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Resumen:

What is the relationship between global and country-specific corporate social responsibility (CSR) to international organizational strategy? Following the logic of the Bartlett and Ghoshal (1989) typology, multidomestic and transnational firms should place more importance on country-specific CSR issues than global firms. However, global CSR issues should be of equal importance to all multinational enterprises (MNEs). These propositions are tested with a survey instrument sent to MNEs operating in Mexico. The study confirms both propositions. The results indicate that multidomestic and transnational firms manage a broader set of CSR activities than global firms; we develop implications for research, management, and public policy.

Categoría: Académico
Corporate Social Responsibility in the Multinational Enterprise: The Case of MNEs in Mexico

Relatively little is known about the corporate social responsibility (CSR) policies of multinational enterprises (MNEs) (Gnyawali, 1996). Building on the Bartlett and Ghoshal typology of the MNE (1989), researchers have hypothesized that the relationship between country-specific corporate social responsibility (CSR) issues and the firm’s CSR programs will be stronger for multidomestic and transnational firms than for global firms. However, global issues should be equally important in all types of MNEs (Gnyawali, 1996). This study tests these propositions.

The positioning of MNEs with respect to CSR provides an important additional test for the MNEs organizational model in which firms are classified according to their approach to local adaptation and global integration of activities. Implicit in the model is the assumption that differences among MNEs in their organizational strategies are tied to the firm’s strategic positioning as they seek to build appropriate capabilities and hence create a significant competitive advantage (Tallman, 2001). In this paper, we argue that MNEs choose to manage CSR within the same framework as traditional business activities associated with strategic positioning. Fundamental to this argument is the recognition that capabilities and competitive advantages may accrue to the firm in the effective management of CSR (Sharma and Vredenburg, 1998).

The paper begins by building a theoretical foundation for these hypotheses based on the integration-responsiveness typology developed by Bartlett and Ghoshal (1989) and Prahalad and Doz (1987) and extended by Yip (1992). Among the key propositions of the typology is that subsidiaries of multidomestic and transnational firms develop a greater capacity for responsiveness to local issues than the subsidiaries of global firms. The decision to compete as a multidomestic or transnational firm is thus associated with the development of the resource of local adaptation as a competitive advantage for these firms in markets where customers demand local product-service content. On the other hand, where there
is little demand for local product-service content, the increased economies of scale and scope achieved through standardization by global competitors would provide them with competitive advantage. This difference in organizational strategic behavior suggests that global firms would focus on global CSR issues while multidomestic and transnational firms would have a greater capacity for responsiveness to local CSR issues.

It is important to keep in mind that the typology seems not to take into account the nuances of market segmentation, nor understand that many firms mix and adjust strategies and structures; the typology presents ideal types that compete in perfectly structured markets in which there are clear winners and losers. This approach is consistent with how typologies assist researchers and managers in creating useful models of organizational strategic behavior (Doty and Glick, 1994).

In order to test our hypotheses, a survey instrument was sent to the 473 multinational enterprises that are members of the American Chamber of Commerce in Mexico. The parent companies of these firms are largely located in the United States, Canada, and Europe. The questionnaire included items developed by Harzing (2000) in order to classify firms according to the three-fold typology of multinational firms. It also included questions regarding the nature of the firm’s CSR programs in different areas, some of which tended to be global in nature (like environmental issues) and others of which tended to be local in nature (like employment issues).

Using cluster analysis, the three types (multidomestic, transnational, and global) were found to exist among the firms of the sample. Discriminant analysis was then used in order to understand the extent to which a focus on different kinds of CSR issues distinguished the three types of multinational enterprise. We found that local concerns about jobs, community programs, and social causes were much more common among the multidomestic and transnational MNEs than among the global MNEs. More global issues as reflected in concerns for environment conservation were equally common in all types of MNEs. The paper concludes with
a discussion of the research and managerial implications of this study and develops directions for future research.

THEORY
Organizational strategy and the MNE
Organizational strategy in the multinational enterprise has largely been conceived as a response to different pressures that exist upon the MNE (Prahalad and Doz, 1987). On the one hand there exist strong pressures for integration and coordination between the host-company subsidiary and home-country parent company due to multinational customers and competitors, technological developments, universal needs, access to raw materials and energy, and the need to leverage investment and achieve economies of scale. On the other hand, there are pressures for local responsiveness due to different customer needs and tastes, market structure, and governmental requirements, among others (Prahalad and Doz, 1987). Building on these two dimensions and following Bartlett and Ghoshal (1989), many studies have developed typologies of multinational corporations. Harzing (2000) reviews these typologies, synthesizes them, and finds empirical support for the multidomestic firm, the transnational firm, and the global firm. In her framework, the multidomestic firm combines high responsiveness with low integration; the global firm is characterized by the opposite characteristics of low responsiveness, but high integration; while the transnational firm possesses both high responsiveness and high integration.

The prototype multidomestic firm is organized as a federation of autonomous subsidiaries defined by national markets. This autonomy allows the multidomestic firm to be highly responsive to local market conditions. The subsidiary is able to modify products and services to meet local needs and tastes and to commercialize products and services that are different than those available in other markets. The subsidiary of the multidomestic firm differentiates itself from global competitors and may view other multidomestics or local firms as their true direct competitors. Its autonomy may require sacrificing the economies of scale that production for larger markets, which transcend national borders, would enable.
The polar opposite is the global firm, which conceives of competition on a world-wide scale. Although it sacrifices the ability to adapt products and services to local tastes, it focuses on fewer products and services and is able to achieve economies of scale that reduce average unit costs. Local organizational structures tend to lean, frequently limited to well-developed distribution and sales. Some industries seem ideal for global competitors – e.g., the consumer electronics industry. SONY sells the same large-screen television set in Europe, Asia, and Latin America. Other industries seem ideal for multidomestic competitors – e.g., the food products industry, which frequently needs to carefully accommodate local tastes. However, firm heterogeneity is present in nearly all industries. In the food products industry, Coca-Cola is a global competitor focusing on a narrow range of products that depends on some common feature among customers. This strategy is reinforced by heavy investment in marketing to defend the “universality” of the product. Moreover, in nearly every market, Coca-Cola competes against local beverages that are traditional to that market.

Finally, the transnational firm attempts to combine the best of both worlds—coordination and responsiveness. Harzing (2000: 115) refers to it as an “interdependent network.” Knowledge and expertise are shared throughout the network on a global level, while products are adapted to local markets. Professional services firms, e.g., McKinsey, have been especially interested in developing transnational strategies to leverage organizational knowledge that can be transferred throughout their network, matching advances in one part of the world with needs in another part. Transaction costs of knowledge transfer must be balanced with the needs of global integration as firms seek sustainable competitive advantage (Kogut and Zander, 1992).

Global issues and firm-specific CSR

Problems of business ethics typically deal with a conflict between the economic interests of the firm and the interests of some other stakeholder group (Hosmer, 1987). Some of these issues transcend national boundaries. Issues regarding human rights (Donaldson, 1989; De George, 1993) and the environment
(Gnyawali, 1996) are commonly cited among this group of ethical issues. Research indicates significant empirical support for the emergence of ethical issues that transcend national borders (Husted, Dozier, McMahon, and Kattan, 1996). In other words, around the world, countries are asking companies to improve their performance with respect to a shared set of CSR issues. The prominence of new global civil society organizations such as U.N. Global Compact are evidence of the perceived need to provide an global institutional structure for treating global CSR issues. These organizations share the view that MNE is uniquely situated to work directly on many of these issues or in collaboration with governments and non-governmental organizations in order to contribute to the solution of these problems (Bennett, 2002).

Given that these global CSR issues are demanded by most societies, one would expect all types of MNEs to place the same importance on the resolution of global problems within their own CSR agenda (Gnyawali, 1996). Multidomestic firms will place the same importance on these issues as its global and transnational counterparts simply because a global issue, by its nature, is also on the local agenda. There will be, of course, variations of importance according to industry. For example, the chemical industry may have to pay greater attention to the environment than the financial services industry. But organizational strategy will not affect the importance placed on CSR issues. Thus we hypothesize,

**Hypothesis 1: All MNEs, regardless of type, are likely to place the same importance on global CSR issues.**

Country-specific issues and firm-specific CSR

Still, many CSR issues are relevant only to specific countries. What may be considered socially responsible in one country may not be relevant in another country. For example, domestic partner benefits may be considered an aspect of CSR in the U.S., but it is not an issue in neighboring Mexico. Following the logic of Prahalad and Doz’s (1987) integration-responsiveness grid, different MNE types should be more or less capable of responding to country-specific CSR issues. Specifically, the multidomestic and transnational MNEs generally have more highly
developed responsiveness capabilities. Just as they may adapt products or services to the demands of a particular country, one would expect that they would also adapt their CSR agenda to include issues that are of concern to that country (Baron, 1995). On the other hand, global MNEs are much less responsive to local needs or tastes and thus are probably less likely to include domestic CSR issues within their own CSR agenda than are the multidomestic or transnational MNEs (Gnyawali, 1996). Thus, we hypothesize,

_Hypothesis 2: Multidomestic and transnational MNEs are more likely to place greater importance on country-specific CSR issues than are global MNEs._

**METHODS**

A survey instrument was developed to measure the four strategy dimensions that distinguish the three basic types of multinational firms as well as four basic orientations to CSR. The international organizational strategy items were drawn from work by Harzing (2000). These four items were measured with 5-point Likert-type scales. They deal with the importance to the firm of economies of scale, global competition, domestic competition, and national responsiveness.

In order to test the importance of different CSR issues, we included four issues, ranging from highly country-specific to global. We deliberately chose not to include a long list of possible issues to facilitate completion of the survey. In terms of the country-specific issue, we decided to ask about job creation as an element of the firm’s CSR agenda. Job creation has been identified by Lorenzo Servitje (2004) as a key component of CSR in Mexico. Servitje’s opinion is especially relevant as he is the founder of the Mexican multinational firm, Bimbo, and is recognized throughout Mexico as one of the leading exponents of corporate social responsibility. Job creation is certainly an important issue in other countries, but it cannot be said to be a CSR issue around the world: job creation is more important in developing countries than in developed countries that are home to many MNEs. In terms of a global issue, we chose to ask about the environment. The environment has been included in many lists of global issues (Gnywali, 1996) and has certainly been recognized as an important CSR issue in Mexico (Husted, et al.)
We then decided to include two intermediate, more general issues that would fit in between these two extremes of global and country-specific. The two items ask about: 1) the company’s support of social causes in general; and 2) the firm’s collaboration in community projects. The first allows the respondent to determine what constitutes a “social cause”, which may include either global causes or social causes of interest to Mexico. The second, on community collaboration, is clearly an issue of importance worldwide (Bennett, 2002), though the specific content of that collaboration may be very local in nature. Together, the two items establish the level of commitment to social causes and the degree to which involvement in community projects is consistent with that commitment.

As regards data gathering itself, the tremendous difficulty of doing survey research in Mexico required us to be as brief as possible in order to maximize participation in the study. Both the MNE classification questions and the CSR issues are listed in the Appendix.

Firms were sampled from the American Chamber of Commerce in Mexico (Amcham) membership directory. Its membership consists of both Mexican and non-Mexican firms that engage in international business transactions of some sort. We sent surveys to the chief executive officers of all of the 473 non-Mexican firms in the Amcham directory. We received 96 responses to the survey, either after the initial mailing or as a result of the follow-up. This represents a response rate of 20.3%. A comparison of the early responders with late responders shows no significant difference in MNE strategy or in the focus of social responsibility projects. Some analysts argue that late responders are similar to non-responders (Armstrong and Overton, 1977). The fact that no significant differences in responses were found between early and late responders suggests that non-response bias is not a problem. The average number of employees in the firms represented in the sample was 1,961. The firms represented a variety of different industries including food products, cement and construction, banking and financial services, communications, and paint manufacturing.

RESULTS
In order to test the hypotheses, the first task was to classify the firms according to type of multinational firm: multidomestic, transnational, and global. We used nonhierarchical cluster analysis rather than hierarchical cluster analysis because it has the advantage of being less susceptible to outliers in the data and indifferent to the specific distance measure used (Hair, Anderson, Tatham, and Black, 1987). Clusters were developed based on the responses to the four items dealing with international organizational strategy developed by Harzing (2000). The clustering procedure was carried out by specifying that the solution should include only three clusters. As Table 1 indicates, the cluster analysis organized the firms into three groups based on these questions. Interestingly, the question on global competitiveness was not useful in forming the groups as all firms claimed to be concerned about global competitiveness. Nevertheless, the economies of scale, domestic competitiveness, and national responsiveness items did help to group the firms into the recognizable categories of multidomestic, transnational, and global firms.

Insert Table 1 about here

In order to test the hypotheses, we conducted a discriminant analysis using the groups identified in the first step as the dependent variable. Discriminant analysis is appropriate when the dependent variable is nonmetric, but the independent variables are metric. Discriminant analysis assumes that the covariance matrices are homogeneous and that the independent variables are normal (Klecka, 1980). Box's M test evaluates the assumption of homogeneity of covariance matrices. This test is also very sensitive to meeting the assumption of multivariate normality. As seen in table 2, Box's M test is not significant, so we conclude the assumptions of multivariate normality and homogeneous covariance matrices are not violated.

As independent variables, we used items that dealt with different emphases on CSR: job creation, community projects, environment, and social causes. Table
2 indicates that job creation was the most significant factor that discriminated among the three types of multinational firms. Collaboration on community projects and participation in social causes were marginally significant in their ability to discriminate among the different MNE types. As expected, there were no significant differences among firms in the importance they placed on environmental issues. These results broadly confirm both hypotheses 1 and 2. Interestingly, the level of significance by which the four issues discriminate among MNE types follows the order in which they reflect domestic vs. global concerns. The job creation issue is clearly significant at the 0.01 level. Support for social causes and collaboration in community projects are marginally significant, while care for the environment is not at all significant.

In addition, Tukey’s HSD results confirm that both multidomestic and transnational firms place a significantly greater emphasis on job creation than do global firms. Similarly, transnational firms place a significantly greater emphasis on social causes than global firms.

DISCUSSION AND CONCLUSIONS

This research has sought to extend the MNE organizational strategy typology by testing empirically for its applicability to CSR positioning on the part of MNEs. One of the key findings of the research is that the results provide support for the two hypotheses: it appears that all MNE types place similar importance on global CSR issues (e.g., environmental conservation), while the multidomestic and transnational MNEs place greater importance on country-specific CSR than do global MNEs. As a result, we can say that CSR seems to conform to the demands of MNE organization strategy, just as products and services do.
In this context, it is worth noting that not all of the Harzing’s (2000) items were useful in the identification of the MNE types. All firms placed high importance on global competition. However, this result is probably not surprising given that Mexico has experienced an unusual transition since 1994, when the North American Free-Trade Agreement went into effect. Mexico has now signed at least 10 free trade agreements and has become a leader in opening its economy to free trade (Ibarra-Yunez, 2003). Given such an environment, it should come as no surprise that all respondent firms reported that their competitive environment was characterized by global competition. As is the case with other typologies, the application of the Harzing items require a degree of sensitivity to the specific conditions in which the typology is applied; here the local market environment is not a perfect match to the model. Nevertheless, the fact that the other three items were helpful in locating firms within the typology of MNEs supports the validity of the international organizational strategy framework.

As regards methodology and data analysis, two concerns may arise. The first is the limited nature of CSR items included within the survey instrument. There is, nonetheless, a trade-off in any survey instrument between depth and length. As we indicated earlier, the challenges of doing survey research in Mexico (Robins, Tallman, and Fladmoe-Lindquist, 2002) urged us to decide to err on the side of brevity. This decision points as well to what we would argue is one of the principal contributions of the research: the extension of the MNE model in a developing country environment.

A second possible concern is the use of discriminant analysis rather than multinomial logistic analysis, which relaxes the assumptions of multivariate normality and equal covariance. However, given that these assumptions were not violated, discriminant analysis is appropriate (Press and Wilson, 1978).

The methodological concerns point to the limitations of this study. The limited number of respondents and items lead to measures that are coarse-grained and limit the extent to which generalizations can be made from the data. For example, the predominance of U.S. MNEs and the small sample of Latin American, European, Asian MNEs does not allow us to determine if there are regional
differences between MNEs in CSR management. Nor were we able to test for
differences in the product and service domains, number of countries in which the
MNE competes in, and so on. In this paper, we have limited ourselves to
demonstrating that the MNE organizational strategy can be extended to CSR in a
developing country environment.

Given these limitations, further work needs to be done in order to extend this
research to MNEs in other countries; in so doing, other issues will need to be
included and addressed. A global CSR dimension might be tested across
countries, but items testing for the importance of country-specific CSR issues
would need to be developed on an ad hoc basis, and additional questions that
allow for a deeper profiling of companies and regional differences would be useful.

From a theoretical perspective, the results of this study also have several
useful implications for managers in terms of competitive positioning as well as for
public policy. Firstly, managers who compete in environments where there are
different types of MNEs alongside local competitors may wish to consider how
CSR affects their strategic positioning. We would need to ask if providing both local
and global CSR is an advantage for local firms, multidomestic MNEs and
transnational MNEs in product markets where they may be challenged directly with
global competitors. In this context, it may be useful to ask which local CSR
programs make a difference in the competitive positioning of the firms. While we
are not proposing that CSR be evaluated based on its relationship to firm
competitive performance, it is important for managers who dedicate firm resources
to CSR to know the extent to which CSR is linked to the resources and capabilities
that differentiate their firm from others. In this context, we would like to know
whether multi-domestic and transnational firms invest more than global firms that
only are concerned with global issues, and whether global firms perceive that there
are potential economies of scale in CSR.

 Accordingly, once managers begin to treat CSR within a local – global
framework, just as they do when considering traditional organization strategy
issues, they will be in a better position to decide which CSR activities ought to be
integrated globally and which ought to be managed at the local level. The
assumption is that managerial choice is enhanced when managers have additional information regarding how they organize their firms and make decisions. As we indicated earlier, the ideal types of MNEs represented in the Bartlett and Ghoshal typology represent firm orientations and not what firms actually do; in short, no firm fits perfectly into one of the types, nor should it (Doty and Glick, 1994). Understanding the MNE global integration – local adaptation typology, however, provides a framework for managers to make decisions about how to manage these CSR issues.

As regards public policy, government officials in developing countries may wish to consider the differing commitments among MNEs to local CSR. In many instances, global MNEs have been granted special tax benefits to set up manufacturing operations in developing countries based on what for the local government is a local concern – job creation. However, when these global firms have found other locations that are more cost efficient they have frequently moved; an action consistent with their global strategies. How this may translate into public policy decisions is beyond the scope of this paper, but given the growing demands on local authorities to involve foreign MNEs in community-building projects, this may be an issue that local governments will address in the future.

Finally, the theoretical framework set forth in the paper, based on the extension of the Bartlett and Ghoshal typology, suggests that among MNEs there may be different strategies for managing CSR. In this context, two important questions ought to be addressed in future research. Developing insights into how differences in CSR management are linked to other firm-specific resources and strategies, would allow us to understand more fully CSR’s contribution to MNE organization strategies and their success. Moreover, while we have shown that multidomestic and transnational MNEs engage in both local and global CSR, we do not know whether there are differences in the kinds of local CSR programs nor do we know the investment intensity of these types of firms. This information would permit the development of more effective CSR strategies.
References


Table 1
Scores of the MNC Clusters on Four Strategy Variables

<table>
<thead>
<tr>
<th>Item</th>
<th>Cluster Means</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Transnational (n=44)</td>
<td>Multidomestic (n=29)</td>
<td>Global (n=16)</td>
</tr>
<tr>
<td>Economies of Scale</td>
<td>4.18</td>
<td>2.10</td>
<td>3.41</td>
</tr>
<tr>
<td>Global Competition</td>
<td>4.32</td>
<td>4.13</td>
<td>4.06</td>
</tr>
<tr>
<td>Domestic Competition</td>
<td>3.36</td>
<td>3.16</td>
<td>2.41</td>
</tr>
<tr>
<td>National Responsiveness</td>
<td>4.27</td>
<td>4.42</td>
<td>2.29</td>
</tr>
</tbody>
</table>
Table 2
Discriminant Analysis of CSR Activities by Type of Multinational Firm

<table>
<thead>
<tr>
<th>Variable</th>
<th>Transnational</th>
<th>Multidomestic</th>
<th>Global</th>
<th>Wilk’s λ</th>
<th>F</th>
<th>Prob.</th>
<th>Tukey’s HSD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jobs</td>
<td>3.80</td>
<td>3.45</td>
<td>2.81</td>
<td>0.88</td>
<td>5.69</td>
<td>0.01</td>
<td>Transnational&gt;Global(^1) Multidomestic&gt;Global</td>
</tr>
<tr>
<td>Community Projects</td>
<td>3.50</td>
<td>3.48</td>
<td>2.81</td>
<td>0.94</td>
<td>2.82</td>
<td>0.07</td>
<td>No differences</td>
</tr>
<tr>
<td>Environment</td>
<td>4.25</td>
<td>4.03</td>
<td>4.06</td>
<td>0.99</td>
<td>0.41</td>
<td>0.67</td>
<td>No differences</td>
</tr>
<tr>
<td>Social Causes</td>
<td>3.61</td>
<td>3.48</td>
<td>2.81</td>
<td>0.94</td>
<td>2.94</td>
<td>0.06</td>
<td>Transnational &gt; Global</td>
</tr>
</tbody>
</table>

Box’s M =31.11 (p=0.10)

\(^1\)Transnational>Global means that the mean of the variable for the transnational group was significantly greater than the mean of the same variable for the global group.
APPENDIX

Construct: corporate strategy. Respondents were asked about the extent to which they agreed with the following aspects of corporate strategy. The construct was measured as a five-point Likert scale with “1” representing complete disagreement and “5” representing complete agreement (see Harzing, 2000).

1. Our company’s strategy is focused on achieving economies of scale by concentrating its important activities at a limited number of locations.
2. Our company’s competitive position is defined in worldwide terms. Different national product markets are closely linked and interconnected. Competition takes place on a global basis.
3. Our company’s competitive strategy is to let each subsidiary compete on a domestic level as national product markets are judged too different to make competition on a global level possible.
4. Our company not only recognizes national differences in taste and values, but actually tries to respond to these national differences by consciously adapting products and policies to the local market.

Construct: CSR emphases. Respondents were asked the extent to which the following activities were considered important to the firm’s strategy. These CSR emphases were measured on a five-point Likert scale with “1” representing complete disagreement and “5” representing complete agreement.

1. Create jobs.
2. Collaborate in community projects.
3. Conserve the environment.