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Kolk, J.E.M.

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MULTINATIONALS AND CORPORATE SOCIAL RESPONSIBILITY

Ans Kolk

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ABSTRACT

This paper aims to shed some more light on the current debate related to corporate social responsibility (CSR), specifically considering multinational enterprises (MNEs) and the complexities they face when dealing with international issues and a range of stakeholders. It discusses notions of CSR in the context of wider debates, including the question for whom and for what the firm exists, how responsibilities can or should be managed and by whom, and what room there is for managerial discretion. Particular attention is paid to cross-cultural differences, exploring the existing variety in ethical and societal norms relevant to MNEs: those originating from international agreements, those that are part of a so-called ‘market morality’ and those applicable in home and host countries. Although these norms may overlap, they can diverge as well, leaving ample room for managerial discretion in a ‘moral free space’. The paper also explores recent trends, particularly the increasing importance of emerging economies such as China, which suggests that the picture is becoming even more complex, pointing at clear challenges for research and practice.

INTRODUCTION

Corporate social responsibility (CSR) is certainly not a new concept: it has a long history, with attention having grown since the mid-1950s in particular. However, there is no clear consensus as to what it exactly means, as aptly phrased in 1973 already:

1 The term is a brilliant one: it means something, but not always the same thing, to everybody. To some it conveys the idea of legal responsibility or liability; to others, it means socially responsible behavior in an ethical sense; to still others, the meaning transmitted is that of ‘responsible for’ in a causal mode; many simply equate it with a charitable contribution; some take it to mean socially conscious; many of those who embrace it most fervently see it as a mere synonym for ‘legitimacy’, in the context of ‘belonging’ or being proper or valid; a few see it as a sort of fiduciary duty imposing higher standards of behavior on the businessmen than on citizens at large.

Over the years, the notion has evolved, with the range of definitions narrowing down somewhat. Nevertheless, there are still different perceptions as to what CSR entails and what not, and other concepts, such as sustainability and corporate governance, have emerged as well. At the same time, the number of issues in which business is

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Full Professor, University of Amsterdam Business School, Plantage Muidergracht 12, 1018 TV Amsterdam, The Netherlands, akolk@uva.nl, http://www.abs.uva.nl/pp/akolk
supposed to play a role has expanded. The call to help address a range of social and environmental problems, including poverty, health, human rights, climate change, has specifically been made towards companies that operate across borders, and in a multitude of different locations, including developing countries.

This paper aims to shed some more light on the current debate related to corporate social responsibility, with specific attention for multinational enterprises (MNEs) and the international issues and complexities they face. To this end, it will first consider various definitions of CSR and how this landscape relates to other concepts that deal with similar aspects of corporate behaviour. Subsequently, different perspectives are discussed in the context of underlying frames and perceptions of the role of business in society, and the importance of certain stakeholders. Particular attention will be paid to cross-cultural differences given the existing variety in ethical and societal norms relevant to MNEs. It also means that there is ample room for managerial discretion in a ‘moral free space’.

**DIMENSIONS OF CORPORATE SOCIAL RESPONSIBILITY**

While there has been a long debate about the concept of CSR, from the current literature we can distil a distinction between those who consider it to encompass activities to advance a social cause that are beyond compliance (sometimes even labelled as “systematic overcompliance”), and those who view it not so much as voluntary activities beyond the law but rather, more broadly, as managing a firm in such a way that it can be “economically profitable, law abiding, ethical and socially supportive”. The first approach hinges upon delineating legal obligations, with CSR beginning where the law ends. While this seems a clear-cut definition, problems emerge when one considers that most firms operate in a large number of different contexts with widely varying legal rules and norms, something which also applies to levels of implementation and enforcement. It is also the case that firms are often fined, or that they do not fully conform with legal requirements without being punished for that, so even meeting the law is not standard for all. This implies that the ‘beyond compliance’ criterion may not reflect the realities of international business very well.

Instead, it seems better to approach CSR from the perspective of the issues, whether regulated or not, and pressures, from whatever origin, that firms are confronted with, as long as these do not directly and only stem from the more traditional drive for profit and financial performance. Examples include green issues such as climate change, pollution and resource depletion, ethical problems, and social dimensions of firms’ activities – inside and outside the firm, often in connection with communities and workers. They relate to broader societal repercussions and expectations from regulators and other stakeholders, which MNEs face in their activities across borders in particular, and that they choose to deal with, in a reactive, or pro-active/pre-emptive manner, and address in their strategies, governance structures and organisational processes one way or the other. Such a perspective means that CSR is very much embedded in several wider debates, including the question for whom and for what the firm exists, how different responsibilities can or should be managed and by whom, and what room there is for managerial discretion given the existence of different norms. Below I will discuss these issues further, and explore implications for research and practice.
It should be noted that these topics have been addressed to some extent already, by those focusing on environmental management, ethics and business in society, sometimes in relation to the more generic literature on strategy, organization, (international) business and management, finance, (corporate) governance and (development) policy. Obviously foci, traditions, and framings often differ greatly between these streams of literature, as illustrated in Figure 1, which indicates main terms and fields often used. A large variety of approaches can be found, which has contributed to the confusion. Concern about environmental issues, for example, originates from another body of knowledge than those on business ethics. Different from these two streams, which have paid attention to the role of stakeholders, corporate governance approaches have traditionally been mostly concerned with shareholder value. Nevertheless, a certain convergence can be seen in recent years, looking at contents of the discussion, the terminology used and the tendency to cover the whole range of issues – as demonstrated by the phrase ESG (environmental, social, governance) – which is used, for example, in disclosure.\footnote{5}

\begin{center}
Figure 1 around here
\end{center}

**For whom does the firm exist? The role of stakeholders**

One of the subjects of debate across the various literatures involves the relationship between firms and their stakeholders/shareholders. Interestingly, this has also become the case to some extent in the field of corporate governance, which traditionally focused mostly on an agency-based, shareholder-centred notion, looking at questions such as “How do the suppliers of finance get managers to return some of the profits to them? How do they make sure that managers do not steal the capital they supply or invest it in bad projects? How do suppliers of finance control managers?”\footnote{6}. In more recent years, however, attention has shifted to the relationship between companies and a broader set of stakeholders and concomitant concerns. Monks and Minow, for example,\footnote{7} provide a list of constituents in which they include directors, managers, employees, shareholders, customers, creditors, suppliers, community members and the government. Furthermore, Claessens distinguishes three sets of relationships for companies, based on exchange relationships in connection with supply of resources: with shareholders and creditors; with financial markets and institutions; and with employees; to which he adds that under such a broad definition, “corporate governance would also encompass the issue of corporate social responsibility, including such aspects as the dealings of the firm with respect to culture and the environment”\footnote{8}.

This exemplifies a certain convergence that has taken place in the direction of the older stakeholder approach, which was originally introduced to explain why business has responsibilities that go beyond the maximisation of profits to include the interests of non-stockholding agents. Indeed, if a company would focus solely on such narrow objectives, the expectations of other stakeholders would be neglected, and in turn their support could be compromised in the long term. Freeman’s definition of stakeholders as “any group or individual who can affect or is affected by the achievement of the organization’s objectives” is most widely accepted.\footnote{9} Advocates of
the stakeholder perspective consider as a starting point that “all persons or groups with legitimate interests participating in an enterprise do so to obtain benefits and that there is no prima facie priority of one set of interests and benefits over another”.10

From such a perspective, a company emerges as a nexus of relationships between a variety of actors with interests that are not always congruent. The stakeholder approach emphasises that actors have different motivations to engage in relationships with a company, and expect different benefits from their collaboration. This means that dealing with stakeholders poses complexities for business in view of conflicting interests, but also that companies can shape relations. In fact, they can, partly enabled by information asymmetries between managers and stakeholders, employ strategies to reduce the concentration of stakeholder power and/or increase the concentration of management power,11 thus also enabling stakeholder ‘mismanagement’.12 Criticism also stems from a broader concern, expressed inter alia in the finance and governance literature, that the stakeholder approach makes managers unaccountable for their actions because it does not contain clues on how to balance competing interests and thus gives managers the opportunity to pursue their own causes, just because there are so many ‘masters’ to serve.13 An economic perspective on CSR also refers to “discretionary altruism by management at investors’ expense”.14

In the management literature, efforts have nevertheless been made to assess stakeholder salience to managers. To this end, Mitchell, Agle and Wood have identified three important characteristics of stakeholders: power, legitimacy and urgency. According to their distinction, power is the extent to which an actor has or can get the means to impose its will on others. Moreover, a stakeholder is legitimate when there is a general perception or assumption that its actions are desirable, proper or appropriate. Finally, urgency refers to “the degree to which stakeholder claims call for immediate attention”.15 Depending on the outcome of the analysis on each dimension, a differentiation can be made between categories of stakeholders regarding their saliency to managers. To this framework, Eesley and Lenox have added insights on the impact of the specific firm-stakeholder interaction, particularly emphasising the importance of the relative power of a particular stakeholder (group) vis-à-vis the firm involved and the legitimacy of the specific request by the stakeholder – the urgency of the request turns out to play a larger role than the urgency of the stakeholder.16 Although based on US evidence only, these findings help specify the rather nebulous notion of stakeholder as used so often and also reckon with limitations in terms of (potential) managerial abuse. With such a stakeholder analysis, conflicting interests of stakeholders may become more visible as well as the more specific discretionary choices available to managers.

For what does the firm exist? CSR, societal welfare and regulation

Related to ‘for whom’ is the question ‘for what’, as, depending on the interest(s) of main stakeholders, the dominant focus of the firm will come to the fore, and thus also the extent to which, for example, the profit motive is balanced against other objectives. In the context of CSR, the issue is often raised whether this is a win-win or a win-lose proposition. The former is often referred to as ‘doing well’ (by firms) and ‘doing good’ (for society) at the same time, while the latter is clearly expressed in the
definition of CSR as “sacrificing profits in the social interest”\textsuperscript{17}. However, there is no evidence that companies systematically do this, which points at a more generic lack of proof for either of the options,\textsuperscript{18} summarised as “some firms will generate long-term profits from some socially responsible activities some of the time”.\textsuperscript{19}

Devinney has specified this a bit more by outlining four “necessary but not sufficient conditions” for companies to engage in CSR, which relate to demand (higher in total and/or in value due to higher prices paid), lower costs (higher efficiency), higher value and/or longer life span of assets, and lower risks.\textsuperscript{20} However, he also outlined that, even if these are met, this does not mean that society as a whole is automatically better off. In other words, CSR is not necessarily societally optimal, as companies’ interests may well be different, with (part of) their skills, competences and inherent peculiarities being geared to other goals. Table 1 elaborates some of these elements. It also contains arguments as to why CSR can be an effective social policy instrument, with companies/markets as efficient mechanisms for realising societal goals.

\textbf{Table 1 around here}

Interestingly, in a recent paper, Karnani dismissed “doing well by doing good” as “the grand illusion”.\textsuperscript{21} He distinguishes a “zone of opportunity”, in which markets work efficiently and private profits and public interest go hand in hand (with a private and social optimum, and CSR being seen as of no use there), and a “zone of trade-off”, characterised by market failures and a conflict between private profits and public interests (and where government should intervene, with CSR being ineffective). In his view, the inconclusive evidence regarding win-win/win-lose can be explained from this as well: if the sample of firms is mostly located in the zone of opportunity, then a positive relationship between economic and social performance will be found, while it is negative if the firms studied are in the zone of trade-off; and if spread over the two zones, results are mixed. Complex societal problems, such as environmental degradation and poverty, reside in the zone of trade-off, and cannot be solved by markets alone, but they need government intervention to address externalities and/or abuse of asymmetric information and market power.

In essence, Karnani’s argument relates to the traditional agency-based notion, also discussed in the previous section, that managers should serve shareholders’ interest, and that rents should go to individuals (see Table 1, second column), thus refuting CSR. As he puts it: “Companies have a responsibility to their shareholders to do well; individual people as citizens have a responsibility to do good”, using controversial practices of Berkshire Hathaway and Microsoft as illustrative examples: “Berkshire Hathaway does well; Warren Buffet does good”, and “Microsoft does well; Gates does good”.\textsuperscript{22} In the zone of trade-off, where the market does not function well, Karnani sees a clear role for government as the only legitimate source to enforce corrective measures, although there are limitations and problems (as also noted Table 1, e.g. regulatory capture) as well. In this realm, business self-regulation can play a role (as does civil activism) but this may only work well if clearly confined and transparent, and with a looming threat of regulation. This means that it should be embedded in a broader public framework, for which the term co-regulation has been used.
This aspect of co-regulation, ‘articulated regulation’ or even ‘third way’, is something mentioned by others as well, but they do not restrict it to a zone of trade-off only, as Karnani does, but rather as the current form of global governance that includes both government regulation and civil regulation. In a recent article, Vogel identified CSR as an important part of this so-called civil regulation, characterised as ‘soft law’ consisting of “voluntary, private, nonstate industry and cross-industry codes that specify the responsibilities of global firms for addressing labor practices, environmental performance, and human rights policies”. While not legally enforceable, it is subject to public scrutiny, as it often emerged as a result of pressure by NGOs. In this perspective, the social role of firms is recognised, but not so much anymore in an ‘either or’ but more focused on combining different approaches and reaping the best of both, i.e. legalistic (‘hard’, government-driven) and voluntary (‘soft’, business-driven). Partnerships, often involving a large number of different actors, including government, business and NGOs, can also be seen as part of this new landscape, particularly for complex international issues, but here as well, effectiveness is very hard to assess.

**IMPLICATIONS FOR MULTINATIONALS**

Regardless of one’s views on these matters, however, it is the case that combining all these approaches further complicates the situation for international business. Traditionally, MNEs have been confronted already with a range of different legal obligations (international, regional, national, local) with frequently diverging degrees of implementation and enforcement, and the whole spectrum of soft, voluntary commitments adds further complexity. For their societal license to operate, consideration of both legal and social norms is necessary, but especially the latter can vary considerably across countries, and sometimes even for types of MNEs (e.g. domestic or foreign, large or small, more or less visible, sector(s) of activity) and issues. A multitude of stakeholders is involved, with often diverse perceptions, and degrees of power, legitimacy and urgency.

MNEs in particular face difficult choices as to which norms are being used to establish what ethical and socially supportive behaviour is, and which ones should then be followed, and when and where. While these could, at the macro level, be seen as trade-offs, as Karnani does, i.e. a situation in which more of one thing means less of something else, for specific actors this may not fully capture the tensions faced. Most often so-called paradoxes prevail, i.e. we perceive conflicting demands or opposing perspectives that seem to have no definitive solution but that managers and policymakers nevertheless try to reconcile by accepting and accommodating existing tensions. As De Wit and Meyer put it, “A paradox has no fixed answer or set of answers – it can only be coped with as best as possible”, and “paradoxes will always remain surrounded by uncertainty and disagreements on how to get the best of both worlds”.

In this respect, the strategy literature distinguishes tensions between, for example, cooperation and competition, profitability and responsibility, and local and global. Tensions as to which norms to follow when operating across borders have likewise been related to questions concerning MNEs’ broader strategy – with global (integration/standardisation) on the one hand and multi-domestic (local
responsiveness) on the other, and universalism and relativism as respective counterparts. Those involved have tried to combine often divergent options where possible in order to maximise wherever they can. It is clear that, in these cases, there will always be a “moral free space”, “a grey zone” in which “there are no tight prescriptions” for MNEs, and “managers must chart their own course”. This relates to the managerial discretion that has come to the fore in the preceding section as well, and that we will explore in a bit more detail below.

“Moral free space” and international norms

Some authors have emphasised the importance of international moral norms for business, arguing that they should be in place and that this is already the case (to some extent). This is because societies can only exist and interact properly if there is agreement on at least some norms. And there are many of them indeed, as exemplified by a range of international treaties, UN declarations and conventions that have been adopted (almost) worldwide. Quite a number of them relate to business, as international production and trade also depends on acceptance of common rules and responsibilities across borders. Amongst the ones that have received, as the UN Secretary General’s special representative on human rights and MNEs John Ruggie put it, “near-universal recognition by all stakeholders” are those on “the corporate responsibility to respect human rights”. While this may be a bit more complex in reality, as it is not only recognition that counts, but also the interpretation and implementation in practice (see below), universal norms and fundamental rights have become highly relevant for MNEs.

Bowie and Vaaler state that MNEs need to adhere to generally observed norms to operate effectively in the global economy. They introduced the notion of “market morality, the set of ethical norms that the vast majority of MNEs would attempt to practice, because, other things being equal, adopting such more practices are either necessary for economic survival or confer advantages that enhance the MNE’s prospects for success”. This thus appears to include industry standards created to avoid a competitive disadvantage (and create a level playing field) such as the Equator Principles, and those more focused on yielding competitiveness, for example by developing particular labels and certified products, such as the Forest Stewardship Council (FSC) and the Marine Stewardship Council (MSC). Interestingly, however, Bowie and Vaaler refer to the ‘vast majority’, and note that some MNEs may want to go further than a minimum, and that some moral norms cannot be subjected to such a market morality, or may be hard to transfer. This means that, in spite of the existence of some generally agreed-upon international norms and the perceived need for them, there are differences as well, often between MNEs’ home and host countries.

The question that emerges then is what MNEs should do if they are confronted with such a divergence. Which norms should be followed then: those of the home country (taking a ‘patriotic’ perspective), those of the host country (showing respect) or, two other options listed by Bowie, whichever norm is either most profitable or morally best? To put this in context, also for managerial decision-making given the existence of a moral free space, Donaldson outlined two types of conflict. First, a conflict of relative development, in which one could pose the question whether a “practice would be acceptable at home if my country were in a similar stage of economic development”; and second, a conflict of cultural tradition, with questions
such as “is it possible to conduct business successfully in the host country without undertaking the practice, and is the practice a violation of a core human value?”38 In addition to increasing insight into cross-cultural differences, these considerations may also contribute to finding responses to specific situations of home-host conflict, for which a range of approaches have been listed by Buller and Kohls, in a continuum ranging from avoiding, forcing, persuasion, negotiation/compromise, accommodation and collaboration.39 However, for such conflict resolution, power, legitimacy and urgency were noted as important situational variables, here as well.

Summing up the variety listed above, there seem to be at least four different types of norms relevant to MNEs – which may be similar in contents, but can also diverge: 1) those originating from international treaties, declarations and conventions, at the intergovernmental level; 2) those that are part of a ‘market morality’, ‘international’ standards adhered to by multiple MNEs, usually as part of industry or multi-stakeholder initiatives; 3) those applicable in the MNEs’ home country; and 4) those applicable in the host country. On a particular topic, there thus can be one norm, in case all four ‘sources’ adhere to the same, but there can also be four variants (or two or three), resulting from greater or smaller societal, cultural and/or ethical differences. Obviously, MNEs also have their individual activities that reflect their own norms, and further down within the organization, there are managers and other staff with their own ethical values as well, which sometimes play a considerable role. A recent study amongst foreign and domestic firms in Mexico, for example, showed that management commitment to ethics was a dominant driver of CSR (together with trade-related pressures, i.e. exposure to developed-country markets).40 Likewise, managerial misjudgment, hubris or failure to consider values can be a source for irresponsible corporate behaviour and drive violation of several norms.

The challenge for MNEs and their managers is to reconcile the various norms, and to deal, as best as possible, with existing tensions between them. The overview included in Figure 2 presents a generic framework that can be used for analysis for specific issues, and/or particular MNEs and countries (reckoning with both country of origin and country of destination, i.e. home and host). In the case of child labour, a typical example of an issue with a ‘moral free space’, there is evidence that Western MNEs, if they are explicit about it in their codes of ethics, adhere to international conventions or host-country laws, with home-country laws playing no role (although it might be argued that international conventions have incorporate prevailing ideas in Europe and North America, which also filtered through, becoming a market morality).41 In the actual HRM practices (i.e. which minimum age to employment is being used), however, a multi-domestic, country-specific strategy (or local responsiveness) prevails, although not all MNEs delineate this clearly, suggesting that these are difficult issues to address.

An even more diverse picture? Recent trends and next steps

The past few years has seen renewed attention to divergent norms in the international context due to the growing importance of emerging economies in
general, and China in particular. This has been accompanied by the argument that the first two sources mentioned above – intergovernmental and MNE-driven norms – originate more from ‘Western’ countries (or developed countries more generally, as Japan is often included), and may neither be applicable nor appropriate for Chinese companies. Consecutive managerial surveys by Accountability and Fortune China – with close to 2,000 respondents – have shown that a considerable percentage thinks that there is no need for a universal standard for CSR (52% in 2007, 41% in 2008, 44% in 2009), with a slightly smaller share expressing to believe that this is necessary (32%, 40% and 36% respectively). So opinions are rather divided.

As a reflection of this, a Chinese official was quoted as saying that “We should make CSR standards with Chinese characteristics”, and this has been done in some cases, either by being involved in a standard or (in the case of textiles) by developing a national standard that can be aligned to other international ones. Chinese companies have participated actively in CSR/sustainability standards (such as FSC and ISO26000), been lukewarm and moderately involved (Carbon Disclosure Project, Global Compact, Global Reporting Initiative) or predominantly absent (Principles for Responsible Investment, Equator Principles, Voluntary Principles on Security and Human Rights, Extractive Industries Transparency Initiative).

Enthusiasm seems to wane the closer initiatives are related to impacting foreign direct investment in key sectors and/or human rights. Sensitivity on the latter has clearly come to the fore in the case of Google and censorship. Remarkable in this respect was the statement of the Chinese Ministry of Commerce that “Foreign companies, including Google, should all follow international standards and respect local law and regulations and local culture and customs to shoulder social responsibility”; precisely because the divergence between the two appeared to be the issue at stake. It illustrates the paradox noted earlier about how to reconcile divergent options.

The example of China is interesting and highly relevant because it is perhaps the most far-reaching illustration of a divergent approach from a large and very powerful emerging economy. It represents a difference to be taken into account, because developed countries have so far been most influential in the debate on international norms and standards, even though a country such as China ratified many international agreements, including those on human rights. However, a shifting economic and demographic balance to emerging economies, particularly in Asia, is likely to bring other changes as well. This will not only affect international negotiations (as shown, for example, in the case of climate change) but also norms relevant to MNEs, in terms of market morality and in certain home/host countries.

For research and managerial purposes, it might be worthwhile to distinguish home/host countries into different types: i.e. developed, emerging and least-developed countries, as CSR conditions, stakeholder pressure and norms in the latter two categories in particular differ from those in the first one. In the case of US and European MNEs, home-country constituents exert most pressure and they have learned to adopt stakeholder-mandated CSR standards. In their activities abroad, these MNEs have often been confronted with host-country social, ethnic, religious, community and/or sustainability conflicts, often bundled in some way in protests against foreign investors, with MNEs’ home-country constituents exerting pressure to accommodate these concerns properly and adhere to similar norms abroad. While this could offer opportunities as well, given that learning and experience might be used in
other settings if opportunities arise, in many cases it is a vulnerability.

For MNEs from emerging countries, even though their home-country context is highly idiosyncratic, this has been different. They have not been forced in a similar way as home-country societal pressure has been absent (e.g. in Russia) or if present, focused more on the domestic setting and its problems (e.g. in Brazil, China, India, South Africa), so reputational effects that might harm their activities abroad have been limited. They have thus had more flexibility in that respect, although their national governments have often played a considerable role in shaping the direction and size of their activities abroad. It is also via that route that ethical issues may start to become noticeable, as, for example, Chinese investments in Ethiopia and Sudan have been criticised, in the US and Europe linked to the 2008 Olympics, but also in the African countries themselves. But they seem to have more room for manoeuvre, given the absence of home-country constituents that worry about their international behaviour. If emerging-market MNEs internationalise to developed countries, adapting to stakeholder-mandated requirements may not be easy. It seems to be most complex for those issues that involve different cultural traditions and divergent levels of economic development.

For further analysis at the level of the firm, it seems helpful to use not only the aspects mentioned above regarding possible divergent norms (cf. Figure 2), but to also differentiate between liability of foreignness and liability of origin, as suggested in a recent paper. While liability of foreignness has traditionally been used to examine MNEs in their activities abroad, liability of origin can be a worthwhile addition particularly in the case of CSR, where there are considerable differences in terms of stakeholder pressure and related experiences, and ethical norms, as previous paragraphs have shown. The example given in the preceding paragraph of Chinese investments in Africa, but also increasing scrutiny regarding products originating from China (cf. a book published on “One year without ‘Made in China’” can serve to illustrate some of the sentiments aroused related to that country particularly in the US. It is also there that fears as to Chinese investments in certain sectors (such as electronics and infrastructure) has emerged. While it has received most attention in the US, Chinese investors may also face difficulties in other emerging economies, such as India, where telecom company Huawei recently started a “charm offensive” to get a more local image and thus “ease deep-seated suspicions.” Regardless of one’s views on these issues, it points at clear challenges for research and practice, which this paper has aimed to outline and put into perspective.

NOTES

1 Votaw, quoted in Carroll, 1999, p. 280.
2 Examples include Rodriguez, Siegel, Hillman and Eden, 2006; and Portney, 2008.
3 Carroll, 1999, p. 286.
4 Kolk, 2010.
8 Classens, 2003, p.5.
12 Kolk and Pinkse, 2006.
14 Windsor, 2006, p. 103.
16 Eesley and Lenox, 2006.
17 Reinhardt, Stavins and Vietor, 2008.
19 Reinhardt et al., 2008, p. 236.
20 Devinney, 2009.
21 Karnani, 2010.
23 Martin-Ortega and Eroglu, 2010; Utting, 2005.
24 Vogel, 2010, p. 68. Different from Karnani, Vogel does not really separate CSR and self-regulation, but he notes that the current form of civil regulation is “distinctive from traditional forms of industry self-regulation” that include the development of technical standards related to quality control, price and market entry.
26 Kolk, Van Tulder and Kostwinder, 2008; Selsky and Parker, 2005.
28 Kolk, 2010; cf. UN, 2009.
33 E.g. Bowie, 1997; Bowie and Vaaler, 1999.
34 See e.g. Tully, 2005.
36 Bowie and Vaaler, 1999, pp. 165-166.
40 Muller and Kolk, 2010.
43 Long, Zadek and Wickerham, 2009, p. 46.
44 Hille, 2010, p.2.
45 Kolk, 2010.
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Leahy, J. (2010), ´Huawei in India charm offensive”, *Financial Times*, 12 May, p. 15.


Figure 1. Perspectives on CSR from different bodies of knowledge

CSR can be effective social policy instrument:

• Companies with most acceptable practices will have more satisfied customers, employees, owners, and will hence ‘thrive’
• Companies have more expertise than individuals and governments to tailor products and services to serve particular aims
• They have a better understanding of trade-offs, technologies and trends in society, and can act in a more rational and realistic way than government
• They can more easily engage in ‘experimentation’ than government and NGOs (entrepreneurship/ innovation)

CSR not socially optimal, firms have a different role:

• CSR is not the purpose of firms; they should optimise their business; any rents should go to individuals who can then decide about the purpose
• Companies may skew societal standards to their own needs (regulatory capture, direct/indirect political influence & CSR used as barrier to entry)
• Companies tend to be socially conservative by nature, will only experiment if there is a clear profit
• They are not democratically elected, it should be up to government to delivery social services and be accountable for this
• Companies are not experienced in evaluating social benefits; they may not choose the best approach

Source: Based on Devinney (2009); Reinhardt et al. (2008).
**Figure 2.** Different ‘sources’ of norms affecting MNEs and their managers

![Diagram showing sources of norms affecting MNEs and their managers.](image-url)