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**Corporate Social Responsibility (CSR) Strategy
Development: A Micro-Level Analysis of MNC Subsidiaries
in Developing Countries**

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Abstract

This research is at an early stage, but aims to build on a strategic issue that is identified as under-researched in the extant literature. It aims to develop understanding of how the conflict is addressed between a global CSR strategy that is centrally constructed, but implemented in geographically and culturally disparate developing countries. Strategy as practice literature helps to guide an interpretivist, qualitative approach that aims to explore micro level decision making processes in CSR strategy development in Multinational Corporations (MNC). The study aims to answer the research question: How can MNC's build an effective multi-faceted, multi-cultural CSR strategy in developing countries?

Introduction

Research on CSR within developing countries has intensified over the past two decades due to the advent of globalisation (Berger-Walliser and Scott, 2018). Barkemeyer and Figge (2014) state that MNC headquarters located in developed countries are often responsible for shaping the approaches to CSR in developing countries and these can exhibit quite diverse contextual conditions, thus creating a potential mismatch of CSR priorities and perspectives between the headquarters and its subsidiaries. This helps to form the research question, "are CSR strategies formed by MNCs sufficiently contextually specific to be effectively implemented in developing countries?"

Matten and Moon (2008) argue that demonstrating CSR is fundamental but implementing it well lies in the discretion of the organisation's strategic choices. Incidents from the garment industry such as the 2013 Rana Plaza building collapse in Bangladesh (O'Connor 2014) is an illustration of the lack of global integration of strategies between MNC's and their subsidiaries. Not only are there differences in manifestation of CSR across the globe, but there is a clear gap between CSR thinking and CSR doing (Jamali and Karam 2018). Jamali and Karam (2018) identify the key attributes of literature on CSR in developing countries in relation to depictions of how CSR is understood but how CSR is strategised in practice is yet to be explored in detail. A content-analysis study by Frynas and Yamakahi (2016) of over 400 academic articles emphasises how under-developed the research on CSR scholarship is at a micro-level. This research aims to close this gap by carrying out thematic analysis at a micro-level, comparing the challenges of implementing a CSR strategy in practice within MNC subsidiaries in developing countries. For the purpose of this research, I will use the following CSR definition - MNCs should conduct business activities that internalise costs for externalities resulting from their actions and address the impact of such actions on affected stakeholders (external to the company), as part of their moral or ethical obligation to society (Berger-Walliser and Scott, 2018).

Corporate Social Responsibility (CSR)

The literature of corporate social responsibility (CSR) is rising in complexity as researchers scrutinise the expressions of the concept across the globe. Amaeshi (2011) suggests that the complexity is due to language discourse, however, CSR is broadly assumed as a moral compass i.e. the deontological principle that involves the representation of actions by businesses that consider their moral obligation to society (Schwartz and Carroll 2003), or simply the need for CSR to be pursued as “doing the right thing”. But how far can a consistent concept of “doing the right thing” be stretched in a globalising society? Matten and Moon (2008) suggest that any convergence in the concept of CSR is largely due to global institutional pressures while divergence in its concept is caused by differences in national business systems (NBS), referring to NBS as complex local or national institutional structures that shape and mould CSR in both the developing and developed world. Jamali (2014) states that CSR is situated at the nexus of national and international institutions consisting of governments, NGOs and legal, social and religious traditions aptly termed as NBS. However, Jamali (2014) further adds that the concept of CSR is mostly triggered through dissemination of international organisations and standards. The World Business Council (2000) state that CSR efforts are consistently designed and formed by the strength of pressure exercised by international institutional groups such as the UN Global Compact, the International Labour Organisation, OECD, GRI (Global Reporting Initiative) and the ISO, which in some form or other provide guidelines for organisations to meet their social responsibility within the country they operate in. According to Prasad (2004), this is a positive initiative but these international regulations are hardly beneficial to developing countries where basic amenities such as sanitation, clean water and access to health and education are primary concerns.

Moreover, it is ambitious to expect organisations within developing countries to go beyond mere compliance when in many parts, compliance is not even a norm (Prasad 2004). Jamali and Neville (2011) add that the effect of diffusion of such initiatives hardly spreads evenly as NBS within developing countries are often troubled by changing and failing structures which comprise of factors such as weakness in regulatory enforcement, governance impediments, high levels of corruption and restricted civilian voice and action. Jamali and Neville (2011) argue that the uneven diffusion of the CSR concept could be a result of non-responsiveness of firms to state regulation and civil pressure, which differ based on size of the firm, the industry and the region in which it operates. Aguinis and Glavas (2012) further add that these differences occur not just due to the country-specific context of CSR but also due to influences by several organisational and individual factors.

From an organizational perspective, CSR influences range from a firm’s alignment of CSR issues with their respective mission and values (Strike, V. M., Gao, J., & Bansal, P. 2006) to corporate governance practices and organizational identity of the firm (Aguilera and Jackson

2003). At an individual level, the influences range from supervisor's commitment to CSR (Muller and Kolk 2010) and an employee's perceptions of CSR (Aguilera et.al 2006) to their commitment (Ramus and Steger 2000) to indulge in CSR practices based on knowledge and expertise of the decision makers within an organization (Stevens, J. M. et al. 2005). It can therefore be summarised that there is a lack of uniformity even within regional boundaries, let alone the international and national divide of CSR expressions and factors that affect the implementation of CSR.

CSR and Strategy

The 21st century driving forces of technology, competition, market volatility and other social and economic forces puts immense pressure on MNCs to formulate appropriate strategies and to implement them. MNCs need to sustain a competitive edge by maintaining broader repertoires of capabilities to deploy a successful strategy in a complex and competitive business environment. Grant (2012) argues that development of capabilities leads to a more complex organisational structure which further complicates strategy development. According to research by Galbraith (2010), organisations skilful in environmental scanning of social issues, responsive to changes in environment and willing to innovate, were the ones that demonstrated a high degree of CSR. Organisations with managerial skills and tacit knowledge of long-term employees also demonstrated a good degree of CSR. He further stated that organisations more reactive in their approach, who studied the impact and implications of CSR activities on the firm's reputation and financial performance before fully engaging in them showed low level of CSR. Lastly, the type of organisation that had an inconsistent approach to strategy building and lacked the capability to understand or adapt to the changing environment demonstrated low levels of CSR too. These typologies of strategy; which were named prospectors, defenders, analysers and reflectors respectively, could be further linked to the CSR stances of organisations put forward by Mirvis & Googins (2006) and refined by Johnson et al. (2017). 'Prospectors' and 'defenders' can be closely aligned with "shapers of society" and "forum of stakeholder interaction"; both deemed proactive in their approach to CSR and focus on identifying social changes and supporting them (Johnson and Scholes et al. 2017). Similarly, analysers and reactors can be closely linked to stances "enlightened self-interest" and "laissez-faire" whose approaches to CSR are reactive to outside pressure (Johnson and Scholes et al. 2017). Based on the above, it is evident that researchers have managed to successfully categorise businesses as demonstrating high or low levels of CSR based on their resources and capabilities. However, this does not address the issue of whether MNCs should develop a globally consolidated CSR strategy or a differentiated local one in coordination with key stakeholders within the country of operation (Muller 2006).

Figure 1 highlights the advantages and disadvantages of adopting a global or local CSR strategy.

	Advantages	Disadvantages
Global CSR	Upward harmonization of CSR standards internationally Globally integrated and standardized strategy Policies, processes, and structures consistent across cultures	Insensitivity to local needs Reduced ownership and legitimacy Compliance based strategies that are tailored to end of pipe controls Approaches that live up to minimum host requirements
Local CSR	Nationally responsive and adapted to local context Tailored to local cultural differences and preferences	Fragmented inconsistent and reactive strategies Lack of clear responsibility and internal tensions Approaches that live up to minimum global requirements High coordination and control necessary

Figure 1: Global v/s Local CSR (Husted and Allen 2006)

It is evident that decentralisation of strategy creation leads to loss of control and responsibility, while centralisation leads to potential insensitivity to local needs. A question arises as to how can MNC-subsidiaries strike the right balance between global integration and local responsiveness while formulating a CSR strategy? More so, is CSR strategizing in the developing countries directed by CSR expressions assumed at MNC headquarters in developed countries? Also, what are the challenges involved in developing a CSR strategy from a practice perspective?

It therefore becomes important to understand how strategy building works in practice. According to Jarzabkowski (2005), strategy as practice “is concerned with strategy as a situated, socially accomplished activity constructed through the actions and interactions of multiple actors”. She further states that practice must take into account both the ‘social’ situation, which in this case would be the institutional structures or NBS that shape and mould CSR and the ‘micro interpretations’ of that situation in constructing the activity within an organisation i.e. multiple actors involved in CSR strategy building. Jarzabkowski (2005) denoted the construction of such situated activity as ‘praxis’ (shown in Figure 2) which comprises of interaction between macro and micro contexts in which activity is constructed (Whittington 2002).

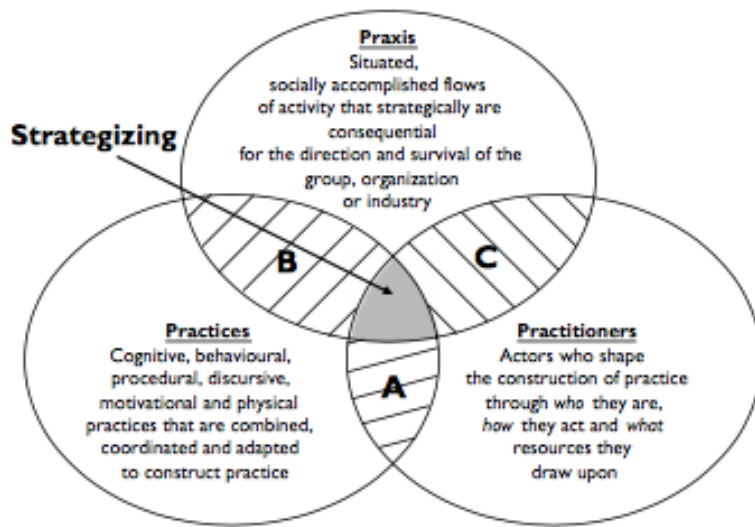


Figure 2: Conceptual framework for analysing strategy-as-practice (Jarzabkowski, Balogun and Seidl 2007)

It will also be useful to identify the practitioners that are actively involved in building a CSR strategy and to study their interrelationships while implementing the strategy in practice, which in this case is fulfilling the moral or ethical obligation to society. According to Jarzabkowski (2005), practitioners are social individuals interacting with the social circumstances involved in doing strategy. Chia (2004) and Ezzammel and Willmott (2004) state that strategy-as-practice sheds light on how practitioners act, what work they do, with whom they interact, and what practical reasoning they apply in their own localised expression of strategy. Studying the interconnection of praxis and practitioners (denoted by “C” in figure 2) provides a fruitful lens to examine not only who the strategists are but also how this impacts on the strategy praxis at the macro-level.

This approach may assist in answering key questions such as “Which actors are involved in the strategy building process within the subsidiaries operating in the developing country?”; “Who is responsible in the decision-making process of implementing the CSR strategy within the subsidiary?” and “Does the interplay between multiple actors (practitioners) in developing the CSR strategy impact the society (community within the country of operation) positively or negatively?”

Methodology

The research adopts an interpretivist stance as this research is concerned with understanding the complex inter-relationships in developing strategy that is relevant in multiple geographic, cultural and developmental contexts. For the purpose of this research, the author takes the philosophical position as an interpretivist, aiming to understand how social actors shape and develop the CSR strategy within an organization. According to Saunders et.al (2016), the inductive approach will demonstrate a good understanding of why social actors develop the CSR strategy in a particular manner and dive deeper into highlighting the influencers and resisters of developing such a strategy in the first place. Acquiring such in-depth understanding would be crucial to this study as the outcome will allow the author to produce alternative explanations of strategy building. However, for this study, it may also be useful to first explore which organisations operating in the choice of developing country adopt a strategic stance on CSR. A more structured approach to first acquire data of all organisations practicing CSR in the choice of developing country would be useful. Based on this data, the author can filter the organisations that have a strategic stance on CSR. Therefore, an abductive approach seems most appropriate as it allows the author to use existing theory on strategic CSR to acquire data first at the macro-level which can then be utilized to discover how organisations and social actors develop a CSR strategy at the meso and micro-level respectively. For the purpose of this study, the author will use the survey strategy to gain an understanding how which organisations adopt a strategic stance on CSR. The survey strategy will allow standardization of a sizeable population of organisations adopting CSR practices compared to those who don't. The data will then act as a catalyst to explore the social actors involved in CSR strategy building which will further lead to theory development and answering the main research question. Post accumulation of data deductively, a case study research strategy will be used to allow exploration of the phenomenon within a number of real-life contexts. This type of research strategy has the capacity to create insights and can be designed to identify what is happening, how, and why (Saunders, Lewis and Thornhill 2016) and understand the effects of the situation and implications for action in the developing world. A case study strategy has the capacity to generate insights from intensive and in-depth research into the study of a phenomenon in its real-life context, leading to rich, empirical descriptions and the development of theory (Yin 2018). The findings from the analysis will then be validated by conducting semi-structured in depth interviews of expert individuals that have experience of formulating CSR strategies.

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