

# **Corporate Social Responsibility Diffusion in Multinational Subsidiaries in Indonesia and its Implications for Organisational Outcomes**

Melia Famiola Hariadi, STP (Honours) (IPB), MT (ITB)



This thesis is presented in fulfilment of the requirements for the  
degree of Doctor of Philosophy (PhD)

Macquarie Graduate School of Management (MGSM)  
**Macquarie University – Sydney**  
**May 2014**

*“Others have seen what is and asked why.  
I have seen what could be and asked why not.”  
---- Pablo Picasso*

# Contents

Contents .....	ii
List of Figures .....	v
List of Tables .....	vi
List of Appendices .....	vii
Abstract.....	viii
Abstract in Bahasa Indonesia.....	xi
Declaration.....	xiv
Acknowledgements .....	xv
CHAPTER 1. General Introduction .....	1
1.1. Thesis Background and Motivation .....	2
1.2. Research Setting and Questions .....	4
1.3. Research Objectives .....	6
1.4. Review of Key Concepts .....	6
1.4.1. CSR and CSR Diffution Definition .....	7
1.4.2. Model of CSR Diffusion in Subsidiaries of Multinational Companies .....	8
1.5. Thesis Positioning in the Literature and its Challenges .....	19
1.6. Thesis Design and Structure .....	22
1.6.1. The General Thesis Overview .....	22
CHAPTER 2. Research Methodology and Reflection: A Review.....	25
2.1. Introduction.....	26
2.2. Literature Review .....	26
2.3. Research Design and Approaches .....	28
2.2.1. Selecting Case Studies: MNC Subsidiaries in Food and Beverage Manufacturing as the Subject .....	29
2.2.2. <i>Methods of Data Collection</i> .....	30
2.2.3. Sampling Strategy .....	33
2.3. Primary Research.....	33
2.3.1. <i>Data Collection</i> .....	33
2.3.2. Respondents .....	36
2.3.3. Data Analysis .....	36
2.4. Ethical Principles Governing of the Research .....	37
2.5. Reflections .....	37
CHAPTER 3. Corporate Social Responsibility in Emerging Economies: A Review .....	39

3.1. Introduction.....	40
3.2. Classification of Studies of Corporate Social Responsibility in Emerging Economies..	42
3.2.2. Terms and Content .....	45
3.2.3. Contribution to Knowledge .....	45
3.3. Conceptual Framework .....	46
3.3.1. The Genesis and the Evolution of CSR Concept .....	46
3.3.2. Institutional Theory as an Approach .....	50
3.3.3. Corporate Social Responsibility from Different Perspectives of Economic Institutions .....	51
3.4. Findings .....	53
3.4.1. Change in Economic Institutions in Emerging Economies .....	53
3.4.2. Consequences of Economic Change and Globalisation for Economic Institutional Factors in Emerging Economies .....	55
3.4.3. Socio-Cultural Restrictions and their Implications for Corporate Social Responsibility Approaches in Emerging Economies .....	56
3.5. Discussion.....	61
CHAPTER 4. Corporate Social Responsibility Diffusion in Multinational Subsidiaries in Indonesia: Organisational Dynamics and Institutional Effects.....	67
4.1. Introduction.....	68
4.2. Conceptual Framework .....	69
4.2.1. The CSR Perspective in International Business Studies .....	69
4.2.2. Institutional Theory .....	70
4.2.3. Hypothesis and Model Development .....	71
4.3. Methodology .....	74
4.3.1. Empirical Focus .....	74
4.3.2. Data Collection and Analysis .....	75
4.4. Findings .....	75
4.4.1. CSR Statement and Practices: a Typology in Food and Beverage MNCs in Indonesia.....	75
4.4.2. Organisational Dynamics of CSR Policy in MNCs .....	77
4.4.3. Institutional Factors.....	78
4.5. Discussion and Conclusion.....	81
CHAPTER 5. Corporate Social Responsibility Diffusion: A Complexity of Internal Legitimacy in Multinational Subsidiaries Operating in Indonesia.....	87
5.1. Introduction.....	88
5.2. Conceptual Framework: Internal Legitimacy in MNCs .....	90
5.2.1. Subsidiary's Strategic Position within MNC.....	91
5.2.3. Employee Management and Involvement in CSR .....	94

5.3. Methodology .....	95
5.3.1. Subject and Data Collection .....	95
5.3.2. Data Collection and Analysis .....	95
5.4.1. Subsidiary Strategic Position and Its Implication to Subsidiary Engagement to CSR .....	96
5.4.2. CSR Organisation and Governance .....	98
5.4.3. Employee Management and Involvement .....	99
5.5. Discussion and Conclusion.....	101
CHAPTER 6. Employee - Corporate Social Responsibility Fit: Social Adaptation and its implications for Work Environment and Outcomes.....	104
6.1. Introduction .....	105
6.2. Research Assumptions and Conceptual Background .....	108
6.2.1. Internalisation and Definition of Employee-CSR Fit .....	108
6.2.2. Employee-CSR fit .....	109
6.3. Methodology .....	114
6.3.1. Research setting .....	114
6.3.2. Subjects .....	114
6.3.3. Data collection.....	115
6.3.4. Data analysis .....	116
6.4. Research findings and Discussion.....	117
6.4.1. Employee definition of CSR and Perception of Fit .....	117
6.4.2. Drivers of Fit Perception .....	119
6.5. Discussion and Conclusion.....	125
CHAPTER 7. Conclusion and Closing Remarks.....	130
7.1. Meeting the Research Objectives .....	131
7.1.1. A Portrait of Dual Pressures on MNC subsidiaries' CSR behaviour in Indonesia: Institutional and Organisational dynamic effects. ....	131
7.1.2. Similarities and Differences in MNC CSR Management According to Country of Origin .....	134
7.1.3. Employee Response toward Their Organisation's CSR.....	137
7.1.4. Effect of CSR on Organisational Outcomes .....	138
7. 2. Research Contributions .....	140
7.2.1. Research Contribution to Knowledge and Theory .....	140
7.2.2. Research Contribution to Practice .....	142
7.4. Closing Remarks .....	145
References.....	146
Appendix.....	171

# List of Figures

---

Figure 1. 1. Indonesian and BRIC Economic Growth 2008-2012.....	3
Figure 1. 2. Research Setting .....	6
Figure 1. 3. Triangle Model of the Social Dimensions of CSR Diffusion in a MNC Subsidiary.....	8
Figure 1. 4. Organisational Dynamic in MNC's CSR Management.....	10
Figure 2. 1. Research Methodology .....	27
Figure 2. 2. Contribution of the Non-Oil-Processing Industry to the Indonesian GDP .....	29
Figure 2. 3. Labour Absorption by Non-Oil Indonesian Industry .....	30
Figure 3. 1. Summary of distribution of Cases According to the Country of Origin.....	44
Figure 3. 2. Classification of CSR Research in Emerging Economies .....	45
Figure 3. 3. Carroll's (1991) CSR Pyramid .....	48
Figure 3. 4. The Evolution of CSR Concept.....	49
Figure 3. 5. CSR Model in Emerging Markets Based on Stakeholder Perspectives: a Modification of Carroll's (1991) CSR pyramid .....	62
Figure 3. 6. Gross National Income of Emerging Economies (in billion US Dollars) .....	63
Figure 3. 7. GINI coefficient of Emerging Economies .....	63
Figure 4. 1. Model of CSR Diffusion in MNCs Operating in Emerging Economies .....	72
Figure 4. 2. Glocalisation of CSR diffusion in MNC subsidiaries .....	83
Figure 6. 1. Employee-CSR fit .....	109
Figure 6. 2. Contribution of CSR to Work Environment Based on the Perception of Employee-Organisational Fit .....	127

# List of Tables

---

Table 3. 1. Classification of Emerging Economies by Region. ....	41
Table 3. 2. Summary of Literature Search Results according to the Journals sources, n (%).....	42
Table 4. 1. Topological CSR Initiatives of Indonesian Food and Beverage MNCs .....	76
Table 5. 1. Subsidiary Characteristics .....	97
Table 6. 1. Characteristics of a Socially Responsible Company .....	110
Table 6. 2. Satisfaction Variables of Social Responsible Companies .....	114
Table 6. 3. Respondents' Demography .....	116
Table 6. 4. Employee Perception of CSR Definition. ....	118
Table 6. 5. Employee Perception of Organization's CSR Characteristics .....	119
Table 6. 6. Influence Factors of Fit Perspectives .....	119
Table 6. 7. Implications of CSR for Work Outcomes .....	121

# List of Appendices

---

Appendix 1. Ethics Approval.....	172
Appendix 2. Research Interview Draft with CSR Manager/Director/Head .....	174
Appendix 3. Research Interview Draft with HR Manager/Director/Head .....	178
Appendix 4. Draft Interview with Employee.....	184
Appendix 5. Questionnaire: Employee Perception of CSR.....	185
Appendix 6. Research Consent Form.....	200
Appendix 7. Proof of Submission to Business and Society Journal for paper: Corporate Social Responsibility in Emerging Economies: A Review (Chapter 3).....	204
Appendix 8. Proof of Submission and Reviewer Comments of Social Responsibility Journal for Paper: Corporate Social Responsibility Diffusion by Multinational Subsidiaries in Indonesia: Organisational Dynamic and Institutional Effect (Chapter 4).....	205
Appendix 9. Proof and Status of Submission at Asian Business and Management Journal for paper: Corporate Social Responsibility Corporate Social Responsibility Diffusion: A Complexity of Internal Legitimacy in Multinational Subsidiaries Operating in Indonesia (Chapter 5) .....	208
Appendix 10. Proof and Status of Submission at Journal of Business Ethics: Employee-Corporate Social Responsibility Fit: A Social adaptation and its Implication to Work Environment Outcomes (Chapter 6) .....	211
Appendix 11. Melia Famiola Hariadi's Activities during the Doctoral Candidature .....	212
Appendix 12. Publications during PhD Study .....	214



# Abstract

---

The purpose of this thesis is to explore the process of diffusion of Corporate Social Responsibility (CSR) practices in Food and Beverage Multinational Corporations (MNCs) operating in Indonesia. This is a thesis by publication. Its four chapters are prepared for publication, three of which are currently under review in peer-reviewed journals or have been accepted for presentation at international conferences.

The purpose of this thesis is to understand antecedents and determinants of MNCs' CSR behaviours in Indonesia by highlighting three social dimensions. First, it explores the effect of organisational dynamics in MNC management (*organisational dynamics*). Second, and drawing from institutional theory, the study exposes institutional aspects affecting MNC subsidiaries' CSR decision-making in Indonesia (*institutional context*). Third, it explores the attitudes of employees toward CSR (*CSR-employee fit*) in terms of company CSR practices and their own personal values.

This study makes both a theoretical and practical contribution to our understanding of CSR practices in MNC subsidiaries operating in emerging economies. In the extant literature, there are few theoretical frameworks that have been developed that consider multiple antecedents of CSR in MNC organisations and insufficient empirical analysis of antecedents and determinants of CSR practices. This study addresses both these shortcomings.

This research is designed as a multi-case study from six MNC subsidiaries operating in Indonesia. The six MNCs are from three different continents: US, Europe and Japan. Data is collected through a qualitative approach: interviews, observations, and other supporting documents. Considering data sufficiency and accuracy, information that was collected from employees was gathered through mixed-methods (qualitative and quantitative approaches).

The results of this research project are discussed in three chapters; two chapters discuss the process of diffusion at the level of the organization, and one chapter explores employee attitudes to CSR. The results can be summarised as follows. First, at the level of the organisation, organisational dynamics in MNCs have a more powerful effect on subsidiary commitment to CSR than do institutional aspects peculiar to Indonesia. In particular, CSR

behaviour in subsidiaries tends to be a mandate from headquarters, therefore pressure from headquarters is a critical factor determining subsidiary engagement in CSR. This study found that “core CSR policy” in subsidiaries tends to align with headquarters’ CSR interest. Second, even if the parent company has a high commitment to CSR, if the subsidiary does not have a strategic position in the MNC network, their engagement in CSR is low. This study demonstrates that large subsidiaries tend to be more committed to CSR than small subsidiaries. This indicates that large subsidiaries tend to confront high pressure from their headquarters to conduct CSR since the best practice of the large (major) subsidiaries may be regarded as representing their MNC social initiatives to which other subsidiaries can refer to. In addition, large (major) subsidiaries also have “moral pressures” striving to be acknowledged as “centers of excellence” so that other MNC subsidiaries can adopt and draw lessons from their CSR. Third, although the age of a subsidiary does not significantly ensure a company’s willingness to engage in CSR, I found that long-established companies tended to have a good relationship with the local community and this emotional attachment influences the company’s CSR approach. Therefore, it is not surprising that a long-established subsidiary tends to be more sensitive to the needs of the local community than does a newly established one.

In terms of CSR management, this study also highlights two issues: the first relates to coordination and CSR governance in MNCs, and the second relates to how MNCs incorporate HRM into their CSR program. This study found that CSR coordination and governance tend to be rather informal, but subsidiaries from different origins differ in their specific applications. Comparing MNCs based on their place of origin, European MNCs explored in this study tended to be more formal than their US and Japanese counterparts; they organize through specific departments and employ formal reporting standards, but there is no structural coordination between the headquarters and subsidiaries. US companies tend to coordinate CSR through regional meetings of the board of directors, while Japanese MNCs do not assign a specific standard or reporting.

In terms of how MNCs incorporate HRM into their CSR program, this study found two different approaches: strategic CSR-HRM, and separating CSR for external and internal organization. Even though subsidiaries employ both these two approaches, they have different degrees of concern. US subsidiaries in this study focused on utilizing their CSR as strategic CSR-HRM. Their CSR activities are designed as part of their employee engagement programs. Two example of Japanese subsidiaries in this study clearly delineate between CSR

for external and internal stakeholders (employees), while European MNCs in this study tended to employ a similar approach as Japanese companies. However, European MNC employees are encouraged to become involved in generating new ideas, and conducting evaluation of their CSR programs.

At the level of the individual, this study indicates that Indonesian employees of the sampled MNCs gave positive responses as regards their perception of CSR. The majority of them stated that CSR makes them proud to be part of the company and some stated that CSR contributes to their heightened sense of loyalty to the company. These positive reactions are due to the positive impact CSR has to work environment influencing both employee perception of fit to the company and interpersonal relationship at work. CSR also links employees with similar values and interests in workplace, thus creating a sense of solidarity among employees.

**Key words:** Corporate Social Responsibility, Multinational Company, Indonesia, organizational behavior

# Abstract in Bahasa Indonesia

---

Tujuan dari tesis ini adalah untuk menginvestigasi proses difusi *Corporate Social Responsibility* (CSR) di Perusahaan Multinational (MNCs) makanan dan minuman yang beroperasi di Indonesia. Empat bab utama dalam tesis ini merupakan artikel yang sedang dalam proses *review* pada journal internasional atau sudah pernah diterima untuk dipresentasikan pada konferensi internasional.

Tujuan dari tesis ini adalah untuk memahami faktor pemicu perilaku CSR mutinasional perusahaan, khususnya anak perusahaannya yang beroperasi di Indonesia dengan menyoroti tiga dimensi sosial dalam manajemen MNCs. Pertama, riset ini akan menggali pengaruh dinamika organisasi dalam management MNC (*organisational dynamics*). Kedua, diambil dari *institutional theory*, studi ini akan mengungkap seberapa besar aspek institusi di Indonesia mempengaruhi pengambilan keputusan CSR anak perusahaan MNC (*institutional context*). Ketiga, studi ini juga melihat reaksi karyawan perusahaan terhadap CSR (*CSR-employee fit*) dikarenakan proses interaksi antara pengambilan keputusan CSR perusahaan dimana dia bekerja dan nilai-nilai yang mereka anut.

Penelitian ini diharapkan mampu memberikan informasi tambahan yang dapat memperkaya baik dalam hal pengembangan teori, maupun praktek-praktek untuk memahami perilaku CSR anak perusahaan multinasional yang beroperasi di negara-negara *emerging economy*, khususnya di Indonesia. Tidak banyak analisis empiris yang telah dilakukan untuk mengetahui latar belakang dan alasan yang motivasi dibalik praktek-praktek CSR selama ini dan juga masih sedikit landasan teori yang melihatnya dengan menggunakan pendekatan dengan multi perspektif untuk memami perilaku CSR pada organisasi-organisasi yang beroperasi di banyak Negara.

Dirancang menggunakan multi studi kasus, penelitian ini mengambil data dari enam anak perusahaan (subsidiari) MNC yang beroperasi di Indonesia. Ke-enam anak perusahaan tersebut berasal dari regional yang berbeda: US, Eropa dan Jepang. Mayoritas data dikumpulkan melalui pendekatan kualitatif: wawancara, observasi dan juga pengumpulan dokumen-dokumen pendukung. Data yang dikumpulkan melalui karyawan dilakukan dengan pendekatan *mix method* (pendekatan kuitatif dan kuntitatif dilakukan secara bersamaan).

Pembahasan hasil penelitian ini dibahas dalam tiga bab, dua bab digunakan untuk membahas proses difusi pada level organisasi dan satu bab untuk membahas reaksi karyawan terhadap CSR dan implikasinya terhadap organisasi.

Hasil penelitian ini dapat disimpulkan sebagai berikut. Pertama pada level organisasi, Proyek penelitian ini menemukan bahwa dinamika dalam manajemen organisasi dalam perusahaan multinasional lebih menentukan motivasi subsidiari terhadap CSR dari pada faktor-faktor instituti yang berkembang di Indonesia. Ditemukan bahwa “Core CSR” dari subsidiari multinational tersebut memiliki hubungan yang kuat dengan CSR pada induk perusahaan mereka. Namundemikian, tidak semua subsidiari memiliki komitmen terhadap CSR. Tergantung dengan seberapa strategis posisi subsidiari tersebut dalam jaringan kerja di organisasi MNCnya. Dapat dikatakan komitmen para subsidiari terhadap CSR rendah. Namundemikian, subsidiari yang memiliki ukuran besar cenderung lebih berkomitmen untuk menjalankan CSR dari pada subsidiari berukuran kecil. Penelitian ini mengungkapkan bahwa adanya indikasi bahwa subsidiari yang berukuran besar cenderung memiliki tekanan yang lebih kuat dari induk perusahaannya untuk menjalankan CSR, karena “*best practice*” mereka bisa dijadikan sebagai representasi dari CSR bagi MNC mereka. Selain itu, subsidiary besar cenderung juga mendapat tekanan untuk menjadi “contoh” atau “*centre of excellence*” bagi subsidiari-subsidiari yang lain.

Walaupun usia operasi subsidiary tidak secara signifikan bisa menjelaskan apakah subsidiary akan lebih aktif dalam CSR nya, tapi riset ini melihat perusahaan yang sudah lama berdiri memiliki hubungan baik dengan masyarakat lokal dimana dia beroperasi. Sehingga tidak lah mengherankan perusahaan yang sudah lama berdiri akan lebih peduli dan terlibat dengan aktivitas sosial di masyarakat sekitarnya dibandingkan yang baru berdiri.

Dalam hal manajemen CSR, penelitian ini melihat dua isu penting terkait dengan manajemen CSR pada MNC. Pertama terkait dengan koordinasi dan pengelolaan CSR di MNC. Penelitian ini menemukan bahwa koordinasi dan pengelolaan CSR di MNC bersifat informal, walaupun pendekatan pada masing-masing MNC tersebut secara spesifik yang dilakukan berbeda. Subsidiari MNC Eropa yang menjadi sample dalam penelitian ini cenderung lebih formal dari pada MNC Amerika dan Jepang. CSR di perusahaan Eropa ini diorganisir melalui departemen tertentu dan mengacu pada standar laporan tertentu. Kedua, terkait dengan bagaimana MNC mengatur fungsi dan HRM mereka terkait dengan CSR. Penelitian ini

melihat ada dua pendekatan: “Strategis CSR-HRM” dan pemisahan CSR bagi eksternal dan internal organisasi. Walaupun para subsidiari melakukan dua pendekatan tersebut, namun mereka berbeda dalam derajat konsentrasinya. Subsidiari Amerika yang menjadi kasus dalam penelitian ini lebih focus melihat CSR sebagai CSR-HRM strategis. Program CSR mereka digunakan sebagai salah satu strategi perusahaan dalam program pengembangan sumberdaya manusia mereka. Sedangkan dua anak perusahaan Jepang yang dilibatkan dalam penelitian ini cenderung memisahkan secara nyata antara CSR untuk eksternal perusahaan dan internal perusahaan (karyawan mereka). Sementara MNC Eropa cenderung memiliki pendekatan yang sama dengan apa yang dilakukan oleh perusahaan Jepang, namun mereka memanfaatkan beberapa aspek dalam fungsi manajemen Sumber Daya Manusia (SDM) terkait dengan CSR mereka dengan melibatkan karyawannya untuk, seperti menggali ide-ide kreatif karyawan dalam pelaksanaan CSR dan juga melibatkan karyawan dalam evaluasinya.

Kedua, pada level individu, Penelitian menemukan indikasi bahwa karyawan Indonesia yang bekerja pada perusahaan asing ini memiliki respon positif terhadap CSR perusahaannya karena aktifitas CSR nya, bahkan beberapa menyebutkan CSR bisa membangun loyalitas mereka terhadap perusahaan. Hasil positif ini tercipta karena aktivitas CSR berdampak positif pada lingkungan kerja yang lebih baik, terutama pada dua faktor: perusahaan memiliki kesamaan nilai dengan perusahaan dan terjadinya interaksi orang-orang yang memiliki konsen yang sama dalam perusahaan melalui kegiatan CSR. Tingginya derajat keterimaan karyawan terhadap CSR, karena CSR dianggap sesuai dengan ajaran agama mereka, lingkungan belajar dan berbagi pengalaman di tempat kerja (termasuk training) dan nilai-nilai budaya di Indonesia.

Kata kunci: CSR, Multinational perusahaan, Indonesia, Perilaku organisasi, Reaksi Karyawan

# Declaration

---

I certify that the work in this thesis entitled “CSR Diffusion in MNCs Subsidiaries in Indonesia and its Implication for Organizational Outcomes” has not previously been submitted for a degree nor has it been submitted as part of requirements for a degree to any other universities or institutions other than Macquarie University.

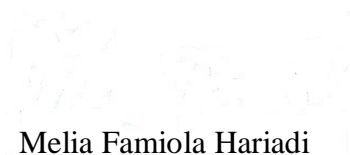
I also certify that the thesis is an original piece of research and it has been written by me. Any help and assistance that I have received in my research work and the preparation of the thesis itself has been appropriately acknowledged.

In addition, I certify that all information sources and literature used are indicated in the thesis.

The research presented in this thesis was approved by Macquarie University Ethics Review Committee, reference number: 5201200060 on 29 March 2012.

This thesis is submitted in accordance with the requirements for a Doctor of Philosophy at Macquarie University.

Sydney, May 2014



Melia Famiola Hariadi

# Acknowledgements

---

This PhD dissertation represents a tangible outcome of the commitment of the Indonesian government to improve the quality of human capital in Indonesia through education. One of the programs provides opportunities for Indonesian lecturers to get overseas training and experience at top international universities. I express my biggest thanks to the overseas scholarship committee of the Directorate General of Higher Education (DGHE) of the Indonesian Department of Education and Culture who successfully organized this program.

I would like to express my sincere thanks and gratitude to my supervisory panel and also co-authors of my papers for publication:

- **Dr Kyle Bruce**, as my principal supervisor and co-author in four papers in this thesis for publication. He played a crucial role in those papers and mentored me in thinking critically about the conception and design of the research project, provided me with very useful literature to improve the intellectual content of the papers, and undertook editing and proofing that significantly improved the coherence, flow and English expression of the papers. As supervisor he helped me through the highs and lows of the PhD process;
- **Dr Siti Adiprigandari Adiwoso**, my adjunct supervisor and second co-author of the four papers in this thesis preparing for publication. She was a good mentor in exploring and critiquing many issues related to CSR practices in Indonesia and supported me greatly with my methodology.

My thanks also to all the members of Macquarie Graduate School of Management (MGSM), with special thanks to Dr Francis Buttle and the Research administrative officers. My big thanks also to Macquarie University which gave me the best possible support as a PhD student.

My thanks also to Mr Bambang Rudito and Prof Surna T. Djajadiningrat and all colleagues in School of Business and Management-Institut Teknologi Bandung (ITB) for their support and cooperation.



Many thanks I express to all my interviewees and respondents in Indonesia; Mr Wahyu Damayani, Mr Irfandi Ferizal, Mrs Wiwik Wahyuningsih, Mrs Kartika Sari, Mr Frans Indra, Mrs Ade Setiati and the many other respondents that I cannot name one by one. Thank you for your willingness to participate in this research and big thanks also for supporting data that you provided, which was critical for this thesis. I hope our relationship continues into the future and that we work together to promote CSR in Indonesia.

My thanks to Prof Robin Kramar, my previous supervisor; she provided me much help in my initial process of adaptation in Australia.

Most importantly, to my family, I extend my love and thanks for your patience, your understanding and your empathy. A doctoral degree had inevitable effects on family life, in multiple dimensions. To my husband Edwin Bambang Hariadi, who was always patient and supported me for almost 4 years and to my daughter, Raizel Edelia Hariadi - I can only say thank you for understanding that we are all on a learning journey together. My thanks also to my father, mother, sisters and brothers in law.

I am also blessed with the support given by Indonesian families and friends, especially the *Pengajian* and *Bunda* Macquarie: Mbak Riyanti, Mbak Maal Naylah, Mbak Iyen, Mbak Ani, Mbak Ivy, Mbak Dina and Mbak Nita, with whom I share the same journey of pursuing our dreams of studying in Australia.

Sydney, May 2014

Melia Famiola Hariadi

## **CHAPTER 1**

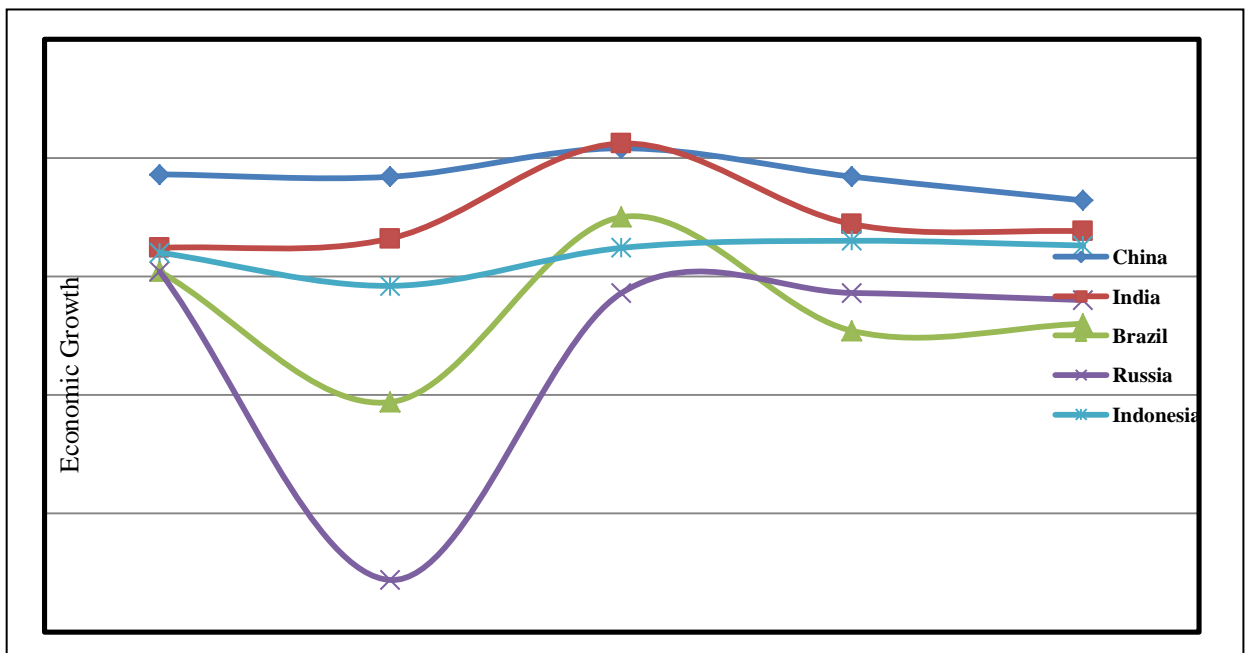
# General Introduction

## 1.1. Thesis Background and Motivation

The questions of why and how corporations adopt new managerial practices remain a central topic in the literature of management and organization studies (Abrahamson, 1991; Ansari, Fiss, & Zajac, 2010; Campbell, 2006, 2007; Ghoshal & Bartlett, 1988; Johnson & Hagström, 2005; Kennedy & Fiss, 2009; Kimberly & Evanisko, 1981; Kostova & Roth, 2002). The most important insights from these studies are that two distinctive approaches are used to explain the motives of organisations to adopt a particular practice. The first model is rooted in economic considerations such as a desire for technical or efficiency gains and other motives related to improving the company's economic performance (Campbell, 2006; Kennedy & Fiss, 2009; Strang & Macy, 2001). The second approach is underpinned by sociological rationales and emphasizes social motivations of organisations, ostensibly a desire to gain legitimacy from powerful constituents, peers and other stakeholders (Campbell, 2006; Kennedy & Fiss, 2009; Kostova & Zaheer, 1999).

The second of the aforementioned approaches forms the starting point of investigation in this thesis concerning the diffusion of Corporate Social Responsibility (CSR) in organisations. CSR has been a prominent concern for businesses worldwide. Very rarely do we find large corporations without a CSR charter adorning their websites. Moreover, firms' CSR initiatives have also been used as promotion instruments in job vacancies and product advertisements to attract potential applicants and consumers. Alongside this, a substantial body of academic literature in CSR has also developed (Maignan & Ralston, 2002), but this work has remained largely descriptive and normative in focus with very little, if any, attention paid to understanding *why* corporations do (or do not) engage and adopt CSR practices (Campbell, 2007). The bulk of the literature is concerned with the linkage between CSR and corporate financial performance (Barnett, 2007b, a; Berman, Wicks, Kotha, & Jones, 1999; Cardebat & Sirven, 2010). A review of CSR literature from 1972 to 2002 by Margolis and Walsh (2003), for example, found there are around 109 studies from a sample of 127 exploring the nexus between CSR behaviour and corporate financial performance (CFP). Though the latter study found a positive association between CSR and CFP, it has been criticized for ignoring factors other than corporate financial performance that might *motivate* CSR practices (Margolis & Walsh, 2003). As a result, there is a need for serious attention to be paid to motivations for CSR practices from a sociological perspective, in particular, the issue of adopting CSR as a means of deriving *legitimacy* in organizational fields (Campbell, 2007).

Furthermore, most theoretical and empirical studies of CSR tend to be Western-centric, focussed mainly on cases in developed countries in North America and Europe (Baskin, 2006b; Frynas, 2006; Jamali & Mirshak, 2007; Maignan & Ralston, 2002). Studies of CSR in emerging economies countries remain scarce, with the exceptions of Brazil, Russia, India and China (Brickson) (Amaeshi, Ogbechie, Adi, & Amao, 2006; Jamali & Mirshak, 2007; Lindgreen & Swaen, 2010; Visser, 2007). It is not surprising that BRIC countries have become the centre of scholars' recent attention, given their phenomenal economic growth. Indonesia has received far less attention despite the relative resilience of the Indonesian economy during the GFC. While Europe and the US have struggled, during 2009-2012 Indonesia successfully sustained its economic growth to above six per cent. In fact, it enjoyed the third highest economic growth in the world behind China and India in 2012. To top this off, Indonesia has been added to the list of Government-20 (G-20) countries, cementing its place as one of the most influential countries worldwide.



Source: IMF report world economic outlooks

**Figure 1. 1. Indonesian and BRIC Economic Growth 2008-2012**

Alongside rapid economic growth, CSR has also emerged as a critical issue of debate among business, government, and non-government organisations in Indonesia. The pre-survey of this study demonstrated that there were at least five local institutions recognising company activism in social and environmental friendly practices: the *Seputar Indonesia* (SINDO) award, Corporate Forum for Community Development (CFCD) award, La Tofi School of CSR award, National Center for Sustainability (NCSR) award, and the Forum CSR for

Indonesia Sustainability award. CSR has also widely been discussed in the national and local press. Moreover, there is some indication of an increase in pressure to link firms' CSR initiatives with government development programs in order to accelerate the reduction of poverty and to achieve social justice (Rudito & Famiola, 2013).

Yet few academic articles have focused on CSR in Indonesia. The author found only five papers in reputable international journals (Chapple & Moon, 2005; Gunawan, 2007; Miffazli, 2008; Rosser & Edwin, 2010; Waagstein, 2011). Further, in terms of the level of analysis, these publications largely concentrated on *defining* and *implementing* CSR in businesses in Indonesia. Accordingly, this research project will address a set of social contexts that influence social responsible behaviour in Multinational Corporations' (MNCs) subsidiaries operating in Indonesia. This thesis will expose the diffusion process using two levels of analysis: *organisational* and *individual* (employee level). Further, the research also explores the impact of CSR on employee perception toward their organisations, a topic of much interest in the field of Human Resources Management (HRM), particularly in the case of developed countries. Studies herein have shown that CSR strengthens employee identification with their employers (Berger, Cunningham, & Drumwright, 2006; Chong, 2009), employee commitment (Peterson, 2004; Turker, 2009), job satisfaction (Sims & Kroeck, 1994; Valentine & Fleischman, 2008), and intention to remain in organisations (Sims & Kroeck, 1994). Exploring this topic in the case of Indonesia is expected to make two key contributions to the extant literature. First, to provide an alternative insight to motivate Indonesian businesses to seriously engage in CSR rather than just focusing on the economic contribution of CSR in their CSR decision-making. Second, involving an emerging economy (Indonesia) as a case study, this dissertation will enrich both theoretical and practical developments in the CSR literature.

## **1.2. Research Setting and Questions**

This thesis investigates the unique complexity of MNC subsidiaries in managing their offshore operations and specifically their strategies for dealing with complexities given both organisational-level, as well as field-level pressures. First, at the level of the organisation, it has been recognised among scholars that a foreign subsidiary is not an independent entity (Ferner et al., 2004; Ghoshal & Bartlett, 1988; Kostova & Roth, 2002; Rosenzweig & Singh, 1991). Unlike their domestic counterparts, foreign subsidiaries not only experience isomorphic pressures from the local or host-country institutional context, but they are also

confronted with pressures from their corporate parents (Kostova, 1999; Kostova & Roth, 2002). MNC subsidiaries must align their operations with targets assigned by headquarters and with other sub-units in the MNC network (Rosenzweig & Singh, 1991). Studies have shown that subsidiaries tend to compete to gain power and develop their strategic position in order to attract headquarters' attention for opportunities to expand their business (Bouquet & Birkinshaw, 2008). Based on the fact that MNC subsidiaries face the dual pressures of organisational-level, as well as field-level influences, this study intends to answer the following questions:

- (1) *How does the local institutional context and organizational dynamics in MNCs affect the CSR practices of subsidiaries operating in Indonesia?*
- (2) *Which element – local institutional context or MNC organizational dynamics – is most important in shaping a subsidiary's CSR behaviour?*
- (3) *Are their offshore CSR practices appreciably different than those in their home country?*

Second, diffusion of CSR practices does not occur in a social vacuum (Kostova, 1999), but consists of two components: (1) development of pattern of behaviour (Kostova & Roth, 2002) as a form of action-generation toward the practice and 2) development of symbolic property. This property is a consensus among individuals (members of organisation) of the value of the practice (Kostova & Roth, 2002; Tolbert & Zucker, 1999). Drawing on Kostova and Roth (2002) and Tolbert and Zucker (1999), in terms of CSR, reactions of members in the organisation is determined to the extent that CSR practices are valued and achieve a "taken for granted" status and then generate real action with respect to CSR. In this respect, this study also intends to answer these additional questions:

- (4) *How are employee attitudes to their organisation affected by CSR practices?*
- (5) *What factors influence employee perceptions of CSR?*

As mentioned above, previous research indicates that CSR practices contribute to positive employee perceptions of their organisation. It is argued in this thesis that this positive perception may occur because CSR drives the social change in workplaces that positively impacts employee perception. Therefore, a final but critical question to be answered is:

- (6) *How does CSR mediate social change in organisations that shapes employee attitudes to their organisations?*

In sum, the research setting of this thesis is summarised diagrammatically below:

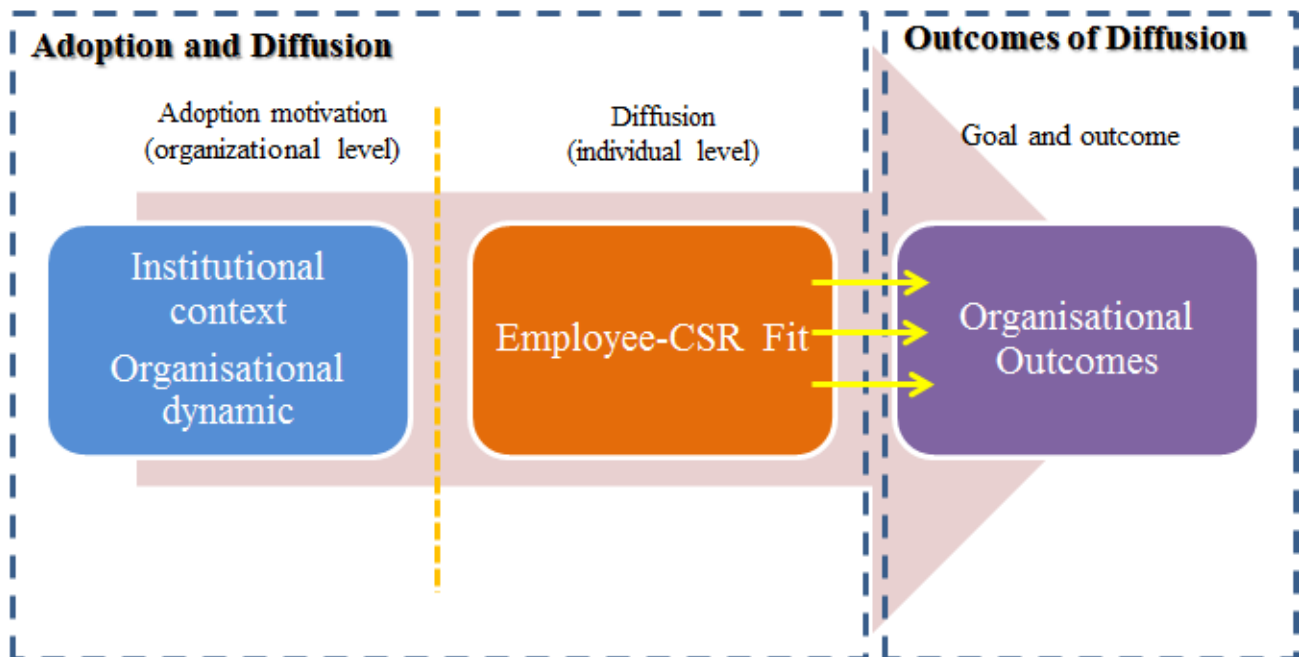


Figure 1. 2. Research Setting

### 1.3. Research Objectives

Underpinned by the research questions above, this thesis aims:

- 1) To analyse CSR diffusion in MNC subsidiaries operating in Indonesia by exploring the extent of local institutional context and organizational dynamics influencing CSR behaviours.
- 2) To explore similarities and differences of CSR management in MNC subsidiaries according to their regional of origin.
- 3) To examine Indonesian MNCs' employees' reaction to their organisation's CSR.
- 4) To examine the effect of CSR to organisational outcomes.

### 1.4. Review of Key Concepts

This literature review leads to a set of key assumptions and a conceptual framework underpinning the discussion in this research project. This section is organised into two

sections; the first section clarifies the definition of CSR of this thesis and the second section briefly outlines the conceptual model employed in this thesis.

#### **1.4.1. CSR and CSR Diffusion Definition**

This study defines CSR as an organisation's behaviour with respect to their external environment, employees, customers and other stakeholders (Campbell, 2007). CSR is also described as integrated part in global business strategy committing to conduct business with socially responsible manner and balancing the business activities with various stakeholders' need and concerns (Aguilera, Rupp, William, & Ganapathi, 2007; Aguinis & Glavas, 2012). Given this thesis is an investigation of CSR practices in the context of international business, in this study I will group CSR into two types: "Global CSR" and "Local CSR" (Bondy & Starkey, 2012; Husted & Allen, 2006). "Global CSR" is defined as business attempts to incorporate global standards as part of their codes of conducts of operations. For example, in the 1990s, businesses strived to get an International Standard certificate, such as ISO 9000 and 14000 series to indicate their seriousness as regards to social issues. Recently, many businesses have supported the United National Global Compact, international sustainability indices (such as the Dow Jones Sustainability or FTS4Good), or other international certifications as an attempt to gain "legitimacy" that their business activities (Aguilera, Williams, Conley, & Rupp, 2006); (Bondy & Starkey, 2012). "Local CSR", on the other hand, considers the local cultural dimensions and historical contexts where the business is operating (Bondy & Starkey, 2012; Husted & Allen, 2006). It is unique to particular operating conditions due to different contexts.

Furthermore, the definition of CSR diffusion in this thesis is developed from an extensive body of literature in management organisational studies. Ansari et al. (2010) reveal that the diffusion of corporate practices is one of key mechanisms that contain a set actions leading to adoption of particular practice. They further state that a mechanism of adaptation among adopter individuals will be generated during the diffusion process to achieve a better fit between the practice and the particular needs of the adopters. Therefore, the diffusion process determines the extent of the practice to be accepted among adopter individuals during the implementation. In the other words, a diffusion of corporate practice describes underpinning reasons why a corporation adopts and engages in particular practices (Ansari et al., 2010; Marquis, Glynn, & Davis, 2007), how the decision of adoption is made, and what factors affect its implementation.



Drawing from this line of argument, this study defines CSR diffusion as a set of mechanisms why and how CSR decisions is made in organisations and what factors affects its successful in the implementation. For this study's purpose, I focus on exploring a set of social dimensions of diffusion facing by Multinational subsidiaries in conducting their CSR programs, particularly to their operation in Indonesia.

#### 1.4.2. Model of CSR Diffusion in Subsidiaries of Multinational Companies

The central research objective of this research project is to explore the socio-cultural elements that influence the diffusion of CSR. Invoking the sociological concept of institutionalisation from organisational theory, this thesis is constructed by considering three social elements driving the success (or otherwise) of the adoption process: the institutional context in Indonesia (*institutional context*), the internal organisational dynamics of MNCs (*organisational dynamics*), and organisational members' (employee) attitudes to CSR practices (*Employee-CSR Fit*). I call this a triangle model of social dimensions of CSR diffusion in MNC subsidiaries – see Figure 1.3 below.

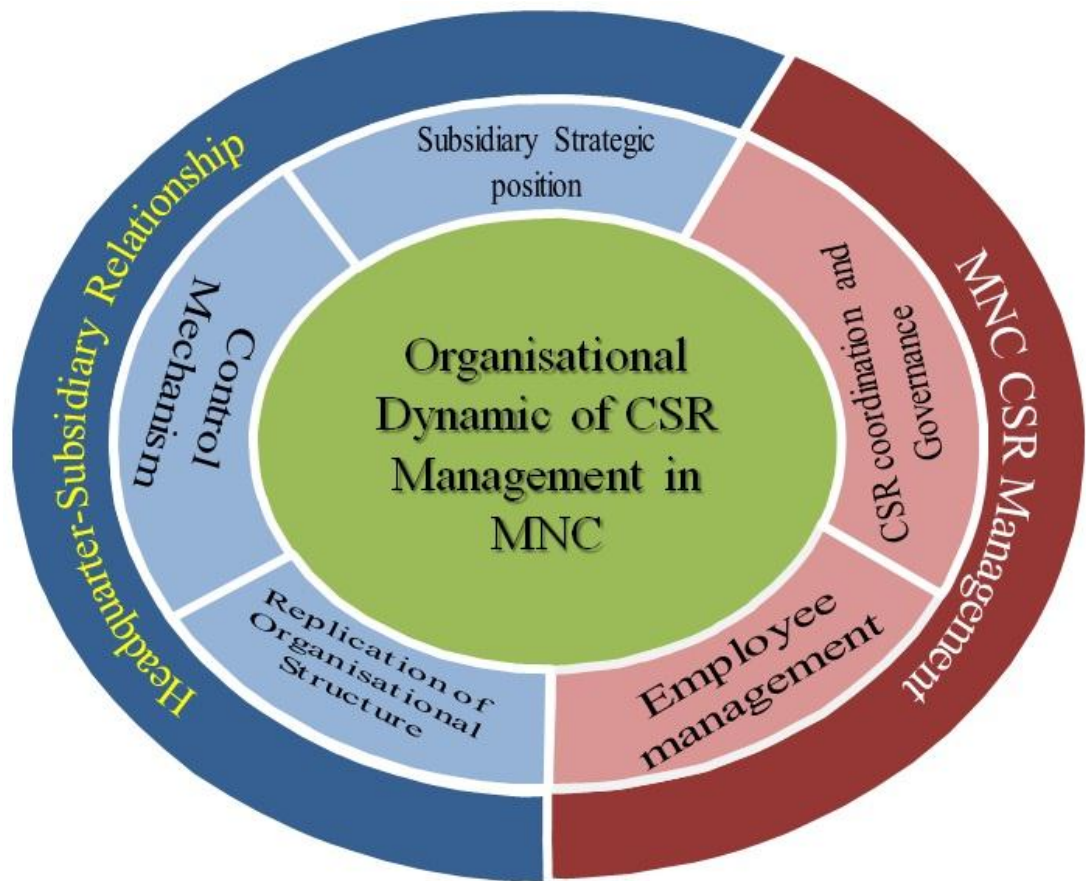


**Figure 1. 3. Triangle Model of the Social Dimensions of CSR Diffusion in a MNC Subsidiary**

The institutional approach has been widely used in studying the adoption and diffusion of organisational practices (Abrahamson, 1991; Kostova & Roth, 2002; Tolbert & Zucker, 1999). The central idea of this approach is that organisations operating in a shared context or environment will employ similar practices and mimic one another, largely because of formal (legal) and informal (cultural) rules often specific to particular nation-states (Kostova & Roth,

2002; Rosenzweig & Singh, 1991). Accordingly, the same organisation may have different organisational practices due to the fact it is operating in different countries. In this context, MNC subsidiaries are actually confronted by dual pressures; on the one hand, they may become isomorphic with organisations in host countries in which they are operating and at the same time, they are also expected to comply with organisational policies handed down by corporate parents in their home country (Kostova, 1999; Kostova & Roth, 2002; Rosenzweig & Singh, 1991). As a consequence, this thesis considers organisational dynamics in MNCs as an important element in understanding the adoption and diffusion of CSR practices in overseas subsidiaries.

Institutional and organisational dynamic contexts are the two main components that may explain why MNC subsidiaries (do or do not) adopt and engage in CSR practices, but these two approaches do not adequately account for what happens *during* and *after* adoption. An organisation may adopt a CSR practice because they consider it strategically important for the organisation. But the practice may also contain an “infusion of values”; that is, it may create a symbolic meaning for organisation members that goes beyond technical efficiency (Kostova, 1999). In this context, I argue that another critical social dimension to be considered in this diffusion is the extent to which employees *respond* (or not) to the CSR practice. A positive response amongst employees may occur when they perceive that values infused in the CSR practice mesh or fit with their own personal values. Accordingly, I use the Employee-CSR Fit concept to explain the diffusion at this individual level and explore its association with employee attitudes to work. Figure 1.4 below encapsulates the three social dimensions used in this dissertation:



**Figure 1. 4. Organisational Dynamic in MNC's CSR Management**

#### *1.4.2.1. Institutional context*

Drawing from institutional theory, this study examines the effect of the Indonesian institutional environment on the adoption and diffusion of CSR practices. The central idea of institutional theory is that organizational decisions carry social meanings that reflect their widespread understanding of social reality that may be enforced by public opinion, by views of its important constituencies, by regulations or law, or other knowledge developed in their business surrounding (Kostova & Roth, 2002). Institutional theory focuses on specific sets of legal and cultural factors in a given nation (Scott, 2008). Scott (2008) describes these as the three institution pillars: regulatory, cognitive and normative pillars. The regulatory pillar includes rules, sanctions and government regulations in the host country. Second is the cognitive pillar, which reflects the shape of knowledge in the community. It also may reflect the way people in the country behave and interpret particular phenomena. Third is the normative pillar which reflects values, beliefs, norms and assumptions that may guide individual behaviour in the country (Scott, 2008).

Although the three pillars reflect different aspects of the same institutional environment, they may invoke different motives and levels of adoption that reflect different models of

isomorphism: coercive, mimetic and normative. Coercive isomorphism occurs when organisations face pressure to adopt a practice from a more powerful authority or high degree of regulatory factors. Mimetic isomorphism occurs as an organisation's response due to uncertainty. They adopt a practice of patterns from other or successful organizations or there are pressures from local reaction or the cognitive institutional pillar. The last is normative isomorphism. This isomorphism occurs when organisations adopt particular patterns in order to be considered appropriate in the environment in which they operate (Chan & Makino, 2007; Kostova & Roth, 2002; Matten & Moon, 2008). This research explores the three pillars of the institutional environment in Indonesia and predicts the model of isomorphic CSR behaviour of MNC subsidiaries operating in this country.

#### *1.4.2.2. Organisational dynamics*

Different from purely domestic corporations, overseas subsidiaries belong to a MNC that operate across national borders, and so, their behaviour is often affected more by their corporate parents (Doz & Prahalad, 1984; Ferner et al., 2004; Kostova & Roth, 2002) than by institutional factors in host countries (Kostova, Roth, & Dacin, 2008; Rosenzweig & Singh, 1991). This thesis views organisational dynamics in MNCs as one of the most important elements that influence subsidiary engagement with CSR practices. I propose two domains of organisational dynamic in this study. The first is related to the relationship between headquarters and subsidiaries and consists of three elements: (1) the tradition of subsidiary behaviour to replicate its headquarters' CSR behaviour; (2) control mechanisms of headquarters over subsidiaries; and (3) the strategic position of subsidiaries from headquarters perspective. The second domain is associated with MNC's CSR management; namely the coordination and governance of CSR between headquarters and subsidiaries (Hocking, Brown, & Harzing, 2004; Björkman, Barner-Rasmussen, & Li, 2004), and human resource management in relation to CSR implementation (Bae, Chen, & Lawler, 1998; Björkman et al., 2004; Ferner et al., 2004). I highlight the issues of human resource management, since many aspects of successful CSR practices are determined by the effectiveness of knowledge transfer in the process of "infusing with values". At this stage the role of organisational culture and environment is critical to support the diffusion process at the employee level (Billet, 2004; Björkman et al., 2004; Cabrera, Collins, & Salgado, 2006); (Billet, 2004; Chen & Huang, 2009; Koh & Boo, 2004; Kostova, 1999; Merali, 2010).

### 1) *Replication in organisational structure*

According to Rosenzweig and Singh (1991), a subsidiary tends to copy their parent's behaviour and structure to maintain internal consistency. This behaviour is taken to reduce risks in operations that arise from ambiguity and uncertainty in the host country, although at a later stage some modifications may be made due to the influences from the institutional context of the country in which they are operating. Drawing from this statement, I hypothesise that a subsidiary's CSR behaviour may be shaped by conformity in their effort to maintain internal consistency with their parents and motivated by their intention to develop power.

### 2) *Control mechanisms*

Control mechanisms in MNCs are an essential factor to explain the power of headquarters and their relationship with subsidiaries (Bouquet & Birkinshaw, 2008). Prior studies have identified three models of headquarter control over their subsidiaries: centralisation, formalisation and socialisation (Doz, Prahalad, & Hamel, 1994; Doz & Prahalad, 1984; Kranias, 2000; Pair & Sohn, 2004). Centralisation and formalisation mechanisms ensure that subsidiaries tend to be heavily dependent on their headquarters. In centralisation, headquarters play a critical role in all strategic decision making; with the formalisation mechanism, all decision making relies on formal records and procedures; and with the socialisation mechanism headquarters just assigns a minimum standard to control their subsidiaries' behaviour. With respect to this thesis, examining MNC control mechanisms in CSR may determine the degree of subsidiary engagement driven by their headquarter policy.

### 3) *Subsidiary strategic position*

Subsidiaries in a MNC compete to obtain headquarters' attention. Every subunit will try to become internally legitimate and receive favourable judgements from their parent company, but also attempt to develop power and differentiate themselves from other sub-units in the corporate system of the MNC. Because of the complexity of MNC management across borders, it is impossible for executives at headquarters to give full and equal attention to all their subsidiaries (Bouquet & Birkinshaw, 2008). They will make priorities and give weight to subsidiaries according to their contribution to the MNC.

I define the "power of the subsidiary" as its strategic position from the perspective of headquarters and argue that engaging in CSR may be a strategic tool of subsidiaries to gain legitimacy from their headquarters. This argument is underpinned by the following

assumptions: 1) working for a corporate parent concerned with CSR, subsidiaries may be mandated to perform CSR activities and so CSR is a “taken for granted” practice (Kostova, 1999); 2) subsidiary CSR initiatives may be considered as a fit between subsidiary-headquarter values. Bouquet and Birkinshaw (2008) reveal that positive initiatives taken by a subsidiary in its host country is positively associated with attention from executives from headquarters (Birkinshaw, 1996; Johnson & Hagström, 2005). Other scholars highlight two powerful factors that lead to headquarters’ attention: 1) the potential of the local market in which the subsidiary operates; and 2) the subsidiary positioning among other sub-units in the MNC (Ferner et al., 2004; Johnson & Hagström, 2005).

The size and the age of the subsidiary are also critical to their strategic position. The size of a subsidiary reflects the amount of resources invested in it. This signals how crucial the local market is to headquarters. Therefore, a large size subsidiary may gain more attention from the headquarters compared to other subsidiaries in the MNC and belonging to a social responsible company. A larger subsidiary may be more pressured to engage in CSR than smaller subsidiaries (Doz et al., 1994). The size of a subsidiary may also reflect its power relative to other sub-units in the MNC. Large subsidiaries may be assigned specific responsibilities and functions; for example, manufacturing products for the entire of organisation (Birkinshaw, 1996) or being designated as a ‘centre of excellence’ for other subsidiaries (Frost, Birkinshaw, & Ensign, 2002). With the extra resources - both human and financial – might come greater pressure to engage in headquarters-mandated CSR initiatives.

Second, the age of a subsidiary is also critical. A long-established subsidiary might become a reference-point for new subsidiaries in the MNC and its best practices may be copied by others with an expectation they achieve similar success (Frost et al., 2002; Rosenzweig & Singh, 1991). In other words, a long established subsidiary may have more influence in its MNC than a new subsidiary.

Together, then, I assume that the size and the length of operation of a subsidiary are two critical factors in explaining the degree of the subsidiary engagement in CSR. Indeed, the size and the age of a subsidiary have been demonstrated as in prior studies as predictive of early adoption of organisational practices (Kennedy & Fiss, 2009; Tolbert & Zucker, 1999).

#### 4) *CSR coordination and governance*

Based on agency theory, it is assumed that the relationship in MNCs is one of headquarters as principals and subsidiaries as agents of the headquarters (Björkman et al., 2004; Kostova & Roth, 2002; Rosenzweig & Singh, 1991). So even though a subsidiary is a representative of headquarters, it may not always behave in headquarters' best interests because of asymmetric or imperfect information. From institutional theory, a subsidiary's behaviour is also influenced by the institutional environment in which it operates, so it is likely subsidiary managers must deal with contradictory decisions from their headquarters. These gaps create serious issues in MNCs and influence the monitoring and coordination of their subsidiaries by headquarters (Cohen, 2010; Frambach & Schillewaert, 2002).

Previous studies have demonstrated different models of coordination between US, European and Japanese MNCs in managing their subsidiaries. US MNCs are found to be more centralised and adopt more formal mechanisms than other MNCs from different regions, particularly related to payment systems, communication, union recognition and welfare and training policies for their subsidiaries. However, US MNCs are less reliant on 'personal' control through expatriates than are in European and Japanese MNCs (Ferner et al., 2004). In this context, it is likely that coordination and governance of CSR practices in MNCs will differ depending on their country of origin. A study by Bondy and Starkey (2012) confirms this finding that UK headquarters produce only a general guide to their CSR with subsidiaries enjoying a significant amount of autonomy in managing their own local CSR.

In terms of the characteristics of coordination mechanisms, this study utilises Harzing (1999) formal or informal mechanisms. In **formal mechanisms**, the MNC will perform some actions such as departmentalisation or grouping of organisational units, shape the formal structure, and centralise or decentralise decision-making through the hierarchy or formal authority. This kind of mechanism is conducted through some instruments such as manuals, charts and controls over output and behaviour and direct supervision. In contrast, **informal mechanisms** develop between the headquarters and subsidiary through lateral or cross-departmental relations, informal communication such as personal contacts among managers, management trips, meetings, conferences and transfer of managers, and socialisation by building an organisational culture to share an MNC's strategic objectives and values through training, career path management, transfer of managers and reward system (Harzing, 1999). This thesis

discusses the extent to which the mechanisms result in similar or different MNC CSR practices.

#### 5) *Employee management and involvement in CSR*

Even though a decision to adopt a practice is planned well, adoption is not always smooth and successful. Scholars in organisation studies have examined barriers to the adoption process with some finding barriers related to the characteristic of the practice and others stressing the characteristics of organisational culture (Attewell, 1992; Kedia & Bhagat, 1988; Kostova, 1999). The most important aspects of organisational culture are the capacity of organisations to develop a learning environment to accelerate diffusion (Kostova, 1999; O'Reilly & Chatman, 1986). In initial diffusion, the adaptation process of employees with the new practice is essential (Attewell, 1992). An employee will involve his or her own expectations, values and beliefs to adjust the new practice and give their 'approval' through moral support as well as action generation (Blau, 1987). In many cases, the organisation plays an important role in how the process of adaptation could elicit a positive response from employees (Costas & Kärreman, 2013; Garavan, Heraty, Rock, & Dalton, 2010; Romus, 2001). Prior studies have found that a participatory culture in an organisation's social and environmental decision making, planning and implementation, significantly influence employee initiatives in engaging in CSR (Costas & Kärreman, 2013; Laabs, 1992; Romus, 2001). In addition, research also revealed that organisational rewards for employee's extra effort and behaviour related to organisation's pro-social program (O'Reilly & Chatman, 1986) and environmental initiatives (Romus, 2001), could motivate and generate employees actions critical for the program's success.

##### *1.4.2.3. Employee-CSR fit*

Institutional and organisational dynamic dimensions help us understand why and how CSR practices are adopted by MNC subsidiaries. Meanwhile, one of the most important challenges of diffusion process is the absorptive capacity of individuals in the adopter organisation to the extent they accept and feel compatible with characteristics of the practice. Therefore, in this respect, I use the term of 'Employee-CSR fit' as another component of "social dimension" of the diffusion. Employee-CSR fit is emphasized to explore the "social dimension" during and after the adoption. This dimension is the most important factor determining whether CSR adoption achieves its intended goals (Kostova, 1999; O'Reilly & Chatman, 1986).



I use the term ‘Employee-CSR fit’ to explain CSR diffusion at the level of the individual (employee), adapting it from organisational behavioural notions of person-cultural fit (O'Reilly & Chatman, 1986), person-environmental fit (Blau, 1987; Hesketh & Gardner, 1993) and person-organisational (P-O) fit (Da Silva, Hutcheson, & Wahl, 2010; Kristof-Brown, Zimmerman, & Johnson, 2005; Leung & Chaturvedi, 2011; Sims & Kroeck, 1994). These terms were developed from the initial concept of ‘internalisation’ introduced by Kelman (1958) which explains that individuals are willing to accept and adopt influences if there is congruence between the content of introduced behaviour, values, ideas or practices and his or her values (Kelman, 1958; O'Reilly & Chatman, 1986). Therefore, I define CSR-employee fit as employee perception of fit of CSR practices with their values.

Using a fit perspective to understand employee responses to the CSR, this study is challenged in two ways in terms of (1) how employee perception of fit to CSR is explored; and (2) to explore factors that drive employee feelings of congruence with to CSR. To explore the perception of fit, in the initial stage it is necessary to determine the characteristics of CSR that will be relevant to employees. In this respect, and because there are no absolute criteria for defining what are the ‘best’ CSR programs, this study develops criteria of characteristic CSR practices from two resources. First, by reviewing CSR definitions from the literature, particularly regarding practices in emerging economies. Second, by referring to international standard and sustainability indexes, such as SA 800, the Dow Jones Sustainability Index (DJSI), the Ethical Sustainability Index, and the FTSE4 Good Index and other sustainability indexes as described in Figure 6.1.

Billsberry, Ambrosini, Moss-Jones, and Marsh (2005) revealed that many people might not fully realize their own fit or compatibility with external influences. Therefore, to explore employee-CSR fit behaviour, it is necessary to provide an opportunity for them to articulate their own conceptualization of compatibility and explore factors that influence the perception of compatibility. This study highlights two issues: first, employees’ intrinsic values, and second, the values created through intervention of the organisation through its human resource management (HRM) policy. Employee intrinsic values are a set of values held by an employee that he or she has always had. As an individual who is a member of local community, employees may carry the cognitive and normative institutional elements as their reference-points to understand and interpret a new practice in their organisation. This thesis examines what aspects of an institution held by employees, shapes their understanding of CSR and to what extent the institutional element drives this perception. (Kostova, 1999)

revealed that when an organisational practice is consistent with localised institutions, employee acceptance to the practice is easier and triggers positive action generation. It also strengthens the relationship between employees and the organisation.

There are many aspect of the institutional environment in Indonesia such as religious and cultural values that may affect employee perception of CSR. Previous studies have demonstrated that individual perceptions of CSR are positively associated with the values of their religious affiliation (Brammer, Williams, & Zinkin, 2007b). Further, more specific studies in particular countries have found that the definition of business responsibility of managers and local stakeholders was inspired by local customs. In China, for example, the values of Confucianism influenced people perceptions that CSR should support a harmonious society. Confucianism teachings consider a firm as a part of society. As a member of society, an organisation should be responsible to balance its interests with the community's interests (Wang & Juslin, 2009). A similar notion is found in India with Gandhi's teachings. Mitra (2012) found many Indian business philosophies adopted Ghandi's ethics to maintain trusteeship in the community. I argue in this thesis that there are many aspects of Indonesian culture that mesh with CSR values. For example, the term *Gotong Royong* that means collectively working for the prosperity of all.

Second, this study also suggests that employee behaviour is heavily affected by the way their organisations conduct their Human Resource Management (HRM) strategy. Studies show that a learning and knowledge-sharing culture significantly affects employee perspective and ethical behaviour (Jones, 2001; Patel & Patel, 2008; Romus, 2001). Similar to this finding, Valentine and Fleischman (2008) also demonstrated ethics training is an effective way to develop positive perception of employees to CSR. In addition, rewards for employee CSR initiatives are also an important factor in developing a positive contribution to CSR practices (Chong, 2009; Romus, 2001). These aspects explained above are examined in this thesis by exploring the HRM practices in the case-study companies.

#### *1.4.2.4. The consequences of Employee-CSR fit for work environment*

Earlier research has shown employee CSR perception is positively associated with positive work outcomes such as job satisfaction, commitment and intention to stay (Brammer, Millington, & Rayton, 2007a; Chong, 2009; Collier & Esteban, 2007; Gond, Akremi, Igalens, & Valerie, 2010; Turker, 2009; Valentine & Fleischman, 2008). A study by Peterson (2004), for example, found that the image of a company as committing to 'corporate citizenship' principles positively influenced employees' self-definition and their commitment to the organisation. It is believed that if a company behaves ethically, it will treat employees with similar ethics. Furthermore, Valentine and Fleischman (2008) found that CSR could mediate the positive relationships between organisational ethics codes training and employee job satisfaction. They found that ethics training could match a company's CSR concerns with the values of employees and positively affect employee perception toward their organisation.

Such studies have shown that an organisation's social activities matter to its employees, but little attention had been paid to understanding employee positive attitudes to CSR (Rodrigo & Arenas, 2008) as part of successful internalisation in the organisation. In addition, little attention has been paid to understanding employee commitment, satisfaction, and intention to stay as a result of a positive work environment mediated by a sense of compatibility between the employees and the organisation. This study argues that in the process of CSR diffusion, the perception of congruence of values between employees and the characteristics of CSR may mediate between employees' value congruence with the organisation and drive work outcomes in two critical ways: (1) directly via individual perceptions of fit (Blau, 1987; Caplan, 1987; Meyer, Hecht, Gill, & Toplonytsky, 2010; O'Reilly & Chatman, 1986) and (2) indirectly as a side-effect of interpersonal relationship fit in workplaces (Klein & D'Aunno, 1986).

First, CSR could directly bridge perceptions of fit between individual employees with their organisations. It occurs when they feel that the company's CSR reflects or represents values, interests or/and expectations. For example, studies of workplace spirituality (Burack, 1999; Milliman, Czaplewski, & Ferguson, 2003; Mohan & Uys, 2006; van Tonder & Ramdass, 2009), suggest that company's philanthropic practices may be viewed by religious employees as correct and good according to their religion teachings. In addition, their direct involvement in these practices may enrich their personal spiritual experience. Empirical work examining the links between workplace spirituality and employee attitudes reveals a positive correlation

between spiritual dimensions in the workplace and intrinsic employee work satisfaction, job involvement, loyalty, and organisational commitment (Milliman et al., 2003; Mohan & Uys, 2006).

Second, CSR diffusion affects employees' sense of fit with regard to interpersonal relationships in the workplace. Adaptation of a new process will initially occur via the diffusion of rules of members in organisation (Kostova, 1999). This process needs and creates intensive communication and interaction amongst organisation members that will determine the success or otherwise of practice implementation. With pro-social issues as the central idea of CSR practices, they may form a bridge between employees who have similar values, concerns and expectations. Klein and D'Aunno (1986) reveal that when a group of people find congruence in their values in the workplace, they will feel a sense of community and identify themselves as a group of people with similar concerns. This may create a friendship network in workplace which may reduce workplace stress, develop effective communication, and further employees' intensity of work efforts increase because they feel committed to the group and organisational goals (Klein & D'Aunno, 1986).

In sum, in addition to exploring Indonesian employee responses to CSR and its implication for their work outcomes such as satisfaction, commitment and intention to stay, this study goes even further and explores how CSR contributes to the development of a social environment in the workplace. Accordingly, the dissertation is expected not just to provide new insights into understanding implications of CSR in the workplace, but also contributes to our understanding of how companies might develop authentic and innovative CSR practices rather than just engaging in CSR as a public relations' exercise.

## **1.5. Thesis Positioning in the Literature and its Challenges**

Two important distinctions of this thesis are its cross-disciplinary and multilevel approach. The theoretical frameworks employed originate from organizational theory, international business, and workplace psychology. The three subject area or disciplines are combined in a model to understand the process of CSR diffusion in MNC subsidiaries with a particular focus on the social dimensions of diffusion. Studying such complex organizational phenomena is challenging in many ways, both theoretically and methodologically (Aguinis & Glavas, 2012).

In terms of theory, discussing the adoption and diffusion of an organisational practice using institutional theory as the primary approach is not a new approach in organisation studies (Abrahamson, 1991; Johnson & Hagström, 2005; Kennedy & Fiss, 2009). However, this study extends existing work in two ways. First, it investigates the organisation's behaviour both with respect to, and as a consequence of, CSR. Most extant work in CSR has focused more on investigating the connection between CSR and corporate financial performance and very little attention is paid to understand organisation behaviour and its impacts on institutional mechanisms. This thesis provides additional information for further theoretical development by exploring a broad set of institutional factors that influence organisations' socially responsible behaviour. Second, the main focus of analysis is MNCs and, in line with Kostova et al. (2008), this thesis takes note of the limitations of institutional theory to understanding MNC behaviour. MNCs face multidimensional and heterogeneous challenges in their organisational management (Bondy & Starkey, 2012; Husted & Allen, 2006), therefore, they have to confront a set of organisational complexities and have to deal with the dual pressures of host countries' institutional factors (Campbell, 2006, 2007; Kennedy & Fiss, 2009; Kostova et al., 2008) and also the need to be consistent with intra-organisational mandates of the MNC (Kostova, 1999; Rosenzweig & Singh, 1991). Other studies have found that intra-organisational factors are more salient since conforming to intra-organisation demands provides more certainty and are seen to be more structurally acceptable and desirable by headquarters (Birkinshaw, 1996; Doz & Prahalad, 1984; Husted & Allen, 2006; Kostova & Roth, 2002; Kostova et al., 2008). Drawing from these studies, this thesis argues that the relational aspect of MNCs could have a quite substantial effect on subsidiary behaviour. This thesis also analyses how the specific characteristics of the headquarter-subsidiaries relationship affects its CSR, and how a MNC manages its CSR. I believe these approaches offer a very different view to understanding MNC subsidiary behaviour with respect to CSR practices and one that has offers a substantial contribution to the development of theory in organisational behaviour for international management.

It is a fundamental belief of this author that CSR is a unique organisational practice. Although at first glance, it may not seem strategically unimportant and might be a costly activity, since these practices are related to social matters, CSR may offer much intangible value that should be explored. In this thesis, the analysis focuses on exploring CSR implication in workplaces. Going further than extant work, the study not only explores implications of CSR for positive employee work outcomes such as job satisfaction, commitment and intention to stay (Baruch, O'Creevy, & Hind, 2004; Benson, 2006; Brammer

et al., 2007a; Chong, 2009; Collier & Esteban, 2007; Peterson, 2004; Valentine & Fleischman, 2008), but also how CSR diffusion influences social aspects of workplaces, particularly perceptions of employee-organisation fit, as well as interpersonal relationships. I believe these social matters may help better explain how CSR practices may act as a vital conduit contributing to positive work outcomes as demonstrated in previous work.

Applying two levels of analysis in this research project - organisation and individual - is another distinctive feature of this thesis. I was challenged to recognise the link between organisational adoption strategy (organisational level) and the ways employees (individual level) respond it. The acceleration of the diffusion process will depend on employee absorptive capacity and the fit between employees and company's values (Kostova, 1999) and thus employee adaptation to CSR will face less obstacles and resistance.

In terms of methodological challenges, in the course of undertaking this thesis, I was presented with two major challenges:

- 1) To examine employee sense of fit to CSR. Examining perceptions of fit is the most challenging for any studies related to this issue. Scholars have produced many approaches to identifying perception of fit between an employee and organisations (Blau, 1987; Caplan, 1987), but no universal criteria have emerged to understand how individuals perceive fit with particular practices. Accordingly, I had to begin this study with established CSR characteristics to examine the extent to which employees perceived their company to have these attributes.
- 2) This research is designed as an explorative study by employing a multiple case study approach. The majority of data were collected through qualitative methods with interviews, observations and analysing company reports. Further, for data collected from employee surveys, this research had to employ parallel mixed methods, a complex data gathering process considering the number and distribution of respondents (see Chapter 2).

## **1.6. Thesis Design and Structure**

This thesis is presented in seven chapters divided into two main sections. One broad section provides a theoretical and methodological review of the research contents (Chapters 1 and 2), thesis conclusions, and its contribution to theory and practice (Chapter 7), and a second section (Chapter 3, 4, 5, and 6) contains detailed analysis, including research findings.

### **1.6.1. The General Thesis Overview**

**Chapter 1: General Introduction;** This chapter outlines three main issues: First, it provides a general description of the research, and objectives. Second, it outlines a review of the theoretical approach and assumptions used to support the analysis. Third, it explains the remarkable position of this thesis and its contributions.

**Chapter 2: Research Methodology and Reflection: A Review;** this chapter describes in detail the methodology utilised in this research including data collection not explored in the papers for publication (Chapters 3 to 6). This chapter also explores distinctive ideas employed during the data collection that may be useful for future research, particularly for social and management researchers in Indonesia.

**Chapter 7: Conclusion and Closing Remarks;** this chapter sums up the research findings, and outlines the contribution of this research to knowledge development as well as to practical implementation. It discusses the limitations of this research project and suggests future research.

### **1.6.2. Detailed Thesis Overview**

This part includes four chapters (3, 4, 5 and 6) that provide detailed analysis applying the triangular social dimensions of CSR diffusion in MNC subsidiary model. The triangle model explained in section 1.4.2 is applied in four chapters, not in any particular order, but rather employed according to the need for each ready-for-publication-article to answer the research questions of the thesis. Below is a description of each chapter.

**Chapter 3: Corporate Social Responsibility in Emerging Economies: A Review;** this chapter is primarily a literature review providing a portrait of CSR implementation in

emerging economics. Using the institutional approach, it outlines the characteristics of CSR practices in emerging economies and critiques existing approaches to understanding CSR in emerging economies and why and how CSR practices in these countries differ from those in developed countries.

**Chapter 4: Corporate Social Responsibility Diffusion by Multinational Subsidiaries in Indonesia: Organisational Dynamics and Institutional Effects;** This chapter addresses primary research objective number 1: to investigate CSR diffusion in MNC subsidiaries operating in Indonesia by exploring the impact, and relative importance of, institutional effects and organizational dynamics influencing CSR behaviour. Using Scott's (2008) three institutional pillars and two aspects of organisational dynamics (replication of organisational structure and control mechanisms), this chapter explains that CSR practices in MNCs are driven more by organisational dynamics than by the institutional environment in Indonesia. However, it also demonstrates that even though subsidiaries' core CSR initiatives reflected the strong influence of their headquarters' CSR concerns, in day-to-day implementation subsidiaries tend to make some modifications in order to meet local needs, particularly cognitive and normative institutions in Indonesia.

**Chapter 5: Corporate Social Responsibility Diffusion: A Complexity of Internal Legitimacy in Multinational Subsidiaries Operating in Indonesia;** This chapter addresses primary research objective number 2: to explore similarities and differences of MNC CSR practices according to their national origins. It is also used to support research objective number 1 detailed in the preceding Chapter 4. Framing the discussion in this chapter with three elements in organisational dynamics in MNCs: (1) strategic position of subsidiary in its MNC, (2) CSR coordination and governance in MNC, and (3) employee management and involvement in CSR, this study found that a subsidiary's strategic position in their MNCs significantly influences engagement in CSR. It also demonstrates that larger subsidiaries tend to engage in more CSR practices than their smaller counterparts and finds a small amount of evidence suggesting that longer established (older) subsidiaries tend to be more engaged in CSR practices than do newer, more recently established ones.

This chapter also explores the similarities and differences of CSR management in MNC subsidiaries according to their place of origin. First, related to CSR coordination and governance in MNCs, this study found a similar approach of CSR coordination and government in MNCs. It indicates that majority of CSR coordination and government in



MNCs tend to be informal mechanisms. Subsidiaries are given a significant amount of autonomy in CSR decision making. In contrast, there is a great number of diversity of subsidiaries strategies in managing their employees' involvement in their CSR policies.

**Chapter 6: Employee - Corporate Social Responsibility Fit: Social Adaptation and Its Implication for Work Environment and Outcomes;** This chapter addresses primary **research objective number 3**: to examine employee reactions to their organisation's CSR practise, and **research objective number 4**: to examine the effect of CSR on organisational outcomes and explore the contribution of CSR to these outcomes. Employing the notion of 'Employee-CSR fit', this chapter explores three aspects: 1) employee perception of CSR; (2) the driving factors of fit perception, and (3) the contribution of fit to the social environment in the organisation that resulted in better organisational outcomes. According to my research findings, Indonesian employees responded positively to CSR. Most of them found some congruence between their values and beliefs and CSR characteristics. The degree of their acceptance of CSR was found to be heavily determined by their religious beliefs, as well as other factors such as knowledge sharing environment in the workplace, training, and cultural values in Indonesia. A positive perception by the employees of their organisation was mediated by CSR via the influence of three critical elements. First, at the individual level, CSR contributed to employee satisfaction; second, at a group level, CSR created a sense of community among employees who discovered similar social interests; and third, at the organisational level, CSR contributed to a sense of alignment with organisational goals and support of the organisation.

## **CHAPTER 2**

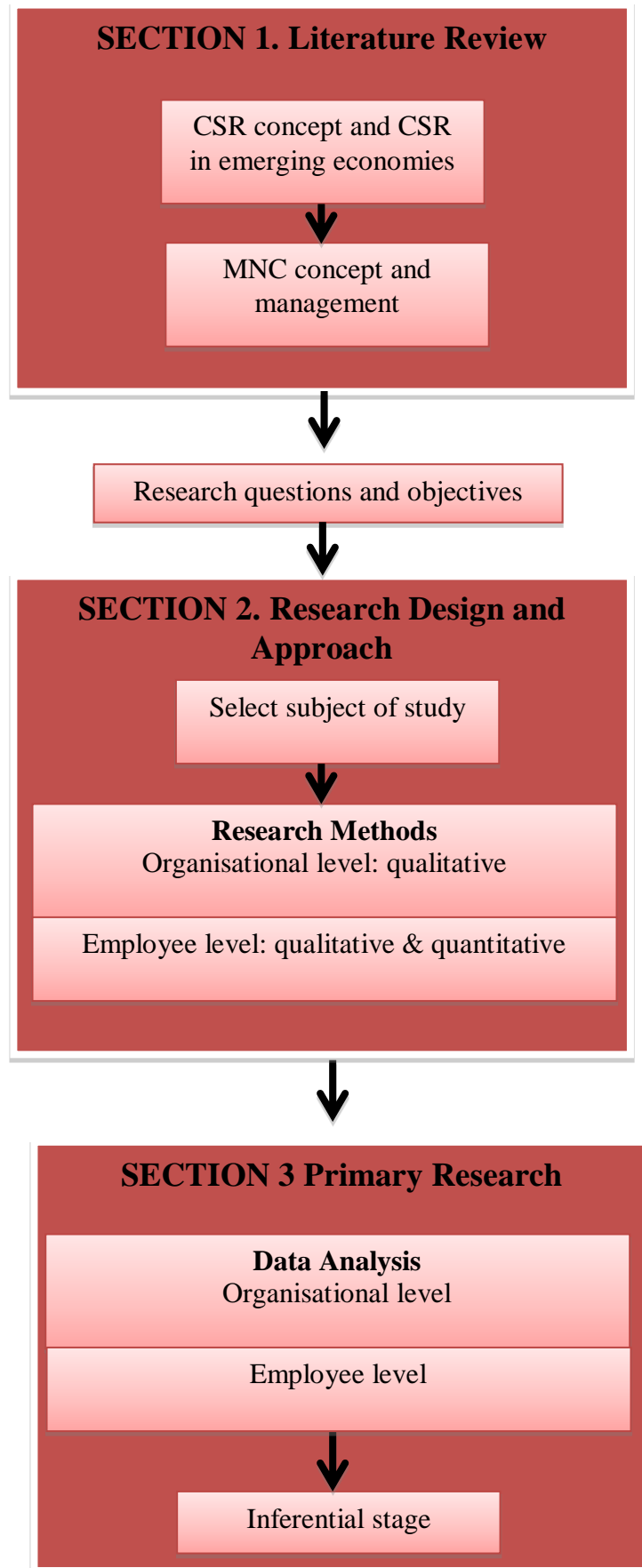
# **Research Methodology and Reflection: A Review**

## 2.1. Introduction

There is no precise or universal way as to how a research methodology should be developed. It is always unique and depends on the purpose of the research. A research methodology highlights the strategy and empirical approaches used by a researcher, or group of researchers, to answer his or her research questions. In this PhD research, I use a **multi-case study approach**. It is a powerful research tool as it examines and understands the similarities and differences between several cases (Yin, 2011). It matches one of the main goals of this research project: to compare CSR management in MNC subsidiaries according to their national origins. In general, this research is performed in three stages (1) theoretical development through literature review; (2) research design; and (3) primary research as depicted in Figure 2.1. over the page. The next section of this chapter will describe the three stages in more detail.

## 2.2. Literature Review

The literature review is a pre-condition for substantive and sophisticated research. It is used to advance a researcher's collective understanding of what has been done in the past and the strengths and weaknesses of existing studies. To perform significant research, the researcher needs to understand the literature in the field (Boote & Beile, 2005). The literature review of this research project was conducted in two stages. The first stage two issues: (1) understanding concepts and theories of corporate social responsibility (CSR); and (2) exploring characteristics of CSR practices in emerging economies. The second stage addressed theories as regards adoption of organisational practices and characteristics of MNC management.



**Figure 2. 1. Research Methodology**

There are only a few academic papers that analyse CSR in Indonesia. This literature review begins by reviewing research on CSR in emerging economies, providing a general description of CSR behaviour in these types of countries that may apply to Indonesia given emerging economies have similar characteristics. Matten and Moon (2008) explain that business behaviour is led by a country's historical business system but modified by institutional factors. Hall and Soskice (2001) discuss how two economic institutional approaches – 'liberal' and 'coordinated' - drive different business behaviour. Countries working with similar economic systems share similar business behaviour.

The results of this literature review shaped the research project in two ways. First, it suggested a focus on CSR in MNC subsidiaries, with a case study in Indonesia. The literature indicated that MNCs play an important role in introducing the concept of CSR in emerging countries (Idemudia, 2011; Torres-Baumgarten & Yucetepe, 2009; Visser, 2007) (see Chapter 3). MNCs also made a significant contribution by pressuring their local partners, with whom they operate, to engage in relevant social and environmental issues (Amran & Nabiha, 2009; Idemudia, 2011).

Second, the literature review suggested that an in-depth exploration of factors driving CSR behaviour in MNCs would be valuable. It also provided a comprehensive theoretical background focused on issues in MNC management and the function of their offshore subsidiaries. This review led me to consider exploring CSR diffusion in MNC subsidiaries and factors that influence successful adoption of CSR, particularly in MNC management.

### **2.3. Research Design and Approaches**

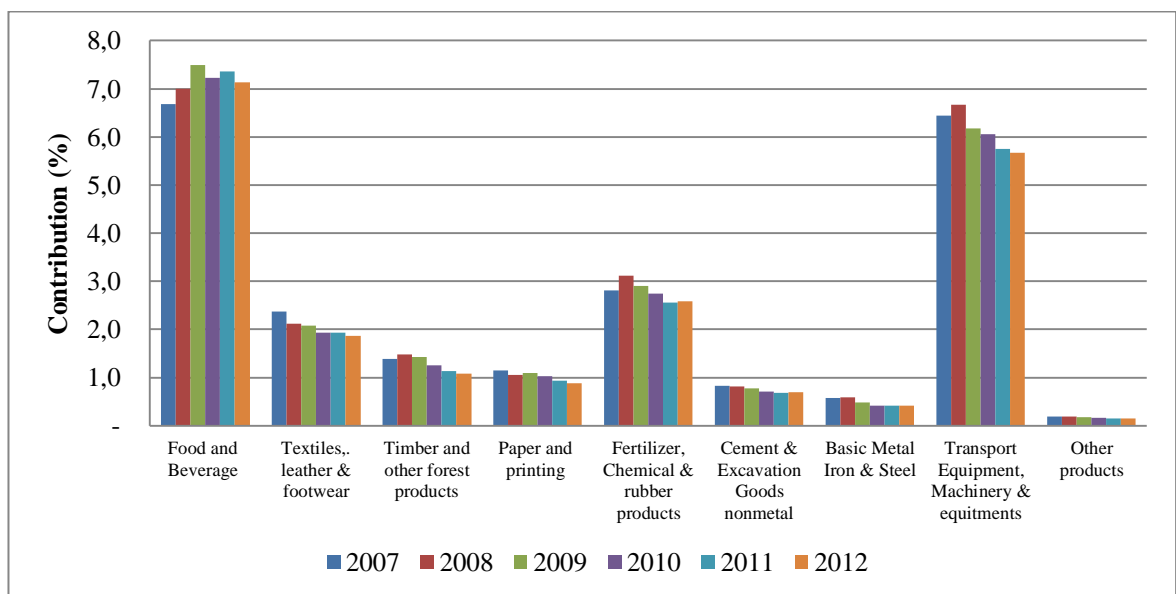
Drawing mainly from research papers examining MNC organisation (Chan & Makino, 2007; Cheng & Jamilah, 2010; Cruz & Pedroza, 2009; Doz & Prahalad, 1984; Frost et al., 2002; Ghoshal & Bartlett, 1988; Gupta & Govindarajan, 1991; Kostova, 1999; Kostova & Roth, 2002; Kostova et al., 2008) and the concept of adoption of organisational practices (Ansari et al., 2010; Johnson & Hagström, 2005; Kennedy & Fiss, 2009; Kostova, 1999; Tolbert & Zucker, 1999), this research project investigates two levels of organisational CSR diffusion in Indonesia: organisational and individual (employee).

As mentioned before, a multi-case study has been chosen as the main approach of this study. So before developing the methodology for data collection, it was necessary to select suitable corporations as case studies.

### 2.2.1. Selecting Case Studies: MNC Subsidiaries in Food and Beverage Manufacturing as the Subject

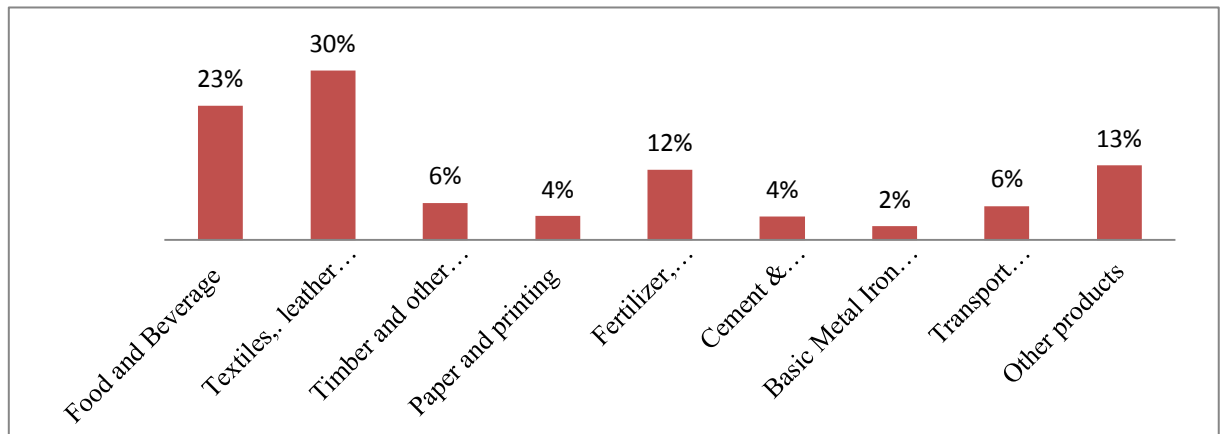
The subjects of this study are MNC subsidiaries working in food and beverage manufacturing in Indonesia. With 43 per cent of Indonesians working in agriculture, the food and beverage industry makes an enormous contribution to support this major sector (Indonesia Statistical Bureau (2010). In addition, the choice to involve food and beverage MNCs is also underpinned by a range of considerations:

- Waa stein (2011) argues that CSR in Indonesia is more developed in sectors that have a direct relationship with the natural resources and manufacturing sectors.
- Food and beverage manufacturing make up seven per cent of Indonesia's gross domestic product (GDP): the highest contribution from a non-oil industry sector (see Figure 2.2).
- The food and beverage manufacturing industry has the second highest labour absorption among non-oil industries, accounting for around 23 per cent of employment (see Figure 2.3).



Source: The Ministry of Industry of Indonesia

**Figure 2. 2. Contribution of the Non-Oil-Processing Industry to the Indonesian GDP**



Source: The Ministry of Industry of Indonesia

**Figure 2. 3. Labour Absorption by Non-Oil Indonesian Industry**

This research targets specific issues around CSR, so only companies with certain characteristics could be included. The company must:

- have foreign direct investment (FDI)
- have a CSR policy
- use local raw materials (from Indonesian farms or agriculture)
- employ both expatriate and local managers.

Teddle and Tashakkori (2009) suggest four to twelve samples should be used in a case study that involves institutions as its subject. This study involved six out of fifteen companies who met the criteria for this research. To select the most suitable companies for this study, I made a priority list of target companies according to their origins. The top six priority companies were contacted by email, with the majority of respondents being the company's CSR or human resources' managers. Five of these agreed to be involved in the study, but the sixth (a United States' subsidiary) failed to respond. A company further down the list was thus included in order to complete the sample.

### ***2.2.2. Methods of Data Collection***

This research is a largely case-based, qualitative study, but also includes a small segment employing mixed (qualitative and quantitative) methods to explore employee attitudes to CSR. A detailed description of methods used in this study is outlined below.

#### *2.2.2.1. Interviews with managers*

The interviews were in the form of open-ended questions or semi-structured interviews. Semi-structured interviews provide the investigator with a wide range of information from respondents that may emerge during the interview (Creswell, 2003). Interviews were conducted with key company personnel who had a good understanding of CSR practices and HR managers, as key people in the organisation's culture and human resources. Managers were contacted by email or phone to confirm their availability for an interview. The interview typically took between 45 and 60 minutes to complete. Before the interview, respondents were provided with a set of questions that would be asked during the interview. A participant consent form was provided at the outset. This included a brief about the research aims and processes. At the beginning of the session, the participant's permission for follow-up contact was obtained.

#### *2.2.2.2. Document and archive gathering*

The study involved the collection and review of relevant company documentation. The data included reports, CSR and HRM policies, CSR statistical data, newspaper articles, other media coverage, and online information. These documents are in the public domain, thus alleviating the pressure for a company to share confidential documents for the purposes of this study.

#### *2.2.2.3. Observations*

Observations also formed part of this study in order to record information that may not have been captured through the interviews, questionnaires or form documents during data collection. The observations helped identify social situations related to the research purpose. The observation approach of this study tended to be unstructured (open-ended) observations (Teddlie & Tashakkori, 2009). I used research notes to record any important observations related to this study.

#### *2.2.2.4. Employee surveys and interviews*

This part of the research was conducted using a combination of quantitative and qualitative methods. There are two critical reasons why mixed methods were employed. Firstly, the purpose of study: involving employees in this study is designed to examine their attitudes



toward CSR, to explore factors that influence their attitudes, and the implication of their attitudes for organisational outcomes. The research purpose contains explorative and confirmative issues. For example, examining employee attitudes to CSR provides a confirmative issue (qualitative idea). This is based on the theory that an employee's positive attitude towards CSR may be influenced by the alignment of CSR values with their own (Brammer et al., 2007a; Brammer et al., 2007b; Chong, 2009). Meanwhile factors that influence attitudes and the implications for organisational outcomes are more exploitative.

Secondly, the size of the sample study: one of the most important factors in applying mixed methods in this study is the large number of employees involved. Each sample MNC subsidiary involved in this study employs between 1,000 and 15,500 employees (consisting of official employees and factory labour). This population is too large for a complete qualitative analysis. Using interviews to collect data from employees in this situation may be biased, because using a smaller proportion of respondents may not represent the opinion of the larger population.

A quantitative approach may be representative of the sample population, but results are often confirmatory and driven by theory and the current state of knowledge of a phenomenon (Patton, 2002; Teddlie & Tashakkori, 2009). This is not appropriate for the purpose of an exploratory study such as this, which is expected to generate new information and uncover unanticipated aspects of employee perspectives on Indonesian CSR practice. Therefore, a combination of a quantitative and qualitative approach was necessary.

Accordingly, this study was designed using mixed methods, with a specific focus on parallel mixed methods. A parallel mixed method enabled the researcher to ask confirmatory and exploratory questions simultaneously. It also allowed verification and generation of theory to be performed in the same study. In the parallel mixed approach, quantitative and qualitative data are collected independently, but are planned and implemented to provide information on the same research questions (Creswell, 2003; Teddlie & Tashakkori, 2009).

### **2.2.3. Sampling Strategy**

#### *2.2.3.1. Quantitative data sampling*

My quantitative sampling size was determined by using the statistical sampling size approach. Based on the employee population size of the five sample companies (more than 3,000 people in total), the minimum statistically acceptable sample of this population is 384 respondents (margin of error five per cent; confidence 95 per cent) (Teddlie & Tashakkori, 2009). To meet this target, around 600 respondents (at least 100 per company) were selected, anticipating that there would be data or questionnaire errors. The questionnaire included multiple-choice questions in a Likert-scale form (see Appendix 4). I created two model questionnaires, one paper-based and one online, to provide alternative ways for respondents to be involved in this study. The questions were in *Bahasa Indonesia*.

#### *2.2.3.2. Qualitative data sampling*

Sample sizes used in qualitative research are typically small. Patton (2002) stated that there are no rules for sample size in qualitative approaches. The size depends on purpose of study. Teddlie and Tashakkori (2009) suggest that six to 24 individuals should be involved in case-study research. Since this study involved six case studies, between three to four employees were recruited from each company.

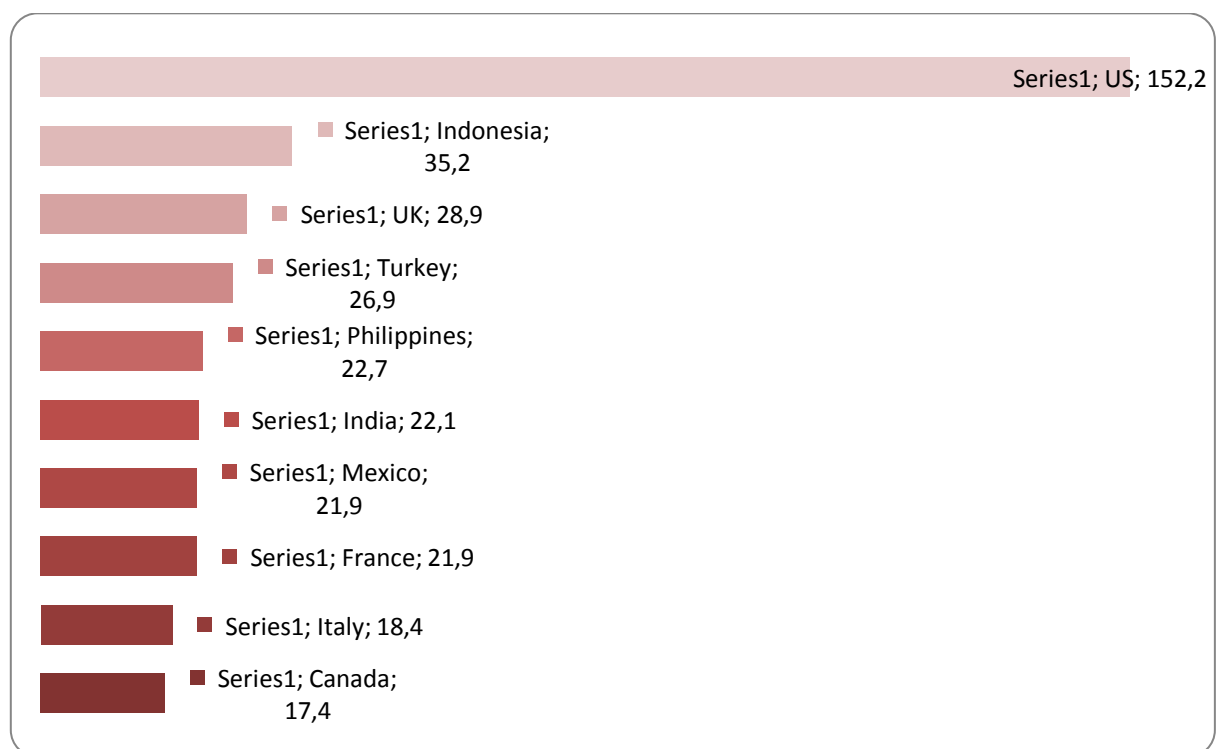
## **2.3. Primary Research**

### *2.3.1. Data Collection*

Data collection was conducted from April to September 2012. The first month consisted of observations, documentation and archive gathering, and employee surveys. Interviews were conducted over the following four months. The employee surveys were the longest and most difficult part of this study. The original sample of around 600 targeted respondents was increased to 2,500 in order to achieve the minimum sample size for responses. Company employees were approached during breaks at their workplace, or by email or their Facebook account. They were given the choice to fill in either an online or paper-based questionnaire. Surprisingly, the majority of participants in this study were those contacted through Facebook. Most of them completed the online questionnaire, while a small number requested

that a paper questionnaire be sent to their address. They returned the completed questionnaire in a self-addressed stamped envelope provided by me.

I used Facebook as my primary medium of gathering data given the large number of Indonesian who use the site. The use of social networking media has grown remarkably in the last five years. An e-Marketing report released in 2011 revealed that around 35.2 million Facebook users were Indonesian, the second largest number worldwide behind the US (see Figure 2.4 below). It was reasonable to assume that people with internet access have a relatively high level of education – at least to secondary school- as this is the requisite level of education for factory work. As many employees working in large companies such as MNCs have good access to the internet, it was reasonable to assume they also have good access to their Facebook account.



**Figure 2. 1. Top 10 Countries, Ranked by Number (million) of Facebook members, 1 April 2011**

Source: checkfacebook.com in

(<http://www.emarketer.com/Article/Social-Media-Marketing-Mobile-Oriented-Countries/1008369>)

During the first month of data gathering, I faced many obstacles approaching respondents in their workplaces. Whilst the sample companies were happy for their employees to be

approached during work hours – particularly on work breaks – the employees did not respond as positively. This might be due to the small window of break time employees have (1-2 hours). They were unwilling to use it for activities other than rest. In addition, it also required a significant time commitment by the researcher. Given some of the companies have operational activities (factories) located outside Jakarta, including in different provinces, it was only possible to visit one of the six companies each day. The face-to-face approach in the workplace was suitable only for employees in head offices or factories located in the industrial outskirts of Jakarta. In this situation, sampling of employees would not be random. These constraints meant that few respondents were involved in this way.

Similarly, approaching employees through their formal work email address was a problem, because employees did not access this email frequently. I often received replies three weeks after the first email.

Approaching respondents through their Facebook accounts was more effective and reduced the potential for bias, as respondents were not just concentrated in Jakarta and surrounding areas. Facebook provided advantages for distributing the study questionnaire, as I was not constrained by time. However, I was limited to sending out a maximum of 100 questionnaires each day. The high speed and volume of correspondence exchanged with respondents was often limited by Facebook's security.

Contacting respondents via Facebook meant that I did not have to disturb them during their work breaks. Using Facebook is similar to the email approach in that respondents have the freedom to decide whether to be involved in the study, without needing to inform the researcher directly. In addition, Facebook gave me the ability to contact respondents located in factories or offices located in areas away from Jakarta, such in Lampung and Surabaya.

Using Facebook in this survey improved several aspects of data collection. First, response times were short, which indicates that Indonesian employees access Facebook regularly. According to the data supplied by my online questionnaire provider, of the 100 respondents contacted on the first day the questionnaire was distributed through Facebook, approximately 30 people (30%) visited my questionnaire. Of that number, six to ten subsequently completed the questionnaire. The number of visits to the questionnaire increased over subsequent days. Second, respondents appeared more willing to participate when contacted through Facebook than when they were approached face-to-face in their workplace. The respondents might have

been happier to interact with me through Facebook as they had access to my personal information. This might have increased their trust in me as they could see that we have mutual friends and that I know colleagues in management positions in their workplace.

Several approaches were used to choose respondents and to ensure that questionnaires were distributed to the correct people. First, I identified respondents using my Facebook friends who work in the targeted companies. Second, I visited each company's Facebook page on the assumption that some of their 'followers' would be company employees. Before deciding to contact the prospective respondent, I checked their background carefully by focusing on the organisation with which they were affiliated. In the cover message, I always stated that the survey was for employees working in the sample companies, thus ensuring that respondents were only current employees.

### **2.3.2. Respondents**

For the quantitative research, 363 questionnaires were returned, of which 351 were used for the analysis. Fifty seven per cent of respondents worked for European subsidiaries, 25 per cent for American subsidiaries and 18 per cent for Asian subsidiaries. Around 66 per cent of respondents were male. The majority - 92% - fell into the 21-40 years age group. Thirty one per cent of them had worked in their current company less than three years, 33 per cent three to five years, 15 per cent six to ten years and 21 per cent more than 10 years.

The interview section involved 22 respondents. Eight respondents were working for European MNCs, eight respondents for American subsidiaries and the remaining six respondents were employees of Japanese subsidiaries. Interviewees were contacted via Facebook and interviewed over the phone.

### **2.3.3. Data Analysis**

In general, there were two forms of data collected in this study: qualitative and quantitative (from employee surveys). The qualitative data was examined with thematic analysis, an approach commonly used in the human sciences (Teddlie & Tashakkori, 2009). This approach describes phenomena generated to answer specific research questions through pointing, examining and recording patterns from research data (Braun & Clarke, 2006). It was also used to analyse qualitative data from parallel mixed methods.

In the process suggested by Teddlie and Tashakkori (2009), data collected via the quantitative parallel mixed method was analysed using descriptive statistics. According to (Lawner & Abroowitz, 2008), a linked data scale should rely on original data, such as mode and median, as main parameters of data analysis (Teddlie & Tashakkori, 2009).

## **2.4. Ethical Principles Governing the Research**

This research was designed to ensure compliance with ethical principles. Participants were provided with information about the aims of the study. This information was also printed on the cover of the questionnaire delivered during fieldwork. Interviewed participants completed a consent form, a copy of which they kept for their records. The interview information and consent form are provided in Appendix 5. All records generated in this study were stored in accordance with data security guidelines. All personal information was secured and accessible only to the researcher. Participants can access a summary of the study on request. The summary will be limited to aggregated information pertinent to the research's purpose, goals and findings, with no individual or organisation being identifiable.

## **2.5. Reflections**

Every aspect of this research has brought me different but challenging experiences. Some situations were easy and exciting, others were difficult and frustrating. Developing trust with my respondents was the most challenging part of the study. For example, I was often asked the purpose of this study, even though it was clearly outlined in my cover letter. I responded to each of these queries with patience and understanding. After receiving my explanation, most respondents felt comfortable enough to participate in the study.

Using Facebook as my means of data collection has brought me new experiences and friendships. Many respondents from the study have become new friends on Facebook. They enjoy responding to my update status – particularly if the status relates to research progress. They have also been sympathetic to any difficulties I have encountered during my research, sometimes offering to distribute my questionnaire to their co-workers. Being friends with top management personnel in these companies had many advantages for my research. I often received photos of the company's CSR activities and was sometimes invited to participate. This gave me wonderful insights for my research and I was able to see the reality of employee reaction and participation on the CSR.

I have highlighted in my papers and this thesis that diffusion of CSR does not work in a social vacuum. This was also true during data collection. Formal data collection does not guarantee that we collect appropriate information. A more friendly and informal approach makes respondents more relaxed to open up and explore how they feel about the subject.

This research has also given me an insight into the character of Indonesian respondents. They were quite closed in the initial contact and were very polite and formal. Over time they became more relaxed and were very warm and helpful. Based on this, I felt that Facebook was a very useful communication tool. My hope is that this might influence future research in management studies, particularly for studies conducted in Indonesia. With the increased use of the internet and popularity of social media, using these media as tools of research may provide an alternative way of collecting data and information.

## CHAPTER 3

# Corporate Social Responsibility in Emerging Economies: A Review<sup>1</sup>

---

<sup>1</sup> This article is under review in *Business and Society* as:

Hariadi, M.F., Bruce, K., Adiwoyo, S.A (2013) Corporate Social Responsibility in Emerging Economies: A review. Manuscript ID is BAS-13-0186

Authorship contribution in this chapter

- Melia Famiola Hariadi: Developed main ideas of this paper, data collection and analysis and writing the paper
- Dr Kyle Bruce: Providing literature, critical thinking in the conception and design of the research project, and English editing;
- Dr Siti Prigandari Adiwoyo: Providing literature and critical thinking.



## **Abstract**

*We use an institutionalist approach to examine the characteristics of Corporate Social Responsibility (CSR) practices in emerging economies and to what extent they differ from CSR practices in the developed world. By critically analysing research papers published from 23 sample countries, we find that CSR practices in emerging economies have unique characteristics that differ from CSR practices in developed countries. Among the issues that become evident in our study is that CSR in developing countries is often simply copied from Western practices making them problematic to implement. Further, CSR is not just a trend in developing countries, but is integral to the increasingly important role of the private sector in supplementing state responsibility for economic development and welfare.*

**Keywords:** Corporate Social Responsibility, Emerging Economies, Institutional Diffusion

## **3.1. Introduction**

CSR is now a prominent part of the corporate strategy agenda globally, although its meanings and manifestations differ between countries (Johnson & Hagström, 2005; Kimberly & Evanisko, 1981). Studies comparing CSR practices in nations with contrasting levels of economic development have shown that the level of economic development in a country is correlated with its CSR (Metaxas & Tsavdaridou, 2010; Robertson, 2009). Furthermore, Baskin (2006b) revealed that the CSR practices of companies in emerging economies and their counterparts in developed countries are highly comparable. By comparing the behaviour of 127 firms operating in countries with emerging economies with that of 1,700 leading companies from developed countries, he found that the CSR practices in emerging economies were less embedded in corporate strategy, less pervasive, and more politically rooted than those employed in the developed world.

Although these facts are generally well recognised among scholars, there have been few studies that attempt to understand the socially responsible behaviour of business in emerging economies as a consequence of the institutional fabric of these countries (Hoskisson, Eden, Lau, & Wright, 2000). Institutional theory has been widely used in an attempt to understand the behaviour of organisations and the logical motivation of the isomorphic pattern of organisational behaviour in a shared environment (Berger et al., 2006; Campbell, 2007;

Husted & Allen, 2006; Schwochau, Delaney, Jarley, & Fiorito, 1997). Institutional theory is also useful in our approach to refining the CSR literature, which is largely dominated by Western-centric research. Many aspects of the circumstances of emerging economies<sup>2</sup> are different to those shared in the developed world (Jamali & Mirshak, 2007). In light of these facts, we raise two interesting questions: *what is the definition of business responsibility in emerging economies, and what are the implications of economic change for this definition? What makes it different from business responsibility in the developed world?*

To answer these questions this paper first explores the definition and characteristics of CSR in emerging economies, and second portrays the extent to which these definitions and characteristics differ from the practices applied in developed economies. Our data is garnered from a review of prior research on CSR in emerging economies. Our analysis will concentrate on CSR in emerging economies according to the International Monetary Fund (IMF) categories (Table 3-1 below).

**Table 3. 1. Classification of Emerging Economies by Region.**

<b>Region</b>	<b>Emerging Market Countries</b>
<b>Asia</b>	China, India, Indonesia, Malaysia, Pakistan, the Philippines, and Thailand,
<b>Latin America</b>	Argentina, Brazil, Chile, Mexico, Peru, and Venezuela
<b>Europe</b>	Bulgaria, Hungary, Latvia, Lithuania, Poland, Russia, Romania, Turkey, and Ukraine
<b>Africa</b>	South Africa

Source: IMF World Economic Outlook Update (June 2012)

To achieve this aim, the paper will proceed as follows: first, we will present a general classification of the literature. Second, we will provide a brief outline of the conceptual approach underpinning our analysis. Third, we will outline the institutional issues that influence CSR behaviour and the associated problematic issues identified in emerging

---

<sup>2</sup> Economists employ the term ‘emerging economies’ for countries with low income but enjoying economic growth through liberalisation approach and free-market system

markets. In this section, we will also provide a critical analysis of the factors that determine the differences in CSR approaches in emerging economies from those in developed countries.

### **3.2. Classification of Studies of Corporate Social Responsibility in Emerging Economies**

This study critically reviews published studies on CSR in emerging economies. The data were collected from 57 articles related to CSR studies in sample countries. The majority of selected articles were published in international journals between 2000 and 2013 and were found via Google Scholar and other databases such as Emerald, SAGE journal, Elsevier, Springer and Wiley Interscience. We use keywords such as Corporate Social Responsibility, Sustainability, Business ethics, Emerging Economy, Emerging Market, and Developing Countries. Only articles discussing CSR in the sample countries were selected.

**Table 3. 2. Summary of Literature Search Results According to the Journals Sources, n (%)**

<b>No</b>	<b>Name of Journal</b>	<b>Total</b>
<b>1</b>	Asian Business and Management	1 (1,75)
<b>2</b>	Baltic Journal of Management	1 (1,75)
<b>3</b>	Business and Society	2 (3,50)
<b>4</b>	Corporate Governance	1 (1,75)
<b>5</b>	Corporate Reputation Review	1 (1,75)
<b>6</b>	International Journal of Business and Management	2 (3,50)
<b>7</b>	Ivy Business Journal	1 (1,75)
<b>8</b>	Journal of Business Ethics	10 (17,5)
<b>9</b>	Journal of Communication Management	1 (1,75)
<b>10</b>	Natural Resources Forum	1 (1,75)
<b>11</b>	Public relationship Review	1 (1,75)
<b>12</b>	Social Responsibility Journal	18 (31,50)
<b>13</b>	The Journal of Corporate Citizenship	16 (28)
	<b>Total articles</b>	<b>57 (100)</b>

Those articles can be categorised according to three types of classification: level of analysis, terms and content, and knowledge contribution, as we discuss below.

### 3.2.1. Level of Analysis

The majority of the previously published studies of CSR in emerging market countries have focused on regional and/or national levels. At the national level, these studies can be split into two further levels of analysis:

1. CSR in general in a *national context* (85 per cent of the papers we examined); and
2. CSR practices from *specific sectors*, such as the finance (Khan, Halabi, & Samy, 2009), auto (Yilmaz, 2008), textiles (Chong, 2009) and mining (Welker, 2009) sectors.

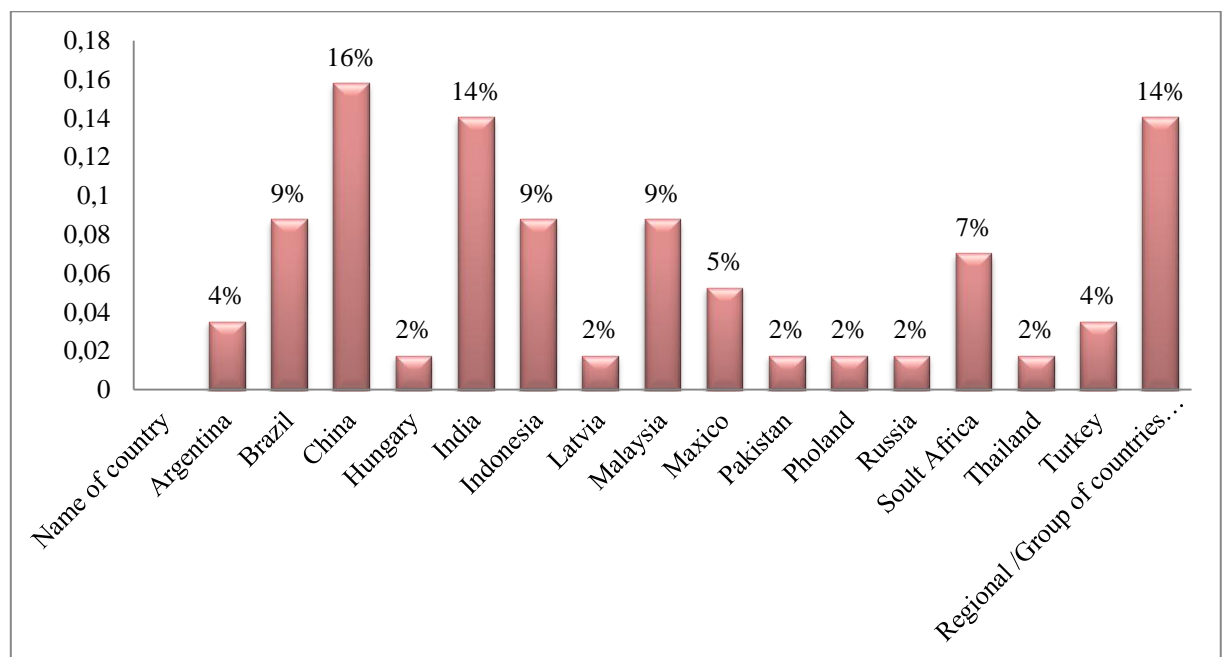
Overall, these studies have focused on the main emerging economies, which are known as the 'BRIC' (Brazil, Russia, India and China) economies. The exception was Russia, as only one study was found examining CSR in Russia (Terlaak 2007). The current study specifically examines cases in **China** (Chen & Kong, 2009; Darigan & Post, 2009; Gugler & Shi, 2009; Guo, Sun, & Li, 2009; Li & Zhang, 2010; Lines, 2004; Sarkis, Ni, & Zhu, 2011; Wang & Chaudhri, 2009; Wang & Juslin, 2009; Wong, 2009; Xu & Yang, 2010), **India** (Arora & Puranik, 2004; Chapple & Moon, 2005; Das, 2009; Gupta, 2005; Planken, Sahu, & Nickerson, 2010; Renu & David, 2007; Sagar & Singla, 2004) and **Brazil** (Cruz & Pedroza, 2009; Jabbour & Santos, 2008; Marques, Mendonça, & Jabbour, 2010; Vivarta & Canela, 2006; Young, 2004)

The next most frequently studied regions were **South Africa**, (Chris & Gary, 2008; Dawkins & Ngunjiri, 2008; Johnson & Hagström, 2005; Visser, 2005), **Malaysia** (Amran & Nabiha, 2009; Cheng & Jamilah, 2010; Said, Hj, & Haron, 2009; Zakaria & Dewa, 2010; Zulkifli & Amran, 2006), **Indonesia** (Gunawan, 2007; Rosser & Edwin, 2010; Waagstein, 2011; Welker, 2009), **Mexico** (Blasco & ZÃ¼ñer, 2010; Paul et al., 2006; Weyzig, 2006), **Argentina** (Fronty, 2007; Newell & Muro, 2006), **Turkey** (Ararat, 2010; Robertson, 2009; Yilmaz, 2008). **Thailand** (Kraisornsuthasinee & Swierczek, 2009) and **Pakistan** (Ahmad, 2006).

As was the case for Russia, papers on CSR in eastern and northern European countries, such as Poland, Hungary, Lithuania, Latvia and the Ukraine were rare. Only one paper each was

found for Poland (Koladkiewicz, 2009) and Latvia (Birkinshaw & Hood, 1998). One paper regarding CSR in Hungary was obtained from the study of Metaxas and Tsavdaridou (2010) which compared CSR practices in Denmark, Hungary and Greece.

CSR papers based on regional approaches were more focused on Asia. For example, a study by Chapple and Moon (2005) discussed CSR in Asia with sample studies in India, South Korea, Thailand, Singapore, Malaysia, the Philippines and Indonesia. CSR studies in Asia also received special attention by Welford (2005), who compared Asian CSR practices to their counterparts in Europe and North America. Other authors were interested in CSR in Latin America (de Oliveira, 2006). Only one paper was found that discussed CSR in Eastern Europe (Birkinshaw, 1996). In addition, some studies were dedicated to largers group of countries using the notion of developing countries (Jamali & Mirshak, 2007; Visser, 2007), emerging markets (Baskin, 2006a; Mehra, 2006)



**Figure 3. 1. Summary of Distribution of Cases According to the Country of Origin**

### 3.2.2. Terms and Content

In general, studies of CSR in emerging economies are still focused on *understanding and defining CSR*. Almost 70 per cent of papers explored CSR in this manner. More advanced studies examined the implications of CSR policies and initiatives with regard to specific subjects, such as marketing (Chen & Kong, 2009), business communications (Hua & Haibin, 2009; Planken et al., 2010) and human resource management (Chong 2009), as well as for politics (Rosser & Edwin, 2010).

### 3.2.3. Contribution to Knowledge

In contrast to Visser's (2007) findings, we found that CSR literature in these countries focuses more on *empirical* approaches than on theoretical approaches, and *qualitative* studies have been more popular than quantitative studies. Interview techniques and information obtained from the companies' online resources and annual reports were the main methods for exploring ideas regarding CSR in this group of countries.

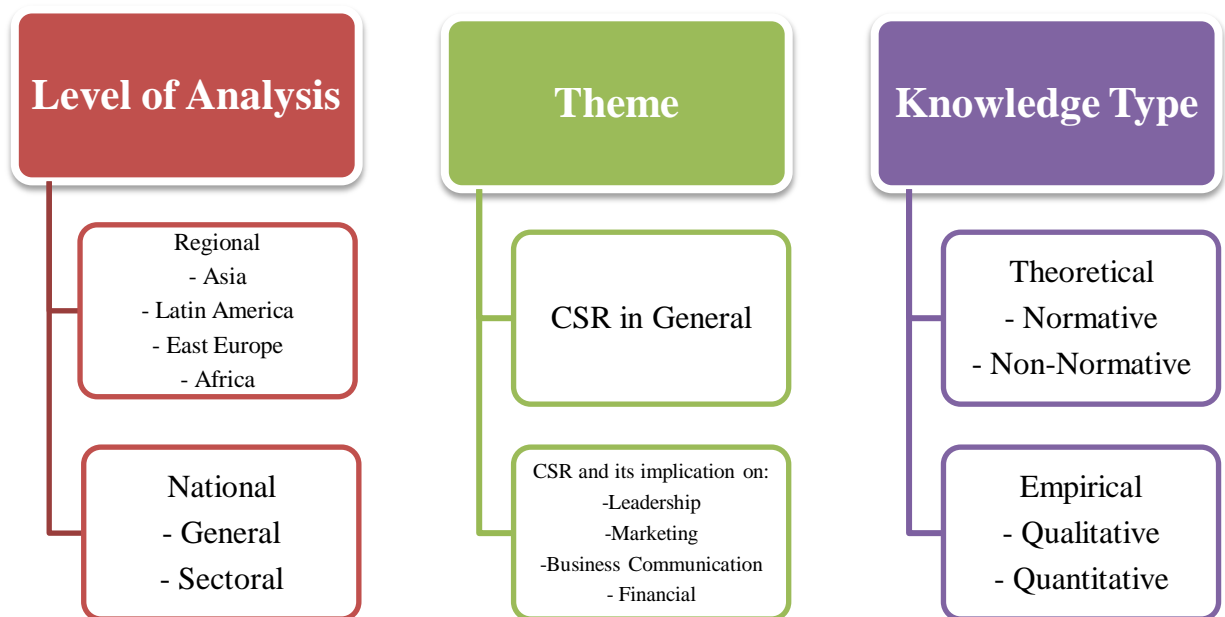


Figure 3. 2. Classification of CSR Research in Emerging Economies

### **3.3. Conceptual Framework**

#### **3.3.1. The Genesis and the Evolution of CSR Concept**

There is no single formula for classifying CSR (Campbell, 2007; Carroll & Shabana, 2010). In almost half a century, the concept of CSR has evolved from a normative approach - providing the reasons why business have to engage in social initiatives - to a descriptive approach - considering CSR as a manifestation of business behaviour (Van Oosterhout & Heugens, 2006).

The publication by Howard R. Bowen of his book, *The Social Responsibility of the Businessmen* in 1950, may be considered the seminal foundational work introducing the notion of CSR (Bakker, Groenewegen, & Hond, 2005; Banerjee, 2008; Carroll, 1999; Jones & Kramar, 2010; Jones, 2009; Van Oosterhout & Heugens, 2006). Bowen first raised the notion of the responsibility of businessmen to society given the immense power they wielded and the impact of their decisions on the lives of fellow citizens. Bowen's work highlighted that the obligations of businessmen were to somehow ensure that their power and decisions were in line with the objectives and values of wider society. Davis (1968) similarly regarded the essence of social responsibility being a concern with ethical consequences of business. In other words and much like individual, a corporation's actions might affect the interests of others in wider society.

During the 1970s, much effort was made to sharpen the definition of CSR. For example, Johnson (1971) introduced the term "conventional wisdom" to understand why firm management must have social responsibility, arguing that management have a responsibility to balance a multiplicity of interests not just to maximize returns to stockholders. Therefore, a responsible enterprise may take into account their employees, suppliers, dealers, government, and local society. This work became foundational in the development of stakeholder theory (Freeman, 1983; Jones, 1995). Backman (1975 in Carroll, 1999) also advocated social responsibility in addition to economic performance noting that business also have some social responsibility for employment of minority groups, reducing pollution, involvement in programs for community improvement, improving health and safety, and other programs aimed at improving the quality of life of citizens.

Into the 1980s, scholars began to discuss CSR as a fundamental aspect of business behaviour. Jones (1980) began the debate with an important critique of earlier CSR literature. He stated that it was difficult to reach a consensus as to what precisely constitutes socially responsible behaviour, so he suggested that CSR should not be seen as a set of *outcomes* but rather as a *process* (Carroll, 1999; Jones, 1980). Jones (1980) argument, though a significant contribution to the study of CSR study, gave insufficient attention to the content and the extent of responsibility of business (Carroll, 1999).

The 1980s were also important due to the development of stakeholder theory. Freeman (1983) defined stakeholders as any group or individuals who are able to affect or be affected by the process of business in achieving its objectives. Stakeholder theory became one of the most influential theories to assist our understanding of CSR. Stakeholder theory also provided a tool for business to recognise their stakeholders and why they have to be taken account in their business decisions. Since being introduced, the term stakeholder management has grown rapidly in the business world (Elijido-Ten, 2007; Gao & Zhang, 2006; Shafiqur, Sadia, & Nicholas, 2010; Supriti & Damodar, 2010).

Another critical development of studies in the 1980s is the growing acceptance of the notion of Corporate Social Performance (CSP) as a substitute for the notion of CSR (Carroll, 1999; Van Oosterhout & Heugens, 2006). Van Oosterhout and Heugens (2006) noted around 155 studies using the term of CSP rather than CSR during 1972-2000. The most important contribution made in CSP studies is the finding that corporate financial concerns are the main antecedent of CSR behaviour (Cochran & Wood, 1984). Cochran and Wood's (1984) finding were supported by Margolis and Walsh (2003), who found a positive correlation between corporate financial performance and CSP. This finding becomes an essential point endorsing other researchers to study business CSR behaviour.

Into the 1990s, CSR concepts became the building blocks or base framework for other related concept and themes. Many theoretical developments embraced or were compatible with CSR thinking, such as stakeholder theory, business ethics, and corporate citizenship (Carroll, 1999). One of earliest and fundamental contributions was Carroll (1991) who revisited his early work on the four-part definition of CSR (Carroll, 1979). He described CSR as a pyramid of business social responsibility: economic, legal, ethical and philanthropic. Economic responsibility he described as a commitment to ensuring that business practices are profitable by maintaining a high level of operational efficiency and competitiveness. Legal



responsibility requires businesses to undertake their practices in a manner consistent with government, state, and local laws and regulatory expectations and obligations. Ethical responsibility was described as encouraging businesses to perform according to societal manners, ethics, and morals. It also emphasised the importance of recognising corporate integrity and ethical behaviour beyond merely complying with laws and regulations. Philanthropic responsibility concerns the need for businesses to seek to fulfil the charitable and voluntary expectations of surrounding society. Carroll's (1991) CSR pyramid (Figure 3.3 below) became one of the most important arguments in defining CSR during the next decades (Visser, 2007).



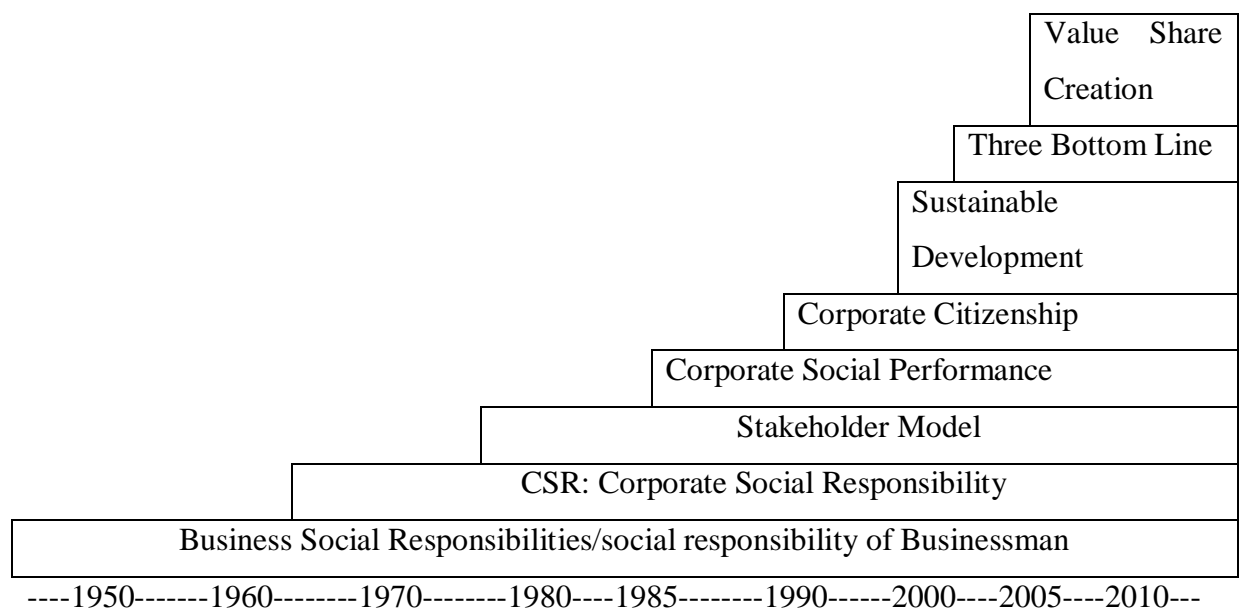
**Figure 3. 3. Carroll's (1991) CSR Pyramid**

Into the 2000s the debate on CSR progressed and it became more or less implicit that CSR was an integral part of business behaviour and that business should respond to various social expectations (Aguilera et al., 2006; Campbell, 2007; Lindgreen & Swaen, 2010; Van Oosterhout & Heugens, 2006). Another theory producing fruitful findings for our understanding of why CSR initiatives varied between organisations and across countries was institutional theory (Campbell, 2006; Husted & Allen, 2006; Merali, 2010). Campbell (2006), for example, argued that institutional aspects of location are the main factor determining business social interests. Business decisions to engage or be involved in particular social initiatives are responses to rational and social pressures from the locations where they operate; regulative and cultural aspects of local society may influence CSR activities (Campbell, 2007). In the 2000s, the definition of business

responsibility was also broadened to incorporate ethical treatment of the environment, influenced by the increase of global attention to the concept of Sustainable Development with its triple bottom line framework: profit, people, and planet (Banerjee, 2008; Brann & Vidaver-Cohen, 2009; Loi Teck, 2008; Moon, 2007; Smith, Mathur, & Skelcher, 2006).

In 2006, Porter and Kramer introduced the integration between business strategy and competitive advantage and social initiatives. Building on Porter's constructs from strategic management such as value chain, five-forces, and competitive advantage, they argued that business social initiatives should be part of a company's competitive advantage if they are able to integrate business strategy with social initiatives called *shared value creation* (Porter & Kramer, 2011).

Thus, during almost half a century of debate in CSR, the definition and concept of CSR fundamentally evolved as per Figure 3.4 below which encapsulates the evolution from ethical business practices to being a strategic tool of business competitive advantage. This debate highlighted that business does not operate in a vacuum.



**Figure 3. 4. The Evolution of CSR Concept**

And even though scholars have arrived at a consensus that corporations might have a moral obligation to play a critical role in generate harmony in society (Donaldson & Dunfee, 1994; Fortanier, Kolk, & Pinkse, 2011), *viz.* why corporations should behave responsibly, this normative stance cannot explain *how* precisely they should do so. Accordingly, this study is

expected to enrich our insights as to how business social initiatives operate, particularly for practices in emerging economies. Exploring the institutional context of this group of countries, we argue, will explain why CSR practices in developed countries fundamentally differ from those in emerging. In addition, we will also revisit Carroll's (1991) generic model of CSR to examine the extent of its application to CSR practices in these countries.

### **3.3.2. Institutional Theory as an Approach**

Drawing from institutional theory, an institution is defined as a set of formal and/or informal rules that are taken for granted by the actors in that environment (Berger et al., 2006; Campbell, 2007; Chapple & Moon, 2007; Schwochau et al., 1997). This theory assumes that every action performed by an actor is motivated by the logic and appropriateness of their understanding, whereby the actions are accepted according to their culture, the schema in their environment and the fit with their routines (Dutton, Dukerich, & Harquail, 1994; Schwochau et al., 1997). These actions always have social meaning and are not always adopted for reasons of efficiency, but for their legitimacy (Chapple & Moon, 2007).

Scott (2008) groups three elements of institutions that shape organisational behaviour. The first of these is regulation, and includes rules, sanctions and regulations, which tend to be crucial parameters of corporate behaviour that is accepted as socially responsible. The effectiveness of regulation is determined by the capacity of government and industry associations to monitor behaviours and enforcement of regulations as a crucial agenda that must be complied with by organisations.

The second of these elements are cognitive conditions, which encompass the shared values and beliefs that are incorporated in the cultural values, ideology and identity of the particular community in which the organisation operates. These affect the way people interpret, notice, categorise and understand stimuli (Schwochau et al., 1997). Cognitive frameworks encourage the adoption of behaviour that is culturally acceptable in the institutional environment in which the business operates (Chapple & Moon, 2007).

The third element is the normative condition, or values and social norms. This can be defined as 'the rules of the game' or 'what is right to do around here' (Strang & Macy, 2001). It represents the dimensions of the prescriptions, evaluations, obligations and role expectations

in social life (Campbell, 2007; Dutton et al., 1994). Normative values may be set by various groups in society, such as non-government organisations (NGOs), industrial associations, the media and other social organisations as a form of their legitimacy in organisational practice. These groups evaluate organisational practices through the values that they develop. They may also compel corporations to obey and follow social norms as well as encourage them to adopt particular practices, procedures or structures (Campbell, 2007)

When a practice becomes institutionalised in an organisation, it is adopted using three processes: coercive, mimetic and normative isomorphism. Hard regulations tend to create a coercive mechanism. Mimicry occurs when corporations face high cognitive pressure. In this isomorphism, corporations tend to adopt the best practices of company leaders, irrespective of their industry (Tolbert & Zucker, 1999). Normative isomorphism occurs when corporations adopt a particular pattern in order to be considered an appropriate firm in their environment (Berger et al., 2006).

### **3.3.3. Corporate Social Responsibility from Different Perspectives of Economic Institutions**

Tolbert and Zucker (1999) point out that the historical business systems in a nation will shape the business behaviour of the economic institutions in that country. From a global perspective, debate in economic institutions is polarised between two different approaches: the liberal market school (LMS) and the coordinate market school (CMS).

#### ***3.3.3.1. The liberal market school***

The liberal market economy is an economic model adopted by English-speaking countries such as the US, the United Kingdom (UK), Australia and Canada. Economic activities under this model are heavily coordinated through the institution of the market. This approach is characterised by a high level of competition, formal contact and less institutional support (Attewell, 1992). Neo-liberal economists have often criticised the term CSR, but some of the logic of their understanding of the role of the private sector in the society can be outlined as follows: first, liberal economists hold the view that social welfare is not the responsibility of individual businesses. Rather, it is determined by the entire set of factors operating in an economic system, and particularly the extent to which the system is able to provide opportunities for entrepreneurship and competitive pressure (Margolis & Walsh, 2003).

Therefore, all barriers to competition and leading to market failure should be reduced (Abrahamson, 1991; Weyzig, 2006), including state regulation.

Second, in order to increase a company's capacity for welfare creation, it should be profitable. Nevertheless, neo-liberal scholars realise that profit is not a perfect measurement and the free market potentially suffers from many imperfections. Hence, at least in part by respecting laws, a company has the responsibility to restrain itself from unfair competition and from exercising market power that is potentially destructive to effective market functioning (Margolis & Walsh, 2003).

Third, since profit is a parameter of welfare creation, businesses must focus on maximising shareholder value (Avery, 2005; Weyzig, 2006, 2009). Business executives do not have a responsibility to serve broader goals and involve themselves in multiple stakeholder engagements. There are two reasons to support this argument: (1) executives do not have the democratic legitimacy to decide what these goals should be, or their purpose (Friedman, 1970; Weyzig, 2006); and (2) engaging with a wide range of stakeholders will pressure executives to adopt a new accounting system, and audit and monitor their companies' activities. This potentially increases costs, as firms must abide by the particular social and environmental standards required by their partners, suppliers, contractors and even some of their consumers (Margolis & Walsh, 2003), which may impede welfare creation (Weyzig, 2006). Therefore, when a company engages in a particular social action in a community that is not part of the business process, the action should be a voluntary one, and not be mandated by regulation.

#### *3.3.3.2. The coordinated market school*

The coordinated market economy is a model adopted by Germany and some other European economies. In contrast to the liberal market economy, this economic approach does not stress market relationships in coordinating firms' endeavours. Coordination involves more general rational or incomplete contracting; network monitoring is based on private information exchange. Firms operating under this system are more reliant on collaboration instead of competition in the market (Attewell, 1992).

Although the details of this model differ from country to country, it shares a common set of values. First, it is egalitarian and seeks to minimise the gaps between the highest and lowest

incomes. Second, group interests are placed ahead of narrow individual interests. Essentially, the main priority of this economic model is how to manage social consensus. It demands a balance in social justice between individual rights and solidarity (Avery, 2005; Doh & Guay, 2006). Although markets are also important aspects of the CMS, firms in this type of economy coordinate their endeavours with other actors within a set of organisations and institutional supports (Attewell, 1992).

According to these precepts, the coordinated market approach views socially responsible behaviour by businesses as a manifestation of a company's responsible behaviour. Indeed, CSR is seen as part of a firm's normal operations. Each company has a specific responsibility for each type of stakeholder. This approach argues that in carrying out its operations, a company affects and is affected by other parties, both within and beyond the company. Therefore, the company needs to meet their stakeholders' demands (Abrahamson, 1991).

The LMS and CMS approaches differ in their perceptions of the institutional framework of understanding the role of business in society. The LMS approach tends to encourage deregulation, with governments not being permitted to interfere in the private sector. In contrast, the CMS places government as a central actor in the coordination of all stakeholders: business, industrial relationships and labour relations as well as in every economic decision these countries.

### **3.4. Findings**

To begin our discussion, this paper revisits the economic situation of the emerging economies over the last three decades. We take the era of the 1980s as the turning point of socio-political and economic life in these countries that has determined their current understanding the social role of business.

#### **3.4.1. Change in Economic Institutions in Emerging Economies**

The 1980s to the beginning of the new millennium was a difficult period for the global economy. The majority of the countries that we focus on in this study suffered chronic economic crises and socio-political chaos. For up to two decades they struggled to rebuild their nations and made dramatic changes in their socio-economic platforms. They began to recover from these crises as the world entered the new millennium.

A huge wave of change came from the Soviet Union at the beginning of the 1990s. Following the collapse of the Soviet Union, Russia and other former Soviet countries struggled to move forward and switch their economic orientation towards a market-based economy after suffering high inflation. In the following decades, the Russian government undertook massive privatisation of state-owned companies and reformed their production processes and organisational structures (Birkinshaw & Hood, 1998). The Soviet crisis spread and immediately affected its communist alliances and the countries that had economic ties with Soviet countries, such as China. For example, the regime of Deng Xiaoping collapsed during the Soviet crisis. Even though the Chinese government still controls approximately 63 per cent of China's enterprises (Li & Zhang, 2010), it has massively restructured its companies by introducing a new Western style of management. Furthermore, China has created opportunities for foreign investment and replaced government price controls (Sarkis et al., 2011; Wang & Chaudhri, 2009; Wong, 2009; Yang, 1993).

India is another country that suffered a profound economic crisis as a result of the collapse of the Soviet Union. The Indian economy was crippled, leading to a \$1.8 billion bailout loan from the IMF to enable it to recover from this crisis. During the 1990s, India reformed its economy by reducing tariffs and interest rates. It also ended many public monopolies. By 2000, India had substantially reduced state control of the economy and had increased financial liberalisation (Arora & Puranik, 2004; Das, 2009; Sagar & Singla, 2004).

Similar to Russia, China and India, Brazil also faced socio-political and economic chaos at this time. Although it was not affected by the Soviet collapse, Brazil struggled to develop its economy and new political system after the end of the military regime in 1985. During the transition period in the mid-1990s, Brazil suffered high inflation that ultimately led to an improvement in its economy. Since then, it has further developed its economy by adopting a mixed-market approach, relying on its superiority in terms of natural resources and agriculture to develop its economy. Brazil has now moved towards industrialisation (Vivarta & Canela, 2006; Young, 2004).

Other countries that underwent profound changes are South Africa, Indonesia and Turkey. South Africa changed dramatically following the collapse of the apartheid system in 1994, which marked the end of racial segregation. During the first five years post-apartheid, South Africa focused on reconstructing its socio-politic system. Then, at the beginning of the new

millennium, it began to make significant changes to its economic policy by restructuring and privatising its state-owned enterprises (Johnson & Hagström, 2005; Visser, 2005).

Coinciding with South Africa's struggles, Asia was confronted with a chronic economic crisis in the late 1990s. In Indonesia, this crisis forced a government regime that had existed for 32 years to step down from office (Rosser & Edwin, 2010). Early in the new millennium, Indonesia began a new democratic era and developed its economy by reducing control of several state-owned enterprises and opening the country to foreign investment (Waagstein, 2011). Turkey suffered an economic crisis in the 1980s, which compelled its government to obtain a loan from the IMF. It underwent a remarkable change in its economic system, moving towards liberalisation and a pro-market environment (Ararat, 2010).

### **3.4.2. Consequences of Economic Change and Globalisation for Economic Institutional Factors in Emerging Economies**

These fundamental shifts in economic management were followed by significant changes to the role of governments and their strategies in emerging economies. As a consequence of the adoption of a market-oriented economy, these governments have been pressured to reduce their intervention in the private sector, particularly by deregulation to remove barriers to foreign investment. As a result, the amount of foreign investment and numbers of multinational companies (MNCs) operating in these countries has increased significantly. In the first decade of the 2000s, these large-capital companies were able to influence the definition of economic and industrial policies and the way business should be conducted in their host countries. They were also able to pressure local companies (vendors, suppliers and firms involved in their supply chain) to act in accordance with the requirements that they brought with them and were mandated by their home countries. For example, a situation in Indonesia with the palm oil company, SMART Tbk, occurred when SMART Tbk's clients, Unilever and Nestle, became suspicious of their palm oil purchases after Greenpeace claimed that SMART Tbk had caused widespread deforestation in Indonesia. SMART Tbk had proven that their practices were environmentally sustainable and they refuted the allegation by recruiting an independent team to investigate their practices before Unilever and Nestle would continue purchasing their product (Creswell, 2003).

Another pressure from foreign companies came in the form of the compulsion of their local partners to engage in the International Organization for Standardization (ISO) 9000 series for



quality standards and the ISO 14000 series for environmental management (Paul et al., 2006; Wang & Chaudhri, 2009; Young, 2004). It is not surprising, therefore, that the number of local companies striving to engage in international standard certification has rapidly increased (Johnson & Hagström, 2005; Visser, 2005; Young, 2004). Recently, there is also a trend for, and pressure on, domestic companies to provide social and environmental reports. Many local companies try to commit to this and mimic this behaviour in order to be considered legitimate international players.

Indeed, globalisation has provided new opportunities for local companies to expand their business internationally. Nevertheless, at the same time, being international players is not without problems. They must conform to the standard of operations requested by the market, especially when they enter developed countries, such as labelling requirements, technical standards, anti-dumping measures and child labour laws. Examples of this include the situation faced by the Indian textile and clothing industry upon entering the US market (Bies, Bartunek, Fort, & Zald, 2007a), and also some of the efforts of Latin American companies when seeking to enter European markets (Schmidheiny, 2006). These conditions have created scepticism of Western markets and the concept of liberal capitalism as being globally unfair (Kimberly & Evanisko, 1981). Reducing barriers to entry of foreign investment in countries with emerging economies has opened up opportunities for large-capital companies, mostly from developed countries, to broaden their business and markets in emerging economies. However, emerging economies' corporations, the majority of which have little capital, must compete with the large companies in these markets, with many standards that must be complied with.

### **3.4.3. Socio-Cultural Restrictions and their Implications for Corporate Social Responsibility Approaches in Emerging Economies**

Even though economic recovery has successfully brought a period of increasing economic growth in emerging economies, there are some negative implications of this change. First, the dramatic changes in economic management after economic crises have not always invoked smooth and positive social-political changes in the countries concerned. The main challenge any new economic approach must confront is that cognitive and normative institutions remain impervious to change. For example, in Turkey, the movement from state control to a pro-market economy caused resistance from the country's Islamic leaders as a result of the discrepancy between Turkish society's cultural characteristics and those of the societies in

which the concept of liberalism was developed (Ararat, 2010). Furthermore, Turkish society, with its collectivist culture, found it difficult to accept the concept of competition upheld by the individualistic cultures of Western society. In addition, power distance is another issue that has provoked resistance to the liberal economic approach. Turkish society has high power distance, a characteristic that does not support intellectual and emotional independence from authority. In other words, in Turkey a reduced governmental role and the deregulation of the economy was difficult to accept and legitimise.

Second, countries that received bailout loans from the IMF were required to conform to the conditions of these bailout packages. Some clauses in these bailout conditions had direct implications for government protection, such as the reduction of certain government subsidies. In Indonesia, for example, the government was requested to reduce its subsidies on fuels and food, a policy against the interests of the Indonesian people, the majority of whom still live below the poverty line (Boote & Beile, 2005; Bouquet & Birkinshaw, 2008).

Third, there was a large gap in prosperity after economic reform; in a decade, the emerging economies have seen an increase in their numbers of wealthy citizens, but this income growth was not equally distributed. For example, in Brazil, the income of 1 per cent of Brazil's richest people 'was almost similar to 50 per cent of the total income of the low income earners' (Young, 2004).

Fourth, economic reform raises new human rights issues; problems such as low incomes, unfair employment contracts, labour disputes, and lack of welfare and social security for workers are issues that cannot be divorced from the early stages of economic reform (Duanxu, Anne, Yichi, & Li, 2003). For instance, businesses operating in remote geographic areas such as mining, are commonly resented due to the industrial waste they produce, and resentment of these companies' prosperity has created major problems that have triggered conflicts (Welker, 2009). Such conflicts have the potential to generate local action against the business (Wang & Chaudhri, 2009). These social problems are assumed to be a failure of the government to meet their people's interests via economic acceleration (Johnson & Hagström, 2005). Local regulation and supporting institutions are often not put in place to supervise economic development processes. Therefore, after almost three decades of economic reform, social and environmental concerns in emerging markets have been driven largely by global movements. As a result, it is not surprising that multinational corporation (MNC) subsidiaries operating in emerging markets tend to reference their social and environmental concerns to their

headquarters' policies. Indeed, they become more responsive when their home-based stakeholders highlight the local issues (Paul et al., 2006).

The lack of sound legal institutions is a well-recognised cause of this insensitivity towards local culture and values. Western companies' morality is based on that of their home country, which commonly contradicts local ethics (Johnson & Hagström, 2005). In his study in South Africa, Idemudia (2005) noted that most CSR policies and practices of Western MNCs are often loosely associated with Judeo-Christian values and the ancient philosophy of deontological ethics, which are not compatible with local ethics, such as those of Ubuntu.

The facts outlined above drive public concerns and pressure the private sector to consider these issues seriously in their business decisions. For example, a study by Kumar et al. (1984) in India revealed that more 60 per cent of citizens felt that businesses should bridge the gap between the rich and poor. This is because businesses had received significant advantages via economic reforms and should subsequently be expected to support the distribution of wealth in the community. As such, there is pressure to ensure that CSR practices are aligned with government development programmes (Chris & Gary, 2008; Das, 2009).

In response to the increased global concerns regarding the necessity for CSR, there is a tendency for the private sector to try to answer the above issues. Scholars have noted some characteristics of the private sector's social actions. For example, Chapple and Moon (2005) found that Asian companies make large contributions to community development, with the main issues being education, health and culture. Compared to Western CSR, Asian countries regard environmental issues as of secondary importance to economic growth. A similar finding was also identified in papers discussing CSR practices in specific countries. In India, Sagar and Singla (2004) found that common CSR initiatives among leading Indian companies tend to be practices such as community development, empowerment, education, training and health. In a study of Indonesia's top companies, Gunawan (2007) demonstrated that these companies also give priority to community initiatives as one of their main activities, particularly for communities within ten kilometres of their corporation or plantation.

Torres-Baumgarten and Yucetepe (2009) found that the leading MNCs in Latin America also contributed large amounts of money to community services and charity, such as education, health and the environment. However, this was not as much as is spent by their subsidiaries in Asia and Africa. In Africa, particularly in South Africa, most budgets are committed to social

causes, such as education and health (Chris & Gary, 2008), with the primary issue being HIV/AIDS (Baskin, 2006b; Johnson & Hagström, 2005). CSR in European emerging markets such as those of Turkey (Ararat, 2010), Hungary (Metaxas & Tsavdaridou, 2010) and Poland (Koladkiewicz, 2009) also promote similar issues, with these countries beginning to align their economic policies with those of the European Union.

The dynamics and problems of CSR implementation outlined above demonstrate that CSR in emerging economies is based on voluntary action. Its development is initially prompted in response to pressure from global business trends and the lack of local regulations and laws (de Oliveira 2006; Leung & Chaturvedi 2011). Nevertheless, it differs from the US model. By increasing their philanthropic practices, companies operating in these countries demonstrate that they are responding to stakeholders' concerns, particularly those of local societies. This is in contrast to the neo-liberal concept of CSR.

Indications that stakeholder demands are taken into account in CSR decision-making, has been demonstrated by studies involving business executives. First, these studies found that ensuring a good business image is still a common concern. However, this is not merely to attract investors or consumers, as is discussed in much of the Western literature. For example, in China, Zu's (1991) survey revealed that Chief Executive Officers (CEOs) claim that their CSR engagement is not a compromise for pursuing profit, but a way to ensure a good image with the public and government. This good image can be a way to avoid new regulations or obtain freedom from restrictions. The survey also showed that CSR was inconsistent with profitability.

The influence of governments has also been analysed in CSR practices in ex-Soviet countries such as Latvia. Here in Latvia, executives negotiate and coordinate with the government regarding every action they take related to the public interest. Another study by Amran and Nabiha (2009) in Malaysia confirmed that the role of the government was important to encouraging a socially responsible behaviour by business noting that there was a lack of motivation towards, and awareness of, CSR among Malaysian executives. The latter argued that they did not see the importance of CSR and that it was just another pressure resulting from global demands.

Second, studies indicating that stakeholder demands are taken into account in CSR decision making demonstrate that CSR is the expression of the business owners' interests and values.

In Turkey, for example, CSR is a manifestation of the business owner's social interests, as they respond to the religious values of Islam. As a manifestation of Islamic values, Turkey's CSR is organised by foundations rather than by companies themselves (Ararat, 2010). Islam teaches that God will reward charity more if the recipients do not know where the charity originates. Therefore, many business owners create foundations to disguise their company's identity.

Another example, from a study by Sagar and Singla (2004), reveals that to Indian managers regard CSR is not merely as an image-building effort, but a manifestation of the philosophy of their founding fathers (Gandhi) to maintain harmony in society. The importance of the personal values of business owners is also highlighted by Peterson et al. (1998) as a motivator of CSR in Latvia, where business executives' personal values are translated into CSR practices, with an acceptance of the costs associated with CSR.

In this context, from the executive's perspective, CSR is not important merely to maximise shareholder value. Indeed, stakeholders' considerations are considered vital in CSR decision-making. This finding strengthens our assumption that the legal framework in emerging economies is not able to bridge social concerns with local expectations.

These findings also strengthen the premise of many scholars that the complexity of CSR issues in emerging economies is due to the failure of governments to link their peoples' expectations with the target of economic growth (Darigan & Post, 2009; Johnson & Hagström, 2005). Many governments are trapped by the new economic policy of liberalisation. They fear that strict legal standards will decrease the freedom to develop enterprises and may deplete foreign investment. For example, governments often grapple with dilemmas such as pursuing economic growth versus tightening environmental regulations, and focusing on creating jobs versus tightening labour standards (Johnson & Hagström, 2005).

The issue of inefficient and ineffective governments, due to a lack of law enforcement, is another challenge. Emerging economies must confront rampant corruption (de Oliveira, 2006; Johnson & Hagström, 2005). Many parties doubt that the legal framework underpinning CSR is able to meet peoples' expectations. In addition, regulating CSR is also feared as creating the potential for abuse of power by dishonest government officials who may take advantage of irresponsible businesses to escape the law (Rosser & Edwin, 2010).

### **3.5. Discussion**

To define the term CSR in emerging economies is a more complex task relative to doing so in the developed world. Conflict between economic growth targets and emerging social issues due to new economic policies following economic reforms has created problems in the implementation of CSR in these countries. Although the specific challenges differ from one country to another, certain similar patterns are evident as the characteristics of CSR in emerging economies.

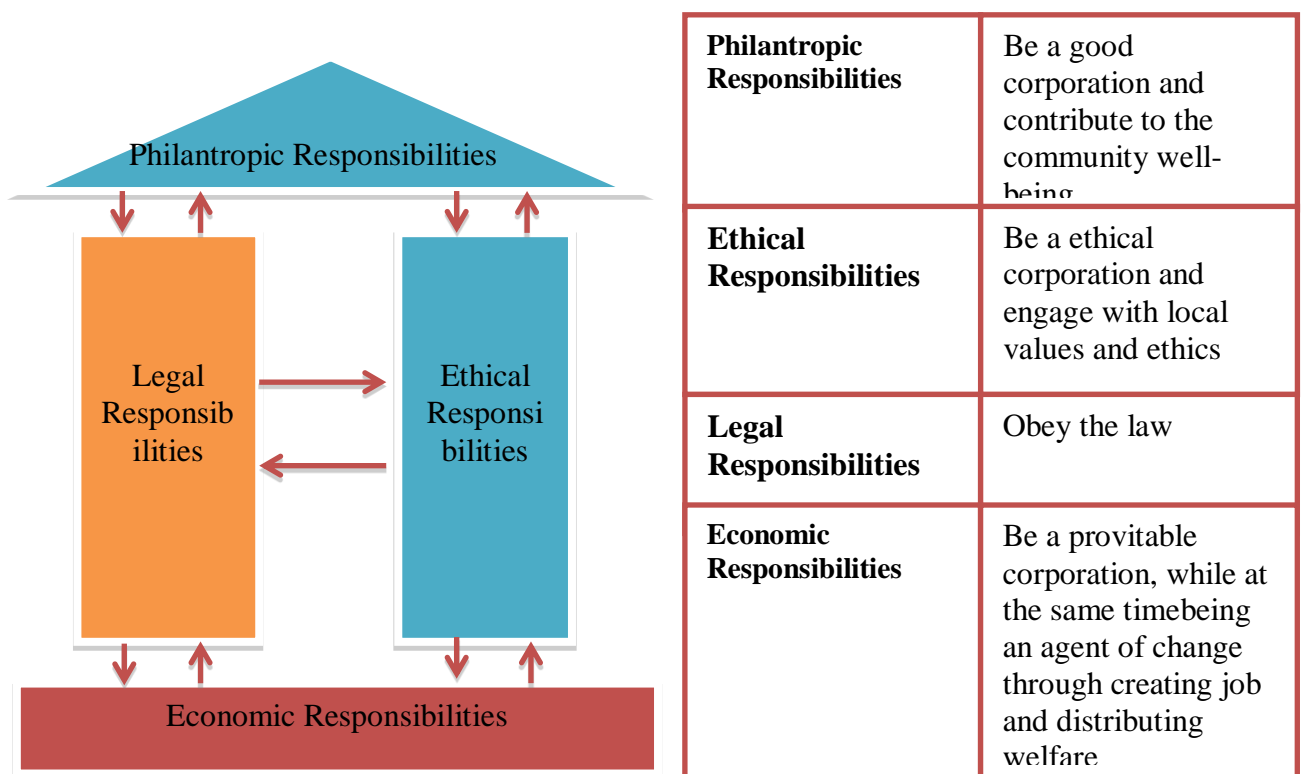
First, there is a shift in CSR concerns from the initial concepts introduced to emerging economies by Western corporations from pressuring business actors in these countries to engage in standardisation methods to today's concerns with philanthropic practices. Second, this increase in concern with philanthropic practices in emerging economies is driven by the culture, values, beliefs, ideology and traditions of local societies and local media and NGOs play an important role in this change paradigm. The stakeholders' approach is valued in the implementation of CSR practices, although these are still conducted on a voluntary basis. There is no precise coordination to accommodate every stakeholder's interests.

A third pattern is that the gap between business and local society is still one of the main challenges of CSR in emerging economies. Therefore, creating harmony between business activities and the community is essential in order to maintain both economic and social sustainability (Wang & Juslin, 2009). As mentioned earlier, the majority of local communities in these countries are living under the poverty line, which creates a new demand on the private sector to become actively involved in at least two agendas through their CSR. Above all else, CSR should be a tool for social protection, defined broadly in terms of protecting the local people and their values. Business must therefore be more proactive and sensitive with regard to local social issues such as health and cultural heritage, and include policies such as labour protection. Also, CSR should be a tool for wealth distribution. It is not surprising that in these countries CSR is concerned with issues such as developing education, transferring technology, developing local economies and increasing incomes to bring about multiplier effects in the economy.

And a fourth pattern is that cultural differences are also a common point of conflict between business and the local community. Harmony should be understood as respect for local traditions, culture and values. Indeed, harmony could be explored through local indigenous

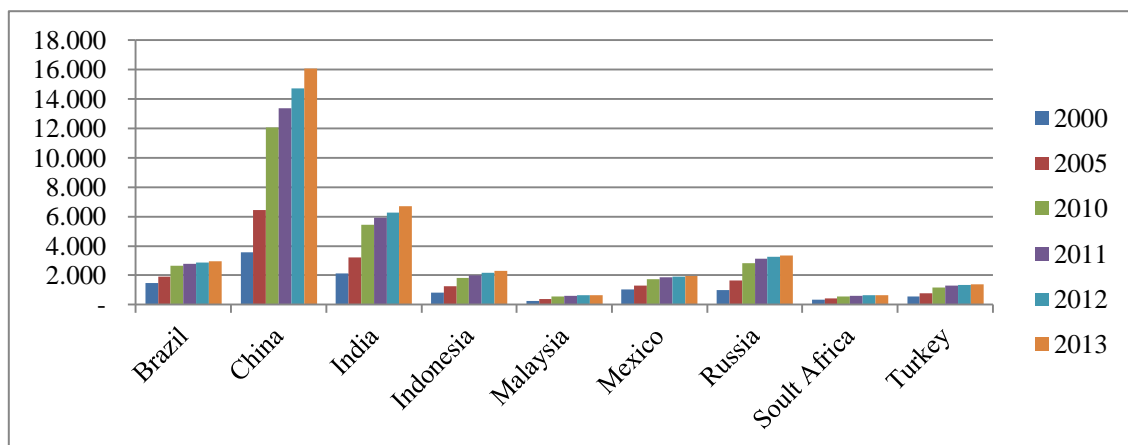
knowledge (Wang & Juslin 2009). In this context, therefore, we suggest that Carroll's (1991) pyramid is not appropriate to define CSR in emerging markets, even though we agree that the four elements of CSR are still operative. The pyramid model prioritises different issues whereas CSR in emerging economies considers that the four factors (economic, legal, ethical and philanthropic) should be performed simultaneously and encourages continued development.

This study suggests that CSR in emerging economies can be more appropriately described as a building rather than a pyramid (see Figure 3.5 below). Economic factors are still fundamental, and become the foundation of the building. Moreover, in these countries the economic responsibility of the private sector goes beyond that explained in Carroll's (1991) definition. The private sector is expanded as an agent of economic change in the community, particularly in terms of its contribution to the creation of employment and the distribution of welfare.

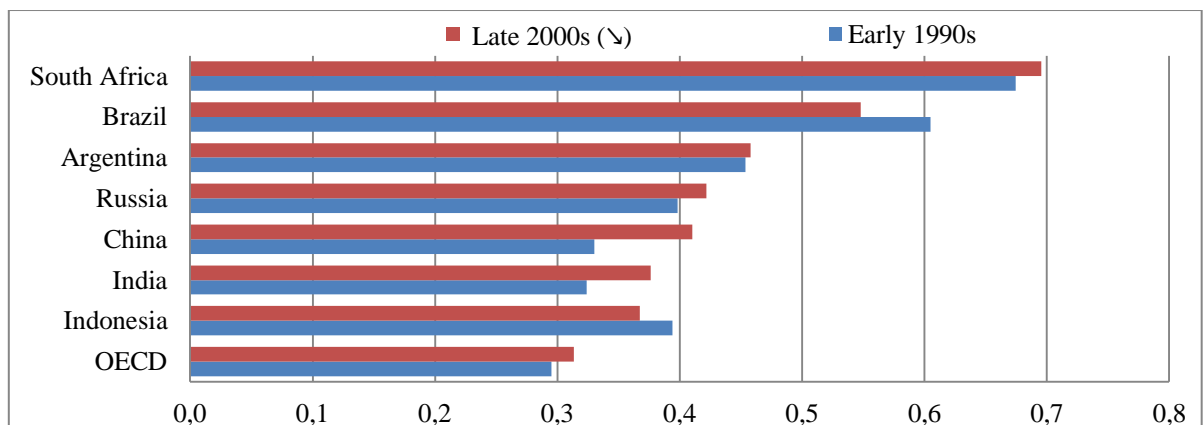


**Figure 3. 5. CSR Model in Emerging Markets Based on Stakeholder Perspectives: a Modification of Carroll's (1991) CSR pyramid**

Figure 3.6 below shows income growth in emerging economies. The majority enjoyed their economic progress during the last decade a condition that has enabled them to achieve significant progress in the fight against poverty (Stand & Rising, 2011). Nevertheless, these countries face a high-income inequality (see Figure 3.7); they have GINI coefficients (an index measuring social equality) in some case double the average of OECD countries. This income gap creates social problems in their communities, such as creating a new stigma and prejudice between high and low income communities. Therefore, many social movements encourage the role of the private sectors to actively get involved in reducing this discrepancy.



**Figure 3. 6. Gross National Income of Emerging Economies (in billion US Dollars)**  
(Source: World Bank)



**Figure 3. 7. GINI Coefficient of Emerging Economies**

(Source: World Bank)

Note: Figures for the early 1990s generally refer to 1993, whereas figures for the late 2000s generally refer to 2008

Furthermore, we describe legal standards and ethics as two pillars of the building. The high expectations of stakeholders in emerging economies requires that CSR be framed by



appropriate laws, regulations and policies guiding business behaviour and activity. It is also expected that legislation should bridge the gaps between the interests of stakeholders and economic activities. Together with legal standards, ethics and norms in a society should also be considered in parallel with regulations and laws. Emerging economies still hold their traditional values and use these values to interpret business behaviour. Therefore, businesses are encouraged to respect and consider these ethics in their decision-making. Furthermore, philanthropy is the main practice that links economic, legal and ethical aspects of business activity. There is a tendency for CSR programmes in emerging markets to accelerate development in these countries and engage with government welfare programmes. It is likely that these programmes are not connected to company business activities or strategies.

Although the stakeholder approach is dominant in CSR decision-making as described in European CSR practices, the stakeholder approach in emerging economies encourages the private sector to act as a counterbalance to the government. Business is expected to fill the gaps where government has failed.

### **3.6. Conclusions**

To summarise, this study has determined that CSR in emerging markets includes the following features:

First, as CSR initially develops, it may be adopted with practices modelled on those of Western companies. In this case, MNCs operating in these countries play an important role in introducing the concept of CSR. Nevertheless, the debate regarding CSR continues to develop and is driven by and focused on creating synergy between CSR practices and the culture, beliefs (cognitive and normative institutions), ideology and values of the host society, as well as aligning with the country's development goals. Businesses are expected to counterbalance government and promote the multiplier effect, particularly in the local community in which they operate. This result indicates that mimetic isomorphism is the main driver of CSR in countries with emerging economies.

Second, from the four aspects of the CSR framework (economic, legal, ethical and philanthropic), ethical responsibility is a component that is often overlooked in business practices. The many conflicts existing between businesses and local communities indicate that the tradition of the local culture needs to be considered in CSR practices, such as Ubuntu in

Africa, Gandhi's ideas in India, and Confucianism in China. Considering the local culture will help companies achieve their CSR missions and meet their stakeholders' expectations. Companies often generate 'best practices' that are adopted from their home countries or copy the behaviour of their peers. It is almost overlooked that good practice in one country may not always be appropriate in another. This is a major influencing factor of CSR's effectiveness (Johnson & Hagström, 2005).

Third, CSR practices in emerging markets tend to be voluntary practices. However, this trend is not the same as in Anglo-Saxon (US model) countries, where CSR is characterised by business social attitudes that are integrated for the purpose of maximising shareholder value. CSR in emerging markets tends to be more closely oriented towards a stakeholder approach. Nevertheless, it is unlike European practices, in which CSR is an obligation that is heavily regulated by government. Furthermore, in the West, there is a greater need for employment and environmental protection. In contrast, CSR in emerging markets concerns various social issues. It is expected that positioning the private sector as a counterbalance to the government could accelerate economic growth and improve the distribution of wealth in these countries.

The new role of the private sector in emerging economies is logically accepted. In contrast to wealthier countries, countries with emerging economies are still striving to develop their economies. Furthermore, their private sectors also need ensure that their businesses keep growing and are sustainable. How can businesses ensure their growth and sustainability if their prospective local employees are uneducated and suffer from chronic disease? How can they ensure their products and services are profitable when their local consumers have little buying power? Furthermore, how can they continue operating, when the people in their surrounding area do not let them work and run their businesses properly? This supports Donaldson and Dunfee's (1994) ISCT theory, which states that businesses do not have perfect freedom. They will always be connected to the local community, and will need the community's legitimisation to sustain their business practices.

Presently, the growing interest in CSR in emerging economies tends to pressure governments to regulate CSR through a legal framework and manage it under a suitable government body. This is an important issue and requires careful consideration to support the new role of business in society. Regulating CSR could be done with the spirit of creating synergy between the effects of CSR and regional development goals. In addition, regulating CSR should enable local people to gain access to legal protection. Previous studies have found that the absence of

legal standards is able to create new and unique difficulties that companies must deal with in order to survive. However, regulation should not limit a company's ability to innovate (Johnson & Hagström, 2005).

We feel that the study of CSR in emerging markets is limited and there are many opportunities for deeper exploration. This study focuses on certain selected countries, such as Brazil, India, China, South Africa and some other Asian countries. More studies of CSR in emerging economies are needed in order to gain a more comprehensive understanding of the nature of CSR practices across countries. We hope this study will broaden our knowledge and strengthen our concept of CSR in a way that may be useful for its implementation. Our analysis summarises CSR as not just a new business phenomenon; but rather, the way business should be conducted.

## **CHAPTER 4**

# **Corporate Social Responsibility Diffusion in Multinational Subsidiaries in Indonesia: Organisational Dynamics and Institutional Effects<sup>3</sup>**

---

<sup>3</sup> This article is under review in *Social Responsibility Journal* as:  
Hariadi, M.F., Bruce, K., Adiwoyo, S.A (2013) CSR Diffusion in Multinational Subsidiaries in Indonesia:  
Organisational Dynamics and Institutional Effects. Manuscript ID is SRJ-10-2013-0126i. Reviewer comments  
attached in Appendix 6

Authorship contribution in this chapter

- Melia Famiola Hariadi: Developed main ideas of this paper, data collection and analysis and writing the paper
- Dr Kyle Bruce: Providing literature, critical thinking in the conception and design of the research project, and English editing;
- Dr Siti Prigandari Adiwoyo: Providing literature and critical thinking of the paper

## **Abstract**

*This study explores both the motivation for and diffusion of corporate social responsibility (CSR) practices of multinational corporations (MNC) subsidiaries in Indonesia, focusing particularly on both headquarter–subsidiary relational and institutional pressures.*

*Following interviews with CSR managers and investing CSR practices and the annual reports of six subsidiaries of food-manufacturing MNCs in Indonesia, this study found that internal pressures within MNCs is the main driver of their CSR practices. These findings were then refined in order to account for local cognitive and normative pressures. This study also found that while regulation in a host country is critical to its subsidiary compliance, it does not contribute appreciably to the precise types of CSR practices.*

*The (isomorphic) similarity of the CSR patterns is less to do with the institutional pressures and more with sector-or field-level pressures in food manufacturing. Most MNC subsidiaries focus on issues such as agricultural or rural development (related to their supply chain), or health and nutrition (related to their core business).*

**Keywords:** corporate social responsibility, Multinational Corporations, Subsidiaries, institutional theory, organisational dynamics

## **4.1. Introduction**

Previous studies have shown that due to their cross-country operations, multinational companies (MNCs) face a myriad of complexities in managing their business offshore (Arthaud-Day, 2005; Gugler & Shi, 2009; Husted & Allen, 2006; Kostova, 1999; Kostova & Roth, 2002; Rosenzweig & Singh, 1991; Sundaram & Black, 1992). Kostova and Roth (2002), for instance, comprehensively lay out the peculiar challenges of MNCs asserting that a MNC subsidiary is not an independent entity and is frequently confronted with an institutional duality of home and host country pressures. Focussing on efficiency or merely complying with the local standards or universal procedures cannot guarantee survival; they have to integrate *both* institutional pressures in their approach in order to be successful (Bondy & Starkey, 2012). Recently, corporate social responsibility (CSR) has been included in discussions of MNC practices (Bondy & Starkey, 2012). CSR is considered as a tool to bridge ethical and cultural boundaries between home and host countries in order to be considered legitimate by the two different environments (Bondy & Starkey, 2012). It is also considered a strategic approach to accommodate the various interests of stakeholders, both local and international (Black & Härtel, 2004; Husted & Allen, 2006).

Studies have demonstrated that MNCs play a critical role in the introduction of CSR in emerging economies (Gugler & Shi, 2009; Idemudia, 2011; Visser, 2007). However, relatively little attention has been paid to the specific issues of MNC's CSR practices in subsidiaries (Bondy & Starkey, 2012; Cruz & Pedroza, 2009; Husted & Allen, 2006). Accordingly, this paper is interested in exploring CSR implementation in MNCs operating in emerging economies. We address a key question in understanding CSR diffusion in MNCs operating in Indonesia: *how do organisational dynamics in MNCs and the institutional context of the host country influence the CSR policy and initiatives in an MNC subsidiary?*

This paper is organised as follows: we begin by outlining the conceptual framework underpinning this study; we then discuss our methodology and proceed to outline our research findings and analysis; and we conclude with implications and suggestions for future research.

## **4.2. Conceptual Framework**

### **4.2.1. The CSR Perspective in International Business Studies**

There is no consensus regarding the definition of CSR, however, a reasonable working definition is how organisations respond and behave toward their environment, employees, customers and other stakeholders (Campbell, 2006; Szulanski, 1996). The accepted behaviour of organisations according to these stakeholders is often compared to standards such as those stated in the law or with other international organisations (Alison, Tyson, & Barney, 2007).

Previous studies in international business tend to categorise MNC CSR practices into two groups: “global CSR” and “local CSR” (Bondy & Starkey, 2012; Husted & Allen, 2006). “Global CSR” emphasises business attempts to incorporate universal issues within MNC CSR policies and practices for local adaptation during the implementation process. For example, businesses guide their operations using the United Nations Global Compact and other standards. Nowadays, some corporations attempt to gain ‘legitimacy’ by striving to be included in socially responsible indices such as the Dow Jones Sustainability Index in the United States (US), the FTS4Good Index in the United Kingdom (Aguilera et al., 2006) and ISO 26000 (Castka & Balzarova, 2007). By rooting their business practices in ‘internationally accepted’ principles, companies can feel confident that their activities are guided by values that are universally endorsed (Bondy & Starkey, 2012).

“Local CSR”, in contrast, is dominated by the local and national context. It is unique in particular operating conditions and different contexts. Local CSR is usually enriched by the cultural dimensions and historical contexts of the location in which the business is operating.

These factors characterise the definition of CSR practices at the national level (Bondy & Starkey, 2012).

Considering the local context is a crucial factor of business sustainability. Businesses never have complete economic freedom, as they intersect with the cultures and ideologies of the communities in which they operate (Bondy & Starkey, 2012; Husted & Allen, 2006). Consequently, businesses need to undertake specific interactions with these cultures and ideologies, and belong to the community. These interactions create a moral boundary of economic transactions that legitimate the business process from one generation to the next. Therefore, businesses are under pressure to have a 'social contract' with the community (Donaldson & Dunfee, 1994). Combining the two categories of CSR is challenging for MNCs (Bondy & Starkey, 2012; Gugler & Shi, 2009), and this study will explore the ways in which MNCs operating in Indonesia integrate these two categories.

#### **4.2.2. Institutional Theory**

Institutional theory has a wide range of applications in understanding the motives of corporate behaviour across nations (Meyer & Rowan, 1977; Muthuri & Gilbert, 2011). Yet despite the fact that the social behaviour of a business is heavily determined by a broad range of political and economic institutions in which the business is operating (Campbell, 2007), few studies have used this approach to examine socially responsible corporate behaviour.

Institutional theory explains that organisations that share the same environment will have pressures to adopt similar practices (Kostova & Roth, 2002; Kostova et al., 2008; Kostova & Zaheer, 1999; Meyer & Rowan, 1977). The underpinning idea is that every decision made by an organisation may have a social meaning connected with the institutional context(s) in which it operates. These can include public opinions, norms and values in society, rules and regulation of the country, and knowledge introduced through the education system (Kostova & Roth, 2002). The rationale behind an organisation's choice to consider these factors is that it has a strategic interest in gaining legitimacy which many result in isomorphism amongst organisations in the same or similar fields (Chan & Makino, 2007; Kostova & Roth, 2002; Meyer & Rowan, 1977).

There are three models of isomorphism associated with situations that confront companies: coercive, mimetic and normative isomorphism. Coercive isomorphism occurs when organisations face pressure to adopt a practice from a more powerful authority. Mimetic isomorphism occurs as an organisation's response due to uncertainty. They adopt a practice or

patterns from other or successful organisations. Normative isomorphism occurs when organisations adopt particular patterns in order to be considered legitimate in the environment in which they operate (Chan & Makino, 2007; Kostova & Roth, 2002; Matten & Moon, 2008).

In addition to gaining legitimacy from an external institutional environment, subsidiaries should also align their strategies to maintaining consistency or fit with their corporate parents (Chan & Makino, 2007); Margolis and Walsh (2003); (Marquis et al., 2007; Rosenzweig & Singh, 1991). Marquis et al. (2007) maintain that although subsidiaries will strive to incorporate their host country's institutional context, it is likely that there will be a low level of isomorphism with other corporations that operate in similar nation.

#### **4.2.3. Hypothesis and Model Development**

The model of CSR diffusion in Indonesia in this paper was developed from the characteristics of CSR implementation in emerging economies (see Chapter 3). Studies of CSR in emerging economies indicate that CSR in these countries have been introduced by MNCs as a standard part of their business practices, such as ISO 9000 series and 1400 series developed by the International Organization for Standardization. MNCs also request and compel their local suppliers and tenants to adopt similar standards of operation (Gordon, 1991; Gugler & Shi, 2009) through having international certification (Paul et al., 2006; Wang & Chaudhri, 2009; Young, 2004). As a result, in two decades many local companies in emerging economies have also achieved these standard certificates (Amran & Nabiha, 2009; Philips, 2006; Visser, 2005; Young, 2004) as seen as global CSR. However, these standards have not accommodated local contextual conditions. This is reflected by the amount of serious conflicts between MNCs and the local communities in which they operate.

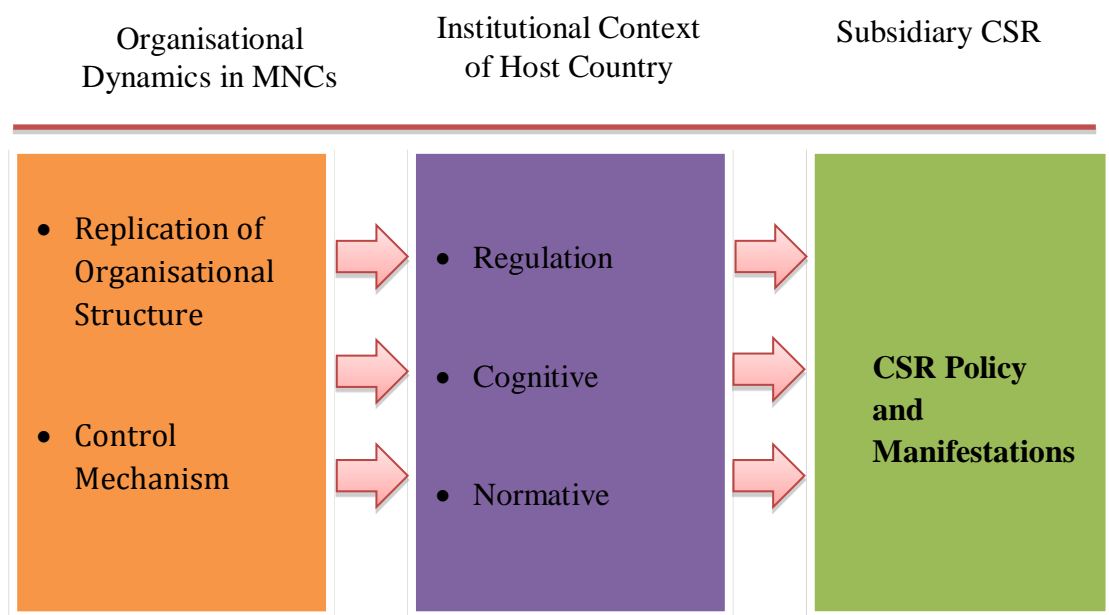
Baskin (2006a) indicated that the social and political situations in host countries have dictated the need for business to engage in more socially responsible behaviour. For example, a study by Chapple and Moon (2005) found that CSR in Asia addresses community development, specifically, education and health initiatives. Similar to this finding, CSR in Africa focuses on stakeholder engagement and health, including reducing the effects of human immunodeficiency virus (HIV) and acquired immunodeficiency syndrome (AIDS) (Baskin, 2006a; Chris & Gary, 2008; Dawkins & Ngunjiri, 2008; Philips, 2006; Visser, 2005, 2007). In Latin America, CSR agendas are heavily concerned with social and environmental matters such as unemployment, inequity, deforestation and crime (Carron, 2006; de Oliveira, 2006; Vera, 2009). These CSR approaches contrast with their counterparts in developed countries in



which CSR is principally focused on consumer protection, fair trade, climate change, environmentally-friendly practices, and socially responsible investments (Elms, 2006; Gordon, 1991; Harribey, 2006; Metaxas & Tsavdaridou, 2010).

The contradictions in the nature of CSR manifestations in emerging economies are arguably due to the inability of local governments to meet people's expectations (Idemudia, 2011; Visser, 2007; Vivarta & Canela, 2006; Young, 2004). Most pressure comes from activism by non-government organisations (NGOs) at the local and international level, trade unions and business associations (Gordon, 1991). These compel firms to take account of 'the portion of government roles' that have links to their day-to-day activities (Albareda, Lazano, Tencati, Midttun, & Perrini, 2008; Carroll & Shabana, 2010; Chesters & Lawrence, 2008; Diego & Mhairi, 2007). This pressure imposes on foreign firms the need to engage in isomorphic practices (Levis, 2006).

Drawing from above facts, we rely on a proposition that *CSR diffusion in MNC subsidiaries operating in emerging economies are led by pressures from the internal organisation of MNCs and are then sharpened by the institutional context of host countries*. Therefore, we assume similar patterns may also occur in MNC CSR behaviour in Indonesia. To examine this proposition, this study investigates and explores the influence of the internal organisational dynamics of MNCs and the external institutional context in Indonesia on the CSR programs of MNCs operate in this country, as per Figure 4.1 below:



**Figure 4. 1. Model of CSR Diffusion in MNCs Operating in Emerging Economies**

#### *4.2.3.1. The Organisational Dynamic of Headquarters–Subsidiaries*

Subsidiaries are charged with ensuring that their business activities are consistent with the main business goals outlined by headquarters and implemented by other subunits in the MNC (Rosenzweig & Singh, 1991). In managing their entire business process, the relationship between headquarters and subsidiaries is maintained in two ways: replication in organisational structure and control mechanisms, both explored currently.

##### *1) Replication in Organisational Structure*

One of the strategies for subsidiaries in maintaining internal consistency is to copy their parent company's behaviour or structure. It is believed that copying can reduce risks in operations that arise from ambiguity and uncertainty in the host country (Rosenzweig & Singh, 1991). Therefore, it is likely that a subsidiary manager will impose headquarters' management patterns on their subsidiaries, although at a later stage some modifications may be made due to the influence of the (national or regional institutional) context in which they are operating (Rosenzweig & Singh, 1991).

##### *2) MNC Control Mechanisms*

Internal control and coordination are essential MNC issues that explain the power relationship between headquarters and the subsidiary (Bouquet & Birkinshaw, 2008). Previous studies have found at least three contexts of control mechanisms in an MNC: centralisation, formalisation and socialisation (Bies, Bartunek, Fort, & Zald, 2007b; Bouquet & Birkinshaw, 2008; Holm & Pedersen, 2000). Centralisation involves the control of headquarters over the subsidiary through the centralisation of crucial strategic decisions. In this model, the subsidiary depends on headquarters. Formalisation is when all decision making relies on formal records and procedures. And socialisation is where MNCs create and share standard minimum values in controlling their internal behaviour and their decision making in order to keep aligning with their goals (Bouquet & Birkinshaw, 2008).

In practice, MNCs face many obstacles when implementing their control mechanisms. For example, there can be communication problems due to language barriers, performance evaluation can be difficult due to different currency exchange rates and there might be cultural differences between headquarters and the subsidiaries (Rosenzweig & Singh, 1991).

#### *4.2.3.2. Institutional Context*

The institutional context utilised in this research is based on Scott's (2008) three pillars of institutions: regulatory, cognitive and normative. The regulatory pillar speaks of the existing laws, rules and sanctions that promote certain types of behaviours and restrict others in a particular nation. Hard regulation tends to create a coercive isomorphism among organisations that share the same environment. The cognitive pillar deals with the nature of reality and the framework that exists in a nation for people's actions and reactions that represent their social meaning—that is, how they understand their social environment. The element of this pillar is cultural values, ideology or identity that share in that community (Kostova et al., 2008; Muthuri & Gilbert, 2011; Scott, 2008; Tolbert & Zucker, 1999). The normative pillar focuses on normative systems, including values and norms held by the individuals of a nation. The normative pillar has the perspective of the evaluative and obligatory dimension of social life. It can also be defined as 'the rules of the game', which are promoted by the media, institutional investors, NGOs, educational and professional associations, and social movement organisations. These actors set their own standards of legitimation when considering how a company should take actions and validate its organisational actions based on the existing normative frameworks (Campbell, 2006; Kostova, 1999; Muthuri & Gilbert, 2011; Scott, 2008).

### **4.3. Methodology**

#### **4.3.1. Empirical Focus**

The subject of this study is food-manufacturing MNCs operating in Indonesia. Waagstein (2011) argues that CSR in Indonesia is more developed in sectors that have a direct relationship with natural resources and manufacturing sectors. Based on this reasoning, food and beverage manufacturing may be the best example to explore MNCs' CSR practices in Indonesia. In addition, the food and beverage sector employs a high percentage of labour in Indonesian manufacturing (23 per cent). With 43 per cent of Indonesians working in agriculture, this industry makes an enormous contribution to support other major sectors, according to Indonesian Statistik (2010). Using a multi case study approach (Yin, 2011), this study selected six subsidiaries of 18 food manufacturing MNCs operating in Indonesia as case studies. The subsidiaries were MNCs whose country of origin was one of three powerful world economic regions: America, Europe and Japan.

#### **4.3.2. Data Collection and Analysis**

To ensure this research was analysed using appropriate data and information, the data and information was collected in three ways. First, through document and archival gathering, this study reviewed relevant documents from the sample companies. The data included information gathered from company reports, CSR statistical data, newspaper articles, other media coverages and online information about both the company's CSR practices in headquarters and in the Indonesian subsidiaries. These documents were in the public domain. Second, through in-depth interviews with key people in the sample subsidiaries; respondents were individuals who play critical roles or who were strategic decision makers in CSR within their organisation. They were CSR directors or managers of the subsidiaries studied. A HRM director from a US subsidiary was involved in this study due to the delegating of CSR function to her department. In total, six people were interviewed. Every interviewee was provided with a brief description of the research, with a focus on the questions shown in Appendix 1 and 2. Third, field notes were taken during direct observation in sample companies. By doing this, it is believed that collected data was obtained from accurate resource.

An inductive approach was conducted for data analysis using the principle of grounded theory methodology (Braun & Clarke, 2006; Miles & Huberman, 1994; Teddlie & Tashakkori, 2009; Zammuto & Krakower, 2005). Independently, all data were analysed using a thematic approach. At this stage, all statements, concepts, actions and other information founded during investigation were searched for particular themes (Braun & Clarke, 2006; Miles & Huberman, 1994; Teddlie & Tashakkori, 2009). Some important statements of interviewees were quoted to support the authors' arguments.

#### **4.4. Findings**

##### **4.4.1. CSR Statement and Practices: a Typology in Food and Beverage MNCs in Indonesia**

In general, we are able to categorise CSR in Indonesian MNC food and beverage manufacturers into two categories: "Core CSR" and "Responsive CSR". Core CSR constitutes social and environmental programmes that have been planned and/or organised by the company as part of its principal strategic practice in social responsibility. Generally, this kind of CSR is a manifestation of a company's social or sustainability statement in its

organisational mission and vision. Responsive CSR refers to practices that are not specifically incorporated into a company's social and sustainability statement of vision and mission—these initiatives are conducted by a company either on a regular or irregular basis. These initiatives reflect the company's response to the demands of particular stakeholders such as employees or the local community.

**Table 4. 1. Topological CSR Initiatives of Indonesian Food and Beverage MNCs**

	<b>US 1</b>	<b>US 2</b>	<b>Euro1</b>	<b>Euro 2</b>
<b>Core Business</b>	Dairy, biscuits	Food and biscuits	Food cereal, dairy, and beverage	Dairy, biscuits, mineral water
<b>HQ CSR Strategic Orientation</b>	Sustainable agriculture and operations, nutrition, food safety, employee engagement	Food safety and nutrition, women's empowerment, employee engagement	Clean Water, nutrition and rural development	Health and nutrition, sustainable environment
<b>Core CSR Practices</b>	Rural development, community education in health and nutrition, employee engagement and voluntarism	Health and nutrition through community education and training, employee engagement and voluntarism	Rural economic development through support of local people, sustainable agricultural practices (farmer empowerment), clean water, health and nutrition, training for community	Sustainable water resources through replanting green areas, clean water, health and nutrition, training for community
<b>Responsive CSR</b>	Sponsoring child soccer, charity	Cleaning environment, Blood donation, charity	Blood donation, charity	Charity, entrepreneurship for young people and women

Table 4.1 overleaf provides information that demonstrates that MNC subsidiaries' "Core CSR" is linked to their headquarters' CSR orientation. The majority of practices are associated with sustainable agriculture, particularly farmer empowerment through promoting the concept of sustainable agricultural practices to farmers. This finding indicates that programmes of "Core CSR" are related to their core business issues in health and nutrition. In these cases, most companies focus their initiatives on educating or providing training for the community on the concept of a healthy life and a family's nutrition, with the main targets

being rural societies. They argued that 70 per cent of the low-income and low-education community in Indonesia lives in rural areas. In fact, many Indonesians are still living under the poverty line. They do not have appropriate education and information about health. In addition, malnutrition in children is still widespread in many rural and remote areas in Indonesia, and sometimes this does not receive special attention from local authorities.

#### **4.4.2. Organisational Dynamics of CSR Policy in MNCs**

As mentioned earlier, “Core CSR” practices in Indonesian food and beverage MNCs are a reflection of the concerns of headquarters. The interviews we conducted produced findings to support this. Managers responsible for CSR, or coordinators of a company’s CSR initiatives, revealed similar issues:

*“Our CSR activities are the manifestation of our company’s sustainable mission and goals. If you visit our headquarters’ website, you will see what we are doing nowadays is the manifestation of similar concerns and programmes. Our headquarter outlines a general focus of the company’s social agenda and subsidiary could align it with local needs where we are operating”* (CSR Coordinator for Japan MNC no. 1).

A General director in a US subsidiary, who is also assigned to the CSR programme in the company, provided parallel information:

*“Recognising our existence as part of global society had been a long established concept in our organisation. Before we are familiar with today term of CSR, we have been signed targets by headquarter to obtain international certifications in the 1990s. The preparation was not a simple process. Many social aspects both for internal management and external organisation needed to be improved to meet the international standard. Therefore, when we are today conducted by CSR, it is not a big problem for us, we believe our practices are a socially responsible exception because we have a healthy business with concern on community wellbeing through producing healthy and nutritious products and practising sustainable business concept”* (General Affairs Director for US MNC no 1).

When responding to questions about control between headquarters and the subsidiary, the majority of subsidiaries revealed that they do not receive strong control from headquarters in relation to their CSR programmes. However, it was indicated that there are different approaches in reporting:

*“There is not specific control from headquarter regarding to our CSR activities. We socialise the company’s CSR or sustainable concern as our framework of CSR practice in the subsidiary. We have to report our CSR activities regularly to headquarter. Our report would be headquarters’ references to prepare an organisation’s CSR or sustainable report”* (General Affairs Manager for Japanese MNC No. 1).

*“We have a structural relationship in CSR managements between headquarter and subsidiaries, but it is not a strong hierarchical structure under specific division. Headquarter develops a CSR or sustainable development committee. The community formulates our organisational CSR programmes as our social organisation and sustainable programs. Subsidiaries are allowed to interpret the appropriate CSR practices by considering the local situation and regularly report to headquarter”* (Vice President of CSR for European MNC no 1).

From observations and report analysis, it was found differences in the ways reporting were designed. For example, the Japanese subsidiaries are not assigned a specific reporting standard to which they must refer. Indeed, they do not need a formal way to report their CSR activities to headquarters. In contrast, the European subsidiaries are encouraged by their headquarters to create individual reports using specific report standards such as Global Reporting Initiative standards. The US subsidiaries revealed that the reporting and discussion of CSR programmes in their company is shared in the regional meeting of directors. These findings indicate that CSR control between headquarters and the subsidiary can be classified more as socialisation control mechanism, but they differ in term of the control practices exercised in the specific of control practices.

#### **4.4.3. Institutional Factors**

Interview results indicate that all respondents claimed that their companies were committed to Indonesian regulations. Obeying the law and regulations is important to ensure that their businesses perform well. Nevertheless, the majority of interviewees highlighted two issues related to existing legislation: the high cost of bureaucracy due to corruption and low level of law enforcement. First, the high cost of bureaucracy due to corruption is given serious attention by MNCs:

*“Corruption is one of the serious causes in Indonesia. I think corruption occurs not only among the elite level. We often confront with unscrupulous government officials who charge a fee when we need a permit for conducting certain activities. They may not*

indicate specific request directly, but without the fund, it could delay our programme for quite some time and long and this is not effective for us” (CSR Coordinator of Japanese MNC no 1).

This situation often leads MNCs into dilemma: whether to be consistent with their code of conduct and commit to anti-corruption practices or succumb to bribery and create a high cost economy. Corruption has become a chronic problem in Indonesia. The model of ‘petty corruption’ or small scale of corruption (Barr & Serra, 2009; Lambert-Mogiliansky, Majumdar, & Radner, 2007) as indicated above is a common practice among low level government employees. Unless ‘facilitation payments’ are provided, companies will experience delay and difficulties to obtain permits and other support.

Studies reveal this petty corruption mostly occurs due to two factors: economic and historical. In terms of economic factors, low government wages is confirmed as the cause of inefficient public services. Unscrupulous government officials commonly have to become resourceful to create additional incentives such as requesting facilitation payment for the services that are under their control (Van Rijckeghem & Weder, 2001). It is because their salary cannot support their and their family’s life properly. In terms of history, for 32 years Indonesia has been under a corrupt regime leaving a legacy of corrupt bureaucratic culture. In addition, weak social control mechanisms and lack of law enforcement are also serious obstacles to eradicate or just reduce this culture of corruption (Robertson-Snape, 1999; Waagstein, 2011). Even though a legal body referred to as the commission for Eradication of Corruption has been established, the magnitude and complexity of this problem cannot be handled by the commission alone.

Second, law enforcement is another critical problem in Indonesia. It creates difficulties for subsidiaries to come to an agreement on particular issues related to business and local people’s expectations. Moreover, some regulations often create ambiguity and uncertainty because they can be interpreted in different ways. For example:

“I think the rules for doing business in Indonesia is quite a lot. They sometimes overlap with each other. Therefore, they could create ambiguity and multi-interpretation among different parties. For example, many stakeholders such as NGO activists, labour unions and local people consider the labour regulations on outsourcing as abuse of the Indonesian constitution. In addition, there are myriad of illegal practices of irresponsible firms that do not receive appropriate punishment. These facts thus have raised the stereotype that businesses in Indonesia tend to practice unethical conducts



such as bribery. In fact, these corruptive practices create uncertainties. While we believe to conduct social activities above and beyond the call of duty other perceive those as a type of subtle way bribing. We in fact, try hard to adjust our business to international standards and believe that we supports and uphold human rights principles as well as sustainable development program” (Director of HRM for US MNC no. 2).

This indicates that regulatory institutions in Indonesia are not correctly influencing socially responsible business behaviour. In contrast to this pillar, cognitive and normative elements are crucial factors in a subsidiary’s CSR decision-making process. All subsidiaries said they seriously consider social issues that evolve in society by involving NGOs and local universities to support their CSR:

“It is impossible to do social programs to community without considering their culture and ideology. In addition, it is not easy to do in this democratic atmosphere like today. Today, people’s awareness of rights, obligations and their identities has heavily improved. In addition, Indonesia is a pluralistic society, where people in this country come from various ethnic groups bound strongly to their respective tradition. We cannot overlook those facts in our CSR activities, as both internal and external factors need to be taken into account. For example, providing praying facility for Muslim employees is a compulsory in the workplace. Regularly, we also conduct religious short lesson for them. CSR activities addressed to local community must always consider the need of local people. Usually, we involve local NGOs and local universities in our activities. We believe they are more familiar with the local tradition and easier to approach the people culturally” (General affair for US MNC no.1).

“Taking in to account local need and culture are the manifestation of our seriousness to support peoples' wellbeing. In this respect, health and educational issues are crucial in Indonesia. In fact, there are many Indonesians who do not receive appropriate health services and access to education, particularly in the rural and remote area. In addition, we also seriously take into account social and friendly environmental issues as these are globally concerns” (CSR manager for European MNC no. 2).

These results indicate that the cognitive and normative pillars of the institutional environment in Indonesia strongly influence MNC CSR behaviour. Although all subsidiaries claim that compliance with regulations is important, it does not strongly support the need of a company’s social behaviour due to the lack of enforcement and uncertainty.

## 4.5. Discussion and Conclusion

The research findings provide evidence to support the hypothesis of this paper that MNCs' CSR practices in emerging economies are more influenced by organisational dynamics in MNCs, than by institutional factors of host countries. Employing institutional theory for analysis, this study has several important findings as regards CSR diffusion in Indonesian MNCs, particularly in food and beverage manufacturing.

First, it is found that CSR in subsidiaries tends to be a mandate from the parent company. Headquarters develops a general standard of its CSR concerns. This standard is the basis of the subsidiaries' CSR framework for implementation at the national (local) level. However, subsidiaries have some latitude to adapt their CSR practices in order to fit with the institutional demands in host countries. We termed these MNC subsidiary CSR practices as an *Adaptive mandatory practice*.

The use of the notion of 'Adaptive mandatory practice' is underpinned by some facts below and some characteristics of MNCs' CSR management due to their cross-national operations.

1. CSR activities have close links with the operational activities of a corporation, which are purposed to meet stakeholder expectations and concerns (Harrison & Freeman, 1999; Pesqueux, 2005; Wood, 2010). As an organisation which operates in various countries, MNC headquarters have limitations on reaching all stakeholders, particularly local stakeholders in which the subsidiaries operate. Studies demonstrate that MNCs often face difficulty in their operations due to cultural differences between their organisation and the local community. The differences commonly creates misunderstanding and creates prejudice among local people (Campbell, Eden, & Miller, 2012) and becomes a social burden for MNC subsidiaries. Therefore, delegating its social responsibility practices to subsidiaries is often the best way to exercise them.
2. The concept and definition of CSR continues to evolve. In today's hotly contested business environment, engaging in philanthropic or charitable acts is considered as an additional cost. Therefore, a company's CSR initiatives should be integrated in their business strategy and become part of their competitive advantages (Galbreath, 2009; Husted & Allen, 2006; Mackey, Mackey, & Barney, 2007; Porter & Kramar, 2002). This study found that MNC CSR concepts are developed by headquarters and used by subsidiaries as the main framework of their CSR programs - their "core CSR".

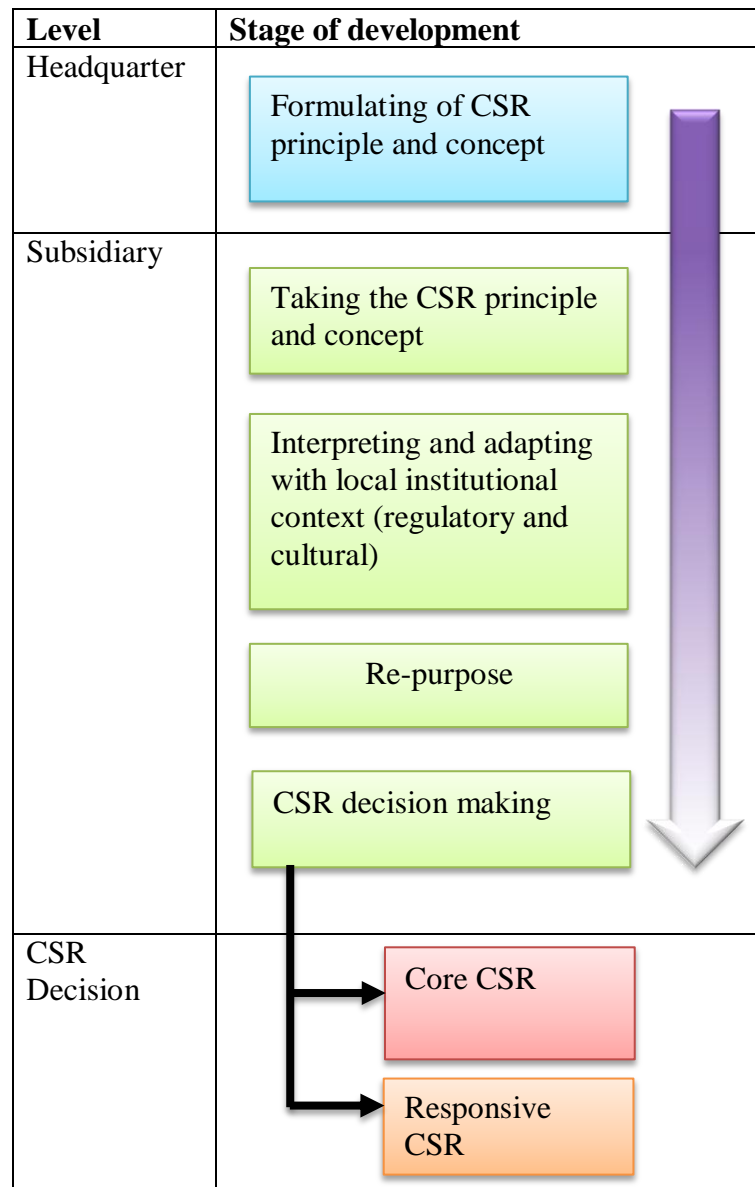
Based on the discussion above and the facts of MNC management, we consider MNCs' CSR management as *mandatory* from headquarter to its subsidiaries. Even though not all MNCs have formal control mechanisms operating between headquarters and subsidiaries pertain to their CSR, subsidiaries are seen to have an obligation and responsibility to link their social actions with the headquarters' framework.

Studies have also shown that successful CSR practice is determined by the extent of the CSR concepts connected to stakeholder needs (Darigan & Post, 2009; Fortanier et al., 2011; Wang & Juslin, 2009). In other words, subsidiaries are demanded to transfer their headquarters' framework to the applicative program in local contexts. It is seen like a "glocalisation" (Gond & Boxenbaum, 2013) of CSR diffusion in which a global idea of CSR from headquarters is then interpreted and adapted to local contexts and conditions. At this stage, the adaptability of headquarters' CSR concern in local contexts is the key success factor of MNCs' CSR implementation (Darigan & Post, 2009; Wang & Juslin, 2009). CSR is not just giving from the company to society. It requests direct participation of society in order to create shared value between company and society. For example, a CSR program that addresses the development of local farmers' requires the active participation of these farmers in the implementation process, such as joining in training programs provided through CSR and implemented in their day-to-day activities. The acceleration of learning process of adopters (in this case, the farmer) will be determined by the extent of CSR program consistency with their prevalent social schemas (culture and values) (Markus & Zajonc, 1985; Markus & Kitayama, 1991).

In this respect, this study concludes that the capacity of subsidiaries to build an appropriate process of adaptation between their CSR agenda and the local cultural context of targeted society, are critical factors. Adaptation is a process that is aimed to increase the degree of acceptance of the targeted adopters. In context, the symbolic meaning of CSR will heavily influence stakeholders' positive or negative reactions toward CSR. A high degree of acceptance of targeted stakeholders of a subsidiary' CSR program is an essential element of their CSR design since it determines the degree of their involvement to achieve the program's target. In other words, we assume that MNC subsidiary CSR practice is a result of a subsidiary's adaptive translation of their headquarters' CSR concern using the local context. Accordingly, we call MNCs' subsidiary CSR as 'adaptive mandatory practice'.

The 'glocalisation' of CSR diffusion in MNC subsidiaries operation in Indonesia is encapsulated in Figure 4.2 below. At the level of subsidiaries, we discern four stages of the

process until arriving at CSR decisions. First, subsidiaries will take decisions to adopt the CSR practice or principle developed at their headquarters as part of their CSR concerns. Second, the framework from the headquarters will be interpreted and adapted to the local institutional context, either via regulatory, cognitive or moral issues developed in the host country. Third, subsidiaries ‘reset’ the CSR program proposal enhancing the perceived usefulness in order to engender the degree of the acceptability in the new context. Fourth, they a detailed agenda of their CSR activities to be implemented is created.



**Figure 4. 2. Glocalisation of CSR diffusion in MNC subsidiaries**

From the three institutional contexts, this study found that cognitive and normative elements in the Indonesian institutional environment affected more MNC subsidiaries' CSR decision-making than did legal requirements as dictated by the law. Subsidiaries frequently made

modifications in order to meet the expectations of local society. For example, headquarters might be concerned with health and nutrition in general, but the subsidiaries does not simply interpreted these concerns as pressure to confirm to headquarters' interest, but rather seen as a way to establish education and health programs for the local people since increasing the urgently need for the local community where they operate.

In the literature, the attempt by MNCs to make their CSR practices fit with local circumstances is the MNCs' attempt to obtain legitimacy (BrÅnn & Vidaver-Cohen, 2009; Chan & Makino, 2007; Dowling & Pfeffer, 1975; Kostova & Zaheer, 1999). Kostova et al. (2008) argue that conforming to multiple pressures means it is very difficult for MNCs to obtain legitimacy. One way to achieve legitimacy from local society is for MNCs to build their reputation by engaging in practices and activities that are not required in the institutional context but that are viewed as socially desirable. If such practices are supported with appropriate publication, MNCs can gain additional local support as a first step to obtain legitimacy from the local community.

This study's findings are at odds with those of Bondy and Starkey (2012) who maintain that considering the extent to which MNC's consider local culture in their CSR decision making, headquarters only marginally consider cultural issues. In contrast, we found that subsidiaries seriously account for local culture in their CSR decision making, even though their 'Core CSR' was kept in alignment with to their headquarters' CSR and sustainable programmes.

Second, this study found a similar pattern of CSR issues among MNCs. The majority of subsidiaries were concerned with rural development and health issues. However, we argue that these may not represent isomorphism from the institutional context of Indonesia, but rather, they are due to field-level pressures in the food and beverage manufacturing sector. Subsidiaries' interest in supporting agricultural or rural development relates to their supply chain of raw materials. Working with farmers is the principal focus of their CSR. In addition, they also express their interest in health and nutrition issues that are very close to their core business in the food and beverage industry. This CSR approach indicates shared value creation between business and community. Porter and Kramer (2012) revealed that shared value creation does not only benefit the local community, but also strengthens the competitive advantage of the company. Working with local farmers, for example, will assist to develop a local community's economy as well as contribute to the improvement of company productivity through their value chain. In other words, the connection between company and

community through the shared value approach will open many opportunities to serve various needs, improve company efficiency and expand its markets.

Furthermore, this finding also indicates headquarter-subsidaries relationship is more powerful to determine subsidiary's CSR policies. Kostova (1999) and Kostova et al. (2008) state that MNCs rarely engage in local isomorphism due to their relationship and dependence on their headquarters. As an entity, subsidiaries also compete with other intra-organisational subunits. Every subunit will try to become internally legitimate and receive favourable judgements from their parent company. However, this analysis needs further examination by studying MNCs' CSR practices from different fields. By doing this, it will be possible to check the degree of the effect of the institutional context of the host country on the socially responsible behaviour of foreign MNCs.

Third, the mimetic isomorphic model is a more suitable model for explaining MNCs' social behaviour in Indonesia. Although Indonesia produces many regulations to encourage responsible business behaviour, some conditions such as low levels of law enforcement and corruption in government leads to uncertainty. However, the cognitive and normative institutional environment in Indonesia seems more powerful to directly affect MNCs' CSR behaviour. It also indicates that subsidiaries' CSR tend to be copied from best practices, both international and local. This is underpinned by the findings that most subsidiaries develop their 'responsive CSR' programs that are not connected to their 'Core CSR' mission, but rather as their response to fulfil and/or to satisfy local expectations.

To sum up, this study has made both theoretical and practical contributions. MNCs face multidimensional and heterogeneous challenges (Campbell et al., 2012). Different from domestic corporations, MNCs do not just confront an institutional environment in which they operate, but they also have pressures from their internal organisation (Kostova, 1999; Kostova et al., 2008). Moreover, studies have found that intra-organisation pressures are more dominant, since they provides more certainty and are structurally acceptable and desirable (Birkinshaw, 1996; Doz & Prahalad, 1984; Husted & Allen, 2006; Kostova & Roth, 2002; Kostova et al., 2008). Accordingly, this thesis regards the context of MNC management as having a more substantial effect on subsidiaries' behaviour, along two dimensions related to headquarter-subsidaries relationship: (1) replication in organisational structure and (2) control mechanism in MNC CSR management. We believe these approaches offer a different view to understanding MNC subsidiary behaviour, particularly in the context of CSR practices. At a practical level, this study provides a portrait of CSR diffusion drivers shaping

MNC practices in emerging economies. We expect these findings will provide valuable information to both the private sector and local governments in these countries to develop suitable CSR policies.

## CHAPTER 5

# Corporate Social Responsibility Diffusion: A Complexity of Internal Legitimacy in Multinational Subsidiaries Operating in Indonesia<sup>4</sup>

---

<sup>4</sup> This article is under review in *Asian Business and Management Journal* as:  
Hariadi, M., K.Bruce., S.A.Adiwoso, (2003), Corporate Social Responsibility: A Complexity of Internal Legitimacy in Multinational Subsidiaries Operating in Indonesia. Manuscript ID is ABM800

Authorship contribution in this chapter

- Melia Famiola Hariadi: Developed main ideas of this paper, data collection and analysis and writing the paper
- Dr Kyle Bruce: Providing literature, critical thinking in the conception and design of the research project, and English editing;
- Dr Siti Adiprigandari Adiwoso: Providing literature and critical thinking of the paper



## **Abstract**

*Previous studies have demonstrated that Corporate Social Responsibility (CSR) practices of Multinational Corporations (MNCs) operating in emerging economies are heavily affected by their parent company's social and environmental concerns, rather than by external, institutional factors specific to host countries. Other studies have found that employee involvement in CSR implementation is critical; indeed employees are the most important stakeholders that companies need to satisfy. Nevertheless, very little attention has been paid to deeper exploration of either of these findings as a subsidiary's means to establish internal legitimacy.*

*Drawing from the concept of legitimacy, this study explores how foreign-owned subsidiaries confront the mimetic pressure of institutional forces in relation to socially responsible practices in host countries. After extensive reviews of annual reports, observations, and interviews with executives of six subsidiaries of food-manufacturing MNCs in Indonesia, we find that subsidiaries' engagement in CSR is shaped by the size of subsidiaries and the length of their operation in Indonesia. The majority of CSR practices in MNCs tend to be run by informal mechanisms through which the subsidiary is given a significant amount of autonomy in CSR decision-making. There is also a great deal of diversity as regards how subsidiaries manage their employee involvement in their CSR policies.*

**Keywords:** Corporate Social Responsibility, internal legitimacy, institutional theory, Multinational Corporations, Indonesia

## **5.1. Introduction**

Multinational corporations (MNCs) play a critical role in the diffusion of corporate social responsibility (CSR) in emerging economies (Torres-Baumgarten & Yucetepe, 2009; Visser, 2007). They often successfully compel domestic companies, in the countries in which they are operating, to adopt particular standards of operation such as ISO 9000 and ISO 14000 series (Baskin, 2006b; Mehra, 2006; Visser, 2007). Indeed, scholars argue that without such pressure, it is difficult to impel local firms to engage in socially responsible behaviour (Idemudia, 2011). Nevertheless, many foreign subsidiaries are unresponsive to local community pressures in host countries (Amran & Nabiha, 2009; Paul et al., 2006; Visser, 2007; Young, 2004), with the most well-known cases being Nike in Asia (Johnson &

Hagström, 2005) and Shell in Nigeria (Ako & Obokoh, 2009). The latter were more responsive to the criticisms of stakeholders in their home countries for their unethical practices, than they were to those in the host countries (Paul et al., 2006).

Accordingly, we assume subsidiaries' CSR practices in emerging economies tend to emanate from pressure from their corporate headquarters; disputes around implementation, though, mean that practices are modified and sharpened by the institutional context of host countries. It is not surprising that CSR practices in these countries are dominated by issues of community development, art and cultural preservation, education and health (Baskin, 2006a; Chapple & Moon, 2005, 2007; Idemudia, 2011; Visser, 2007; Welford, 2005).

Following Kostova (1999), an organisation's decision to adopt a practice is comprised of two components: *implementation* and *internalisation*. Internalisation is an interaction process between influenced values (in this case, CSR values) and the values of recipient employees. It represents the degree of employees' acceptance and commitment to CSR. Positive perception about CSR values could become 'action-generation' that facilitates the initial adoption as well as the continuity of the programs (Kostova, 1999; Kostova & Roth, 2002). In other words, implementation and internalisation are two processes that describe the entire adoption of an organisational practice (Kostova, 1999; Kostova & Roth, 2002). As a mandatory practice, a subsidiary is challenged on how to interpret the CSR practices of the headquarters' mandate and how to enable it to be translated by employees as a 'taken for granted' practice that encourages their participation and commitment to it (Kostova & Roth, 2002). For example, factors such as geographical and cultural distance between home and host countries commonly become big obstacles in organisation's implementation (Ansari et al., 2010).

This paper offers two critical theoretical contributions. First, by focusing our research on CSR practices in emerging economies, it enriches the extant literature that tends to be dominated by studies of practices in advanced, Western economies. Second, it contributes to the international management strategies of MNCs and assists their understanding of CSR practices in host countries. Collecting our data from subsidiaries from three different regions, the United States of American (USA), Europe, and Asia (Japan) and employing the concept of legitimacy, we explore subsidiaries' behaviour in confronting internal challenges rather than just external, field-level pressures explored in the bulk of the literature.

The paper is organised into four sections. First, we discuss the conceptual framework of our study. Second, we outline our methodology. Third, we outline our research findings. The final section presents the discussion and conclusion and also highlights some managerial implications and provide suggestions for future research.

## **5.2. Conceptual Framework: Internal Legitimacy in MNCs**

Legitimacy is a social construct that reflects the integration of adaptation efforts made by an organisation, and by way of the environment that perceives it. An organisation that has gained legitimacy is seen by its environment as operating according to certain social norms, values and expectations (Liu Taffler, 2004; Palazzo and Scherer, 2006; Rahaman et al., 2004). Much attention had been paid to understanding the CSR behaviour of organisations as they strive to gain legitimacy from external sources such as local communities and governments (Albareda et al., 2008; Campbell, 2006; Cardebat & Sirven, 2010; Darigan & Post, 2009). Little, if any, attention has been paid, however, to the CSR behaviour of businesses driven by internal organisational pressures.

The term ‘internal stakeholders’ in this study refers to a firm’s headquarters and employees. Studies of CSR in emerging countries demonstrate that MNCs’ CSR practices are heavily affected by pressure from their headquarters (Idemudia, 2011; Visser, 2007), although in implementation, such practices are modified and adapted to the institutional environment of host countries (Bondy & Starkey, 2012). Further, when CSR is institutionalised in an organisation, the congruence between its values and employees’ references is necessary to ‘generate action’ (Kostova, 1999; Kostova & Roth, 2002). We refer to this aspect as employees legitimacy. Prior studies demonstrate that when employees find compatibility between their values and CSR characteristics, it contributes positively to their identification with the organisation (Backhaus, Stone, & Heiner, 2002; Brammer et al., 2007a; Fukukawa, Balmer, & Gray, 2007; Turker, 2009) as well as to positive outcomes at work (Brammer et al., 2007a; Chong, 2009; Turker, 2009).

Accordingly, MNC subsidiaries face a complexity of internal legitimacy. The two pivotal stakeholders - headquarters and employees - have different concerns and expectations. Headquarters requests subsidiaries to be consistent with organisational policies, values and norms (Kostova et al., 2008; Rosenzweig & Singh, 1991). Meanwhile, employee legitimacy is determined by the degree of psychological connection between them and their workplace. Employee perception of compatibility between CSR values, knowledge and belief may affect

their acceptance and support to the organisation's CSR practices (Nord & Fuller, 2009; Rodrigo & Arenas, 2008; Rupp, Ganapathi, Aguilera, & Williams, 2006; Strautmanis, 2008). A subsidiary's CSR practices are not developed with the sole consideration of satisfying each stakeholder separately. This paper explores the characteristics of subsidiaries' CSR engagement as they attempt to conform to headquarters' pressures, while at the same time utilising CSR as an opportunity to develop a positive social working environment in the organisation.

With the assumption that headquarters instructs the adoption of CSR practices as mandatory, this paper discusses three dimensions of complexity confronted by subsidiaries in their CSR decision-making. First, we suggest it is necessary to examine factors that influence the headquarters–subsidiary relationship. We argue that the degree of subsidiary engagement in CSR will be heavily affected by how strong their relationship is with headquarters. Many studies demonstrate that within an MNC, subsidiaries draw their strategic position directly from the headquarters. The second and third dimensions will explore two challenges subsidiaries face in managing CSR, focusing on: 1) CSR coordination and governance, and 2) employee management and involvement. These issues have been crucial in MNC management. In this respect, we will explore to the extent they affect the characteristics of CSR practices within MNC subsidiaries.

### **5.2.1. Subsidiary's Strategic Position within MNC**

A subsidiary aim to obtain headquarters' legitimacy is not only based on meeting the expectations of the parent company, but also an attempt to gain positive attention from the parent company and develop a differentiation in its position among other sub-units in the corporate system of the MNC. Due to the complexity of MNC management across countries, it is impossible for headquarter executives to give full and equal attention to all their subsidiaries. They will prioritise particular subsidiaries according to their contribution to the MNCs as a whole (Bouquet & Birkinshaw, 2008).

We assume that subsidiaries that achieve a strategic position from the perspective of headquarter, tend to engage in CSR practices. This is because headquarters will devote more attention to these subsidiaries. Prior studies have found that headquarters' perception of a subsidiary's strategic position is determined by 1) the extent the local market in which it operates is critical (Bouquet & Birkinshaw, 2008; Kennedy & Fiss, 2009; Tolbert & Zucker, 1999) and 2) the power of the subsidiary in MNC networking (Birkinshaw, 1996; Birkinshaw

& Hood, 1998; Holm & Pedersen, 2000). We suggest that these two factors are determined by the size and the age of a subsidiary.

First when, a business expands, the potential of the local market in which its subsidiary will be operating, is a vital consideration for a company. We argue that the size of a subsidiary reflects the potential of the local market in which it operates. Increasing the investment in the subsidiary indicates a growth of market demand in the host countries. In other words, a subsidiary's size reflects the important of local market in which it operates (Tolbert & Zucker, 1999). Therefore, a large subsidiary may gain more credit from the headquarters compared to other subsidiaries in the MNC (Prahalad & Doz, 1981).

Second, drawing from the concept of intra-organisational power, every subsidiary has various power impacts linked to the scope of its responsibilities and the function it plays in MNC networking (Birkinshaw, 1996). For example, a subsidiary is designed to manufacture products for the entire of organisation (Birkinshaw, 1996) or it is designated as a 'centre of excellence' where other subsidiaries can learn from it (Frost et al., 2002).

The size of a subsidiary also reflects its economic health. Campbell (2007) revealed the CSR behaviour of a firm is affected by its economic and financial position. Corporations with a poor financial position have fewer resources and therefore risk serious losses. Indeed, they often ignore social issues and act irresponsibly when confronted with negative financial conditions. In other words, corporations with good financial conditions are more likely to engage in CSR. Accordingly, other than the size of a subsidiary, we suggest that the length of the subsidiary's operation is also an important factor that determines the strength of the headquarters–subsidiary relationship. The longer a subsidiary has been in operation, the more experience they have in conducting business. A long-established subsidiary might become a reference for new subsidiaries within MNCs. Its best practices may be copied by others with an expectation that they could achieve similar success (Frost et al., 2002; Rosenzweig & Singh, 1991).

Drawing on the above arguments, we will use a subsidiary's size and length of operation as two variables to examine the degree of its engagement with CSR. Previous empirical research demonstrate that the size and age of companies is linked to the adoption of organisational practice (Kennedy & Fiss, 2009; Tolbert & Zucker, 1999). For example, Kennedy and Fiss (2009) examined Total Quality Management (TQM) adoption in hospitals. He found that the

size and age of a hospital determine the speed adoption. This study will examine to what extent the size and age of subsidiaries influence engagement with CSR and its effect as a requisite area of their parent company.

### **5.2.2. CSR Coordination and Governance**

The MNC literature commonly uses the theory of the principal–agent relationship to describe the relationship between headquarters and their subsidiaries (Björkman et al., 2004; Roth & O'Donnell, 1996). This theory assumes the headquarters as the principal and the subsidiaries as the agents. According to the theory, the relationship between the principal and agents is complex. Even though an agent works as a representative of its principal, it is likely that the agent behaves differently from the headquarters. This may be because they have different information or incentives. These gaps could give rise to various issues in MNC monitoring and coordination of subsidiaries (Cohen, 2010; Frambach & Schillewaert, 2002).

A study by Bondy and Starkey (2012) demonstrated that the majority of headquarters in the United Kingdom do not incorporate cultural issues into their CSR policy. This indicates that headquarters give a significant amount of autonomy to subsidiaries in managing and determining their CSR initiatives. The question is: how is CSR coordination conducted in subsidiaries and how do they manage issues of cultural distance in CSR (Campbell, 2007)? Studies reveal that MNCs focus on two solutions to address these issues: 1) they delegate an expatriate manager to bridge the cultural distance between the subsidiaries and headquarter (Fenwick, De Cieri, & Welch, 1999; Kobrin, 1988; Pair & Sohn, 2004) and 2) they develop a coordination mechanism to ensure the organisational objectives are considered in the subsidiary's decision-making (Brickson, 2007; Donnenfeld & Prusa, 1995; Ferner et al., 2004; Roth & Nigh, 1992). We explore these aspects of the CSR governance of subsidiaries. The characteristics of coordination mechanism observed in this study are formal and informal mechanisms, as described by Harzing (1999).

In **formal mechanisms**, the MNC will perform actions such as: departmentalisation or grouping of organisational units, shaping the formal structure; centralisation or decentralisation of decision making through the hierarchy or formal authority; formalisation and standardisation (written policies, rules, job description and standard procedures). These kinds of mechanisms are conducted instruments such as manuals, charts and controls in output and behaviour and direct supervision. While for **informal mechanisms**, coordination

between the headquarters and its subsidiary is conducted through lateral or cross-departmental relations, informal communication such as personal contacts among managers, management trips, meetings, conferences, training, career path management, transfer of managers and reward system (Harzing, 1999).

Previous studies have demonstrated that MNCs from different countries show different patterns of subsidiary autonomy, control, and coordination. For example, US MNCs are found to be more centralised and adopt more formal mechanisms. These studies have found that US headquarters play a critical role in human resource policies related to payment systems, communication, union recognition and welfare and training policies for their subsidiaries. Another contrast is that US MNCs are less reliant on ‘personal’ control through expatriates compared with European and Japanese MNCs (Ferner et al., 2004). Consistent with the above finding, we assume the distinctive characteristics are probably described in their CSR policies.

### **5.2.3. Employee Management and Involvement in CSR**

One of the biggest challenges faced by MNCs when they adopt a new practice is to obtain appropriate support from their employees. The relationship between an organisation and its employees is mostly a transactional relationship; organisations need employees’ skills, abilities and knowledge, while employees are rewarded with a salary and other benefits. However, scholars have demonstrated that the strength of the employee–organisation relationship is determined by employees’ perception that the organisation is congruent with their personality and characters (Blau, 1987; Caplan, 1987; Da Silva et al., 2010; Ostroff, Shin, & Kinicki, 2005; Vancouver & Schmitt, 1991). The match between organisational characteristics and employee personality, results in high performance and satisfaction (Cohen, 2010; Da Silva et al., 2010; Hoffman & Woehr, 2006; Sims & Kroeck, 1994).

Drawing on the concept of ‘people–organisational fit’ (Ako & Obokoh, 2009; Caplan, 1987; Da Silva et al., 2010; Edwards, Cable, Williamson, Lambert, & Shipp, 2006; Kristof, 1996) and the theory of internalisation (Kelman, 1958; O'Reilly & Chatman, 1986), we assume the commitment of an organisation to CSR will be challenged by a process of ‘value adaptation’ in individual employees. Individually, an employee has his or her own expectations and beliefs in CSR and gives their ‘approval’ through moral support as well as voluntary participation (Blau, 1987).

Although employee values and beliefs may lead to their acceptance of CSR, organisations can also influence employee perceptions and concerns (Costas & Kärreman, 2013; Garavan et al., 2010; Romus, 2001). Prior studies have found that organisations need to consider employee involvement in their social and environmental decision-making, planning and implementation in order to encourage employee engagement in the program (Costas & Kärreman, 2013; Laabs, 1992; Romus, 2001). Further, some HRM practices such as rewarding, training, and developing a supportive working environment, generate employee support and participation in CSR and environmentally-friendly programs (Garavan et al., 2010; Romus, 2001; Sharma, Sharma, & Devi, 2009). This study focuses on how subsidiaries' develop their CSR program as well as their consideration of employees in social responsibility issues.

### **5.3. Methodology**

#### **5.3.1. Subject and Data Collection**

This study focuses on six subsidiaries of food-manufacturing MNCs operating in Indonesia. Our selection of the food manufacturing industry is based on several factors. First, in Indonesia, CSR is important in the sectors that have a direct relationship with natural resources and manufacturing sectors (Waagstein, 2011). Second, the food and beverage industry employs the highest percentage of labour in Indonesian manufacturing (Statistik, 2010). Third, 43 per cent of Indonesians work in the agriculture, food and beverage industries. These provide an enormous contribution to other major Indonesian sectors. For this reason, we believe food and beverage manufacturing is the best example to explore MNCs' CSR practices in Indonesia. For this study, we selected six MNC subsidiaries originating from three powerful global economic regions; namely, the United States (US), Europe and Asia (Japan).

#### **5.3.2. Data Collection and Analysis**

Three data collection methods are employed in this research. First, secondary data were collected from company documents, reports and other publications that record company CSR activities, such as bulletins and internal newsletters. Permission to access these documents were obtained from the corporations. Second, in-depth interviews were conducted with key personnel in CSR and Human Resource Department (HRD) capacities in the six subsidiaries selected.



There were eleven people interviewed for this study. They were CSR and HRM directors or managers of the subsidiaries. Only a HRM director from one of US subsidiaries was interviewed covering all CSR and HRM questions due to the delegating of its CSR practices to the HRM department.

Every interviewee was provided with a brief description of the research and the in-depth interviews focused on questions as shown in Appendix 2 and 3. Third, field notes were taken during direct observation of the company's activities. We believe that by using these methods we will obtain a more complete picture of the company and more accurate results for this study. To protect the anonymity of the participating subsidiaries, their original names are not disclosed.

For data analysis, this study adopts an inductive approach following the principle of grounded theory methodology (Braun & Clarke, 2006; Miles & Huberman, 1994; Teddlie & Tashakkori, 2009; Zammuto & Krakower, 2005). Those collected data was analysed using a thematic approach by coding basic and specific themes derived from the data (Braun & Clarke, 2006; Miles & Huberman, 1994; Teddlie & Tashakkori, 2009). Some important statements were quoted to support author arguments.

## **5.4. Research Findings**

### **5.4.1. Subsidiary Strategic Position and Its Implication to Subsidiary Engagement to CSR**

On the following page, Table 5.1 describes the strategic position of each subsidiary and several characteristics of their CSR management. Our data and observations indicate large-size subsidiaries tend to show their commitment to CSR by creating a specific department to focus on CSR activities. For example, the sampled European subsidiaries have established a CSR department as a foundation to support their CSR activities.

Our observations and documentation show the strategic position of these subsidiaries within their respective MNC, since the size of their production capacities represent the largest in the MNCs' portfolio. For example, Europe 1 subsidiary has the largest market share in Indonesia within its industry and its production activities are one of the largest subsidiaries of its entire MNC. Similar to the two European companies studied, a Japanese subsidiary observed has also established a CSR department. This subsidiary employs around 3,000 people. It is also

the largest sub-unit in its MNC. Its market share is the largest one for its entire MNC business.

**Table 5. 1. Subsidiary Characteristics\***

Characteristics	USA 1	USA 2	Europe 1	Europe 2	Japan 1	Japan 2
<b>Business</b>	Dairy, biscuits	Food and biscuits	Food cereal, dairy, and beverage	Dairy, biscuits, mineral water	Seasoning and healthy drink	Healthy food and drink
<b>Establishment in Indonesia</b>	1980	<b>1995</b> (acquired from an Australian company)	1971	<b>1998</b> (acquired from a big Indonesian company )	1969	1997
<b>Number of employee**</b>	Around 2000	Around 1500	2698	13000 (around 12000 are employees from the equation company)	Around 3000	780
<b>CSR organisation</b>	General Affairs	HDR Dept	CSR / CVS Dept	CSR Dept and Foundation	CSR Dept	Corporate Communication

\*Data is collected from corporate websites, report and other online publication

\*\* The data just cover for full time employee

Our interviews with CSR executives also supports our theory that larger subsidiaries tend to place high value to CSR by establishing a CSR department as indicated by one executive:

*“The high pressure of our business activities and the growing concern of our MNC about business sustainability, have made us feel the necessity to set up a specific department focusing on the company’s CSR program. In addition, our operation in Indonesia is one of the largest units of our entire MNC business, so our activities will be monitored by the headquarters and other sub-units worldwide, we need to ensure that our activities is aligned with our MNC standard, indeed it should be a good example for other subunits”.*  
(Vice President of CSR in Europe MNC no 1).

However, the length of establishment is not as strong as the size of subsidiary in determining the decision to engage in CSR (see data for Europe MNC no 2). We view this to be an indication that a long-established subsidiary is potentially more keen to conduct CSR program compared to a new one. This argument is supported by one of our respondents:

*“Compared to other long-established MNC subsidiaries in Indonesia; we are still learning how to do CSR in Indonesia, particularly from U\*\*\*\*\* company. Its operation had been established for quite a long time, and one of the busiest operations in Indonesia. For your information, our CSR newsletter refers to their CSR newsletter”* (HDR director in USA MNC no 1).

When visiting the factories, we observed that the longer a subsidiary had been in operation, the more established they were within the local community. For example, in two of the subsidiaries that we observed, the company allowed local people to have access to the company's facilities such as mosques for children's recitation classes and Friday prayers. This created a harmonious relationship between the companies and the local people.

#### **5.4.2. CSR Organisation and Governance**

There are no expatriates working within the CSR department or managing CSR issues in any subsidiaries operating in Indonesia. In general, CSR coordination between the headquarters and its subsidiaries tends to be conducted through informal mechanisms. For example, two US subsidiaries we studied demonstrated that their CSR coordination with headquarters is conducted informally through regional meetings. As one interviewee said:

*“In our company, CSR is discussed in the regional board meeting, we prepare a report for that meeting, but it is not just our CSR activities, it includes all our business activities”* ( HRM director for USA MNC no. 2 ).

However, within two Japanese companies studied, CSR executives explained that while they have to report regularly to headquarters, their CSR report is not assigned a specific standard. Conversely, European companies tend to be more formal. Typically, their CSR is organised through a department or a foundation and reporting must follow procedures as assigned by headquarters. Nevertheless, headquarters does not have strong structural governance that monitors or controls subsidiaries' CSR activities. This was stated by one of our respondents below:

*“In our MNC, the headquarter creates a CSR committee that have responsibility to formulate corporation CSR programs, but it does not have a formal structured linkage to subsidiary’s CSR department”* (CSR manager in European MNC no 2).

#### **5.4.3. Employee Management and Involvement**

In general, we categorise the subsidiary approach in two ways. First, is **strategic CSR–HRM**; this approach considers active employee participation in CSR as crucial. In some practices, CSR is linked with the employee engagement program. It is common for companies that have an established CSR department to create an organising committee, consisting of employees from different departments, to organise social activities. In other companies, this task is delegated to the labour union.

Second, **social responsibility for employees**; in this approach, corporations create specific programs that benefit their employees. CSR designed for internal and external stakeholders are two distinct programs. External CSR addresses the needs of external stakeholders, whereas internal CSR is aimed at benefiting internal ones (e.g. employees).

Although the two types of CSR are performed in all subsidiaries, the difference lies in the degree emphasis a corporation puts to its CSR engagement. US companies tend to define their CSR as a strategic means to engage their employees in social activities both internal within the corporation, as well as directed for external stakeholders in the form of community development activities. This assumption is based on some characteristics we found in MNCs. First, as stated by some US subsidiary executives during in-depth interviews their CSR programs are designed to include employee participation. This is based on the tenet that HR and CSR programs are intended to increase corporate social awareness:

*“We do not consider CSR as a separate process from our business conducts. According to our business philosophy, CSR should not be a program for the purpose of developing brand image, rather it is directed at developing a healthy environment in genera for the benefits of both internal and external stakeholders. Therefore, most of our CSR programs encourage employees’ involvement; we believe in this way employees also learn from the entire process in planning and implementation the CSR program”.* (HDR director of USA MNC no. 1).

Second, is the HRM department's role in the organising CSR programs. In USA MNC no. 2, CSR activities are delegated to the HDR department. While in USA MNC no. 1, its CSR program is assigned to its Corporate Affair Department but HRM department is also involved in CSR reporting decision-making and evaluation processes:

*“We provide a section in our annual employee evaluation to explore employees’ opinion related to our social activities. We think it’s necessary in order to encourage employee participation”.* (HDR Director in USA MNC no. 1).

In contrast to their US counterparts, European and Japanese subsidiaries engage heavily in both external and internal CSR practices, as stated by one of the vice president of European MNC no. 1:

*“Our CSR department just focuses on community development. We have a new division that concentrate on our welfare program for employees. This division has a mission to increase employee awareness and knowledge, and encourage them to change to a healthier lifestyle. This is a new program, and the concept is adopted directly from the headquarter”* (Vice President of Europe MNC no. 1).

*“CSR in our company is organised by Corporate Communication Department, but it just focuses on external social activities, particularly in the form of community development and charity. They did not involve employees in the implementation. On the other hand, employees are involved through programs designed by the labor union”* (Corporate Communication manager for Japanese MNC no. 2).

We note that European subsidiaries in this study are more concerned with employee involvement in their CSR than Japanese ones. Two executives, who are assigned to CSR in the European MNCs, revealed that they always encourage employees to contribute novel and innovative ideas for social program. Moreover, they also provide a reward for every creative idea. In Europe MNC no. 1, for example, employees are requested to evaluate CSR activities through either filling in questionnaires or participating in focused group discussions. Sometimes, employee opinions are explored through their individual annual evaluation. In contrast, Japanese CSR executives revealed that they are open to employees’ ideas and participation in CSR but they do not have an evaluation system involving employees.

Subsidiaries differ in the design of their respective CSR programs, and in their strategy to influence employee's perception about CSR. Two Japanese subsidiaries in this study tended to address directly their employees' welfare needs, as well as the most salient religious values of their employees. For example, linking their CSR program for internal stakeholders in the form of subsidizing employees' pilgrimage to Mecca for Muslim employees, and coordinating employees' *qurban* (slaughter livestock festival) for the local community during the *Eid Al-Adha* (an important Islamic holiday) celebration. US and European subsidiaries of this study focused on developing employees' skills, providing experience and knowledge by conducting short seminars related to issues such as living a healthy life and managing their household.

## **5.5. Discussion and Conclusion**

This study highlights the complexity faced by subsidiaries to obtain CSR legitimacy from internal stakeholders. We find subsidiaries' initial motivation to engage in CSR is affected by their strategic position with their MNC- for instance their size and length of operations in Indonesia. Large subsidiaries tend to engage more in CSR practices compared with small subsidiaries. This is because the size of a subsidiary is represented by the resources the MNC has. Aligned with the growing subsidiary's resources, the degree of headquarters' control of the subsidiary will also increase. Consequently, headquarters' expectations of subsidiaries are also greater. The pressure put on major subsidiaries by their headquarters is driven by an assumption that their reputations are linked. The good reputation of large subsidiaries will affect the MNC's overall global reputation.

This study also identifies that CSR may be a means by which large subsidiaries develop their business standing and reputation. Subsidiaries are considered committed to their parent corporate strategy whenever their activities are congruent with its goals, norms and values. Bouquet and Birkinshaw (2008) argue that this will increase headquarters' attention. In addition, whenever the subsidiaries succeed to increase their ability in enlarging the MNCs' network, they are considered as enhancing the MNC's image as an exemplary corporation.

Although it is not significantly demonstrated, long-established subsidiaries seem to engage more in CSR. This indicates that a long-established subsidiary tends to be more involved in social issues than a newly established one. This is not only due to a subsidiary's desire to be a good example among other sub-units in its MNC, but also because long-established

subsidiaries tend to have a good relationship with their surrounding communities. This corporate and local community relationship is achieved through continuous daily interactions between the subsidiaries' employees and the local people. Kennedy and Fiss (2009) argued the motivation of a long established organisation to engage in particular practice is more driven by social motivation, such as to maintain relationship or gain a legitimation than just pure economic goals. Thus, the evolving relationship between company and local community is addressed to maintain mutual understanding between the company and the local communities.

In the context of CSR coordination and governance, MNCs tend to employ an informal approach. The tendency of informal mechanisms of MNC's CSR coordination is due to the complexity of cultural distance between headquarters and subsidiaries (Bondy & Starkey, 2012). MNCs prefer their CSR programs to be designed flexibly. We assume that it may be the reason why a local manager is assigned as a CSR manager or coordinator instead of assigning an expatriate. CSR develops in emerging economies as a tool to forge links and develop mutual relationships between businesses and the local community (Idemudia, 2011; Visser, 2007). Therefore, a local CSR manager is expected to bridge the cultural distance between the corporation and the local community so that their social activities can gain legitimacy from the local community and meet the expectations of the people. Local managers are assumed to have local sensitivity and wide insights of issues in the community that may influence the success of CSR programs.

Further, informal coordination provides autonomy for subsidiaries to manage their own CSR. We argue that a high degree of autonomy in CSR decision making provides room for the subsidiary to fit its CSR activities within the institutional environment in which it operates. However, informal mechanisms tend to be ineffective to motivate subsidiaries' engagement in CSR if subsidiaries do not have a strategic position in its MNC, for example, if they are small in size or newly established as explained above.

In terms of employee management of, and involvement in CSR, this study observes the two perspectives of subsidiary consideration in setting employee in CSR: 'strategic CSR-HRM' and social responsibility for employees. US subsidiaries in the sample of this study suggest they are more concerned with developing their CSR as strategic tools for their employee engagement program, while European and Japanese companies in this study tend to separate CSR and employee issues. We presume that the different approach used by US MNCs may be

due to the impact of centralisation and the degree of headquarters' intervention in their HR policy. Prior studies have confirmed that US headquarters have a lot of power in determining some issues in their subsidiaries' HR policy, including employee welfare (Birkinshaw & Hood, 1998).

Even though CSR programs address the apparent conflation of employees with company enlightened self-interest (Fleming & Jones, 2013; Van Oosterhout & Heugens, 2006) in which company's 'good actions' are targeted to receive certain benefits such as increasing employee commitment to the company, we argue that the value added of CSR of this kind of program sustains benefits for employees, as well as for the company. This kind of a "win-win" situation (Jones, 2009) contributes to the culture and moral development in organisations (Cohen, 2010). For instance, accommodating employee spiritual enrichment in the workplace may generate a sense of self-fulfilment among employees, and at the same time, employees will perceive support from the company, which improve and increase morality in the workplace (Burack, 1999; Mohan & Uys, 2006; van Tonder & Ramdass, 2009). The rational logic of liberal economics believes that no companies will engage in doing good for the community when the action does not directly contribute to enhancing or protecting their position in the market and non-market environment in which they operate (Friedman, 1970; Garriga & Melé, 2004). As their main stakeholders who determine their success in marketplaces, employees ought to be regarded by organisations as the most critical stakeholder to satisfy (Jones, 1995).

To sum up, this study has provided some new facts on the complexity of internal organisational management in MNC subsidiaries related to their CSR practices, particularly in emerging countries such as Indonesia. This study has found that the relationship between headquarters and subsidiaries is a key factor influencing subsidiaries to adopt and engage in CSR. Even though the age of subsidiaries is an essential element in CSR practices, being a major subsidiary of a MNC is a much important factor affecting this subsidiary CSR practice. In addition, the headquarters-subsidiary relationship also plays an important role in a subsidiary's considerations of its employee management and involvement in its CSR agenda. We believe these findings have identified opportunities for future research to enrich our understanding of CSR at both a theoretical and practical level, particularly as regards practices in emerging economies.



## CHAPTER 6

# Employee - Corporate Social Responsibility Fit: Social Adaptation and its implications for Work Environment and Outcomes<sup>5</sup>

---

<sup>5</sup>This article is under review in *The Journal of Business Ethics* as

Hariadi, M., K.Bruce., S.A.Adiwoso, (2003), Employee-Corporate Social Responsibility Fit: Social Adaptation and its Implication for Work Environment and Outcomes. Manuscript ID is BUSI-D-14-00467

Authorship contribution in this chapter

- Melia Famiola Hariadi: Developed main ideas of the paper, data collection and analysis and writing
- Dr Kyle Bruce: Providing appropriate literature, critical thinking in the conception and design of the research project, and English editing
- Dr Siti Adiprigandari Adiwoso: Providing appropriate literature and critical thinking

## **Abstract**

*This study contributes to understanding the diffusion of Corporate Social Responsibility (CSR) at the individual level by highlighting three elements: (1) examining employee-CSR fit perception; (2) exploring the drivers of fit perception; and (3) exploring the contribution of Employee-CSR fit to the social environment in the organisation that drive better organisational outcomes.*

*Underpinning our model of Employee-CSR fit is the concept of internalisation or value congruence - an individual motive to accept an influence - this study explores employee reactions to CSR utilising parallel mixed methods to collect data from employees in multinational food and beverage companies in Indonesia.*

*The study demonstrates that employee positive response to CSR initiatives is heavily influenced by their perception of the extent CSR characteristics are compatible with their personalities, particularly their religious and cultural values, and also knowledge they receive through training and knowledge sharing environment in the workplace. Rewards for extraordinary employee behaviour, is not confirmed as an important factor in employee acceptance of CSR. CSR is able to sharpen employee attitudes and behaviour in the workplace via three dimensions: individual satisfaction, a sense of community, and the development of employee-organisation connectivity. These CSR influences positively affect employee commitment and loyalty to their organisation.*

**Keywords:** Corporate Social Responsibility, people-organisation fit, Employee Satisfaction, intention to stay, identification

## **6.1. Introduction**

Employees are critical to organisational success (Jabbour & Santos, 2008; Theriou & Chatzoglou, 2009). Their participation and commitment are important factors in both the competitiveness and continuity of organisations. While there are a large number of studies on CSR, little attention has been paid in the extant literature to the nexus between employees and CSR practices in organisations (Collier & Esteban, 2007; Costas & Kärreman, 2013; Gond et al., 2010; Rodrigo & Arenas, 2008).

CSR practices and policies have enormous implications for organisational behaviour, both internally but also for external relationships. For example, a company's commitment to reduce its environmental impact not only affects their operations, but may also change the way they manage people (Berger et al., 2006; Burack, 1999; Romus, 2001). Indeed, Romus (2001) has argued that the success of eco-initiatives by organisations is contingent upon innovative ideas from frontline employees as they are more likely to be familiar with the operational or functional situation and more likely recognise better ways of making improvements. Accordingly, organisations need to develop a supportive work environment and respect suggestions from shop-floor operative. In some cases, organisations may have to provide education and training programs for employees, so they have the knowledge and skills to accomplish organisation's goals vis-à-vis CSR initiatives (Daily & Su, 2001).

Developing a supportive work environment and training are an organisation's ways to "infuse values" of the adopted practice to their employees, but this process does not work in a social vacuum (Kostova & Roth, 2002). It will create a "symbolic property" of the embedded values of the practice among employees (Kostova, 1999; Tolbert & Zucker, 1999). This symbolism will be translated by employees into their existing attitudes. Employees will have a positive attitude when the practice achieves a "taken for granted" status (Kostova, 1999; Kostova & Roth, 2002) and finds congruence with employee values.

The few prior studies relating to the CSR-employee nexus focus on the association between employee CSR perception and its impact on work outcomes (Brammer et al., 2007a; Chong, 2009; Collier & Esteban, 2007; Gond et al., 2010; Turker, 2009; Valentine & Fleischman, 2008). For instance, Peterson (2004) found that an image of corporate citizenship positively influenced employees' self-definition and was able to affect employee commitment to the organisation. He argued that a company's ethical behaviour leads employees to believe that their company will treat them in a similar ethical manner. Similarly, Valentine and Fleischman (2008) found that perceived CSR could mediate the positive relationship between an organisation's ethics codes/training and employee job satisfaction. They argued that appropriate training could meet a company's CSR concerns, as well as reinforcing employees' values that positively affect their perceptions toward their organisations. Furthermore, Brammer et al. (2007a) found that employee perception of CSR contributed significantly to organisational commitment. He revealed that a positive association between external CSR and organisational commitment was mediated by employee perceptions of owning a sense of social identity due to a positive image of the organisation from outsiders.

All the aforementioned studies have demonstrated that organisation's social activities matter to its employees, but they have paid insufficient attention to understanding employee positive attitudes to CSR (Rodrigo & Arenas, 2008) as a critical success factor in the internalisation process of CSR in the organisation. Internalisation is a term used to explain the manner in which employees perceive their organisation practices as valueable and become committed to the practice (Kostova & Roth, 2002; O'Reilly & Chatman, 1986). In other words, employees feel some "fit" with the practice because the character of the practice is compatible with their values, beliefs and logic based on the knowledge they have (Kelman, 1958; O'Reilly & Chatman, 1986).

Prior studies in workplace psychology have paid much attention to understanding factors that influence the employee-organisation relationship. Scholars argue that from the many influential factors in the employee-organisation relationship, the most fundamental and enduring was the similarity in values or perception of fit between employees and their organisations. This kind of emotional attachment is a powerful factor influencing work outcomes (Blau, 1987; Kristof, 1996; Meyer et al., 2010; Smart, Elton, & McLaughlin, 1986; Somers, 2010; Verquer, Beehr, & Wagner, 2003; Yaniv, Lavi, & Siti, 2010).

As individuals, employee reactions are influenced by their cognition and beliefs which, in turn, are shaped by the institutional environment in which they are enmeshed. He or she brings in and uses such beliefs to make sense of CSR practices in his or her organisation. Therefore, finding some congruence between employee and organisational values via CSR practices and policies is perhaps the most influential factor in employee engagement with CSR. As businesses increasingly conform to external pressures to be responsive to social issues, a positive response of employees to CSR practices may lead to a positive perception of their organisations (Backhaus et al., 2002). Given this, we developed a testable hypothesis that states:

*An organisation's CSR policies and initiatives are a bridge between value congruence or fit between employees and their organisations.*

Drawing on this discussion, this study attempts to provide answers to the following questions:

- *To what extent do Indonesian employees working for MNC subsidiaries perceive fit to with their company's CSR practices?*
- *What are the critical factors driving this perception of fit?*

A positive relationship between employees and their organisations is a result of a positive work environment (Asta & Isaac, 2004; Billet, 2004; Blau, 1987; Byrne, 2005; Evans & Davis, 2005). In this respect, if CSR contributes to a positive relationship, we can assume CSR is a mediating factor in employee-organisation fit. Based on this assumption, we attempt to provide an answer for the following additional question:

- *How does employee-CSR fit affect the social environment at work in order to contribute to positive work outcomes?*

## **6.2. Research Assumptions and Conceptual Background**

### **6.2.1. Internalisation and Definition of Employee-CSR Fit**

The notion of internalisation was initially introduced by Kelman (1958) to explain how and why individuals adopt and accept an influence. He argued that internalisation is a process in which an individual accepts an influence because the content of influential behaviour, values or ideas, are congruent with his or her own value system. Behaviour that is adopted in this fashion tends to be integrated with an individual's existing values. Thus, satisfaction derived from this process is due to the content of the introduced behaviours and values (Kelman, 1958; O'Reilly & Chatman, 1986; Rupp et al., 2006).

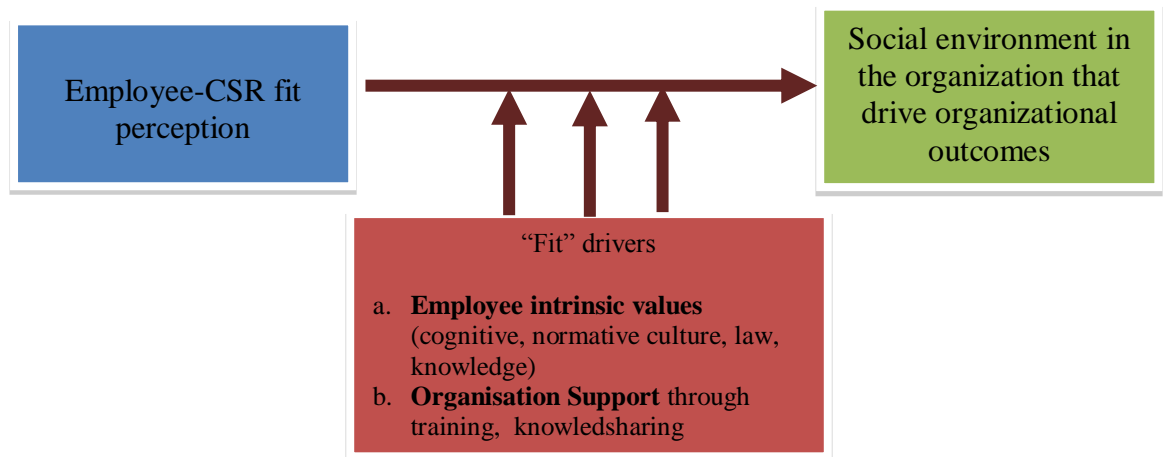
In organisational behaviour, scholars have adopted the notion of internalisation to explain some aspects of the relationship between employees and organisations, such as person-cultural fit (O'Reilly & Chatman, 1986), person-environmental fit (Blau, 1987; Hesketh & Gardner, 1993), and the most recent common notion of person-organisational (P-O) fit (Da Silva et al., 2010; Kristof-Brown et al., 2005; Leung & Chaturvedi, 2011; Sims & Kroeck, 1994). P-O fit is used with an assumption that the employee and the organisation have their own values. Employees will perceive themselves as 'fitting in' because they possess values or characteristics similar to those of the organisations who employ them. A feeling of 'fit' will create an emotional attachment in employees to their organisations (Kristof-Brown et al., 2005; Muchinsky & Monahan, 1987; O'Reilly & Chatman, 1986; Vancouver & Schmitt,

1991). Drawing on this definition, we develop this study with the term *employee-CSR fit*, where we define the latter conformity of employee values with the given characteristics of CSR.

As a manifestation of organisation's pro-social initiatives, CSR policies and initiatives may be viewed by employees as organisational good behaviour and develop a positive image of their organisation. Kostova (1999) revealed that when organisational practices are consistent with local institutions, employee acceptance of such practices is easier and triggers positive action generation. It will sharpen the relationship between employees and their organisations. In addition, the very notion of CSR considers employees as one of the firm's most important stakeholders that warrant just a much attention as other stakeholders. When a stakeholder is satisfied, their attitude and behaviour in relation to organisations will improve (Cohan, 2010).

### 6.2.2. Employee-CSR fit

This study is developed to explore three aspects of CSR diffusion at an individual level. First, we address employee-CSR fit perception. Second, we explore the behavioural motives of employee-CSR fit perception. And third, we explore how perception of fit drives the social environment in the organization and then contributes to positive work outcomes (Figure 6.1).



**Figure 6. 1. Employee-CSR fit**

#### 6.2.2.1. Employee –CSR fit

Since there are no universal criteria or standards associated with best practice CSR programs, this study begins with developing some. The criteria are developed from two resources; first, we reviewed the CSR literature, particularly researches conducted in emerging economies.

Second, we referred to categories established by international standard and sustainability indexes, such as SA 800, Dow Jones Sustainability Index (DJSI), Ethibel Sustainability Indexes, and the FTSE4 Good Index series. Five of six of this study's sample companies are MNCs listed in these indexes, and so we can assume that these corporations have similar CSR characteristics as defined by indexes.

**Table 6. 1. Characteristics of a Socially Responsible Company**

No	Item	Code
1	The company provides management tools, guidance and a code of conduct in the workplace that guide individual's behaviour in an organisation	Code Conduct
2	The company develops an open and transparent communication with stakeholders (shareholders, employees, government, community, and supplier)	Stakeholder communication
3	The company provides training for employees related to their responsibility and attitudes in the workplace	Training
4	The company is always monitoring employee performance using a fair management system without discrimination and upholds equal rights among employees.	Performance Monitoring
5	The company provides systems, procedures and guarantees as safe workplace and strictly enforces employees to comply with them	Safety workplace
6	The company continually improves day-to-day operations toward environmentally friendly practices (energy efficiency, reusing, reduction and recycling practices).	Environmentally friendly
7	The company works with people in the community to improve their wellbeing through charity or other social initiatives.	Community development
8	The company works with governments and contributes to development goals.	Contribution to development
9	The company develops a system to guarantee consumer satisfaction	Consumer satisfaction
10	The company attempts and achieves certification of quality standards (ISO9001).	ISO 9001
11	The company attempts and achieves certification of environmental management standards (ISO14001).	ISO 14001
12	The company attempts and or are concerned to obtain certification in social and labour standards (SA800/ISO 26000).	SA800

The CSR characteristics in this study are listed in Table 6.1 below. They were adapted into the questionnaire distributed to respondents. They were instructed to indicate their perception of those characteristics as a proxy indicator of what the respondents believe to be important to be included in a company's CSR program and activities. Their perceptions of those characteristics are interpreted as the degree of fit between employee values and a company's CSR program. In other words, the more compatible a CSR program of the company is with

the employees' expectations towards the company's socially responsible program or activities, the better the degree of fit.

#### 6.2.2.2. *Influencing Factors of Individual Sense of Fit*

This study considers two main factors that affect individual behaviour in organisations: employee values and Human Resource Development (HRD) in organisations. First, employees intrinsic values are those values they bring with them to any employment (Romus, 2001) and these are shaped by the external institutional environment in which employee find themselves (Kostova & Roth, 2002). The institutional environment includes public opinion, knowledge driven by the educational system, social prestige, laws, and local culture (Kostova & Roth, 2002; Scott, 2008).

Jon et al. (2005) reveal that many people might not fully realize their own faith or how this faith is compatible with a certain influence. Therefore, to explore this issue, it is necessary to provide room for them to articulate their own conceptualization of compatibility and explore factors that influence the perception of compatibility. Garavan et al. (2010) reveal that the personal knowledge of an individual plays an important role in his or her awareness of CSR. Today, information is rapidly distributed across nations and mass media makes an enormous contribution to creating moral mobilization and arousing empathy, solidarity, and awareness. Peoples' concerns regarding social and environmental issues have been greatly heightened. In addition, today's educational institutions include their curricula ethical and social responsibility elements as part of pedagogy (Bishop, 1992). These factors affect people's perceptions on how essential it is that businesses conducted themselves in an ethical and moral manner.

As a result, today environmental issues such as climate change and the disappearance of non-renewable resources are not only the concern of environmental activists. We can perceive in wider communities a growing sense of empathy, solidarity and awareness. Empathy, solidarity, and awareness are forms of discretionary behaviour and indicate that ethical and moral values in our society have changed. These values are often carried by individuals in their workplace and they use these to find a sense of connection to the organisation. In a study by Net Impact of 2, for example, of US MBA students, more than half revealed that they were willing to accept a lower salary in order to work for a company which had a good reputation in the area of social responsibility (Chong, 2009). Furthermore Brammer et al. (2007b)



explored the relationship between individuals attitude to CSR and their religious denomination. He found that individual perception of CSR is positively associated with the values of their religious affiliation.

More specific CSR studies in some countries find that the definition of business responsibility by business managers and other stakeholders was also inspired by local customs. In China for example, the values of Confucianism influenced CSR practices in supporting a harmonious society. Confucian teachings consider a firm as a part of society. As a member of society, an organisation should be responsible for balancing its interests with the community's interests and it should implement these values into management practices (Wang & Juslin, 2009). A similar notion is found in India with Gandhi's teachings. Mitra (2012) found that many Indian businesses adopted Gandhi's ethics to maintain trusteeship or *loksamagraha* in the community.

Second, this study regards employee behaviour as being heavily affected by how organisations manage their Human Resource Management (HRD). Studies show that a learning and knowledge-sharing culture within an organisation significantly affects employee ethical behaviour, (Jones, 2001; Patel & Patel, 2008; Romus, 2001). Similar to this finding, Valentine and Fleischman (2008) also reveal that training in ethics is an effective way to develop a positive employee's perception of CSR. In addition, rewards for employee's CSR initiatives is also an important factor contributing to a positive attitude toward CSR (Chong, 2009; Romus, 2001).

This study assumes that both employee intrinsic values brought to work, as well as values developed in the workplace, may influence their perception toward CSR. At this stage, we focus our exploration on five critical elements shaping these perceptions: religion, traditional culture, access to information in workplace (knowledge-sharing environment), training, and rewards provided by the company.

#### 6.2.2.3. *Consequence of Employee-CSR Fit to Work environment*

Studies in organisational behaviour consistently demonstrate that employee motivation increases when they perceive that their values and beliefs are congruent with that of the organisational culture (Alan, 2007; Kim, 2006; Leung & Chaturvedi, 2011; Ostroff et al., 2005; Verquer et al., 2003). Moreover, meta-analysis has shown that perceived fit with organisational values affects relevant organisational outcomes such as commitment, job

satisfaction, and intention to stay or leave (Kristof-Brown et al., 2005; Lengnick-Hall & Beck, 2005; Ostroff et al., 2005; Verquer et al., 2003). Indeed, employee commitment, satisfaction, and intention to stay are critical factors in the employee-organisation relationship. However, little attention has been paid to understanding the extent to which those aspects are a result of a positive work environment mediated by a sense of compatibility between employees and organisations. Accordingly, this study will explore how CSR is able to link value congruence between employees and their organisations and affects work outcomes. Based on workplace psychology, we assume these are the two ways that CSR diffusion affect social changes in work: (1) individual perceptions of fit (Blau, 1987; Caplan, 1987; Meyer et al., 2010; O'Reilly & Chatman, 1986) and (2) interpersonal relationship fit in workplaces. (Klein & D'Aunno, 1986).

Individual perceptions of fit occurs when employees feel that their company's CSR practices reflect his or concern or values. For example, studies of workplace spirituality (Burack, 1999; Milliman et al., 2003; Mohan & Uys, 2006; van Tonder & Ramdass, 2009), show that company philanthropic practices may be viewed by religious employees as validating their religious values of charity to poor people. Furthermore, when they were directly involved in the practice, it enriched their personal spiritual experience. Other studies examining the link between workplace spirituality and employee attitudes reveal a positive correlation between the spiritual dimension of the workplace and intrinsic work satisfaction, job involvement, and organisational commitment amongst employees (Milliman et al., 2003; Mohan & Uys, 2006).

Second, CSR diffusion affects social changes in work via interpersonal relationship fit in workplaces. The success of the diffusion process is not solely determined by individual employees but may involve the collective actions of organisational members. (Klein & D'Aunno, 1986) revealed that when a group of people found a congruence of values collectively, they will feel a sense of community and identify themselves as a group of people with similar concerns. One of the forms of this sense of community is the development of friendship networks in workplaces which makes positive contribution to organisations such as reducing workplace stress, developing effective communication, and increasing intensity of work effort because they feel committed to the group and organisational goals (Burroughs & Eby, 1998; Klein & D'Aunno, 1986).

For the purposes of this study, our survey focuses on examining the extent of employee respondents' attitudes such as a sense of high identification with the organisation, job

satisfaction, and loyalty to the organisation as a consequence of their organisation's CSR. In terms of employee satisfaction, we highlight more specific issues related to CSR as shown in Table 6.2 overleaf. Since it is difficult to directly explore and capture the respondents' perception of the extent to which CSR drives these positive work outcomes through the questionnaire, in this study we explored this through in-depth interviews.

**Table 6. 2. Satisfaction Variables of Social Responsible Companies**

Developed from Cohen (2010)

No	Satisfaction variable	Code
<b>1</b>	<b>Non Discrimination and equity</b>	
	- Perceive to be treated fairly and with equal opportunities in career and career development	Equal opportunity
	- Receive fair payment according to the work responsibility	Fairness
<b>2</b>	<b>Perceive to be treated respectfully</b>	
	- Reward every extraordinary achievement and initiatives	Reward
	- Obtain appropriate protection such as medical insurance, accident insurance or pension contribution	Guarantee
	- Obtain sufficient support for safety, healthy and clean facility in workplace	Safety & Healthy workplace
<b>3</b>	<b>Work life balance</b>	
	- Obtain a flexible work place (balance to combine work and other social and domestic needs)	Flexibility
	- Obtain friendly and harmonious relationship in the workplace both vertical and horizontal structures (ordinate and co-workers)	Harmonise workplace
	- Obtain support for spirituality in, such as respect differences in beliefs in the workplace	Spirituality

## 6.3. Methodology

### 6.3.1. Research setting

This study employs a parallel mixed methods approach. The five months research work was conducted from April to September 2012. Quantitative and qualitative data were collected independently.

### 6.3.2. Subjects

The subjects of this study are employees from six subsidiaries of food and beverage manufacturing MNCs operating in Indonesia. The six companies had well established CSR

programs and a reportedly good CSR reputation in Indonesia. They received awards either from government or non-government organisations for their CSR and/or sustainability practices in Indonesia.

Since this study examines the specific issue of employee perception of fit with CSR practices, this study ensures its respondents are familiar with the notion of CSR. At the very least, they had to have heard of the term before. The respondent selection process was conducted during the survey. From the returned questionnaires we found 51 per cent of respondents affirmatively state they had heard of it and understood it clearly; 38 per cent affirmatively stated they had heard of it and understood a little; 8 per cent affirmatively stated they had heard of it but did not fully understand it; and 3 per cent stated negatively that they had never heard of it. Employees who stated they never heard of CSR, were eliminated from our sample.

### **6.3.3. Data collection**

This is an explorative study that collected data by combining quantitative (survey) and qualitative (semi-structured interviews) methods. We began our exploration using a survey approach. The survey questionnaires were developed from the literature and refined to fit the present study. Our questionnaire was designed in Indonesian (*Bahasa*). Most of the questions were designed using Likert five point scale (1='strongly disagrees'; 5='strongly agree') or (1='very not important'; 5='very important'), and a small number of questions were developed in a ten-point scale to examine respondents' preferences for a particular subject.

Around 2500 people were invited to take part in this survey. They were approached on-site at their workplaces during rest time, by email, even via their Facebook account. They were asked to fill in an online or written questionnaire, depending on their preference. A total of 363 returned questionnaires was selected, and 351 were used for the analysis. 57 per cent of selected respondents worked for European subsidiaries, 25 per cent for American subsidiaries and 18 per cent for Japanese subsidiaries. The survey questionnaire focused on employees, staff or individuals who were not on management levels. Around 66 per cent of respondents were male. The majority were in the age group of 21-40 years (92%). According to the time with the current company, 31 per cent of them were less than three years, 33 per cent had three to five years, 15 per cent had six to ten years and 21 per cent more than 10 years. For more information on the survey, see Table 6.3 overleaf:

**Table 6. 3. Respondents' Demography**

<b>Attribute</b>	<b>Option</b>	<b>Percentage</b>
Gender	Male	67%
	Female	33%
Age	Under 20 years	0%
	21-30 years	43%
	31-40 years	48%
	41-50 years	4%
	More than 50 years	4%
Working Experience	Less than 3 years	30%
	3-5years	33%
	6-10 years	15%
	More than 10 years	22%
Working for	American MNCs	25%
	Japanese MNCs	18%
	European MNCs	57%

Surprisingly, the majority of our respondents were persons who were contacted through their Facebook account. Some of them completed our online questionnaire. The rest requested a paper questionnaire be sent to their address. They returned the completed questionnaire in self-addressed in a close stamped envelope we provided.

There were twenty people involved in interviews; four were employees in each of the European companies and three were representatives from each of the US and Japanese subsidiaries respectively. Semi-structured interviews were conducted by asking every respondent similar questions such as their definition of CSR, their perception toward the company's CSR program pertaining to what is worthy, important, interesting and should the company be engage in such practices and why.

#### **6.3.4. Data analysis**

The survey data were analysed using descriptive statistics. According to Terlaak (2007), a linked data scale should rely on original data. Descriptive statistics recommended for ordinal

data include a mode, median, range and inter quarter range (IQR). Although the mean is not a suitable measurement for ordinal data, we used this measurement as a supporting tool, particularly to check the tendency of respondents' answers that might not be explained in detail by median and mode.

Interview results of this study were also analysed with thematic analysis by coding basic and specific themes derived from respondent statements (Braun & Clarke, 2006; Miles & Huberman, 1994; Teddlie & Tashakkori, 2009). We quoted relevant statements to support our arguments.

## **6.4. Research findings and Discussion**

### **6.4.1. Employee definition of CSR and Perception of Fit**

We begin our investigation by exploring employees' definition of CSR. We asked respondents to use a 1 to 10 scale to rate eight types of CSR initiatives in the survey. Both survey and interviews indicate that CSR, according to the respondents, is "the company's contribution to community well-being and development" (see Table 6.4 below). Our survey revealed 70 per cent of respondents rated this category with the highest score (mode: 10). In contrast, they rated "CSR as a business strategy to maximize profit" with the lowest score (mode: 1).

Interview result also shows similar concerns among respondents that CSR definition was close to being identical with community development.

*"According to my experience and what my company does, CSR is a manifestation of the company's contribution to the people around them" (employee of a European MNC).*

*"CSR is a form of company contribution in community development" (employee of a Japanese MNC).*

*"CSR is the moral responsibility of a corporation to contribute positively to its surrounding and resources" (employee of a US MNC).*

**Table 6. 4. Employee Perception of CSR Definition.**

<b>Component</b>	<b>Mean</b>	<b>Median</b>	<b>Range</b>	<b>IQR</b>	<b>Mode</b>	<b>N for Mode</b>
The company's attempts to develop an ethical workplace	6.674	7	9	4	9	88
The company's attempts to comply with the law	7.528	8	9	4	9	124
The company's strategy to maximum profit	3.888	3	9	5	1	116
The company's strategy to increase consumer satisfaction	7.281	9	9	4	9	108
Transparency	9.213	8	9	3	9	88
Attempts to support environmentally friendly practices	9.213	9	7	1	9	160
Contribution to community well-being and development	9.438	10	6	1	10	256

Generally, the majority of respondents revealed that all CSR characteristics are important issues that should be held by their organisations (see Table 6.5 below). Three of the CSR components: *training*, *consumer satisfaction* and *environmental friendly*, were highlighted by all respondents as both strongly important and important aspects (Range and IQR: 1). Similar responses were found during the interviews. No respondents expressed a negative perception toward CSR. The majority of respondents considered CSR as their company's philanthropic practices, as a comment from a respondent below:

*“Yes, I am sure that all aspects such as code of conduct, stakeholder transparency, training, community development and environmental programs, are necessary for all companies to engage in. I think my company is concerned about those aspects. Nevertheless, I just recognised that the notion of CSR also addressed such practices like training, safety and code of conduct and consumer satisfaction. Based on my knowledge CSR is the company's activities for community services. Based on my logic, business concerns on consumer satisfaction and gaining ISO certificate are their ways to win the market, while developing safe workplace, providing training and deciding on code of conduct are company obligations to their employees” (Employee of a European MNC).*

**Table 6. 5. Employee Perception of Organization's CSR Characteristics**

Component	Mean	Median	Range	IQR	Mode	N for Mode
Code Conduct	4.453	4	3	1	4	177
Stakeholder transparency	4.308	4	2	1	4	195
Training	4.692	5	1	1	5	245
Fair Performance Monitoring	4.581	5	2	1	5	219
Safe and healthy workplace	4.709	5	2	1	5	259
Environmentally friendly	4.496	5	1	1	5	213
Community development	4.607	5	2	1	5	192
Contribution to development	4.248	5	2	1	5	156
Consumer satisfaction	4.650	5	1	1	5	228
ISO 9001	4.453	5	2	1	5	183
ISO 14001	4.453	5	2	1	5	177

#### 6.4.2. Drivers of Fit Perception

Table 6.6 below shows predicted factors of employees perceptions of congruence between their own and organisation values. Of the five factors we provided, the majority of respondents (Mode: 4) said that their religious orientation (mean: 4.2632), knowledge and insight they received thorough training (mean: 4.0088), having easy access to information in the workplace (mean: 3.9912), and their traditional values (mean: 3.9298) are influential factors in determining the value of the CSR programme and their participation in the CSR practices.

**Table 6. 6. Influence Factors of Fit Perspectives**

Component	Mean	Median	Range	IQR	Model	N for Mode
Religion	4.2632	4	3	1	4	159
Traditional Culture	3.9298	4	3	0	4	180
Access to information (knowledge sharing environment)	3.9912	4	3	0	4	192
Training	4.0088	4	3	0	4	198
Reward	3.2953	3	3	1	3	126

While during the interviews, the respondents' opinions regarding these issues varied, some of the employees highlighted the workplace training they received, while others thought that rapid information exchange nowadays influenced their perception of CSR activities, as per the below:



*“I feel that trainings and seminars provided by my company, influence much my insights. In my organisation, we have regular seminars with various topics of discussion and not only related to activities in the workplace. It commonly provides useful tip for daily life, such as managing household finances, nutrition for toddlers etc. Sometimes, experts are involved as guest lecture. Interestingly, the topics of the seminar are recommended by employees through simple surveys conducted by our HDR department” (employee of a US MNC) .*

*“I think in this global world, information is spreading rapidly across nations. Mass media, formal, and informal training lead our perceptions and concerns of particular issues, including that of all company’s social programs. For example, I regularly participate in the company blood donor program. It is not because the company provides reward but because it is for humanity. In addition, I recognise that by routinely being blood donor, it is confirmed to be good for our health” (Employee of a European MNC).*

We found a consistent result between our surveys and our interviews that the reward system in the organisation was *not* a considerable factor shaping employees attitudes toward CSR (Mode: 3). From the interviews, it was indicated that a low effect of reward for employees’ social behaviour may be due to the high impact of religious beliefs as revealed by the employee perceptions quoted below:

*“I do not need any reward for my participation in social actions. If I am not busy, I would happy share my time. For me, every good deed will be rewarded by the Lord” (employee of a Japanese MNC).*

*“My company provides rewards for extraordinary behaviour in the workplace. For me the company’s reward is good, it motivates employee to be creative, but I think it is not really necessary because any good deed we make will be rewarded by the Lord” (employee of a European MNC).*

#### **6.4.3. Employee-CSR Fit and Its Implication for Social Change In The Workplace**

Table 6-7 describes the effect of CSR on employee-organisation relationships and resultant work outcomes. With regard to the impact of CSR on employee identification, this study support previous findings that CSR programs positively affect employee self-concept

(Brammer et al., 2007a; Peterson, 2004). Moreover, all our survey respondents revealed that they be proud to be part of the company due to its CSR practices. Our interviews also revealed similar findings as per the quotes below:

*“I know that my company regularly does charity work to disadvantaged people and farmers. It also has developed community learning centres and provides training in the area of nutrition and health in the community. Although, I am not actively involved in the practices I am proud to work for a company which care for the people in its surroundings” (employee of a Japanese MNC).*

*“My company is involved in rebuilding community mosques nearby our office. I could sense how the people looked at us differently; they were more respectful and friendly to us. This made me proud to be part of my company” (Employee of a Japanese MNC).*

**Table 6. 7. Implications of CSR for Work Outcomes**

Component	Mean	Median	Range	IQR	Mode	N for Mode
Satisfaction to						
- Equal opportunity	4.0655	4	3	2	4	143
- Pay fairness	3.9658	4	3	1	4	165
- Reward	4.0427	4	3	2	4	127
- Insurance	3.9915	2	3	2	4	132
-Health and Safety in workplace	4.2222	4	2	1	4	171
- Flexibility	4.4103	5	2	1	5	180
- Harmonious workplace	4.4872	5	3	1	5	204
- Spirituality	4.6838	5	3	1	5	255
Identification (self-concern)	4.4358	4	2	1	4	174
Intention to stay	3.5299	4	4	1	3	123

Moreover, some employees who are not willing to complete the survey questionnaire revealed similar feelings of pride working in company recognised as having a good social image.

Our survey of employee satisfaction show that the majority of respondents are satisfied with their current company (Mode: in the range 4-5 for all categories). An interesting finding of this study is that the most important factor driving satisfaction was associated with work-life balance elements: *spirituality in the workplace, harmonious workplace, and flexibility* had the highest scores of satisfaction, with 72 per cent (N for Mode: 255), 58 per cent (N for Mode:

204) and 51 per cent (N for mode: 180) of respondents indicating satisfaction with this respective aspects.

These results appear to be in line with those from the interviews. In addition, the interviews provided interesting information not captured in the survey. For instance, they revealed that employee satisfaction was not always a benefit that employees derived directly from their work or organisations, but rather, was derived indirectly through CSR programs that aroused empathy, solidarity, and other feelings related to their emotional and psychological sides. Employees regularly involved in CSR initiatives (particularly external CSR) were more satisfied for feeling being meaningful individual by helping disadvantaged people and other members of the community. In addition, the interviews revealed that for religious employees, their satisfaction was linked to their religious denomination. Indeed, for them CSR was regarded as essential to fulfilling their spiritual obligations.

These findings also demonstrate that a sense of being part of the community occurs when employee collective involvement is encouraged in the implementation of CSR programs, as revealed by these interesting quotes below of respondent views.

*“I often involved myself in social initiatives conducted by my company. Last year, we had a social event where we built semi-permanent houses for disadvantaged people in a suburb near Bogor. We had 10 groups. Each group contained 10 people from different departments and some participants from outside the company. It was enjoyable and I just realized making a house and being a builder was very difficult. However, our work is rewarded when we see how the people express their gratitude. Helping poor people is part of our religious teaching and it is also part of our tradition of gotong royong. But I just realized that it made me happier to be sensitive toward other people’s problems. In addition, we created new friendships. We continuously maintain our spirit of togetherness. I feel closer with them than before” (Employee of a US MNC).*

*“Involvement in CSR activities for me is a change from work routine. We have high workload so we do not have much time to engage in other social relationships out of the office. Jakarta is a very busy city. We always leave in the morning and sometimes arrive at home in the evening. So my friends are my co-workers. When, we spend time organising CSR activities, such as fun day and charity with orphans or with the villager, it is like fun activities we were doing with friends and their families. This*

*strengthens our relationship, closeness and solidarity” (Employee of a European MNC).*

*“I come from a disadvantaged family; I survived and struggled to achieve what I have today. So when my company uses its CSR program to other disadvantaged communities, for me that is like helping my own family. I promised myself that I would always support my company’s CSR for community wellbeing” (Employee of a European MNC).*

*“ I am 40 years old, I should think that I would not live much longer, we don’t know what will happen to ourselves, perhaps we will be dead tomorrow or we could live longer, we need to prepare for that, doing charity and good deeds for our community and submit ourselves to the Lord. CSR is a very good program; it shows that the company and all the staff are concerned with the community wellbeing, not just profit oriented. My company has built a mosque and often does charity work for orphans, established community learning centres to improve the community quality of life. Individually it is difficult to do, but it was accommodated and institutionally organised. Therefore, the outcome was more beneficial for the wider community. I think CSR accommodated my and other employees’ concerns to fulfil our religious obligation” (Employee of a Japanese MNC).*

Table 6.7 also sheds some light on employees’ perceptions of compatibility with their organisation’s CSR and their intention to stay i.e. *loyalty*. The survey revealed around 35 per cent (123 of 351) of the respondents stated that they are not sure (mode: 3) that CSR could influence their decision whether or not to stay in their current company. Nevertheless, the median (4) and mean (3.5099) indicate that more than 50 per cent of respondents’ agree or strongly agreed that CSR programme affects their intention to stay.

The interviews afforded us some further explanation as to the motivation behind the respondents’ replies quoted below.

*“I am not sure if the company’s social initiatives in CSR will influence my decision to move to another company. Nevertheless, I am happy working in my current company. Every person in this industry knows my company’s reputation regarding their workers’ skills. I would be paid five times more than what I have received today by other*

*companies in the food industry. Of course, not all our need can be satisfied by the company, but so far I enjoy the working environment here, I have good friendships among co-workers. Last year I got a good offer from another company, but my son protested when I had the option to resign. He was scared of missing all moments all the opportunities we had such as family gatherings and other fun days in my office (Employee of a European MNC).*

*“Although I have worked for my current company for three years I’m happy working here. Regarding CSR issues, this company supports zero emissions; all organic waste is recycled to fertilize the plantation. I’m so concerned on environmental issues. Environmental issues are crucial to our society nowadays. In addition, the business is related to health, its programs also support for community health. Internally, we, the employees, are also being educated about health. Recently, the management developed a division that focuses on employee well-being. The purpose of this division is to develop programs to encourage employees to be aware of health. It provides us many information through seminars and exclusive bulletins. Indeed, we also encouraged to have our own health resolutions. It is very interesting and challenging” (Employee of a European MNC).*

*“Perhaps the company’s reputation was my biggest consideration for staying in my current company. This company has a good reputation as a socially responsible company outside. Who would not be happy working in a company with a good reputation? Many people dream of working here”(Employee of a US MNC).*

*“I have worked here more than 20 years, I could go to Mecca for a pilgrimage because this company provides two opportunities for its employees every year to do pilgrimage and I got the opportunity five years ago. It is so good that we can complete the fives pillar of Islam” (Employee of a Japanese MNCs).*

These quotes reveal that although CSR does not directly impact all employee’s intention to stay, some indirect impact of CSR such as the firm’s reputation, friendships in the workplace, and company support of religious practices, all play a critical role in their decision to remain with their current employer.

## 6.5. Discussion and Conclusion

This study reveals that CSR represents a critical 'fit' factor in the connection between employees and their organisations. Employees perceive 'fit' when they believe that the mission behind CSR activities is closely or even perfectly congruent with their values, beliefs or ethics. As for our research findings, we made several critical observations related to the understanding of employee reactions to CSR practices and the implications of this in fostering a positive social environment within organisations.

First, and despite its popularity as a term, CSR was not a radically new concept for employees. Indeed, the majority of respondents considered CSR as a real expression of their own values, particularly related to their religious or traditional values. This is probably due to the fact that most CSR initiatives in their companies were related to charity, community development and had some direct positive impact on themselves and their family. Related to this, we found that the organisation plays an important role in the accelerating CSR internalisation among employees. Another interesting finding in this study was that rewards provided by the organisation were not found to be significant to employee attitudes toward CSR, especially CSR activities related to charity and other humanitarian activities.

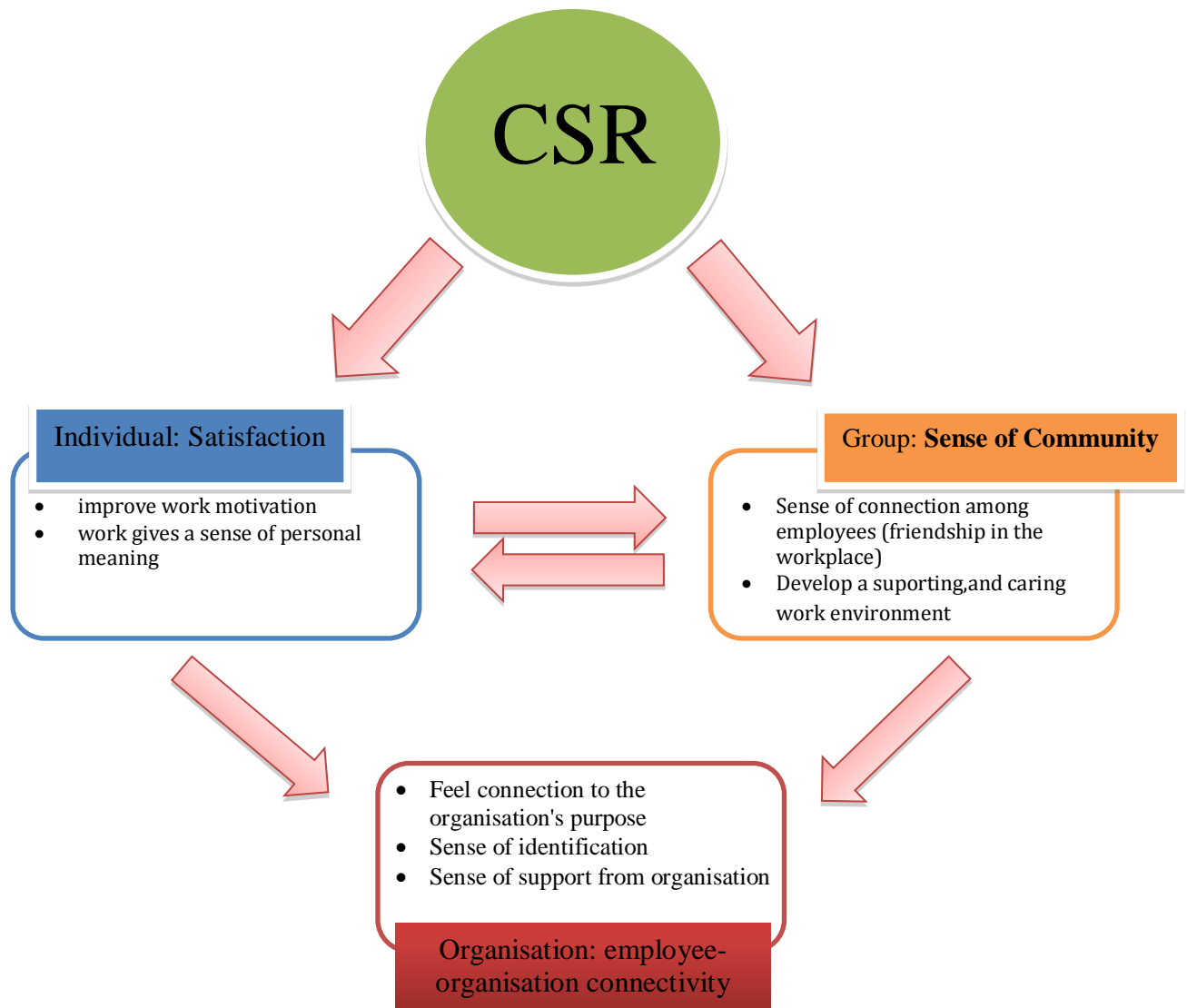
Second, this study also confirms that the perception of fit between employees and their organisations is mediated by the employee perception of fit to CSR practices. The majority of respondents revealed that their organisations' CSR developed employee self-awareness and pride at being part of the company. CSR also positively influenced their intrinsic job satisfaction. In addition, more than 50 per cent stated that CSR contributed to them remaining with current organisation. These two findings suggest that CSR practices contribute to a positive social change in the workplace, particularly with respect to the employee-organisation relationship. Statistical data, supported by interviews, provided us with some insights as to how this unfolds in three stages or levels: individual, group and organisation (Figure 6.2 below).

**Individual level;** this stage is one of the initial stages of the diffusion process of a new practice. It is driven by individual self-interest in determining how valuable CSR initiatives could be. CSR might contribute to employees' satisfaction when these individuals depending on whether the initiatives are good or important according to their personal frames of reference. Satisfaction is not always because CSR actions are beneficial for themselves and

family, but could be because employees consider the organisation's actions ethically and morally correct and fitting with their personal concerns (Rupp et al., 2006; Sims & Kroeck, 1994). For example, a company's initiative such as funding mosque renovation or allowing local people to access the company's mosque for religious training of local children, could be considered ethically correct and important for Muslim employees following their religious teachings. Moreover, these practices could be considered as part of a company's effort to discharge some of their religious responsibilities in a Muslim community. In addition, when the company addresses its CSR to disadvantaged members of the community, employee participation generates a sense of being a meaningful individual. In other words, CSR could generate a sense of success in a well-meaning company. Therefore working is not just about monetary reward, a stable income, or a challenge, but also about invoking greater meaning to an individual employee's life and the lives of others (Chalofsky, 2003).

**Group level;** Innovative CSR programmes could be a valuable connection among individuals in an organisation. Our interviews found that creative CSR initiatives aimed at disadvantaged members of the community evoked a sense of empathy in employees. Collective empathy could tie and enhance individual relationships in the workplace and create a sense of community.

This study demonstrates that a sense of community in the workplace does not just improve employee self-identity, but also contributes to a positive work environment (Burroughs & Eby, 1998; Klein & D'Aunno, 1986). Burroughs and Eby (1998) revealed that a sense of community in an organisation gives a workplace environment a sense of support, freedom of expression, genuine caring and teamwork orientation and increases organisational citizenship behaviour among employees.



**Figure 6. 2. Contribution of CSR to Work Environment Based on the Perception of Employee-Organizational Fit**

**Organisational level;** at the level of organisation, a perception of fit might create a sense of alignment for an individual with the organisation's purpose and mission. The interaction of employees with the company's social purposes might lead to the individual believing that management has appropriate values that benefit others rather than simply working to seek profits.

Alignment with organisational goals and psychological closeness among employees are identified by Ashforth and Mael (1989) as one of antecedent factors of social identification. These two aspects would likely increase the tendency of employees to categorize themselves with the organisation or develop an emotional relationship. In other words, CSR contribution to the sense of social identification in the workplace is not just because of prestige or pride



derived from the image of their company through CSR, as discussed in previous studies. Furthermore, a fit between employee perceptions and their company's CSR practices also provides a sense of support from the organisation. When employees perceive that company CSR practices accommodate their concerns and social interests, they feel they are receiving support from the organisation. A comment from our respondent reveals this:

*“Disaster events occurred some time ago such as the tsunami in Aceh and the earthquake in Yogyakarta. My company allowed the employees to collect and deliver our aids to the victims. It was certainly easier for the employees who are eager to provide aid to the victims as a sense of solidarity and empathy to our brothers and sisters who are experiencing distress” (Employee of Japanese MNC).*

Captured above in Figure 6.2, we explain how CSR practices generate multiple positive outcomes for organisational performance. We found that suitable CSR practices matching the majority of employees' concerns, values and expectations contribute to individual satisfaction. In addition, it is also able to create a sense of community in the workplace that could generate a positive organisational culture. A positive organisation culture and high morale are important organisational intangible assets driving performance and might represent a source of competitive advantage for organisations (Branco, 2006).

To sum up, even subsidiary CSR practices that employees may have conflated with company enlightened self-interest (Fleming & Jones, 2013; Van Oosterhout & Heugens, 2006) in which company's 'good actions' are targeted to receive certain benefits such as increasing employee commitment and loyalty to the company (Jones, 2009), we believe CSR promotes many benefits for employees' social and spiritual life. For example, the increase of employees' sense of personal meaning or sense of community, as conveyed in this chapter, may contribute to and become a powerful antecedent of a better social environment and sustain a positive culture both inside organisation and society.

### ***Limitations and Future Research***

This study only focuses on CSR best practices. We collected data from employees who were familiar or aware of CSR. We cannot accredit all respondents approached who might have a

similar appreciation to CSR. Moreover, some respondents refused to be involved in this study claiming they did not know the term CSR.

Without intending to negate this issue, we believe that many topics highlighted in this study need further exploration to determine the positive impact of CSR on organisational performance. It would also be interesting to explore the behavioural barriers that make the failure of company's CSR programs at both the group and individual level of the organisation.

In addition, this study has taken broad definition of CSR characteristics we developed from international standards and with sustainability indexes. We suggest that future research should pay attention to more specific aspects of CSR related to industry and/or implementation issues to assess if it affects the fit between employees and their organisations that we identified in this study.

## **CHAPTER 7**

# Conclusion and Closing Remarks

## **7.1. Meeting the Research Objectives**

### **7.1.1. A Portrait of Dual Pressures on MNC subsidiaries' CSR behaviour in Indonesia: Institutional and Organisational dynamic effects.**

I classified the diffusion process of CSR practices in MNC subsidiaries operating in Indonesia as an “adaptive mandatory practice”. I define an adaptive mandatory practice as an organisational practice in MNC subsidiaries in which the primary concept is formulated centrally by headquarters, but not so strongly mandated in the formal hierarchy, so that subsidiaries have a wide range of freedom to match and adapt the practices with the local circumstances in which they operate.

This research demonstrates that MNC subsidiaries' CSR policy in Indonesia is very much influenced by their localised ‘translation’ and refinement of their headquarters' social and environmental concerns. Interview results and corporate report analysis show a strong association between subsidiaries' “Core CSR” (main CSR practices) with their headquarters' CSR statements. For example, a headquarters' CSR commitment to sustainable agriculture is interpreted by subsidiaries as being involved in rural development through educating and funding water conservation. In addition, headquarters concerns with issues related to health and nutrition are translated by subsidiaries as providing healthier life training for unlucky communities.

An education and training approach to CSR may be one of conformity or else an independent effort to adapt their CSR programs with social needs in Indonesia society. With around 70 per cent of Indonesian living under the poverty line in rural areas and most without appropriate access to education and health, subsidiaries involved in these communities could develop a positive image to gain legitimacy in Indonesia.

Gaining legitimacy is the most challenging issue faced by MNCs in the host country. Kostova et al. (2008) argue that conforming to multiple pressures makes it difficult for MNCs to obtain legitimacy. In order to build their reputation, MNC are likely to engage in practices and activities that are not required in the institutional context of their corporate parents, but that are viewed as socially desirable in the local context. If such practices are supported by appropriate publication, MNCs can gain additional local support. It is the first step to obtaining legitimacy from the local community.

In other words, even though subsidiary CSR refers to their headquarter CSR policy, they frequently make modifications to match the institutional environment in Indonesia. In term of

(Scott, 2008) three institutional pillars in Indonesia, cognitive and normative factors are more powerful in shaping MNC CSR behaviour than are regulatory factors. Though committed to Indonesian regulations, because of uncertainty and ambiguity caused by low levels of law enforcement and high government corruption, as well as the demands and expectations of local communities, MNCs paid more attention to cognitive and normative factors. The majority of subsidiaries focused on programs related to rural development, education and training in health and nutrition. Subsidiaries' "Responsive CSR" may help explain high cognitive and normative factors in Indonesia. "Responsive CSR" is created as subsidiaries react to the demands of local stakeholders not covered in their "Core CSR" programs. Blood donor activities, disaster relief, and soccer training for local children are all examples of subsidiary "Responsive CSR".

These findings seem to be at odds with (Kostova et al., 2008) who argued that MNC subsidiaries *rarely engage in local isomorphism* due to their dependent relationship with their headquarters. However, I argue that these similarities in practice, especially "Core CSR" programs, are more likely due to sectoral-or field-level pressures in food and beverage manufacturing. Subsidiary interest in supporting agriculture or rural development is related to their supply chain of raw materials. In addition, their interest in health and nutrition education is clearly related to their core business in the food and beverage industry. This CSR approach provides mutual benefit and creates new, shared value between business and society. Porter and Kramer (2011) stated that integrating business activities and societal issues might represent a new source of competitive advantage and also reduces business risk and cost.

So, although MNC CSR practices tend to be a mandates by headquarters, this does not guarantee that a subsidiary engages in these practices in the ways envisioned by corporate parents. This study demonstrates that the degree of CSR engagement is determined by how strategically important a subsidiary is to the MNC network. Subsidiary strategic position is defined as the extent to which subsidiary activities are significant for the MNC as whole. Drawing on previous studies, subsidiary strategic position is shaped by the size (number of employees and production capacity) and the age of subsidiaries. This study found that larger subsidiaries tend to engage more in CSR compared to small subsidiaries. I note at least three facts support this finding.

First, the size of a subsidiary is a representation of the size of resources that the MNC has under its control. By increasing a subsidiary's resources, the degree of headquarters' control over their subsidiaries also increases (Doz & Prahalad, 1984). The pressure of headquarters

on its major subsidiaries is driven by an assumption that the good reputation of its large or major subsidiaries may reflect the MNC's reputation globally. In addition, these subsidiaries may be painted as "centres of excellence" in their MNC network, a place where other subunits in the MNC could learn.

Second, subsidiary engagement in CSR is not just work to perform the mandate or build their external reputation, but may be a strategy to build its profile in the MNC to attract attention from headquarters. Bouquet and Birkinshaw (2008) revealed that due to the complexity of MNC management across nations, it is impossible for executives at headquarters to give a full and equal attention to all their subsidiaries. They will make priorities and give weight for particular subsidiaries according to some advantages they have and their contribution to the MNCs as a whole. Therefore, subsidiary initiatives could generate positive attention directly and indirectly. As part of a MNC concerned with CSR and sustainability, independent subsidiary CSR initiatives may earn them additional credit from their parents. Third, the size of subsidiary also reflects its financial outlook. Campbell (2007) revealed that corporations whose financial performance is strong are more likely to engage in CSR than corporations whose financial performance is weak. The latter tend to devote and concentrate effort and resources to improving their financial position, and so, find it difficult to be involved in socially responsible activities unless the initiative directly positively impacts economic conditions.

Furthermore, and though not significantly demonstrated in this study, it seems that older, long-established subsidiaries seem to engage more in CSR than newly established ones. This study found that the motivation comes not just from internal pressures in MNCs, but more so from the desire to maintain good relationships with local communities. Due to day-to-day interactions, a long-established subsidiary tends to have a good relationship with the surrounding community. This is consistent with Kennedy and Fiss (2009) who argued that the motivation of a long established organisation to engage in particular practice is driven more by social motivation such as to maintain relationships or gain legitimacy than it is by economic or financial concerns.

Together, all these findings demonstrate that the CSR behaviour of MNC subsidiaries is a very complex issue. A small subsidiary in a MNC network may find it difficult to be active in CSR practices, focusing instead on maintaining financial wellbeing. It may also consider that its reputation for social responsible activities may not significantly assist in attracting headquarters' attention. However, when a subsidiary engages in CSR practices, and the

practices become institutionalised, their motivation to do so will be less about parental mandate and/or financial considerations, but more about establishing and maintaining a relationship with local stakeholders and gaining legitimacy.

### **7.1.2. Similarities and Differences in MNC CSR Management According to Country of Origin**

To explore similarities and differences of MNC means of managing their CSR, this study focuses on two aspects. First, related to CSR coordination and governance between headquarters with its subsidiaries. Second, related to how MNCs manage their human resources (employees) in relation to CSR practices.

#### **7.1.2.1. *CSR Coordination and Governance***

I found two major similarities in terms of CSR governance in MNCs in this research project. First, they tend to employ an informal approach, and second, there is no expatriate manager assigned in managing subsidiary CSR.

I argue that choosing informal mechanisms may be due to the complexity of cultural distance between headquarters and its subsidiaries (Bondy & Starkey, 2012). With informal mechanisms, their coordination will be more flexible. In this approach, headquarters provides a wide degree of autonomy for subsidiaries to manage their CSR programs, which provides room for the subsidiary to match its CSR activities with the institutional environment in Indonesia.

Two of the US MNCs of this study employ regional board meetings to coordinate and to discuss their CSR programs. Subsidiaries' reports are incorporated into the headquarters CSR program report for publication. However, in lines with this reporting approach, Japanese MNCs subsidiaries are requested to send their CSR report regularly to headquarters. There is no specific standard reporting format to be followed by the subsidiaries.

On the other hand, European companies, tend to be more formal. European subsidiaries utilise departmentalisation, setting up a department or a foundation to manage their CSR, and coordinate with headquarters' CSR teams. Their headquarters assigns a specific reporting standard that needs to be followed by subsidiaries. Nevertheless, the coordination between subsidiaries and headquarters is not conducted through strict structuring governance. Their corporate CSR policies are formulated by a committee under the headquarters.

Informal CSR coordination may be a reason why no subsidiary assigns an expatriate manager to manage CSR. It may also be because they consider CSR as a tool to forgo links and develop relationships with their local stakeholders (Idemudia, 2011; Visser, 2007). Therefore, an allocated local manager in CSR is expected to bridge the cultural distance between the corporation and local community. The local managers may also have had local sensitivity and wider insights on evolving issues in the community that may be important factors for ensuring of their CSR programs in the success of CSR programs.

#### *7.1.2.2. Employee Management and Involvement*

This study indicates differences in how MNC view the position of employees in their CSR programs. The first approach, I will call **strategic CSR–HRM**. Here the organisation views their CSR program as a part of employee engagement therefore employee involvement in CSR is essential. A corporation that adopts this perspective, will organise their CSR activities by creating an organising committee consisting of employees from different departments, to organise social activities. In other companies, this task is delegated to the labour union.

The second approach I will call **social responsibility for employees**. Here an organisation creates a specific CSR program to benefit their employees. The organisation tends to separate between CSR activities for external and CSR for internal stakeholders. Programs of external CSR are addressed to external stakeholders such as the local community, while internal CSR is CSR activities aimed at internal stakeholders, particularly employees.

Although the two approaches are discernible in all organisations in this study, I found that there are differences in the degree of subsidiary engagement in the two approaches. Two US MNC subsidiaries in the sample designed and developed their CSR program as a strategic tool for employee engagement, while European and Japanese companies develop two very different programs for CSR for external stakeholders, on the one hand, and their responsibility to employees, on the other.

As part of employee engagement, this study found that most US subsidiaries' CSR programs are organised through a committee that consists of employees from different departments. It may also be a reason why US MNC subsidiaries are not organising their CSR through a specific CSR department, but delegate it through the Human Resource Management (HDR)



department or Corporate Affairs. In addition, they also set up a specific function of the HRM department in their CSR agendas. For example, the HRM department also have an important responsibility in CSR reporting, decision making and evaluations.

In contrast to their US MNC counterparts, European and Japanese MNCs tend to consider CSR for external and internal stakeholders as two different aspects. Nevertheless, compared to Japanese MNC, European MNCs show more concern with employee involvement in their CSR. The two examples of European subsidiaries in this study revealed that employees are actively involved and rewarded for contributing their ideas regarding CSR practices. European subsidiaries revealed that employee participation and opinion is encouraged in the evaluation of CSR activities, conducted through either questionnaires or focus group discussions. Sometimes, employee opinions are explored through their individual annual evaluations. In contrast, Japanese CSR executives revealed that they are open to employees' ideas and participation in CSR, but they do not have a CSR evaluation system which directly involves employees.

The discrepancy of CSR-HRM approaches among MNCs may be explained by the economic approach or philosophy in the MNC's home country. Kostova (1999), Farndale, Brewster, and Poutsma (2008) confirm that the approach to economic management in the MNC home country influences the HRM model implemented. The US adopts the Liberal Market School (LMS) (Hall & Soskice, 2001) and so, corporations which work in this system tend to significantly control how employees are organised. (Steger, 2003). Studies revealed US organisations tend to be more centralised and have a high degree of involvement in their HRM policy (Birkinshaw & Hood, 1998). Birkinshaw and Hood (1998) demonstrate that compared to European and Japanese counterparts, US headquarters have immense power over some issues in their subsidiaries' HRM policy, including employee welfare. Although this study found that US MNCs' CSR coordination tended to be informal, I found their subsidiaries' CSR initiatives involving employees involved activities that were heavily associated with the headquarters' concerns. Second, corporations located in LMS economies such as the US have a negative attitude to excessive public expenditures, particularly in social spending. This may influence their spending on social activities; that is, they will not tend to be involved in social causes if the action involves social expenditure without contributing to their business, even though the social action may be important for society (Margolis & Walsh, 2003; Weyzig, 2009). In this thesis, I argue that aligning their CSR program with employee

engagement is one way to link their social initiatives with a strategic practice in the organisation.

In contrast, the corporations from Europe and Japan - governed by the coordinated market school (CMS) (Hall & Soskice, 2001) – adopt a stakeholder value approach which posits that companies have a responsibility to all stakeholders and that employees are one of the most critical stakeholders whose expectations should be taken into account in the company's decision-making process (Ferrary, 2009). This may be the reason why corporations originating from CMS economies tend to interpret their responsibility according to the expectation of each group of stakeholders.

### **7.1.3. Employee Response toward Their Organisation's CSR**

Using a fit perspective, this study found that CSR is accepted and gained a positive response from Indonesian employees in Food and Beverage MNCs. The majority of respondents viewed CSR as a very real expression of their personal values being upheld. The high degree of employee acceptance of CSR in Indonesia is determined by several factors. First, it is associated with their religious values. The majority of Indonesia is Muslim so that corporate programs that focused on improving the living standards of disadvantaged people and providing them knowledge through training and education, are considered correct according to their religious values. It is not surprising, therefore, that many respondents revealed they did not expect specific rewards to participate in these kinds of activities.

Second, the majority of Indonesian employees consider CSR as a manifestation of Indonesian traditional culture, particularly the tradition of "*Gotong Royong*". *Gotong royong* is developed from two words: *Gotong* means 'working' and *Royong* means 'together'. So *Gotong Royong* could be defined as working together to accomplish work for collective prosperity. Given the socioeconomic reality in Indonesian society there is substantial prosperity gap, CSR activities are thus seen as reducing this gap. CSR activities are also considered as congruent with the religious practices and teachings and adhering to the cultural tradition of *Gotong Royong* discussed above.

Third, this study also demonstrates that organisational culture plays an important role in influencing employee perception of their organisation's CSR. Training, learning and a

knowledge-sharing environment in the workplace are three practices that contribute much to employees' acceptance of CSR. MNC subsidiaries provide many opportunities for their employees to enrich their insights and knowledge. These practices are particularly found in US and European subsidiaries.

Overall, this positive response may be a good example of the implementation of an informal mechanism of CSR coordination in MNCs. With increased freedom for subsidiaries to create their own CSR initiatives, subsidiaries have the ability to link and adapt their CSR with the institutional environment in Indonesia. Kostova (1999) revealed that when a new practice is considered consistent to the cognitive environment in the host countries, employee reluctance of the practice is reduced.

#### **7.1.4. Effect of CSR on Organisational Outcomes**

As mentioned above, CSR received a very positive reaction from Indonesian employees. This finding supports previous research as to the contribution of CSR to the quality of the employee-organisation relationship by influencing their commitment, satisfaction and loyalty to the organisation (Brammer et al., 2007a; Chong, 2009; Collier & Esteban, 2007; Garavan et al., 2010; Peterson, 2004; Valentine & Fleischman, 2008).

These positive results are an indication of successful adaptation of employees and CSR practices. The diffusion process does not only contain the real actions of implementation, but also induces a symbolic property among employees in the adopter organisation (Kostova & Roth, 2002). The symbolic property is the congruence between employee values and beliefs in the embedded value of new practices (in this case CSR). Employee acceptance and positive attitudes to CSR are heavily determined by the extent CSR values fit into their personal values and beliefs. As a manifestation of the sensitivity of business to social issues, a company's CSR may lead to employee positive perception of their organisation (Backhaus et al., 2002) and then positively affect their satisfaction, commitment and loyalty as described above. In other words, CSR could be a positive mediating factor in the employee-organisation relationship.

This study argues that there are three levels of positive "social change" in workplaces driving employee positive attitudes and work outcomes: Individual, Group and Organisation.

**At an individual level,** CSR contribute to employee satisfaction. The satisfaction reflects employee perception that their organisation CSR programs fit with their concern. It is not solely because the CSR initiatives benefit themselves or their families (Rupp et al., 2006; Sims & Kroeck, 1994). The Indonesian constitution stated that its citizens must uphold a specific religion, regardless of what type it is, as long as it is based on the belief of Almighty God. Therefore, religious teaching influence and heavily determine their intrinsic values. When confronted with a new influence, their feeling of satisfaction is often associated how a new practice meets their spiritual expectations. As such, corporate initiatives such as funding mosque renovation or allowing local people to access the company's mosque for religious education for the children, are considered ethically correct and important according to their religious teachings.

Furthermore, involving employees in the company's social work, such as working in disadvantaged communities evoke employees' sense of empathy and create a feeling of being a meaningful individual. This is the most common sentiment expressed by respondents in this study. In other words, CSR has successfully strengthened employee-organisational relationship. CSR could develop a new image for the company as a well-meaning organisation among its employees (Chalofsky, 2003).

**At the group level,** CSR is able to create a sense of community in the workplace, where a group of individuals find congruence in their values. One of the forms of this feeling is friendship and solidarity in the workplace. Friendship in the workplace has many organisational benefits, such as reduced workplace stress and effective communication (Klein & D'Aunno, 1986). In addition, Burroughs and Eby (1998) revealed that a sense of community in an organisation gives a workplace environment a sense of support, freedom of expression, genuine caring and teamwork orientation and increased organisational citizenship behaviour among employees.

The contribution of CSR in creating a sense of community particularly applies to CSR practices that emphasize employee participation in CSR, be they addressed internally or externally. For example, innovative CSR initiatives by a US subsidiary in this research sample received a positive impression from its employees for its charity program. In this program, employees are involved directly in the practice by rebuilding houses for disadvantaged communities. This kind of activity evokes their sense of empathy. The collective empathy among of participations enhanced individual relationships, which may

create friendship in workplaces and then contribute positively to many aspects of the work environment.

**At the organisational level,** CSR is able to develop sense of connectivity between employees and their organisations. CSR is able to bridge an employees' sense of alignment with their organisation's purpose and mission. The connection of employees with the company's social purposes could be regarded by the individual that management has appropriate values that benefit others rather than simply making profits. Alignment with the organisation's goals may be associated with psychological closeness among employees. Ashforth and Mael (1989) revealed that this psychological closeness is one of the antecedent factors of social identification. These two aspects are likely to increase the tendency of employees to identify themselves with the organisation or develop a psychological relationship. In other words, CSR contributes to a sense of social identification in the workplace (Brammer et al., 2007a; Chong, 2009; Peterson, 2004; Valentine & Fleischman, 2008).

Furthermore, CSR is able to contribute to employee perception of support received from their organisation. Some organisational initiatives such as providing opportunities for employees' to explore their social interests and implementing them as organisation's CSR initiatives, as facilitated by US and European subsidiaries sampled in this study, may be perceived by the employees as support from the organisation

## **7. 2. Research Contributions**

### **7.2.1. Research Contribution to Knowledge and Theory**

I believe this research project is a substantial contribution to extant studies exploring CSR practices in emerging economies (Baskin, 2006a; Frynas, 2006; Idemudia, 2011; Jamali & Mirshak, 2007; Mehra, 2006; Visser, 2007). Many issues in this thesis present new ideas in the CSR literature. For example, this study explored CSR using a multi-level and multi-disciplinary approach whereas many extant studies in CSR tend to focus on single-level analysis (Aguinis & Glavas, 2012). At the level of organizational analysis, we expose organizational dynamics in MNCs as a critical factor in CSR engagement. We highlight issues relating to the headquarters-subsidary relationship as an influencing factor in subsidiary CSR behavior, as well as managerial issues around MNC governance. Moreover, from 588 articles cited by Aguinis and Glavas (2012), none discuss the effect of the headquarters-subsidary

relationship to CSR decision making in MNCs. At the level of individual analysis, this thesis also provides some new insights into the social dimension of CSR implementation. Aguinis and Glavas (2012) stated that an important future research agenda concerning CSR at the micro level of analysis is to explore and examine the different employees' perception on CSR. Previous studies have examined the impact of company's CSR initiatives on employee attitudes and work outcomes such as employee job satisfaction, commitment and intention to stay/leave (Brammer et al., 2007a; Chong, 2009; Peterson, 2004; Valentine & Fleischman, 2008). However, they have paid insufficient attention to the positive nexus between employee attitudes and work outcomes, and social changes in the workplace as a consequence of CSR practices. I argue CSR is as an important mediating factor linking the perception of congruence between employees and organisational values. I demonstrated that the mediating effect occurs in two ways: (1) the impact of CSR on employee fit and (2) the impact of CSR on interpersonal relationships in the workplace. These findings represent a significant contribution to both the literature of CSR and organizational behavior. In addition, this research also surfaces an interesting issue in our understanding of CSR influences on employee identification in subsidiaries from different origins. We found antecedent factors as to why they vary within operations in the same country. Specific organizational approaches to CSR and the headquarters-subsidiary power dynamics are two primary factors explaining the variation. In so doing, this study follows the direction currently taken by the literature on CSR in organizational behavior and industrial psychology that focuses on multilevel approaches of CSR impact and that considers the influence of individual, organisation, and institutional factors simultaneously.

We believe this study also has theoretical implications for several important domains in organisation studies and international management theory. Although the "triangle social dynamic of CSR diffusion in the MNC" model in this thesis is designed to examine CSR practices, it might also be used to examine adoption and diffusion in any kind of organisational practice with some modification, depending on the characteristics of the practice. I believe it might present an alternative way to explore the social dimension of adoption and diffusion process in an organisation.

In terms of international business and management theory, this thesis explores managerial issues in MNC subsidiaries and how to manage businesses across national borders (Bondy & Starkey, 2012; Kostova, 1999). One of the interesting issues discussed in this study is the social dynamics of the relationship between headquarters and subsidiaries. We argue that the

motivation of subsidiary engagement in CSR may not be just be as a consequence of a mandate *per se*, but also a subsidiary's efforts to develop their profile in the MNC network and gain headquarters' attention. This aspect may be a missing link in extant discussions of MNC subsidiaries' behavior.

### **7.2.2. Research Contribution to Practice**

This study not only provides a portrait of the adoption and diffusion process of CSR practices in MNC subsidiaries in Indonesia, but also demonstrates that these practices induce a positive response from employees, even though the activities are predominantly addressed to external stakeholders.

Involving employees in CSR practices is essential to optimize its impact for the organisation, whether the practices address either internal or external stakeholders. An innovative CSR practice will not only contribute a positive image development for the organisation but also generate positive social outcomes nuances in the work environment. We suggest that innovations in CSR may consider these following issues:

1. Link CSR practices with the characteristics of Indonesian employees, both cultural and traditional; for example, activities conducted during the weekend or holidays may enhance employee participation by involving their family members. As a collectivist culture and society, Indonesian people give priority to their time with family. For example, an old philosophy of the Javanese (one of the bigger ethnic groups in Indonesia) is *mangan ora magang asal ngumpul* (whether there is meal or not, being together is more important). Therefore, when an organisation's CSR activities are designed to involve employees' this helps work-life balance and enhances social ties and a sense of being member of a single.

In addition, the tradition of Gotong Royong is also a reflection that Indonesians enjoy activities that create togetherness and prefer working as a member of a team. This is often referred to as "*kekeluargaan*" denoting a sense of being part of a large family.

2. Designing CSR activities to conform with employees' social interest, even though it is intended for a specific purpose, such as meeting target as defined by headquarters or linked to the organization's HRM program, such as the program of employee engagement as found at the US subsidiaries in the sample.

3. I suggest employee participation should be encouraged in the form of group or teamwork rather than creating individual assignments. The teamwork should become a unity, mixing employees from different departments.

### **7.3. Study Limitations and Future Research**

The limitations of this study and the potential for future research can be divided into three sections: (1) the model employed in this thesis; (2) the methodology and approach of the study; and (3) research findings.

First, in relation to the model used in this thesis, although the model presented provides a strong foundation to explore CSR diffusion in MNC subsidiaries operating in Indonesia, it is still a relatively simple model to capture a very complex phenomenon. I found it was challenging, particularly along two dimensions discussed in the thesis.

1. Organisational dynamics dimension; the five issues highlighted in this dimension may only cover a small aspect of MNC management. For example, this study does not include the effect of home institutional factors. MNC behaviour reflects institutional factors in the country and fields in which they have been developed and established (Kostova & Roth, 2002; Kostova et al., 2008; Kostova & Zaheer, 1999), so there are two institutional environments that may affect MNC subsidiary behaviours (home and host country's institutional factors). This study does not discuss the effect of home institutional elements. I argue that home institutional pressures should be reflected in the way MNCs manage the relationship between headquarters and subsidiaries.
2. Employee-CSR fit dimensions; this dimension is one of the most complex issues discussed in the thesis. Examining a universal characteristic of CSR and linking it to employee perceptions of fit, is not likely to adequately capture the complexity of the sense of fit of an employee to their company's CSR. The discrepancy between the survey and interview findings may explain this problem. Therefore, if employee sense of fit with CSR is tested in future research, I suggest a pre-survey of the precise CSR characteristic in the target sample company. This could be done through exploring company CSR reports or conducting pre-observations before the primary research.

Second, focusing the analysis on corporations in a similar industry, the study may not adequately delineate between isomorphic patterns of CSR practices as pressure from



institutional factors in Indonesia, on the one hand, and sectoral or field-level pressures, on the other. Therefore, further cross-sectoral work is needed to enhance our understanding of the extent to which isomorphic patterns are reflective of Indonesian socio-cultural factors, and which are sectoral.

Third, and as discussed above, this thesis exposes “new ideas” and “new terms” in CSR such as ‘sense of meaningful individuality’, ‘sense of community’, ‘friendship in the workplace’, and ‘perception of organisational support’. All these concepts need further empirical analysis and it may present a challenging research topic in CSR.

## **7.4. Closing Remarks**

As a summary, this thesis strived to present a different way of understanding CSR behaviour in emerging economies, particularly in Indonesia. CSR is still a growing organisational practice in this country. I expect that my findings can contribute in several ways. First, at an academic level, I hope to motivate Indonesian scholars to more deeply explore the nature of CSR in Indonesia that may useful for future theoretical and practical development.

Second, at the level of practice, this study has revealed “behind the scenes” of Indonesian CSR initiatives, with particular issues to explore including motivational factors of CSR adoption in MNC subsidiaries, employee responses toward CSR, and the implications of CSR for social change in the workplace. The findings should inspire organisations in Indonesia to take their CSR activities more seriously and be more innovative.

Third, corporations could be the agent of social change through their CSR programs for sustainable practices in Indonesian society. They do not only contribute to economic development, but also distribute sustainable values in Indonesia society, either through direct company CSR actions for the community or through their individual employees who are spreading their knowledge to their community. With around 1/3 (8 hours of a day) of productive time of employees in the workplace, knowledge and values that they obtain in the workplace may influence their behaviour and then may sharpen their cognitive ability in society. For example, good lifestyle programs promoted in the workplace’s zero waste programme, can sharpen employee environmentally-friendly behaviour and they may introduce this ‘knowledge’ to their surrounding community. Evolving CSR programs in Indonesia could bridge the gaps in community and promote positive values that could assist Indonesian society actively being actively becoming involved in global efforts toward a sustainable world.

# References

- Abrahamson, E. 1991. Managerial fads and fashions: the diffusion and rejection of innovations. *Academy of management review*, 16(3): 586-612.
- Aguilera, R., Rupp, D. E., William, C. A., & Ganapathi, J. 2007. Putting the S back in Corporate Social Responsibility: A Multi-level theory of social change in organisations. *Academy of Management Review*, 32(3): 836-863.
- Aguilera, R. V., Williams, C. A., Conley, J. M., & Rupp, D. E. 2006. Corporate Governance and Social Responsibility: a comparative analysis of the UK and the US\*. *Corporate Governance: An International Review*, 14(3): 147-158.
- Aguinis, H., & Glavas, A. 2012. What We Know and Don't Know About Corporate Social Responsibility: A Review and Research Agenda. *Journal of Management*, 38(4): 932-968.
- Ahmad, S. J. 2006. From principles to practice: exploring corporate social responsibility in Pakistan \*. *The Journal of Corporate Citizenship*(24): 115(115).
- Ako, R. T., & Obokoh, L. O. 2009. Forging peaceful relationships between oil-companies and host-communities in Nigeria's Delta region A stakeholder's perspective to corporate social responsibility. *Journal of Enterprising Communities: People and Places in the Global Economy*, 3(2): 205-216.
- Alan, D. S. 2007. Making the case for the competitive advantage of corporate social responsibility. *Business Strategy Series*, 8(3): 186-195.
- Albareda, L., Lazano, J. M., Tencati, A., Midttun, A., & Perrini, F. 2008. The changing role of governments in corporate social responsibility: drivers and responses. *Business Ethics: A European Review*, 17(4): 347-363.
- Alison, M., Tyson, B. M., & Barney, J. B. 2007. Corporate Social Responsibility and Firm Performance: Investor Preferences and Corporate Strategies. *The Academy of Management Review*, 32(3): 817-835.

- Amaeshi, K. M., Ogbechie, C., Adi, B. C., & Amao, O. O. 2006. Corporate social responsibility in Nigeria: Western Mimicry or indigenous influences? \*, *The Journal of Corporate Citizenship*: 83(17).
- Amran, A., & Nabiha, S. 2009. Corporate social reporting in Malaysia: a case of mimicking the West or succumbing to local pressure. *Social Responsibility Journal*, 5(3): 358 - 375.
- Ansari, S. M., Fiss, P. C., & Zajac, E. J. 2010. Made to fit: How practices vary as they diffuse. *Academy of Management Review*, 35(1): 67-92.
- Ararat, M. 2010. A Development Perspective for "Corporate Social Responsibility": Case of Turkey. . *Corporate Governance*, 8(3): 271-285.
- Arora, B., & Puranik, R. 2004. A Review of Corporate Social Responsibility in India. *Development*, 47(3): 93-100.
- Arthaud-Day, M. L. 2005. Transnational Corporate Social Responsibility: A Tri-dimensional approach to International CSR research. *Business Ethics Quarterly*, 15(1): 1-22.
- Ashforth, B. E., & Mael, F. 1989. Social identity theory and the organization. *Academy of Management Review*, 14(1): 20-39.
- Asta, S. G., & Isaac, G. 2004. How flexibility facilitates innovation and ways to manage it in organizations. *Creativity and Innovation Management*, 13(3): 166-175.
- Attewell, P. 1992. Technology diffusion and organizational learning: The case of business computing. *Organization Science*, 3(1): 1-19.
- Avery, G. 2005. *Leadership for sustainability: achieving success in a competitive world*. Cheltenham UK: Edward Elgar Publishing Limited.
- Backhaus, K. B., Stone, B. A., & Heiner, K. 2002. Exploring the Relationship Between Corporate Social Performance and Employer Attractiveness. *Business & Society*, 41(3): 292-318.
- Bae, J., Chen, S.-J., & Lawler, J. J. 1998. Variations in human resource management in Asian countries: MNC home-country and host-country effects. *The International Journal of Human Resource Management*, 9(4): 653-670.

- Bakker, F. G. A. D., Groenewegen, P., & Hond, F. D. 2005. A bibliomeric analysis of 30 year of research and theory on Corporate Social Responsibility and Corporate Social Performance. *Business and Society*, 44(3): 283-317.
- Banerjee, S. B. 2008. Corporate social responsibility: The good, the bad and the ugly. *Critical Sociology*, 34(1): 51-79.
- Barnett, M. L. 2007a. Stakeholder Influence Capacity And The Variability Of Financial Returns To Corporate Social Responsibility. *Academy of Management Review*, 32(3): 794-816.
- Barnett, M. L. 2007b. Stakeholder Influence Capacity and the Variability of Financial Returns to Corporate Social Responsibility. *The Academy of Management Review*, 32(3): 794-816.
- Barr, A., & Serra, D. 2009. The effects of externalities and framing on bribery in a petty corruption experiment. *Experimental Economics*, 12(4): 488-503.
- Barry Hocking, J., Brown, M., & Harzing, A.-W. 2004. A knowledge transfer perspective of strategic assignment purposes and their path-dependent outcomes. *The International Journal of Human Resource Management*, 15(3): 565-586.
- Baruch, Y., O'Creevy, M. F., & Hind, P. 2004. Prosocial behaviour and job performance: Does the need for control and the need for achievement make a difference. *Social, Behavior and Personality*, 32(4): 399-412.
- Baskin, J. 2006a. Corporate Responsibility in Emerging Markets. *Journal of Corporate Citizenship*(24): 29-47.
- Baskin, J. 2006b. Corporate responsibility in emerging markets, *The Journal of Corporate Citizenship*: 29(19).
- Benson, G. S. 2006. Employee development, commitment and intention to turnover: a test of 'employability' policies in action. *Human Resource Management Journal*, 16(2): 173-192.
- Berger, I., Cunningham, P., & Drumwright, M. 2006. Identity, identification, and relationship through social alliances. *Journal of the Academy of Marketing Science*, 34(2): 128-137.

- Berman, S. L., Wicks, A. C., Kotha, S., & Jones, T. M. 1999. Does stakeholder orientation matter? The relationship between stakeholder management models and firm financial performance. *Academy of Management Journal*, 42(5): 488-506.
- Bies, R. J., Bartunek, J. M., Fort, T., L., & Zald, M. N. 2007a. Corporations as Social Change Agents: Individual, Interpersonal, Institutional, and Environmental Dynamics. *Academy of Management Review*, 32(3): 788-793.
- Bies, R. J., Bartunek, J. M., Fort, T. L., & Zald, M. N. 2007b. Introduction to Special Topic Forum: Corporations as Social Change Agents: Individual, Interpersonal, Institutional, and Environmental Dynamics. *The Academy of Management Review*, 32(3): 788-793.
- Billet, S. 2004. Workplace participatory practices: Conceptualising workplaces as learning environments. *Journal of Workplace Learning: Employee Counselling Today*, 16(6): 312-324.
- Birkinshaw, J. 1996. How multinational subsidiary mandates are gained and lost. *Journal of International Business Studies*: 467-495.
- Birkinshaw, J., & Hood, N. 1998. Multinational subsidiary evolution: capability and charter change in foreign-owned subsidiary companies. *Academy of management review*, 23(4): 773-795.
- Bishop, T. 1992. Integrating business ethics into an undergraduate curriculum. *Journal of Business Ethics*, 11(4): 291-299.
- Björkman, I., Barner-Rasmussen, W., & Li, L. 2004. Managing knowledge transfer in MNCs: the impact of headquarters control mechanisms. *Journal of International Business Studies*, 35(5): 443-455.
- Black, L. D., & Härtel, C. E. J. 2004. The five capabilities of socially responsible companies. *Journal of Public Affairs*, 4(2): 125-144.
- Blasco, M., & ZÁlner, M. 2010. Corporate Social Responsibility in Mexico and France. *Business & Society*, 49(2): 216-251.
- Blau, G. J. 1987. Using a person-environment fit model to predict job involvement and organizational commitment. *Journal of Vocational Behavior*, 30(3): 240-257.

- Bondy, K., & Starkey, K. 2012. The dilemmas of internationalization: Corporate Social Responsibility in multinational company. *British Journal of management*, 19 October: 1-19.
- Boote, D. N., & Beile, P. 2005. Scholars before researchers: On the centrality of the dissertation literature review in research preparation. *Educational researcher*, 34(6): 3-15.
- Bouquet, C., & Birkinshaw, J. 2008. Weight versus voice: How foreign subsidiaries gain attention from corporate headquarters. *Academy of Management Journal*, 51(3): 577-601.
- BrÃnn, P., & Vidaver-Cohen, D. 2009. Corporate Motives for Social Initiative: Legitimacy, Sustainability, or the Bottom Line? *Journal of Business Ethics*, 87: 91-109.
- Brammer, S., Millington, A., & Rayton, B. 2007a. The contribution of corporate social responsibility to organizational commitment. *International Journal of Human Resource Management*, 18(10): 1701-1719.
- Brammer, S., Williams, G., & Zinkin, J. 2007b. Religion and Attitudes to Corporate Social Responsibility in a Large Cross-Country Sample. *Journal of Business Ethics*, 71(3): 229-243.
- Branco, M. C. 2006. Communication of corporate social responsibility by Portuguese banks A legitimacy theory perspective. *Corporate communications: An International Journal*, 11(3): 232-248.
- Braun, V., & Clarke, V. 2006. Using thematic analysis in psychology. *Qualitative Research in Psychology*, 3(2): 77-101.
- Brickson, S. L. 2007. Organizational Identity Orientation: The Genesis of the Role of the Firm and Distinct Forms of Social Value. *The Academy of Management Review*, 32(3): 864-888.
- Burack, E. H. 1999. Spirituality in the workplace. *Journal of organizational change management*, 12(4): 280-292.

- Burroughs, S. M., & Eby, L. T. 1998. Psychological sense of community at work: A measurement system and explanatory framework. *Journal of community psychology*, 26(6): 509-532.
- Byrne, U. 2005. Work-life balance. *Business Information Review*, 22(1): 53-59.
- Cabrera, A. n., Collins, W. C., & Salgado, J. s. F. 2006. Determinants of individual engagement in knowledge sharing. *The International Journal of Human Resource Management*, 17(2): 245-264.
- Campbell, J. L. 2006. Institutional Analysis and the Paradox of Corporate Social Responsibility. *American Behavioral Scientist*, 49(7): 925-938.
- Campbell, J. L. 2007. Why would corporations behave in socially responsible ways? an institutional theory of corporate social responsibility. *Academy of Management Review*, 32(3): 946-967.
- Campbell, J. T., Eden, L., & Miller, S. R. 2012. Multinationals and corporate social responsibility in host countries: Does distance matter&quest. *Journal of International Business Studies*, 43(1): 84-106.
- Caplan, R. D. 1987. Person-environment fit theory and organizations: Commensurate dimensions, time perspectives, and mechanisms. *Journal of Vocational Behavior*, 31(3): 248-267.
- Cardebat, J.-M., & Sirven, N. 2010. What Corporate Social Responsibility reporting adds to financial return. *Journal of Economics and International Finance*, 2(2): 20-27.
- Carroll, A. B. 1979. A three-dimensional conceptual model of corporate performance. *Academy of management review*, 4(4): 497-505.
- Carroll, A. B. 1991. The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders. *Business Horizons*, July-August: 39-48.
- Carroll, A. B. 1999. Corporate social responsibility evolution of a definitional construct. *Business & society*, 38(3): 268-295.



- Carroll, A. B., & Shabana, K. M. 2010. The Business Case for Corporate Social Responsibility: A Review of Concepts, Research and Practice. *International Journal of Management Reviews*, 12(1): 85-105.
- Carron, M. P. 2006. Corporate Social Responsibility in Latin America: Chiquita, Women Banana Workers and Structural Inequalities. *Journal of Corporate Citizenship*: 85-94.
- Castka, P., & Balzarova, M. A. 2007. A Critical Looks on Quality through CSR Lenses: Key challenge stemming from the Development of ISO 2006. *International Journal of Quality and Reliability Management*, 24(7): 738-752.
- Chalofsky, N. 2003. An emerging construct for meaningful work. *Human Resource Development International*, 6(1): 69-83.
- Chan, C. M., & Makino, S. 2007. Legitimacy and Multi-Level Institutional Environments: Implications for Foreign Subsidiary Ownership Structure. *Journal of International Business Studies*, 38(4): 621-638.
- Chapple, W., & Moon, J. 2005. Corporate Social Responsibility (CSR) in Asia. *Business & Society*, 44(4): 415-441.
- Chapple, W., & Moon, J. 2007. CSR agendas for Asia. *Corporate Social Responsibility and Environmental Management*, 14(4): 183-188.
- Chen, C.-J., & Huang, J.-W. 2009. Strategic Human Resource Practices and Innovation Performance -- The Mediating role of Knowledge Management Capacity. *Journal of Business Research*, 62(1): 104-114.
- Chen, H., & Kong, Y. 2009. Chinese consumer perceptions of socially responsible consumption. *Social Responsibility Journal*, 5(2): 144-151.
- Cheng, W. L., & jamilah, A. 2010. Incorporating stakeholder approach in corporate social responsibility (CSR): a case study at multinational corporations (MNCs) in Penang. *Social Responsibility Journal*, 6(4): 593-610.
- Chesters, C., & Lawrence, S. 2008. The business of doing good: an Australasian perspective on corporate philanthropy. *The Journal of Corporate Citizenship*(31): 89(16).

- Chong, M. 2009. Employee Participation in CSR and Corporate Identity: Insights from a Disaster-Response Program in the Asia-Pacific. *Corporate Reputation Review*, 12(2): 106-119.
- Chris, S., & Gary, M. 2008. Corporate social responsibility in South Africa: emerging trends. *Society and Business Review*, 3(3): 239-255.
- Cochran, P. L., & Wood, R. A. 1984. Corporate Social Responsibility and Financial Performance. *Academy of Management Journal*, 27(1): 42-56.
- Cohen, E. 2010. *CSR for HR: A necessary partnership for advancing responsible business practices*: Greenleaf Publishing.
- Collier, J., & Esteban, R. 2007. Corporate social responsibility and employee commitment. *Business Ethics: A European Review*, 16(1): 19-33.
- Costas, J., & Kärreman, D. 2013. Conscience as control – managing employees through CSR. *Organization*, 20(3): 394-415.
- Creswell, J. W. 2003. *Research Design: Qualitative, quantitative, and mixed method approaches set (2nd ed)*: Thousand Oaks, CA Sage.
- Cruz, L. B., & Pedroza, E. A. 2009. Corporate social responsibility and green management Relation between headquarters and subsidiary in multinational corporations. *Management Decision*, 47(7): 1174-1199.
- Da Silva, N., Hutcheson, J., & Wahl, G. D. 2010. Organizational Strategy and Employee Outcomes: A Person–Organization Fit Perspective. *Journal of Psychology*, 144(2): 145-161.
- Daily, B. F., & Su, C. H. 2001. Achieving sustainability through attention to human resource factors in environmental management. *International Journal of Operations & Production Management*, 21(12): 1539-1552.
- Darigan, K. H., & Post, J. E. 2009. Corporate citizenship in China: CSR challenges in the 'harmonious society'.(corporate social responsibility). *The Journal of Corporate Citizenship*(35): 39(15).

- Das, S. C. 2009. Status and direction of corporate social responsibility in Indian perspective: an exploratory study. *Social Responsibility Journal*, 5(1): 34-47.
- Davis, K. 1968. Understanding the social responsibility puzzle. *Business Horizons*, 10(4): 45-50.
- Dawkins, C., & Ngunjiri, F. W. 2008. Corporate Social Responsibility Reportig in South Africa *Journal of Business Communication*, 45(3): 286-307.
- de Oliveira, J. A. P. 2006. JCC theme issue: corporate citizenship in Latin America: new challenges for business: introduction.(Journal of Corporate Citizenship). *The Journal of Corporate Citizenship*(21): 17(14).
- Diego, Q.-O., & Mhairi, A. 2007. Business and human rights: A critical assessment of the notion of CSR and measurement. *Journal of International Trade Law and Policy*, 6(2): 79-90.
- Doh, J. P., & Guay, T. R. 2006. Corporate Social Responsibility, Public Policy, and NGO Activism in Europe and the United States: An Institutional-Stakeholder Perspective. *Journal of Management Studies*, 47(1): 47-73.
- Donaldson, T., & Dunfee, T. W. 1994. Toward A Unified Conception Of Business Ethics: Integrative Social Contracts Theory. *Academy of Management Review*, 19(2): 252-284.
- Donnenfeld, S., & Prusa, T. J. 1995. Monitoring and coordination in MNCs: implications for transfer pricing and intra-firm trade. *Journal of Economic Integration*: 230-255.
- Dowling, J., & Pfeffer, J. 1975. Organizational legitimacy: Social values and organizational behavior. *Pacific sociological review*: 122-136.
- Doz, Y., Prahalad, C., & Hamel, G. 1994. Control, change and flexibility: the dilemma of transnational collaboration. *Cooperative Forms of Transnational Corporation Activity*, 13: 353.
- Doz, Y., & Prahalad, C. K. 1984. Patterns of strategic control within multinational corporations. *Journal of International Business Studies*: 55-72.

- Duanxu, W., Anne, S. T., Yichi, Z., & Li, M. 2003. Employment relationships and firm performance: evidence from an emerging economy. *Journal of Organizational Behavior*, 24(5): 511-535.
- Dutton, J. E., Dukerich, J. M., & Harquail, C. V. 1994. Organizational Images and Member Identification. *Administrative Science Quarterly*, 39(2): 239-263.
- Edwards, J. R., Cable, D. M., Williamson, I. O., Lambert, L. S., & Shipp, A. J. 2006. The Phenomenology of Fit: Linking the Person and Environment to the Subjective Experience of Person-Environment Fit. *Journal of Applied Psychology*, 91(4): 802-827.
- Elijido-Ten, E. 2007. Applying stakeholder theory to analyze corporate environmental performance  
Evidence from Australian listed companies. *Asian Review of Accounting*, 15(2): 2007.
- Elms, H. 2006. Corporate (and stakeholder) responsibility in Central and Eastern Europe. *International Journal of Emerging Markets*, 1(3): 203-211.
- Evans, W. R., & Davis, W. D. 2005. High-Performance Work Systems and Organizational Performance: The Mediating Role of Internal Social Structure. *Journal of Management*, 31(5): 758-775.
- Farndale, E., Brewster, C., & Poutsma, E. 2008. Coordinated vs. liberal market HRM: the impact of institutionalization on multinational firms. *The International Journal of Human Resource Management*, 19(11): 2004-2023.
- Fenwick, M. M. S., De Cieri, H. L., & Welch, D. E. 1999. *Cultural and bureaucratic control in MNEs: The role of expatriate performance management*: Springer.
- Ferner, A., ALmond, P., Clark, I., Colling, T., Edwards, T., Holden, L., & Muller-Camen, M. 2004. The dynamics of central control and subsidiary autonomy in management of human resources: Case-study evidence from MNCs in the UK. *Organizational Study*, 23(3): 363-391.
- Ferrary, M. 2009. A Stakeholder Perspective on Human Resource Management. *Journal of Business Ethics*, 87(1): 31-43.

- Fleming, P., & Jones, M. T. 2013. *The End of Corporate Social Responsibility*.
- Fortanier, F., Kolk, A., & Pinkse, J. 2011. Harmonization in CSR Reporting: MNEs and Global CSR Standards. *MIR: Management International Review*, 51(5): 665-696.
- Frambach, R. T., & Schillewaert, N. 2002. Organizational innovation adoption: a multi-level framework of determinants and opportunities for future research. *Journal of Business Research*, 55(2): 163-176.
- Freeman, R. E. 1983. Strategic management: A stakeholder approach. *Advances in strategic management*, 1(1): 31-60.
- Friedman, M. 1970. The social responsibility of business is to increase its profits, *New York Times Magazine*, Vol. 13 September.
- Fronty, I. G. 2007. Corporate Social Responsibility in Developing Countries: The Case of Argentina, *Annual Congress of The european Accounting Associatin in London*: 191-205. Portugal.
- Frost, T. S., Birkinshaw, J. M., & Ensign, P. C. 2002. Centers of excellence in multinational corporations. *Strategic Management Journal*, 23(11): 997-1018.
- Frynas, J. G. 2006. Corporate Social Responsibility in Emerging Economies. *Journal of Corporate Citizenship*(24): 16-19.
- Fukukawa, K., Balmer, J. T., & Gray, E. 2007. Mapping the Interface Between Corporate Identity, Ethics and Corporate Social Responsibility. *Journal of Business Ethics*, 76(1): 1-5.
- Galbreath, J. 2009. Building corporate social responsibility into strategy. *European Business Review*, 21(2): 109-127.
- Gao, S. S., & Zhang, j. J. 2006. Stakeholder Engagement, Social Auditing and Corporate Sustainability. *Business Process Management Journal*, 12(6): 722-740.
- Garavan, T. N., Heraty, N., Rock, A., & Dalton, E. 2010. Conceptualizing the Behavioral Barriers to CSR and CS in Organizations: A Typology of HRD Interventions. *Advances in Developing Human Resources*, 12(5): 587-613.

- Garriga, E., & Melé, D. 2004. Corporate Social Responsibility Theories: Mapping the Territory. *Journal of Business Ethics*, 53(1): 51-71.
- Ghoshal, S., & Bartlett, C. A. 1988. Creation, adoption, and diffusion of innovations by subsidiaries of multinational corporations. *Journal of International Business Studies*, 19(3): 365-388.
- Gond, J.-P., Akremi, A. E., Igalens, J., & Valerie, S. 2010. Corporate Social Responsibility Influence on Employees, *ICCSR Reserach Paper Series*, Vol. 54.
- Gond, J.-P., & Boxenbaum, E. 2013. The glocalization of responsible investment: Contextualization work in France and Quebec. *Journal of business ethics*, 115(4): 707-721.
- Gordon, G. G. 1991. Industry Determinants of Organizational Culture. *The Academy of Management Review*, 16(2): 396-415.
- Gugler, P., & Shi, J. Y. J. 2009. Corporate Social Responsibility for Developing Country Multinational Corporations: LostWarin Pertaining Globall Competitiveness? *Journal of Business Ethics*, 2009(87): 3-24.
- Gunawan, J. 2007. Corporate Social Disclosures by Indonesian Listed Companies: A Pilot Study. *Social Responsibility Journal*, 3(3): 26-34.
- Guo, J., Sun, L., & Li, X. 2009. CSR Assessment of Chinese Corporation. *International Journal of Business and Management*, 4(4): 54-57.
- Gupta, A. D. 2005. Corporate Social Responsibility in India: Promoting Human Development towards a Sacro-Civic Society. *Social Responsibility Journal*, 1(3/4): 213-224.
- Gupta, A. K., & Govindarajan, V. 1991. Knowledge flows and the structure of control within multinational corporations. *Academy of management review*, 16(4): 768-792.
- Hall, P. A., & Soskice, D. 2001. *Varieties of capitalism: The institutional foundations of comparative advantage*: Oxford University Press.
- Harribey, L. E. 2006. Corporate social responsibility as a new paradigm in the European policy: how CSR comes to legitimate the European regulation process. *Corporate Governance*, 6(4): 358-369.

- Harrison, J. S., & Freeman, R. E. 1999. STAKEHOLDERS, SOCIAL RESPONSIBILITY, AND PERFORMANCE: EMPIRICAL EVIDENCE AND THEORETICAL PERSPECTIVES. *Academy of Management Journal*, 42(5): 479-485.
- Harzing, A.-W. 1999. *Managing the Multinationals-An Internal Study of Control Mechanism*. Cheltenham: Edward Elgar.
- Hesketh, B., & Gardner, D. 1993. Person-Environment Fit Models: A Reconceptualization and Empirical Test. *Journal of Vocational Behavior*, 42(3): 315-332.
- Hoffman, B. J., & Woehr, D. J. 2006. A quantitative review of the relationship between person-organization fit and behavioral outcomes. *Journal of Vocational Behavior*, 68(3): 389-399.
- Holm, U., & Pedersen, T. 2000. The dilemma of centres of excellence: Contextual creation of knowledge versus global transfer of knowledge. *Copenhagen Business School Department of International Economics and Management Working Paper*: 8-2000.
- Hoskisson, R. E., Eden, L., Lau, C. M., & Wright, M. 2000. Strategy in Emerging Economies. *Academy of Management Journal*, 43(3): 249-267.
- Hua, C., & Haibin, Z. 2009. Two-way communication strategy on CSR information in China. *Social Responsibility Journal*, 5(4): 440-449.
- Husted, B. W., & Allen, D. B. 2006. Corporate Social Responsibility in the Multinational Enterprise: Strategic and Institutional Approaches. *Journal of International Business Studies*, 37(6): 838-849.
- Idemudia, U. 2011. Corporate social responsibility and developing countries: moving the critical CSR research agenda in Africa forward. *Progress in Development Studies*, 11(1): 1-18.
- Jabbour, C. J. C., & Santos, F. C. A. 2008. The central role of human resource management in the search for sustainable organizations. *International Journal of Human Resource Management*, 19(12): 2133-2154.
- Jamali, D., & Mirshak, R. 2007. Corporate Social Responsibility (CSR): Theory and Practice in a Developing Country Context. *Journal of Business Ethics*, 72(3): 243-262.

- Johnson, B., & Hagström, B. 2005. The translation perspective as an alternative to the policy diffusion paradigm: The case of the Swedish methadone maintenance treatment. *Journal of Social Policy*, 34(3): 365-388.
- Johnson, H. L. 1971. *Business in contemporary society: Framework and issues*: Wadsworth Publishing Company.
- Jon, B., Ambrosini, V., Moss-Jones, J., & Marsh, P. 2005. Some Suggestions for Mapping Organizational Members' Sense of Fit. *Journal of Business and Psychology*, 19(4): 555-570.
- Jones, G., & Kramar, R. 2010. CSR and The Building of Leadership Capacity. *Journal of Global Responsibility*, 1(2): 220-259.
- Jones, M. L. 2001. Sustainable organizational capacity building: is organizational learning a key? *International Journal of Human Resource Management*, 12(1): 91-98.
- Jones, M. T. 2009. Disrobing the emperor: mainstream CSR research and corporate hegemony. *Management of Environmental Quality: An International Journal*, 20(33): 335-346.
- Jones, T. M. 1980. Corporate Social Responsibility revisited, redefined,. *California Management Review*: 59-67.
- Jones, T. M. 1995. Instrumental stakeholder theory: A synthesis of ethics and economics. *Academy of management review*, 20(2): 404-437.
- Kedia, B. L., & Bhagat, R. S. 1988. Cultural constraints on transfer of technology across nations: Implications for research in international and comparative management. *Academy of Management Review*, 13(4): 559-571.
- Kelman, H. C. 1958. Compliance, Identification, and Internalization: Three Processes of Attitude Change. *The Journal of Conflict Resolution*, 2(1): 51-60.
- Kennedy, M. T., & Fiss, P. C. 2009. Institutionalization, framing, and diffusion: The logic of TQM adoption and implementation decisions among US hospitals. *Academy of Management Journal*, 52(5): 897-918.



- Khan, M. H.-U.-Z., Halabi, A. K., & Samy, M. 2009. Corporate social responsibility (CSR) reporting: a study of selected banking companies in Bangladesh. *Social Responsibility Journal*, 5(3): 344-357.
- Kim, B. Y. 2006. Managing Workforce Diversity -- Developing a Learning Organization. *Journal of Human Resources in Hospitality & Tourism*, 5(2): 69 - 90.
- Kimberly, J. R., & Evanisko, M. J. 1981. Organizational innovation: The influence of individual, organizational, and contextual factors on hospital adoption of technological and administrative innovations. *Academy of management journal*, 24(4): 689-713.
- Klein, K. J., & D'Aunno, T. A. 1986. Psychological sense of community in the workplace. *Journal of Community Psychology*, 14(4): 365-377.
- Kobrin, S. J. 1988. Expatriate reduction and strategic control in American multinational corporations. *Human Resource Management*, 27(1): 63-75.
- Koh, H. C., & Boo, E. f. H. Y. 2004. Organizational ethics and employee satisfaction and commitment. *Management Decision*, 42(5): 677-693.
- Koladkiewicz, I. 2009. Corporate social responsibility in Poland: the Responsible Business Forum 2002-2007 report perspective. *Social Responsibility Journal*, 5(1): 48-61.
- Kostova, T. 1999. Transfer of strategic organizational practices: A contextual perspective *Academy of Management Review*, 24(2): 308-324.
- Kostova, T., & Roth, K. 2002. Adoption of an Organizational Practice by Subsidiaries of Multinational Corporations: Institutional and Relational Effects. *The Academy of Management Journal*, 45(1): 215-233.
- Kostova, T., Roth, K., & Dacin, M. T. 2008. Institutional Theory in the Study of Multinational Corporations: A Critique and New Directions. *Academy of Management Review*, 33(4): 994-1006.
- Kostova, T., & Zaheer, S. 1999. Organizational Legitimacy under Conditions of Complexity: The Case of the Multinational Enterprise. *The Academy of Management Review*, 24(1): 64-81.

- Kraisornsuthasinee, S., & Swierczek, F. W. 2009. Doing well by doing good in Thailand. *Social Responsibility Journal*, 5(4): 550-565.
- Kranias, D. S. 2000. Cultural control: the case of Japanese multinational companies and their subsidiaries in the UK. *Management Decision*, 38(9): 638-649.
- Kristof-Brown, A. L., Zimmerman, R. D., & Johnson, E. C. 2005. Consequences of individuals' fit at work: A meta-analysis of person–job, person–organization, person–group, and person–supervisor fit. *Personnel Psychology*, 58(2): 281-342.
- Kristof, A. L. 1996. Person-organization fit: An integrative review of its conceptualizations, measurement, and implications. *Personnel Psychology*, 49(1): 1-49.
- Laabs, J. J. 1992. The greening of HR. in-house environmental programs of organizations through their human resources departments. *Personnel Journal*, 71(8): 60.
- Lambert-Mogiliansky, A., Majumdar, M., & Radner, R. 2007. Strategic analysis of petty corruption: Entrepreneurs and bureaucrats. *Journal of Development Economics*, 83(2): 351-367.
- Lawner, S., & Abroowitz, S. K. 2008. *Statistic Using SPSS: An Integrative Approach*. New York: Cambridge University Pres.
- Lengnick-Hall, C. A., & Beck, T. E. 2005. Adaptive Fit Versus Robust Transformation: How Organizations Respond to Environmental Change. *Journal of Management*, 31(5): 738-757.
- Leung, A., & Chaturvedi, S. 2011. Linking the fits, fitting the links: Connecting different types of PO fit to attitudinal outcomes. *Journal of Vocational Behavior*, 79(2): 391-402.
- Levis, J. 2006. Adoption of corporate social responsibility codes by multinational companies. *Journal of Asian Economics*, 17(1): 50-55.
- Li, W., & Zhang, R. 2010. Corporate Social Responsibility, Ownership Structure, and Political Interference: Evidence from China. *Journal of Business Ethics*, 96(4): 631-645.

- Lindgreen, A., & Swaen, V. 2010. Corporate Social Responsibility. *International Journal of Management Reviews*, 12(1): 1-7.
- Lines, V. L. 2004. Corporate reputation in Asia: Looking beyond bottom-line performance. *Journal of Communication Management*, 8(3): 233-245.
- Loi Teck, H. 2008. Combining faith and CSR: a paradigm of corporate sustainability. *International Journal of Social Economics*, 35(6): 449-465.
- Mackey, A., Mackey, T. B., & Barney, J. B. 2007. Corporate social responsibility and firm performance: investor preferences and corporate strategies. *Academy of Management Review*, 32(3): 817-835.
- Maignan, I., & Ralston, D. A. 2002. Corporate Social Responsibility in Europe and the U.S.: Insights from Businesses' Self-Presentations. *Journal of International Business Studies*, 33(3): 497-514.
- Margolis, J. D., & Walsh, J. P. 2003. Misery loves companies: Rethinking social initiatives by business. *Administrative science quarterly*, 48(2): 268-305.
- Markus, H., & Zajonc, R. B. 1985. The cognitive perspective in social psychology. *Handbook of social psychology*, 1: 137-230.
- Markus, H. R., & Kitayama, S. 1991. Culture and the self: Implications for cognition, emotion, and motivation. *Psychological review*, 98(2): 224.
- Marques, F., Mendonça, P. S. M., & Jabbour, C. J. C. 2010. Social dimension of sustainability in retail: case studies of small and medium Brazilian supermarkets. *Social Responsibility Journal*, 6(2): 237-251.
- Marquis, C., Glynn, M. A., & Davis, G. F. 2007. Community Isomorphism and Corporate Social Action. *The Academy of Management Review*, 32(3): 925-945.
- Matten, D., & Moon, J. 2008. "Implicit" and "Explicit" CSR: A conceptual framework for comparative understanding of Corporate Social Responsibility. *Academy of Management Review*, 33(2): 404-424.
- Mehra, M. 2006. Corporate Social Responsibility in Emerging Economies, *Journal of Corporate Citizenship*: 20-22: Greenleaf Publishing.

- Merali, F. 2010. Does the explicit recognition of the commitment and contribution of staff within an organisation's CSR strategy matter? *social Responsibility Journal*, 6(4): 492-509.
- Metaxas, T., & Tsavdaridou, M. 2010. Corporate Social Responsibility in Europe: Denmark, Hungary and Greece. *Journal of Contemporary European Studies*, 18(1): 25 - 46.
- Meyer, J. P., Hecht, T. D., Gill, H., & Toplonytsky, L. 2010. Person-organization (culture) fit and employee commitment under conditions of organizational change: A longitudinal study. *Journal of Vocational Behavior*, 76(3): 458-473.
- Meyer, J. W., & Rowan, B. 1977. Institutionalized organizations: Formal structure as myth and ceremony. *American journal of sociology*: 340-363.
- Miffazli, E. 2008. Evaluate corporate social responsibility disclosure at Annual Report Companies in multifarious group of industry members of Jakarta Stock Exchange (JSX), Indonesia. *Social Responsibility Journal*, 4(3): 388-406.
- Miles, M. B., & Huberman, A. M. 1994. *Qualitative data analysis: An expanded sourcebook*: Sage.
- Milliman, J., Czaplewski, A. J., & Ferguson, J. 2003. Workplace spirituality and employee work attitudes: An exploratory empirical assessment. *Journal of organizational change management*, 16(4): 426-447.
- Mitra, R. 2012. "My Country's Future": A Culture-Centered Interrogation of Corporate Social Responsibility in India. *Journal of business ethics*, 106(2): 131-147.
- Mohan, D. L., & Uys, J. 2006. Towards living with meaning and purpose: Spiritual perspectives of people at work.
- Moon, J. 2007. The contribution of corporate social responsibility to sustainable development. *Sustainable Development*, 15(5): 296-306.
- Muchinsky, P. M., & Monahan, C. J. 1987. What is person-environment congruence? Supplementary versus complementary models of fit. *Journal of Vocational Behavior*, 31(3): 268-277.

- Muthuri, J. N., & Gilbert, V. 2011. An institutional analysis of corporate social responsibility in Kenya. *Journal of Business Ethics*, 98(3): 467-483.
- Newell, P., & Muro, A. 2006. Corporate social and environmental responsibility in Argentina: the evolution of an agenda \*, *The Journal of Corporate Citizenship*: 49(20).
- Nord, W. R., & Fuller, S. R. 2009. Increasing corporate social responsibility through an employee-centred approach. *Employee Responsibility and Rights Journal*, 21(4): 279-290.
- O'Reilly, C. A., & Chatman, J. 1986. Organizational commitment and psychological attachment: The effects of compliance, identification, and internalization on prosocial behavior. *Journal of Applied Psychology*, 71(3): 492-499.
- Ostroff, C., Shin, Y., & Kinicki, A. J. 2005. Multiple perspectives of congruence: relationships between value congruence and employee attitudes. *Journal of Organizational Behavior*, 26(6): 591-623.
- Pair, Y., & Sohn, J. D. 2004. Expatriate managers and MNC's ability to control international subsidiaries: the case of Japanese MNCs. *Journal of World Business*, 39: 61-71.
- Patel, T., & Patel, C. 2008. Learning cultures for sustained innovation success. *Innovation: The European Journal of Social Sciences*, 21(3): 233-251.
- Patton, M. Q. 2002. *Qualitative research and evaluation methods (3rd ed.)*. Thousand Oaks, CA: Sage.
- Paul, K., Cobas, E., Ceron, R., Frithiof, M., Maass, A., Navarro, I., Palmer, L., Serrano, L., & Deaton, L. Z. 2006. Corporate Social Reporting in Mexico. *Journal of Corporate Citizenship*(22): 67-80.
- Pesqueux, Y. 2005. Stakeholder Theory in Perspective. *Corporate Governance*, 5(2): 5-21.
- Peterson, D. K. 2004. The Relationship between Perceptions of Corporate Citizenship and Organizational Commitment. *Business Society*, 43(3): 296-319.
- Philips, F. 2006. Corporate Social Responsibility in an African Context. *Journal of Corporate Citizenship*(24): 23-27.

- Planken, B., Sahu, S., & Nickerson, C. 2010. Corporate social responsibility communication in the Indian context. *Journal of Indian Business Research*, 2(1): 10-22.
- Porter, M. E., & Kramar, M. R. 2002. The Competitive Advantage of Corporate Philanthropy. *Harvard Business Review*, December 2002: 20-32.
- Porter, M. E., & Kramar, M. R. 2011. Creative Share Values. *Harvard Business Review*, February-January.
- Porter, M. E., & Kramer, M. R. 2011. Creating shared value. *Harvard business review*, 89(1/2): 62-77.
- Prahalad, C., & Doz, Y. L. 1981. An approach to strategic control in MNCs. *Sloan Management Review*, 22(4): 5-13.
- Renu, J., & David, C. 2007. Corporate Social Responsibility and the Empowerment of Women: An Indian Perspective. *Social Responsibility Journal*, 3(4): 40-48.
- Robertson-Snape, F. 1999. Corruption, collusion and nepotism in Indonesia. *Third World Quarterly*, 20(3): 589-602.
- Robertson, D. 2009. Corporate Social Responsibility and Different Stages of Economic Development: Singapore, Turkey, and Ethiopia. *Journal of Business Ethics*, 88(0): 617-633.
- Rodrigo, P., & Arenas, D. 2008. Do Employees Care About CSR Programs? A Typology of Employees According to their Attitudes. *Journal of Business Ethics*, 83(2): 265-283.
- Romus, C. A. 2001. Organizational support for employees: Encouraging creative ideas for environmental sustainability. *California Management Review*, 43(3): 85-108.
- Rosenzweig, P. M., & Singh, J. V. 1991. Organizational Environments and the Multinational Enterprise. *The Academy of Management Review*, 16(2): 340-361.
- Rosser, A., & Edwin, D. 2010. The politics of corporate social responsibility in Indonesia. *Pacific Review*, 23(1): 1-22.
- Roth, K., & Nigh, D. 1992. The effectiveness of headquarters-subsidary relationships: The role of coordination, control, and conflict. *Journal of Business Research*, 25(4): 277-301.

- Roth, K., & O'Donnell, S. 1996. Foreign subsidiary compensation strategy: An agency theory perspective. *Academy of management Journal*, 39(3): 678-703.
- Rudito, B., & Famiola, M. 2013. *CSR: Rekayasa Sain*.
- Rupp, D. E., Ganapathi, J., Aguilera, R. V., & Williams, C. A. 2006. Employee reactions to corporate social responsibility: an organizational justice framework. *Journal of Organizational Behavior*, 27(4): 537-543.
- Sagar, P., & Singla, A. 2004. Trust and corporate social responsibility: Lessons from India. *Journal of Communication Management*, 8(3): 282-290.
- Said, R., Hj, Z., Yusserrie, & Haron, H. 2009. The relationship between corporate social responsibility disclosure and corporate governance characteristics in Malaysian public listed companies. *Social Responsibility Journal*, 5(2): 212 - 226.
- Sarkis, J., Ni, N., & Zhu, Q. 2011. Win of Change: Corporate Social Responsibility in China, Vol. 2011: IVE Business Journal.
- Schmidheiny, S. 2006. A view of corporate citizenship in Latin America.(Turning Point). *The Journal of Corporate Citizenship*(21): 21(24).
- Schwochau, S., Delaney, J., Jarley, P., & Fiorito, J. 1997. Employee participation and assessments of support for organizational policy changes. *Journal of Labor Research*, 18(3): 379-401.
- Scott, W. R. 2008. *Institution and organisation*. Thousand Oaks: Sage Publication.
- Shafiqur, R., Sadia, J., & Nicholas, M. 2010. CSR by Islami Bank in healthcare – stakeholders' perception. *Bangladesh Journal of Medical Science*, 09(4): 208-215.
- Sharma, S., Sharma, J., & Devi, A. 2009. Corporate Social Responsibility: The Key Role of Human Resource Management. *Business intelligence Journal*, 2(1): 205-213.
- Sims, R. L., & Kroeck, K. G. 1994. The influence of ethical fit on employee satisfaction, commitment and turnover. *Journal of Business Ethics*, 13(12): 939-947.
- Smart, J. C., Elton, C. F., & McLaughlin, G. W. 1986. Person-environment congruence and job satisfaction. *Journal of Vocational Behavior*, 29(2): 216-225.

- Smith, M., Mathur, N., & Skelcher, C. 2006. Corporate Governance in a Collaborative Environment: what happens when government, business and civil society work together?\*. *Corporate Governance: An International Review*, 14(3): 159-171.
- Somers, M. J. 2010. Patterns of attachment to organizations: Commitment profiles and work outcomes. *Journal of Occupational and Organizational Psychology*, 83(2): 443-453.
- Stand, D. W., & Rising, W. I. K. 2011. Special Focus: Inequality in Emerging Economies (EEs).
- Stastistik, B. P. 2010. *Statistik Indonesia 2010*. Jakarta: Badan Pusat Statistik Republik Indonesia.
- Steger, M. B. 2003. *Globalisation: A very Short Introduction*. Oxford: Oxford press.
- Strang, D., & Macy, M. W. 2001. In Search of Excellence: Fads, Success Stories, and Adaptive Emulation1. *American Journal of Sociology*, 107(1): 147-182.
- Strautmanis, J. 2008. Employees' values orientation in the context of corporate social responsibility. *Baltic Journal of Management*, 3(3): 346-358.
- Sundaram, A. K., & Black, J. S. 1992. The environment and internal organization of multinational enterprises. *Academy of Management Review*, 17(4): 729-757.
- Supriti, M., & Damodar, S. 2010. Do stakeholder management strategy and salience influence corporate social responsibility in Indian companies? *Social Responsibility Journal*, 6(2): 306-327.
- Szulanski, G. 1996. Exploring Internal Stickiness: Impediments to the Transfer of Best Practice Within the Firm. *Strategic Management Journal*, 17(Knowledge and the Firm): 27-43.
- Teddlie, C., & Tashakkori, A. 2009. *Foundation of mixed methods research: integrating qutative and qualitative approach in the social and behaviour sciences*. California: SAGE Publications.
- Terlaak, A. 2007. Order without law? The role of certified management standards in shaping socially desired firm behaviors. *Academy of Management Review*, 32(3): 968-985.



- Theriou, G. N., & Chatzoglou, P. D. 2009. Exploring the best HRM practices-performance relationship: an empirical approach. *Journal of Workplace Learning*, 21(8).
- Tolbert, P. S., & Zucker, L. G. 1999. The institutionalization of institutional theory. *Studying Organization. Theory & Method. London, Thousand Oaks, New Delhi*: 169-184.
- Torres-Baumgarten, G., & Yucetepe, V. 2009. Multinational Firms' Leadership Role in Corporate Social Responsibility in Latin America. *Journal of Business Ethics*, 85(0): 217-224.
- Turker, D. 2009. How Corporate Social Responsibility Influences Organizational Commitment. *Journal of Business Ethics*, 89(2): 189-204.
- Valentine, S., & Fleischman, G. 2008. Ethics Programs, Perceived Corporate Social Responsibility and Job Satisfaction. *Journal of Business Ethics*, 77(2): 159-172.
- Van Oosterhout, J., & Heugens, P. P. 2006. Much ado about nothing: A conceptual critique of CSR. *ERIM Report Series Reference No. ERS-2006-040-ORG*.
- Van Rijckeghem, C., & Weder, B. 2001. Bureaucratic corruption and the rate of temptation: do wages in the civil service affect corruption, and by how much? *Journal of development economics*, 65(2): 307-331.
- van Tonder, C. L., & Ramdass, P. 2009. A spirited workplace: Employee perspectives on the meaning of workplace spirituality. *SA Journal of Human Resource Management*, 7(1): 12 pages.
- Vancouver, J. B., & Schmitt, N. W. 1991. An exploratory examination of person-organization fit: Organizational goal congruence. *Personnel Psychology*, 44: 333-350.
- Vera, E. P. 2009. Corporate Social Responsibility in Latin America. *Journal of Corporate Citizenship*, Spring 61-69.
- Verquer, M. L., Beehr, T. A., & Wagner, S. H. 2003. A meta-analysis of relations between person-organization fit and work attitudes. *Journal of Vocational Behavior*, 63(3): 473-489.
- Visser, W. 2005. Corporate Citizenship in South Africa. *Journal of Corporate Citizenship*(18): 29-38.

- Visser, W. 2007. Corporate Social Responsibility in Developing Countries. In A. Crane, A. McWilliams, D. Mattern, & J. Moon/D. Siegel (Eds.), *The Oxford handbooks of Corporate Social Responsibility*: 473-479. Oxford: Oxford University press.
- Vivarta, V., & Canela, G. 2006. Corporate social responsibility in Brazil: the role of the press as watchdog \*. *The Journal of Corporate Citizenship*(21): 95-107.
- Waagstein, P. 2011. The Mandatory Corporate Social Responsibility in Indonesia: Problems and Implications. *Journal of Business Ethics*, 98(3): 455-466.
- Wang, J., & Chaudhri, V. 2009. Corporate social responsibility engagement and communication by Chinese companies. *Public Relations Review*, 35(3): 247-250.
- Wang, L., & Juslin, H. 2009. The Impact of Chinese Culture on Corporate Social Responsibility: The Harmony Approach. *Journal of Business Ethics*, 88(0): 433-451.
- Welford, R. 2005. Corporate social responsibility in Europe, North America and Asia: 2004 survey results. *The Journal of Corporate Citizenship*(17): 33(20).
- Welker, M. A. 2009. Corporate Security Beg Community: Mining, the Corporate Social Responsibility Industry, and Environmental Advocacy in Indonesia. *Cultural Anthropology*, 24(1): 142-179.
- Weyzig, F. 2006. Local and global dimensions of corporate social responsibility in Mexico, *The Journal of Corporate Citizenship*: 69(13).
- Weyzig, F. 2009. Political and Economic Arguments for Corporate Social Responsibility: Analysis and a Proposition Regarding the CSR Agenda. *Journal of Business Ethics*, 86(4): 417-428.
- Wong, L. 2009. Corporate social responsibility in China: Between the market and the search for a sustainable growth development. *Asian Business & Management*, 8(2): 129-148.
- Wood, D. J. 2010. Measuring Corporate Social Performance: A Review. *International Journal of Management Reviews*, 12(1): 50-84.
- Xu, S., & Yang, R. 2010. Indigenous Characteristics of Chinese Corporate Social Responsibility Conceptual Paradigm. *Journal of Business Ethics*, 93(2): 321-333.

- Yang, H.-J. 1993. Communication Culture: A Value Based Comparison *Speech Communication Association*. Pennsylvania: EDRS.
- Yaniv, E., Lavi, O. S., & Siti, G. 2010. Person-Organisation Fit and its impact on organisational citizenship behaviour as related to social performance. *Journal of General Management*, 36(2): 81-89.
- Yilmaz, A. K. 2008. The Corporate Social Responsibility Practice in the Turkish Automotive Distribution Companies. *International Journal of Business and Management*, 3(6): 139-147.
- Yin, R. K. 2011. *Applications of case study research*: Sage.
- Young, R. 2004. Dilemmas and advances in corporate social responsibility in Brazil. The work of the Ethos Institute. *Natural Resource Forum*, 28: 291-301.
- Zakaria, S., & Dewa, N. 2010. Corporate Social Responsibility (CSR) Reporting in Six Malaysian Financial Institution, *Oxford Business & Economic Conference Program* 1-25. St. Hugh College, Oxford University, Oxford UK.
- Zammuto, R. F., & Krakower, J. Y. 2005. Quantitative and qualitative studies of organizational culture. *Research in Organizational Change and Development*, 5.
- Zulkifli, N., & Amran, A. 2006. Realising corporate social responsibility in Malaysia: a view from the accounting profession. *The Journal of Corporate Citizenship*(24): 101(114).

# Appendix

**Page 189-190 of this thesis have been removed as  
they may contain sensitive/confidential content**

**Appendix 1. Ethics Approval**

**Final Approval - Issues Addressed - 5201200060(D)**

## Appendix 2. Research Interview Draft with CSR Manager/Director/Head

### Interview Draft in English

1. What is the meaning of Corporate Social Responsibility for your company?
2. What are the motivations for your company adopting CSR?
3. What are your company's main stakeholders? Why do you think they are the main stakeholders?
4. What are the benefits for your company of adopting a CSR Programs?
5. As a CSR manager, which of the following responsibility is part of your function in the company?
  - ☐ Ethics
  - ☐ Community involvement
  - ☐ Consumer satisfaction
  - ☐ Environmental management and protection
  - ☐ Corporate governance
  - ☐ External communication
  - ☐ Cause marketing
  - ☐ Product innovation
  - ☐ CSR reports
  - ☐ External stakeholder engagement
  - ☐ Supply chain practices
6. Do your subsidiary's CSR practices align with the headquarters' CSR mission? If yes, to what extent do your subsidiary CSR practices align with your parent company's CSR concern?

Is there any CSR governance structure between subsidiaries and headquarter? If yes, could you explain to me?
7. Do your CSR practices arrange a partnership with other institutions or organizations, such as government, university or NGOs, community? If yes, could you please tell me their function in CSR?
8. What are the challenges of applying CSR in Indonesia related to these issues:
  - (a) Indonesian society, culture and behaviour?
  - (b) Government regulation and political issues
  - (c) Business environment (if available)
  - (d) Others: \_\_\_\_\_

### **Employee Support to CSR Practices**

9. Do you need employee participation in CSR? If yes, could you please tell me their participation?
10. What the challenges are in encouraging employee participation in CSR?
11. Based on your experience, what is the best way to encourage employee's involvement in CSR?
12. What are the most effective tools to encourage employee participation on CSR? What facilities are usually used to involve employee participation?

---End---

## Interview Draft in Bahasa Indonesia

1. Apakah definisi Corporate Social Responsibility (CSR) bagi perusahaan Anda?
2. Apakah yang menjadi motivasi perusahaan anda untuk mengadopsi CSR?
3. Siapakah stakeholder utama perusahaan anda?, kenapa mereka dipertimbangkan sebagai stakeholder yang paling utama?
4. Menurut pengalaman Bapak, apa keuntungan dengan melaksanakan CSR yang bisa dirasakan oleh sebuah perusahaan ?
5. Sebagai manager CSR, fungsi-fungsi manakan dalam tanggung jawab perusahaan dibawah ini yang merupakan bagian tugas Bapak/Ibu
  - ☐ Ethics
  - ☐ Keterlibatan komunitas
  - ☐ Kepuasan pelanggan
  - ☐ Manajemen dan pelestarian lingkungan
  - ☐ Pengelolaan perusahaan
  - ☐ Komunikasi eksternal
  - ☐ Hal-hal terkait dengan pemasaran
  - ☐ Inovasi produk
  - ☐ Laporan CSR
  - ☐ Stakeholder engagement
  - ☐ Praktek dalam rantai suplai
6. Apakah CSR perusahaan sejalan dengan misi CSR yang diemban oleh perusahaan induk (headquarter)? Jika iya, seberapa sejalankah program CSR anak perusahaan dengan misi CSR perusahaan induk?

Apakah ada struktur pengelolaan antara perusahaan induk dan cabang terkait dengan CSR?Jika ada/Iya, bisakah Bapak/Ibu jelaskan?
7. Apakah kegiatan CSR perusahaan anda melibatkan institusi/organisasi lain? Seperti pemerintah, universitas, NGO atau komunitas? Jika iya bagaimanakan fungsi mereka?
8. Apa yang menjadi tantangan utama dalam melaksanakan program CSR di Indonesia, terutama terkait dengan isu-isu:
  - (a) Masyarakat Indonesia, budaya dan perilakunya?
  - (b) Pemerintah, peraturan, dukungan dan isu-isu politik?
  - (c) Lingkungan dunia usaha (jika ada)
  - (d) Lain-lain:\_\_\_\_\_



### **CSR dan Partisipasi Internal organisasi**

- (a) Apakah praktek-praktek CSR perusahaan membutuhkan partisipasi karyawan? Jika iya bisakan anda jelaskan bentuk keterlibatan mereka?
- (b) Apakah yang menjadi tantangan bagi anda dalam mendorong partisipasi karyawan dalam praktek CSR?
- (c) Berdasarkan pengalaman Bapak, Apakah cara terbaik dalam mendorong partisipasi karyawan dalam program CSR?
- (d) Media apa yang menurut Bapak paling efektif dalam emotivasi karyawan untuk perpartisipasi dalam program CSR perusahaan.

-----Selesai-----

### **Appendix 3. Research Interview Draft with HR Manager/Director/Head**

#### **Interview Draft in English**

##### **CSR and HRM manager functions.**

1. As Human Resource Managers, what does the concept of corporate social responsibility mean to you?
2. Does the role of HR manager require an understanding of corporate social responsibility?
  - (a) Yes
  - (b) No
3. In your HR role, do you have specific responsibilities to progress elements of the company's corporate responsibility program?
  - (a) Yes, it is part of my ongoing role
  - (b) Yes, relating to specific projects or communication
  - (c) Yes, but only relating to internal communication of CR
  - (d) No, it is not part of my role
4. Do you believe that the HR manager needs special or new skills to support the CSR strategy and practices of business? If yes, please give your explanation?
5. Is any part of your performance evaluation linked to your activities relating to Corporate Social Responsibility programs?
  - (a) Yes, I have specific CSR targets
  - (b) Yes, my CSR activities are reviewed in my annual performance review
  - (c) Partially: CSR is discussed but not specifically measured or recorded in my performance evaluation
  - (d) No, I am evaluated on my HRM performance

##### **Integration of CSR in HRM Practices**

6. What is the gender composition in your company?
7. Does your company have policies for disabled people? If yes could you please explain these?
8. Do you have employees aged less than 18 years? If yes, what are their duties?
9. Does your company employ people from different groups: ethnicities, regions, etc.? If yes, what do you think the challenges to manage people from different background?
10. Does your company use CSR in your its advertising to attract the suitable and talented job seekers? If yes, could you give examples?

11. Do you consider the following factors in the company's recruitment process?
- (a) Applicant's social activities and background. If yes, please give example?
  - (b) Applicant's original or ethnicity society, such as being from eastern Indonesia
  - (c) Applicant's knowledge of CSR/ company's social and environmental issues?
12. What practices do you implement to create a convenient place for working?
13. What do you think about the concept of work life balance? What practices do you develop to promote this issue in your company?

### **HRM Support for CSR Practices**

14. Do you have written code of conduct? If yes, what issues are generally promoted in it?
15. How important is the learning and training function in an organization? How do you manage the training program in your company? What training should employee undertake regularly?
- Do you have particular facility, such as a library, discussion forums that can be used by employees as part of their learning in the workplace?
16. Do you have an employee rewards program? If so, what is the purpose of the program? What kind of achievements receive a reward?
17. What is the communication media does company pusses for communication with employees?
18. Do you conduct regular employee surveys? If yes, how frequently do you conduct them?
19. Do you include any of this following issues in the questions?

No	Issues	Yes	No
1.	Employee's satisfaction with their role		
2.	Employee's enjoyment in working in the company		
3.	Employee's satisfaction with their job		
4.	Employee's opinion of their supervisor		
5.	Employee's views of the company's investment in the community (CSR program for community)		
6.	Employee's view of the company's investment in environmental management practices		
7.	Employee's views of the company's values and their opinion of the implementation of values in day to day company's practices		
8.	Employee's awareness of the company's code of ethics		
9.	Employee perception of the company's ethics in serving as a guide for their roles and responsibilities		

20. Do you accept any employee's social and environmental ideas?
- a. No, all our CSR initiatives are programmed by CSR department.
  - b. Yes, we are open to all ideas from employees.  
Employees frequently use the follow media?
    - ☐ Mailing list
    - ☐ Formal/informal meetings with their subordinate
    - ☐ Contribute to the bulletin / newsletter
    - ☐ Suggestion box
21. What do you do to encourage employee participation in CSR programs:
22. Do you have policy to sponsor or support employee voluntarism initiatives, for example, working with the community, donations or being a volunteer for disaster reliefs etc.
23. Do you have any final comments?

---end---

## **Interview Draft in Bahasa Indonesia**

1. Sebagai pengelola HRD apakah arti konsep tanggung jawab sosial perusahaan bagi anda?
2. Apakah tugas anda sebaga HR manager membutuhkan pemahaman tentang tanggung jawab sosial?
  - a. Ya
  - b. Tidak
3. Apakah anda memiliki tanggung jawab yang spesifik hal-hal terkait dengan program tanggung jawab sosial perusahaan anda?
  - a. Ya, CSR adalah bagian dari tanggung jawab saya
  - b. Ya, hanya pada hal-hal yang terkait dengan proyek tertentu dan komunikasi
  - c. Ya, tapi hanya terkait dengan komunikasi interdar dari tanggung jawab perusahaan
  - d. Tidak, tidak menjadi bagian dari tugas saya
4. Apakah anda percaya bahwa the HR manager membutuhkan keahlian baru/spesifik untuk mendukung strategi CSR perusahaan? Jika iya, bisakah dijelaskan:
5. Apakah ada dalam penilain kinerja anda terkait dengan aktifitas CSR perusahaan
  - ☐ Ya, saya memiliki target tertentu terkait CSR
  - ☐ Ya, aktifitas CSR perusahaan juga menjadi bagian dari laporan pertanggung jawaban tahunan saya
  - ☐ Kadang-kadang, biasanya tidak dibahas secara spesifik dalam evaluasi performansi saya
  - ☐ Tidak, saya hanya dievaluasi terkait dengan HR saja

## **Integrasi CSR dalam praktek-praktek HRM perusahaan**

6. Berapakah komposisi jender yang bekerja di perusahaan bapak/Ibu?
7. Apakah ada ketentuan dan kebijakan tertentu dalam perusahaan Bapak/ibu terhadap karyawan yang cacat? Jika Ya, seperti apakah itu kebijakan tersebut?
8. Apakah ada karyawan yang berusia dibawah umur 18 bekerja di perusahaan Bapak/ibu? Jika ya, Apakah tugas-tugas mereka?
9. Apakah perusahaan mempekerjakan orang-orang yang berasal dari berbeda suku bangsa, etnik, dan agama? Jika ya apakah tantangan dalam mengelola orang berasal dari berbeda latar belakang tersebut?
10. Apakah perusahaan anda menggunakan CSR di dalam iklan-iklannya to menarik pencari kerja yang cocok dan berbakat? Jik ya, bisakah anda berikan saya contoh?

11. Apakah faktor-faktor dibawah ini dijadikan pertimbangan tambahan Bapak/ibu ketika merekrut pegawai?:
  - a. Aktivitas sosial atau latar belakang pendidikan pegawai terkait dengan kegiatan sosial dan lingkungan
  - b. Calon pegawai adalah orang yang berasal dari suku bangsa atau agama tertentu yang tidak mayoritas di Indonesia, contoh berasal dari Indonesia timur, atau bukan agama Islam atau Kristen dan lain-lain.
  - c. Apakah ada pertanyaan khusus terkait dengan pengetahuannya tentang Tanggung Jawab Sosial Perusahaan (CSR) ?
    - i. Tidak
    - ii. ya, Mohon diberikan contoh
12. Praktek-praktek apa saja yang menjadi fokus perusahaan terkait dengan upaya untuk membuat tempat kerja yang nyaman?
13. Apa pandangan Bapak tentang konsep *work life balance*? Praktek-praktek apa yang anda kembangkan di perusahaan yang terkait dengan isu-isu WLB di perusahaan?

#### **DUKUNGAN HRM TERHADAP AKTIFITAS CSR**

14. Apakah anda memiliki code of conduct? Jika ya, isu-isu apa saja yang umumnya dijelaskan di dalamnya?
15. Bagaimana menurut Bapak/Ibu fungsi training/pelatihan untuk mengembangkan wawasan karyawan? Training-training apa yg biasanya reguler harus diikuti karyawan dan apakah ada training tertentu lain yg tidak reguler terkait upaya membangun nilai social dan kepedulian terhadap lingkungan?

Apakah perusahaan memiliki sumberdaya/fasilitas tertentu yg fungsinya menambah wawasan karyawan, seperti perpustakaan, forum diskusi dll untuk menambah wawasan social dan kepedulian social di perusahaan?

16. Apakah anda memiliki system reward? Jenis prestasi apa sajakah yang biasanya diberi reward?
17. Media komunikasi apa saja yg dimiliki perusahaan untuk berkomunikasi dengan karyawan?
18. Apakah perusahaan Bapak/Ibu memiliki *survey* kepada karyawan secara berkala?, jika iya berapa setiap berapa kali diselenggarakan?

19. Apakah ada aspek-aspek dibawah ini ditanyakan dalam *survey* tersebut?

No	Aspek yang ditanyakan	Ya	Tidak
1.	Kepuasan pegawai terhadap perannya di tempat kerja		
2.	Rasa senang pegawai bekerja di perusahaan		
3.	Kepuasan kerja karayawaan		
4.	Pendapat karyawan tentang atasannya		
5.	Pendapat karyawan tentang rekan kerjanya		
6.	Pandangan pegawai terhadap investasi perusahaan pada komunitas (kegiatan CSR perusahaan)		
6.	Pandangan karyawan terhadap investasi perusahaan untuk aktifitas ramah lingkungan.		
7.	Pandangan Karywaan terhadap penerapan nilai-nilai perusahaan dalam aktifitas sehari-hari di tempat kerja		
8.	Kepedulian karyawan terhadap kode etik ditempat kerja yang dimiliki perusahaan.		
9.	Perasaan Karyawan terhadap kode etik perusahaan dan kemampuan kode etik itu sebagai pedoman mereka dalam menjalankan peran dan tanggung jawabnya di tempat kerja.		

20. Apakah perusahaan juga mengakomodir ide-ide sosial dan lingkungan karyawan?

- a. Tidak, Semua inisiatif CSR kami telah diprogram oleh departemen/divisi. CSR perusahaan
- b. Ya, Kami terbuka untuk semua ide dari karyawan .  
Mereka biasanya menggunakan media-media ini:
  - ☐ *Mailing list*
  - ☐ Rapat formal atau pun tidak formal di divisi masing-masing dengan atasan dan rekan kerja mereka
  - ☐ Menulis di bulletin atau majalah atau *newsletter* perusahaan
  - ☐ Memasukan idenya dalam kotak saran
  - ☐ Lain-lain

21. Apakah yang dilakukan oleh perusahaan khususnya departemen HRM sendiri untuk mendorong partisipasi karyawan dalam program-program sosial/ ramah lingkungan perusahaan?

22. Apakah perusahaan memiliki kebijakan untuk memberikan *sponsorship* atau memfasilitasi aktivitas sukarela/menjadi relawan bagi aktivitas sosial atau lingkungan tertentu? Seperti membantu korban bencana dan lain-lain.

23. Apa statement terakhir Bapak terkait dengan hubungan program CSR dan fungsi HRM?

-----Selesai-----

## **Appendix 4. Draft Interview with Employee**

### **Draft interview in English**

1. What is the definition of Corporate Social Responsibility for you?
2. What do you know about your company's CSR activities?
3. What do you like from your company's CSR initiatives? Could you please give me your reasons?
4. What is your perception of your company's CSR programs? Do your company's CSR activities influence your happiness working with it?
5. Do you actively involve in your company's CSR? Can you give me your reasons?
6. How should company do to encourage your involvement in CSR?
7. What are the effective tools to let you know about and get you involved in your employers CSR programs?

### **Draft interview in Indonesia**

1. Apa kan definisi Tanggung Jawab Social Perusahaan (CSR) Bagi anda?
2. Apa yang anda ketahui tentang kegiatan CSR perusahaan anda?
3. Apa yang anda senangi dari kegiatan CSR perusahaan anda? Mohon berikan alasan anda?
4. Apa persepsi anda tentang program CSR perusahaan anda? Apakah program CSR perusahaan juga mempengaruhi perasaan senang bekerja di perusahaan tersebut?
5. Apakah anda sering terlibat dalam kegiatan CSR perusahaan? Mohon berikan alasan anda?
6. Bagaimana menurut anda cara yang harusnya dilakukan perusahaan untuk mendorong motivasi anda terlibat dalam program CSR nya?
7. Apakah alat atau cara yang efektif untuk mengajak partisipasi anda dalam kegiatan CSR perusahaan?

-----selesai-----



## Appendix 5. Questionnaire: Employee Perception of CSR

### Questionnaire in English

Sydney, April 2011

Dear Respondent,

This questionnaire is a part of a research project for my PhD study in the Macquarie Graduate School of Management, Sydney, Australia. The research focuses on the issue of corporate social responsibility and its implication for Human Resource Management practices in Indonesian multinational companies (MNCs), particularly in food and beverage companies.

This survey will explore your experiences of CSR. Please answer honestly as we there responses analyse overall data. Individual data is kept confidential. Only general information will be made available to employers once the analysis is finished.

If you are uncomfortable with a question you can move on to answer the next.

Finally, I would like to thank you for your cooperation.

Best regards

Melia Famiola Hariadi

PhD Students at Macquarie Graduate School of Management-Sydney Australia

e-mail: melia-famiola.hariadi@students.mq.edu.au

This questionnaire can also be accessed on: <https://meliafh.wufoo.eu/forms/persepsi-karyawan-indonesia-keterkaitan-csrhrm/>

---

Respondent Information

Gender: ☐ Male ☐ Female

How old are you?

- (a) 20-29 years old
- (b) 30-39 years old
- (c) 40-49 years old
- (d) 50 and above

How long you have been working in your present employment?

- (a) Less than 3 years
- (b) 3-6 years
- (c) 6-10 years
- (d) 10 years or more

What is your last level of education?

- (a) High school graduation
- (b) Tertiary
- (c) Post graduate

## **I. Employee's CSR Perception**

1. Have you heard about Corporate Social Responsibility
  - (a) No, I never heard of it
  - (b) Yes, I heard of it, but I don't understand
  - (c) Yes, I heard of it, and I understand a little
  - (d) Yes, I heard of it, and understand fairly clearly
2. On a scale of one to ten please rate each of the following stakeholders on their suitability for implementing a CSR programs?

Shareholders	Scale									
Government	1	2	3	4	5	6	7	8	9	10
Employees	1	2	3	4	5	6	7	8	9	10
Suppliers	1	2	3	4	5	6	7	8	9	10
Customers	1	2	3	4	5	6	7	8	9	10
Community	1	2	3	4	5	6	7	8	9	10

3. On a scale of one to ten please rate each of this following activities on their importance agenda for CSR programs?

Activities	Scale									
Ethical Conduct activities in workplace	1	2	3	4	5	6	7	8	9	10
Complying with existing regulation	1	2	3	4	5	6	7	8	9	10
Commitment to employee	1	2	3	4	5	6	7	8	9	10
Making profit	1	2	3	4	5	6	7	8	9	10
Consumer satisfaction	1	2	3	4	5	6	7	8	9	10
Transparency in operation	1	2	3	4	5	6	7	8	9	10
Environmentally friendly activities, it is include: waste management and energy efficiency	1	2	3	4	5	6	7	8	9	10
Commitment to community, public and overall society	1	2	3	4	5	6	7	8	9	10

## **II. Implication of company's CSR practice for HRM**

4. Is your company's reputation a significant factor in working there?
  - a. Yes, it is the most important factor of my consideration
  - b. Yes, it is a secondary factor.
  - c. No, reputation is not important
  - d. I don't know

5. To what extent do you think the following reputations are an **unique attractiveness** of your employer? On scale of 1 (strongly not my employers attractiveness) to 5 (strongly my employers attractiveness)

No	Statement	Strongly not my employer's attractiveness		I don't know	Strongly my employer's attractiveness	
1	Its commitment to employees (healthy and safety in workplace, the benefit for employees and their family, reward and equal opportunity in workplaces)	1	2	3	4	5
2	It is convenience social environment workplace (having good relationship with subordinate and co-worker and supportive work environment)	1	2	3	4	5
3	It concern on community/society development (charity program, community development etc.)	1	2	3	4	5
4	It concern on the environment (doing energy efficiency, supporting for sustainable agricultural practices, having ISO 14000 certificate etc.)	1	2	3	4	5
5	It concern on consumer satisfaction (guarantee of product quality, and after selling services, having ISO 9000 certificate)	1	2	3	4	5
6	It concern on transparency and accountable practices	1	2	3	4	5

6. To what extent do you think the following practices important should your employer engage with? On scale of 1 (unimportant) to 5 (very importance)

No	Statement	unimportant		I don't know	Very important	
1	Providing management tools, guidance and code of conduct in workplace	1	2	3	4	5
2	Developing an open and transparent communication with stakeholders	1	2	3	4	5
3	Training employees related to their responsibility and attitude in workplace	1	2	3	4	5
4	Monitoring employee performance using a fair management system	1	2	3	4	5
5	Providing system, procedure and to guarantee as safe workplace and strictly enforce employee to compliance with them	1	2	3	4	5
6	Shifting or improving day-to-day operations toward environmentally friendly practices (energy efficiency, reuse, reduce and recycle practices)	1	2	3	4	5
7	Developing a work-life balance system (attention of employee social life as caregiver, doing their	1	2	3	4	5

	hobbies and religious life.					
<b>8</b>	Working with people in community to improve their wellbeing through charity or other social initiatives	1	2	3	4	5
<b>9</b>	Work with government and contributing to development goals	1	2	3	4	5
<b>10</b>	Developing a system to guarantee consumers satisfaction	1	2	3	4	5
<b>11</b>	Practicing transparency and treating supplier fairly	1	2	3	4	5
<b>12</b>	Pursuing and achieving certification to the quality standard (ISO9001)					
<b>13</b>	Pursuing and achieving certification an environmental management standard (ISO14001)	1	2	3	4	5
<b>14</b>	Pursuing and achieving certification to social and labor standard (SA800/ISO 26000)	1	2	3	4	5

7. Which of the following motivations reflect your reason to follow the ethics and code of conduct at your workplace?
- (a) Obeying the ethics and code of conduct in workplace are employee's obligation
  - (b) The ethics and code of conduct in workplace are tools to guarantee a comfortable work environment
  - (c) I engage on my workplace ethics, the values are also implemented on my daily life.
  - (d) Others, Please give your reason below:

8. Which of the following motivations reflect your reason to participate in your employer's social activities?
- (a) The social activities are part of my responsibility
  - (b) I believe that social activities will produce many advantages for me and/or other people.
  - (c) I am involved in and support my company's social activities since I enjoy them and enjoy doing something for others.
  - (d) Others. Please give your reason below:

9. Which of the following motivations reflect your reason to participate in your employer's environmentally friendly practices?
- (a) the environmental activities are part of my responsibility
  - (b) I believe that environmental activities will produce benefit for me and/or other people.
  - (c) I am involved in and support my company's environmental activities since I am concerned about environmental issues
  - (d) Others, please give your reason below:

10. To what extent do you agree and disagree with following statements

No	Statement	Strongly disagree			Strongly agree	
1	My employer's CSR practices make me proud of working for the company	1	2	3	4	5
2	My employer's CSR practices can be a reason to keep working for the company	1	2	3	4	5

### Employee's Job Satisfaction of company social responsible HRM practices

To what extents are you satisfied and dissatisfied with following aspects of your workplace?  
On scale of 1 (very dissatisfied) to 5 (very importance)

### 11. Equality and Fairness Practices

No	Statement	Actual				
		Very dissatisfied			Very satisfied	
1	Fairness and equal opportunity in career and career development	1	2	3	4	5
2	Basic payment and work responsibility	1	2	3	4	5
3	Other reward and bonus					
4	Social protection such as employee medical insurance, accident insurance or pension contribution	1	2	3	4	5
5	Religious living/atmosphere and performance in workplace (praying facility, religious celebration etc.)	1	2	3	4	5

### 12. Workplace and working environment

No	Statement	Strongly dissatisfied			Strongly satisfied	
1	Safety in workplace	1	2	3	4	5
2	Healthy and clean facilities (office, toilet, canteen etc.)	1	2	3	4	5
3	General social atmosphere (relationship with working partners and colloquies)	1	2	3	4	5
4	Relationship with supervision	1	2	3	4	5
5	Work flexibility (whether you can vary your routine tasks to fit in with others domestic needs)	1	2	3	4	5
6	Recognition and feedback on your work performance from your supervisor	1	2	3	4	5

### **The Support of HRM Practices to CSR**

13. How important are each of these factors in influencing your ethical behavior in workplace?  
On scale of 1 (very unimportant) to 5 (very importance)

No	Statement	unimpor tant			Very important	
1	The company complies with Indonesian regulation related to labor and environment	1	2	3	4	5
2	My Religion teaches me the moral and values that support my behavior wherever I am, including in the workplace	1	2	3	4	5
3	My traditional values and culture where I come from and live	1	2	3	4	5
4	The company's ethical guidelines and code conduct	1	2	3	4	5
5	Signs and warnings are provided everywhere in my workplace	1	2	3	4	5

14. How important are each of these factors in influencing your interest in and support to your employer's CSR initiatives and environmentally friendly programs?

No	Statement	Strongly disagree			Strongly agree	
1	The company complies with Indonesian regulation related to labor law and regulation	1	2	3	4	5
2	My religious teaching and values	1	2	3	4	5
3	My traditional values and culture					
3	The Company's reward/bonus for particular employees' achievement in environmental or social initiatives	1	2	3	4	5
4	The company provides training for employees either related to work responsibility and other knowledge to broaden employee insight into social and environmental issues	1	2	3	4	5
5	The company's procedures and systems for compliance with health and safety in workplace	1	2	3	4	5
6	The company provides employees with resources and opportunities to discuss social and environmental initiatives.	1	2	3	4	5

15. To what extent do you think that each of media below are effective tools to let you know about and get you involved in your employers CSR programs? On scale of 1 (very ineffective) to 5 (very effective)

No	Statement	Very ineffective			Very Effective		
		1	2	3	4	5	
1	Regular meeting	1	2	3	4	5	
2	Mailing list	1	2	3	4	5	
3	Memo/flyers	1	2	3	4	5	
4	Announcement board	1	2	3	4	5	
5	Formal letter	1	2	3	4	5	
6	Others: ( please state if any)	1	2	3	4	5	

-----Thank you for Your Participation-----

## Questionnaire in Bahasa

Sydney, April 2012

Yang terhormat Bpk/Ibu responden,

Kuesioner ini adalah salah satu bagian dari proyek penelitian doktorat saya di Macquarie Graduate School of Management–Sydney, Australia. Pertanyaan yang diberikan berikut menggali isu terkait dengan tanggung jawab perusahaan atau lebih dikenal dengan Corporate Social Responsibility (CSR) dari sudut pandang para karyawan perusahaan BHMN dan Swasta di perusahaan yang beroperasi di Indonesia.

Survey ini akan mengali pengalaman CSR anda. Mohon dijawab dengan jujur karena kami akan menggunakan jawaban anda untuk analisis keseluruhan data. Data individu akan dijamin kerahasiaannya. hanya informasi umum yang akan dishare kepada perusahaan tempat anda bekerja setelah analisis data selesai.

Jika anda merasa tidak nyaman dengan pertanyaannya anda dapat pindah ke pertanyaan berikutnya.

Terakhir, terima kasih atas bantuan dan partisipasinya.

Wasalam

Melia Famiola Hariadi

Mahasiswa PhD di Macquarie Graduate School of Management-Sydney Australia

e-mail: [melia-famiola.hariadi@students.mq.edu.au](mailto:melia-famiola.hariadi@students.mq.edu.au)

Kuisioner ini juga dapat diakses pada link berikut: <https://meliafh.wufoo.eu/forms/persepsi-karyawan-indonesia-keterkaitan-csrhrm/>

---

### INFORMASI RESPONDEN

Mohon di silang atau dilingkari pilihan dibawah ini

Jender

- ☐ Laki-laki
- ☐ Perempuan

Sudah berapa lama Bapak/Ibu bekerja di perusahaan sekarang?

- ☐ Kurang dari 3 tahun
- ☐ 3-6 tahun
- ☐ 6-10 tahun
- ☐ Jenjang pendidikan terakhir?
- ☐ SMu atau lebih rendah
- ☐ Diploma atau sarjana
- ☐ Paska sarjana



## DEFINISI CSR BERDASARKAN KARYAWAAN

1. Apakah Bapak/Ibu sudah pernah tahu tentang TANGGUNG JAWAB SOSIAL PERUSAHAAN atau lebih dikenal dengan CORPORATE SOCIAL RESPONSIBILITY (CSR)
  - a) Tidak, saya tidak tahu atau tidak pernah mendengar sebelumnya.
  - b) Ya, saya pernah mendengar tapi tidak tahun maksudnya.
  - c) Ya, saya tahu tapi hanya mengerti sedikit.
  - d) Ya, saya tahu dan memahaminya cukup jelas.
  
2. Dari pemahaman Bapak/Ibu tentang istilah Tanggung Jawab Sosial Perusahaan (CSR), kepada siapakah program CSR itu seharusnya ditujukan? Mohon beri penilain 1-10 untuk pihak-pihak yang disebut dibawah ini.

Stakeholders	Skor									
Pemegang Saham	1	2	3	4	5	6	7	8	9	10
Pemerintah	1	2	3	4	5	6	7	8	9	10
Karyawan	1	2	3	4	5	6	7	8	9	10
Supplier	1	2	3	4	5	6	7	8	9	10
Pelanggan	1	2	3	4	5	6	7	8	9	10
Masyarakat	1	2	3	4	5	6	7	8	9	10

3. Dari skala 1-10 mohon dituliskan masing-masing aktifitas berikut kepada program CSR harusnya ditujukan?

aktivitas	1	2	3	4	5	6	7	8	9	10
Penegakkan etika di tempat kerja	1	2	3	4	5	6	7	8	9	10
Mematuhi peraturan dan undang-undang yang berlaku	1	2	3	4	5	6	7	8	9	10
Menghasilkan keuntungan secara finansial terhadap perusahaan	1	2	3	4	5	6	7	8	9	10
Kepuasan pelanggan atau konsumen	1	2	3	4	5	6	7	8	9	10
Transparansi dalam setiap praktek bisnis	1	2	3	4	5	6	7	8	9	10
Melakukan praktek bisnis yang ramah lingkungan termasuk di dalamnya manajemen limbah dan melakukan efisiensi energy	1	2	3	4	5	6	7	8	9	10
Kegiatan yang ditujukan kepada masyarakat luas dan memperbaiki kualitas hidup masyarakat termasuk di dalamnya kegiatan amal	1	2	3	4	5	6	7	8	9	10

## DAMPAK CSR TERHADAP DAYA TARIK PERUSAHAAN

4. Apakah menurut Bapak/Ibu REPUTASI PERUSAHAAN merupakan faktor penting yang dipertimbangkan ketika melamar atau memutuskan tetap bekerja pada sebuah perusahaan?
  - a) Ya, bagi saya reputasi perusahaan adalah faktor penting yang saya pertimbangkan
  - b) Ya, tapi reputasi hanya sebagai faktor pendukung saja
  - c) Tidak, reputasi tidak lah penting
  
5. Seberapa setujuakah Bapak/Ibu dengan pernyataan dibawah ini bisa menjadi REPUTASI dan DAYA TARIK UNIK yang dimiliki perusahaan Bapak/ibu?

Pernyataan	Sama sekali bukan daya tarik perusahaan	Tidak daya tarik perusahaan	Biasa saja	Merupakan daya tarik perusahaan	benar-benar merupakan daya tarik perusahaan
Komitmennya terhadap kesejahteraan karyawan	1	2	3	4	5
Tempat kerja yang nyaman dan hubungan yang baik dengan atasan dan rekan kerja saya	1	2	3	4	5
Konsen perusahaan terhadap masyarakat melalui berbagai kegiatan amalnya dan juga program-program pelayanan masyarakat	1	2	3	4	5
Reputasi perusahaan dan praktek-prakteknya yang ramah lingkungan, salah satunya mendapatkan setifikat ISO 14000 series	1	2	3	4	5
Reputasi perusahaan terhadap kepuasan pelanggan, salah satunya mendapatkan sertifikat ISO 9000	1	2	3	4	5
Reputasi perusahaan dengan praktek bisnisnya yang transparan dan akuntabilitas	1	2	3	4	5

## KESESUAIAN NILAI-NILAI CSR TERHADAP KARYAWAN

6. Seberapa pentingkah bagi Bapak/Ibu bahwa praktek-praktek berikut seharusnya dilakukan oleh perusahaan Bapak/Ibu.

Pernyataan	Sangat tidak setuju	Tidak setuju	ragu-ragu	Setuju	Sangat Setuju
Menyediakan perangkat manajemen atau pedoman terkait dengan kode etik di tempat kerja.	1	2	3	4	5
Mengembangkan sebuah bentuk komunikasi terbuka dan transparan dengan para stakeholders	1	2	3	4	5
Menyediakan pelatihan bagi karyawan terkait dengan pekerjaannya maupun perilaku positif di tempat kerja.	1	2	3	4	5
Memonitor kinerja karyawan dengan sistem manajemen yang adil dan transparan.	1	2	3	4	5
Menyediakan sistem, prosedur dan perangkat keselamatan kerja dan menegakkan aturan dalam pelaksanaannya	1	2	3	4	5
Merubah atau memperbaiki operasi perusahaan menuju praktek ramah lingkungan	1	2	3	4	5
Bekerja dengan organisasi masyarakat dan masyarakat dalam memperbaiki kesejahteraan mereka melalui kegiatan amal dan sosial lain.	1	2	3	4	5
Bekerjasama dengan pemerintah dan berkontribusi untuk mencapai tujuan pembangunan.	1	2	3	4	5
Mengembangkan sebuah sistem untuk menjamin kepuasan pelanggan.	1	2	3	4	5
Memperoleh sertifikat jaminan kualitas produk seperti ISO 9001.	1	2	3	4	5
Memperoleh sertifikat manajemen lingkungan seperti ISO 14000 series.	1	2	3	4	5
Memperoleh sertifikat terkait standard sosial untuk pekerja seperti SA8000.	1	2	3	4	5

## **DAMPAK CSR TERHADAP KOMITMEN KARYAWAN**

7. Manakah dari hal dibawah ini yang merupakan alasan utama anda untuk mematuhi peraturan dan kode etika di tempat kerja Bapak/Ibu?
- a) Mematuhi peraturan dan kode etik kerja sudah menjadi kewajiban setiap karyawan
  - b) Kode etika kerja itu memiliki manfaat bagi karyawan sendiri dan menjamin tempat kerja yang lebih kondusif
  - c) Nilai-nilai dalam kode etika perusahaan sudah menjadi bagian nilai-nilai dalam kehidupan saya sehari-hari.
  - d) Lain-lain, mohon diberikan alasannya dibawah ini.

8. Manakah dari hal dibawah ini yang merupakan alasan utama anda untuk berpartisipasi dalam kegiatan sosial perusahaan
- a) Kegiatan sosial itu merupakan bagian dari tugas dan tanggung jawab kerja saya
  - b) Kegiatan sosial tersebut menguntungkan atau memberikan manfaat bagi saya dan/ orang lain
  - c) Saya akan mendukung program CSR perusahaan karena saya suka dengan kegiatan sosial dan melakukan sesuatu untuk orang banyak
  - d) Lain-lain, mohon diberikan alasannya dibawah ini.

9. Manakah dari hal dibawah ini yang merupakan alasan utama anda untuk menyuksekkan atau terlibat dalam kegiatan ramah lingkungan perusahaan
- a) Aktifita stersebut merupakan bagian dari tanggung jawab saya
  - b) Kegiatan lingkungantersebut menguntungkan atau memberikan manfaat bagi saya dan/ orang lain
  - c) Saya mendukung kegiatan lingkungan perusahaan karena saya memiliki kepedulian terhadap lingkungan
  - d) Lain-lain, mohon diberikan alalaiansannya dibawah ini.

10. Seberapa Setujukah atau tidak setujukah Bapak/Ibu dengan pernyataan berikut

<b>Pernyataan</b>	<b>Sangat tidak setuju</b>	<b>Tidak setuju</b>	<b>ragu-ragu</b>	<b>Setuju</b>	<b>Sangat Setuju</b>
Kegiatan CSR perusahaan memberikan kebanggaan saya bekerja pada perusahaan	1	2	3	4	5
Kegiatan CSR perusahaan bisa menjadi alasan saya enggan untuk pindah ke perusahaan lain	1	2	3	4	5

### **DAMPAK CSR TERHADAP KEPUASAN KERJA KARYAWAN**

11. Dari pernyataan dibawah ini, seberapa penting bagi Bapak/Ibu bahwa KONDISI DAN LINGKUNGAN KERJA dibawah ini akan MEMPENGARUHI KEPUASAN KERJA Bapak/Ibu

<b>Pernyataan</b>	<b>Tidak Penting</b>	<b>Tidak terlalu penting</b>	<b>Netral</b>	<b>Penting</b>	<b>Sangat Penting</b>
Feed back dan apresiasi dari atasan atas hasil kerja atau ide-ide inovatif karyawan	1	2	3	4	5
Kesempatan yang sama dalam karier dan pengembangan diri	1	2	3	4	5
Rekan kerja yang saling mendukung	1	2	3	4	5
Fleksibilitas kerja (Adanya kemudahan bagi karyawan untuk menyelesaikan pekerjaan dengan menyeimbangkan dengan kehidupan sosial lainnya)	1	2	3	4	5

12. Dari pernyataan dibawah ini, seberapa penting bagi Bapak/Ibu bahwa FASILITAS KERJA dibawah ini akan MEMPENGARUHI KEPUASAN KERJA Bapak/Ibu

Pernyataan	Tidak Penting	Tidak terlalu penting	Netral	Penting	Sangat Penting
Kesesuaian antar kompensasi dasar yang dibayarkan dan tanggung jawab yang dikerjakan di tempat kerja	1	2	3	4	5
Penghargaan dan bonus yang sesuai dengan prestasi kerja dan bonus-bonus lain seperti memperoleh tunjangan lebaran	1	2	3	4	5
Adanya jaminan sosial seperti penyediaan asuransi kesehatan, asuransi kecelakaan kerja dan pensiun	1	2	3	4	5
Kehidupan beragama dan fasilitas beribadah di tempat kerja (fasilitas tempat sholat, dan perayaan hari keagamaan)	1	2	3	4	5

### PRAKTEK HRM YANG MENUNJANG CSR

13. Seberapa berpengaruh TINDAKKAN, PERILAKU dan ETIKA Bapak/Ibu di tempat kerja (seperti menjaga pergaulan dan hubungan baik dengan rekan kerja, jujur dan sportifitas dalam menjalankan tanggung jawab) dari hal-hal yang disebutkan dibawah ini?

Pernyataan	Sangat tidak pengaruh	Tidak berpengaruh	Biasa-biasa saja	Berpengaruh	Sangat berpengaruh
Peraturan pemerintah baik yang terkait dengan ketenagakerjaan	1	2	3	4	5
Ajaran agama yang saya anut mengandung nilai-nilai yang saya juga terapkan di tempat kerja	1	2	3	4	5
Nilai-nilai budaya yang berkembang dalam masyarakat dimana saya berasal dan/atau tinggal	1	2	3	4	5
Buku panduan kerja atau kode etik dan petunjuk kerja perusahaan	1	2	3	4	5
Adanya rambu-rambu atau peringatan yang disediakan di setiap tempat di tempat kerja	1	2	3	4	5

12. Seberapa berpengaruh hal-hal dibawah ini terhadap kepedulian serta kesediaan Bapak/Ibu untuk terlibat dalam kegiatan sosial dan program ramah lingkungan perusahaan?

<b>Pernyataan</b>	<b>Sangat tidak pengaruh</b>	<b>Tidak berpengaruh</b>	<b>Biasa-biasa saja</b>	<b>Berpengaruh</b>	<b>Sangat berpengaruh</b>
Peraturan pemerintah	1	2	3	4	5
Ajaran agama yang saya anut	1	2	3	4	5
Nilai-nilai budaya yang berkembang dalam masyarakat dimana saya berasal dan/atau tinggal	1	2	3	4	5
Adanya reward dan penghargaan terhadap inisiatif positif karyawan terkait dengan sosial dan lingkungan	1	2	3	4	5
Pelatihan dan berbagai training yang diselenggarakan perusahaan	1	2	3	4	5
Adanya akses informasi terkait dengan kondisi sosial dan lingkungan yang disediakan perusahaan	1	2	3	4	5

13. Berdasarkan pengalaman Bapak/Ibu seberapa setujuah Bapak/Ibu bahwa media komunikasi berikut ini efektif dalam mendorong partisipasi karyawan dalam perusahaan.

<b>Pernyataan</b>	<b>Sangat Tidak Efektif</b>	<b>Tidak Efektif</b>	<b>Biasa-biasa saja</b>	<b>Setuju</b>	<b>Sangat Setuju</b>
Pertemuan rutin/rapat	1	2	3	4	5
Mailing list	1	2	3	4	5
Memo/flyers	1	2	3	4	5
Papan pengumuman	1	2	3	4	5
Surat formal dari atasan	1	2	3	4	5

-----Terima kasih atas partisipasinya-----

**Appendix 6-12 of this thesis have been removed as they may contain sensitive/confidential content**