US origins. It enables CSR to be framed in the broader context organization studies and international management. Thus the world-wide adoption of CSR policies and strategies can be understood as part of the global spread of management concepts, ideologies and technologies (Guler, Guillen, & MacPherson, 2002) Resulting in some sort of ‘Americanization’ of management practices (Djelic,1998). Nonetheless, it has been argued by Child that the assumption of social responsibility by corporations remains contextualized by national institutional frameworks and therefore differs among countries. Thus CSR sits in the debate about the convergence and divergence of management practices (Child, 2000, Chapple and Moon, 2005)

3.2 Significance of National Business Systems – UK and India

The comparative analysis of National Business Systems presumes that distinctive ways of organizing economic activities become established and effective because of major differences in key social institutions, such as the state, the financial system and the education and training system (Maurice et al., 1980, 1986), as well as more diffuse factors such as cultural preferences and beliefs. However, the distinctiveness and homogeneity of business systems clearly vary between societies, as does their institutional specificity.

The identification of business systems as distinctive configurations of hierarchy-market relations in which firms function as economic actors through their authoritative coordination and direction of human and material resources suggests three broad areas for comparing and contrasting them – firstly, the *nature of the firm as the key economic actor* in a particular economy and the dominant ways in which firms develop and compete are distinctive elements of business systems. Second, the connections that markets develop with each other in the same industry or markets, and across industrial sectors, interrelated with their distinctive capabilities and skills, leading to *particular patterns of market organization*. Thirdly, *how activities and skills are* authoritatively *coordinated and controlled within firms* clearly varies between business systems⁴. (Whitley, 1992). Each business system can therefore be seen as systematic, interrelated responses to the three fundamental issues of any market-based system.

The development of distinctive types of enterprise structure and practices in different national contexts which appear equally successful and competitive in world markets suggests that not only do institutional variations affect management systems in business organizations, but there is also no dominant technical rationality in economic markets which inexorably leads to a single way of organizing and controlling economic resources. Instead, there are a variety of successful 'recipes' institutionalized in different societies that function equally efficiently in their particular contexts (Whitley, 1990)⁵.

⁴ Whitley, Richard; Business Systems in East Asia: Firms, Markets and Societies

⁵ Whitley, R. D. Comparative Analysis of Enterprise Structures

Glenn Morgan in his book, *The Multinational Firm: Organizing Across Institutional and National Divides* takes the ‘national business systems’ and ‘divergent capitalism’ debate a stage further by asking what happens when a firm organizes across institutional and national divides. The working assumption here is that the result will not be convergence towards a single model of the ‘global form’, but rather continued diversity and divergence between firms from different institutional contexts.

In the debate of convergence and divergence of practices, a point frequently mentioned to prove either is the role played by MNCs i.e., companies that are by definition located in more than one national business system. Here the literature generally assumes that MNCs from a specific home country interfere in to the existing competitive and institutional settings in which they invest, mainly by transferring as far as possible their production techniques and labour practices. However, the institutionalist proposes that MNCs are by no means free to choose a single best practice solution, but their internationalization is shaped by their specific economic, political and institutional home environment. (Ruigrok/van Tulder 1995; Dorrenbacher, 2002).

The next section looks at the impact of National Business systems on CSR practices with UK and India.

3.2.1 Impact on UK

Political System and Financial system: The power of the state has tended to be strong in Europe (Lijphart, 1984) and European companies have generally tended to be engaged in economic and social activity. Some have nationalized insurance systems for health, pensions and other social commodities and other have mandated corporations to assume responsibility in these areas. In the European model of capitalism, corporations tend to be embedded in a network of a small number of large investors among which banks play a major role.

Education and Labour system:

In Europe there have been publicly-led training and active labour market policies in which corporations have participated according either to custom or regulation. Historically higher levels of union membership in Europe resulted in labour related issues being negotiated at a sectoral or national, rather than corporate level. Likewise, European Corporations have shown a greater propensity to pursue collective interests through national business associations or federations (Molina & Rhodes; Schmitter & Lehbruch, 1979).

Worker's Rights: (Implicit in the country) Every British citizen is entitled to coverage under the National Health Service and corporations, along with other tax payers, contribute to this through taxation. The absence of many employment related issues in European CSR reflects their institutional frameworks and NBSs, in particular formal, mandatory and codified rules or laws defining the responsibilities of the Corporations and other governmental and societal actors for particular issues: what they refer to as implicit CSR.

Environmental Protection:

Independent corporate responsibility for issues of societal concern such as technological and scientific risks, is less likely to be taken by European companies. This is not because they necessarily care less about environmental responsibility, but because they have less discretion in this area. Even if voluntary action occurs, these initiatives tend to take place in a consensual, negotiated approach with governmental institutions.

Cultural :

There exists a European cultural reliance on representative organizations, be they political parties, unions, employers' associations or churches, and the state. (Lipset & Rokkan, 1967).

3.2.2 Impact on India

(Chapple and Moon, 2005) in their study of Seven Asian countries website reporting suggest that CSR in Asian countries, including India, might be better explained by national factors like national business systems. The gradual changes in the Indian economic paradigm from the 1980s onward saw a large increase in corporate activity.

Sundar states that this also led to Indian business being more exposed to both domestic and foreign competition. The Indian corporate sector is now large and diversified. Since 1991, when the process of economic liberalization began in earnest, the number of foreign companies operating in India has been increasing rapidly.

Business in the Indian context has changed drastically in the 90's when globalization and FDI inflows have created immense prosperity in some segments while many areas are underdeveloped with hunger, starvation and marginalization of the most vulnerable segments of our society. The gap continues to widen both in urban and rural India. As P.Chidambaram, Union Finance Minister put in 'India is not a poor country - it is a country where a large proportion of its people are poor'⁶ (Business & Community Foundation, India)

Education and Labour system:

Labour and Environment: There is a need for voluntary efforts by corporations on labour and environment-related issues in India as a result of poor performance of the prevalent regulatory framework in these issues.

However, the domestic drivers supporting self-regulation by industries are rather weak.

Although there had been a remarkable growth in certifications for product quality, environment friendliness and organic production in the mid-90s in India, many companies lacking self-motivation, used certification as a short-sighted goal, subject to varied interpretation (BIS 2004; Sood and Arora, 2006). As an example, the Indian eco-label scheme Ecomark, launched in 1991, which is a market-based non-regulatory system to reduce pollution and improve environmental protection, is observed to involve layers of bureaucratic controls and approvals, perceived as a burden with few immediate benefits to company's applying for the criterion. A common complaint is that the government did not take adequate steps to consult industry in the development of the product criteria. (Sood and Arora, 2006). In addition, culturally, there exists a perception of there being too little demand for environmentally products in India, leading from low awareness of environmental issues and an absence of environmental concern among

⁶ <http://www.bcfindia.org/e-jan06.htm>

consumers (Bhattacharya and Mago 1998, Alam 2005, Sood and Arora, 2005). ISO 9000 and ISO 14000 certifications are reported to have grown substantially since the mid-90s.

Environmental regulation:

An evaluation of the environmental policy and the institutional mechanism gives a picture of the duplication of functions and poor coordination among agencies. An effort to adopt a decentralized approach to managing natural resources and the environment might ensure an increased participation of stakeholders in decision making. Enforcement machinery is weak, and it is made completely ineffective by the closed, non-transparent system of governance that prevails in India. The monitoring and enforcement of pollution norms from each factory is important but rarely feasible in a country like India. (Sood and Arora 2006).

The five priority areas of land degradation, biodiversity, air pollution (with special reference to vehicular pollution in cities), management of fresh water resources and hazardous waste management, India: State of Environment 2001 (TERI 2001) does not paint a very comforting scenario. Loss of valuable nutrients, availability of fresh water, endangered species and increase in quantities of hazardous waste are some of the serious problems currently faced. In addition in relations to worker's rights, the prevailing condition of labour in India is strongly related to the effectiveness of laws designed to protect labour. Traditionally, many laws have existed, but discrepancies in the implementation of these laws exist.

3.2.3 Multi- nationals in Asia

The challenges of globalization, particularly for Western companies operating in Asia and other parts of the developed world, have included the challenges of behaving responsibly according to the norms of their own and their host countries. (Chapple and Moon, 2005)

Chapple and Moon, 2005 in their study of Seven Asian countries website reporting concluded that at the firm level, there is a relationship between international exposure, be it in the form of international sales or foreign ownership, and higher levels of CSR adoption. This supported Porter and Van der Linde (1995) who stated that those firms that are exposed to international competition are likely to have higher (environmental)

standards. This relationship can be extended to wider social responsibility issues. They also argues that firms with an international market would have a broader range of stakeholders. As firms cross borders, there is a stakeholder multiplier effect, and hence, it is in the interests of the company to engage in CSR.

Business culture and definitions of CSR must always take the account of the local context. In most parts of Asia, bonds of family and friendship in economic relations generally account for far more than in the developed Western world where the professionalization of business , the separation of ownership and control and impact of mobility have diminished the significance of the bonds of friendship and community. Similarly, courtesy and respect, whether for age, wisdom, leadership, neighbours and customs throughout Asia are still striking in comparison. (Robert Davies, Hong Kong conference paper 2002, Davis 2002; Birch and Moon, 2004)

There has been much discussion, particularly with regard to Asia, as to differences in the behaviour of Multi-National Corporations (i.e. differences in behaviour between countries) or between MNCs and domestic companies. There have been four different arguments about the manifestation of the expression of CSR in this scenario.

Firstly, it has been argued that the whole economics of globalization necessarily leads to irresponsibility and in particular the exploitation of lax social and environmental standards and weak governance (Strike Gao and Bansal 2006; Low and Yeats 1992; Lucas et al 1992). Chapple and Moon (2005) found no evidence to support this stance in their study of CSR in Asia.

Secondly, others have argued that there is a positive relationship between international diversification and social responsibility, and that MNCs transfer best practice.

Thirdly, it is also argued that it is these firms that have the power and the resources to promote CSR, and hence, MNCs could promote social justice (Bansal and Roth, 2000).

However, **fourthly**, it has also been argued that practices are not that polarized. It has also been argues that some firms can be responsible in some activities and irresponsible in others (e.g. Nike). Chapple and Moon, 2005 found that globalization /

internationalization of companies did in fact improve CSR relative to domestic firms in various Asian countries, however, there was still room for further improvement and there was high variance in CSR initiatives between countries. Moreover, in terms of the CSR issues addressed, MNCs adapted themselves to multiple local environments.

CHAPTER 4 - METHODOLOGY

4.1 Research Design

This study is meant to study how the idea of CSR differs in an emerging country context in comparison to a developed country context within the same company. It looks CSR practices within AX, BX and CX. The study can be separated into the looking at formulation procedures, implementation as well as post implementation evaluation procedures.

These companies were chosen because they are some of leading the companies within their industry where one might expect CSR policies to be found because such large companies have brands to protect and are most likely to have responded to demands of greater CSR. It can also be inferred that large companies are more likely to carry out CSR activities because they have the financial resources to do so and are often the agenda setter in their area (Chambers et al 2003). Being highly public, their actions are heavily scrutinized given the ease with which information is accessible about them across countries in today's globalized environment.

The research aims are to firstly, explore the difference in perception and therefore, the definition of CSR in the developed country vs. an emerging country context. Secondly, it studies the differing formulation strategies within the two contexts for their practices and the reasons for these. Thirdly, it looks at the implementation procedures if any, in each context and the possible method of understanding the value that their practices are bringing to the firm. This understanding also feeds into the understanding of the learning that occurs within a multi-national context for a company and the processes it might engage to enhance their practices using these.

4.2 Research Approach

The study uses a qualitative research format given the contextual differences prevalent across countries and industries. Given the complex business situations, rather than forming a generalization for an industry or country, this study tries to understand the practices prevalent across national boundaries, specifically within these three companies, in order to understand CSR in a practical situation within Multi-national companies.

4.3 Data Collection

A multiple case study approach is used in this study across two countries. This was done primarily through interviews and document analysis. In general, case studies are the preferred strategy when “how” or “why” questions are being posed, when the investigator has little control over events, and when the focus is on a contemporary phenomenon within some real life context (Yin, 2003). However due to limited time and practical reasons, the data collection relies on information drawn from interviewees. Interviews were requested with at CSR managers for each country. Six interviews were conducted and individually analysed according to the overall themes identified in the literature review. However, for BX, the CSR director from the global team covered the information for both the countries. The reason cited being no separate role of a CSR profile in India for the company, and therefore CSR practices being carried out with the help of the CEO and individuals in other roles within the company.

	AX Management consulting and Technology services	BX Telecommunications services	CX Professional services firm
UK	Global & UK CSR strategy team	Global CSR strategy	CSR strategy team
INDIA	CSR strategy team		CSR strategy team

Fig. 1

4.4 Data Analysis strategy

Qualitative research is an interactive technique because as new theories are developed they can be tested on the next set of data to be gathered.

A company CSR analysis from Reports and the literature review was used to identify categories of interest. Results and ideas arising from each interview were used to further guide the focus of subsequent interviews. Each interview was analysed individually in detail. The cross case analysis was meant to identify categories and patterns within countries and how they are linked. These were then compared across the two countries for each company and then across companies to identify patterns of practice.

CHAPTER 5 – DATA ANALYSIS AND CONCLUSION

5. A presentation and analysis of results

A review of the literature on internationalization and CSR in multi-national companies led to the question of how CSR is actually interpreted and practiced in a developed context, in comparison to an emerging country context. The analysis of this data collected shall be addressed in this chapter.

The chapter begins by exploring the practices of each company individually, and then draws conclusion from these. It looks at the definition of CSR as used and incorporated by the companies. The manner in which the companies formulate their strategies, their motivations for these is then investigated. This goes onto to the discussion of how these are then implemented and evaluated within the firms. It concludes whether the strategies are globally led or locally grown and the motivations and learnings for each of these.

5.1 AX analysis

Introduction

AX has a Global Corporate Citizenship team based out of UK, headed by a Global Corporate Citizenship Director, which is responsible for coordinating CSR strategy globally. Originally AX had a charity day where employees could volunteer and they started supporting charities through Voluntary Service organizations in 1999. VSO started formally on the recommendation of an employee, who volunteered for VSO and from the experience felt it was an idea that other employees could like to take on by bringing people together and doing bigger projects.

5.1.1 Comparison of definition of CSR

AX looks at achieving two main objectives through its Corporate Citizenship approach . It feels such an approach leads to **greater sustainability** by drawing together the needs of society with the results of commercial success. Secondly, it enables motivated, socially aware people to embrace the needs of others, which leads to creation of a new kind of value that grows business. AX UK interprets these as the objectives of employee engagement and social impact.

AX India feels that the bedrock of Corporate Citizenship is to ‘engage with society’ in the way it needs to be engaged within a particular geography. Even though the Indian unit perception of CSR is influenced by its European counterpart, it retains its understanding of ‘looking after the needs of society’ as a primary focus.

5.1.2 Comparison of dimensions of CSR

AX UK has 4 aspects to its Corporate Citizenship practice. These include **Giving**, i.e. Financial grants with pro bono services; **Time and Skills**, i.e. volunteering of time by employees to use their business skills and experience, both on a short-term and a long-term basis; **Inclusion and Diversity**, i.e. individuality and promoting respect; **Environment**, i.e. working to minimize any negative environmental impact

One of their biggest initiatives is AX Development Partnerships which uses the skills and capabilities of their employees, put them in the developing world with NGOs to help them improve their performance.

AX India concentrates on Giving and Volunteering by employees in terms of time and skills. These also have specific themes in the area of education, children and women. Though Environment as an aspect of CSR is still emerging in the host country, steps are being made to accelerate the process. The Bangalore unit in India is reportedly the first unit of AX to receive the ISO 14001 certification.

5.1.3 Comparison of motivation

AX UK look upon employee engagement and social impact as its biggest drivers for Corporate Citizenship practices. It also looks at attracting the right employees who increasingly demand responsible practices from employees as another one of its biggest drivers. “Goodness generates goodness”, additionally another important emerging reason has become, “not only encouraging people to do something around important areas, but also getting the message across to our clients. It is important to our clients as well, it is important to our people and our clients”. These reasons show an evidence of a instrumental reasons, as well as some normative perspectives.

Individually, *Giving* follows from the premise of active employee engagement and corporate contribution using AX’s core business consulting skills. Operating through a UK foundation, employee led schemes and long-term and short-term employee volunteering, AX wishes to actively contribute to communities, at the same time make employees aware and engage them.

Inclusion and diversity, like *Giving*, has been reported as an important part of AX practices since a long time. AX wants to be looked at as a responsible employer through the life cycle of an employee within AX; from the time he applies to the time he leaves AX. Inclusion of minorities is another, “for graduate and hires, it is very important to explain that we have the processes in place to support various minorities or qualified as minorities, or to be as inclusive as possible of people of various sexual orientation. Once you are in, very important to ensure that people have a network they can go to or some program they can attend, to make sure that they can move out of these minorities, or so called minorities”. Policies and practices for women is the third. Workshops around business skills, influencing skills, juggling work and family life, and supporting life choices such as fully paid maternity leaves is looked at as essential aspect of Inclusion and diversity practices within AX.

Inclusion and Diversity, which is about having a more diverse workforce, including initiatives for women, has existed historically within the company. It's an important topic for AX, and has been on the CEO objectives for quite some time.

Environment is looked at as a growing contentious issue in the UK for businesses and hence of extreme importance to AX. "We can't go one day without saying something in the paper about it – we are all burning up so we need to do something about it".

AX also partners with many organizations during various stages of the development or implementation stages of its plans as this helps them get external legitimacy and opinion.

AX India has had a fairly nascent CSR strategic program. Until about two and half years ago, their CSR was fairly reactive and event oriented, for instance, Tsunami. Two key reasons for understanding need for strategic CSR have been, growth of its business in the last four to five years in India and therefore, India's growing strategic importance in the AX landscape. A third reason, which can be seen in common with its UK practice, is a growing awareness among its clients of the importance of CSR in its practice and therefore feeling responsible for it.

5.1.4 Comparison of formulation process

Historically, AX has had an emphasis on philanthropy and inclusion and diversity programs which has influenced its UK CSR profile. This, along with their business vision and Code of Ethics, have flow into their six core principles, through which they try to drive their strategy.

AX UK also looks at self-assessment, i.e. benchmarking themselves against other organizations using indexes like BITC and partnering with external organizations that have some relevant knowledge to understand the impact of their business better. This helps them formulate as well as evaluate their practices and introduce new areas.

For each dimension of their CSR practice the company also has a global network of members who contribute to development of strategy, managing the 'bigger picture' which gets implemented by teams individually in different countries.

AX India, today approaches CSR from a more strategic angle than their earlier reactive stance. Today the focus is on scanning the market to figure out how to map out where

they want to be, looking at neglected areas in their community, which also suit their core skills. For instance, as their business is not related, not picking up the area of health, but instead concentrating their energies more on the youth, where their programs could be more focused on the creating employment opportunities for them. Their focus in this manner looks at mainstreaming those segments of society who might not have had the opportunities to educate themselves or improve their skills, and helping bring them into the economic mix.

5.1.5 Comparison of implementation process

AX UK have some strategies in place to help in the implementation of their initiatives. Key among these is use of their core business consultancy skills to identify problems or ideas and work out solutions. Along with this, partnerships with organizations that have relevant knowledge of the areas they are working on, for instance Win Works for environment, to put together their plan for gaining ISO 14001. Similarly organizations for community and Corporate citizenship reporting or Cause and Effect to understand their impact as a business. They look at these partners as helping them promote or enhance the agenda. “It’s a very common approach in terms of what we do in the company. It’s perfectly fine to involve a third party and bring them along on the ride”.

Secondly, to implement their programs like partnering with Voluntary Service organization for six month for their employees or AX Development Programs for a certain period, they actively participate and look at reports to understand their initiatives in practice better. “Any partnership we get into, it’s very much a two-way thing. We make sure that the agenda that they've got, and the deliverable that they've got is in line with what we want and expect. And we might be very active through the process”.

Thirdly, to encourage their employees to avail of opportunities such as 3 – day volunteering or six month Voluntary Service organization internationally, AX in each case officially provides a 3 day leave for employees to go out and volunteer or provide their employees with 50% of their pay during a six month voluntary period, to support them, but at the same time ensure only the people who are genuinely interested and skilled participate. AX also takes consultancy from specialist organizations, for instance

various environmental groups and experts on global programs to identify how to use their skills and have the biggest impact.

AX India also believes that giving funds and pure philanthropy without engaging in partnership is not very sustainable and therefore look at philanthropy and partnership as areas that work together. In addition, it also looks at partnering with certain organizations to help them implement initiatives. However, employees are encouraged to participate in volunteering events or days in their spare time, i.e. during the weekend as against having work days off. This off day is evidently not looked at as yet due to the growing demands of the business as it expands in the Indian market.

Additionally, they look at experiences being shared from employees who participate in their monthly volunteering program to share with others to motivate them to participate.

5.1.6 Comparison of evaluation process

AX UK looks at evaluation of its initiatives as work in progress, an area they are currently working on. For smaller pieces of work, like 3 day employee volunteering, they rely upon anonymous questionnaires to generate feedback and understand where employees volunteered and how it went to. This information is then used to understand the effectiveness of their program. An approximate figure given for the response rate is 30% amongst its employees.

For bigger projects like Pro bono its through VSO, they are aware exactly who is going where. So they can measure and assess impact. They also tend to use various channels profiling their work in different areas to assess their work, for instance newsletters like Good News or volunteers communication within their company to understand effectiveness.

The global corporate citizenship team in UK is working on meaningfully managing and analysing the information they capture on their Global practices, which could feed back into their evaluation of practices and help improve their performance in the Corporate Citizenship area. It could be said that this process compliments their evaluations carried out within the individual contexts of UK and India.

Internally, AX undertakes a survey globally, sent out to every employee of the company which asks a range of questions across the business to understand the perception of employees of the Corporate Citizenship performance of the company. The organization looks at this feedback to assess internal perception across different employee levels and takes steps to improve in areas where they come across lacking in this survey. A study would be done to understand reasons, and a suitable solution would be sought.

In comparison, AX India does not have a formal system of employee feedback through questionnaires for its volunteering program but tracks the annual number of hours spent in volunteering. There exist formal quarterly reports for corporate contributions which look at the progress by monitoring and maintaining contact with the beneficiaries. An interesting format for payroll giving evaluation is hiring of an independent organization (United Way) to evaluate the impact of the contribution. Status reports are used every quarter to assess impact and at the beginning of the year, recommendation is made whether to continue with the contribution or cease.

Internally, the Indian unit participates in the annual global employee survey and gets feedback on these from the global team.

5.2 CX

CX is a professional services provider in the UK. CX in the UK has over 10,000 partners and staff, working in 22 offices and is part of a strong global network of members firms. Each CX firm is a separate entity, therefore the profits and income come separately from each office. They do work in partnership with other offices, but other trustees in India are the final decision makers. The partners share in profits, and there exists no global holding company of the firm.

5.2.1 Comparison of definition of CSR

CX UK is striving to make a difference to society, alleviate problems and issues by making employees aware. They wish to empower their people to contribute positively to local communities and the environment, helping to create a substantial business future.

CX India looks at its CSR activities being currently driven by its Chairman, who conveys the vision of building an **‘an inclusive society’** through the company’s activities in donation and volunteering. “India has a large disparity between classes, therefore to create a larger middle class, to bring the lower class up to a level where they could come and work in similar organizations, and to make it an inclusive society, as against exclusive for them”. This is being done through initiatives like IT and English education imparted through volunteering and being supportive of NGOs connected with the field of education and health care through technical support and donations. Environment is seen as the second area that the company feels it can make an impact, through creating awareness among the employees.

5.2.2 Comparison of dimensions of CSR

CX UK had a CSR program for twelve years, where earlier its program was split up in to community affairs programs and environmental management. These have come together to form a part of formal CSR program in the last six years.

(1) Two main areas have been managing their ‘positive impact on community and environment’. (2) In addition to this, they have had a Donations policy to support the charities where their staff volunteers.

CX had so far concentrated on three themes which revolved around social inclusion, environment and education. Recently, they have had a review of their policies for CSR to try to align their CSR practices more with their business and check if the themes were appropriate for such an approach. Their new themes evolved as a result of this, which relate to access to opportunities (education, skills, employment). These are looked at as having a wider remit in terms of opportunities and employability. Secondly, supporting Environment, where they live and work and addressing climate change and carbon emission issues. They look at these themes as areas helping them use their skills in a better way.

The CX Indian unit looks at children as their primary focus for CSR activities for **Donation and Volunteering**. In the area of children, **healthcare** and **education** of children are the main issues. In addition, healthcare of older people is an issue looked at in some offices. The six offices in India aim towards at least one NGO per city for **Donations** and volunteer, employee engagement. They are also involved in Pro-bono projects from some of their offices. Environment is growing in importance, and initiatives have been taken such as responsible consumption of paper, or recently, an energy audit has been planned to control carbon emissions.

5.2.3 Comparison of motivation

CX UK feels a business and a moral case for CSR; i.e., to not only benefit local communities, but also attract and retain the best people and realizing potential benefits derived from, for example, good environmental and health and safety management practices.

CX India practices have gained momentum after being headed by a new Chairman a year ago. The mandate has been to create an 'inclusive society' in India through employee involvement in issues of society, as they feel its important for employees to be aware and make a difference. Noticeably, many initiatives are also being undertaken largely due to practices being imbibed from Europe and adapting these to the Indian context.

The Indian activities originate from a global policy for CSR activities. The International Director of CC based in UK gets involved in activities and visits the office to understand the work. However, again like BX, the Indian unit also picks and chooses the activities

they feel would be appropriate for that context. The Indian unit forms a part of the CX Global Project, a pro bono project to work with organizations like UNICEF, save the children, world vision and UNDP and work with them globally. CX in the UK is looked at as the origin of their CSR initiatives. For instance, environmental issues like responsible consumption of paper, recycling are seen more as European initiatives. The Indian unit is also part of the 'Climate change working group' which is a CX global group, where interaction with the team internationally, like Switzerland and UK, happens at regular intervals, to understand their performance. Internally for Donation activities to NGOs, the Indian unit also takes a poll at each of its office location, by providing an option of 3 to 5 NGOs dealing with the issues that they are interested in. it then goes ahead with the NGOs chosen by the employees.

Since 2005, approx. 2.5% of profits annually have to be given to foundations.

5.2.4 Comparison of implementation process

The company looks at implementing its programs using the skills of their people and their time. They also have an internal 'change program'; in terms of making people aware and more responsible in terms of what they do, the consumables they use, how they behave within the office and beyond when they go back to their home environment.

Their donations policy supports these programs with the charities.

They also work with Community partners like Prince's Trust, Refugee Council and BITC. Additionally they work with government partners in the field of regeneration of community, Regeneration Development agencies focusing on particular areas. These agencies are looked as having knowledge that the company might not have themselves. External consultants are also involved for particular pieces of work where internally they might be full capacity and need some work to be done, or use another division within the firm, for e.g. using the Risk and Sustainability team for certain evaluations that need to be done. For such work, the internal teams would be looked at as external consultants.

Internally, they have team at the national level who are responsible for various regions. Locally have 'CSR forums' for regions which include people interested in aspects of CSR who volunteer, these forums would be supported by the office senior person. These forums would be responsible for implementing activities, making them relevant and

tailored for these offices. The size of these would depend upon the particular office unit. The firm gives three and a half hours a month for employees to implement these activities. In the event of a new initiative to be implemented, the company could make use of their seniors in leadership position to be the face of their programs and champion it within their teams and make these changes. CX looks at these as 'change programs', i.e. about changing the behaviour of people which would require effective communication.

Each CX firm in India is a separate entity, therefore the profits and income come separately from each office. If partners are interested then the team seems to be more involved in CSR initiatives than if it is not the case. The economic boom in India and the growth of the industry is cited as a reason for higher work load on the Indian unit, and therefore time is seen as a big factor and in many cases, a impediment for employees to participate in various activities. *All companies are seen as 'tight on the number of employees they have' and work seems to be multiplying very fast and the infrastructure or the people are not there to do the work.*

The Indian unit of CX until recently concentrated on donation to NGOs. Recently it has begun to use the time of their employees and encourage them to chose NGOs and volunteer their skills. Environment is also growing in importance, and an energy audit is planned to control carbon emissions.

Internally in the Indian unit, the HR team and individuals from different functions work to support CSR activities. While it has remained so until recently, an employee solely dedicated to CSR activities has been hired recently. Interest is generated within the offices for participation in voluntary activities through emails and personal communication. Consistency in participation of activities with a particular NGO is cited as a criterion for choosing participants for volunteering, as regular contribution of time is sought, as against arbitrary participation. Typically, commitment of two hours a month on a Saturday might be sought for an NGO closest to their homes. This varies from the UK practice, where 3 hrs a month are allotted for every employee, within the regular working hours. Per quarter, a volunteering day is organized with an NGO, amounting to 4 days a year. Volunteering and Donation is seen as a combined exercise as far as possible for an NGO, though Donation for NGOs tends to be more. The Indian unit takes

a poll at each of its office location, by providing an option of 3 to 5 NGOS. An annual survey would be done to assess if the employees would like to continue with the same NGO next year.

Similar to the UK division, one of the issues that the division faces while motivating employees to participate in company programs, is paucity of time. While the employees handle their regular responsibilities, volunteering of time becomes an issue. Significantly, it has been noticed that, *the involvement of teams in CSR activities is higher in those cases, where the partners with stake in that division, are themselves supportive and involved in CSR activities.* Therefore, they would not have objections to employees volunteering for a few hours per month.

Externally, organizations are hired for instances where the expertise is not found internally, for instance an energy audit to be done at the company offices. This is seen to follow the practice of their counterparts in the UK.

5.2.5 Comparison of evaluation process

CX UK reviews their CSR practices through their extensive stakeholder engagement process that they run every other year. They run focus group exercises with various stakeholders, both internal and external across different grades within the firm, and with their community partners. These would include community partners, suppliers and clients externally. Internally, these would include staff, including new graduates, people in leadership team spread across different regions. The company makes use of external consultancies to help them run these from a 'neutral' position.

Due to the nature of the firm's business, in accounting and reporting, evaluation is seen as a part of the company's regular work. They require their staff to fill in time sheets and therefore the CSR activities have certain codes which the employees use when they are filling in their time sheets. This helps them evaluate the time that is committed to CSR activities. This information is then fed in to the London Benchmarking (LBG) model to assess themselves, and manage their programs.

They submit their figures every year to LBG, and this helps them use the LBG as a management and measurement tool.

At the Indian CX firm, an annual survey would be done to assess the employees satisfaction, taking feedback if they would like to continue volunteering with the same NGO next year. No formal internal systems currently exist in the Indian unit, to assess value from activities, though use of reporting systems from NGOs is used to evaluate progress of the NGO as result of the donation. Part of this process is to enquire about value gained by volunteering by employees. Information is also gained from them whether any other support system required in terms of systems like IT.

5.3 BX Analysis

Introduction

BX's CSR activities have gone through an evolution phase from the early 90's, at which point its activities were not necessarily called CSR activities. Its core business at that point was telephones. In the mid - 90's, it saw a focus on the environment develop and therefore it started trying to understand its impact on the environment. By this time, they were expanding and had got into data, voice, internet and mobile telephony overseas. Focus at this point had also been on community and charity activities, however, since the early 2000s this has shifted more towards embedding CSR into the thinking of the business.

BX has been present in India since 1995. BX India has got about up to 12,000 employees, who include, direct employees as well as indirect employees of partner organizations. It also has a 43% stake in a Mumbai based company , which is one of the leading software houses in India. They are in the process of building a business plan to have operations worth \$ 2,50,0000 operations by the end of 2009. Their goal is to triple their activities in the next two years in India.

5.3.1 Comparison of dimensions of CSR

BX's global CSR practices have gone through an evolution beginning from stray activities in the early 90's, to mid-90's where there came a focus on environment due to increase focus in Europe. Their efforts at this point were to understand their own impact on the environment, in terms of energy used, the carbon footprint, and how these can be managed. BX's practices include Foundations towards **community involvement**, which have been in existence since the 90's. The focus has also grown on **climate change, inclusion** and **more** recently towards **sustainable growth of their business**. They have launched a new CSR strategy in the 2006 financial year.

Their aim is to concentrate in the future on identifying ways to make their products more sustainable and creating awareness amongst their consumers about these products to develop a larger market for them.

Internationally, BX studies the risk factors in countries, legal requirements, culture, the corruption, the human rights issues, and how can they manage those issues through our supply base. BX has a global **code of practice** that's in place for employees, partner, and supplier organizations. There are 12 principles around what is held as important. These are applicable horizontally across every part of the operation, so they would include India. Similarly, **procurement principles** for their suppliers would apply across every country, including India.

India is the first country in Asia that BX had chosen to do CSR projects. These are three mainly **community projects** which use their core IT and technological skills. Two being in the area of education for underprivileged children who have no access to computing facilities. Information Technology and E-Commerce School, in Delhi started in 2002. Another similar project is carried out in Pune that provides IT training to children, where they expect that 1400 young children will get trained in IT education, in effect helping get them better jobs. They also use these as volunteering opportunities for their employees. As against UK, the concept of volunteering has been seen as recent in the Indian culture and hence, took some time to catch on. "So, for our employees, they didn't immediately understand what was going to be required and how they could get involved". The third is a project which provides access to digital information in rural India with funding, and commercial and technical expertise. They work for this with an NGO called 'One world South Asia'. Essentially, farmers can call in to their database with their queries, and within 24 hours BX will get a message back resolving their queries. They believe this will have relevance to the government's drive to bring services like E-governance and health services to rural India.

The environment has been not been seen as a hot topic in Asia as in the European region. BX started an initiative called **carbon clubs** which has a global framework for what it could do and comes under their **climate change** program. "We're trying to encourage employees to form groups in the country to, both, help them deliver some of the changes they need to make in process and ways of working to reduce the carbon impact of BX's operation, but also trying to encourage employees to be more green, just as people in their home lives, their family lives".

5.3.2 Comparison of motivation

BX's CSR strategy in the UK has evolved from activities directed towards the community, though not necessarily termed as CSR, towards a phase where it targets working towards sustainable economic growth. Its motivations are explained by their CSR team as looking at its three stages of CSR moving from a protector phase to an innovator. This is explained as moving from operating for protection from risk to reputation of the firm towards engaging in building a genuine ethical reputation, through issues such as inclusion, diversity, environment, community support and trust of customers.

BX wishes to now grow towards an 'Innovator' phase where the company would build sustainable CSR solutions that have an ongoing and lasting benefit for the people involved, including customers, suppliers, recipients of aid/ services, and their communities. In addition, motivation of developing new sources of revenue, strengthening relationships, and diversifying its marketplace give further impetus to their drive for sustainable solutions.

BX seems operate from multiple motivations, i.e. a phase beginning from protection from risk to reputation, towards a builder phase. Its codes of practices and procurement principles cover the risk to their reputation through, which goes on towards a phase where they move beyond merely what is required by law and begin to address subjects like workforce and supplier diversity, community investment and charity support. This shift has also occurred in parallel to the increase in their scale of operations in the region.

5.3.3 Comparison of formulation process

BX incorporates a combination of processes in its strategy to formulate its activities. Among these include a study amongst its employees to understand what they expect of the company. Similarly, other stakeholders consulted include customer panels and suppliers whose expectations are understood. They also collect information on industry and market place through companies like **Globe Scan**, who survey the populations of different countries to understand what drivers can be seen among people in society and,

therefore, they expect of a corporate. An example given is that of climate change, as society gets more sensitized to climate change moving towards a deeper level of understanding of the issues involved, BX is now starting to respond to that by reshaping their strategy and moving towards an agenda for sustainable products in the future.

BX's overall CSR framework policies are formulated centrally, with its core CSR team being placed in the UK. However, it attempts to avoid the 'one-size-fits-all' approach, and its corporate CSR team works with in-country operations in India to find effective ways of delivering those programs locally. This has also evolved through a learning process where some initiatives, like environmental efforts, that generate popular interest in Europe have not caught on as quickly in the Asian context. The central teams includes the Indian country managers while deciding what is most appropriate, eventually designing the program for them which they are then responsible to implement.

5.3.4 Comparison of implementation process

BX has a group global CSR team which has approximately 20 members spread around UK, who are supported by smaller units within divisions with specific experts for those areas. For e.g. for supply chain management and eradicating any human rights issues in the supply chain, there would be an expert sitting within the procurement function who would be responsible for insuring the strategy looks after the human rights issues and proper assessments of suppliers.

Each of BX's core programs is headed by a Senior Executive at BX who would have a core project team working with him to implement projects. They are responsible for embedding the decisions and elements of their program in their day to day business.

Additionally, BX has a Leadership Panel, which is their advisory group of external CSR specialists representing various organizations, whose remit is to encourage leadership and innovation in sustainable development. The panel meets four times a year to advise BX on their CSR strategy and performance, to ensure that BX does not avoid difficult

subjects and to bring an independent perspective to the understanding of societal issues and their implications for BX.

At an operational level, BX collaborates with organizations like *Sustainability*, who help them with expertise that they don't have in house. They would help to either supplement, or to guide, or to work through different program elements. Other networks linked to CSR team members include *GeSI, the Global east Sustainability Initiative or CSR Europe*. Through these organizations BX pulls through expertise, thinking, current trends, and best practice from other organizations. These collaborations might happen for a short-term period for need for expertise in one area from a specialist consultant or organization. These reports are then taken and the company looks at how these recommendations can then be implemented from it.

A general global framework for CSR activities has been created by the BX group, which then incorporates inputs from individual countries. Specific members of the BX office in India would report indirectly to the global CSR team in UK. These members of the team might be identified on the basis of their job and relative seniority, with the ability to influence leadership and their personal passion for CSR.

BX tries to help the team understand what's available, but then design the particular program that works for them. The project manager would be from India, who would understand the context and be able to explain in a relevant manner and track activities to see how well they are working. At the same time, programs are managed by special experts in the central global team in UK, who might be dedicated to projects in that area, for e.g. education.

5.3.5 Comparison of evaluation process

Employee survey: BX carries out an annual employee survey to help assess employee perceptions of their CSR performance. For instance, this year, they found that 62% of employees felt proud to work for the company as a result of their CSR activities

BX has identified Key Performance Indicators for each of their main state quarter groups. These are used for both UK and India. They have tracking point that they use to demonstrate benefits to stakeholders like customers, employees, suppliers. Under each individual area for each program, is a separate evaluation matrix, which would be much more detailed. This would look at the spending for a certain program and measure it against the benefits gained by the beneficiaries for that particular program. They use these to set themselves target for next year to encourage improvement over that period. They also carry out an annual employee survey to help them assess employee perceptions of their CSR performance. In the addition, the leadership panel feedback is used to assess performance, they meet quarterly, so there's an opportunity to go back and check if activities are on the right track. They can tap into their own organizations expertise to give BX a view as to whether that's appropriate. However, they do find that while the KPI's are good for evaluation of particular investments, especially short-term investments, these might not be as useful for some of the climate change programs and inclusion programs, because they're clearly much longer term. "In essence, although we want to demonstrate a return, it's a bit more esoteric, because we want to do it because it's right, and therefore the return might be 10 or 20 years away. So you can't necessarily put the same kind of metric evaluation".

5.4 CONCLUSION

An analysis conducted on AX, BX and CX in both the countries indicated that while CSR has become established in the UK divisions as an important part of the business, it has become increasingly important in India today. This is both as a result of Multi-national companies being increasingly called in to question regarding their practices, as well as local NGOs becoming increasingly active on issues related with private organizations. Whereas their offices in India have begun to look at formulating CSR activities 'strategically' in the last two - three years, their counterparts in the UK having recognised the importance of CSR since a longer period, are now moving towards the process of 'embedding' or 'finding value' in the CSR activities they undertake. Due to active labour market policies regulations, worker's right have been 'implicit' in the UK CSR practices,

which is not the case in India. Today the UK practices are attempting to move towards making contentious issues like environment sustainability relevant to their business.

This in effect leads to the perception and practice of CSR as being about '**greater sustainability**' in the UK, as against being more about '**engaging with society**' in India. As CX in India observes, they would like to help create a more 'inclusive society', where poverty and lack of education are common and top of mind issues.

This clearly reflects in the dimensions of CSR activities chosen in the two countries. While UK practices cannot talk about CSR without mentioning its efforts towards environment sustainability and inclusion and diversity practices at the workplace, the Indian practice reflects the primary need in its environment of education, imparting of core business skills to the underprivileged, support for women and creation of job opportunities.

Interviews with the participants revealed several differences in **motivations** for activities in India as opposed to UK. The companies understand the importance of engaging with local employees to gain their support. An experience of BX in the past in Asia suggests that there has been significant organizational learning from past initiatives as to what works and activities that might not. Environment initiatives similar to Europe, when attempted to implement in the context did not bear impact and interest a few years ago among the employees. The understanding and relativity to issues connected with environment was found to be low amongst the Asian operations at that stage which is expected to change now.

Although clearly when it comes to issues such as supply chain in India, activities undertaken are related to global code of practices to avoid risk to reputation of the organization, the motivation for CSR practices have begun to move beyond mere compliance in some areas, to more *active* and in some cases *proactive* participation.

The analysis into CSR strategy **formulation** processes reveals a similarity in practices in both the countries. Benchmarking against other companies and assessment of organizational environment is a practice in both countries. However, the UK operations

of these companies have an advantage in terms of membership of external organizations to identify potential opportunities, assess impacts, benchmark themselves and guidance towards understanding their impact better. Depending upon the internationalization strategy of the company in the Indian context, formulation of policies could be driven by global codes and policies, which are then adapted to suit the Indian landscape. A clear understanding has emerged regarding the ineffectiveness of formulating practices unsuitable for the local environment.

The research into the strategies for formulation and implementation of CSR practices found evidence of extensive **stakeholder engagement** processes in the UK. These engagements tend to be both proactive and reactive in terms of understanding needs and changes in the environment, opinions of employees and understanding the impact of their businesses. The UK operations suggest the company is willing to acknowledge its shortcomings and volunteer time and effort into understanding their impact, make changes to their CSR portfolios where needed on recommendations and work towards improving their performance through ongoing evaluations.

There is evidence of gathering opinion and interest of employees towards involvement with NGOs in operations of AX and CX in India. This has been to ensure active involvement of employees in volunteering activities. However, the Indian operations do not have the level of processes in place to engage with stakeholders as their UK counterpart, which stands out as a current gap in their practice.

Consultancy from specialist organizations to help identify impact and help **implement** initiatives which don't form a part of the company's core skills is more common in the UK. Assessment of impact comes across as an internal process in the Indian business. External organizations have begun to form a part of the evaluation process in the Indian context, for instance, annual evaluation of benefits of donation to specific organizations. Additionally, interviewees in both the countries recognised the importance of communicating CSR objectives within the organization. They shared the need to carry out identifiable activities in order to give meaning to CSR for its employees. The importance of sharing experiences and benefits for external organizations and internal and employee benefits was emphasised. In the UK operations, AX reported that where

required, training sessions are held for top or middle management managers in order to promote understanding or develop certain skills towards development of CSR within their operations. This, however, did not come across as explicitly for the Indian operations. CX India representative also emphasised the difference a 'top-down' managerial communication for CSR makes. The involvement of the CEO and his promotion of CSR within the company has been seen to give considerable momentum to raising the profile of CSR within the organization and therefore to help promote its advancement. This was also seen as a limitation in the case of CX in India where the involvement of many partners in its decision making processes in India led to the dependence on the conviction of the concerned partners towards CSR successful practices.

AX and CX in the UK also operate by identifying 'CSR champions' within the organization to help implementation of activities across various divisions and cities. In addition, due to the nature of its business, professional service companies often have employees based out of client offices, and therefore cut off from their company activities. Employing 'CSR champion' in such a scenario are reported to bring about significant differences in involvement and receptivity to introduction of activities.

Notably, the processes of **evaluation** adopted by companies in the UK context reveal a significant participation by stakeholders towards forming the companies profile of CSR activities. Whereas, practices in India comes across as a predominant internal management decision making process, and therefore shows evidence of a 'trial and test' approach to formulation of a company CSR profile, with certain exceptions.

Interesting themes to have emerged from the research are the greater amounts of independence in formulation and evaluation of CSR activities in AX and CX as against BX. Following the Multi-national corporation format, as their operations as their operations are independent and decentralised, they work within the context of their environment to understand local issues and identify CSR opportunities. This approach works positively for them, however, a drawback of this approach as against the approach of BX could be that, as BX uses its centralised frameworks for evaluation of its CSR

practices, learnings from the UK operations are transferred to their operations in India where emphasis and tools to evaluate their activities are reported to be similar.

In contrast, the Indian operations of AX and CX are progressing through a learning curve to evaluate their activities and to assess the benefit gained from them. Methods of evaluation and tools applied vary and in some cases, therefore, no global guidance on evaluation might serve as a disadvantage for them. This investigation indicates that global guidance and learning could potentially be used by these companies to their advantage, as it serves as a tool to improve practices in countries, cuts short the learning process, and proves invaluable towards continuous improvement of ideas and practices.

CHAPTER 6

6. Discussion and Conclusions

The main aim of this research has been to investigate how CSR practices differ within the same company in a developed vis-à-vis an emerging country context and the potential implications of these on practice of MNCs in general.

The research findings support the observation that in Asia, debates over CSR have tended to follow developments in the West (Mohan 2001, Moon 2002). Although the basic context of environmental management, social responsibility and sustainable development is the same, priorities vary according the countries' norms, values and economic development (Rock 2002; Ruud 2002, Welford 2003).

An area of debate in the CSR literature is the definition of CSR proposed and used by organizations. The study into the definitions used by companies in the UK and India reveals a move towards perception and practice of CSR as being about **'greater sustainability'** in the UK, as against being more about **'engaging with society'** in India. This is reflective of the more established guidelines and practices related to CSR in the UK as against India, where the motivation to engage and create a more inclusive society is indicative of the countries' economic development and cultural context. The issue of rapid economic growth for long has had a stronger focus, than issues of environment or a more sustainable market place practice in the business circles. Although there exist many regulations and certifications initiated by the government, the implementations of these have been significantly lacking.

The companies studied as a part of this research have been in the area of professional service and consultancy and the telecommunication services industry. Expectedly, the differences and observations that have emerged between the UK and Indian practices could be limited to the nature of these businesses as against other industries. At the same time, specific issues have emerged which serve as barriers for better acceptance of CSR practices among these industries. Key among these is the increased business pressure on the consultancy industry within India and the resultant lack of resources to deal with this

boom. This puts a pressure on the current employees to pull in extended hours of work and increased performance, which leaves them with little motivation to participate in activities which move beyond their existing responsibilities. Welford (2003) observes that although internal aspects of CSR appear quite well developed among best-practice companies, there is a greater likelihood of written CSR policies in Europe than in Asia. Included among these, a particular challenge in Asia seems to be in the recognition of rights of workers to standardised working hours. While studying other parts of Asia, he concludes that, in many location workers are treated as a 'factor of production' rather than 'human capital'. Although, the debate of work-life balance is common in Europe, this remains a key area to be developed among MNCs in the Indian context.

A key focus of this dissertation was an investigation into the motivations behind idea and formulation of CSR practices in UK vis-à-vis India and its relations with the nature of its operations. The research indicated that there are considerable instrumental motives the companies have for engaging in CSR in both, India and UK, although the reasons might differ. Key among the consultancy industry, specifically AX, is that employees prefer to work for firms they deem fair and moral, and they believe will treat them fairly. Therefore, employee job satisfaction, employee commitment, and performance; and decrease employee turnover and absenteeism are key reasons in the UK. Interestingly, this is not indicated to be a factor in the Indian context. Although beginning with compliance issues, when it comes to issues such as supply chain in India, CSR activities are related to global code of practices to avoid risk to reputation of the organization, the **motivation** for CSR practices have begun to move beyond mere compliance in some areas, to more active participation. Increasingly, strategic motivations for CSR are increasing in the developed context, as the recognition that CSR could contribute to increased profitability or / and reduce external threats from the non-market environment to the firm.

Implications for MNEs and CSR in their Indian operations

An analysis of CSR practices in the Indian operations of multi-national companies, vis-à-vis their UK practices to understand differences, have identified potential learning areas for companies.

It can be understood from the analysis of the CSR practices of the three MNEs that these organizations are going through a learning curve in terms of CSR. Most of them having begun from reactive practices of CSR and philanthropy in the Indian context, are now striving to progress towards expanding their CSR profile and identifying key areas to address. This seems to pose a challenge to them, **as there seem to be a dearth of collaborations or availability of external organizations to advise them on potential areas to address and incorporate within their strategy.** This is unlike their UK arm, which indicates reliance on a range of organizations working in niche areas for CSR to help them formulate, implement or evaluate activities better.

All three companies indicate to have crossed over the initial stage, i.e. identifying CSR practice as a relevant need, considering large scale and continuous expansion in their scale of operations in the Indian subcontinent. CSR today, is identified as a strategic need in the Indian context within these organizations.

In the absence of a range of external expertise to tap into, the divisions rely on internal tools and more recently on international practices to take the CSR learning forward.

Taking into account the commonly addressed key stakeholders for the more developed CSR practices in the UK, i.e. employees at the workplace, Environment, Community practices and sustainable market place initiatives; the Indian units reveal a current concentration towards the external stakeholders in the community and less so towards policies of sustainable practices towards employees, or the marketplace. AX revealed an initiation into responsible workplace place practices by identifying opportunities like workplace inclusivity for women and investing into training for development of skills. This shows evidence of impact of National Business Systems within India on the practice of MNEs. Key among the factors that can be highlighted is the poor performance of the prevalent regulatory framework in issues such as environment, education and labour practices. Although there had been a remarkable growth in certifications for product quality, environment friendliness and organic production in the mid-90s in India, many companies lack self-motivation, use certification as a short-sighted goal, subject to varied interpretation (BIS 2004; Sood and Arora, 2006). In addition, culturally, there exists a perception of there being too little demand for environmentally friendly products in India,

leading from low awareness of environmental issues and an absence of environmental concern among consumers (Bhattacharya and Mago 1998, Alam 2005, Sood and Arora, 2005). This is evident in the experience of both BX and CX in India, environment is seen an issue where there is a lack of awareness, poverty and underprivileged sections of society come to attention as issues primarily. This is reflective of the socio-economic set up of the country and the issues that it has been dealing with.

Strategic vs. Institutional Issue

Institutional isomorphism elaborated by DiMaggio and Powell (1983) talks about a number of forces that play a role in the isomorphism that is seen in the area of CSR. One of the key reasons is the dependence of the CSR function on other units, in terms of both financial resources and managerial capabilities. In the case of all three companies, the CSR function depends on other units for managerial capabilities. AX India and CX India report appointment of specialist CSR managers within the last two years. In BX India, on the other hand, managers in other functions like marketing are identified, to coordinate with the global centralized team based in the UK for CSR activities.

The practice of the Indian unit can be more isomorphic to the practices of the local firms, possibly to 'fit in' i.e., 'mimetic isomorphism' or compete more effectively in the local market, i.e. 'normative isomorphism'. However, the **Institutional theory** notion about convergence of behavior, possible internationally in MNCs do not hold good, as the national variation of social, political and cultural differences do continue to persist leading to diverse behaviors or strategies. This therefore, shows evidence of prevalence of aspects of the theory of **National Business Systems** which presumes that distinctive ways of organizing economic activities become established and effective because of major differences in key social institutions, such as the state, the financial system and the education and training system (Maurice et al., 1980, 1986), as well as more diffuse factors such as cultural preferences and beliefs.

Need for Transnational Management of CSR practices:

Clearly although all three companies have and follow global codes of practice, BX has a more centralized approach towards formulation, implementation and evaluation of its CSR practices. This can be explained by the nature of its business in India, which using Bartlett and Ghoshal's (1995) framework, can be identified as an International company. An International company's operation is identified when the parent retains considerable influence and control, but less than in a classic global company, national units can adapt products and ideas coming from the centre, but have less independence and autonomy than multinational subsidiaries. Clearly for BX, although its Indian unit can adapt the CSR ideas from its European office according to local needs, the global team would retain considerable influence and control in operationalizing and implementing activities.

Applying the same framework, there is evidence of AX and CX operating as a Multinational company, having developed a strategic posture and organizational capability that allows them to be very sensitive and responsive to differences in national environments. These are effectively managing a portfolio of multiple national entities which have been characterized as *Multinational Companies*. At the same time there is evidence of increasing Transnational practices in terms of CSR activities. This supports Bartlett and Ghoshal's observation that companies might exhibit many of these characteristics within the same operation.

Strike *et al.*'s (2006) finding that MNEs reach an inflection point where increased diversification leads to increased corporate irresponsibility suggests that inadequate international organizational strategy maybe a factor in CSR failures. Clearly, there appears a need to manage CSR practices transnationally in MNCs. In Bartlett and Ghoshal's typology of Transnationally managed practices, practices become responsive to local needs while retaining their global efficiency. In such companies, key activities and resources are neither centralized in the parent company, nor decentralized so that each subsidiary can carry out its own tasks on a local-for-local basis. Instead, the resources and activities are dispersed but specialized, so as to achieve efficiency and flexibility at the same time. These dispersed resources are integrated into an

interdependent network of worldwide operations. The success of BX's Lifeline initiative using expertise from their global CSR operations team supports this view of Bartlett and Ghoshal and provides impetus for this strategy to be applied as relevant for CSR practices by MNEs.

The international link and coordination *via* a transnational approach could facilitate reduction of the dependence of the CSR function on other units, in terms of both financial resources and managerial capabilities. At the same time, it would recognize the importance of flexible and responsive country-level operations. The resources and activities are dispersed but specialized, so as to achieve efficiency and flexibility at the same time. These dispersed resources are integrated into an interdependent network of worldwide operations.

Second, the uncertainty of the relationship between means and ends, i.e. CSR and financial performance. Finally, the ambiguity of goals in the CSR area may motivate the department to model itself after other areas within the firm that are perceived more successful. These may all contribute to CSR functions imitating patterns established by the market-oriented areas of the firm.

Global vs. Local CSR issues

An investigation was carried out to determine the companies approach to CSR in UK and India. The UK CSR practice of AX, BX and CX reveal an attempt to move towards a definite strategic approach to CSR, and therefore look at yielding substantial business-related benefits to the firm. "A firm that handles CSR strategically will examine global and local CSR issues independently of product-market pressures and respond to those CSR issues according to demands for responsiveness and integration by local and global NGOs, host and home country governments, and local market structure" (Burke and Logsdon, 1996) .

The view of transnational management of CSR practices can be further linked with the view of Global and local CSR issues elaborated by Donaldson and Duffee (1994).

According to this view, there are some issues that transcend national boundaries and about which considerable consensus is emerging, such as protecting human rights (De

George, 1993) and environmental protection (Fredrick, 1991; Gnyawali, 1996). These can be called 'global' CSR issues. The prominence of new agreements, such as the UN Global Compact, is evidence of the perceived need to provide an *institutional structure* for treating *global* CSR issues. Such agreements share the view that the Multinational Enterprise is uniquely situated to help solve these problems, often in collaboration with governments and non-governmental organizations. Undeniably, there is scope and need for linking and coordinating these CSR practices globally, i.e., manage them transnationally, as against multi-nationally.

In contrast to global CSR issues, *local* issues exist according to the needs and circumstances of each community (Reed, 2002). For these, there is no global consensus as to the obligation of firms to deal with these kinds of CSR issue. Although it can be argued that there is less scope for an international link for these issues, the experience of BX in their community project, providing access to information through telecommunications to rural farmers, proves that for an issue which was intrinsically local to India, they were able to use their core company expertise to manage the project successfully by making an effort to understand the local issue.

Husted and Allen observed that, a firm that handles CSR strategically will examine global and local CSR issues independently of product-market pressures and respond to those CSR issues according to demands for responsiveness and integration by local and global NGOs, host and home country governments, and local market structure. CSR represents a strategic opportunity as well as a set of obligations, and that MNEs would be well advised to analyse CSR issues and opportunity as well as a set of obligations, and that MNEs would be well advised to analyse CSR issues and opportunities with the same tools and skills they apply to market strategy⁷.

Given the increasing growth of MNCs, especially within the emerging country context, it then holds true that the impact of such an approach by MNCs would lead to larger benefits both the community, as well as reveal new areas growth for the company.

⁷ McKinsey CEO, Ian Davis (2005)

Limitations

There are several limitations to this study. The analysis carried out on the formulation and implementation of activities in both the countries looked at the data gathered from CSR representatives of the companies and reports gathered from the internet. The research was also limited by the unavailability of the BX India representative to participate in an interview and hence the perspective gathered from the global operations could be limited in terms of information. The research information analysed was also dependent on the information available to the researcher depending on the limited interview time available for each company.

The method employed of content analysis of one-to-one interviews carried out could be subject to human judgement and error. Due to time constraints, this dissertation is limited only to three multi-national enterprises from different industries operating in UK and India and investigates information gathered from one CSR representative in each country, except in the case of AX where two interviews were conducted in UK. Therefore, the generalisability and robustness of the findings could be improved by carrying out a wider study of a larger number of MNE's as well as examining their activities using the perspective of specific stakeholders. This is perhaps an area for future research.

Though this analysis does not indicate a definite profile of strategic or institutional practice of CSR in UK versus India, the study does reveal that the forces of institutional pressures act much stronger on the firms' policies and practices within the Indian context. The dependence on other functions for adoption and implementation of CSR practices, uncertainty between CSR and financial performance and ambiguity of goals in the CSR area, motivate the firm to model practices on the other areas of the firm deemed to be successful.

The study also finds no support for the view that the economics of globalization necessarily leads to irresponsibility and in particular the exploitation of lax social and environmental standards and weak governance. It also finds no evidence to support the view that there is a positive relationship between international diversification and social responsibility, and that MNCs transfer best practice. Instead of these polarized views, it does find support for the view that some firms can be responsible in some activities and

irresponsible in others. However, the literature on transnational management practices have found support in many activities undertaken by firms related with diverse issues, this also lends support to the view that there is immense potential in the power of influence of the MNC. They have power and resources to promote CSR, and hence this leads to the view that MNCs could promote social justice through the effective application of their skills, knowledge and ethical practices.

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