

CSR, Sustainability, Ethics & Governance

Series Editors: Samuel O. Idowu · René Schmidpeter

Bodo B. Schlegelmilch
Ilona Szócs *Editors*

Rethinking Business Responsibility in a Global Context

Challenges to Corporate Social
Responsibility, Sustainability and Ethics

CSR, Sustainability, Ethics & Governance

Series Editors

Samuel O. Idowu, London Metropolitan University, London, UK

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Editors

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Sustainability and Ethics

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Starting at Deutsche Bank and Procter & Gamble, he continued his career at the University of Edinburgh and the University of California, Berkeley. Professorships at the University of Wales (UK) and at Thunderbird School of Global Management (USA) followed.

Bodo serves on business school advisory boards in Europe and Asia. He taught in over 30 countries on six continents, and his research interests span from international marketing strategy to CSR. He published in leading academic journals, such as the *Strategic Management Journal*, *Journal of International Business Studies*, and *Journal of the Academy of Marketing Science*. Bodo was Editor-in-Chief of the *Journal of International Marketing* and served on the editorial boards of the *Journal of Marketing*, the *International Journal of Research in Marketing*, and many others.

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The Social Responsibility of Multinationals: From an Afterthought to Center Stage



Lorraine Eden

Abstract How has the social responsibility of multinationals (MNEs) changed over the past 50 years? This chapter provides a brief historical tour of MNEs and social issues from the late 1960s to the present. I argue that from the late 1960s forward, scholars in economics and international business (IB) focused on the economic impacts of foreign direct investment (FDI) with some concern for political impacts; whereas international political economy (IPE) scholars paid more attention to political and social issues. It has only been in the past 15 years that the social responsibility of MNEs moved from an afterthought to a mainstream subject of inquiry for most MNE scholars. My arguments are documented through a review of key books and writings together with a personal history of my own research. I then review Schlegelmilch and Szőcs (2020) and argue that the book moves the social responsibility of MNEs literature forward in several ways.

1 Introduction

When I accepted the invitation from Bodo Schlegelmilch and Ilona Szőcs to write a Foreword to *Rethinking Business Responsibility in a Global Context: Challenges to Corporate Social Responsibility, Sustainability and Ethics*, I accepted partly from curiosity. Would the book offer “rethinking” for the informed reader? In particular, would the book lead me to rethink my own conceptualization of the social responsibility of multinational enterprises (MNEs)?

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The short answer to both questions is yes. Let me start with a brief historical tour, drawn from my understanding and experiences, of the subject matter and then explain my answers.¹

2 The Social Responsibility of Multinationals: A Canadian Lens

For most of my academic career, I have been interested in the political economy of business or what is typically called “business-government” relations. My focus has been relations between MNEs and the nation state, primarily MNEs and host countries.

The reason for this research interest is probably where I grew up—my home was on the Canadian side of the US–Canada border. During the 1960s, I witnessed an inward flood of US foreign direct investment (FDI), together with the growing resentment of Canadians against what was widely perceived as the “takeover” of the Canadian economy by our neighbors to the south. The year I graduated from Mount Allison University with an honors degree in economics (1970) was the same year that the Canadian government established the Task Force on Foreign Ownership to study the impact of foreign (read “US”) control over the Canadian economy. My master’s degree in economics from McGill was completed in 1973, the same year that the Canadian government established the Foreign Investment Review Agency (FIRA). FIRA was set up to screen both foreign (again, read “US”) acquisitions of Canadian businesses and the establishment of new businesses by foreigners, with the goal of ensuring that Canada received the maximum possible net benefits from inward FDI. FIRA’s assessment criteria were almost wholly economic in nature: the expected impacts of inward FDI on jobs, GDP, productivity, R&D, product variety, competition, Canadian managerial positions, and compatibility with other national policies (Safarian, 1983, 1985).

Securing greater economic benefits from inward FDI, however, was not Canada’s only concern at the time. The Canadian government (and public) were also sensitive to the sociocultural impacts of inward FDI from the USA, particularly in culturally sensitive industries (e.g., radio, TV, movies, and book publishing) that were overwhelming dominated by US firms (Eden & Molot, 1993a; McFadyen, Hoskins, & Finn, 2000; Stanbury & Vertinsky, 2004). Especially in Quebec, the need to preserve the French language was also an important cultural concern. The fear of “coca-colonization,” the global dominance of US culture, was a common phrase heard in Canada.

¹I limit my brief history tour of “global social responsibility of business” to the “social responsibility of multinationals.” I do not discuss the cross-border/regional/global social responsibility of domestic businesses, which would be an interesting issue for another paper.

Political concerns were also evident. For example, the film industry was one industry where culture and politics have been intertwined for many years (Acheson & Maule, 1991). Extraterritoriality, where the US government asserted its legal jurisdiction not only over firms within the USA but also over foreign affiliates of US multinationals and required them to abide by US laws, was a second highly visible political issue in Canada. A specific example was the US Trading with the Enemy Act where US subsidiaries in Canada were not permitted to trade with Cuba. US extraterritoriality generated a political and often nationalistic backlash in Canada (Eden, 1993; Rugman, 1980, Chap. 9; Vernon, 1971).

The combination of economic, political, and sociocultural concerns with the overwhelming dominance of US inward FDI created a strong public sentiment in Canada favoring government protection of key sectors such as media and banking. The government, with strong public support, implemented a variety of restrictions on inward FDI, both broad-based (FIRA) and sectoral (e.g., petroleum), despite the economic costs of protectionism (Rugman, 1980; Safarian, 1983) and the lack of a national security justification for closing sectors to inward FDI (Kudrle, 1993). Elsewhere (Eden & Molot, 1993a), I have called the 1970s and 1980s in Canada a time period of compensatory liberalism with strong overtones of nationalism.

3 The Social Responsibility of Multinationals: An Economics Lens

Raised and educated during these years in a small open economy sharing a border with the world's largest hegemonic power, it was perhaps not surprising that I became interested in the impacts of FDI on host countries, not only their economic impacts but also their political and sociocultural impacts.

My early years as an academic were spent reading and teaching from works on MNE-state relations by scholars such as John Dunning, Stephen Kobrin, Ted Moran, Alan Rugman, Edward Safarian, and Raymond Vernon. These publications, written almost wholly by economists, focused on the economic aspects of FDI and MNEs.

I taught my first undergraduate economics course on MNEs in 1984–1985 at Brock University, using Hood and Young (1979) as the textbook. In 1988, I began teaching a graduate course on MNEs after moving to the Paterson School of International Affairs at Carleton University in Ottawa, adding Caves (1982) as the textbook. In spring 1993, I spent a semester team-teaching a (fabulous) graduate seminar on *MNEs and Public Policy* with Ray Vernon at the Kennedy School. After returning to the Paterson School and then later at Texas A&M University, I added Dunning's (1993b) magnum opus.

How did these books—and I—teach about the social responsibility of MNEs in this time period? The blunt answer is, basically as an afterthought. The core concept in my reading and my teaching during this period was a focus on FDI (the activity) rather than the MNE (the entity). FDI was “a package of capital, technology and

management skills,” where the package had a variety of economic impacts on both the host and home countries. The available texts (e.g., Bergsten, Horst, & Moran, 1980; Caves, 1982; Dunning, 1993b; Hood & Young, 1979) focused their analysis on the economic effects of FDI (e.g., impacts on GDP, trade, balance of payments, wages, technology, and taxes) with some attention to the political impacts. Typically, there was a separate chapter on FDI in developing countries and another on FDI regulatory policies. Political issues were discussed in terms of extraterritoriality (primarily US based) and political risk (mostly in the context of expropriation of foreign investments in Latin America). However, the texts only briefly discussed sociocultural issues (even less on the environment) and mostly under the rubric of “possible other impacts” of inward FDI on host countries.

A few scholars (e.g., Boddewyn, Kobrin, Moran, Strange, and Vernon) were also keenly interested in MNE-state relations. Most work in this area was framed in terms of Vernon’s *Sovereignty at Bay* and his model of the obsolescing bargain between MNEs and host country governments (Vernon, 1971). The MNE and the Nation State were viewed as the two key actors in the world economy. They had different goals: the MNE’s goal was singular and narrow (global after-tax profit maximization); the Nation State’s goals were multiple and broad (economic, political, and sociocultural development and sovereignty). They brought different resources to the table: ownership advantages for the MNE, locational advantages for the State. They also faced different constraints: the MNE had a global reach while the State was confined to its own jurisdiction (except where the home government resources and constraints of the two actors brought them into regular conflict, as conceptualized through the lens of the obsolescing bargain model (Eden, 1991; Vernon, 1971), which I later updated in the multiparty, multiple-round political bargaining model (Eden, Lenway, & Schuler, 2005)).

Only national governments—not MNEs—cared about the sociocultural impacts of FDI in these early models of MNE-state relations. There was no “social responsibility of MNEs,” only a singular focus on maximizing global profits. The business of business was profit maximization, very much as Milton Friedman argued. Differences across countries, both in resources and in government regulations, were simply opportunities for cross-border arbitrage. Government policies (e.g., taxes, tariffs, but also sociocultural regulations such as local content rules) were modeled as “exogenous non-market imperfections” that offered arbitrage opportunities for the MNE. Such regulatory arbitrage could create a competitive advantage for the MNE over domestic firms and was therefore seen as one of the core advantages of multinationality. MNEs were viewed as efficient actors because they could arbitrage both exogenous market and nonmarket differences across countries. It is hard to believe now, looking back to the 1980s, that economists, including me (Rugman & Eden, 1985) viewed cross-border regulatory arbitrage by MNEs as potentially “efficient” and “welfare maximizing.” In fact, most of my early publications on transfer pricing were microeconomic models of MNEs manipulating transfer prices so as to avoid corporate income taxes, tariffs, and other government regulations; Eden (2019) provides a recent review.

4 The Social Responsibility of Multinationals: An International Political Economy Lens

My economic efficiency view of the MNE began to change at the end of the 1980s. When I moved to the Paterson School at Carleton University, in January 1988 I began team-teaching the core seminar in International Political Economy (IPE) with a political scientist, in Spring 1988 with Michael Dolan and then for several years with Maureen Molot. We used Gilpin (1987) as the textbook supplemented with a huge reading list drawn mostly from IPE scholars. I also joined the International Studies Association (ISA), the professional association to which most IPE scholars belonged and where they presented their research. I realized that my IPE colleagues had very different—and typically much more critical—views of MNEs and FDI than did my colleagues in economics.

Critical/radical perspectives on MNEs and FDI—including Marxist, neo-Marxist, post-colonialist, and deconstructionist lenses—were written primarily by political scientists and sociologists, mostly from the perspective of developing countries, e.g., Steven Cox, Gary Gereffi, Robert Gilpin, Dieter Ernst, Stephen Hymer, Raphael Kaplinsky, Alain Lipietz, Lynn Mytelka, and Raul Prebisch. The core topics in this IPE literature on MNEs and FDI were uneven development (a.k.a. dependent development or dependencia) and third-world industrialism (a.k.a. global Fordism or the new international division of labor). IPE scholars were studying global value chains in the toys, garment, and electronics industries, symbolized by the “nimble fingers” of children and women working for MNEs in export processing zones. Their critiques focused on the developmental, cultural, social (including gender and human rights), and political impacts of FDI. Many authors were Canadian. Stephen Hymer, for example, whose 1960 MIT dissertation is now viewed as a founding cornerstone of MNE theory, was a Canadian neo-Marxist who wrote frequently (and negatively) on uneven development and the sociocultural aspects of FDI (Cohen, Felton, Nkosi, & van Liere, 1979; Dunning & Rugman, 1985; Pitelis, 2002). Team-teaching the IPE seminar at Carleton with a political scientist and attending ISA conferences spilled over first my teaching, and then into my writing, on MNEs and FDI.

In 1991, at the repeated urgings of John Dunning and Alan Rugman, I joined the Academy of International Business (AIB). I learned that many AIB members were economists who had left economics departments to join departments of international business or management where they were engaged in “unpacking the black box” of the MNE. Here the MNE (the actor), not FDI (the action) or the nation state, was the unit of analysis.

Also unlike economists, international business (IB) scholars were working on sociocultural issues related to MNEs. A core research question was the impact of cultural distance on MNE strategies and structures, building on Kogut and Singh (1988) and Hofstede (1980). Many IB scholars (e.g., Nancy Adler, John Child, and Rosalie Tung) were also engaged in building the new field of cross-cultural management (Adler, Doktor, & Gordon Redding, 1986).

As of 1991, I was now listening to and participating in three different conversations: the first among IPE scholars (at ISA meetings), the second among economists (American and Canadian Economics Association meetings), and third among IB scholars (AIB meetings). I realized that the core unit of analysis differed for the three groups: for IPE scholars, it was the government/nation state; for economists, the economic impacts of FDI; and for IB scholars, the MNE.

Eden (1991) was my first attempt to bridge the divide among the three conversations. I brought together IPE and IB scholars for an ISA panel honoring Raymond Vernon; the papers later became a 1991 special issue of *Millennium*. Looking back at these papers, I now recognize that Casson (1991) was an early, prescient exploration of how sociocultural differences need and could be brought into the theory of the MNE. My own paper in the special issue discussed the various “faces” of the MNE in the international political economy (IPE) and IB literatures. I argued that IPE scholars needed to “bring the firm back in” by “opening the black box” of the MNE and explored various ways to bridge the conversations (Eden, 1991: 218).

I followed up with a coedited book (Eden & Potter, 1993) bringing together IPE and IB scholars to discuss where MNE-state relations were headed in a world that was rapidly globalizing. My introductory chapter (Eden, 1993), starts out referencing an IBM advertisement showing a world map dotted with blue pins for IBM offices, entitled “Thinking globally?” While the book’s focus was clearly on economics and politics, sociocultural issues were also highlighted. John Dunning’s chapter, for example, acknowledged the noneconomic costs of cross-border production by MNEs, including “the export of unacceptable health, safety, and environmental standards, and the erosion of country-specific social norms and cultures” (Dunning, 1993a: 72). Alan Rugman’s chapter was particularly prescient:

Multinational enterprises are in business; they are not social agencies. Yet over the next decade there will be more criticism of the performance and social responsibility of multinational enterprises, including their linkage to the environment. The single goal of efficient economic performance through a simplistic globalization strategy will be compromised by the need for the multinational enterprises to be more responsive to social needs and national interests. (Rugman, 1993: 87).

I also began to bring sociocultural issues into my own research on MNEs, much of it coauthored with Maureen Molot on Canada–US Free Trade, NAFTA, and the auto industry. An early piece was Eden and Molot (1993b) where in one section we discussed how Japanese auto assemblers (e.g., Honda) had started to engage in corporate philanthropy and community outreach in the USA—and then advertise about these activities in US newspapers! We argued that corporate social activities were a way foreign MNEs could demonstrate they were good “corporate citizens” and “insiders” in a host country. I believe this may be one of the first papers to argue (in today’s language) that CSR could be a coping mechanism for liability of foreignness.

A related set of insights came from the NAFTA negotiations where labor and environmental issues were critical issues in the debates in all three countries. *Multinationals in North America* (Eden, 1994a, 1994b) explored how North American insider and outsider MNEs were likely to respond to NAFTA, the first regional

integration arrangement involving both rich and poor economies. The book chapters examined not only the likely economic and political impacts but also social and environmental impacts. For example, Mayer (1994) compares and contrasts the labor and environmental negotiations, documenting the important role played by “interest groups” (what we now call “civil society” or “non-governmental organizations (NGOs)”).

5 The Social Responsibility of Multinationals: An International Business Lens

In 1995, I moved as a tenured associate professor to the Management Department at Texas A&M University where my new colleagues were experts in the various subfields of management, most of which were new to me. I began to read the international strategy literature, focusing on transaction cost, institutional, and resource-based perspectives. I started teaching undergraduate IB and continued teaching my MNEs course with Dunning (1993b) as the core text, switching later to Dunning and Lundan (2008), which introduced CSR into the “Political, Cultural and Social Issues” chapter for the first time. By the end of the 1990s, I was finally covering international CSR in my graduate seminar on MNEs!

My own work related to the social responsibility of MNEs expanded has broadened into at least three directions since the end of the 1990s. I discuss each in turn below: (1) MNE-state relations and globalization, (2) culture, corruption, and liability of foreignness, and (3) global governance.

6 MNE-State Relations and Globalization

Raymond Vernon’s death in August 1999 led Stefanie Lenway and I to put together a panel honoring him at the Academy of International Business meetings in November 1999. Revised versions of these papers were published in a *Journal of International Management* Special Issue in 2000.

My paper (Eden, 2000) focused on Vernon’s work on MNE-state relations over 30 years. I noted that a key shift between his earlier writings and his last book (Vernon, 1998) was that he now viewed the MNE and its *home* country as potentially antagonistic. Vernon (1998) argued that the uneven distribution of benefits from market openness (e.g., globalization, free trade agreements) within the Triad countries was likely to create a social and political backlash against MNEs because they would be seen as the primary cause (and beneficiaries) of market openness. His particular concerns were the social welfare net, aging populations, employment, and MNE tax avoidance. Vernon (1998) also continued to see MNE-*host* country relations as antagonistic, with two new catalysts on the horizon. First, privatization

and liberalization in emerging and transition economies were creating the potential for a political backlash against inward FDI. Second, he argued that extraterritoriality would no longer only be a US issue because the rise of state-owned MNEs from emerging and transition economies would make them vulnerable to pressures from their own governments to engage in extraterritoriality. As I look back now at Vernon (1998), 21 years later, his concerns appear remarkably—but perhaps not surprisingly given how ahead of his time Vernon typically was—prescient.

The following year, Stefanie Lenway and I guest edited a Special Issue of the *Journal of International Business Studies (JIBS)* on “Multinationals: The Janus Face of Globalization.” Our introductory paper (Eden & Lenway, 2001) argued that MNEs had three roles in the global economy: market-making firms, investment bridges, and agents of change. While academics viewed the roles of MNEs positively, the general public and NGOs did not. They saw MNEs as powerful actors sowing social, cultural, and environmental havoc around the world, that is, as the Janus Face of Globalization. We ended with the call for IB scholars to devote more time to studying the costs as well as the benefits of MNEs and globalization.

Stefanie Lenway and I continued to write together. Eden et al. (2005) updated Vernon’s obsolescing bargain model to today’s realities of multiple actors and multiple iterated bargains. Schuler, Lenway, and Eden (2006) analyzed uneven development theory at the turn of the millennium (that is, in a globalized world of MNEs engaged in knowledge competition, international strategic alliances, and—yes!—corporate citizenship). We discussed whether the search by MNEs for low-cost production locations would generate a “race to the bottom” in terms of labor, environment, and taxation (a concern in Vernon (1998) given what he viewed as toothless international codes of conduct). We concluded this was unlikely given the new and important role that NGOs were playing in terms of pressuring MNEs to engage in corporate citizenship.

7 Culture, Corruption, and Liability of Foreignness

I also began to work with Stewart Miller, who was writing on the concept of liability of foreignness. Eden and Miller (2004), the first of my many publications with Stewart, deconstructed the costs of doing business abroad into two groups: hard (economic) costs and liability of foreignness (LOF), the soft (sociocultural) costs. The piece explored how different types of institutional distance (regulatory, normative, and cognitive) could affect LOF and the MNE’s choice of entry mode into a host country. We then modeled differences in types and levels of culture and corruption, as forms of institutional distance, and theorized about their impacts on MNE strategies. This was my first paper—published 15 years ago—where socio-cultural issues were “front and center” in my analysis of MNEs.

My interest in thinking about how differences in types and levels of corruption across countries could influence MNE strategies led me to invite two assistant professors in my department, Peter Rodriguez and Klaus Uhlenbruck, to work

with me writing a paper on MNEs and corruption, in response to a Call for Papers at *Academy of Management Review*. We published three papers on MNEs and corruption together out of that project (Doh, Rodriguez, Uhlenbruck, Collins, & Eden, 2003; Rodriguez, Uhlenbruck, & Eden, 2005; Uhlenbruck, Rodriguez, Doh, & Eden, 2006), and (see below) a Special Issue of the *Journal of International Business Studies (JIBS)*. I later wrote a fourth paper with other coauthors (Lee, Kyeungrae, & Eden, 2010).

While sociocultural issues have not been front and center in most of my more recent work with Stewart Miller, there have been some exceptions. In particular, we have built on Eden and Molot's (1993b) early insight that corporate social activities could help foreign MNEs obtain legitimacy and insider status in host countries. Eden and Miller (2010), for example, argued that Chinese MNEs entering the US market should use CSR activities to improve their social embeddedness and be perceived more as insiders. We have also tested whether using CSR as a coping mechanism could positively affect MNE performance and whether CSR activities were related to institutional distance. Campbell, Eden, and Miller (2012) and Miller, Eden, and Li (forthcoming) examine the CSR activities of banks of different nationalities in the US market, where CSR is defined as going "above and beyond" the mandated requirements of the Community Reinvestment Act.

The mid-2000s were the time period when international CSR really began to emerge as a mainstream research area for IB scholars, as documented in Pisani, Kourula, Kolk, and Meijer's (2017) review of research published between 1985 and 2015. They found that less than 10 publications per year occurred between 1985 and 2002. The first "big jump year" was 2006 when the *JIBS* Special Issue "Three Lenses on the Multinational Enterprise: Politics, Corruption and CSR" was published (Pisani et al. 2017: 595 and Online Appendix). I wrote the proposal, invited the guest editors, and was the *JIBS* Inside Editor on that issue. Our introductory paper (Rodriguez, Siegel, Hillman, & Eden, 2006) reviewed the literature on MNEs and each "lens" and discussed potential linkages and agendas for future research. We noted (consistent with Pisani et al. 2017) that "Of the three lenses on the MNE, the literature on multinationals and CSR is the most embryonic" (Rodriguez et al., 2006: 736).

8 Global Governance and MNEs

Eden and Hampson (1997) was, for me, one of my most significant attempts to bridge the conversations in business, economics, and political science.² In "Clubs Are Trump" Fen Hampson and I built a theory of international governance structures, exploring which structures were likely to emerge under four types of international structural failures: efficiency, distributional, macroeconomic, and security. We

²The piece has had very few citations so clearly others have not agreed with me!

modeled both private and public responses to these structural failures including, for example, trade associations, MNEs, bilateral treaties, and international regimes. Some industries such as petroleum, we argued, were highly controlled by both private (MNEs) and public (OPEC) international governance institutions. Other industries (e.g., services) were low control, dominated by local firms with little to no international regulation.

Two of the four international structural failures Eden and Hampson (1997) explored fall clearly under the “global social responsibility” umbrella discussed in this book: efficiency and distribution. We argued that efficiency failures were driven by the gap between private and social costs and benefits. International governance structures could reduce “collective social bads” (e.g., environmental spillovers, tragedy of the commons) and nurture “collective social goods” (e.g., information sharing, international trade). We viewed international codes of conduct and bilateral investment treaties as possible ways to regulate MNE noncompetitive behaviors. Distributional failures, the gap in income between rich and poor individuals within and across countries, we argued mattered more to governments than to MNEs given differences in their goals. We viewed the international trade (GATT) and debt (World Bank, IMF) regimes as international regime responses to distributional failures.

We were not alone, of course, in discussing international codes of conduct as a way to reduce the unethical (deliberate and unintended) behaviors of MNEs including, for example, bribery, environmental spills, child labor, and human rights violations. Such discussions had been going on at the United Nations and OECD since the early 1970s and became particularly salient after the 1984 Union Carbide chemical plant spill in Bhopal, India. Much has been written on the efficacy of codes of conduct, both internally developed by and externally imposed on, MNEs, especially in terms of human rights, sociocultural, and environmental issues. See, for example, Langlois and Schlegelmilch (1990), Schlegelmilch and Robertson (1995), Robertson and Fadil (1998), and Monshipouri, Welch, and Kennedy (2003).³

I cannot close out this time period without also referring to John Dunning’s book, *Making Globalization Good: The Moral Challenges of Global Capitalism* (Dunning, 2003), which brought together many leading thinkers from economics, religion, and business to discuss ethical and social issues of multinationals in the global economy. Many international business scholars including, among others, Petra Christmann, Jonathan Doh, Ans Kolk, Hildy Teegen, and Rob van Tulder were also writing during these years on social and environmental issues and NGOs. At the end of the

³ Almost all of Raymond Vernon’s works from Vernon (1971) through Vernon (1998) also discuss international codes of conduct, albeit with a jaundiced view as Vernon regarded nonbinding codes without punishments attached as basically window dressing. My own view historically was the same as Vernon’s. Today, with Twitter and the iniquitousness of social media, “naming and shaming” MNEs that sign and do not comply with codes of conduct, even voluntary ones, are likely to have their reputations damaged by noncompliance. See, for example, the Cargill case documented in Yaffe-Bellany’s (2019).

2010s, as we move into the decade of the 2020s, the field of global social responsibility, especially within international business scholars, is now well established.

9 The Social Responsibility of Multinationals: New Insights from Schlegelmilch and Szócs (2020)

This ends my brief trip through the last 50 years, looking at how academics, particularly in Canada and the USA have viewed the social responsibility of business in a global context from the perspectives of economics, IPE, and international business. I argued that from the late 1960s through the early 2000s, the social responsibility of MNEs was mostly an afterthought topic for economics and international business scholars. The only real exception has been MNE-state relations. IPE scholars during these years were much more engaged in studying MNEs and social responsibility, primarily from a radical/critical perspective, where they focused on the social impacts of FDI on developing host countries, particularly in Africa and Latin America. Since the millennium, however, much more attention has been paid by economists and IB scholars to the social (broadly defined) responsibility of MNEs in a global context. Pisani et al. (2017: 595), for example, reports that there are now between 50 and 60 scholarly publications each year on international CSR.

Clearly, the social responsibility of multinationals is now a well-established domain of inquiry. Where the field is now and where it is going is the theme of the new book by Bodo Schlegelmilch and Ilona Szócs that you have in your hands. Does this new book offer “rethinking” to the informed reader? Have I rethought my own conceptualization of the topic after reading this book? The short answers are yes and yes. Let me enumerate a few reasons why I think the book is innovative and believe you will find it to be also.

First, the definition of “social issues” has clearly broadened significantly over the years. Originally conceived as cultural and social issues, the term is now broadly and holistically defined to include such issues as environmental protection, education, health, human rights, gender, poverty relief, and workforce conditions. “Social issues” is now a broad umbrella that includes almost everything—except economics and business (market) issues. Thinking about the implications of such a broad definition of “social issues” for MNEs is going to be a critically important issue in the next decade.

Second, the terms “CSR” and “social responsibility” have also broadened and are now viewed as generators of collective value. Social responsibility now involves not only minimizing the negative aspects of business but also fighting societal challenges and taking a proactive role in international development. In my research (e.g., Campbell et al., 2012; Miller et al., [forthcoming](#); Rodriguez et al., 2006) CSR was narrowly defined as “going above and beyond” minimum mandated levels of governmental social (including environmental) regulations. Szócs and

Schlegelmilch, however, argue that the definition of CSR must move beyond voluntary compliance and “doing no harm” to a much higher and broader standard: a “restorative” or “net positive” approach (chapter “Embedding CSR in Corporate Strategies”: p. 46). Engaging in “net positive” CSR means MNEs must proactively lead by moving the standards bar higher over time.

Third, as Szócs and Schlegelmilch argue in their chapter “The Role of CSR in International Policy Agendas,” the new role for business in society requires that MNEs become deliberate agents of change in terms of social issues. The authors argue that, historically, the United Nations (UN) played an important role in broadening both the concept and agenda for social issues, starting with the 1987 Brundtland Report and the 1992 UN Conference on the Environment and Development. The 2015–2030 UN Sustainable Development Goals (SDGs), which built on the earlier 2000–2015 UN Millennium Development Goals, imply that “sustainability demands an integration of social and environmental issues with economic issues” (chapter “The Role of CSR in International Policy Agendas”: p. 24). The authors argue that this means not only governments but also business and NGOs, must serve society and address global problems. The private sector has the means (resources and capabilities) to advance sustainability and should engage in multi-stakeholder partnerships with governments and NGOs. This activist role for MNEs in terms of social responsibility also goes well beyond my own work in this area. Eden and Hampson (1997), for example, in their discussion of efficiency and distributional structural failures, were much more cautious about the private sector's role in solving these problems.

Fourth, CSR has been criticized for its ad hoc nature and lack of strategic purpose within MNEs. A key linchpin in Szócs and Schlegelmilch's argument is that MNEs must move their intellectual frame from CSR to “corporate social strategy.” CSR must be viewed strategically and dynamically linked to corporate strategy. Szócs and Schlegelmilch in the chapter “Embedding CSR in Corporate Strategies” develop a five-step CSR strategy roadmap:

1. Corporate aspiration: What do we want to achieve?
2. Scope of CSR: Where will we play?
3. Rules of Engagement: How will we win?
4. Capabilities and Causes: What capabilities must we have?
5. Management Systems: What management systems do we need?

Step 1 involves connecting CSR initiatives to the MNE's core business purpose in terms of mission and vision statements. Step 2 defines the playing field or “reach” of the firm's CSR activities. Here the authors argue that the firm should focus on those CSR issues most closely tied to the firm's objectives. Industry context and issues are likely important contextual factors so an industry-specific approach to CSR is likely warranted. The authors argue for three forms of CSR actions: market driven, standards based, and operational based. As an example, the authors discuss the food industry where a “higher nutrition” goal as a corporate social strategy might lead the firm to redesign more healthy products, set internal healthy food standards, and redesign its global value chain to generate less waste.

Step 3, rules of engagement, involves integrating CSR into day-to-day management and execution. Support from top executives is viewed as vital as is communication with stakeholders. The authors discuss the benefits and costs of various types of communication with stakeholders, linking the choice to fit with corporate objectives and strategies. Step 4 involves matching the firm's resources and capabilities with its core business and fitting its CSR activities in ways that best fit the firm's overall strategy. Finally, step 5 is about setting up management systems that foster, support, and measure the effects of the firm's CSR strategy. The five steps are viewed by the authors as a cascading iterative and ongoing process with the long-run goal of moving CSR from an ad hoc activity into part of the firm's overall strategy portfolio.

Let me bring a real-world example to the chapter "Embedding CSR in Corporate Strategies." I have been working with Niraja Srinivasan, a vice president and chief economist for transfer pricing and international tax at Dell Technologies in Austin, Texas. Working with Niraja at the November 2018 UNCTAD World Investment Forum, and after reading chapter "Embedding CSR in Corporate Strategies" in this book, I now believe that Dell is a good example of a US multinational that is following the five-step mapping outlined in chapter "Embedding CSR in Corporate Strategies," of building CSR into its corporate and business level strategies. In 2013, Dell set up a "Legacy of Good" plan with three specific minimum CSR goals for 2020: recovering two billion pounds of used electronics; using at least 100 million pounds of recycled plastic and other sustainable materials; and volunteering five million community service hours (Dell Technologies, 2019a: 5). The MNE has now established its own 2030 sustainable development goals (Dell Technologies, 2019c) that focus on sustainability (the circular economy, where sustainability is carried out throughout the value chain), inclusion (equal opportunities for all), technology (digital access for all), and ethics (internal codes of conduct for ethics and privacy).

Fifth, another contribution of the book is its emphasis on CSR impact measurement and reporting. The authors argue that the European Commission has played a leading role by redefining CSR as business being responsible for its societal impacts. The Commission has now mandated disclosure by firms of their social and environmental policies. Many national governments are also moving to mandate CSR reporting. The authors also discuss the Global Reporting Initiative (GRI), which since 1997, has provided a common sustainability reporting framework for firms. All of these actions the authors argue now mean that annual CSR reporting is a fact of life for large and medium-sized firms, many of which now tie this reporting to the UN SDGs. Here Dell Technologies is another good example of how MNEs can lead to social responsibility. Dell is reporting annually on its social responsibility goals as part of the GRI (Dell Technologies, 2019b). The firm has been on the Ethicsphere Institute's 2019 list of the "world's most ethical companies" and has been for six consecutive years (Dell Technologies, 2019c: 18).

A sixth contribution of the book is its exploring the difference between global business values and local realities. Chapters "The Role of CSR in International Policy Agendas," "Business Success Revisited: What Constitutes Business Success?" and "Embedding CSR in Corporate Strategies" focused on social

responsibility from a global perspective. The chapter “CSR Initiatives” asks whether MNE subsidiaries should implement top-down centralized CSR standards or more bottom-up locally responsive CSR strategies. This is, of course, a version of the Integration-Responsiveness (I-R) framework that IB scholars use to explore four types of international business strategy. While the authors do not reference the I-R matrix, their arguments for paying attention to the pressures for globalization versus local responsiveness also apply to international CSR strategies. Putting together the lessons from chapters “Embedding CSR in Corporate Strategies” and “CSR Initiatives,” a key takeaway is that MNEs should tailor their CSR strategies not only by industry but also by location—one size does not fit all.

My concern with this chapter is that local responsiveness could be used to justify a “lower common denominator” approach to global CSR by the MNE on the grounds that it is “simply too difficult to implement” a high CSR policy across different political and institutional environments. My own interpretation here is different. My thinking is that the MNE should be proactive—by leading and moving the bar upwards—on global social responsibility by implementing its best worldwide practices across all of its subsidiaries. That is, a US MNE should not simply implement its US practices around the world but rather determine where its best practices lie within its affiliates (perhaps in Norway, Finland, or Brazil) and implement those practices throughout the MNE group (including within the US parent). That is a much higher standard, one that I view as shifting the MNE’s goal for global social responsibility to moving to the “highest common denominator” across its global footprint. This is, of course, a much higher and tougher definition of CSR than the one currently used in IB research.

Seventh, an interesting application of CSR strategy appears in the chapter on buffering and backfiring impacts of CSR during a crisis, written by Barbarossa and Murphy. The authors assume that firms are already engaging in CSR activities when a crisis erupts that is viewed as socially irresponsible (e.g., corporate misconduct, product recalls, and so on). The questions are whether CSR positively (buffers) or negatively (backfires) moderates the impact of the negative crisis on firm performance. The authors extensively review the literature on this topic concluding that the jury is still out and point usefully to directions where more research is needed.

Let me add another real-world example here. A recent example of how failure to meet CSR commitments can be found in Yaffe-Bellany’s (2019) article in the *New York Times* about Cargill being labeled by the environmental advocacy group Mighty Earth as “the worst company in the world.” Cargill received this designation for its refusal to agree to a moratorium on buying soybeans grown in environmentally sensitive lands in Cerrado, Brazil, and its failure to meet its own published commitments on anti-deforestation. The article notes that as more MNEs start making public CSR commitments, there will be more that fail to meet these commitments and such failures are likely to be punished by stakeholders. This suggests that having measurable—and doable—CSR targets will be important for MNEs if they wish to avoid them backfiring later on.

Lastly, the book then moves into individual country- and industry-level chapters written by other authors. Several chapters explore CSR practices and regulations in

specific countries, for example, the USA, Egypt, Germany, Poland, India, Thailand, and Colombia. CSR projects in three industries—bee keeping, brewing, and early childhood education—are included. These chapters usefully explore the points made in Part I on “Rethinking Global CSR.”

10 Conclusion

This chapter started as a brief foreword to Schlegelmilch and Szócs (2020) but has morphed over the course of writing this chapter into a much longer piece on the history of the social responsibility of MNEs. The subject matter kept growing, reflecting the broadened umbrella of subtopics that the book’s authors argue must be included in global social responsibility. I hope that reader will find the historical journey of interest and possibly a springboard for their own research.

My thanks to those scholars who have made the journey with me, as coauthors, colleagues, friends, mentors, students, and teachers since the early 1970s. My apologies if I omitted something you thought should have been included. Every personal history has a point of view and a story to tell and each person’s intellectual journey is different. All errors and omissions are my own.

My overall takeaway is that global social responsibility as a field of inquiry moved significantly from a minor topic in 1970 to an issue in 2010, exploded in the last 10 years, and is poised to do so again. Fifty years later, corporate social responsibility is no longer an afterthought but is now front and center as a core concern for managers of multinational enterprises. Scholars in economics and international business need to catch up and do the same. The chapters in this book are a great start in that direction.

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Part I

Rethinking Global CSR

The Role of CSR in International Policy Agendas



Ilona Szócs and Bodo B. Schlegelmilch

Abstract This chapter provides a short introduction into CSR and offers an overview of the United Nations' Sustainable Development Goals. These are subsequently linked to the private sector and its responsibilities. This chapter ends with some thoughts on the general nature of CSR as voluntary versus obligatory.

1 Introduction

The responsibility of business is widely discussed in academia and practice alike. Companies are no longer merely economic entities producing goods and services for customers. Their activities now expand into environmental and social issues as part of their strategies (e.g., Jamali, 2006). In fact, the societal expectation of companies to make profit and simultaneously act in environmentally and socially responsible ways is gaining importance (Carroll & Shabana, 2010; Kudlak, Szócs, Krumay, & Martinuzzi, 2018). Consequently, businesses are becoming increasingly involved in meeting not only their business objectives, but also social and environmental issues raised by their stakeholders and the wider society. Beliefs about what exactly businesses are responsible for range from an exclusive focus on economic success (Friedman, 1970) through responsibility toward stakeholders (Freeman, 1984), to ethically motivated behavior (Goodpaster, 1998). While the win-win potential of business and societal interests may seem evident (e.g., Elkington, 1994, 1997; Porter & Kramer, 2006, 2011), the inherent conflict and trade-offs between different interest groups (e.g., Crane, Palazzo, Spence, & Matten, 2014; Sridhar & Jones, 2013) continue to shape the debate on the nature of corporate responsibility.

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