ISSN: 2278-3369
International Journal of Advances in Management and Economics
Available online at www.managementjournal.info
RESEARCH ARTICLE

Corporate Social Responsibility (CSR) and Development-A Study with Brazilian Multinational Corporations

Pavan Kelly Roman*, Borini Felipe Mendes

Escola Superior de Propaganda e Marketing (ESPM), Brazil.

*Corresponding Author:E-mail: ***kepavan@gmail.com***

Abstract

This study aims to demonstrate the connection between development level of host-countries and Corporate Social Responsibility (CSR) of Brazilian subsidiaries. Quantitative secondary data is obtained from Project GINEBRA, a Project dedicated to the study of business management for the internationalization of Brazilian companies. It is argued that foreign subsidiaries of Brazilian multinational corporations prosecute more CSR in developed than in developing countries. Statistical correlation tests reveal that in most of the cases there is no significant variance in CSR between developed and developing countries, except for the selection of certified suppliers.

Keywords: *Corporate Social Responsibility (CSR), Economic Development, Foreign Subsidiaries.*

Introduction

Given the intensification of international competition and the escalation of social and environmental challenges in the XXI century, many multinational corporations have integrated Corporate Social Responsibility (CSR) into their business strategies, sharing with society the possible solutions to these challenges [1]. With regard to environmental problems, for example, it's increasingly evident that new forms of global cooperation and new arrangements are settled so that it is possible to reconcile a dynamic economic growth and scarce natural resources [2].

In this scenario, multinational corporations originally from developing countries, characterized by recent processes of internationalization, have conquered the world markets, and even lead some sectors of the world economy [3]. Thus, similarly to the traditional multinational corporations from developed countries, emerging multinational corporations should be aware of the changing demands of the international context specially those demands for a responsible attitude towards society and environment.

This research addresses the study of CSR at Brazilian multinational subsidiaries in diversified host-countries. These host-countries were classified as "developed" or "developing" countries. Such classification is based on economic criteria and aims to make it viable to demonstrate the existence of some connection between the level of economic development of a host-country and the CSR performed by foreign subsidiaries therein operating.

In addition to that, classification criteria has been chosen because of the wide accessibility to data provided by OECD, the World Bank and the Asian Development Bank, due to the recognition of these institutions as reputable international organizations, and due to the compatibility of the classification with the purposes of this research. Furthermore, the use of economic criteria as this study variable is justified by the originality of the subject, especially among Brazilian researchers.

Under specific economic conditions at the host-country, a foreign subsidiary can adapt its CSR conveniently to these conditions. Thus, the research aims to demonstrate whether there is any connection between the host-country's economic development and the CSR of foreign subsidiaries of Brazilian multinational corporations. It was chosen the study of foreign subsidiaries of Brazilian multinational corporations because there is a perceived gap in the scientific literature on the CSR of companies from developing countries, and this issue might be stressed.

The findings of this research shed light on important information that may impact on improvements in the processes of internationalization of Brazilian corporations.

This sort of information may help companies to improve their international projection and also their national projection as well. This is particularly relevant in Brazil, where consumers are increasingly aware and demanding CSR from companies. Corporations that reported being socially and environmentally responsible have also reported improvements in their relationships with partners once everyone wants to have their brands linked to the brand of a company recognized for its CSR [4].

CSR Strategy: Local Adaptation or Global Standardization?

Important theoretical contributions have been developed within the CSR debate and some of them are important for understanding the topic of this research.

The starting point is the idea that multinational corporations face in host-countries an initial resistance. This is because the host-country does not have enough information about the foreign company, which is known in the literature by information asymmetry. Thus, foreign companies are often subject to stereotypes and different judgment criteria in the host- countries. This leads to delay in recognition of the legitimacy of the subsidiary in a foreign territory [5].

In order to overcome rejection and conquer markets, multinational corporations must expand their legitimacy among society. One way of doing this is showing commitment to the host- country through the adoption of CSR practices [5].

CSR practices consist in implementing a CSR strategy previously defined by the company. CSR strategies can be global or local according to the issues they aim to address and the stakeholders they intend to satisfy. A global strategy consists of a centralized strategy originating at the matrix and spreading globally under a standardized format, which means that all subsidiaries might follow matrix guidelines. Global CSR strategies can thus lead to a lack of legitimacy at the local level because it may not address issues particularly relevant to local stakeholders. Thus, local stakeholders might not find their demands addressed. Local strategies, in turn, are more responsive to local problems (contextual), but can be fragmented, differing from subsidiary to subsidiary, and endangering the minimum standards of CSR pleaded by the parent company [6].Table 1: Summarizes the advantages and disadvantages of both local and global CSR strategies. It's based on Jamali's [7] considerations.

Table 1: Advantages and disadvantages of local and global CSR

	Advantages	Disadvantages
Global CSR	Upstream harmonization of CSR standards across the entire company Standardized CSR strategy Integrated CSR strategy Policies, processes and structures consistent across different cultural contexts	Insensibility to local needs Reduced legitimacy Attachment to the minimum requirements criteria in the host-country
Local CSR	Highly responsive to local contexts Highly adaptive to cultural differences and local preferences	Fragmented and inconsistent strategies Internal tensions Attachment to the minimum global requirements criteria Necessity of high control and coordination

Source: Authors, based on Jamali [7].

Analyzing Table I, it's possible to infer that multinational corporations must adapt to certain contingencies and local demands. Likewise, they must adopt strategies consistent with the overall corporation. Ideally, therefore, multinationals should try to combine the constant multiple global and local forces and pressures [7].It is possible to assume that the greater the differences between home and the host- countries, the greater local resistance to foreign subsidiaries might be. Therefore, the greater should be subsidiaries' engagement with CSR [5]. This research considers exclusively the economic distance among countries, regardless the existence of other dimensions of distance, such as cultural distance. The aim is precisely to demonstrate whether or not the level of economic development implies greater CSR.

It must be highlighted that though CSR has become a common place of business speeches, there aren't enough laws to regulate matters relating to CSR worldwide. There is actually a "global legal vacuum" [7] regarding the activities undertaken by multinational companies, allowing the rise of gaps for corporate escape. These gaps are deeper in developing and emerging countries [7]. It must be then expected that firms (both national and foreign) operating in developing countries are less concerned about social and environmental issues.

Given this expectation, there is a latent risk that when a multinational corporation is setting a subsidiary in a developing country the foreign subsidiary level down its CSR patterns rather than following the standards of its home-country. Campbell, Eden and Miller [5] suggested that the higher the economic distance between home and host-countries, the lower the strategic commitment and financial ability of firms to practice CSR in host-countries. If the home-country is poorer than the host-country, the foreign subsidiary is likely to be focused on acquiring competitive parity with local competitors, and thus is less likely to have "extra" funds to finance expenditures on CSR. In other words, the subsidiaries originated from poorer countries (developing countries) are unlikely to have necessary resources to invest in CSR in a host-country more developed than its home-country. On the other hand, if the home-country is economically more developed than the host-country, decreased investments on CSR are expected, once entrepreneurs lack interest for investing in CSR as it is not considered essential to expand the social legitimacy of the company. In this regard, Muller [6] argues that when the local context is a developing country with lower standards of CSR and less public pressure, there is room for multinational corporations to adopt lower standards of CSR instead of the higher standards expected in their home-country.

In short, literature reveals that the definition of CSR strategy is not only a matter of standardize or adapt. There is an influential element determining CSR: the level of economic development of both home and host-countries. This research investigates the relationship between CSR and economic development of the host-country in the case of Brazilian multinational corporations.

Methodology

This research's methodology consisted of quantitative data analysis. Data were obtained from a survey involving the universe of Brazilian multinational corporations by the year of 2010. That survey was administered in context of Project GINEBRA, a Project dedicated to the study of business management for the internationalization of Brazilian companies. At that time, it was possible to identify 97 Brazilian multinational corporations, of which 61 agreed to forward a questionnaire to their foreign subsidiaries. The respondents were General Managers of subsidiaries, and 81 questionnaires were answered. However, due to missing cases only 75 subsidiaries were included in the empirical analysis that follows.

The questionnaire was made up of closed questions with answers within a five-point scale varying from "strongly disagree" to "strongly agree". Questions regarding CSR were the following: 1) does the subsidiary have any social and/or environmental certification?; 2) does the subsidiary have reputation in the area of CSR?; 3) does the subsidiary work exclusively with suppliers who have social and/or environmental certification?; 4) does the subsidiary conduct environmental and/or social training with suppliers and/or customers?; 5) does local community exert pressures for the adoption of CSR practices and principles?; 6) does the subsidiary differentiate itself from local competitors because of activities related to CSR?; 7) does the subsidiary differ from other subsidiaries of the corporation as a result of activities related to CSR?; 8) has the subsidiary lead projects in the corporation because of any activity related to CSR?; and 9) has the subsidiary developed projects related to CSR which were transferred to other subsidiaries of the corporation?.

Responses were statistically compared to the level of development of the host-countries. In the first testing, countries were targeted between "developed" and "developing" countries according to data available at Aid Flows (a Program developed in partnership by OECD, the World Bank and the Asian Development Bank).

Comparison was performed by t-test, which is a significance test that reveals when two variables are linearly related. The test was run by comparing the averages of the responses obtained from the questionnaires. T-test reveals that a relationship between two variables is significant if and only if the significance value is < 0.05.

In order to make the results clearer and detailed, it was adopted a more detailed classification among countries: "lower middle income", "upper middle income", and "high income" countries. This classification criterion is also available at AidFlows. The ratings suggest the segmentation that follows:

Table 2: Income levels of countries according to AidFlows (2011)

Classification of the country	Income level (per capita income)
Lower middle income	USD 1,006 to USD 3,975
Upper middle income	USD 3,976 to USD 12,275
High income	USD 12,276 or more

Source: Authors, based on AidFlows (2011).

To compare the means obtained for the three classes of countries, ANOVA test was used. It is also a significance test and functions similarly to the t-test. However, it is used to compare means when dealing with three variables. Similarly to t-test, a significant relationship between the variables is found when the value of the test is < 0.05.

Results

Among 81 questionnaires answered by foreign subsidiaries of Brazilian multinational corporations, only 75 participated in the survey due to missing cases. It was found that they are small businesses in the host-countries (based on their number of employees and their financial performance). Regarding the location of those 75 subsidiaries, their distribution figures as follows: 46% of them are in Latin America, 30% in North America, 9% in the European Union, 4% in Africa, 4% in Asia, 3% in Eastern Europe, 1% in India, 1% in Oceania, and 1% in the Middle East. Classifying their location between “developed countries” and “developing countries”, 57% are in developing countries and 43% in developed countries.

Classifying their location among “lower middle income” countries, “upper middle income” and “high income” countries, 13.92% are in “lower middle income” countries, 43.04% in “upper middle income” countries, and 43.04% in “high income” countries. Table 3 summarizes the results of t-test.

For all questions except for question 6 there were 75 responses, 43 of them from subsidiaries hosted in developing countries and 32 of them from subsidiaries hosted in developed countries. For question number 6, 73 subsidiaries sent their answers, 41 of them being hosted in developing countries and 32 in developed countries.

Table 3:T-test for equalization of averages.

Question number	Economic development level	N	Mean	Difference between the means	Significance
1	developing	43	2.98	-0.398	0.284
	developed	32	3.38		
2	developing	43	3.26	0.131	0.663
	developed	32	3.13		
3	developing	43	2.09	-0.907	**0.002**
	developed	32	3.00		
4	developing	43	2.58	-0.262	0.396
	developed	32	2.84		
5	developing	43	2.40	-0.386	0.226
	developed	32	2.78		
6	developing	41	2.80	0.149	0.637
	developed	32	2.66		
7	developing	43	2.53	0.097	0.726
	developed	32	2.44		
8	developing	43	1.79	-0.428	0.119
	developed	32	2.22		
9	developing	43	1.91	-0.312	0.265
	developed	32	2.22		

According to the data shown in Table 3, the only item for which the significance value is below 0.05 is item number 3, referring to the subsidiary working exclusively with suppliers who have certification concerning social and/or environmental issues. So the only item for which there was correlation between the variables was item 3. Relatively to other questions, no significant relationships were found between CSR and the level of development of the host countries.

Given these finding, with respect to the third point, namely working exclusively with certified suppliers, that was the only aspect for which the difference between the means was statistically significant. This could be explained by arguing that developed countries, whose means are significantly higher for CSR, have a greater number of certified suppliers. That can be explained by local legal requirements or the need for differentiation from competitors. Notwithstanding, in developing countries companies do not work exclusively with certified suppliers because perhaps there are not enough certified suppliers in the host countries due to mild local legal requirements or even the lack of local competition between suppliers.

In general, results refute the arguments for the association between CSR and the level of economic development of the host-countries in the case of Brazilian multinational corporations. The association between those variables is only proved valid for one of the variables evaluated (working exclusively with certified suppliers).

This result is very general once though the group of developed countries is made up of countries with similar traits and characteristics, the group of developing countries is compounded by many countries with different characteristics and traits. For example, placing Chile and Angola in the same group of "developing countries" is a highly risk generalization and may omit important discrepancies between the levels of CSR in countries with expressively different levels of development. In order to alleviate the problems of this classification are presented the results obtained for the ANOVA test based on the classification of countries according to their per capita income: "lower middle income", "upper middle income", and "high income" countries. Table IV summarizes the results of the ANOVA test. Results obtained from the ANOVA test refute once more the arguments proposed for most of the items evaluated.

Table 4: Results returned by the ANOVA test

Question number	Economic development level	N	Mean	Significance
	Lower middle income	10	3.50	
1	Upper middle income	33	2.82	0.278
	High income	32	3.38	
	Lower middle income	10	3.40	
2	Upper middle income	33	3.21	0.839
	High income	32	3.13	
	Lower middle income	10	2.30	
3	Upper middle income	33	2.03	**0.009**
	High income	32	3.00	
	Lower middle income	10	2.10	
4	Upper middle income	33	2.73	0.294
	High income	32	2.84	
	Lower middle income	10	2.30	
5	Upper middle income	33	2.42	0.468
	High income	32	2.78	
	Lower middle income	10	3.00	
6	Upper middle income	31	2.74	0.778
	High income	32	2.66	
	Lower middle income	10	2.60	
7	Upper middle income	33	2.52	0.923
	High income	32	2.44	
	Lower middle income	10	2.00	
8	Upper middle income	33	1.73	0.243
	High income	32	2.22	
	Lower middle income	**10**	**2.00**	
9	**Upper middle income**	**33**	**1.88**	**0.519**
	High income	**32**	**2.22**	

They are consistent with the results obtained in the t-test. Once more, only the matter of working with certified suppliers revealed to be significant.

Utilizing that three-partite classification it is possible to appreciate a better detailed result. The curious thing is that among "middle-income" and "lower middle income" countries, the subsidiaries hosted in "lower middle-income" countries presented a higher mean for the work with certified suppliers, perhaps because they import products from certified suppliers, once it is not expected that those countries have many local certified suppliers because of their lack of local pressure concerning CSR.

Generally it is possible to trace the profile of foreign subsidiaries of Brazilian multinational corporations based on data presented in this research. Some positives characteristics were identified. These subsidiaries are largely concerned about getting some kind of social and/or environmental certification. They intend to build their reputation in the area of CSR. However, some negative characteristics have also been discovered. Many subsidiaries did not adopt CSR practices that differentiated them neither from other subsidiaries inside the same corporation nor even in relation to local competitors.

Another negative characteristic is that foreign subsidiaries of Brazilian multinational corporations are still somewhat dependent on the matrix in generating and disseminating organizational skills related to society and the environment. A consequence is that most of the subsidiaries did not lead global projects related to CSR within corporations.

Moreover, subsidiaries were not engaged in conducting training activities about environmental and/or social concerns, neither with suppliers nor with customers. That is alarming because it reflects that there is still little commitment of these companies with deep changes related to education and awareness of key stakeholders. The lack of investment in training may reflect the lack of pressure from local communities, which was also confirmed by data from this study.

In "upper middle income" host-countries subsidiaries are deficient in working with certified suppliers, they established insufficient dialogue with stakeholders, and little investment in training was made. In "lower middle income" host-countries, the remarkable problems are found in the little investments in training, poor dialogue with stakeholders, and the disabled generation and transfer of organizational skills related to CSR.

In "high-income" host-countries, the main weaknesses of the subsidiaries are related to generating and transferring organizational skills concerning CSR and promoting dialogue with stakeholders.

The remarkable characteristic of subsidiaries hosted in developed countries was the certification level identified. For those subsidiaries hosted in developing countries, it was remarkable the recognition of their reputation in CSR matters [8-14].

Conclusion

CSR is more than a demand; it is already a tangible reality for much of Brazilian multinational corporations. However, it was proved through this study that the level of economic development of host-countries does not influence on greater or worse CSR by the foreign subsidiaries of Brazilian multinational corporations operating therein. The only item that claimed that association was the item relating to working with certified suppliers, which may be attributed to a contextual explanation: developed countries have more certified suppliers.

It is important to note that foreign subsidiaries of Brazilian multinational corporations that settle in host-countries with lower levels of development contribute to those countries with better CSR practices, which differentiate them from local competitors. Thus they contribute to improving the CSR standards at those countries.

However, small pressure from local communities and flaw legal standards open a wide room for companies' maneuver and adoption of lower CSR standards when compared to CSR standards expected at countries with higher levels of requirements.

It is necessary to perform further researches so to explain the real causes of the results, which were only superficially pointed out in this research. It is necessary to assess whether other contextual aspects may influence CSR and the way it is practiced by the subsidiaries of Brazilian multinational corporations in their host-countries. Some examples are: levels of legal requirements, consumer demands, pressures of local stakeholders, cultural and institutional distances between the home and host countries, and a lot of other issues that may influence the way in which companies will enact CSR policies. From this research it is possible to derivate a warning for Brazilian multinationals to invest more in training, especially in those sectors with greater influence on performance; promote a more open dialogue with local stakeholders, which can be crucial for subsidiaries' success or failure; and develop better organizational skills on CSR, so that projects stand out within the corporation and internationally.

References

1. Borger FG (2012) Considerações teóricas sobre gestão da responsabilidade social empresarial. Availableat:http://www.nesa.org.br/pdf/Artigos%20 Cient%C3%ADficos/aula_Fernanda_03_04.pdf
2. Sauvant KP, Maschek W A, McAllister G (2009) Foreign direct investment by emerging market multinational enterprises, the impact of the financial crisis and recession and challenges ahead. OECD Global Forum on International Investment VIII, Paris, France. Available at: http://www.oecd.org/dataoecd/9/2/44246197.pdf.
3. Santiso J (2007) The emergence of Latin multinationals. OECD Emerging Markets Network Working Paper, OECD Development Center. Available at: http://www.oecd.org/dataoecd/4/40/40512615.pdf
4. Coutinho RBG, Macedo-Soares TD (2002) Gestão estratégica com responsabilidade social: arcabouço analítico para auxiliar sua implementação em empresas no Brasil. RAC, 6(3):75-96.
5. Campbell JT, Eden L, Miller SR (2012) Multinationals and corporate social responsibility in host countries: does distance matter? J. Int. Business Studies, 43(1):84-106.
6. Muller A (2006) Global versus local CSR strategies. European Management Journal, 24(2-3):189-198.
7. Jamali D, The CSR of MNC subsidiaries in developing countries: global, local, substantive or diluted? J. Business Ethics, v. 93(2):181-200.
8. Barbieri JC, Cajazeira JER (2009) Responsabilidade social empresarial e empresa sustentável: da teoria à prática. São Paulo: Saraiva.
9. Bittencourt E, Carrieri A (2005) Responsabilidade social: ideologia, poder e discurso na lógica empresarial. RAE, 45(Special Edition), 10-22.
10. Fleury A , Fleury MTL, Borini FM, Oliveira Junior MM, Reis GG, Silveira F (2010) Gestão estratégica das multinacionais brasileiras. Research report, Universidade de São Paulo and Fundação Getúlio Vargas, São Paulo.
11. Günther H (2006) Pesquisa qualitativa versus pesquisa quantitativa: esta éa questão? Psicologia: Teoria e Pesquisa, 22(2):201-09.
12. Moretti SLA, Campanario MA (2009) A produção intelectual brasileira em responsabilidade social empresarial – RSE sob a ótica da bibliometria. RAC, 13:68-86.
13. Pedersen ER, Neergaard P (2009) What matters to managers? The whats, whys, and hows of corporate social responsibility in a multinational corporation. Management Decision, 47(8):1261-280.
14. Zorovich M (2010) A sustentabilidade orientada para o consumidor. Revista da ESPM, 17(1), Caderno especial.