Localization vs. Standardization: Global approaches to CSR Management in multinational companies

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CONCEPTUAL PAPER

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Paper No. 60, Date: 03/2011

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Abstract:

The present paper identifies and structures external and internal influences on CSR Management of global companies. It suggests consequences for localization of different levels of CSR Management in the light of influencing factors such as stakeholder power, organizational culture and issues in question.

In order to set the framework, general management approaches of global companies as a response to integration and responsiveness pressures and the most important dimensions of CSR management will be revised. In a second step, external and internal pressures on integration and localization strategies will be described and structured, leading to the identifications of three major aspects influencing CSR management of companies: Issues, key stakeholders, and strategic/organizational considerations. Based on this, possibilities of companies to localize their CSR approach within the different management dimensions and in the light the major forces on CSR management will be proposed.

Zusammenfassung:

Das Working Paper identifiziert und strukturiert externe und interne Einfußfaktoren auf das CSR Management globaler Unternehmen und zeigt in Abhängigkeit wesentlicher Faktoren wie Schlüsselstakeholder, Organisationskultur und CSR Themen Möglichkeiten der Anpassung unterschiedlicher Dimensionen des CSR Managements auf.

In einem ersten Schritt werden grundsätzliche Strategien globaler Unternehmen als Antwort auf Integrations- bzw. Adaptationserfordernisse sowie die wichtigsten Dimensionen des CSR Managements dargestellt. Darauf aufbauend werden externe und interne Einflussfaktoren auf Integrations- bzw. Lokalisierungsstrategien beschreiben und strukturiert und die wichtigsten Einflussfaktoren des CSR Managements identifiziert: CSR Themen (Issues), Schlüsselstakeholder sowie strategische und organisatorische Erwägungen. Schließlich werden Möglichkeiten der Lokalisierung des CSR Managements in den unterschiedlichen Management Dimensionen und vor dem Hintergrund der drei Einflussfaktoren vorgeschlagen.

Content

1.   Motivation and basic questions

CSR is usually defined as „…a concept whereby companies integrate social and environmental con-cerns in their business operations and in their interaction with their stakeholders on a voluntary basis" (Commission of the European Communities 2001, p. 6). It is conceived as stakeholder oriented model which takes into account the expectations and interests of those groups, which influence or are influ-enced by companies (Joyner/Payne 2002, p. 300). According to Carroll, CSR implies – next to the fulfillment of economic and legal obligations – an ethical and philanthropic responsibility, which is de-fined by established norms and values reigning in a society (Carroll 1979, p. 499). The reference to objectives and values within a society was already made by Bowen in 1953, who claimed that respon-sibility of businessman requires them to take act in a way which is desirable in terms of the objectives and values of our society (Bowen 1953, p. 6) and was confirmed by Sethi, according to whom corpo-rate social responsibility implies that corporate activities have to conform with established social norms and values (Sethi 1979).

Companies acting in different parts of the world face the challenge to be confronted with different cul-tures and value systems of their respective stakeholders and different conceptions about the focus and scope of corporate responsibility. Following the concept of Bowen and Carroll, this would mean that CSR approaches would need to be adapted to the specific circumstances of the region where the company is active.

However, due to interrelated business activities, the concerns of different local stakeholders cannot be seen independently one from each other: the activities in one country might have implications for local stakeholders in that country but also be of concern for stakeholders in other countries. This is espe-cially the case for issues with global impact and external effects, such that global warming and climate issues (so called "global common goods")[1]. Additionally, stakeholder groups in the home country of a company might take party for stakeholder groups in other countries and expect companies to respect their values and expectations also when acting in other countries of activity. The discussion about child work is one of the most prominent examples, but there may be other more controversial cases where different values and norms might lead to possible conflicts between different stakeholder groups (e.g. ecological issues or generally accepted human rights). As a consequence, there is an increasing pressure for companies to standardize their CSR approaches, introduce company wide rules and procedures and centralize CSR decision making. Additionally, organizational issues play a role for CSR management of companies. Singh and Rosenzweig state, that multinational companies "face, at the same time, a pressure for conformity to conditions in the local environment and an im-perative for consistency within the multinational" (Rosenzweig/Singh 1991, p. 344). House et. al. (2004) in their analysis of the relationship between national, culture, organizational culture and leader-ship come to the conclusion, that leadership (and hence in the wider sense also management) is influ-enced by both – national and organizational culture.

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[1] See De Bettignies/Lepineux (2009) for a detailed discussion of this issue.

Hence, there seem to be two conflicting pressures on CSR management of companies, that resemble the general management pressures stated some decades ago by Bartlett and Goshal (1989)[2]: The pressure for localization due to different societal concerns, values and norms on the one hand and the pressure for standardization and coordination of decision making due to interrelated business activities, external effects and global "tastes" or values.

Bartlett and Goshal argued in 1989 for a management approach considering both pressures in an optimum way, distinguishing between issues and topics which ask for adaptation and general concepts allowing for standardization and exploiting diversity by transfer of knowledge and ideas. They called their strategic approach the "transnational strategy". In this paper, in a first step arguments for and against localization of CSR will be analyzed more profoundly in order to identify the most important factors influencing the CSR management approach of companies. In a second step the CSR Management process will be structured, describing the most important dimensions that need to be taken into consideration when reflecting about the degree of localization of CSR management, and localization approaches within these dimensions will be specified.

2.   Overview about the debate

The discussion about adequate strategic approaches for companies being active in different parts of the world has already begun decades ago. Prahalad and Doz (1987) put forward the so called "Integration – responsiveness grid", describing forces for local responsiveness on the one hand and global integration on the other hand[3] and ways to handle these forces. It was the basis for a line of research dealing with strategies contingent on these conflicting forces (e.g. Bartlett and Goshal, 1987 & 1989, Meffert, 1989 or Roth/Morrison, 1990 & 1992). Empirical studies have analyzed determinants and forces of strategic approaches both for general strategy making and for different functional areas (e.g. Hannon/Huang/Jaw, 1995; Johansson/Yip, 1994; Kobrin, 1991; Laroche/Kirpalani/Pons/Zhou, 2001). The consideration of the above mentioned conflicting forces in the literature dealing with CSR management however has begun only recently and is still lacking a structured overall discussion. Literature in this area deals predominantly with localization vs. standardization of CSR in general (for an overview see Muller, Alan, 2006) or of specific parts of CSR such as environmental management (e.g. Christman, 2004). The arguments for and against localization refer mainly to external aspects such as different local conditions (Loew, 2005, p. 24, Baskin 2006, p. 41), different value systems and urging issues (Newell/Muro, 2006; Fox, 2004; Fox/Ward/Howard, 2002; Utting, 2001; Ward, 2004; Ward/Fox, 2002) and consequences for organizational legitimacy (Barkemeyer, 2007b; Fombrun, Gardberg & Barnett, 2000) and effectiveness and efficiency of CSR initiatives (Blowfield, 2004). Christman (2004), analyzing standardization in environmental management, mentions additionally organizational aspects

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[2] Bartlett/Goshal applied these pressures to the general aspects of management, especially to the question of adaptation/standardization of products and processes, the question of an integrated value chain and the implications for the organizational structure of a company.
[3] Bartlett/Goshal, 1991, added a third force for "world-wide innovation".

such as the general organizational approach of a company and the strive for consistency as an important driver of its strategic approach.

The objective of the following chapters is therefore to shed some more light on external and internal factors driving CSR management and discuss its implications for the strategic approach of companies.

3.   Management of CSR in globally acting companies

3.1   Strategic approaches of multinational companies

Theory on international strategy distinguishes between four major strategic approaches of globally acting so called multinational companies (esp. Bartlett/Goshal, 1989) which are the response to the interplay between pressures for integration on the one hand and pressures responsiveness on the other hand (Prahalad/Doz, 1987)[4]: The *international*, the global, the multinational (or multidomestic) and the transnational strategy. The international strategy is usually based on export and does not take into account different local conditions in different countries. There is no adaptation to local conditions and no integration of subsidiaries in the overall activities of the company. It is usually the first step of a company's internationalization effort. The *global* strategy is focused on achieving cost advantages through economies of scale. Essential assets, resources and responsibilities are centralized at head-quarter and the headquarter strategy is implemented at local subsidiaries. In order to achieve cost advantages, products and services are standardized, where standardization might imply offering the same products as at home the adaptation of products and services for the global market taking into account "global" preferences. The *multinational* (or multidomestic) strategy allows adapting to local markets, giving autonomy to subsidiaries and differentiating products and services for local demands. Decisions are decentralized and important functions reside also in local countries. The *transnational* strategy finally recognizes the need to simultaneously respond to local differences and take advantage of global scale economies. Responsibilities, resources and capabilities are distributed throughout the world, but concentrated in some places (global distribution of value activities) and information and ideas are flowing multidirectional between subsidiaries and headquarter.

As integration and responsiveness pressures vary not only between industries, countries and target groups, but also between business functions and even tasks (Bartlett/Goshal, 1989, p. 97), companies usually do not follow the same approach in all functions or areas. Companies might, for example, integrate the R&D function and localize the marketing function. Even within the marketing function, there may be tasks, that merit a coordinated standardized approach (such as product policy) and tasks where localization is sensible (e.g. sales management).[5] Therefore, in a first step, dimensions (or

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[4] The classification described is based on Bartlett/Goshal, however there are a number of alternative classifications of types of global approaches to management, which more or less follow the same arguments (for an overview see Morschett, 2007, p. 58-60).

[5] When we talk about standardization, we refer to a common approach for the global market, which could imply both – referring to "global" values and expectations or to those of home country stakeholders. However, when we talk about a global strategy, we will mean the reference to global values (even if possibly shaped by Western ideals), reserving the headquarter oriented approach for the international strategy.

tasks) of CSR management will be described, followed by a more detailed of the external and internal factors influencing them.

3.2 Dimensions of CSR management

CSR can be understood as a management concept „whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis" (Commission of the European Communities, 2001, p. 6). A company acts responsible, if it aspires to achieve "an equilibrium between the demands and needs of different stakeholders which is acceptable for everybody involved" (Commission of the European Communities, 2002, p. 4). Essential components of the concept are the voluntary character (more than legal requirements), the orientation at expectations and values of company (Joyer/Payne, 2002, p. 300), and its cross functional nature. According to Goebel, CSR should therefore not be seen as a separate function, but as an integral part of general management (Göbel, 2006, p. 156).

As arguments for and against standardization usually refer to different dimensions of CSR management, the following dimensions of CSR management will be the basis of discussion of localization approaches of companies[6]:

- The normative foundation of CSR: It is the basis of CSR management and defines general ideas about the role of the company in society, its general values, principles and guidelines (Meffert, 2005, p. 22). Major global companies usually define some generally valid purpose and guiding principles, however – due to different values systems around the globe - there might also be adaptations to local environments.
- Strategy: Based on a analysis of environmental forces and internal values and resources, it defines key stakeholders or target groups, issues, standards, projects and partnerships (Muenstermann, 2007, p. 20-21). Again, companies might follow an overall global CSR strategy focusing on global or home country stakeholder group, or they might take account for different pressing issues or expectations of local stakeholders.
- Organization: Strategy needs to be reflected in adequate organizational structures and processes. Structures determine information flows and reporting lines as well as the location of responsibility and budgets. Processes define the way of strategy formulation, criteria for CSR decisions, target setting and controlling, incentives (Yip, 1992, p.181).
- (External) CSR communication: It consists in a permanent stakeholder-dialog for detecting stakeholder demands and general trends and building legitimacy and the CSR reporting via homepages, reports, media etc. Companies need to decide about the geographic focus of stakeholder-dialog as well as about localization or standardization of CSR reporting.

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[6] Aspects of CSR management are discussed for example in Muenstermann, 2007, p. 21.

4. External and internal forces for standardization and localization

4.1 Stakeholder concerns and organizational issues as driving forces of CSR management in global companies

CSR strategies are essentially driven by stakeholder expectations. Even though a proactive CSR strategy might imply companies acting as a change agent and anticipating issues that might become relevant in the future, the basis of CSR management is the interaction with stakeholders and the consideration of their concerns and expectations into core business activities (Commission of the European Communities, 2001, p. 6).

Stakeholder concerns and expectations are not at last shaped by social norms and values that are reigning society (Carroll, 1979, p. 499). Understanding and considering these values is hence at the core of CSR and at the same time the basis for organizational legitimacy; the latter being often cited as one of the objectives of Corporate Social Responsibility. Suchmann (1995, p. 574) defines legitimacy as "generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions".

Companies acting in different parts of the world face the challenge to be confronted with different cultures and value systems of their respective stakeholders and different conceptions about the focus and scope of corporate responsibility. So called multinational companies "are affected by a variety of environmental forces, some of which are specific to the host country and some of which are global in nature" (Rosenzweig/Singh, 1991, p. 344). CSR in multinational companies hence requires the identification of global and local stakeholder groups and an understanding of their concerns and the cultural context shaping their expectations.

On the other hand, there are organizational issues to be considered. Localization and standardization approaches usually go together with organizational structures and processes supporting these approaches (Bartlett/Goshal, 1989). Hence, if CSR strategies are to be adapted to local conditions, the decentralization of decision making power and the allocation of responsibility and budgets to local subsidiaries would be the adequate response. On the other hand, a standardized approach would require a coordination of decision making and would be fomented by at least a partly centralization of decision making power and the setting of standards and principles that are to be followed by all functions and divisions. Different organizational models have different effects on commitment, motivation, creativity and performance (Perlitz, 2004, p. 455 ff).[7] At the same time, companies strive for organizational consistency especially when functions with a strong relation to general strategy are concerned (Rosenzweig/Singh, 1991, p. 344). Organizational aspects and a company's overall approach to global management therefore play an important role for localization strategies in the field of CSR.

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[7] For example, Muller (2006, p. 190) shows for the Mexican Automobile industry, that CSR performance seems to be higher in case of decentralized decision making.

4.2   Stakeholder concerns influencing CSR management

4.2.1.   Different stakeholder groups and their expectations

Stakeholders in the broad sense are usually defined as any group or individual that can be affected or is affected by the achievement of a corporation's purpose (Freeman, 1984, p. 46). When looking at stakeholders of multinational companies, one can distinguish local and global stakeholder groups. Local stakeholders are those residing in the countries where the company is active (Carroll, 2004, p. 114). They can further be divided into home country stakeholders, i.e. stakeholders residing in the country of the company's headquarter and host country stakeholders residing in the countries of the subsidiaries. Global stakeholder groups belong to the global "metaenvironment" the company operates in (Kostova/Zaheer, 1999) and often represent so called "global" interests". Examples are international media, international organizations, and internationally operating activist groups or NGO's.

Analyzing *local stakeholders*, one identifies overlapping stakeholder groups in different countries, such as employees and trade unions, customers, suppliers and the (local) government, and country-specific stakeholders as for example locally active NGO's. Due to a different cultural context (e.g. value systems, different laws and regulations) and different economic conditions, expectations of these stakeholder groups usually vary. As an example, in countries with high income equality or a weak provision of social services expectations for voluntary social engagement of companies might be higher than in other countries a more equal income distribution.[8] Even if researchers observe a growing convergence of lifestyles, values and ideas across the world (Levitt, 1983), economic, cultural and institutional differences remain significant and have an impact on local stakeholder expectations and would hereby justify a localization of CSR policies.

However, certain home or host country stakeholder groups might exert their influence to make companies transfer local CSR policies to other countries. Also, there might be local stakeholder groups concerned with globally relevant topics such as environmental challenges or human rights issues and that are interested in companies applying similar standards all over the world. Customer groups in industrialized countries might, for example, expect from companies to apply similar social standards in the global supply chain.

Often, home country stakeholders (esp. those who are relevant for corporate governance) are more powerful than host country stakeholders and exert more influence on companies' strategies (Aguilera/Yip, 2004, p. 9). Multinational companies operating in remote countries usually seek to gain legitimacy from its primary stakeholders that are typically based in its home market (e.g. customers, media)

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[8] Baskin (2006, p.35) claims, that Corporate Social Investment (CSI) seems to be more extensive in emerging countries (especially Latin America and Africa) than in OECD countries, which he explains with higher income inequality and often weak state provision of social services.

(Newell/Muro, 2006, p.64).[9] This inequality in power may result in several problems, such as a bias towards short-term projects with a high visibility rather than longer-term capacity-building initiatives. (Barkemeyer, 2007b, p.2)

Global stakeholder groups usually are interested in coherent behavior of companies and refer to generally accepted norms and values that have to be taken into account or to the existence of global public goods that require a coordinated approach of corporate responsibility. NGOs usually expect companies to base their CSR management on internationally agreed standards in order to avoid greenwashing and social dumping (Loew, 2005, p. 24)[10]. International institutions and organizations define guidelines and standards with which companies should comply, as for example the UN Global Compact, the OECD guidelines, the SA 8000 or the ISO 26000. Besides, CSR rating institutions are globalizing and applying similar criteria for ratings throughout the world.

4.2.2 Different cultural, economic and institutional frameworks and the pressure for localization

As argued in 4.2.1, local stakeholder groups usually have different expectations towards companies about what their responsibility within society is. These differences can be explained by

- different cultural conditions, implying different values, norms, practices, norms and legal obligations
- different economic conditions, leading to different pressing issues in society
- different allocation of responsibility for social or environmental aspects

Culture can be defined as "the collective programming of the mind which distinguishes the member of one group or category from those of another" (Hofstede, 1991). It comprises shared values, understandings, assumptions and goals of this group resulting in large part in common attitudes, codes of conduct, and expectations that and practices that guide and control certain norms of behavior (Hofstede, 1980). Cultural studies show that there are considerable differences in values and attitudes around the world (e.g. Hofstede, 1991; Schwartz, 2004). The Globe study, a global investigation program that analyzes the relationship between national culture, organizational culture and leadership identifies 10 cultural clusters, that are differing considerably in nine dimensions such as power distance, uncertainty avoidance, gender egalitarianism etc. (House et. al., 2004).

These clusters differ with respect to modal practices (common behavior and the way things are done in a culture) and modal values (the way things should be done)[11]. Even the most basic human rights have been subject to interpretation, and might not be fully accepted in some countries (see e.g. Sen,

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[9] Newell et. al., 2006, draw this conclusion in their analysis of CSR in Argentina: "MNCs are the key drivers and respondents (of CSR). Often responsive to their home countries and receptive to shareholder and activist pressures overseas, their strategies reflect European or North American priorities".

[10] Loew cites statements of NGO's and the Green 7 at the Multistakeholder Forum 2004.

[11] Cultural dimensions in the globe study were determined based on these two cultural manifestations (House/Javidan (2004), p. 16.

1997).[12] Also interpretations of generally accepted values might differ in different cultural clusters, being influenced by general values, behaviors and norms reigning in a society (Barkemeyer, 2007 b, p. 19, based on World Values Survey 2006).

According to Carroll (1979, p. 499) values and attitudes shape expectations of society towards companies CSR approach. Referring to cultural dimensions such as gender egalitarianism, institutional collectivism or humane orientation, it can be suspected, that there are country differences in culture that are important especially for the social dimension of CSR management of companies and issues such as equality and non-discrimination issues (Baskin 2006, p. 41). Several authors point to a number of social and environmental issues (e.g. working hours, child work, environmental certification systems) around which conflicts based on different views might arise (see Barkemeyer, 2007a, p. 5 for an overview about this debate). Maignan (2001) analyzes cross cultural perceptions of CSR around the world and suggests that there are differences with respect to the perceived importance of different CSR issues such as legal or economic responsibility. She suggests, that US consumers place higher significance to economic responsibility, French consumers place highest value to legal responsibilities and German consumers regard legal and ethical responsibility as most important (Maignan, 2001, p. 57).

Norms can be defined as guidelines for behavior that are influenced by shared values and may be codified and formalized in laws and regulations. Norms and laws are both – manifestations of a value system of a society and mechanisms to protect values of a society[13]. Hence, differences in values and attitudes explain – at least partly – country differences in norms, laws and regulations.[14]

Finally, the stage of economic development, the design of social security systems as well as the allocation of responsibility are differing between nations, such that there are different pressing issues that need to be taken care for. Hartard (2008), referring to the example of Brazil and Germany, shows that legal and social frameworks request companies to tailor CSR initiative to local conditions in order to properly respond to stakeholder expectations.

Neglecting cultural, institutional and economic differences may cause different problems: First CSR initiatives may not achieve the intended results and might even fail due to opposition of the local environment. Blowfield (2004, p. 88) gives a number of examples for ethical trade initiatives that fail to address the cultural context in which they take place and therefore are perceived as irrelevant or even counterproductive locally. Moreover, the neglect of different views about social and environmental issues might lead to a decrease, rather than an increase of perceived legitimacy (Barkemeyer 2007a, p. 5), which is seen as essential to overcome restrictions or suspicion regarding foreign companies (Fombrun et. al., 2000, p. 93). Finally, especially thinking about CSR management in developing coun-

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[12] This can be illustrated by the debate around "Asian values" and the reluctance to embrace individual human rights in a number of Asian countries.
[13] Heinrich Popitz: Soziale Normen. Suhrkamp, ISBN 978-3-518-29394-2 Bernhard Schäfers, Johannes Kopp (Hrsg.): Grundbegriffe der Soziologie. 9. Aufl., Verlag für Sozialwissenschaften, Wiesbaden 2006, ISBN 3-531-14686-6 (Stichwort: „Norm, Soziale")
[14] Moreover, government willingness to control the fulfillment of legal norms varies across countries

tries, there is a diverse range of issues that are in danger of being left out of the mainstream CSR agenda even though they are of major importance for corporate social performance in developing countries. Topics such as tax avoidance and transfer pricing (see e.g. Jenkins, 2005), corporate power and policy influence and potential negative effects of economic liberalization (see e.g. Prieto-Carron et al., 2006) are examples often named in literature.[15]

4.2.3 Converging values and attitudes, global public goods and institutions and the pressure for standardization

Even if cultural and institutional environments are different between cultural clusters, countries and even within countries, it has been argued that sustained rapid economic growth and concomitant technological industrialization leads to the convergence of social action, thought and values (e.g.Tinbergen, 1959; Kerr/Dunlap/Harbison/Myers, 1960; Galbraith, 1967; Child, 1981; Child/Tayeb, 1983; Levitt,1983, Munusamy et. al., 2009) and that industrial societies become more similar when "technical and economic imperatives impinge on social life" (Freenberg 1991, p.121). Moreover, international institutions like the UN Global Compact or the UN refer to generally accepted principles and "global values" that would support a standardization of CSR policies of global companies in their countries of operation.

Also, the existence of external effects and global public goods or issues, such as the environment, health, security and political stability requires cooperation and coordination not only of political institutions and governments, but also of private actors such as companies (De Bettignies/Lepineux, 2009, p. 158-159). On the one hand, due to interdependencies and cross national external effects, national actors need to work together and define common standards and procedures in order to solve global issues or provide jointly global public goods. On the other hand, globally acting companies are asked to define standards and rules that are valid in all countries in which they operate and hereby to contribute to environmental or social issues.

However, due to the nature of public goods, it can not be guaranteed that private companies acting in their own interest are ready to provide for them or to consider effects external to the market mechanism. Even if local governments can influence company behavior by taxes and/or environmental regulations and hence make them provide for national public goods, they are not able to control their foreign operations. The fact that globally acting companies are not confined to one country leads to a "privilege of extraterritoriality" and allows them to play governments off one another, and escape some national regulations they deem too constraining by transferring their profits to low tax countries and their operations to lower labor cost environments or to countries with less demanding environmental regulation (De Bettignies/Lepineux, 2009, p.157).

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[15] This is mainly due to an insufficient participation/ integration of developing country actors in the stakeholder dialog and the shaping of the CSR agenda (see e.g. Fox, 2004; Fox, Ward, & Howard, 2002; Utting, 2001; Ward, 2004; Ward & Fox, 2002).

This leads NGOs, activist groups, international institutions and other stakeholders to exert pressure and urge companies to take over responsibility for the global common good (DeBettignies/Lepineux, 2009, p.157). NGOs argue that for CSR being credible and a useful tool for sustainable development, is to be based on internationally agreed standards and principles and require a coordination of CSR policies (Loew, 2005, p. 24). Especially when legal norms and societal expectations in host country do not comply with generally accepted values and principles, global stakeholders might ask for a proactive approach of companies in order to foment social and ecological development. International institutions like the EU or the UN promote these principles and guidelines that are seen as generally valid and should be adapted and applied by global companies throughout the value chain (e.g. The UN global compact, the ILO tripartite declaration of principles concerning Multinational Enterprises and Social Policy and the OECD guidelines for MNEs.[16]

Finally, due to the development global dissemination of a multitude of new approaches such as the Global Reporting Initiative (GRI), the "The Principle of Responsible Investment"[17], or the ISO 26000, the global increase in the application of ISO14000, SA8000, AA1000, and other environmental and social management systems, as well as the globalization of rating agencies and auditing companies, globally acting companies are more and more evaluated based on standardized principles and criteria, which increases the pressure for a common and coordinated CSR policy. Criteria for SRI investment are more and more harmonized and applied to globally acting companies irrespective their nationality. As most of the SRI funds and investment is still concentrated in the United States and Western Europe (Social Investment Forum, 2007; Eurosif, 2008) and influenced by global NGO's, the underlying values and principles reflect those which are proposed by international institutions like the UN global compact and the OECD.

4.3   Internal aspects

4.3.1   Overview

According to Singh and Rosenzweig, multinational companies face not only a pressure for conformity to conditions in the local environment but also "an imperative for consistency within the multinational" (Rosenzweig/Singh 1991, p. 344). The adaptation of CSR policies to local demands usually goes together with a decentralization CSR decision making and the possibility of subsidiaries to define their own standards, policies, issues and instruments of CSR. On the other hand, consistency with the multinational asks for coordination of CSR policies and at least party a centralization of decision making power. It requires the (parent) company to set standards and principles that are to be followed by all functions and divisions and might endanger adaptiveness due to "coercive pressures for isomorphism (DiMaggio et al., 1983; Rosenzweig/Singh 1991: 347). Localization and standardization hence have partly contradicting effects on organizational efficiency.

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[16] See EU Multistakeholder Forum, 2004, p. 6
[17] Guideline, how to consider economic, social and governance aspects when financial institutions make investments , see http://www.unpri.org

4.3.2   Motivation, innovation and responsiveness asking for localization

The possibility of subsidiaries to define and/or influence CSR management at the local level usually leads to a higher degree of motivation and commitment as well as identification of subsidiaries with the (local) CSR approach (Hackman/Oldham, 1980). It goes together with a higher degree of familiarity of employees with the objectives and applied concepts and instruments and takes into account that different business units or division might have a different "maturity level" regarding the CSR process, which would require a flexibility of applied CSR instruments and (Multistakeholder Forum 2004, p. 10).

Furthermore, it allows companies to experiment under different circumstances with new processes and products overseas as well as at home which might foster innovation and creativity. "The governments of many developing countries are encouraging companies to introduce sustainable products and processes, especially for those at the bottom of the pyramid. It's easier for global enterprises to foster innovation in emerging markets, where there are fewer entrenched systems or traditional mindsets to overcome" (Nidumolu et al., 2009, p.62). Additionally, national standards are often even stricter than global ones (Loew, 2005, p. 24), and innovation might come from local subsidiaries having to cope with these standards.

Finally, due to better knowledge of and more intense and direct relations with local stakeholders, a higher degree local responsiveness and effectiveness of CSR instruments can be expected (see chapter 4.2). Especially when there are differences in legitimacy perspectives between home and host country, this decreases the risk of CSR initiatives to fail and avoids companies wasting scarce resources (Van Tulder/Kolk, 2001, p. 267-268).

4.3.3   Consistency and efficiency asking for standardization

If CSR policies, strategies and instruments are to be coordinated and/or standardized, CSR decision making power needs to be at least partly centralized. Apart from potential cost savings (e.g. a standardized CSR report for all countries of operation), such an approach supports consistency and makes sure that global strategies are implemented at local subsidiaries (Christman, 2004). Also, it might lead to more ambitious CSR activities at the local level. For example, research on cross border environmental management suggests a positive influence of pressure created by headquarter on environmental management in the local developing country context (Jeppeson/Hansen, 2004). Expanding high standards and progressive practices from one country to another may lead to a harmonization of CSR practice on a higher level, the so-called "upward harmonization" (Muller, 2006, p. 190).

4.3.4   The role of the general strategic and organizational approach

In general, if external local demands at subsidiary sites are in contrast to those at the Headquarter, the global alignment of policies and standards adds costs to subsidiary operations (Christmann, 2004, p. 751). Subsidiaries might find it difficult to achieve cultural communication in a context where, for example, ethical values are formulated in the Headquarter, which is then an obstacle to the deployment of certain actions at the local level. The acceptance of these additional costs depends a lot on the general strategic approach and organizational design of a company. In case of multinational or transnational approaches that respect the cultural and competitive diversity, the international alignment between the different divisions of a company and the creation of a global platform for CSR is likely to cause even more problems and hence subsidiary resistance, as the organizational structure is inhibiting cross-divisional discussions necessary an effective alignment of CSR policies. However, if general decision making is centralized, policies are standardized and the organizational structure enhances global integration and coordination, subsidiaries might perceive benefits such as cost savings or easier access to innovative ideas such that the resistance against global standardization of environmental and social conduct is supposed to be lower (Christmann, 2004, p. 751).[18]

5.   Global approaches to CSR management

5.1   Influencing factors

Based on the discussion in the previous chapters three main factors that are shaping the CSR approach of globally active companies are derived: The issue in question, the character and distribution of major stakeholder groups and the general organizational approach and culture of a company:
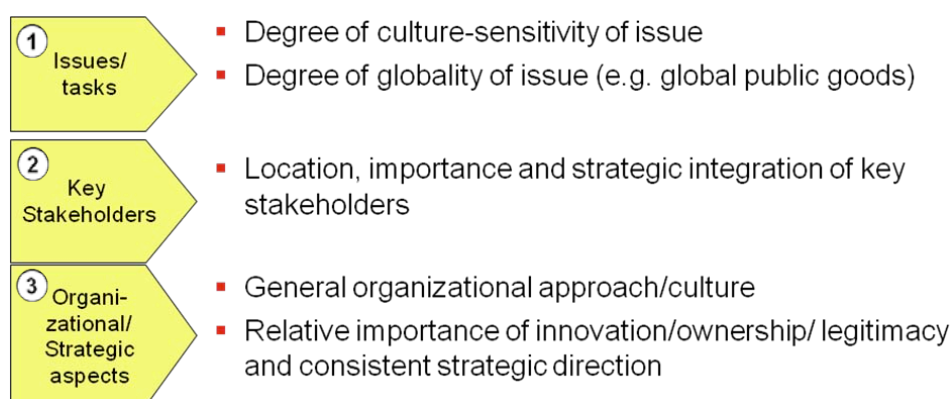
Figure 1: Influencing factors for global approaches to CSR management

Issues are areas of key areas of concern that a company should take care for, as for example issues in the field of environmental protection (climate, water, biodiversity), the wellbeing of employees (work

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[18] Subsidiary influence and their need to align with overall procedures however is usually not the same for all subsidiaries: Anderson & Pahlberg (1997) show that subsidiaries influence is the stronger, the more technological or R&D knowhow they possess.

live balance, human rights, diversity) or the community and civil society in general (reduction of poverty, education etc.).[19] Especially when global public goods are concerned, a uniform approach of companies seems to be sensible, as there is an inherent incentive for companies to deviate from a cooperative approach. The lack of internal common standards would alleviate contributing only selectively in some countries and overuse the public good in other countries. Also, global issues are usually backed by global stakeholder groups with an interest for a standardized approach.

On the other hand, there are issues which are characterized by a strong cultural grounding and which would require the adaptation to the local environment. Family policy, social security or corporate citizenship projects are examples for that (Hartard, 2008). Different regulative frameworks and different opinions about social responsibilities of companies ask for different approaches in employee or community related questions.

Finally, there might be issues where there seem to be a common understanding of what is desired by the "global community", however, different interpretations of these globally valid values or rights lead to potential conflicts of a standardized approach. Examples for that are (gender) diversity issues or child work. Companies need to find the right balance between formulating general principles but at the same time letting some lee ways for local modification. Figure 2 summarizes the influence of the character of issues on localization strategies of companies:
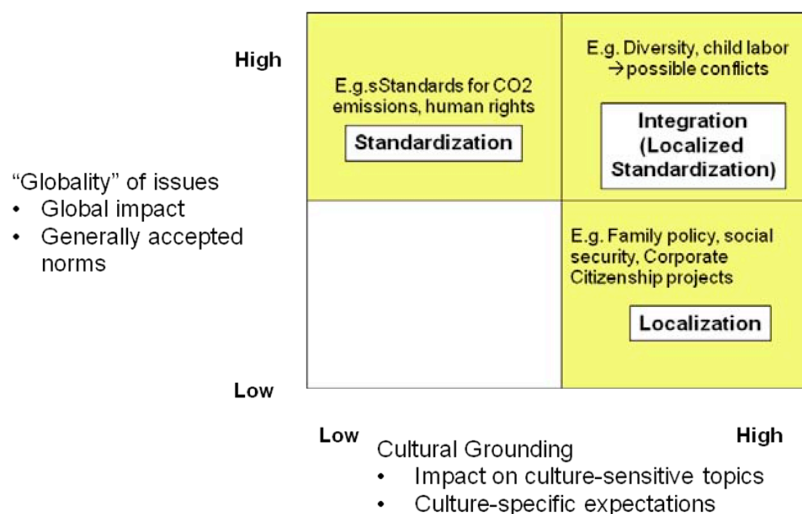
Figure 2: Relationship between issues and localization of CSR

Issues are closely related to stakeholders, who promote them to be taken into consideration by companies. Which issues are dealt with is usually the result the netting of an issue and a stakeholder analysis (Muenstermann, 2007, p. 94-95), leading to the determination of relevant stakeholders and strategic issues promoted by them. The degree of localization of CSR management is not at least dependent on the character of relevant stakeholders and their relative significance to the company. Companies select relevant stakeholders from a multitude of potential stakeholders (see chapter 4.2.1),

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[19] For an overview of potential issues see Muenstermann, 2007, p. 93.

based on ethic and strategic considerations (Waxenberger, 2001, p. 46 ff).[20] As described in chapter 4.2.1, global companies are facing both global and local stakeholder groups, where local stakeholders can further be divided into stakeholders of the headquarter country and local stakeholders of other countries of operation. Depending on the industry, the location of the headquarter/the subsidiaries, the character and size of operations abroad and the composition of major shareholders, these stakeholder groups have different power potential and are affected to a different degree by company activities (Aguilera/Yip, p. 2004). An Asian company with a dominant share of revenues coming from the United States faces different pressures from its stakeholder groups than a similar company with most of its sales in Asia.[21]
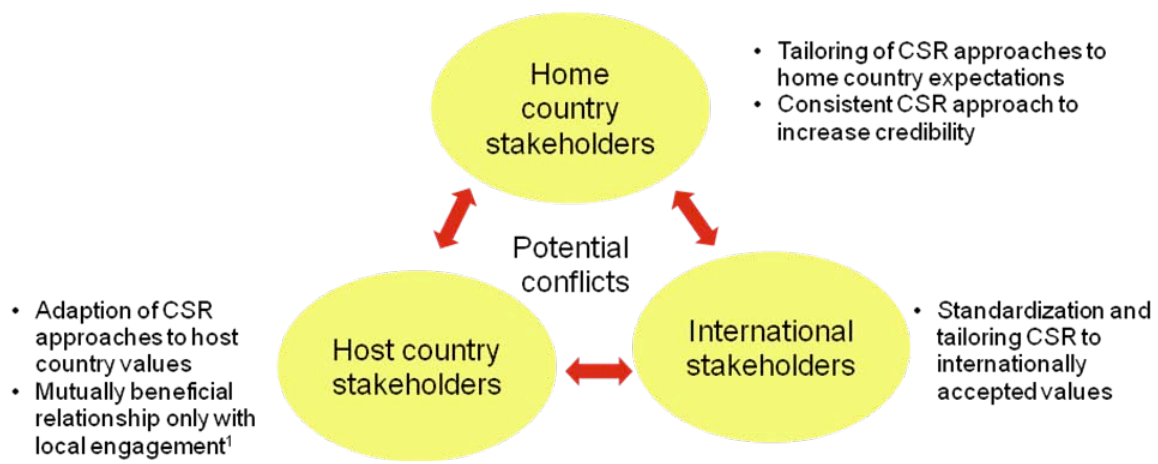
Figure 3: Conflicting expectations of stakeholder groups

The distribution and character of stakeholders is therefore one of the major influencing factors for the CSR approach of companies.

Finally, as mentioned in chapter 4.3.4, general strategic approach and organizational culture of a company plays an important role for the degree of adaptation or standardization of CSR. If companies strive for organizational consistency, they will adapt their general strategic approach also to CSR management. Additionally, the standardization of CSR approaches will cause the more internal resistance the more subsidiaries have autonomy in other areas (Christman, 2004).

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[20] Ethical considerations are for example based on legitimacy, urgency and degree of concernment, strategic considerations based on power and influence.

[21] For the case of Japan, Suzuki/Tanimoto (2005) show that the adoption of GRI guidelines depends is positively correlated with the strength of connection with foreign stakeholders.

5.2   Implications for CSR management dimensions

Depending on the above mentioned forces on CSR management, localization of CSR may imply the autonomous definition of strategies of local subsidiaries or just the slight modifications when implementing globally defined principles, guidelines, issues etc. Localization aspects can be considered at any of the discussed dimensions of CSR management (see fig. 4):

Normative foundation
- Local or adapted mission statement/values
- Integration of local aspects into purpose, values and guidelines
- Mission statement based on home country values

Contingent upon
- Issues
- Stakeholders
- Organizational/ strategic aspects

Management processes
- Local CSR strategies
- Integration of local aspects in corporate CSR strategy and standard definition
- No provision for local differences

Organizational grounding
- Allocation of local responsibility & budgets
- Participation of local management in strategy processes and modification of decision criteria and incentive structure
- Centralization of responsibility & budgets and common criteria & incentive structures

CSR communication
- Host country location of stake-holder dialogue & issue monitoring, localized reporting & localized CSR manuals & trainings
- Integration of local stakeholders into a centrally managed stakeholder dialogue & partly localized reporting
- No provision for local stakeholders
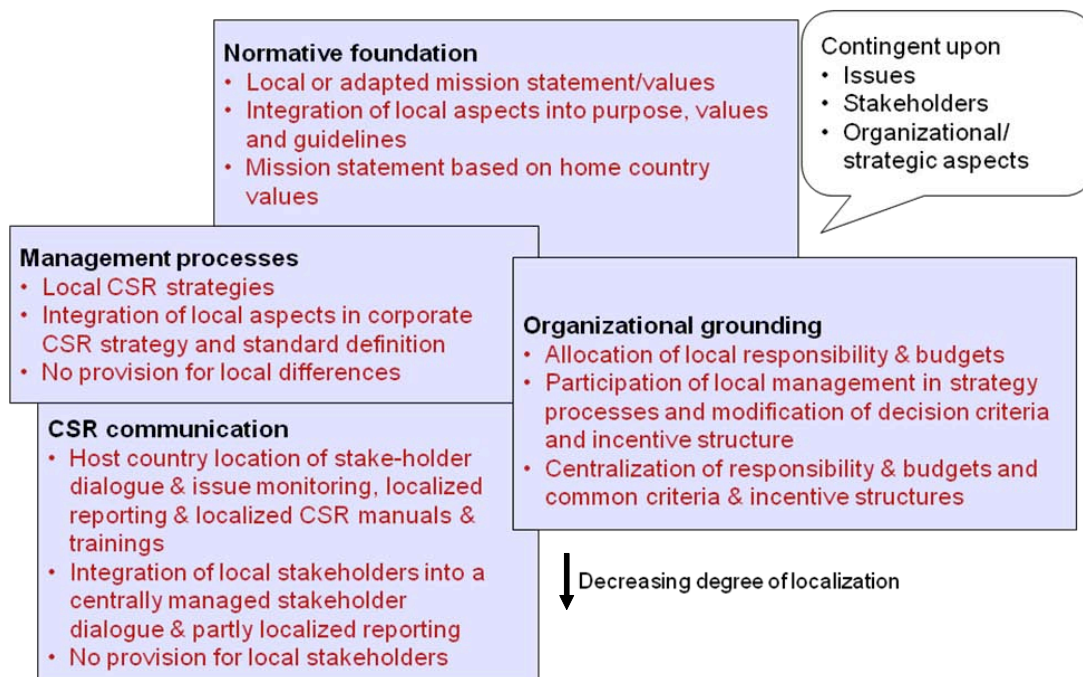
Decreasing degree of localization

Figure 4: Localization approaches in different dimensions of CSR management

Adaptation possibilities for the normative foundation range from local or adapted mission statements and values to the integration of local aspects into a globally valid idea of the responsibility of the company in the world. The latter is favored by international institutions as the UN Global Compact promoting that – despite of cultural issues, and different business models in varying departments or functions – promote that company policies are guided by guided by a common set of values, core strategies, and policies across the company (UN Global Compact, 2008, p. 17). No provision for local conditions would be the consequence.

As in the case of normative aspects for CSR, strategy could be localized, implying the definition of CSR issues, projects etc. for each country of operation separately or formulated as global strategy that takes into account issues and stakeholders of regions and countries where the company is active. No provision for the global market takes place when strategy is based on expectations and issues in the home country of the company. Companies may also choose to localize some (as for example social issues) but promoting an integrated approach in case of environmental issues. Moreover, it might be sensible to differentiate the localization approach with respect to strategic task, defining global issues and general strategies at the Headquarter, but giving lee ways in the selection of projects or partnerships.

Strategy and organization are usually linked to each other. Hence, if the strategic approach is to localize CSR strategies, organizational structure and processes must allow for this by defining local responsibilities and budgets. In case of an integration of local issues into a global strategy, the integration of local management into strategy making would be favorable. Centralized decision making without CSR participation would be the consequence of no provision for local differences in strategy making. Finally, communication and reporting may be host country specific, partly adapted or focused on home country stakeholders. Even if reports do not refer to specific issues, they might be translated to English or the host country language.

6.   First empirical insights

In order to empirically investigate the degree of localization of CSR management, a survey of major German globally active companies was conducted between April and June 2009 asking questions about localization aspects at different dimensions of CSR management. Even though the limited size of the analysis does not allow drawing general conclusions, some interesting tendencies could be observed which deserve further investigation in the future.

First, perceived important CSR issues concern foremost environmental aspects (esp. climate) and social issues such that education, demographics and unemployment. These issues are reflecting a typical European perspective. It would be interesting to analyze companies from other regions in order to compare perceptions in different regions.

Second, most of the participating companies work with standards in essential areas like environment, health & safety and training. Guidelines – if used – are usually valid and binding usually throughout the company. This observation supports the hypothesis, that there is a tendency towards the use of corporate wide standards, which is increasingly demanded by NGO's.

With respect to decision making, most companies stated that CSR decisions are usually taken at the headquarter level which suggests that CSR is seen as a corporate function that requires global coordination. However, with respect to the integration of local perspectives into CSR decisions – either by integration of local CSR managers in decision making or via a local stakeholder dialogue – two almost equal groups of companies were found: those who consider local aspects and those who focus on stakeholders and concerns in the home country. There was no clear relation between the degree of decentralization of decision making and the localization of CSR strategy, which might be also due to the limited sample size. For further research, it would be interesting to investigate more in detail the influencing factors of localization such as for example the power of foreign and local stakeholders and the character of issues concerned.

7. Summary

The objective of this paper was to explore approaches of CSR management in globally active companies and to find influencing factors for standardization or localization of CSR management. After a brief description of general strategic approaches of multinational companies and of CSR management aspects which are worth to consider when reflecting about localization, external and internal forces for localization and adaptation where analyzed and structured. External forces were suggested to have its origin in expectations of global and local stakeholder groups, who might have conflicting interests with respect to CSR issues and the localization approach of companies. Internal factors are organizational in nature and include leadership and motivational factors asking for decentralization and localization, and strategic factors suggesting consistency and standardized CSR approaches. Three main influencing aspects for the localization approach of CSR management where derived from this discussion: The issues in question (global public goods or issues backed by "global" values), the character and location of the most relevant stakeholders and the general organizational and strategic approach of a company. As the degree of localization is not at least reflected in the location within the management process (normative foundation, different strategic tasks, communication), in a last step localization approaches were detailed for the beforehand CSR management dimensions.

First empirical suggests that CSR is still rather Headquarter driven, even if general decision making is considered as decentralized. Issues considered as important reflect a rather European perspective. However, not at least due to the limited sample size, it was not possible to find relations between factors such as general strategic approach and localization approach of companies. For further research it would be interesting to explore not only headquarter perspectives on localization, but also perspectives of subsidiaries and to investigate also empirically more in detail the influencing factors on the global CSR management approach of companies.

8.   Table of figures

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