

# CSR and the country of origin effect in multinational corporations

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An comparative and contextual analysis of Brazilian and Norwegian MNCs  
in the oil and gas industries

**Master Thesis**

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Track: International Development

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**July 2015**

## Executive Summary

CSR as a corporate practice has become widely acknowledged over the last decade and corporations all over the world increasingly commit themselves to CSR striving to achieve legitimacy for their corporate operations. In this paper I provide a deeper exploration into the factors that influence corporate decisions on CSR aiming to create a improved understanding of the reasoning behind companies commitment to CSR and why approaches to CSR tend to differ between firms based on their national distinctiveness. Given the lack of insight into the institutional perspective on CSR I investigate the 'National Business System' in the companies' country of origin, whilst simultaneously including internal and external factors that needs to be accounted for in order to address the rationality behind corporatives growing dedication to social responsibility.

An qualitative approach was employed, where a integrated theoretical framework and semi-structured interviews have been used as methodological stand for the thesis. I carry out an empirical analysis on 25 Brazilian and Norwegian companies and conclude that different CSR orientation may be subject to different pressures from a wide number of stakeholders considered essential to the firm. The study shows that the insitutional climate for CSR in both countries are positive and companies' expresses a strong commitment to CSR, but their CSR content and primary focus differ as a consequence of their various institutional background. Still, I find evidence that local socioeconomic context influences actual CSR practices and that corporations largely addapt their initiatives to local requirements.

I claim that the relative influential strength of each institution vary across countries and some were found to be more pivotal than others. My findings suggests that both internal and external discourses has enforced Brazilian companies to engage in CSR. Civil society actors and local NGOs as well as global governance seem to be powerful influential forces shaping companies approach to CSR. Taking the Norwegian companies, country-level political-economic institutions and cultural norms deeply influence the interpretation of CSR in multinational corporations.

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## List of Abbreviations

CSR	Corporate Social Responsibility
EITI	Extractive Industries Transparency Initiative
EU	European Union
GRI	Global Reporting Initiativ
HSE	Health, safety, environment
ILO	International Labour Organization
ISO	International Organization for Standardization
MNC	Multinational Corporation
NBS	National Business System
NGO	Non-Governmental Organization
OECD	Organization for Economic Cooperation and Development
R&D	Research and Development
SD	Sustainable Development
SROI	Social Return on Investment
US	Unites States
UN	United Nations

## Acknowledgements

The thesis is my final assignment for the Master programme in Sustainable Development of Utrecht University. The last two years have been a adventurous journey which has throughly enriched my professional and private life and I would therefore like to express my gratitude to everyone that has supported me during my master's as well as in the preparation and process of the thesis.

I wish to thank all the participants in this research for sharing their experience and knowledge, this thesis could not have been written without their help. A special thanks to all the staff of Innovation Norway and Argentera oil & gas for their valuable assistance during the data collection phase, for providing me with officespace and advisory support. I am particularly thankful to Antonio Caruso and Adhemar Freire for helping me allocate and establish contact with relevant respondents, whose contribution has been essential to the thesis.

A sincere thanks to my supervisor, Dr.Prof. Annelies Zoomers and my second reader Dr.Prof. Guus van Westen for their constructive comments and advices throughout the course of this research.

To my course mates, Lotta Alto and Noelie Svara, your support and kind words are of utmost value. You are the best and I can never thank you enough! I also appreciate all my other course mates spread around the world, I admire your hard work and effort.

Finally, I want to thank my family, my mum and dad for their contribution to my education and their unconditional love. I want you to know that your support is priceless and I am eternally grateful for everything you have given me. To my sister, Hanne and my nephew Matheo, I love you all so much!

# 1. Introduction

## 1.1 Background

*“Our biggest challenge in this new century is to take an idea that seems abstract – sustainable development – and turn it into a daily reality for all the world’s people” (Kofi Annan)*

Sustainable development has become a popular topic for both politicians and economists in recent years (Malovics et al., 2008). It is evident that current trends of production and consumption, reinforced by globalization have led to a failure of development in the management of our human environment (Bruntland Report, 1987). The exploitation of natural resources, climate change, food- and water shortage, poverty and other factors have put the world on an unsustainable trajectory that threaten human welfare. Never before, has the shape of the future depended so much on what we; business, government and citizens- do today (US Business Council, 2015).

Corporate Social Responsibility (CSR) is promoted as a possible antidote for the ills of globalization that hinder sustainable development, such as inequalities in wealth and environmental degradation (Herrmann, 2004). CSR is commonly described as the integration of social and environmental concerns into business activities (Gjølberg, 2010). Companies of all sizes and across many industries have increasingly come to realize that ‘business as usual’ do not account for the needs of all stakeholders, and that more should be done to include the needs of everyone effected by their activities. However, the level in which corporations dedicate themselves to CSR significantly vary across companies and our understanding of factors that foster weak or strong CSR commitment across companies still remains limited.

Accounting for changing conditions, such as financial crisis and economic recession, changing roles for governments, and additionally, growing public awareness, pressure and demands, calls for businesses to align their strategies with social and environmental concerns. Globalization has increased calls for corporations to use firms’ resources to help alleviate a wide variety of social problems (Brammer et al., 2012). Consequently, many business firms have started to assume social and political responsibilities that go beyond legal requirements and fill the regulatory vacuum in global governance (Scherer & Palazzo, 2011: 16). Times have changed, and businesses are expected to take on a more comprehensive role in today’s society than they were originally assigned. This is particularly true for Multinational Corporations (MNCs) who



often operate in *failed states* or countries facing grave societal challenges (Scherer & Palazzo, 2011).

Although the concept of CSR is very broad and subject to numerous definitions and related concepts, the voluntary aspect of CSR has gained new interest the last decade (Auld et al., 2008). Simultaneously, the resurgence of attention among practitioners, scholars and media recently imply that the role of businesses in today's society is indeed changing, and so is the expectations resting on corporations to address environmental and social problems in the societies in which they operate, even those unrelated to business.

Originally, CSR has been a concept subject to great variation within and between countries and regions. Nowadays, governments and powerful international institutions are increasingly taking stand in the debate on CSR. Consequently, a number of initiatives have arisen in an attempt to institutionalize CSR practices. This is marked by the development of voluntary international guidelines and principles, designed as 'soft laws', such as the UN Global Compact, the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights (Wensen et al., 2011). Likewise, numerous European governments have implemented mandatory CSR reporting requirements for firms (White, 2012) encouraging corporations to take more responsibility.

The emergence of voluntary guidelines and pressure from national governments on companies to improve their CSR standards must be seen in relation with the changing expectations on corporation to directly contribute to the well-being of societies, assuming political responsibility, which ones was regarded as belonging exclusively to the state (Scherer et al., 2009). Nowadays, in the process of globalization, the national context of governance is eroding. This is especially the case when the public institutions lack the necessary resources or enforcement mechanisms, and the system fails in regulating the economy, provide public goods, and to deal with environmental problems. In this context, civil society groups and private actors often step in and fill the void (Scherer et al., 2009). In other states, however, environmental regulations are enforced and the government provides welfare benefits and social security for its citizens. In these states the incentives to engage in CSR is lower.

Furthermore, recent work in CSR has argued that CSR activities are framed vis-à-vis their social context and are influenced by the prevailing institutions in such contexts (Ioannou & Serefeim, 2012). When companies internationalize themselves, they are subject to other laws and regulations than in their home environment. As there is not one single agreed-upon

definition of CSR, what it comprises varies between societies and across countries. Thus, one can expect that Multinational Companies, as they need to apply to external pressure in the host countries in which they operate, accommodate their CSR orientation in relation to the distinctive regulations and expectation in that particular place, in order to attain legitimacy. This means that what might be considered legal requirements in some countries are defined as voluntary CSR activities in others.

Institutional theory builds on the assumption that two corporations may embrace different responsibilities towards the same issue since distinctive national institutions and ideological traditions still shape and channel crucial corporate decisions, even when they operate outside their country of origin (Pauly & Reich, 1997).

Institutional theory has long established that organizations are embedded within broader social structure, comprising of different types of institutions, which exercise significant influence on the corporations' decision-making (Ioannou & Serefeim, 2012; Gjølborg, 2012; Campbell, 2007). Whitley (1992) refer to this as the 'country of origin effect', where the level of a MNCs commitment to CSR is dependent upon the national origin of that MNC. This brings us to the core of this research, which investigate the extent to which differences in CSR approaches between companies operating within the same industry and social context can be explained by variation across nation-level institutions.

## **1.2 Problem statement**

Corporate social responsibility has emerged as a new paradigm over the last decades and attracted many researchers attention. Traditionally CSR has been the domain of business and management disciplines. Most commonly, individual firm endeavors and global trends have been suggested as explanatory factors underlying MNCs CSR performance. Mainstream theories on CSR highlights firm- or industry-specific factors, such as brand dependence and production in high-risk markets or controversial industries, as determinants of CSR (Gjølborg, 2012). Up until recently, CSR literature has been either descriptive or normative (Campbell, 2007) or centered on the relationship between CSR and firm performance (strategic CSR).

The application of institutional theory to understand CSR- related phenomena is a new development (Brammer et al., 2012). Nowadays, CSR has caught the interest of social scientists seeking to understand the preconditions and implications of business engagement in social and environmental development (Gjølborg, 2012). A number of theorists (Gjølborg, 2010;

Matten & Moon, 2008; Whitley, 1992, 1999) argue that an approach which exclude the contextual background in which firms emerge is deficient as it fails to explain why company's vary in their orientation towards CSR and why forms of CSR tends to differ so vastly among regions and countries globally. The larger historical and political contexts are important determinants to understand the behavior of MNCs, and in what forms corporations take on social responsibility (Brammer et al., 2012).

Recently, an increasing number of theorists are discovering institutional theory as a framework for their work. Nonetheless, as the interest of the topic only emerged in the mid-2000s' (Brammer et al., 2012) the empirical foundation to underpin or undermine the theory is weak and limited. Thus, the extent to which the country of origin effect can explain variation in firms' orientation to CSR remains undetected. Therefore this thesis aim to contribute to the theoretically and methodically approach to CSR on an area where the literature, empirical evidence and understanding of the issue is currently deficient.

This thesis does not claim that the single factor accounting for variation in CSR is the country of origin effect, rather I propose that nation-level institutional differences is a key factor that needs to be accounted for in order to understand why corporations differ in their approach to CSR. My assumption is based on multiple examples illustrating a clear difference between interpretation and practice of CSR among different countries. For instance, Edwards et al. (2007) found a home country effect among German MNCs, as they showed a distinctive emphasis on 'sustainability' in their CSR codes. Tang & Li (2009) argue that there are significant differences between rule-based and relation-based societies. In the former, companies tend to demonstrate a stronger commitment to CSR. Among the BRIC countries, for instance, India, being a rule-based society, their MNCs ranks first in good corporate practices, while Chinese MNCs, China being one of the most authoritarian regime, ranks last.

Finally, CSR tend to be western-centric or limited only across few countries (Jamali, 2008). Brazil and Norway represent two countries at opposite ends of several continuums (Assumpcao et al., 2008). As their contextual background is highly distinctive, and their institutional contexts vary greatly, the chance to get significant results increases. Therefore, studying how corporations from these countries perceive and practice CSR becomes relevant in the context of analyzing the extent to which the country of origin effect influence CSR.

### 1.3 Aim of the thesis

The primary objective of this study is to compare corporate social responsibility in Norwegian and Brazilian companies active in the oil and gas industries by investigating their approaches to CSR. That is, the existence of and content of their CSR practices. It has come to my attention that most of the cross-national studies on CSR have been focused on studying the situation within Europe or between Europe and the US, I therefore aim to fill the gap in research by performing a cross-national study comparing two different countries; Brazil and Norway. I will study the companies CSR priorities, activities and the principles motivating CSR in order to assess whether there is a systematic difference in the way the corporations implement and define CSR, bringing me closer to address the presence of and extent of country-level influence among the companies. By looking at multinational companies, I would also like to observe if a trend of CSR is getting closer due to the globalization of the economy, even when the chosen companies emerge from very different contextual backgrounds.

This thesis aims to provide a qualitative understanding of the mechanisms and processes by which national institutions shape MNCs CSR portfolio. Thus, I aim to complement mainstream theory on CSR by contributing to a more in-depth knowledge of cross-national variation in CSR and detect to what extent such a variation exists. Of special interest to me, is to find out if so, how, and why, CSR practices vary across companies coming from different countries, and whether and to what extent country-level institutions can explain this variation, ultimately coming to terms with which institutions matter and how they matter.

To guide the qualitative analysis, I develop an integrated analytical framework based on the following three complementary perspectives: institutional theory, *new-institutional theory*/neo-liberal theory and industry-centered approach. Adding to this, I will review literature on corporate clusters. Cluster formation may affect individual firms CSR strategy, I therefore argue that it is necessary to incorporate this approach in the analysis of the thesis.

The perspectives above are chosen to progress the understanding of why MNCs implement CSR practices and will form a knowledge base for gaining insight into if, and why corporations CSR behavior vary across companies. To test the relationship between nation-level institutions and corporations commitment to CSR, I compare Norwegian MNCs in Brazil with Brazilian MNCs from the oil and gas industries.

Being a student of Sustainable Development, the study of CSR is of central importance as it is directly linked with the wider scope of solving integrated social and environmental issues. Moreover, seeking to understand under what conditions corporations assume social responsibility becomes relevant in order for corporations to play an even more important role as contributors to sustainable development in the years to come. The underlying factors influencing CSR are many, how they interact and their relative importance is an interesting and relevant matter for sustainability scholars. CSR can foster socioeconomic and environmental benefits by reducing the negative externalities from business activities on people and environment while simultaneously contributing to solve crosscut societal and environmental problems on a local and global scale.

#### **1.4 Research question**

The main research question in this research is the following:

***“To what extent does nation level institutions influence on the approach to Corporate Social Responsibility (CSR) among Norwegian and Brazilian multinational corporations in the oil and gas industries?”***

The main research question is guided by three other questions:

1. What CSR practices do Norwegian companies implement?
2. How do Brazilian companies put CSR into practice?
3. What drives companies CSR orientation?

The first and second sub-questions relates to the CSR standards and the activities the companies implement, giving insight into the various activities the companies engage in (if any). I will not attempt to make a full inventory of their CSR standards, rather I concentrate on the ones prioritized by the company's themselves. Simultaneously I investigate the general attitude towards CSR among the companies, how they comprehend CSR and how it is integrated into their wider business activities. Investigating the firms CSR codes (content) and attitudes will enable to form a background to observe which of the factors outlined in the theoretical framework are determinant of their CSR approach.

The third sub-question will provide insight into the factors motivating CSR engagement among Norwegian and Brazilian firms in order to analyse whether there is a systematic difference between how they relate to internal and external pressure. This will give an

indication on the relative importance of the institutional factor compared to other relevant factors that are proposed to influence firm behaviour.

## **1.5 Disposition**

The thesis is organized as followed: the introductory chapter above presented the relevant background for the study, the purpose of the research as well as the reasoning behind the choice of topic, and the research question. In the second chapter, I present the theoretical foundation of the research, namely the concept of corporate social responsibility and introduce various factors that influence on companies approach to CSR. The purpose of the third chapter is to present the methodological basis employed in the research and elaborate on the data collection process and analysis. I will also discuss the research limitations and the challenges faced during the research process. The fourth chapter will reveal the research findings, while chapter five will contain the analysis and discussion of the empirical data. I will focus on the cross-national similarities and differences found between Norwegian and Brazilian companies and connect them to the variables in the theoretical framework.

It is logical to separate the findings from the analysis because the companies approaches to CSR needs to be presented before elaborating on the underlying factors and conditions that have caused companies to commit to a particular approach. Normally, the companies are not aware of the way these conditions have influenced their approach to CSR. By investigating the companies' CSR approaches, it enables the researcher to identify whether a pattern can be observed, providing evidence to discard or support the initial assumption.

Finally, the conclusion will follow in chapter six, in which the findings will be brought together in order to answer the research question, while linking the findings back to the existing literature and the theory in which this thesis rely upon. I will also elaborate on the thesis limitations' and give recommendation for future studies.

## 2. Theoretical Framework

In this chapter, the theoretical framework used to guide this thesis will be presented. The framework will be used later as the basis for the analysis of the empirical data collected. The scope of this thesis is to investigate to what extent national institutions can be argued to be a variable determining how social responsible is practiced among Multinational Companies. Based on this, the theoretical framework will be delimited as followed: first, an introduction to the concept of CSR is given, including the various definitions and understandings, the evolution of CSR, and the drivers of CSR. Thereafter I focus the theoretical frame presenting the institutional factors influencing the scope of CSR between companies 'produced' in distinctive institutional contexts, followed by a presentation of additional factors that influence on companies approach to CSR. Finally an overview of the elements included in the theoretical framework is given.

### 2.1 Academic perspectives of CSR

#### 2.1.1 What is CSR?

Corporate Social Responsibility (CSR) is an increasingly essential element in the business world (Chan, 2014). In a broad sense, CSR encompasses the moral and ethical behaviour of a company towards the society where it is present. CSR is generally used to describe corporate activities which aims to improve social welfare, and the way companies achieves a balance of economic, environmental and social imperatives, while simultaneously addressing the expectations of share- and stakeholders (UN, 2015).

Even dough CSR has been, and still is, subject to a vast number of different interpretations, CSR has evolved from a narrow notion into a complex concept over the past decades (Sarvaiya, H., & Wu, M, 2014). Recently it has been observed that CSR is becoming increasingly institutionalized, as the impact from economic globalization and deregulation has become more prominent, CSR, as a result has advanced as an emphasised and elevated concept in national and global governance (Scherer & Palazzo, 2011). Consequently, corporations nowadays address their role in society far more coherently, comprehensively, and professionally in comparison to what was previously the case (Crane et al., 2008). The emphasis that firms have placed on their CSR activities has in many respects fundamentally shifted the way we think about and understand the relationships between firms, the institutional environment in which they operate, and their various stakeholders, including

local communities, employees, suppliers, governments and civil society (Ioannou & Serefeim, 2012: 2). Today, CSR is promoted as a concept in which civil society and governments should engage in order to be considered legitimate (Sahlin-Anderson, 2006).

Despite the growing body on literature, defining CSR is not easy. The concept of CSR can be interpreted in different means, as there is no specific rules on how to apply it (Crane et al., 2008). While the role of business in society seems to have change for some time, there is no unified agreement on where the boundaries of CSR lie (Frynas, 2009: 4). Dalsrud (2006) emphasise the impossibility to develop one single definition of CSR as the concept is socially constructed and varies within and between societies, often biased towards specific interests.

Nonetheless, there is a growing consensus among a few of the key scholars about what CSR is and what it stands for. According to Matten & Moon (2008) CSR broadly consist of communicated policies and practices of cooperation's' which reflect business responsibility for some of the wider societal good. Furthermore, CSR is characterized by the integration of social and environmental concerns into business activities that over the past two decades has gained widespread popularity and legitimacy (Gjølberg, 2010). Additionally, corporate social responsibility is increasingly argued to be practices undertaken by corporations that go beyond what is required by law. Ultimately, CSR is expected to fulfil large expectations in the society, contributing towards solving wider societal challenges (Frynas, 2009) stretching beyond solving the issues directly related to the presence of the firm.

At the other end of the spectrum of CSR is the more fundamental view of Milton Friedman (1970) who opposes the mainstream recent approaches to CSR (Salehi, 2009). Following Friedman's' logic, companies are argued not to have any responsibility beyond the law and that of merely maximizing the profit for its shareholders. Friedman suggests that the managers' only responsibility is to maximize the economic profit making of the firm, while conforming to the basic rules of the society. Further he argues that using the firms resources to obtain social purposes, will reduce returns to stakeholders and hamper economic efficiency (Friedman, 1970) thus, any mission beyond maximizing profit for the firms' stakeholders must be considered fraudulent on the part of the organization's management (Salehi, 2009).

Reinhardt et al. (2008), disagree with the view of Friedman, and argue that Friedman fails to consider some significant changing processes in the society explaining how CSR has evolved because of these changes. In an increasingly media-driven society, the concern with brand profiling and reputational effect is seen to demand CSR at a new level (Midttun et al., 2005). In



general, the society has become more demanding in the selection of products and services and in addition, they demand that companies exercises moral judgement towards communities, societies and the environment (Salehi, 2009: 65).

Even though some of the practices that falls under the label of CSR can be dated as far back as the industrial revolution (Crane et al., 2008) the phenomenon and concept of CSR, interpreted as such, has increased in importance and significance since the 1960's and beyond (Carroll & Shabana, 2010). Carroll (1991) describes corporate social responsibility as a concept separated into four areas of responsible behaviour: the economic, legal, ethical and philanthropic. The economic contribution to the communities in which the firm operates is characterized as being the foundation upon which all others rest. To be profitable and to provide a maximum financial return to shareholders was seen as the most important aspect of responsible business during the 1960's. The legal, ethical and philanthropic dimension is considered important but subordinated to the economic aspect (Carroll, 1991). Within Carroll's framework the economic and legal responsibilities are 'required', the ethical responsibilities are 'expected, and the philanthropic responsibilities are 'desired' (Carroll & Shabana, 2010).

Although, the current framework of CSR retain the core idea of CSR in which Carroll's framework built, one significant difference can be seen from the more recent theories on CSR; the environmental dimension of CSR is simultaneously emphasised as the social dimension. The environmental component was not included in the early theories on CSR, including Carroll's approach (Dalsrud, 2006). However, during the early 1980's the characteristics of CSR changed to encompass a wider range of complex social, economic, and environmental issues in an increasingly global economy. The change was produced by a growing awareness of economic, social and environmental problems as being interconnected and therefore calling for solutions that consider these aspects simultaneously.

The gradual institutionalization of CSR stems from an era of heightened social public awareness, demands and pressure on companies, combined with a widespread acceptance of sustainable development as a guiding principle (Drexhage & Murphy, 2010). This is marked by the development of guidelines and 'codes of conduct' for MNCs.

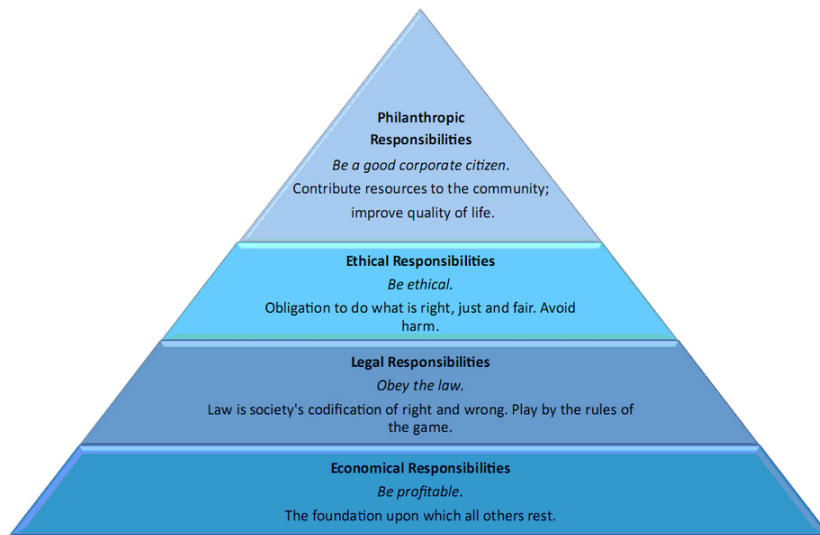


Figure 1. Carroll's four-part model of CSR. Source: Carroll, 1991).

As discussed, the definitions of CSR vary, and the views on CSR differ in terms of the foundation or scope of CSR. However, two general characteristics are repeated in the majority of the definitions. First, Corporate Social Responsibility goes beyond what laws require, and secondly, CSR is a voluntary action. It should however be noted that CSR being merely a voluntary concept is somewhat misleading. Many companies nowadays increasingly see CSR as a necessity due to the public responses to issues that were not previously considered a part of their business responsibility (Porter & Kramer, 2006). Thus, failing to respond to the public demands may cause considerable harm to the company's performance. Finally, the simultaneous pursuit of economic, social and environmental concern into business activities have gained increasing common ground, popularity and legitimacy among business managers and academics the last two decades (Gjølberg, 2010).

## 2.2 Why do TNC's adopt CSR codes?

CSR actions may be driven by two kinds of argument; the moral and the economic (Assumpcao et al., 2008). On one hand, Corporate social responsibility can be motivated by external, socially conscious motivations, where businesses are not looking for anything specific in return (Carroll & Shabana, 2010). On the other hand, there is a 'business case for CSR', where CSR primarily is self-motivated by the achievement of the competitive advantage it is expected to bring. In addition, Maignon & Ralston (2002) introduce what they refer to as the stakeholder approach to CSR, where businesses are compelled to adopt social responsibility initiatives in order to conform to stakeholder norms. In this case, the companies are motivated by external

pressure and strive to avoid reputational risk that may influence the firms' performance and is therefore linked to the economic argumentation of CSR.

### 2.2.1 The moral argument

According to the moral argument of CSR, businesses are expected to 'give back to the society', based on the reasoning that they rely on the society in which they operate as they cannot exist in isolation (Assumpcao et al., 2008). Companies depend on the infrastructure that the society provide. The value of a company reside largely in its intellectual property, and in the skills and experience of its workforce, and its consumer base (Handy, 2002). Hence, advocates of CSR therefore argue that the goal of any economic system should be to further the general social welfare, and extend beyond the maximization of profit and narrow stakeholder concerns (Heath, 2006). Based on this line of reasoning, Crane & Matten (2004: 3) claims that corporates have an ethical responsibility which "includes the law but extends beyond it".

The expectation of corporates to 'give back to society' closely relate to the theory of 'social contract', developed by Donaldson (1982) whereas society grants legitimacy to the company as long as the social benefits exceed the social costs. The social contract imply some indirect obligations of business towards society. An extension of Donaldsons' approach further accounts for the socio-cultural context in which multinational companies operate. In this approach two dimensions of responsibility is considered; first, a macrosocial contract appealing to all rational contractors, and second, a real microsocial contract tailored for the spesific social context where the firm carry out its operations. These microsocial contracts shows explicit or implicit agreements that are binding within an identified community (Garriga & Mele, 2004). The latter is of significant importance, since the demands, needs and social challanges are likely to differ greatly across communities.

In addition to the abovementioned argument, corporates have a responsibility for the negative externalities their activities causes. As Crane & Matten (2004) emphazise, corporate activities may have a positive, negative or neutral impact on a particular stakeholder. Freeman (1984: 42) define stakeholders as; *"Any group or individual who can affect or is affected by the corporation"*. With such a broad stakeholder view, companies are expected to address the needs of all groups they affect, and are accountable to those that have a claim, extending corporates perspectives to include constituents such as the societies in which they operates (Freeman, 1984).

A relatively new line of argumentation for moral obligation among companies, and particularly in regards to MNCs operating in societies facing social challanges, is introduced to the concept

of 'corporate citizens' (Garriga & Mele, 2004). 'Business Citizenship', the newest term in this stream, see CSR as a manifestation of an institutional and moral obligation to social involvement by corporations as citizens of local, national and global politics (Godfrey & Hatch, 2007). The globalization process, together with the deregulation process and decreasing costs with technological improvements, imply a larger responsibility on companies. The term corporate, or business citizen, have become increasingly popular among managers, business people and in the academics, as it makes it clear that businesses needs to take into account the community where they operate. Although the term means different things to different people, the extended version arose from the fact that some corporations have come to replace the government, and therefore are expected to facilitate local development (Garriga & Mele, 2004). Finally, a new moral argument has evolved from the new role of corporations within the concept of sustainable development. Organizations are being called upon to apply sustainability principles to the ways in which they conduct their business (D'Amato et al., 2009). With reference to the term sustainability, it refers to the corporate activities considered voluntary, and has increasingly 'forced' organizations to reshape their frameworks, rules and business models.

### 2.2.2 The economic argument

The economic argument of CSR is twofold, based either on economic self-interest or on external stakeholder demands.

#### 2.2.2.1 The 'business case for CSR'

Following the logic of Friedman (1970) companies should only assume social responsibility if it is the interest of their business and if these actions results in economic benefits. Nowadays, however, more and more companies start to see the relationship between responsible practice and the wellbeing of their business. Businesses competitive advantage increases when simultaneously benefitting society by solving societal problems (Porter & Kramer, 2006). Both the aforementioned theorists are classified as instrumental theorists, as CSR is only a question of enlightened self-interest (Garriga & Mele, 2004). However, they differ in regards to the following; according to Friedman, the objective is the maximization of shareholder value, measured by the share price. Normally, this leads to a short-term profit orientation. On the other hand, Porter & Kramer (2006) focus on the strategic goal of achieving competitive advantage, which is likely to produce long-term profit (Garriga & Mele, 2004).

In the economic argumentation of CSR, there are economic benefits to businesses pursuing CSR strategy. In literature the link between CSR and firm performance is referred to as; 'strategic CSR' or 'the business case for CSR' (Crane et al., 2008; McElhaney, 2009). CSR activities undertaken by corporates are expected to bring competitive advantage and ultimately, improve the financial performance of the firm.

Strategic CSR encompasses the activities undertaken by the company to increase its competitive advantage in relation to others. Competitive advantage unfold in different ways, for instance as achieving an improved reputation among its stakeholders, innovation, advanced performance among the work force, and financial performance (EC, 2008). The latter is obtained indirectly also through the achievement of the former. Together these components are expected to improve the overall performance of the firm relatively to its competitors. An increasing number of theorists have attempted to document the link between CSR and financial performance, and despite various and sometimes contradictory results, there seems to be an agreement that proven financial benefits of strategic CSR can be found in the areas of human resources, reputation and branding, and cost savings (McElhaney, 2009; Weber, 2008).

Similar to the strategic argumentation of CSR, Porter & Kramer's' (2006) concept of 'shared value' suggest that corporate success and social welfare is interdependent, as a company cannot survive in a society that fails. Accordingly, 'the Business case for CSR' resolve around the argumentation company's 'do well by doing good', that is, can perform better financially by attending not only to its core business operations, but also to its responsibility towards creating a better society (Crane et al., 2008: 84). Following the logic of Porter & Kramer (2006), integrating CSR into corporate core strategies can generate 'shared value' as businesses create win-win situations with society, and is thereby no longer seen as merely a cost or charitable deed, rather CSR is argued to be a source of opportunity which provides companies with a competitive advantage (Porter & Kramer, 2006).

#### ***2.2.2.2 The stakeholder view***

The stakeholder view vary from what Freeman refere to as the moral responsibility of the firm'. According to the stakeholder approach corporations must adopt corporate social activities in order to obey to stakeholders demands because it is costly for the firm not to do so (Maignan & Ralston, 2002). Since stakeholders are a powerful group of actor, and increasingly so, not replying to their expectations may damage the companies reputation, and thus their overall corporate performance. Fiori et al. (2007) finds that 'bad' social impact can increase company's

vulnerability leading to undesirable relationships with money and shareholders, which consequently can affect the corporations' reputation. This in turn leads to the logical assumption that businesses take on social responsibility, beyond what is dictated by law, simply because it may 'hurt' the company otherwise.

Increasingly, companies need to incorporate the concerns of stakeholder groups within the organizations strategic outlook, or risk losing societal legitimacy. There is no doubt that the society has greater expectations than it had only a decade ago that companies will assume public 'responsibilities' (Lindgreen et al., 2012). Corporations have to consider a wide spectre of stakeholders, including shareholders, employees, governments, civil society organisations and the community. Stakeholders needs and demands are likely to change over time and are often incompatible, thus, corporate social responsibility practices requires constant reevaluation and dialog (Lindgreen et al., 2012). Different stakeholder groups tend to focus on specific issues that they believe are most appropriate in organizations CSR programs, hence, what is considered a socially responsible action depends on the perspective of that particular stakeholder (Lindgreen et al., 2012). In the case for multinational firms the stakeholder issue is likely to be more complex as they are confronted with a higher number of stakeholder with various opinions and interests.

### **2.3 Factors influencing corporations approach to CSR**

The analysis in this thesis heavily builds on the theoretical framework adopted from Richard Whitley (1992): "*the concept of National Business Systems (NBS)*" and revolves around the rational of institutional theory (Matten & Moon, 2008; Campbell, 2007; Gjølborg, 2012). The theory addresses how and why CSR differ between countries and why actors originating from different institutional contexts are likely to pursue different CSR strategies. Many scholars have argued that we are still unable to completely describe and explain social performance heterogeneity across firms and have called for a theoretical and empirical investigation into the reasons behind the observed variation (Whitley, 1997 in Ioannou & Serefeim, 2012).

Exploring single relationships is problematic, as other important endogenous factors needs to be considered in explaining CSR. Therefore, this chapter intent to give a theoretical overview of the various factors that are found to have an effect on companies approach to CSR. In the end of the chapter, these factors will be gathered in a framework, which later will be used in the analysis.

A growing number of theories and scholars examine the reasoning behind the variation and differences in CSR approaches between MNCs, and the level in which companies 'embrace' CSR. The factors related to decision-making on social and ethical issues can be explained only by combining several internal and external factors, such as institutions, firm- and industry level characteristics, global factors and the formation of industrial clusters.

Liberal and critical theorists argue that, as the world is becoming increasingly globalized, MNCs are gradually losing their national characteristics and behave more coherently in their fundamental strategies and operations. A number of scholars (Pauly & Reich, 1997; Whitley, 1992; Campbell, 2007) oppose this argumentation and rather accentuate that durable national institutions and distinctive ideological traditions shape corporate decisions. Hence, the underlying nationality of the firm remains a key variable when explaining the nature of MNCs' commitment to CSR. Even the most global MNCs still appear to be strongly rooted in their country of origin (Noorderhaven & Harzing, 2003). Institutions are often associated with country characteristics, most notably, the economic, legal and political environment. Historical experience, as well as institutional and ideological legacies steers corporations' strategies and practices (Pauly & Reich, 1997). On the other hand, Filatotchev & Stahl (2015) argue that multinational corporations strive to achieve global consistency in their CSR profile combined with the need to comply with local stakeholder demands. Thus, both local and global institutional context matters and are likely to influence on companies' approach to CSR resulting in a 'transnational' approach, balancing local and global stakeholder expectations.

Campbell (2007) studies the relationship between firm behaviour and the likelihood of firms to act in a socially responsible way. According to Campbell (2007) a combination of various factors impact on firm behaviour. He finds a relationship between basic economic conditions in any business environment and the socially responsible corporate behaviour of companies operating in it is influenced by several factors that are: public and private regulation, the existence of nongovernmental and other independent organizations that observe corporate behaviour, the institutionalized norms concerning proper corporate behaviour, the association of behaviour among corporations and the shared dialogues among corporations and their stakeholders (Campbell, 2007: 946). Further, Campbell (2007) argues that, although economic factors are likely to significantly affect the degree to which corporations act in socially responsible ways, the relationship between economic conditions and social responsibility is strongly moderated by several institutional factors that are crucial when explaining firm approach to CSR.

Notwithstanding, it is unreasonable to assume that nation states could serve alone as the primary unit of analysis. Etzion (2007) argue that there are several factors at the company level which influence CSR practice, including internal organizational structure and industry. Etzion (2007) find a strong relationship between firm-level attributes, as leadership characteristics and firm size and influence on firms CSR approaches.

In conclusion, a combination of internal and external factors are likely to impact on CSR management of multinational companies. Liberal theorists emphasise global factors to be most relevant, whereas MNCs are expected to behave increasingly coherent in their response to CSR due to the creation of more unified set of 'global values' and expectations, as institutions at the global level now shapes the practices and policies of multinational corporations (Brammer et al., 2012). On the other hand, empirical examples suggest that CSR is still headquarter driven, and that individual firm characteristics are decisive for CSR also when the company have operations overseas (Bustamante, 2011). These firm-specific characteristics also referred to as 'corporation's identity' or 'the personality of the company', are still seen as a crucial component influencing company's CSR agenda.

### 2.3.1 Institutional Theory

Theoretically, it has been argued that there are different conditions that favour socially responsible corporate behaviour, and the nation, the industry and the company itself can influence CSR. Institutional context is proposed to be a crucial factor that needs to be considered when understanding the extent, content and communication intensity of CSR and how it differs across corporations, regions and countries. Following North (1990: 3) institutions are defined as "*a set of rules, formal or informal, that actors generally follow, whether for normative, cognitive, or material reasons*". Further, Helmke & Levitsky (2003: 8) make distinction between formal and informal institutions, whereas "*formal institutions refers to the state bodies (courts, legislature, bureaucracies) and state enforced rules (constitutions, laws, regulations), while informal institutions encompasses civic, religious, and other societal rules and organisations*". Together, these institutions are believed to be the cause of variation in CSR in different countries (Matten & Moon, 2008). According to Li & Harrison (2015), CSR policies on the country-level are of substantial importance in defining and deciding CSR policies on the firm and industry level. Durable national institutions and distinctive ideological traditions, as Pauly & Reich (1997) argue, still seem to shape and channel corporate decisions.



Institutional theory argues that the national framework in which they operate contextualizes business practices (Matten & Moon, 2008). Institutional context and culture can be of high influence on determining countries approach to, and evolution of CSR. Political, social and economic institutions and the development within them all play a significant role in mapping and shaping CSR policies and the overall understanding and interpretation of CSR in a country specific context.

Even if there are few empirical evidence that underpins the assumption of 'national and regional distinctiveness' of CSR, current studies finds that different regional patterns concerning the way CSR is viewed and implemented exist, and are a key explanatory factor for understanding the various approaches to CSR among MNCs. Chapple et al. (2013) suggest that a comparative institutional analysis framework of CSR is existing, building on the assumption that distinct national differences between approaches to CSR can be observed across countries and regions. Further, a number of institutional theorists, including Whitley (1992) and Hall & Soskice (2001), argue that national characteristics are directly determining firms corporate profile. The institutional environment of firms, such as the organisation of labour markets, systems for education and finance, and political and cultural institutions, influencees business structures and strategies for obtaining competitive advantage (Chapple et al., 2013: 8).

### *The national business system*

In this section I aim to deeper clarify the differences in CSR among countries by explaining how national institutions may cause variation in corporate profile and CSR among MNCs. Institutional theory claims that business practices are contextualized by the national institutional framework in which they operate. The embeddedness of firms in a particular national business system will continue to shape the behaviour of managers and firms, even when firms expand beyond national boundaries (Whitley, 1999).

The theoretical framework that will be used in this thesis builds on Whitley's (1992) National Business Systems (NBS), defined as; "*distinctive patterns of economic organisations that vary in their degree and mode of authoritative coordination of economic activities, and interconnections between owners, managers, experts and their employees*" (Whitley, 1999: 33). The following four systems are incorporated in the framework; the political system, the financial system, the education and labour system, and the cultural system. The choice of Whitley's framework as the theoretical foundation of the thesis is based on the support of numerous empirical studies, including Campbell (2007), Matten & Moon (2008) and Gjølborg (2011), all documenting that

the same key institutions are critical for corporate behaviour. Whitley (1999) introduces a comprehensive theoretical framework for analysing what he refers to as 'the country of origin effect'. In order to explain how country's institutional environment influences the decision-making and ultimately, the companies approaches to CSR, both the extent to which companies embrace CSR and the content of their CSR.

I will give a presentation of the four systems argued to be crucial from the point of view of institutional theory, with examples from regions with contrasting National Business Systems. I present information with a regional focus, providing examples from Latin-America, Europe and North-America. In the analysis chapter it will become clear how the two countries of analysis differ in terms of their national business system.

Following the introduction to the national business system, I will include other perspectives, namely new-institutional theory and neo-liberalism. The role of these approaches in the study will be described after the presentation of the NBS. In addition, I will include an industry-specific 'perspective' and a 'cluster oriented perspective'. These perspectives play an important role in the study. Together they bring useful knowledge in the debate on CSR among MNCs, and serves as factors that moderates the overall influence of nation-level institutions.

### ***2.3.1.1 The political system***

Before describing the different NBS and the outcomes they are believed to produce, it should be noted that there are differences between contextual characteristics that influence companies to behave in a certain way, and features of the NBS that directly influence companies to adapt a particular CSR model. One important distinction are made between a) inherent characteristics of the political business system i.e. systemic characteristics with the NBS that causes particular CSR outcomes, and b) Contextual characteristics (conditions) that are linked to the NBS but are not an intrinsic feature of it. For instance, in societies where poverty is widespread, this is a context linked to the BS but not an intrinsic feature of it, thus if companies' implement social CSR policies they are likely to do so because of the characteristics of the society in which they operate, being indirectly influenced by the NBS. On the other hand, there are BS characteristics, for instance, where the government assume a protagonist role and promote central CSR issues and companies adapt a certain CSR profile because of it, being directly influenced by the NBS.

The precondition and function of the political system vary between countries and are by several theorists argued to be the most significant factor when trying to understand the reasons behind corporations' adaption of different CSR approaches (Gjølberg, 2012; Campbell, 2007). Ioannou & Serefeim (2012) finds the relationship between political institutions and corporate practices to be particularly important when evaluating national business systems impact of CSR. Accordingly, Brammer et al. (2012) finds that the way the country is governed impact on the level of responsible behaviour among companies. Specific governance features are crucial in explaining how CSR is implemented in firms and should therefore be emphasised in connection with CSR.

Even though no country share equal business systems, many nation states may share some institutional features which results in certain characteristics of business systems being common across national boundaries (Whitley, 1992). Some commonalities can be observed for instance among European countries with strong social democratic traditions on one side, and the US, characterized by a liberal market economy on the other side. Despite variation and heterogenic diversity within Latin-American countries, the regional Latin-American state model is in many respects similar to the Anglo-American one.

In Europe the social democratic state model tends to define the economic responsibility of states more widely focused than the Anglo-American model does. Generally, the European 'line of thinking' sees the state in the role of enforcing the accepted rule and ensuring basic social welfare among its citizens (Crane & Matten, 2004). Consequently, what is described as philanthropic CSR activities in Europe are most of the time implemented compulsory through the legal framework. Accordingly, Campbell (2007) and Gjølberg (2012) find that companies 'produced' in welfare states, to be found in Scandinavian countries among others, are likely to have a high level of performance and experience in social and environmental issues, as they have to adapt to well-developed social and environmental regulation (Gjølberg, 2012). Thus, companies expresses a similar strong commitment to CSR as their government. In this instance CSR practises of companies' are influenced by state intervention, and thus a directly consequence of the BS in the country.

On the contrary, in the Anglo-American region the legal responsibility is usually seen from another perspective, that government intervention and rules are much more likely to be viewed as an intervention with private liberty (Crane & Matten, 2004). Consequently, a greater responsibility to promote social benefits for the society at large, is expected by actors in the

private sector in order to solve the social issues that falls outside what is considered to be the responsibility of the state.

The concept of CSR in the US and in Latin-America is more influential than in Europe as the Anglo-American region see the legal responsibility of states from another perspective. Since social security is not enforced through the legal framework more pressure is put on corporations to fill the gaps left open by the government, such as health, housing and education services that the government do not provide. In this instance the context of social challenges has causes the companies' to adapt certain CSR practices. According to (Tilakasiri et al, 2011: 6), the private sector involvement in social responsibility is an important character in the developing world. Many governments in countries facing poverty problems are nowadays trying to involve the private sector to carry out some social and environmental activities in their own way. In that case, CSR practices, which align with the governments' ambitions, can be argued to be implemented as a direct result of the political business system.

In the US and in the Latin-American region, CSR is associated with the philanthropic dimension, it is also found to be a more value-driven concept than what is the case in Europe. Matten & Moon (2008) argues that the variation in political systems leads corporations to adopt different sets of CSR approaches. They argue that there is a distinction between 'implicit' and 'explicit' CSR, whereas the latter refers to business policies that take responsibility for society, by integrating voluntary programs or other CSR strategies with the aim to combine social and business values. 'Implicit' CSR relates to corporations role within the wider formal and informal institutions, for society's interest and concern (Matten & Moon, 2008: 409). In brief, in the US and in Latin-American countries with deep philanthropic traditions, explicit responsibility is socially embedded. In Europe, on the other hand, corporate responsibility is mainly associated with more implicit CSR (Matten & Moon, 2008).

Explicit CSR	Implicit CSR
Describes corporate activities that assume responsibility for the interests of society	Describes corporations' role within the wider formal and informal institutions for society's interests and concerns
Consists of voluntary corporate policies, programs, and strategies	Consists of values, norms, and rules that result in (often codified and mandatory) requirements for corporations
Incentives and opportunities are motivated by the perceived expectations of different stakeholders of the corporation	Motivated by the societal consensus on the legitimate expectations of the roles and contributions of all major groups in society, including corporations

Table 1. Explicit and implicit CSR compared (Source: adapted from Matten & Moon, 2008: 410)

In conclusion, a number of theorists (Matten & Moon, 2008; Whitley, 1992; Gjølborg, 2010) suggest that the reason for the various perception of, and practices of CSR in Europe, the United States and Latin America, relates to the distinctive political systems in these regions. Logically, CSR is more likely to be embedded within formal institutional structure rather than expressed through voluntary and explicit corporate initiatives. The stronger these institutional structures are, the more they crowd out explicit forms of CSR, and the more they reduce the need for explicit CSR initiatives to be undertaken by corporations (Ioannou & Serefeim, 2012: 13). European CSR has been originated under wider institutional responsibility. Consequently, philanthropic CSR activities in Europe are usually statutory and enforced by the state, leaving less incentives (and room) for the voluntary aspect of CSR.

### **2.3.1.2 The financial system**

The providers of capital are important stakeholders for corporates since they finance business operations. Yet significant diversity exists in the financing arrangements around the world (Ioannou & Serefeim, 2012). The way the state is organized, particularly in regards to 'state power' determines the extent to which states dominate the economy and share risks (Whitley, 1999). It is common to distinguish between two types of financial systems that carry significant different features. On the one end, a system can be market based, "*where actors mobilize and distribute capital largely through large and liquid markets which trade and price financial claims through the commodity-market processes*" (Whitley, 1999: 49). At the other end, credit-based financial systems "*typically have weak and fairly thin capital markets, which play only a minor*

*role in mobilizing and pricing investment funds*” (Whitley, 1999: 49). In the latter, the dominant institutions are large banks or state agencies that make allocation decisions through administrative processes rather than open market operations (Ioannou & Serefeim, 2012).

The economic system in the United States is market based, whereas credit-based financial systems are found in several European countries, such as France and Germany. Matten & Moon (2008) argues that CSR is more prevalent in liberal market economies like the US, because it functions as a substitute for more regulated forms of corporate responsibility.

Another distinction can be made between states with a direct and/ or indirect stake in the economy compared to states with a market based economic system. In many European countries, and then in particular in Scandinavian countries, the state is a shareholder in many medium-sized and large corporations. In contrast, in the US shareholding is relatively dispersed among private shareholders (Matten & Moon, 2008). In Latin American countries, ownership is commonly separated between a few large private shareholders. It follows then that in countries where the state is a shareholder in private businesses; it has a direct influence of the corporations’ decision-making, and thus is more likely to affect the decisions in regards to the company’s corporate responsibility. In the US however, the government is placed outside the CSR agenda (Dietlev-Simonsen et al., 2015).

Finally, Gnyawali (1996) argue that there is a direct relationship between the level of economic development in a country and the amount of pressure on businesses to act socially responsible. He suggests that a higher level of industrialisation may be associated with higher levels of pollution and worker safety issues. Moreover, in more developed economies, consumers are more likely to be well informed about corporate activities through the media (Gnyawali, 1996). Additionally, a higher economic development might be linked with a greater pressure on businesses to adopt a broader understanding of CSR.

### **2.3.1.3 The education and labour market system**

Whitley (1999: 50) identify the education and labour market system respectively as; “*the system for developing and controlling skills*” and, “*the system that control the terms on which the owners of those skills sell them in labour markets and how those markets are organized*”. Decisions related to labour management strategies rest on the strength of trade unions, who directly control the skills and capabilities in the economy (Whitley, 1999). Accordingly, Ioannou & Serefeim (2012) find that labour unions are essential determinants for explaining

variation in socially (and environmental) responsible behaviour across companies. The power of the labour force and the presence of labour unions will influence the likelihood that a firm will engage in CSR. In the countries with a high degree of union power, firms are expected to perform more responsibly since unions may push for more benefits for employees, as health and safety provisions. Unions may also contribute to increase the awareness around social and environmental issues in the local communities from which the labour force may originate (Ionnou & Serefeim, 2012: 14).

Furthermore, Thomas (1999) claim that trade unions have the potential to become a critical institution in development. Additionally, in countries where labour unions are more prominent it is expected that firms will perform better on 'implicit' CSR areas, since powerful unions are likely to push for extended benefits for employees, focusing more on health and safety provisions and progressive labour relations policies (Ioannou & Serefeim, 2012). Likewise, Campbell (2007) claim that a combination of strong state regulation and collective bargaining encourage socially responsible behaviour in companies and are likely to increase the level of social and environmental standards in corporate operations.

With respect to Western European countries, one can argue that labour unions have significantly contributed to the creation of welfare states. The unions negotiated rights among the more vulnerable sections of society, ensuring an equal distribution of wealth. Simultaneously they have long traditions and experience in addressing issues of the wider social agenda (Thomas, 1999).

In Europe, there have been publicly led training and active labour market policies in which corporations have participated according to either custom or regulation, whereas in the United States this has been an area in which corporations themselves have developed strategies. Historically higher levels of union membership in Europe resulted in labour related issues being negotiated at a sectorial or national, rather than corporate, level (Matten & Moon, 2008: 5). Consequently, labour rights are often institutionalized and belong to what is defined as implicit CSR activities in Europe.

Latin-American countries have a relatively long tradition of trade unions, which have increased in scope and efficiency over the last decades. Kuhn & Marques (2005) find that in certain industries, such as manufacturing, utility and transportation and manual occupations, workers tend to be highly unionized. Nonetheless, the bargaining power of the workers has

traditionally been weak and the state has significant decision-making power in union related issues, weakening the very essence in which union logic builds.

In addition to the labour system, the education system is suggested to impact on corporations CSR strategies. Learning institutions are believed to be a place where ethical and moral reasoning and behaviour is enhanced (Heaney & Gleeson, 2008). It follows then that the adoption of courses on business ethics and CSR in responsible business studies reinforce this further, and hence may affect actual business practice, as tomorrow's leaders mentality are shaped in the context where CSR is perceived as a dominant concept in business logic.

Ultimately, Ioannou & Serefeim (2012) finds that in countries with low availability of trained and skilled work force, corporations are likely to compete by enhancing their social performance in order to become more attractive to highly skilled job applicants. Logically, companies will also spend more resources on education and training of its workforce in industries with shortage of skilled labour (McWilliams & Siegel, 2001). From this point of view, low education and qualified workforce can be a factor triggering local and multinational companies to undertake greater social responsibility.

#### ***2.3.1.4 The cultural system***

At last, Whitley (1999) claim that variation in cultural systems is likely to boost differences in MNCs behaviour and practices. In this point, it is common to place the US and Europe on opposite ends, representing remarkable different positions that can be tracked into history and culture. As well, it is natural to separate between cultures with a high trust in the government, particularly evident in Northern European countries, as opposed to cultures where traditions of corruption and abuse of power have caused mistrust in the state, apparent in many Latin American countries.

Several theorists (Crossland & Hambrick, 2011; Argandoña & Høivik, 2009) find a particular strong relationship between cultural systems and influence on companies approach to CSR, whereas several cultural characteristics, such as traditions of solidarity and philanthropy and 'power distance', are said to make a difference to the practice of CSR. Again, the distinction between the Anglo-American and European cultural systems is highlighted. Their respective cultural systems have generated very different assumptions about the society, business and government (Matten & Moon, 2008). As mentioned earlier the active role of the state in some European countries providing basic welfare for its citizens, in contrary to the lack of



governmental intervention and welfare provisions in the US causes different conditions in which the citizens rely on the state to solve societal challenges. *“Thus, there is a much stronger American ethic of stewardship and of ‘giving back’ to society. In Europe a greater cultural reliance on representative organizations, such as unions, political parties and the state has been instituted instead”* (Matten & Moon, 2008: 408).

Similarly, it exist great variation in which citizens trust or distrust the state to follow the “rule of law” and pursue the collective interest of society as a whole rather than those of the elite or politicians (Whitley, 2003). In some cultures, particularly in states with high level of corruption and lack of transparency, citizens normally have little faith in the state as an institution that can enforce the law and/or promote development. Consequently, greater expectations are put on corporations to assume a developmental role. In contrast, in cultures where the trust in politicians and the state is high, neither the citizens nor companies are likely to see CSR as a viable or a legitimate alternative to state regulation (Gjølberg, 2012).

Furthermore, Whitley (2003) makes distinction between “developmental states” which are to be found in many Latin American countries, and “Corporatist states” associated with the state system in Scandinavian countries. In the first mentioned, politicians often justify their roles in paternalistic terms that encourage paternalism within companies. Corporatist states on the other hand invoke norms that treat citizens as equals and emphasise the common interest of all community members (Whitley, 2003). The developmental state has facilitated a culture of philanthropy in Latin American countries, where company managers are likely to make their mark by assuming an explicit CSR profile (Ioannau & Serefeim, 2012). Likewise, in corporatist states a culture of equality and solidarity are found to influence on company decisions, whereas companies emerging from corporatist states are expected to show a strong commitment to CSR. Accordingly, social and environmental rules that are embedded in regulations enforce companies in corporatist states to implement sound social and environmental policies.

Another cultural dimension that is argued to produce differences in corporate decision-making is the level of power distance. National variations in these systems affect the ways in which owners deal with employees, as well as economic opportunism more generally (Whitley, 2003). In relative terms, although subject to great variation, the power distance in European countries are low compared to Latin-American countries with long traditions of socioeconomic inequality is commonplace and widely tolerated.

Finally, high acceptance of hierarchy can also be expected to influence CSR values, and generate widespread dedication to explicit CSR practices. Galego-Alvarez et al (2014) suggest that there are great opportunities coexisting with large inequalities rooted in the history of the nation. Moreover, Waldeman et al. (2006) argue that explicit CSR initiatives in high power distance societies most likely will be higher than in low power distance societies, since the firms mention can generate a sense of obligation to pay closer attention to the needs in society more broadly.

### 2.3.2 Global trends

The previous section has identified distinctive national business systems arising from differences in institutions at the national level characterised by Whitley (1999) as the 'country of origin effect'. Notwithstanding, it is not evident that formal and/or informal institutions are the most powerful influential factors explaining variation in multinational companies CSR agendas, nor is it given that such a variation exist in similar degree in an increasingly 'globalized world'. I acknowledge that corporate decision-making on CSR as well as the national business systems are shaped by globalization effects. In addition to the institutional factors influencing corporations' commitment to CSR, Crane & Matten (2004: 6) argues that there are additionally two forces shaping MNCs CSR approaches, namely globalization and regulation, and *politization of the corporation*. Additionally, foreign national culture and related local issues are incorporated into the CSR policy of multinational corporations (Bondy & Starkey, 2012).

Several theorists (DiMaggio & Powell, 1983; McWilliams et al., 2006 ) argues that there is a generalized shift from implicit to explicit CSR on a global scale triggered by changes in the global infrastructure and the emerging role of international organizations in setting the CSR agenda. The shift is also seen in the Norwegian and Brazilian companies whose CSR approaches are increasingly shaped by the changing global trends and the local context in which they operate. For instance, among the Norwegian multinationals operating in Brazil the boundary between implicit and explicit CSR is blurred as they have to adapt to a different institutional environment than they traditionally are accustomed to 'at home'. Likewise, Brazilian multinationals have to adapt their CSR portfolio in accordance with the demands and expectations in the societies where they are present. Needless to say, what is considered the greatest priority and need for companies to address, vary across communities. Thus,

accounting for both localized and globalized influence, the total impact moderates the influence on CSR from institutions in multinationals' country of origin.

I include the new-institutional and neo-liberalistic perspectives in the theoretical framework of the study. These perspectives offer interesting insight as they contradict the very essence of the institutional argument, namely that various national business systems produce diverging approaches to CSR. Instead they claim that multinational companies operating in a global sphere inevitably are forced to coordinate their decision-making based on localized as well as globalized "tastes" or values (Bustamata, 2011). Consequently multinational firms are prone to, and also directly influenced by these local and global forces which on one end causes them to become more homogeneous in their approach to CSR, and on the other end are likely to cause heterogeneity in MNCs CSR approaches. Thus, the implicit-explicit dichotomy put forth by institutional theorists is challenged, as multinational firms operates on a global scale facing other challenges and demands than they do 'at home'.

The purpose of this section is to investigate some global trends that are argued to cause a growing convergence in CSR performance and practices among MNCs, regardless of their national origin. Before I start reviewing the global trends, I find it natural to include a formal definition of the term 'globalization' that is repeatedly used throughout this thesis. Globalization can be defined as *"a process that encompasses the causes, course and consequences of transnational and transcultural integration of human and non-human activities"* (Al-Rodhan, 2006: 5).

### New-institutionalism

Researchers have begun to examine social responsibility from a global perspective (McWilliams et al., 2006). In recent years it has become evident that institutional and business trends are increasingly shaped by 'globalization effects'. Globalization has a profound effect upon national and international rules (Dhanapala, 2001). Accordingly globalization influence norms that govern corporate behaviour. Not only has it brought industries and consumers closer, but also facilitated a resemblance of business philosophies (Tan & Komaran, 2006). It also seem to be a growing harmonization of global CSR beliefs and practices due to globalization, but also due to the effects of the financial crises and the tendency towards more coherently international response to irresponsible corporate behaviour (Tengblad & Ohlsson, 2010) fuelled by a growing number of reports on environmental- and human right abuses in multinational companies.

The global factors argued to influence the perception of CSR among countries have gained increased attention in recent years. Several studies (DiMaggio & Powell, 1983; Nee, 2003) find that external forces coming from an increasingly global environment rather than from the company itself or from national institutions, influences firms to become more homogeneous across borders. This approach is referred to as “the new institutionalism”. DiMaggio & Powell (1983) propose that new institutionalism is produced by a process of *institutional isomorphism*, which captures the process of homogenization, shaped by *coercive*, *mimetic* and *normative* external pressure.

*Coercive isomorphism* stems from political influence and the problem of legitimacy and a combination of formal and informal pressure exerted on organizations by other organizations on which they are dependent (DiMaggio & Powell, 1983: 150). In this context firms can be forced to change their behaviour, either as a direct response to changing government mandate or as a reaction to social pressure. In example, the “Consulative Body for Human Rights and Norwegian Economic Involvement Abroad” (KOMpakt) was established in response to public concerns related to Norwegian enterprises operating in countries with widespread violations. The initiative is located in the department responsible for promoting Norwegian businesses abroad (Gjølberg, 2010) pushing for a more coherent CSR profile among Norwegian MNCs focused on combating human right violations.

*Mimetic isomorphism*, rather than deriving from authority arises from uncertainty. “*When goals are ambiguous, or when the environment creates systematic uncertainty, organizations may model themselves on other organizations*” (DiMaggio & Powell, 1983: 151). Organizations tends to model themselves after similar organizations in their field that they perceive to be more legitimate or successful. Aguilera et al. (2007) suggests that firms have relational motives for engaging in CSR policies, which means that firms undertake particular CSR initiatives in order to enhance their transparency and accountability, and ultimately to be seen as legitimate by their share- and stakeholders in their home and host environment. To illustrate this Fiaschi et al. (2004) uses the example of BRIC countries, and find a high level of imitation among MNCs originating from BRIC countries. As BRIC economies become more global and their business sector more internationalized, scholars have noted the changing attitude of firms, which have undertaken diverse international CSR reporting and principle based initiatives (Fiaschi et al., 2004: 25).

Ultimately, *normative isomorphism*, defines what is considered to be the ‘morally right thing to do’. Normative pressure revolves around the concept of professionalization. DiMaggio & Powell (1983) distinguishes between the following two aspects of professionalization; “*the first rest on formal education and of legitimation in a cognitive base produced by university specialists, whereas the second is the growth and elaboration of professional networks that span organizations and across which new models diffuse rapidly*” (1983: 152). Learning institutions are believed to be a place where ethical and moral reasoning and behaviour are enhanced. Campbell (2007: 14) finds that corporations are likely to act in a socially responsible ways if they operate in an environment where normative calls for such behaviour are to be found in, for example, business school curricula and other educational venues. In recent years CSR has become an integrated part of education in business schools worldwide, indicating that the next generation of corporate leaders are likely to be much more familiar with the concept (Heeney & Gleason, 2008).

### Neo-liberalism and the political role of the firm

In addition to the abovementioned factors, some recent trends in economy and politics needs to be accounted for in order to understand the complexity of processes that may influence how MNCs relates to CSR. The rise of global crisis (e.g. the financial crises and climate change related catastrophes) combined with changing patterns in societal demands on a global scale, transform the role of the enterprise. Following the logic of the neo-liberal argument, the market can provide solutions to any problems seemingly caused by the market in the first place. Thus, any problem economic or otherwise has a market solution (Vallentin, 2012). Neo-liberalism transfer the logic of market to other social domains. In the realm of emerging global crisis such as those mentioned above, higher expectations and demands are placed on multinational companies. According to neo-liberal theorists, corporations adapts a CSR approach that responds to these changing demands both due to strategic reasons as well as to responds to changes in stakeholder demands (Broomhill, 2007).

Discussions of the role of business in society have been motivated by the growing awareness of unfair business behaviour, and an increasing number of social and environmental scandals (Scherer & Palazzo, 2004). It has become clear that many corporations have started to assume social and political responsibilities that stretches beyond legal requirements and fills the regulatory space in global governance. Scherer & Palazzo (2004) refers to this shift as

*politicization of the corporation*. Hence, corporate social responsibility has been placed on an increasingly wider sphere, between the legal regulations and social expectations.

Matten & Moon (2008) finds that the expanding explicit CSR approach can be explained by the fact that organizational practices have evolved and become institutionalized because societal actors perceive them as legitimate. Due to shifting societal demands the corporations have to deal with issues with an explicit involvement in public processes that before were exclusively part of the state's political agenda (Scherer & Palazzo, 2007). This is particularly visible among multinational corporations because they engage in public health, education, social security, and protection of human rights while often operating in countries with failed state agencies (Matten and Crane, 2005).

Finally, Matten & Crane (2005) finds that some companies have begun to operate in the sphere where originally only has been considered the state's responsibility. However, when this occurs it is normally in cases where the state system fails and the society face large social issues. This in turn can explain why CSR among corporations from developing and emerging economies, and to a growing extent multinationals operating in these countries, often take an explicit form, attempting to 'fill the gap' where governments are unable or unwilling to do so.

### 2.3.3 CSR from the industry-level perspective

Traditionally CSR has been argued to revolve around self-governance where companies CSR profiles are influenced by factors such as individual orientation, firm culture and characteristics of the industry in which the firm is involved. In this part of the study I direct the attention towards industry-level characteristics and how they influence on companies approaches to CSR.

I did not find sufficient evidence in the sample that individual drivers or firm culture have significant influence on companies CSR approaches, they are therefore deliberately excluded from the theoretical framework. Instead the study shows that industry-level characteristics are important determinants which needs to be accounted for when explaining the content of corporations CSR portfolio. The oil and gas industries are particularly prone to stakeholder scrutiny and pressure. Although the activities of the studied firms in this research varies, they have in common their relatively large environmental footprints. It follows then that the environmental aspect very likely is incorporated in the companies approach to CSR, and that

the role of industry in the debate on companies CSR approaches becomes an inherent part of this study.

Several theorists address the link between CSR and industry, whereas the industry in which a firm operate is argued to have an effect on that company's existence of, and content of CSR (Etzion, 2007; Ioannou & Serafeim, 2010). An industry-level analysis of CSR examines the idiosyncrasies within industries where companies face additional stakeholder expectations (O'Conner & Shumate, 2012).

Some industries are subject to a greater pressure than others. In example, extractive industries create deeper environmental footprints compared to firms in service sector industries. One can expect that the firstmentioned recieves greater attention from regulatory institutions, and it is therefore likely that these firms have a stronger focus towards environmental concerns and embed environmental issues into their managment strategies (Etizon, 2007). Another example is the clothing industry which have been immensely disputed in recent years due to increased media attention concerning unworthy working conditions and evidence of widespread use of child labour. In addition the clothing industry is a consumer based industry. Firms in industries with greater contact with consumers are more likely to adopt enhanced social standards to avoid 'reputational risk', and to signal to the consumers that they are responsible actors (Etizon, 2007).

The oil and gas industry is one of the most powerful and global business sectors and its activities and products are directly linked with rising greenhouse gas emissions (Hove et al., 2002). Accordingly it is expected that firms operating within this industry implement climate change mitigating strategies in their CSR approach. Nevertheless, evidence shows that one should be careful to assume that companies regardless of their origin and contextual circumstances have an equal understanding of their corporate responsibility. From the perspective of emerging and developing countries, philanthropy is argued to be of primarily importance and highly relevant also to the oil and gas sector (Frynas, 2009). As opposed to countries in Europe, some countries in emerging- and developing regions still consider philanthropic activities as the most important CSR priority, also for companies in the oil and gas industry with substantial environmental hazzards, the social dimension takes precedence over the environmental dimension (Frynas, 2009). Taken the diverse understanding and interpretation of CSR across countries and regions, it follows then that what is considered the main responsibility of the firm primarily depend on the context in which it operate.

Notwithstanding, in recent years it has been observed that multinational companies within the oil and gas industries has become more uniform in regards to their environmental responsibility, and also in respect to the priority of the environmental dimension in relation to the social dimension. Frynas (2009) finds that key concerns connected to the oil and gas industries, such as oil spills and climate change are recently placed higher on the agenda also in companies emerging from countries where the philanthropic aspect originally has been regarded as the most important. Nowadays companies within the oil and gas industries provides extensive environmental reports. Normally their environmental reporting is more extensive compared with other sectors (Frynas, 2009).

Furthermore, Philips (1994) suggests that firms from the same industry share the same, or similar, norms and values, often referred to as the 'industry mindset'. Normally managers in an industry develop a cognitive consensus about what strategies are proper, reasonable and legitimate (Deephouse, 1999). Thus, managers from firms operating in the same industry will often have a common understanding of ethical issues. As the oil and gas industry is considered 'dirty', company managers are particularly preoccupied with the reputation of the firm. To ensure that the 'most appropriate' set of CSR standards are adopted the firms tend to imitate other firms within the industry that have a good reputation.

Finally, Deephouse (1999) finds that firms that strives to pursue a different strategy than its competitors will reap benefits by doing so, as opposed to firms that imitate the strategies of its competitors, which is likely to limit the performance of the firm and increase failure rates. Notwithstanding, it can be risky for a firms to adapt a strategy that is too different from its competitors. The range of 'strategic similarity' in which firms maintain their legitimacy is called *range of acceptability*. Hence, firms that chooses strategies outside this range may challenge its legitimacy, reliability and rationality (Deephouse, 1999: 6). Following the logic of Deephouse (1999) a firm should be balanced between differentiation and conformity. This type of firms are expected to reduce its competition, so its performance is higher. Simultaneously, the firm is not so different that its competitors challenge its legitimacy, so its performance is higher than firms that have low similarity.

### 2.3.4 'Responsible clusters' and CSR

An increasing number of researchers are exploring the relationship between industrial clusters and corporate social responsibility. That is, whether firms belonging to the same industrial clusters are likely to coordinate their CSR activities and practices. A cluster approach to CSR



fosters collaboration between companies which faces similar challenges. Such collaboration gives an opportunity to bring together the core competencies of different businesses to achieve a common goal (Høivik & Shankar, 2010).

Despite the recent attention on clusters and their relationship with CSR, there are few empirical evidence documenting the link. In this study I did however find ample evidence that clusters have an important place in companies CSR approach as the individual firms coordinate their CSR initiatives towards reaching a common goal. In particular the cluster approach to CSR proves to be relevant for small- and medium sized companies facing a uniform stakeholder pressure.

Porter (1989: 31) defines an industrial cluster as; “*a geographically proximate group of interconnected companies and associated institutions in a particular field, linked with communalities and complementarities*”.

Cluster formation among companies operating within the same industry is not new, however it can be argued that the concept of sustainable development which has gained widespread support on the international stage has created new challenges for clusters. Accordingly, it brings new opportunities to reduce the negative effects of industrial development (Bebenek, 2015). Consequently, clusters are cooperating on new areas (e.g CSR) in order to most efficiently respond to stakeholder pressure. Bembenek (2015) refer to clusters which aggregate their social responsibility activities and cooperation as ‘corporate responsibility clusters’. As Zadek et al. (2003) emphasize these clusters offer the potential for linking and scaling up company-level corporate responsibility practices and outcomes, to create a broader impact on competitiveness and sustainable development. The original conception of competitive clustering was provided by Michael Porter, who argue that *responsible* clusters are likely to attract better staff, suppliers, information and insights than their competitors (Zadek, 2003).

Responding to the dynamic socio-economic changes, several recent studies indicates that CSR interest of clusters’ management are increasing. This is particularly the case for mature- and long-term oriented clusters (Bembenek, 2015). The development of a unified CSR strategy of the cluster is formed primarily as a response to close dialogue with stakeholders and their concerns. The promotion of CSR policies and actions at the industrial cluster level can improve the image of the cluster brand, and may therefore be understood as a strategy to achieve competitive advantage within the sector in which they operate (Bembenek, 2015).

Midttun (2005) and Bembenek (2015) finds that industrial clusters strives to achieve sustainable development while simultaneously gain a competitive advantage through developing a unified profile to CSR as a strategy to obtain these goals. Anbumozhi et al. (2013) argues that clusters attempts to promote SD directly through economic development, incomes and well being generated for its work force, and indirectly through their wider impact on the local economy and environmental conservation. Furthermore, Høivik & Shankar (2010) suggests that, applying CSR practices explicitly within the cluster, is not only beneficial to the development of the cluster but also leads to innovation through cooperation and competition among the firms. Ultimately, businesses working together in clusters are likely to achieve social and environmental improvements, which individual businesses working alone cannot (UNIDO, 2006).

Finally, Høivik & Shankar (2010) finds that clusters often are formed on the basis of nationality. In particular firms emerging from the same country and has a stark presence in a specific industry in another country, tend to form clusters in order to increase their level of competitiveness, but also to comply with the expectations and demands put forth by relevant stakeholders in their country of origin. In some countries, the government and civil society organisations directly influence on the nature of MNCs CSR approaches, as they exert uniform pressure, and in detail communicate what type of CSR themes that they expect MNCs to priorities. There are also examples where the government encourage firms to organize in clusters in order for their CSR activities to have a larger impact on development and to align with the development ambitions of the government.

## **2.4 Presentation of the theoretical framework**

The literature review outlined the diversity of factors that influence companies approach to CSR. The table below summarizes the factors in which the analysis is based. Before presenting the framework, I will introduce the included domains while simultaneously clarify the main argumentation of the different perspectives incorporated in the framework.

Based on the literature review and the information collected from the data I have identified seven structural conditions, which influence MNCs approaches to CSR. For the sake of clarity, these conditions are referred to as categories in the theoretical framework. The four first ones derives from the National Business Systems, whereas the last three builds on the influence from globalization forces, industry-specific characteristics and cluster formation.

The first four categories builds on the reasoning of the institutional argument, where the distinctive national legacy is considered to be a relevant antecedent to CSR and a powerful influential factor on companies approach to CSR. In contrast, following the logic of new-institutionalists and neo-liberalists, CSR practices are increasingly defined by global regulation and linked to international guidelines, implying that companies rather than being influenced by the national distinctiveness in their country of origin, are affected by global forces which ultimately triggers a homogenous approach to CSR among MNCs. On the other hand, some theorists emphasize that industry-specific attributes are the strongest influential factor of companies commitment to CSR. Finally, formation of 'responsible cluster' has been suggested to be a significant condition, directly controlling CSR practices and orientation among MNCs.

"Institutional adherents" argue that the cross-national variation in business systems generate different CSR approaches across companies emerging from different countries, but companies 'produced' in the same country will be homogenous in their approach to CSR. In parallel, the "globalist hypothesis" claims that the main determinant of CSR relate to global structural conditions (Gjølberg, 2012) which causes CSR behaviour across companies to converge rather than diverge as they increasingly follow the same set of broadly agreed-upon CSR standards in order to be perceived as legitimate. Similarly, the industry-related argument argue that companies within the same industry are likely to adapt similar CSR approaches as there are certain attributes that becomes crucial to the companies due to peculiarities within the industry. Ultimately, the cluster related perspective build on the assumption that companies that belongs to the same industrial cluster, often but not always formed by firms emerging from the same nationality, are likely to adapt a homogenous approach to CSR.

The first domain in the theoretical framework is, as mentioned, categories. The second domain is factors, which altogether include 12 characteristics within the structural conditions that are considered relevant in influencing CSR in MNCs. The third domain, the measure provides a tool to access the factor.

Following, the fourth domain, CSR approach, describes the expected behaviour of firms in relation to CSR caused by the factors outlined in the framework and their respective score on each factor. Finally, the sixth domain, driver, consist of the expected motivation of firms to adapt a particular approach to CSR. The table below summarizes the theoretical framework.

Table. 2 Theoretical framework

<i>Category</i>	<i>Factor</i>	<i>Measure</i>	<i>CSR approach</i>	<i>Driver</i>
<b>Political system</b>	Level of governmental regulation and effective law enforcement on areas of environmental and social protection	High	High level of implicit CSR	Stakeholder-driven
		Low	Low level of CSR or high level of 'explicit' CSR	Value- or stakeholder-driven
<b>Financial system</b>	Level of institutional embedding of the economy	Strong	Implicit and explicit CSR approach	Stakeholder-driven
		Weak	Explicit CSR approach	Value- or stakeholder driven
	Level of economic equality	Low	Dimension of explicit CSR (to solve social issues)	Value- or stakeholder driven
		High	Dimension of implicit CSR	
<b>Education and labour market system</b>	Union density	High	High standards of implicit and explicit CSR	Value or Stakeholder-driven
		Low	Low standards of CSR	
	Educational-level and access to		High standards of	Stakeholder or

	qualified workforce	High	implicit CSR	performance driven
		Low	High standards of explicit and implicit CSR	Value-or performance driven
<b>Culture system</b>	Level of trust in government	High	Low level of explicit CSR	Value- or stakeholder driven
		Low	High level of explicit CSR	
	Power distance	Low	High level of implicit and explicit CSR	Value-or stakeholder driven
		High	High level of explicit CSR	
<b>Global trends</b>	Level of incorporation of global guidelines (ISO, Global Compact, GRI)	High	'Global' approach to CSR, focusing on selected themes	Stakeholder- or performance driven
		Low	'Localized' approach to CSR, focusing on local CSR issues	Value- or stakeholder driven
	Isomorphism	High	Converging CSR approaches among MNCs	Performance-driven
		Low	Diverging CSR approaches	

<b>Industry</b>	Industries subject to high pressure and scrutiny of government and civil society actors	High	High level of environmental CSR orientation	Stakeholder-driven/ performance driven
<b>Cluster formation</b>	Level of cooperation on CSR related issues	High	Converging CSR approaches	Performance- or stakeholder driven

### 3. Methods

The methodology regards the supporting structure around which my thesis is build and what will guide me to answer the main research question. In this section I will discuss the methodological choices and arguments for the chosen research design. First I will clarify the research aim, followed by a presentation of the research approach and methods used. Second, a description of the data collection process will be given. Ultimately I will elaborate on the limitations of the research as well as the challenges met by the researcher during the research process.

#### 3.1 Research aim

The aim of this study is to investigate the factors influencing corporations approaches to CSR by examine how MNCs respond to the multidimensional pressure of localization, globalization and domestic expectations when implementing CSR. More in detail, I will explore the extent to which national distinctiveness affect corporate decisions among multinational companies.

Mainstream CSR theories concentrate on the managerial and instrumental aspects of CSR, focusing mainly on what CSR causes, rather than what causes CSR (Gjølberg, 2012). This study therefore aim to investigate the various factors which in literature is argued to cause CSR in multinational corporations. Special attention will be given to formal and informal institutions and explore how they impact on corporations CSR approaches, a currently understudied phenomenon in the realm of CSR research.

#### 3.2 Research design

It is common to distinguish between qualitative and quantitative research methods. The main differences between these two methods are the data collection and measurement process. A qualitative approach is focused on answering questions as *how* and *why*, whereas quantitative methods rather address questions as *how many* or *how much* (ACAPS, 2012). Thus, qualitative methods commonly focus on non-numeric data (words), while quantitative data aims to generate numeric data (numbers) (Saunders et al., 2009).

Another expression that explains the nature of qualitative methods is the exploratory characteristics, that is, qualitative research explored meaning, purpose, or reality. On the other end, quantitative research methods attempts to maximize objectivity, replicability and generalizability of findings. Qualitative method is usually described as allowing detailed

exploration of a topic in which information is collected through case studies or interviews (Harwell, 2011).

Another distinction is made between inductive (qualitative) and deductive (quantitative) research. They are however not mutually exclusive. Deductive research starts from the 'top down', from a theory to hypotheses to data to add to or contradict the theory. In contrast, inductive research starts from the 'bottom-up', using the participants' views to build broader themes and generate a theory interconnecting the themes (Creswell & Plano Clark, 2007 cited in Soiferman, 2010). Arguments based on experience or observation are best expressed inductively, while arguments based on laws, rules, or other widely accepted principles are best expressed deductively (Soiferman, 2010: 3). Usually deductive method is used when testing a hypothesis while an inductive approach is used when building theory. In the latter, data is analyzed to see if any patterns emerge that suggest relationship between variables (Gray, 2014).

Unlike quantitative research which is better equipped to quantify the problem, qualitative research is by definition exploratory. It is used to go deeper into the issue of interest and explore nuances related to the problem at hand (Mora, 2010). On behalf of this, I argue that qualitative research methods are more appropriate to use in this study due to the nature of the research question and purpose of the research. The research question in this study is: *"To what extent does nation level institutions influence on the approach to Corporate Social Responsibility (CSR) among Norwegian and Brazilian multinational companies in the oil and gas industries?"*. Since the study object in this research is CSR approach, a complex topic that is subjective to change, it makes little sense to attempt to make strict lasting laws on behalf of it. Moreover, this study intends to gain a deeper understanding about factors influencing corporations' approaches to CSR. Thus, this study is highly context-driven and not equipped to make a wider generalization as it only focused on Norwegian and Brazilian companies.

Furthermore, the study has an inductive as well as a deductive character. There is no defined hypothesis in this research; however, I do suggest that a nation-level institutional difference is a relevant factor that needs to be accounted for. The research is partly made up by a predefined theory, and partly builds on the basis of the empirical findings. The theoretical framework has been revised according to real findings. Thus, this research attempts to test theory as well as enrich existing theory from the empirical data.

Initially the data was collected based on the theoretical framework adapted from Richard Whitley's 'The national business system'. However, it became clear after collecting the data



that exclusively using the institutional theory would be insufficient in explaining the issue at stake. While carefully reviewing the data collected, I detected regularities and patterns that were added to the theoretical framework and complemented by other existing theories. Consequently, the analysis does not rest on one particular theory of CSR; rather it uses different approaches in order to provide a complete understanding of the issue. As a result, I use an integrated framework to study the antecedents of CSR, combining perspectives from new-institutional theory, neo-liberalism and institutional theory.

### **3.3 Methods and data collection**

The initial plan was to investigate Norwegian extracting companies (e.g. oil, gas and mining producing companies) and make a comparison of their CSR standards. However, as it became clear that few of the extractive companies in Brazil are Norwegian companies, I decided to focus on the domain of CSR exploring the factors influencing the corporations CSR approaches. Thus, the sampling process, rather than focusing exclusively on extractive companies, was adjusted as the target population expanded to cover companies that are involved in all activities falling under the definition of oil and gas industries. Consequently, the companies interviewed in this research are involved in diverse activities, including exploration of oil/ seismic activity, engineering, construction of production facilities and subsea construction.

To carry out the study, the Norwegian companies was selected from an updated list provided by the organization Innovation Norway, whereas the local consultancy firm Argentera oil & gas gave me a list with Brazilian companies. To make sure that I would get a large enough sample I attempted to contact all the Norwegian companies on the list, whereas the Brazilian companies was chosen based on their common characteristics as being multinational companies. Furthermore, a purposive sampling was undertaken when selecting the Brazilian companies. This was done to make sure that basic company characteristics such as size, products and activities, were as similar as possible to the Norwegian companies that were selected in order to avoid bias in the results. I also selected four oil producing companies, in order to detect if there were any systematical difference between the way extracting companies commit to CSR in comparison with non-extracting ones.

The data source of the study was semi-structured interviews. When it was not possible to conduct interviews with the companies, secondary data was collected and classified from the selected companies, collected from publications, report and documents, mainly annual, or if

available, sustainability reports as well as CEO letters and statements. In addition, I found it necessary to include other stakeholders holding relevant information regarding the issue. The snowball method was used to identify other relevant stakeholders, as NGOs, governmental and non-governmental organizations and local community represents.

To detect how CSR is perceived among the selected companies, open face-to-face interviews were conducted. In total, 33 interviews was performed, 15 with Norwegian companies, 5 with Brazilian companies, and 13 with other stakeholders. In order to compensate for the relatively low response rate among the Brazilian companies I choice additional 5 companies from the list and carefully revised their CSR profile using corporate documents. I also carried out a similar review for the other companies in order to supplement the findings and to ensure that the communication of CSR on the company's website corresponded with my findings from the interviews.

In addition, a literature review was conducted before, during and after the fieldwork period, and previous research, academic reports, relevant website, government reports and information from statistical agencies was carefully accessed.

### **3.4 Data analysis**

Coding and content analysis are the data analysing methods used in this study. As a first stage to analyse the data collected from the interviews I prepared a word-by-word transcript of the recorded interviews. In the following stage I identified a few key questions from the questionnaire that I consider to be of particular importance to facilitate analysis. Thereafter I began with the first step of the coding process involving re and re-reading of the text while simultaneously preparing categories (Taylor-Powell & Renner, 2003). In addition notes and headings were written in the text in order to identify what information to put in the same category (Elo & Kyngas, 2007). To identify the most relevant information from the data I observed if themes and patterns were visual and I organized these themes as a second type of categories. The process was also partly deductive as some categories were predefined. To facilitate the analysis categories was prepared following the logic of the questions asked in the questionnaire which was designed in accordance with the theory, aiming to derive a certain type of information to test the preset assumption in the research. In order to address the research question, the questionnaire was designed to collect data on companies' CSR practices and priorities.

By CSR priorities I mean the CSR themes that are highlighted by the respondents as being of primary importance in the company's approach to CSR. Categories were added focusing on the themes of CSR emphasized by the respondents. For instance sub-categories of social CSR are poverty alleviation, empowerment and human rights, whereas under-categories of these are directed to the practices of companies, i.e projects aiming to improve the overall welfare and quality of life among the corporations employees and on the work place, health related projects, educational programmes and projects focused on basic needs. In regards to the environmental CSR dimension, sub-categories are climate change, energy related issues and biodiversity. Under-categories of these are reduction of CO<sub>2</sub> emissions, technology and innovation, the use of renewable energy and reforestation projects.

In order to analyse the data from the company websites, reports and documents, a content analysis was carried out. Content analysis is used to interpret meaning from the content of text data and the goal is to provide knowledge and understanding of the phenomenon under study (Hsieh & Shannon, 2005). As the information in companies' documents are vast, the content analysis allowed me to reduce the amount of data and focus on the information that was relevant to the research. I began with pre-developed categories inspired by theory and the information already derived from analysing the data from the interviews as a means to divide the data into smaller content on subjects relevant to the study. The same categories, sub-categories and under-categories was used in order to collect data from the remaining five Brazilian companies' that was not interviewed.

Based on the abovementioned it becomes clear that the data analysis process contains inductive as well as deductive elements. Deductive as it is based on earlier theory and codes was designed before the data analysis was carried out. Inductive as codes were added during the data analysis and the theoretical framework were adjusted according to the empirical findings. New themes were added and used as a background for analysis.

### **3.5 Measuring the concepts**

Before one can turn to analysis it is necessary to review the empirical findings relating to the corporations CSR activities and priorities which together defines the company's CSR approach.

The company approach to CSR was measured on behalf of the predefined variables outlined in table 3.

**Table 3. Variables**

<b>1. The relative focus of explicit compared to implicit CSR focus</b>
<b>2. Focus of particular aspects of CSR relative to other aspects: social, environmental, economic and/or legal, and their relative local or global focus</b>
<b>3. Thematic focus of CSR</b>
<b>4. The number of national and international standards referred to</b>
<b>5. Inclusion of social and environmental performance indicators</b>
<b>6. Performance, stakeholder, or value-driven CSR</b>

The first, as well as the second and third variable in the table is linked to the first and second sub-questions, namely corporations CSR practices and how they perceive their implicit and explicit social responsibility respectively. It examines the thematic content of CSR and priorities of the companies, i.e. if they are locally or globally oriented in their CSR focus and whether some aspect of CSR takes precedents over others. The fourth variable measure the amount of standards the company refer to, including industry-wide, national and international standards. More references to standards may suggest a more profound commitment to CSR and a higher level of transparency. Accordingly, the fifth variable give an indication to the level of transparency in the corporation assessing if they communicate openly around the results of their CSR policy. Although it is outside the scope of this research to address and compare the companies' level of responsibility, the fourth and fifth variables gives ground to compare the Norwegian with the Brazilian companies to observe if a pattern is found. For instance, if Norwegian or Brazilian companies show a stronger dedication towards following international guidelines, and thus appear to be more focused towards pursuing an approach to CSR that is more globally oriented. Ultimately, the sixth variable enables the researcher to answer the third and last sub-question, namely the corporation's motivation(s) to engage in CSR. Companies are to varying degree prone to institutional pressure, thus addressing their motivation to commit to CSR as well as the thematic content of their CSR activities give indication of how relevant and influential each of these institutions are, and the extent to which other factors can be argued to equally, less or more influential.

A semi-structured questionnaire was developed in accordance with the predefined variables. The threhold questionnaire was used to detect the following information; 1) characteristics of

the companies, 2) business practices and priorities, and 3) scope of CSR (company attitude towards CSR, understanding of CSR and drivers of CSR). An overview of the questions can be found in appendix 1. In addition to the questionnaire, information from corporative documents were derived to amplify the empirical information collected in the interviews.

The empirical results enabled me to answer the sub-questions previously outlined, which in turn created a basis to answer the main research question in this study. The findings are discussed in light of the categories presented in the theoretical framework. The *causal* factors of CSR describes the antecedents/preconditions that are expected to influence corporations approaches to CSR. These are both internal (firm- and industry related characteristics) and external (institutional characteristics, as well as global trends). A complete overview of the factors is visual in the theoretical framework.

In the analytical chapter, the factors are treated separately, providing a short overview of the Norwegian as well as the Brazilian institutional characteristics followed by empirical examples collected from the finding chapter, enabling the researcher to support or discard the theoretical arguments put forth.

### **3.6 Research limitations**

There are several reasons why this research calls for careful interpretations of its findings. The limitations outlined below may influence the outcome and cause implications for the overall reliability and validity of the results.

I acknowledge the limitations in both the sampling selection and sampling size. As previously mentioned the research initially intended to focus on CSR among Norwegian MNCs within extractive industries. However as it became clear that the majority of the firms were not directly involved in oil production, the scope of the research was adjusted accordingly. Consequently, I had limited time to establish contact and conduct interviews with Brazilian firms, which influences the validity of the results.

In order to get enough interviews I had no predefined limitation regarding the size of the companies. As previously mentioned the majority of the firms selected are large-sized companies, however small- and medium sized companies are also among the participants, which might have caused implications for the validity of the findings. Needless to say, a large-sized company will have more resources to spend on CSR, and thus may come across as 'more responsible' than a smaller sized company with limited resources. However, I argue that this

factor did not affect the findings, as the main objective of the study was to understand what CSR aspects and themes were in focus, and why. Absolute numbers, as resources spent on CSR activities and actual results from CSR activities were therefore irrelevant to the research.

Another notion that is important to address is the impossibility to identify and establish contact with all the Brazilian and Norwegian companies within the oil and gas industries operating in Brazil. Giving the timeframe and scope of this research it was unattainable to interview all operating companies. I am aware that the sample of 25 companies might be considered small as it may influence the validity of the results, not providing a good representation for the companies operating within the oil and gas industry. However, given the qualitative approach of the research, the objective was not to establish a background to generalize on behalf of the wider population, instead the research has an exploratory character, and I therefore consider conclusions arising from the sample to be valid.

Moreover, I experienced that it was more difficult to get in contact with the companies' respondents during the data collection process. Before arriving at the research location, a considerably higher number of company respondents indicated that they were willing to participate in the research than what was the case when contacting the respondents upon arrival. Furthermore, it was in general more difficult to get in contact with the Brazilian companies in comparison to the Norwegian ones, which is why five additional companies were added to the study based solely on the information derived from their website. Clearly, this may affect the reliability of the findings. Face-to-face interviews may give a better understanding of an issue, which is difficult to uncover by exclusively reading website reports. As an addition, a number of stakeholders holding relevant information of CSR in was interviewed in order to get a more nuanced picture of how the concept have evolved in recent years. I argue that this compensate for the relatively low number of- and purposive sampling of Brazilian company's' respondents as it may give a more general overview of CSR in Brazilian oil and gas companies.

Finally, the respondents in this research varied in terms of their relatively knowledge regarding the company's approach to CSR. A vast number of company respondents, including country managers, head of human resources and/or CSR department and corporate assistants were interviewed. Some of these respondents clearly held more knowledge and were able to explain the corporations CSR approach more in depth compared to others. Thus, quite a lot more information was received from some of the companies, while in the case if others a more

exhaustively review of the company's CSR reports were required in order to obtain the same amount of information. To compensate I included other relevant stakeholders, in order to fill the knowledge gap. I am aware that these stakeholders could not give me the detailed information that company respondents would have, still they brought valuable insight into the general attitude towards CSR in Brazil, and how this has evolved over the last two decades, enabling a more trustworthy and nuanced understanding of the 'whole picture'.

## 4. Empirical Findings

The aim of this chapter is to present the research findings collected during the fieldwork period (February – May 2015). The first paragraph contains general information on the sample and industry related characteristics of the company's. Thereafter the findings is presented, comparing the Norwegian and Brazilian companies based on the information collected from the interviews and statements from respondents and company reports.

In this part of the paper the attention is given to the companies CSR practices and priorities, providing an overview of the thematic focus of their CSR engagement and their effort to address economic, social and environmental issues. I will not give an in-depth description of all the CSR practices of the companies. In the initial chapters an insight is given to the CSR standards and practices the corporations themselves consider being most important and relevant given their approach to CSR. I also include quotes from the interviewees and from the reports to support my arguments. Thereafter, I give an insight into the motivational factors that drives CSR, and refer to connections and links with the findings. In the last section of the chapter, a summarization of the companies CSR content (priorities, themes and practices) is given in a table form.

Following, the analysis and discussion is focused on the cross-regional differences and similarities found among the companies, which is discussed according to the theoretical framework and the different factors suggested to cause these differences and similarities. I will refer to relevant literature and findings to underpin my argumentation.

### 4.1 Background information

Out of the 15 Norwegian companies interviewed in this study, their size varies from micro enterprises to large-sized companies. However, the majority are large-sized companies that have significantly increased their operations during the last five years. Eleven (74%) fall within the categorization of large-sized companies with more than 250 employees. Whereas two of the companies (13%) are identified as medium-sized companies with more than 100 employees, two companies (13%) are small-sized companies with less than 50 employees. All the companies are established in Rio de Janeiro, while the majority of their production activities are based in the state of Rio, which has the largest volume of oil extraction activities.

Among the Brazilian companies, eight (80%) are classified as large-sized companies, whereas the remaining two (20%) are medium-sized companies. The majority of the companies (70%)



have their operations concentrated to the state of Rio. Only three of the companies (30%) have activities going on outside Rio, more particularly in and outside the state of Sao Paulo. All of the companies are multinational companies, with operations in one or more countries outside Brazil.

Although all the companies in the study are connected to the oil sector, only one of the Norwegian and four of the Brazilian companies are oil-producing companies. The other companies are involved in a range of activities within the oil & gas supply chain, including deliverance of assistant, services and equipment to extracting companies. A complete overview of the activities can be seen in table 3. Taken their different nature of operations, as well as their variation in size and level of recognition in the society (brand name) it is reasonable to expect that the companies engage in different CSR activities. Some of the companies are involved in more hazardous activities and are therefore subject to higher scrutiny and surveillance from stakeholders, some are larger and have more resources to spend on CSR. In conclusion, companies are likely to target CSR activities that are linked to the activities they engage in, they size and their level of recognition. Therefore, in addition to make distinction between the companies activities based on their nationalities I will in the following sections examine if any pattern can be detected in relation to the different nature of the companies.

Table 3. Overview company activities

Activities
Extraction of oil
Petroleum geo-services and seismic activities
Maritime support to oil platforms
Building of vessels to subsea operations
Safety management
Technological support
Propulsion equipment
HVAC solutions
Underwater engineering
Offshore logistic support
Well, rig and drilling services
Refining

## 4.2 CSR practices and themes

### 4.2.1 Legal dimension

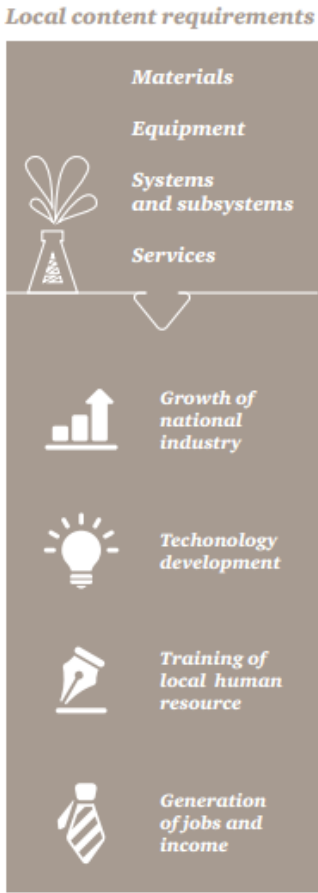
Business operations bring with them a legal responsibility to comply with the established laws in the country of operation. Brazil has undergone various reforms of its institutional environment since the end of the military regime in 1985 (Almeida et al., 2011). The national legal context is extensive and control companies behaviour in areas related to economic, social and environmental development. In this section, I will mention the most relevant organisations and regulations for companies operating in the oil and gas sector. I will elaborate on the function of these organizations/regulations, but not give in-depth descriptions of the activities that the companies are enforced to engage in, as they are compulsory and obliged by law and are therefore not regarded as CSR.

Although some of the firms explicitly expressed their commitment to the law, the majority of the firms (92%) consistently argued that they do not consider law obedience to fall within the definition of CSR. Accordingly, none of the companies had explicit information of law compliance in their reports, indicating that when CSR is discussed in the companies it exclusively relates to the explicit dimension of CSR. Still, several of the respondents expressed that law compliance is not seen as unrelated to CSR, as the activities that are obliged by law also contribute to local development on areas as local employment and economic growth.

The respondents in this research repeatedly mentioned IBAMA (Brazilian institute of environment and natural resources) and ANP (National agency of oil and gas) as the most relevant institutions when asked about the legal regulation within the oil and gas industries in Brazil. IBAMA is the Brazilian environment protection agency responsible for the execution of, regulation, and control of the environmental policy in the country, which ultimately give the companies license to operate. When companies carry out environmental projects that are statutory (implicit CSR activities), the companies cooperate with IBAMA on these projects.

In addition to the environmental regulation, there are also laws connected to workers right and labour market regulation. The regulation underwent considerable changes in 1988, when a new constitution was enacted. The objective of the laws is to increase the workers welfare and protection and is outlined in laws aiming to increase union autonomy, diversity (non-discrimination) and minimum wages (Paes de Barros & Corseuil, 2001).

The law that touches upon CSR related topics, which are mostly mentioned among the company respondents, is the ‘local content requirements’.



The local content policy draws on a number of requirements aiming to foster a strong and sustainable local supply chain. The Program supports the law for the Mobilization of the National Industry of Oil and Natural Gas (PROMINP), led by Petrobras and the National Development Bank (BINDES). The figure to the left indicate the four areas which the companies are required to generate a certain percentage of local content, namely: generation of jobs and income, training of local human resources, technology development and growth of national industry.

Although the overwhelming majority of the companies define law compliance to lay outside the boundaries of CSR, two company respondents mentioned that the strict local content could affect companies’ availability or willingness to engage in voluntary CSR activities. *“Abnormally strict requirements could be seen as a reason for companies not to take on a stronger social responsibility as they are directly contributing to development through the compliance of local content requirements”*, Roxar Emerson,

(Norway). *“The voluntary space is small in Brazil due to such high requirements”*, SeteBrasil (Brazil).

**4.2.2 Economic dimension**

During the course of my research, I found that there is a common line of thinking among companies in terms of the contribution to economic development. The economic dimension of CSR is the one least emphasised among both the Brazilian and the Norwegian companies when talking about their CSR activities, in relative terms the company respondents expressed that they primarily associate CSR with social and environmental policies and standards implemented by the firm. Nevertheless, the economic CSR dimension is considered to be of relevance and of core significance in terms of facilitating local development in Brazil. Economic contribution is in many ways regarded as an essential factor although it is the least emphasised in relation to CSR, as it contributes to strengthen and build local industry and create local employment. Economic responsibility is the ‘building block’ on which everything

else relies, and contains topics that affect the 'survival' of the company. Therefore, it can be concluded that economic responsibility is a prerequisite of CSR as well as integrated to the concept of CSR although it is commonly not what is primarily associated with the concept or definition of corporate social responsibility.

Economic transparency and anti-corruption are argued to be prevalent for both the Brazilian and the Norwegian companies. All the companies place anti-corruption high on their CSR agenda, whereas eight Brazilian firms (80%) and nine Norwegian firms (60%) mentioned economic transparency as a CSR theme. The two topics are closely related and regarded as bottom-line business issue, which can be seen in relation to the long tradition and continuous problem of corruption within both the private and public sector in Brazil. Transparency International finds that Brazil has a relatively high level of corruption, placing Brazil as 69<sup>th</sup> of the world in 2014, where 1<sup>st</sup> place is rated as the least corrupt, and 174<sup>th</sup> place as the most (Transparency International, 2014). All the companies argued that they have 'codes of conduct' aiming to detect possible economic abuse or theft. In addition eight (80%) of the Brazilian and nine (60%) of the Norwegian companies stated that they are signatories to the 'whistleblowers campaign', which defines a number of laws aiming to protect people (employees or other stakeholders) that are willing to come forth if they suspect or reveal theft. Corruption was repeatedly mentioned as the most challenging problem and main bottleneck of doing business in Brazil and therefore placed high on the company CSR agenda.

Although anti-corruption was emphasised as a core theme in both groups, 11 of the Norwegian companies (73%) also included value-chain development as a related theme in regards to anti-corruption. The respondents claimed that they actively encourage transparency and more generally, sustainable development in their supply chain. The focus on value-chain development closely relates to the issues of reputational risk, whereas companies that is associated with or cooperates with a company, which is, revealed as corrupt risk to damage its reputation. Relatively few of the Brazilian companies (40%) showed a similar focus on value-chain development.

*"A core value is to fight corruption and conduct or business in a fair and transparent manner...it requires all suppliers, contractors, and joint venture partners", Farstad (Norway). "The nature of our industry, the vast sums of money involved in our business transactions and the markets in which we operate mean that we are exposed to a high risk of fraud and bribery. We analyse all*

our business units for corruption risk, as part of our Business Risk Management Process”, BG Group (Brazil).

### 4.2.3 Social dimension

#### 4.2.3.1 Employees’ relations

Ensuring a good and fair working environment is a subject that is highly recognized by all the companies. Within the topic of employees’ relations, the following six topics were identified; safety, freedom of labour union, salary- and pension benefits, training and education and anti-discrimination.

All the companies placed employee safety as a number one priority when they report on CSR. The high focus on safety is linked to the characteristics of the oil & gas industries of being particularly prone to serious accidents considering the business activities. I therefore consider it logic that this topic appeared so high up on the CSR agenda.

Furthermore, all the companies interviewed in this research state that they comply with all national laws on areas as health & security, wages and insurance policies. The governmental regulation is well developed within oil & gas and sea-fares. In addition to standards that are obliged by law, all the companies mentioned that they give safety related courses to the employees on a regular basis.

In Brazil, both the public health- and educational system is considered to be in very poor condition and are areas where private sector support is much requested. Nine of the Norwegian companies (60%) mentioned that they pay a salary higher than average and that all the employees are given private health insurance for themselves and their family. Four companies (27%) also added that they have beneficial pension systems for all their employees. *“We offer our staff some extra benefits, including private health care and higher wages, we carry the Norwegian flag and we believe that this is required of us, but we also do it because we believe it is the right thing to do. We care for our employees and we want people to feel appreciated”*, Solstad (Norway). In comparison, among the Brazilian companies interviewed, four (40%) indicated that they offer similar benefits to their employees. It should however be noted that information regarding the remaining five companies on this area is lacking since I could not find any specific information of this on their websites.

In addition, all companies emphasised that they have robust training program for the employees and that they are preoccupied with developing and improving the qualifications of

their workforce. The focus on training is closely related to the characteristics of the oil and gas industry being highly technical and lack high technically qualified work force in Brazil, which is considered a significant constraint on company's performance. *"A necessary condition to ensure high company performance is to improve the competence of our workforce. Building human capital will have significant impact on the future of Brazil; currently the lack of social capital is a substantial constraint to sustainable development"*, SeteBrasil (Brazil). *"One of the biggest challenges for us as a company, which I believe we are good at, is training and educating our staff. In Brazil we use a lot of resources on training our workforce"*, Farstad (Norway).

As noted, the high focus on training and education is linked to the characteristics of the oil and gas industries, being a highly technical industry. Different types of courses, with various length and objective were mentioned in the company reports. To give some examples; a few companies, four Norwegian (27%), and two Brazilian (20%), explicitly stated that the programmes were initiated as a combination to improve the capacity of the workforce for the sake of the long-term company performance, as well as a direct mean to offer the employees opportunity to 'grow' in the company, linked to career development. Thus, their courses are systematically organized to improve the capacity of the worker aiming to educate the employees within the company. The exact length of the courses varies, and in some cases, the employees' are given a certification/ diploma in the end of the course. In general, companies offered training courses with much variety, some emphasised that their training courses are long-term technological courses (mechanics, electro), and others are short-term (maximum a month) safety courses. In total, 14 of the Norwegian companies (93%) mentioned that they gave English and computer courses to their administrative staff. This type of courses were much less emphasised among the Brazilian companies, where four (40%) indicated that they gave similar courses.

Finally, the findings show that guidelines for multinational enterprises play an important role within the area of employees' relations. All companies argue that they follow at least one International regulatory system. Among the mentioned ones are ISO 26000, Global Reporting Initiative and UN Global Compact.

#### **4.2.3.2 Community relations**

The scope of this section is not to make an inventory of all the activities initiated by the companies, rather I aim to provide a picture of the mainstream CSR involvement of the companies as well as their primary focus and objective of their activities, based on their different company characteristics and nature.

When looking in detail at the various activities the companies carry out in practice one can make clear distinction between large-sized oil producing companies, in particular companies with an associated brand name, such as the Norwegian company Statoil and Brazilian Petrobras, in relation to companies with a lower environmental impact. Taking the projects initiated by these companies one can observe that they are a lot more encompassing in relation to the projects implemented by small- and or medium sized companies as well as other large-sized companies that are not involved in oil extraction.

In relative terms, the large oil producing companies involve more CSR themes into their total CSR engagement, they are more extensive i.e. include a wider number of people (and communities), and the companies themselves are usually the ones planning and carrying out the projects (independently or in cooperation with local NGOs or authorities). In regards to the non-producing companies, their CSR activities are more oriented towards a few selected themes and the companies themselves are to a lesser degree involved in the execution of the project. Instead, their contribution is often linked to sponsor- or partnership cooperating with NGOs and/or other companies. In this section, I will first discuss the activities of the oil producers and thereafter the activities of the remaining companies.

The sample consists of five oil-extracting companies (20%). Their CSR activities commonly follows a certain pattern in terms of the selection of the activities, target population and implementation process. Initially, the companies focus on the primary stakeholders, thereafter the companies initiate projects that are aimed to benefit the communities more generally.

Oil production is an immensely disputed activity, and increasingly so taking its rapid increase as well as the growing awareness on the negative externalities associated with the industry. The impact from oil exploring and extracting operations on fisher communities is widely documented. Economic losses among hunters, anglers and farmers are detected, and sometimes entire communities are influenced through the re-organization of infrastructure and socioeconomic changes taking place in the society. In addition, the environmental

consequences are many and severe. Needless to say, the total impact is tremendous, and so are the demands on companies to compensate the communities.

I found that the extracting companies carry out an extensive study before planning their CSR projects in order to identify the stakeholders that are likely to be directly impacted by their operations. Thereafter much of their CSR resources and projects are aimed to compensate the negative impact caused by the company. *“It is important for us to work together with the communities, to ensure a good and transparent relationship. The impact of our activities are sometimes very significant and therefore the relationship with the community is very intense”*, Quieros Galvao (Brazil). *“Our activities and their impact of communities require a lot of face-to-face communication. It is of primary importance to ensure that the communities are informed and feel that their rights are not being violated”* (Carla Vicente, Statoil).

In secondary terms, their CSR projects are targeted more broadly to benefit marginalized groups in society, focused on empowerment and capacity building through a participatory approach. To give an example, one project focus on the women in the fishermen value chain in the community of Capo Frio, two hours north of Rio de Janeiro. Many of the women working with the preparation (peeling and cleaning) of fish and shrimps are not recognized as formal workers, and do therefore not receive the same rights as formal workers have. There are several conditions putting these women at risk, for instance of losing their income, they have no pension rights and are not included in the social security system. The social project aim to incorporate the women into the formal labour market and empower the women through initiating educational programmes aimed at increasing their knowledge regarding their rights. *“A significant barrier to development in Brazil is the lack of knowledge among impoverished groups in the society. Empowering people and make them realize and claim their rights is very relevant and are therefore a core priority in our CSR engagement”*, Statoil (Norway).

In addition, one of the companies initiates projects focusing on crosscut issues, such as gender and empowerment and children and adolescents rights and improved sanitation and construction projects. I also found that the projects are spread throughout the entire country, and not necessarily bound to the local communities in which the company production take place. A wide range of projects are also implemented in the regions that are not directly affected by the oil and gas activities, which indicate that the larger oil-producing companies assume a deeper political role, also carrying out development projects in the localities that are not directly linked to their production. *“Our social projects are focused on capacity building and*



*we aim to reach a broad audience...many of our projects go through a public selection process, any locality and/or organization can send an application to receive support for their projects. We also initiate projects ourselves in a many different areas of Brazil”, Petrobras (Brazil).*

Moreover, the company respondents were eager to document that their projects are facilitated through a bottom-up process, where the participants themselves are the ones implementing the projects. In this way, people in the communities themselves learn how to maintain the project also as the companies may withdraw from the communities. *“Creating ownership to the project by empowering people and make them participants in their own development is important, if we fail to do so we will continue on the same trajectory creating a dependency relationship which is unfortunate as it reproduce the problems of the past”, Quieros Galvao (Brazil).*

In continuation, the small, medium and large-sized companies that are not involved in oil extraction makes up the remaining 20 companies (80%). In general, these companies focused on a few selected CSR themes. Among the topics highlights are health and sanitation, and culture and sport. In addition, there is an overwhelmingly focus on education. *“Education is of crucial importance and should be the centre of all social program implementation. There is a huge and significant gap in Brazil which creates a wider gap between the poor and rich – very few can afford to send their children to private schools and the public schools are of low quality and generally in very bad conditions”, Innovation Norway. “Education is one of the most critical topics in Brazil. In regards to the Brazilian companies CSR projects, a clear selective focus on education can be seen – In fact it is considered the most important theme in order to generate sustainable development in Brazil”, SeteBrasi (Brazil).*

To give an example, all the Norwegian companies interviewed are partners in two projects, whereas one (DLW) is initiated by a few Norwegian companies in partnership with the Norwegian government. The two projects, *Karanba* and *Dream, learn, work (DLW)*, aim to deliver education and work training for children and youth. The social entrepreneur and previous Norwegian football player, Tommy Nilsen, with the ambitious goal of ‘changing children’s lives’ through sport and education, founded *Karanba* in 2006. Approximately 700 children in the age of 6-20 years are currently benefitting from the project. DLW was founded in 2006, aiming to provide disadvantage youth from 17-25 years with educational opportunities while simultaneously meeting a business need. The overall goal of the organisation is to give youth from less developed areas opportunities through education and employment and is

currently supporting 300 children. DLW is motivated by the lack of equal opportunities among children and youth growing up in Rio de Janeiro and the surroundings. The project is mainly providing courses associated with the oil and gas, seafare and shipping industry, such as technical and security courses. There is however an ongoing shift in the model now, as they want to open for a more variety of courses aiming to reach a broader target group.

As emphasised, education is a key theme also within the Brazilian companies CSR approaches. Although the focus on education is prevailing, two minor differences can be observed across the Norwegian and Brazilian companies, as opposed to the Norwegian companies educational programmes, the majority of the Brazilian companies argued that the programmes are focused on more areas, including a broader spectre of people with different ages and different types of courses. For instance, cooking, sewing and education related to health issues and aimed to prevent drug abuse and teenage pregnancies. Second, although a certain self-interest is present in both groups of companies, in general I found a deeper strategic approach to the educational focus of the Norwegian companies. In total 11 companies (73%) explicitly stated that their choice to focus on education are partly linked to fulfilling a business need, looking for future employees in their educational projects. In comparison, three of the Brazilian companies (30%) mentioned a similar strategy.

In addition, the Brazilian companies generally paid more attention to the issues that are not directly incorporated into the 'strategic link' of their business activities, such as art and culture. Health-related projects were also repeatedly mentioned among the Brazilian respondents. In contrast, it seems like the Norwegian companies have joined forces to focus their community related CSR activities into education- and the combination of education and sport.

#### 4.2.4 Environmental dimension

Traditionally Brazilian companies have been primarily focused on addressing social needs; less attention has been given to the environmental dimension of CSR. Reducing social inequality has been identified as Brazil's number one development challenge, which has largely driven the CSR initiatives of firms. Nowadays, more attention is directed towards the environmental aspect of CSR. More and more companies place environmental related issues high on their CSR agenda.

During the last decade a significant change has taken place in the 'Brazilian approach' to CSR, whereas the gradually transition from philanthropy to sustainability represent a landmark in Brazilian CSR traditions. The environmental dimension of CSR are currently receiving more attention and the majority of the companies studied in this research are involved in one or more voluntary environmental conservation projects. In addition, they are all signatory to at least two international voluntary guidelines that govern the company's environmental practices. Most frequently repeated is ISO 26000 and GRI.

Brazilian companies initiates and supports a diversity of environmental projects, whereas the majority of the projects are focused on locally oriented issues. In general, the environmental themes that are granted most concern relates to challenges that are high up on the political agenda in Brazil, such as biodiversity protection, reforestation and water usage. In example, I found that seven of the companies (70%) are involved in a planting and reforestation projects and initiatives aiming to recover and conserve water sources and underwater ecosystems.

Furthermore, the respondents indicated that many resources are spent on education aiming to increase their employees' knowledge regarding environmental issues, and training on areas as adequate waste management and responsible use of scarce resources such as water and energy. Moreover, six of the companies (60%) are involved in projects cooperating with local NGOs, promoting educational activities, for instance the organization of workshops and training programmes aiming to support restoration and conservation of nature, e.g. replanting projects combined with garbage and recycling initiatives in urbanized areas.

Although the environmental projects primary focused on addressing local challenges, five of the companies (50%), also included themes with a global dimension. Most frequently mentioned was climate change and energy related issues. This may indicate that Brazilian companies are becoming more globally oriented in their outlook. It should however be noted that the focus on these issues varied between the companies as less than half of the companies included them, in addition four of the five represent the group of oil producing companies which by nature has a more profound responsibility to address these issues. *"Climate change is a cross-cut issue and is integrated across our business. We believe that enhancing our performance in this area is critical to our business value and long term sustainability...we aim to increase energy efficiency by minimising our environmental impacts, including reducing greenhouse gas emissions"*, BG Group (Brazil). *"We are committed to understand the effects of our activity on climate conditions and take measures to mitigate them. Our strategy focus on*

*energy efficiency initiatives, operational improvements and research and development of new technologies”, Petrobras (Brazil).*

Norwegian companies and then specifically large multinational corporations are argued to dedicate much of their CSR effort towards solving interconnected environmental issues with global reach, not only those related to their operations but also large-scale global challenges. Some Norwegian companies has a reputation of being sustainability frontrunners (Ditlev-Simonsen et al., 2015) as they dedicate many resources on innovation and technological development aiming to address crosscut environmental problems.

Reviewing the corporations reporting on CSR on their websites, as well as considering the interviewees response on their main CSR activities, my general impression is that CSR among Norwegian companies primarily is associated with environmental responsibility and the voluntary contributions of the companies aiming to address global challenges, particularly climate change and energy related issues. All the Norwegian companies except one pointed first to their environmental management programmes to demonstrate their commitment to CSR. A few themes came across as essential, namely, development of clean energy, technology and innovation and significant reduction of CO<sub>2</sub> emissions and effort to facilitate international laws on the area. *“We address environmental impact through our products and services by being at the forefront of technological developments”, Aker Solutions (Norway).* *“We aim to be recognised as the most carbon efficient oil and gas producer...we are continuously striving to improve our technological advancement. We are investing in offshore wind and carbon capture and storage and continue to pioneer research and implementation within this area”, Statoil (Norway).*

Furthermore, I found that the Norwegian companies are dedicated to a rule-based CSR approach to enhance environmental responsibility among other companies. The respondents from the Norwegian companies expressed that they are eager to place global environmental challenges high up on the international agenda. Several of the companies stated that they work closely with peer-companies, governments and civil society organisations to facilitate global policies and a regulatory framework on CSR. Accordingly, all companies are signatory to a minimum of three international standards guiding their environmental performance.

## Sub-conclusion

Companies rarely rate their CSR priorities and it is therefore difficult to find reliable information regarding the dimension and themes of CSR they define as high priority as they do not explicitly define this themselves. Nevertheless, the data collected gave insight into the relative attention given to each of the CSR dimensions, as well as the CSR activities emphasized and claimed to be of significance in shaping the companies CSR approaches.

In relative terms the social activities of CSR are the more emphasised compared to the economic or environmental aspects among the Brazilian interviewees. Yet, two themes falling under the economic CSR dimension were repeatedly highlighted as important, namely anti-corruption and transparency. In regards to environmental CSR, this dimension has been given more attention within the last few years. The social dimension of CSR is broadly discussed among the company represent, and in company reports. Despite some recent changes, the social CSR aspect still appear to be the most highly prioritised part of the corporative CSR portfolio. In contrast, among the Norwegian companies the environmental dimension appears to be more prominent than the social.

I further found that the implicit aspect of CSR is conventional in both groups of companies. The company respondents emphasised that they consider compliance with law as a given, and that they do not consider it to be a part of actual CSR practice. Accordingly, the study shows that the companies are committed to the explicit aspect of CSR, as all the companies are involved in voluntary CSR projects. However, the logic behind their explicit commitment, as will be discussed more in depth in the next chapter seem to differ.

In addition, the findings indicate that the philanthropic tradition of CSR among Brazilian firms is gradually replaced by a stronger focus towards sustainability and includes 'globally oriented' themes. At least in some of the Brazilian companies their CSR approaches seem to account for both local and global stakeholder demands, which indicate that CSR has moved towards a combination of peripheral and localized set of initiatives where sustainability has been the leading flag.

### 4.3 Incusion of social and environmental performance indicators

To measure the performance from CSR investment has become increasingly important. In general, the number of companies that measure their environmental performance has significantly grown over the last decade. Measuring and accessing the complete impact of a social initiative on the other hand is no easy task, in a global context the current reporting on these activities are weak. Clearly, both are important as they contribute to make the company more transparent on the result of their CSR policies; simultaneously the complete impact on development from CSR investment remains unknown if there are no clear indications on the total impact of such investments.

All of the Norwegian companies indicated that they measure their environmental footprints on the following areas: CO<sub>2</sub> emissions, water use and energy use. In comparison, all the five Brazilian companies interviewed stated that they have clear figures on their CO<sub>2</sub> emissions. Simultaneously, among the remaining five companies I could find information of the corporations CO<sub>2</sub> emissions in three of the cases, but I lack the data in regards to the water and energy usage, thus it remains unknown whether or not the corporations do measure their usage on these two areas.

In regards to their social investment, only one of the Norwegian companies stated that they have clear figures on the number of people that have been impacted, directly and indirectly, from their social programmes, using SROI (Social Return on Investment) and they have recently started to measure their monetary return from investment, using a 'value-for-money' analysis. Among the remaining companies, seven of the companies (46%) mentioned that they are in the planning phase, or in the beginning phase of implementing SROI or similar indicators developed by the World Bank.

Furthermore, some of the respondents also emphasised that being able to document their CSR behaviour is a high priority, as stakeholders are likely to become more demanding, simultaneously it enables the company to use its resources more efficiently. *"I believe that CSR is now at a crossroad. Measuring the complete financial and social impact from investment is of crucial importance, and will be even more so in the years to come as the internal and external pressure to appear as responsible actors will increase"*, Statoil (Norway).

In addition, the organization Dream, Learn, Work, which receives a large amount of the companies total resources on social investment projects use quantitative indicators to measure

the impact from their project, such as school enrolment, continuous school attendance and the number of graduates finding paid employment. *“We have seen improved results after we started to measure the success from our investment, more than anything it has made us aware on the weaknesses of our social initiatives, and what we can do to become better. It became clear to us that a large amount of our students quit the education programmes in the starting phase, or half way through. Knowing that this is the case, we have managed to ensure that the students are followed up more closely. In the start we had about 40% apostasies, now we have 10%”* (Dream, Learn, Work).

Among the Brazilian companies, two of them stated that they currently use SROI to measure their social investment. However, similar to the Norwegian companies they do not yet measure their monetary return from investment. *“We use specific indicators to access the efficiency of our projects, such as school attendance, increase in income, access to labour market and increase of enrolment of children in school”,* Petrobras (Brazil). Moreover, one of the remaining companies stated that they have attempted to include different indicators, but that they are not in a fully mature stage with the use of these indicators. In regards to the other two companies interviewed, they indicated that they do not have any knowledge regarding the companies’ use of indicators to measure their social investment. Neither could I find any information in the companies’ documents among the five remaining companies regarding their use of indicators.

#### **4.4 Drivers of CSR**

In order to disclose what drives the companies to implement CSR, the company representatives were asked about the primary motivation to commit to CSR. Reviewing reports and CEO statements detected how companies include the various drivers in their corporate profile.

According to Maignon & Ralston (2002), principles followed by corporations to motivate their CSR involvement can be coded into three distinctive set of drivers, namely; value-driven, performance-driven and stakeholder-driven.

Accounting for the interview respondents answers, in general they had difficulties selecting one driver that are more prominent than others are. The majority of the interviewees representing both the Norwegian and Brazilian, stated that the motivation is a combination of value-driven CSR, with an extensive idea of ‘giving back to society’, stakeholder-driven,

emphasising that they aim to ‘show to their stakeholders that they are responsible actors’. Finally, the performance-driven factor is highlighted aswell by several of the respondents.

Obviously focusing only on the respondents answers could lead me to draw hasty conclusions, as their statments could have been influenced by their own personal opinions and understanding of the issue. In addition, it was difficult to select one factor that appeared to more pivoetal and took precedence over others. Therefore, the figure below, illustrating the corporations’ primar CSR driver, is based on information collected from the company’s documents, mainly from sustianbility- and annual reports or from CEO letters.

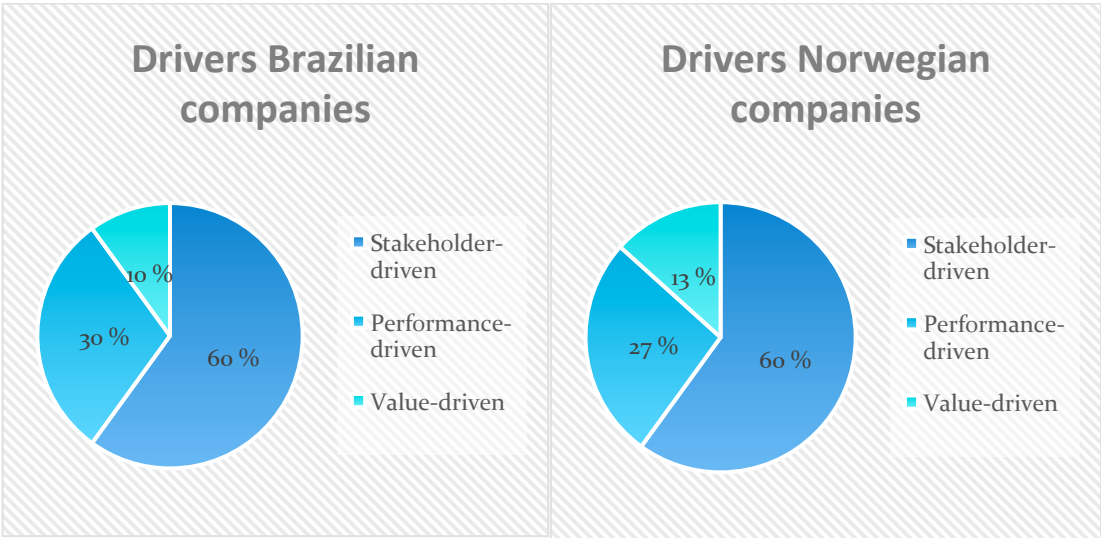


Figure 3 and 4. Drivers of CSR in Brazilian and Norwegian companies

As will be discussed below there is a close connection between the drivers of CSR and the type of activities initiated by the companies as well as the overall scope of companies CSR engagement, which in the case of the Norwegian firms but even more so for the Brazilian ones, seem to have changed over the last decade. In general, it seems like the increasingly diverse stakeholder pressure in combination with the companies growing focus on stakeholder demands strongly influence on corporations CSR orientation.

As can be seen from the table above the majority of Brazilian as well as Norwegian companies argue that they are primarily stakeholder-driven and emphasize a stable and strong relationship with stakeholders at the core of their motivation. Documenting the shift in CSR orientation that has been observed in Brazil, only one of the Brazilian companies indicated that they are primarily value-driven, supporting the argumentation that Brazilian firms are less oriented towards the philanthropic or charitable CSR orientation now than in the past.



Instead, they increasingly adapt CSR approaches, which are in line with the wider stakeholder demands. The findings support the argumentation of Fiachi et al. (2014) who claim that Brazilian firms are making effort to align with the environmental, social and governance (ESG) global norms of doing business in order to adapt to stakeholder expectations and achieve full legitimacy on the international arena. Yet, when accounting for their CSR activities as outlined in the previous sections, their CSR effort is primarily oriented towards solving local issues.

One can argue that in the case of the Brazilian firms, it has been a transition from the value-driven approach in the past, where companies CSR engagement primarily was connected with charity characterised by piecemeal interventions, towards a more targeted CSR profile, which is primarily oriented to address stakeholder needs. That is not to say that the value-driven perspective has vanished, the Brazilian company respondents as well as statements from company reports still convey their focus on 'doing the right thing', and as argued by Handy (2002), give back to society in which they rely on.

Nevertheless, what becomes clear when looking at their CSR activities is their primary focus on prioritizing the stakeholders that are mostly affected by their operations and their growing focus on 'sustainability' in their projects, targeting specific stakeholder groups. In addition they appear to be more oriented towards the viability and quality of the projects, which imply a step back from the somewhat casual charity-related CSR effort from the past.

Similar to companies operating in countries with a 'non-philanthropic tradition', there are some tendencies in the Brazilian firms, which suggest that they are moving away from the orientation of 'improving the whole Brazilian society'. Instead, they are taking a less ambitious stance whereas businesses are not responsible for the wellbeing of the whole society but only for their stakeholders, which initially relates to the ones directly affected by their operations. *"Our responsibility is to map the potential negative impact and mitigate it, while simultaneously potentiate the positive opportunities and make sure our total impact is positive and exceeds the negative"*, Petrobras (Brazil). Considering the totality of the Brazilian companies CSR projects they systematically target the groups they affect directly and focus on the marginalized people, without aiming to benefit the entire Brazilian society. Still, the CSR profile of Brazilian compared to their Norwegian counterparts, seem to be oriented towards a wider spectre of activities, and to reach a broader audience.

Similar to the Brazilian companies the Norwegian ones rank stakeholder concerns as the main driver to engage themselves in CSR. Just as their Brazilian counterparts, they focus their CSR

approach towards issues that are emphasized as important in a few international organisations such as the EU, the UN and the World Bank, documented by their strong focus on following international guidelines. Their consistent dedication towards these issues, as will be described in depth in the next chapter, derives from the political pressure they face from 'home' as well as the pressure to be perceived as legitimate on the international arena. Similar to Brazilian firms their socially oriented CSR activities are primarily orientated to address local stakeholder needs, but in contrast the projects are focused on a very few selected themes. When accounting for their environmental contribution however, they keep an overwhelmingly 'global focus', aiming to address large-scale issues. This is also evident when revising their mission and values which consistently referred to environmental sustainability and resolved around keywords as; *sustainable development*, *sustainability matters* and *environmental consciousness*. Taking their somewhat intense stakeholder pressure from home their CSR engagement is also inevitable linked to a certain set of CSR activities aiming to contribute to solve global issues as well as reconciling their orientation to fit local expectations. For instance, their CSR effort dedicated to innovation and technology, while simultaneously joining forces to address specific locally oriented CSR topics as low level of education.

The performance-driven approach is the second most important driver among the Brazilian as well as the Norwegian companies. The strategic CSR dimension was particularly emphasised in relation to the educational projects initiated by the firms, addressing stakeholder demands and performance oriented concerns simultaneously. *"There are great opportunities that coexist with dedicating resources, particularly to education due to the lack of qualified labour, by helping to solve these issues, it will benefit us in the future"*, Sete Brasil (Brazil). *"In my impression the Norwegian CSR model in Brazil is at least partly business driven and strategic in the sense that it aims to solve a company need"*, Dream, Learn, Work (Norway).

Accordingly, I found that the Norwegian companies focus towards innovation and technology in their effort to solve global issues are motivated by a combination of stakeholder expectations and strategic orientation. *"There is a strong consensus among the companies that technological innovation, cleaner energy, energy saving measures and other related CSR efforts creates advantages for the firms as it generate economic as well as reputational benefits for the companies"*, Innovation Norway. *"There are obvious business opportunities by promoting energy efficiency and technological advances"*, Statoil (Norway). In line with the argumentation of Porter & Kramer (2006) documenting the win-win outcome of CSR, the Norwegian companies

use much of their CSR resources to find innovative solutions to environmental problems. Several of the companies' respondents argued that the company aim to reduce cost and achieve economic benefits, for instance through energy saving measures, while simultaneously improve the reputation of the firm among its stakeholders.

Moreover, I suggest that the Norwegian companies' dedication to locally oriented CSR issues is motivated by the attempt to satisfy local stakeholder expectations. Addressing local stakeholder needs is of primarily importance to the firms, and perhaps even more critical than responding to the expectations 'at home' or on the international arena. *"It is important to show that you have a long-term perspective, that you aim to achieve more than earning money, you need to show that you are a responsible actor that sincerely care about the society, otherwise you risk to damage the relationship with the local actors that are vital for the company's survival"* Kongsberg Group (Norway).

In conclusion, both stakeholder and performance related links have a central role in corporate decision-making on CSR practices and engagement. Well in line with theoretical argument of Fiachi et al. (2015) and Filatotchev & Stahl (2015), companies strive to adapt and balance their CSR policies aiming to generate benefits for the company whilst simultaneously adapting their CSR profile according to their stakeholders' expectations. Nonetheless, as will become clear in the following chapter, the relative strength of influence from the different stakeholders on corporations CSR approach vary and are tied to distinctive nation-level institutional characteristics, company 'nature', as well as dynamic change in the global landscape in which multinationals operates.

#### **4.5 Summarization of the companies CSR commitment**

The table below provides an overview of the CSR practices and priorities implemented by the companies in regards to the variables earlier introduced. The topics incorporated in the matrix derives from the data collected, both considering the information from the company respondents and the company reports. The columns marked in blue represent the oil producing companies.

Table 5. Overview variables and topics covered (CSR approach)

Variable	Topic	Brazilian companies										Norwegian companies															
		1	2	3	4	5	6	7	8	9	10	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
CSR definition	Explicit	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	
	Implicit				x												x										
CSR priority	Economic																										
	Social	x	x	x	x	x	x			x														x			
	Environmental								x	x		x	x	x		x	x	x	x	x	x	x		x	x	x	x
Themes/projects related to economic CSR	Anti-corruption	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	
	Transparency	x	x	x	x			x	x	x	x	x			x	x		x	x	x			x		x		x
	Value-chain sustainability							x	x	x	x				x	x		x	x	x			x	x	x	x	x
Social CSR topics	Education	x	x	x	x	x	x		x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	
	Health			x	x			x	x	x	x								x								x
	Participation	x	x	x	x			x	x	x	x								x								x
	Empowerment		x	x	x			x	x	x	x															x	x
	Sport			x	x		x		x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
	Culture		x	x	x	x		x	x	x	x																x
Human resources (employees' relation)	Safety	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	
	Training/education	x	x	x		x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	
	Salary							x	x	x	x				x	x	x	x		x	x	x		x	x		x



## 5. Empirical Analysis and Discussion

In this chapter, I will discuss the empirical findings. The focus of analysis and discussion is given to the cross-regional differences and similarities found among Brazilian and Norwegian companies, as well as to the different factors shaping them. The previous chapter gave an overview of the companies' CSR priorities and practices. Based on the findings, the similarities and differences will be discussed more in detail, linking them to the categories in the theoretical framework. A description of the Brazilian and Norwegian institutional background will be given, followed by a discussion of the significance of these institutions and other internal and external factors, as influential for corporations' approaches to CSR.

### 5.1 The political and financial system

Several characteristics in the Norwegian and Brazilian political and financial systems are argued to cause cross-national variation in companies CSR approaches. In addition, a few contextual characteristics are proven to be of significant importance when discussing companies' CSR approaches. Thus, the financial-political systems and the socioeconomic context in which the firms operate will be discussed simultaneously in this paragraph. I have chosen to incorporate the political and financial system into one category, as they tend to overlap and produce conditions in the society that is hard to define as generated exclusively by the political or the financial system. Rather it is a combination of the two systems causing the preconditions argued to influence corporate decisions.

In many ways one can argue that Norway and Brazil represent two extremes. Their political and financial institutions and socioeconomic contexts are fundamentally diverse. Before describing the various conditions however, I will briefly discuss and compare their legal frameworks, which in theory produces a positive climate for CSR among both Brazilian and Norwegian firms.

Well-developed laws on areas such as environmental and social protection characterize the Norwegian legal system. There is strict control of corporate practices in a number of areas and many of the implicit CSR activities are mandated by law, e.g. health and safety for workers, mandatory training for skilled jobs, hours of work, corruption, HSE etc. (Gjølberg, 2012). Consequently, much of what falls under the CSR umbrella in other countries already falls under Norwegian legislation (Dietlev-Simonsen et al., 2015). Thus, by following the same laws as they do 'at home', multinationals already fulfil some CSR requirements when operating

abroad. The majority of the respondents stated that most of the decisions on CSR among the Norwegian companies in Brazil is headquarter-driven and that they follow the same regulations when they operate abroad as they do in Norway. The respondents also argued that they give additional attention to these issues when they operate in countries with a 'fragile' reputation considered to have insufficient laws including environmental protection and workers' rights. Naturally, in regards to the CSR aspect, which includes community relations the companies' CSR, regulations are tailored to the local context, demands and needs.

Similar in Brazil, the national legal context is extensive and companies are subject to strict governmental regulations. As outlined in the previous chapter the legislation imposes economic policies and control over activities, enforcing companies to implement sound social and environmental practices. Particularly in recent years, regulation is significantly sharpened on areas of environmental protection and laws aiming to maximize private corporations' contribution to economic growth. In example, the local content requirements explained in the previous chapter shows that the government is increasingly taking measure to implement regulation aiming to foster growth and development, well in line with the argument of Tilakasiri et al. (2011) who argue that governments in countries facing social problems are trying to involve the private sector in the country's development process. Sharpened environmental and social regulation is relatively recent implemented in Brazil and have enforced perceptible changes in Brazilian companies' practices. In comparison to Norway, much of CSR in Brazil is now enforced by law and subject to strict regulation.

Following the logic of institutional theorists (Gjølberg, 2012; Campbell, 2007; Whitley, 2003), companies 'produced' in countries with strict regulatory framework are likely to implement high social and environmental standards in order to comply with the law as well as to achieve license to operate and legitimacy. Brazil and Norway are both countries with strict environmental and social regulations. Evidence prove that law compliance is commonplace and conventional among all the companies in this study. The implicit dimension of CSR is instinctively a part of their CSR approaches, but the companies themselves do consider compliance with law to lay outside the boundaries of what can be called corporate responsibility. Therefore, when discussing CSR among the Brazilian and Norwegian companies they all refer to the explicit dimension of CSR; beyond compliance. The findings imply that the relative high HSE standards in Norwegian and Brazilian companies is a result of their strict

legal contexts on these areas and are a direct result of the BS characteristics in the two countries, whereas the financial-political institutional characteristics enforce companies to implement high CSR standards. In regards to the Norwegian companies, the interviewees argued that the extensive legal framework is something they adapt to all their operations abroad; in addition to follow the national laws in the countries where they are present. 11 of the companies argued that this is partly something they do because they consider high HSE standards as a core value of the company, in addition to significant 'home country pressure' to adapt the same practices abroad as they do at home.

Despite the similarities in the Brazilian and Norwegian legal systems, there are a few significant differences in Norwegian and Brazilian economic-political institutions and in the socioeconomic context in which the firms operate that produces various preconditions, and shape companies CSR approaches accordingly.

As most of what is considered CSR activities falls under the law, when CSR is discussed in Norway it primary relates to companies operating abroad. The Norwegian government promotes a selective agenda focusing on nondomestic issues (Midttun et al., 2014). Thus, the Norwegian approach to CSR remains decidedly global, and even explicitly non-domestic in its orientation (Gjølberg, 2010). When operating abroad the companies are expected to solve emerging global issues such as poverty, human rights and environmental degradation. It can therefore be concluded that the Norwegian companies' take a step further in regards to their CSR orientation when operating in Brazil. In addition to adapting the same working conditions and environmental standards they are obliged to adapt when operating in Norway, all of the companies, to various extent, assume a political role in Brazil, as they directly engage in activities that aim to facilitate local development.

The few selected CSR topics prioritised by the Norwegian companies' reflects the relative position of the Norwegian state as an active actor with strong influence on Norwegian MNCs. In contrast to Brazil where dominant private actors control most companies, the government play a key role in the Norwegian economy; it is a central player and one of the biggest investors in Norwegian firms. Consequently, the state is influential and in certain cases, it has direct negotiating power in multinational companies. More importantly, the government is inherently a primarily stakeholder as it has direct ownership in many of the companies.



The economic positioning of the Norwegian government also unfolds on the political arena and is directly incorporated in the government's political role. The government sees MNCs as a necessary partner in achieving important foreign policy goals and increasingly seeks to promote its position as a 'responsible state' to brand Norway as a "humanitarian superpower" (Gjølberg, 2010). There seem to be a close link between public and private CSR policies, whereas the state uses its position as a strategic shareholder in several of the large MNCs to ensure that company's CSR policies reflects positively upon Norway's international image (Welle-Strand & Vlaicu, 2013). Taking the CSR priorities of the Norwegian companies, this study shows that they are closely linked with the ones emphasised by the Norwegian government.

The findings indicate that certain CSR themes highlighted on the governments' agenda, namely human rights, energy and climate change are a top priority in the companies CSR approaches. *"We are determined to meet the ever-growing energy demands of our customers in an environmentally responsible way"* (Scana industries). *"Respect for human rights is a central element in our sustainability strategy"* (Statoil). Taking the common priorities of the government and the companies, and the respective role of the government, strongly embedded in the national economy, I support the theoretical argument of Gjølberg (2012) who finds that domestic economic-political institutions are highly relevant despite the inevitable influence from changing global forces.

On the other hand, national institutions do not develop in a vacuum; they are directly influenced by changes in global infrastructure. I found that the CSR ambitions of the Norwegian government are shaped by the priorities put forth on the international arena. The study shows that the development themes highlighted on the Norwegian agenda are similar to those emphasized by several of the international organizations. As the Norwegian companies seeks to align their CSR agenda with the global development aspirations, the multidimensional stakeholder pressure faced by the Norwegian companies are somewhat consistent. Regularity is found between the guidelines developed by international organizations, such as the UN, EU and ILO and the critical development themes emphasized by the Norwegian government. Accordingly, the government explicitly state that they expect the companies to *"acquaint with the Guidelines, and follow them in the operations"* (Stortinget White Paper, 2009: 27). Thus, following the guidelines of these organisations inevitably means to comply with many of the

demands of their home country government. Especially in regards to their environmental CSR priorities, it seem like they are focused systematically towards domestic and global CSR aspirations.

Although the legal framework in Brazil is relatively strict and well-defined, lacking law enforcement mechanisms combined with cultural traits characterized by long traditions of political corruption has hampered development in the past. Even dough the economic growth in Brazil has been significant the last two decades, issues as poverty and social inequality is still prevalent in all layers of the society. As a result, there is much room for NGOs and corporations to contribute to deliver basic welfare needs where the government fail to do so. Consequently, in Brazilian firms the focus of CSR is still primarily related towards solving internal economic, social and environmental problems, and thus, 'fill the gap' left open by the government. The contextual reality is therefore an important precondition when explaining the CSR practices and priorities of the Brazilian companies'.

In contrast to the Norwegian firms, the Brazilian ones have a long tradition of assuming a *developmental* role when operating 'at home'. In Norway however, the socioeconomic context marked by strong welfare state traditions have lowered the companies' incentives to assume a similar role in Norway. As shown the Norwegian companies' CSR approaches commonly resolve around specific themes, which is considered globally acute and high up on the agenda of the Norwegian government.

As argued in literature, corporations are not neutral to global pressure. Still, when companies implement CSR practices they still seem to be primarily dedicated to solve issues present on the local arena in which they operate. Although a number of 'global themes' are mentioned among the Brazilian interviewees, as well as highlighted in their reports, I found that the Brazilian firms largely focus on themes directly related to solve social development issues internally and that these themes, despite the relatively recent interest for globally oriented themes, are the ones prioritised. I found no evidence to claim that their relative emphasise on internal issues has faded, instead the recent focus among some of the companies to include CSR themes with a global orientation is an extensiveness of the CSR codes rather than a replacement of the original ones with a higher number of sub-categories falling under social and environmental CSR.

In conclusion, I find that the different economic-political environment as well as the socioeconomic context linked to the NBS in the companies countries of origin has caused different expectations and attitudes towards the concept of CSR; compared to their Brazilian counterparts, the Norwegian firms hold a stronger believe in the state as being an actor in development. In Brazil, the long history of socioeconomic inequality and societal problems has led to general mistrust in the government as a developmental actor while simultaneously generated a stronger belief in corporations and other civil society actors to solve these issues.

Despite the distinctive structural conditions and the various financial-political systems in the companies' countries of origin, these structures have produced a positive climate for explicit CSR in both Norwegian and Brazilian firms. The relatively high commitment to CSR in Brazil is a consequence of context, characterized by social inequality and poverty, which at least partly can be linked to the financial-political BS and the changes thereof. In addition, the companies are forced to adapt relatively high CSR standards due to the inherent features of the political system, where strengthened social and environmental regulations oblige companies to adapt high standards.

Among the Norwegian multinationals the political pressure from home combined with long welfare traditions where sound social and environmental standards have become inherent to the companies 'codes of conduct' also when companies operate abroad. Due to the relatively strict Norwegian regulation, the companies' choice to adapt these codes to their operations abroad inevitable causes them to assume an explicit approach to CSR in many of the countries where they are present. However, as this study has shown it seems like origin is not alone a decisive factor in their CSR orientation. As earlier noted, when implementing community-related CSR projects these are directly tailored to the local context in which the companies' operate. It can thus be concluded that origin and locality both are influential for the companies' CSR orientation. In addition, the government's CSR aspirations are at least partly influenced by the 'global CSR agenda', thus, one can argue that the companies' CSR orientation is, influenced by local, domestic and global factors simultaneously.

## 5.2 The education and labour market system

Similar to the political and financial system, there is significant variation between the Norwegian and Brazilian education and labour market systems. According to theory (Gjølberg, 2010; Campbell, 2007) robust civil society and high density of union activity is argued to generate high standards of implicit as well as explicit CSR. Education is also considered an essential factor, and companies are likely to involve themselves in education and training, both to benefit themselves but also as stakeholders demands them to, in countries where the access to and quality of education, and thus, access to highly qualified workforce is low.

Traditionally Brazilian trade unions have been heavily controlled by the state and autonomous bargaining has been rare (Thomas, 1999). A positive development however is the tendency towards stronger coalitions with NGOs, rooted among vulnerable informal workers, and professional research centres, whereas trade unions cooperate closely with universities and research institutions, contributing to establish an innovative strategy, which appears to have a strong impact (Thomas, 1999). The most important trade unions have recently developed a more coherent focus, which reflects their core priorities. The promotion of economic growth with social inclusion is nowadays considered a main priority among many of the unions.

As the findings show, 'union freedom' is placed high on the company agenda in the Brazilian companies. All the respondents argued that a relatively high number of their employees are unionised. As documented, the labour standards are found to be highly focused in the Brazilian firms. All the companies voluntarily bind themselves to one or more international standard to ensure 'fair' labour conditions on areas as employees' safety, salaries and work hours. The strong tendency of union activity among the companies' employees implies that union density may be an influential factor that has caused the commitment to high labour standards in the Brazilian companies. Two of the respondents told that the company management repeatedly has been in negotiations with the unions during the last couple of years and that the labour conditions have improved in the aftermath of the negotiations. In Brazil, the emergence of unions and their increasingly coordinated focus towards valorisation of labour provides support to the argumentation of Ionnou & Serefeim (2012) who find that unions directly influence on company's likelihood of implementing high labour standards. Particularly in countries where unions stand strong and has influential bargaining power, which according to literature and the company respondents themselves is the case in Brazil. *"Nowadays, the unions are increasingly putting pressure on the companies to improve the labour*

*standards, considering the labour standards now compared to less than ten years ago, significant changes has occurred, to the benefit of the ‘average worker’” (Quieros Galvao, Brazil).*

Furthermore, much attention has been given to CSR in Brazil from the side of civil society organizations. The foundation of the not-for-profit organization Ethos (Ethos institute for business and social society), in 1998 represented a landmark in Brazilian CSR and has played a leading role in the Brazilian CSR effort (Young, 2004). Ethos institute has been successful in placing both social and environmental responsible business management on the agenda. This development indicates that civil society activity indeed is influential for CSR and by determining what CSR themes that should be emphasised among companies. Ethos has proven to have a significant influence on the approach to CSR among Brazilian firms. The organization has set the CSR agenda, provided guidelines and training in CSR to local businesses and been successful in encouraging businesses to follow their standards. Many of the companies (70%) mentioned that they closely follow Ethos, and pay close attention to the advices provided by the organizations as well as participate on the workshops and meetings organized by the organization.

In contrast to Brazil, where unions only recently has become to gain a more ample role, the Norwegian social democratic model is known to have a stable ‘balance of power’ with long traditions of active labour unions and civil society organizations. Labour rights was formalised in a basic agreement called “Hovedavtalen” in 1935. The agreement is characterized by features as high degree of worker union affiliation, coordinated bargaining at several levels and extensive worker representation, providing employees with strong protection in areas as health and security, and decision making power (Assampcao et al., 2008: 20). Consequently, Norwegian corporations are often seen as arenas of negotiation, participation and where power sharing is valued (Dietlev-Simonsen et al., 2015). The respondents emphasized that the companies are strongly committed to ensure good working conditions for their employees. As shown, most of the company respondents argued that their working standards are higher than average. Similar to the Brazilian companies they argued that they follow several institutional standards ensuring sound working policies. In addition, the company respondents were eager to convey that the company implements standards beyond compliance, providing extra benefits i.e. relatively high salaries and unique pension benefits. The latter correspond with the expectations, among not only labour unions, but also other civil society organizations as well

as political actors in Norway, demanding that the Norwegian companies are in the forefront in terms of exercising social responsibility.

Moreover, in Brazil, basic education is universally provided. In addition, Brazil has an extensive private market that offers educational services (Assumpcao et al., 2008). However, a minority can afford to access the private education system. Most children attend public primary and secondary school, but great concern is expressed in relation to the high rates of 'drop-outs' and the disparity in the quality of education across rural and non-rural population (Sandoval, 2012). Brazil's educational system does not suffer severely from a lack of funding, but more so from a mismanagement of resources, whereas two-third of all students are functionally illiterate by the time their graduate (Sandoval, 2012). Improved quality of primary and secondary education combined with greater access to higher education is suggested solutions in order to promote further economic and social development.

As this study shows, companies operating in countries with low educated and lack of qualified workforce trigger them to devote resources on education and training. In Brazil, the lack of access to and quality of education is considered a significant barrier to development. Well in line with the theoretical arguments of McWilliams & Siegel, (2001) I find sufficient evidence to claim that education is a key determinant factor influencing companies approach to CSR. The imbalance between the demand of educated workforce in the oil and gas industries, and the access to it causes companies' to prioritise this particular theme in their CSR portfolio. Both the Brazilian and the Norwegian firm represents' pointed to education as the focal point of their social CSR investment both linked to their employees' and to the wider community. Thus, in regards to the education system, it is the features of the system itself, being of low quality, as well as the contextual conditions linked to it, causing a low access to qualified workforce, which influences the companies to prioritise education. The companies initiate offer education and training programmes both as a strategic link to improve the capacity of their work force and as community related projects, trying to facilitate local development.

### **5.3 The culture system**

Taken the culture system in Norway and Brazil a few outstanding differences are observed, in particular on the area of power distance, tradition of hierarchy, and governmental trust. Both countries do however, show traces of cultural convergence on one area; the principle of solidarity appears to be strong in both cultures. In Brazil, the charitable culture is reflected in the role of the richer segment of the society, including corporations, assuming a parental role

of the weaker groups in the society. In Norway, the culture of solidarity unfolds as a custom and unwritten rule where equality and respect stands strong, whereas corporations as well as the government are expected to live by these rules.

The tradition of societal cohesion is strong in Norway. Accordingly, accountability and transparency play important roles, and the corruption level is low. In contrast, there are persistent problems of corruption, clientelism and the 'unrule of law' in the Brazilian society (Helmke & Levitsky, 2006). Despite the relatively well-defined legal framework, there seem to be a significant gap between the law and the actual enforcement of it, which has led to a general mistrust in the state (Grise, 2007). Consequently, Norwegians compared to Brazilians generally shows a stronger faith in unions, labour organizations, political parties, and the state itself. Well in line with literature (Gjølberg, 2012; Whitley, 2003) this study shows that their cultural differences influence on the way the companies themselves understand the role of CSR in the greater social context. More in detail, the expectation of and the faith in CSR to generate development seem to differ between the Norwegian and Brazilian companies.

In general, the respondents from the Norwegian companies have a more pessimistic view in regards to the potential of corporations to solve development issues. When discussed in Norwegian firms, CSR is argued to be an addition rather than a replacement of governmental action. The Norwegian companies do not see CSR as a viable or sufficient alternative to state regulation; *"The potential of corporations to promote development will always be limited. The companies contribution to development is complimentary, rather than a replacment of governmental initiatives"*. On the contrary, some of the Brazilian interviewees gave the impression that they believed that CSR had the potential to solve profound development issues. *"Taken the power and resources companies possesses, I believe that the potential impact they can have on development can be enourmeus"*.

Moreover, in Brazil social inequality is common, and has been a descriptive characteristic of the Brazilian society for centuries. It is somewhat expected and accepted that the ones with power have more benefits in the society than the less powerful. On the contrary, in Norway the tolerance towards socioeconomic inequality is low (Argandoña & Høivik, 2009) and Norway is classified as one of the most equal countries in the world in terms of income equality.

According to literature (Ghemaway & Reiche, 2011; Ioannou & Serefeim, 2012) a low power distance culture is less comfortable with differences in organizational rank or social class and

is characterized by more participation in decision-making. The 'power asymmetry' is visible in all layers of the Brazilian society, on the workplace, between the poor- the working- and the higher classes of the society and in relation to access to health and education. Yet, the findings show that the Brazilian companies offer good working conditions and benefits to all of their employees, and all companies' state that they are dedicated to minimize discrimination on the workplace. There are however no information regarding the selection process and the employment procedures. In literature, the culture of hierarchy on the workplace is argued to be present in many Brazilian firms. Nonetheless, I found no evidence to either support or discard this argument. According to Assumpcao et al. (2008), in the Norwegian cultural traditions work-place hierarchy is proven remarkably low. The close relationship between employees and management seem to be a continuation of a typical Norwegian attitude, where equality and fairness is embedded in the culture of the corporation (Dietlev-Simonsen, 2015). Although it is hard to detect if this actually is the case 'on ground', I found some evidence to underpin this argument. In regards to the Norwegian company respondents, some of them claimed that one of the most prominent cultural differences between Norwegian and companies is the lack of hierarchic positioning in Norwegian companies compared to Brazilian ones. Particularly the Norwegian company respondents with Brazilian origin expressed their astonishment over the different positioning. *"I was amazed by the strong social cohesion in the company when I first came to work here. The management has taken a decisive choice to emphasise the values of all workers and treat everyone with the same respect". "Norwegian companies are in general different from the Brazilian ones in many respects. We are truly like a family...although we are a large company we have strong traditions of cohesion were all employees are equally treated and valued"*.

In conclusion, there are significant cultural contradictions in Norway and Brazil, which is also reflected in the companies' core values, but also in the way, companies and the society in general perceive CSR. Because of the high level of social and economic inequality in Brazil the expectations of corporations to assume a developmental role is high. Opposable in Norway, solving social challenges is primary seen a task of the state. However, when Norwegian companies operate in countries where large-scale social issues are prevalent, the corporations are exposed to a high home-country civil-society and governmental pressure to contribute to solve issues.



Following the logic of Waldeman et al. (2006), explicit CSR initiatives in high power distance societies as Brazil are likely to be higher than in low distance societies as Norway. All factors taken into account, this study does not find any evidence to claim that the Brazilian companies are doing more than the Norwegian ones in terms of their voluntary CSR action. I suggest that the somewhat similar traditions in both societies, solidarity in Norway and philanthropy in Brazil, rather cause the Norwegian as well as the Brazilian corporations to be likely to involve explicit activities as a part of their CSR portfolio.

## 5.4 Global trends

The changes in global infrastructure is claimed to have a significant and growing impact on MNCs. This study shows a significant influence of global CSR factors on the CSR priorities and practices among both Brazilian and Norwegian companies. A few specific changes in the CSR model among some of the Brazilian companies' underpin this argument. Findings reveal that a few Brazilian companies have recently aligned their CSR effort with international CSR standards. Accordingly, the Norwegian companies, as shown, strive to balance the multidimensional expectations from both local and global stakeholders, as well as from their government and civil society 'at home'.

Fiaschi et al. (2004) found that Brazilian companies are rapidly becoming internationalized and increasingly outsourcing their operations worldwide, assuming the role as multinational companies. Clearly, the role of the companies in a global society has had implications for their CSR approach, as they have to respond to a wider and often more diverse stakeholder demand than they are used to. Although the majority of the Brazilian companies in this study has been carrying out operations abroad in decades findings show that the commitment to voluntary international guidelines is quite recent i.e. the last 5-10 years. As the companies increasingly commit to voluntary guidelines as ISO, GRI and Global Compact, they simultaneously adapt topics that are considered important internationally and thereby extend their CSR portfolio to include more issues. For instance, the increased attention to environmental issues that are prioritized on the global CSR agenda indicate that the Brazilian as well as the Norwegian companies, are assuming a stronger commitment to align their CSR profiles with the ones promoted by international institutions.

Furthermore, the study shows that a gradual transition from philanthropic CSR traditions to sustainability is emerging in Brazil. It should however be noted that external forces alone has not triggered this transition, rather I suggest that it is caused by a combination of internal and

external factors. As mentioned in the previous section, civil society organizations as well as sharpened domestic regulations, in addition to global pressure have enforced Brazilian firms to adapt higher social and environmental standards, and affected company CSR decisions accordingly.

Traditionally CSR has been a western concept and Norway, being a western country, has as argued been a supporter of a rule-based CSR approach, where the majority of their CSR practices at home is required by law. Their commitment to several of the international guidelines indicates that the global infrastructure indeed has been influential in setting their CSR approach. One should however be careful to assume that global forces alone have been the leading factor behind this development. Instead I argue that their “institutional advantage”, that is, the strict social and environmental legislation they already are subject to in Norway overlap with the regulation and standards of the international guidelines. Therefore, in contrast to their Brazilian counterparts, the Norwegian companies normally follow the guidelines without undertaking any significant extra effort to do so. Simultaneously, western actors, that is, international institutions in cooperation with western governments, including the Norwegian one, primarily draw up the international guidelines of CSR. In addition to submitting to the standards, the Norwegian companies in corporation with the government have been promoters of these standards, and largely shaped their content. Thus, the guidelines heavily build on themes that are considered critical from the ‘western point of view’ aligning with the CSR agenda of the Norwegian government and the companies themselves.

Despite some dissimilar priorities in terms of CSR themes I found that the Brazilian and Norwegian companies’ actual CSR practices are similar, implying that mimetic isomorphism is indeed a reality among multinational companies operating within the same industry, in addition to the positive climate for CSR caused by the NBS and contextual characteristics. As argued by DiMaggio & Powell (1983) firms imitate other firms they consider successful. I found evidence of mimetic isomorphism both among the Brazilian and Norwegian firms. Several of the interviewees indicated that the companies look to how their competitors perceived and implemented CSR. *“I consider the Norwegian companies here in Brazil to be responsible, we learn a lot from them and we compare our CSR activities with their activities”* (Petrobras, Brazil). *“Many of our CSR projects are similar to the ones previously implemented by Brazilian companies that have been successful, clearly by operating in a context unknown to us, we have very little knowledge in regards to what ‘works’, and to avoid implementing projects that are*

*dysfunctional we look to companies that have a longer experience in Brazil” (Aker Solutions, Norway).*

Finally, the use of ‘carrots and sticks’ to motivate responsible behaviour among companies are increasingly used in Brazil. In example, the stock exchange in Brazil rewards the companies that are able to prove a high commitment to CSR. In Brazil, the Sao Paulo stock exchange requires that listed companies apply a report or explain approach to corporate responsibility (Baron, 2014). Using these types of mechanisms to encourage CSR in corporations are well known in countries as the US and the UK, finding example of similar initiatives in Brazil therefore imply that a global trend is spreading across borders and influence corporations in new ways.

## 5.5 Industry

The companies in this study, operating within industries characterized by large environmental footprints, are subject to strict regulations and audience scrutiny. Nevertheless, as already discussed, the firms are involved in rather different activities and some causes a higher level of environmental damage and social impact than others do. Thus, they are faced with different challenges in regards to CSR. A few Brazilian companies, namely the ones involved in oil production differed from the non-producing companies. Likewise, the Norwegian oil producing company bear more similarities with the Brazilian oil producing companies than with its Norwegian counterparts. Similarly, I found that the non-producing Brazilian and Norwegian companies prioritize the same CSR themes when discussing their community related projects, indicating that homogenous CSR approaches primarily are linked to industry and local stakeholder pressure, rather than national distinctiveness when accounting for the ‘community-related’ dimension of CSR. In contrast to the argument of institutional theory, the companies’ homogenous approach also seems to be formed across companies independent of their national origin.

Not surprisingly, I found that large oil-producing companies that are subject to high stakeholder pressure and under surveillance from civil society actors and media sacrifice more resources on CSR. Two of the oil producing companies in the study is particularly vulnerable to external pressure related to their size and name. Statoil and Petrobras are companies that are highly recognized in the oil and gas sector. The findings document that in relative terms these two companies implement the largest number of CSR projects, and are the ones that come closest to assume a political role; they have a close dialogue with the communities, targeting a

broad audience and initiate a wide spectre of projects. Both companies are frontrunners in CSR, that is, they actively attempt to shape and lead the CSR agenda in order to satisfy their stakeholders and avoid reputational risk. One can therefore conclude that responsibility grows in line with the company size as well as the level of company hazardousness.

In addition, the findings indicate that companies' choice to assume a political role is not necessarily tied to changes in global infrastructure, at least not solely. I suggest that large companies, which are closely tied to the local communities due to the nature of their operations, are likely to be subject to a higher pressure and enforced to assume such a role.

Accordingly, the non-oil producing companies are characterized by their homogenous approach, focusing on education, implying that company nature as well as local context is key determinants, influencing corporations CSR approaches. Specially in regards to the social CSR dimension it seem like the significant influence from industry and local stakeholder demands weakens the institutional argument, whereas variables as size, brand-name and company nature seem to be more influential than country-level institutions. On the other hand it should be noted that both Petrobras and Statoil are partly state-owned corporations, in such a context the company's reputation becomes even more important as any negative association with the companies may damage the reputation of the states simultaneously. The states positioning in the companies also enables them to exert influence of corporate decisions related to CSR. Thus, one can argue that in the case of these two companies, the state is an inevitable and inherent influential factor.

In addition to environmental and social CSR issues, ethical and economic related CSR issues closely linked to the oil and gas industries, namely anti-corruption and transparency, were repeated consistently among the majority of the companies. I found that companies in the oil and gas supply chain, and then particularly when they operate in a country with long and well-known traditions of corruption, are prone to stakeholder pressure expecting companies to address these concerns. As previously discussed, several of oil and gas companies in Brazil were recently involved in one of the most serious and comprehensive corruption scandal in the country's history. Clearly, this event influenced all the oil and gas companies operating in Brazil. The study shows that the majority of the companies place these issues high on the CSR agenda, implying that the scope of the scandal have triggered the company's strong emphasis of the issues.

## 5.6 Cluster formation

According to literature (Midttun, 2015; Høivik & Shankar, 2010) there is an emergence of 'responsibility clusters' in the business culture whereas firms, particularly when they operate in a unfamiliar context join forces and cooperate in order to broaden the impact of their CSR activities. Among the Norwegian companies present in Brazil I observe a converging CSR behaviour, not only do the companies imitate each other's CSR practices, they seem to have taken a decisive choice to form a unified profile on CSR. *"There is uniqueness in the way that the Norwegian have chosen to 'do businesses in Brazil which separates them from other nationalities"*, Innovation Norway.

This study finds that the cluster culture among the Norwegian firms operating in Brazil is strong and directly influential of the individual companies approach to CSR. In particular, I find that the small- and medium sized Norwegian companies have organized themselves around a unified approach to CSR. These companies are subject to a uniform stakeholder pressure, combining their CSR activities may therefore make them better equipped to respond to the pressure. This strategy may generate a win-win situation; expanding the impact of CSR while simultaneously increases their competitive advantage. As findings show the Norwegian companies CSR approaches are partly business-driven, some of the company respondents also mentioned that coordinating their CSR activities increasing the likelihood to 'get something back' from their investment as providing more resources into a common goal are likely to generate better results.

Furthermore, I argue that the unified profile on CSR is linked to the CSR aspirations of the Norwegian government discussed earlier in the study. In addition to the significant role of the government in influencing the CSR agenda of the companies, findings show that they have chosen to coordinate some of their CSR activities as a direct result of governmental lobbying. More in detail, the Norwegian government aim to coordinate the Norwegian companies CSR activities in order to promote solid outcomes of CSR, reinforcing their ability to facilitate local development. The approach of the Norwegian development cooperation in Brazil went to a transition phase as the Norwegian Minister of Development Cooperation in 2006 encouraged all Norwegian companies established in Brazil to undertake a larger responsibility to promote local development. The reason for this initiative was motivated by the relatively strong and growing Norwegian presence in Brazil. A forum for facilitating dialogue on CSR and social

development was established and contributed to awareness of the involved actors, identification of different needs and strategies of best effort for development. The poor quality of, and lack of educational opportunities was identified as the most acute need. Simultaneously the companies agreed that their contribution should address relevant issue and cover a need that is prevalent among the companies, namely the difficulties finding qualified workforce. As a result, the Norwegian companies have assumed a CSR approach partly motivated by governmental pressure and self-interest.

I found no similar example of cluster formations among the Brazilian companies. Although their CSR practices as well were found to be uniform, I argue that isomorphism as well as local and global stakeholder demands has caused this outcome.

## 6. Conclusion

In this research I have investigated the CSR approaches of Brazilian and Norwegian firms and distinguished between six factors that are argued to influence corporations' existence- and content of CSR, attempting to answer the thesis research question; *"To what extent does nation level institutions influence on the approach to Corporate Social Responsibility (CSR) among Norwegian and Brazilian companies operating in the oil and gas industries?"*. The overall objective of this study has been to clarify the relationship between corporations' CSR approaches and their engagement with the political and social contexts by observing how companies from the two analyzed countries differ and converge in their orientation to CSR. Despite the research limitations (that will be discussed in the next section), the research objective was reached and the study offer valuable insight into the way corporations approaches CSR and how their interpretation of CSR interconnects with the institutional background in the firms' country of origin as well as with additional company-specific and global factors.

When linking indications from literature to the findings of this study, it can be concluded that the institutional context has a significant influence. Yet nationality is only one among several factors that influence companies CSR approaches. Global, national, industry-related and 'cluster-related' factors are as well found to be important. Nonetheless, despite the increasing influence of company-specific and global factors, domestic context is still strongly relevant in order to understand MNCs approaches to CSR. I find a particularly strong relationship between CSR and the financial-political system. In addition, civil society organizations and the educational- and culture systems are proven to be substantial.

I found out that there are cross-national differences between Norwegian and Brazilian companies causing them to embrace different CSR code. The study has shown that the institutional climate for CSR is positive in both countries, causing companies to assume a strong commitment to CSR. However, what leads the companies to commit themselves to voluntary CSR activities, how they do it, and what CSR codes they prioritize appear to be different.

In general, the Brazilian firms are more focused on its own social progress whilst the Norwegian firms focus on globally oriented issues. Some issues are more frequently stressed

among Norwegian firms compared to their Brazilian counterparts, namely climate change, energy related issues and human rights. On the opposite side, Brazilian firms primarily focus on CSR themes related to the most acute local challenges while simultaneously stressing the need to address the largest social challenges rooted in Brazilian communities. However, when investigating the Norwegian and Brazilian CSR practices in regards to community-relations, one can distinguish between extractive companies and non-oil producing companies. Where the latter focus on a narrow selection of themes, mainly education, and the former assumed a political role with a wider focus on CSR themes, a broader and more diverse target-group, and a closer dialogue with the local communities. I therefore conclude that industry-specific characteristics are a significant factor, particularly when analysing companies in the oil and gas industries.

In regards to the Brazilian companies, I found out that the transition towards a more globally oriented CSR profile is driven by a combination of internal and external factors such as changing dynamics in the domestic institutional environment as well as changes in the global infrastructure was found to be relevant. Civil society organizations have gained a more prominent stance in CSR related issues; the Brazilian NGO Ethos institute has been successful in putting the environmental dimension of CSR on the political and corporate agenda. Simultaneously, corporations that fulfil a predefined set of CSR criteria are nowadays rewarded for their effort, giving the companies new incentives to commit to high CSR standards, leading to believe that CSR has become a strategic value for Brazilian firms, a step back from the value-driven CSR orientation in the past. The high number of companies that place performance and stakeholder-driven motivation before the value-driven approach further reinforces this argument.

Furthermore, the study shows that the Norwegian companies are significantly influenced by the political environment as well as cultural traditions. The former refers to the active role taken by the government, where the companies common approach to CSR are tied to internationally-oriented goals placed high on the governmental agenda as well as the formation of the 'responsibility cluster'. The government and the corporations has formed close cooperation and engaged in a public-private partnership, initiating and supporting a CSR project in collaboration. In addition, other 'watchdog' institutions, such as civil society organisations, labour unions and the media is strongly embedded in the Norwegian society,



have a dominant power and an important stake, and are directly influential in companies' decision-making on CSR. I further found that the companies' commitment to CSR is also bound to the ethical dimension. The culture system in Norway characterized by low power distance and welfare state provision combined with strong labour union traditions influences the companies CSR content and practices.

In conclusion, this study has addressed the factors influencing the presence of and content of CSR in multinational companies. Initially I suggested that country-level institutions are particularly important factors that steer companies' approaches to CSR. The research has shown that a range of factors shape MNCs adaption of CSR codes. In line with the predefined assumption of the study, I identify the variable of national institutional influence as a strong determinant of MNCs orientation and engagement to CSR. I do however not find sufficient evidence to claim that the country of origin factor is the most important determinant of companies CSR approach. Instead I find that MNCs are largely adapting their CSR approach to a variety of stakeholder demands, in their country of origin, in the localities in which they operate as well as to global CSR expectations and regulation, which in total causes converging as well as diverging CSR approaches across MNCs.

All factors taken into account, I found that the relationship between economic-political and cultural institutions and CSR are particularly strong in regards to the Norwegian firms. In comparison, political-economic institutions, civil society organizations and coercive and mimetic isomorphism was found to be the main factors when explaining why Brazilian firms commit themselves to CSR. The findings therefore lead to the conclusion that companies' nationalities as well as globalization forces are both key variables when explaining the nature of CSR among multinational companies. However, how they interfere and the relative importance of each factor tends to vary between countries and change over time.

## Limitations and recommendations

As in all research this study are faced with certain limitations. In this final chapter of the research I will provide insight into the shortcomings of the study, while discussing the thesis contribution and give recommendation for future research.

One of the most obvious limitations in this study is linked to the nature of the research. As this is a comparative and contextual study it is not equipped to give an absolute conclusion; it does not generalize to other nationalities, industries or other settings, and are therefore not suitable to give insight into the studied phenomenon in other contexts. In addition, the sample is too small to make a reliable generalization of the entire population of Norwegian and Brazilian MNCs. Still, I believe that this methodological limitation do not have implications for the achievement of the research objective, which had a more exploratory angle seeking to identify if any patterns could be detected on behalf of the data collected. Although the research sample is small it provides enough information to reveal the relative influence of each of the factors and how they intervene with companies CSR practices and priorities.

An unforeseen limitation in the research relates to the nature of the oil and gas industry as such. Perhaps it is not the best industry to study in regards to the research objective, as large oil producing companies due to their hazardous nature normally take a frontrunner position in CSR and tend to be rather homogenous, focusing on a few selected CSR themes, as they are expected to do so. As a result, the 'country of origin' effect may be less penetrating or easy to detect in these companies compared to companies operating within other sectors. However, taken the relatively large variation in the nature of the companies' activities, despite their common belonging to the oil and gas industries, it was still possible to see the impact from the country-level institutions and observe the interaction of the different factors influencing the companies' CSR approaches.

Despite the limitations mentioned in the previous point, this study has provided us with a deeper understanding of how MNCs CSR is influenced by country-level institutions. The study objective was reached and the research has extended current theoretical knowledge. I realized that the majority of similar studies are quantitative ones, usually taking a selective stance, testing how the CSR approaches are influenced by a single factor. Since there has been a limited amount of studies that combines all of the discussed factors this study adds to the current literature pool. By using an integrated and complementary theoretical approach, I offer

insight into the interaction of the factors argued to shape corporations CSR approaches and offer a nuanced explanation into the studied phenomenon.

In addition to the literature on cross-national variation in CSR approaches already available, this thesis adds to theory as it gives indication of the institutions that are more important in terms of influencing corporate CSR approach, and points to how the relative importance of these institutions vary across the studied countries. The study also describe how industry-specific characteristics and global infrastructure, and the changes thereof, intervene with corporate CSR decisions, enabling an answer to the thesis research question.

Finding that economic-political institutions significantly influences corporations approach to CSR has implications for the way we understand the phenomenon of CSR. Taking a more integrated and contextualized approach, the study offers an addition to the traditional understanding of CSR found in business theory. Commitment of CSR as a decision taken at the company-level, being a strategic or value driven attribute of the firm cannot be understood in isolation from external influence. As this thesis has shown, governments nowadays uses CSR as a tool to promote public interest and to achieve social and environmental policy goals. The institutional preconditions as well as changing global conditions, document the complexity of CSR, being driven by both political as well as business-oriented forces.

As previously noted, the main shortcoming of the research is its methodological constraints and the rather low external validity; the research results may therefore not be applicable to companies with other nationalities and within other industry sectors. The small sampling size underlines the impossibility to generalize on behalf of the findings. Future research could therefore include more companies with various characteristics and origin, which would enrich the material for analysis and contribute to fill the current knowledge gap; whether the same factors and their relative importance are the same in other MNCs, taking a broader scope.

In order to improve the validity of the study, further research is needed to detect how companies with various industrial characteristics and different size, and MNCs coming from different institutional environment approach CSR. This will enable a comparison between the findings, in order to come to terms with what factors that are more influential and whether these factors are similar or different from the ones found to be important in this research. A similar qualitative study focusing on a less “dirty” industry, such as the textile industry, or a combination of industries, would give a more holistic picture of the subject.

Lastly, further research is needed to give indications of how companies actively use CSR as a means to achieve legitimacy, and how they respond to local, national and global context which is constantly changing. Only by conducting a longitude study we can detect how companies approaches to CSR evolve and whether the relevance of the various factors are constant or change over time.

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## Appendix

### Interview guide Multinational Corporations

#### Background questions respondent:

1. Who are you (what is your role/position in the company)?
2. For how long have you been working for the company?
3. What is your nationality?
4. What is your educational and professional background?

#### Background information company:

5. Which year did the company start its operations in Brazil, and where?
6. In what activities is the enterprise involved?
7. What is your main product or service?
8. Who are your suppliers?
9. Where does the company operate (more than one location)?

#### CSR and business practice

10. Does the company have CSR?
11. Is your company a signatory to any international standards/guidelines? (i.e. Global Reporting Initiatives, UN Global Compact, Extractive Industries Transparency Initiative)
12. Can you describe how your CSR policies are created)? (i.e. are they decided from the company headquarter or tailored to each of the location where the company has operations
13. How many people does the firm (this establishment) employ in all?

- 0 < 10
- 10-49
- 50-99
- 100-249
- > 250

14. How many worker are a) permanent, b) temporal, or c) casual?
15. What share of the staff is a) local and, b) national, or c) foreign?
16. Can you say something about the working conditions? (employees' right, health and safety, working hours, wages, training & education)
17. What social CSR (community related) activities do the company implement?
18. In what way is the enterprise involved with the surrounding community? (dialogue with the local authorities, NGOs, local population)
19. What assessments have been conducted before starting operations? (environmental impact, social impact)
20. What environmental CSR standards and practices does the company have?
21. Are you involved in any environmental conservation projects?
22. Do the company use any tools to quantify the return on investment or impact from the social activities you have initiated? (i.e, SROI, B Corps) ?

Attitude towards CSR, understanding of CSR and Drivers of CSR

23. How does the company define CSR? (i.e. implicit or explicit)
24. How does the company understand its economic, social and environmental responsibility? (relative importance of each of the CSR dimensions)
25. What is the motivation/reason for implementing CSR to make the business responsible?
26. How recent did the company make adjustments/changed its CSR agenda/practice?
  - a) Within the last 10 years, b) Within the last 5 years, or c) In the last 5 years
27. Have you experience any benefits of including CSR as a part of doing business?
28. To what extent do you believe it is the responsibility of the company to address local development issues that is unrelated to the company's operations (explicit) CSR?

29. Do you believe that the company's responsibility increases when operating in developing countries? i.e. in countries facing significant social and/or environmental problems
  
30. To what extent do you believe that CSR can address local development issues? (CSR policy is key to sustainable development and solution to local development problems)