

Corporate Social Responsibility in the Multinational Enterprise: The Challenges of Globalization and Localization

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Globalization is commonly considered one of the defining characteristics of our time. Yet its definition has been somewhat elusive. In the sphere of culture, it has something to do with the idea that our human ways of understanding the world around us are becoming more similar. Yet the importance of local context persists. This dynamic between the global and the local has an impact on expectations of corporate social responsibility (CSR). For example, in the area of corporate environmental responsibility, the work of Greenpeace and international advocacy networks has sensitized both business and government to the environmental problems that are occurring around the world as well as to their possible impacts on people at home. Many segments of the public now see environmental stewardship as an important responsibility of the business firm. Yet in many ways multinational firms are only beginning to realize that they must not only be good global citizens, but good local citizens as well, responding to local problems and issues.

Unfortunately, relatively little is known about the management of CSR by multinational enterprises (MNEs). As a result, global MNEs often fail to respond effectively to issues of importance in their host countries. Well-known examples include protests and consumer boycotts experienced by Nestlé in selling baby formula in Africa and by Nike as a result child labor abuse in outsourcing in Asia. 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 local CSR issues.

These 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. As a strategic opportunity, MNEs would be well-advised to analyze CSR issues and opportunities with the same tools and skills they apply to market strategy. At the same time, CSR is often presented as a set of disparate, well-intentioned ideas rather than a coherent theory and set of practices. In this paper, we seek to contribute to bringing greater theoretical and practical coherence to the area by examining CSR in relation to organizational strategy in MNEs.

Building on the organizational strategy typology of the MNE developed by Bartlett and Ghoshal, 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. In some cases, CSR responsibilities and stakeholder demands require MNEs to respond to both global issues and local issues; the underlying argument is that diverse stakeholders and conflicting value systems require complex CSR strategy responses.

As the examples 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 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. Accordingly, 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; while CSR initiatives may also bring significant benefits to the firm. These benefits go beyond mere reputation building to the development of valuable organizational capabilities.

That strategically-managed CSR is relevant to MNE performance is fundamental to the propositions set out and tested in this paper. We begin by defining CSR and distinguishing local and global CSR. We then adapt the integration-responsiveness typology developed by Bartlett and Ghoshal to CSR. Just as firms select an organizational strategy (e.g., multidomestic, transnational, or global) contingent upon global and local product-market demands, a strategic approach to CSR requires that firms select a CSR strategy contingent upon the demands of salient local and global stakeholders. We contrast this perspective with institutional theory, which suggests that processes of institutional isomorphism within the firm will create consistency between organizational strategy based on the product market and CSR strategy as a result of organizational inertia and imitation. We then test the resulting propositions through a survey instrument applied to multinational enterprises in Mexico.

We find that local CSR is more common among the multidomestic and transnational MNEs than among the global MNEs. Global CSR is equally common among all types of MNEs. We conclude that MNEs are more likely to manage CSR according to institutional pressures rather than a strategic logic. The paper ends with a discussion of the limitations of the study, directions for future research, and implications for public policy and for CSR management.