

The Antecedents of Influencing Sustainability and Social Responsibility on Subsidiaries of Manufacture in China

Hao Mai Weng

Business Administration of National Chengchi University, Taiwan (R.O.C.)

alanweng@nccu.edu.tw

Abstract

Corporate sustainability and social responsibility (CS-R) are emerging and developing in the theory of international companies rapidly in recent years. The prior research explored the CS-R of the MNCs and their antecedents constructs and influencing factors, and rarely discussed them from the perspective of the host country subsidiaries.

This study explored the activities of CS-R on subsidiaries of manufacture in China. Second, it explored the antecedents constructs that the influencing of host country subsidiaries from their practice. The research provides an integrated structure for antecedents of the influencing of host country subsidiaries CS-R. Compared to the previous research, this study complements the theory of CS-R within the MNC field from host country subsidiaries view, and connects CS-R theory and MNC theory.

For research methodology, this study developed the integrated structure from multiple case designs in the qualitative research method, and obtained case analysis data by interview method, supplemented by secondary data to achieve triangular verification. There are 7 subsidiaries of the business group from Taiwan, and all of them is listed company at the stock exchange market in Taiwan. They have completed company annual reports and most of them have social responsibility reports. It has been approved by accounting companies and most of them have won the corporate social responsibility award. They are in CSR as their quality. Based on the research results, this study develops an integrated framework of antecedents and find 11 new factors for comprehensive and complete prior research.

This study echoes the theory of parent-subsidiary relations of MNC, institution theory, resource dependence theory and RBV. Also, this study finds that when the subsidiary, manufacture company in China, with a charter (or more) or network position in the group which compete to other subsidiaries, in addition to respond to stakeholders and competition pressure,

it chose to adopt a proactive strategy to import experience and knowledge from home company and become hybrid model from the spectrum of globalization strategy and localization strategy rather than imitating competitors CS-R activities in host country. This view complements the theory of the host country subsidiary in the field of CS-R, as well as the extension of the theory of MNC CS-R from subsidiary perspective.

Key Words : Corporate sustainability and social responsibility (CS-R); Subsidiary; Hybrid model strategy

Introduction

This study extended the prior research, developed a complete the antecedents constructs that the influencing CS-R activities of subsidiaries for manufacture in China, and the constructs with categories of pressures sources, knowledge and decision-making, subsidiary roles, and resources, non-profit platforms, the subsidiary adopted a proactive strategy rather than developing its CS-R as a more responsive approach such as “imitation” and “learning” from competitors in China.

On the other hand, this study finds when the subsidiary had an important position in the global group because of the charter from MNC, the subsidiary had the advantage to develop CS-R strategy, and it is highly supported by MNC, which in turn had the importance and effect of the interaction of the intranet subsidiaries of the group. It’s not only an important business unit with growth potential but also a strategic sustainability and social responsibility subsidiary of the MNC.

In addition, this study extended the prior research, developed a hybrid model which instead of neither providing into a globalization strategy from MNC nor localization strategies for regulation and political issues of corporate sustainability and social responsibility. According to the CS-R types with the different contexts, the subsidiaries will adopt the parallel strategy of globalization and localization. The argument complemented the strategy more completely and closer to the practice, and theory and structure more completely.

Literature Overview

Stakeholder Theory

Stakeholder theory is the most typical and classic theory. The underlying assumption is that value and value creation are identified from business operations. Freeman, Wicks, and Parmar (2004) suggested that why companies have incentives to invest CS-R in companies. Social responsibility, in which an important and responsible view points out the value and needs of stakeholders (Harvey & Schaefer, 2001; Post, 2003), and stakeholders refers to any group or individual that may influence or influence the achievement of the company's objectives

(Freeman, 1984). This notion encourages consideration of new stakeholders rather than traditional shareholders and customers (Jamali, 2008) and shifts attention to which non-direct profits are maximized. In addition, specific stakeholder theory is a tool for wealth creation, and corporate social responsibility is seen as a strategic tool for wealth creation (Garriga & Melé, 2004; Jones, 1995). Therefore, how to achieve balance between investment and non-investment of CS-R is an important management issue, including discretion, legitimacy, environmental assessment and power relations (Jamali & Mirshak, 2007; Yang & Rivers, 2009). The stakeholder perspective is consistent with strategic sustainability and social responsibility (Strategic CS-R) research. Therefore, prior research argued that the explains why and how companies consider the needs and creative value of stakeholders and provide the evaluative architecture for management. (Jamali, 2008; Turker, 2009).

The Relationships between MNC and Subsidiary

Subsidiaries are the source of knowledge of MNCs in absorbing host country (Johanson & Vahlne, 2006, 2011; Vahlne & Johanson, 2017). Second, the valuable operating experience of the subsidiary helps managers of MNCs to expand their foresight and contribute to the internationalization of the MNC (Murtha, Lenway, & Bagozzi, 1998). Third, the outstanding performance of subsidiaries can serve as a model for other subsidiaries, and the pro-action of subsidiaries improve their innovation (Rugman & Verbeke, 1998). Once a MNC has more than one subsidiary, the connection between the subsidiaries can be regarded as a network. When members of the network can have further interaction, the performance of a subsidiary can become a paradigm center (Center of excellence); on the other hand, the traditional MNC theory argued that the MNC's development advantage is delivered from the subsidiary and becomes an important resource of advantage for subsidiaries. Because of hyper competition, and business environment tends to be highly competitive, so subsidiaries must develop their own unique advantages to maintain their survival in the host country, but further spread to other subsidiaries.

Local vs. global CSR in MNC

In the perspective of MNCs, the strategic CS-R of a MNC is influenced by the institution and the strategic approach of MNC, which can be regarded as eclectic theory (Crilly, 2011). The institution theory is influenced by the global environment and the host country environment (Husted & Allen, 2006; Crilly, 2011).

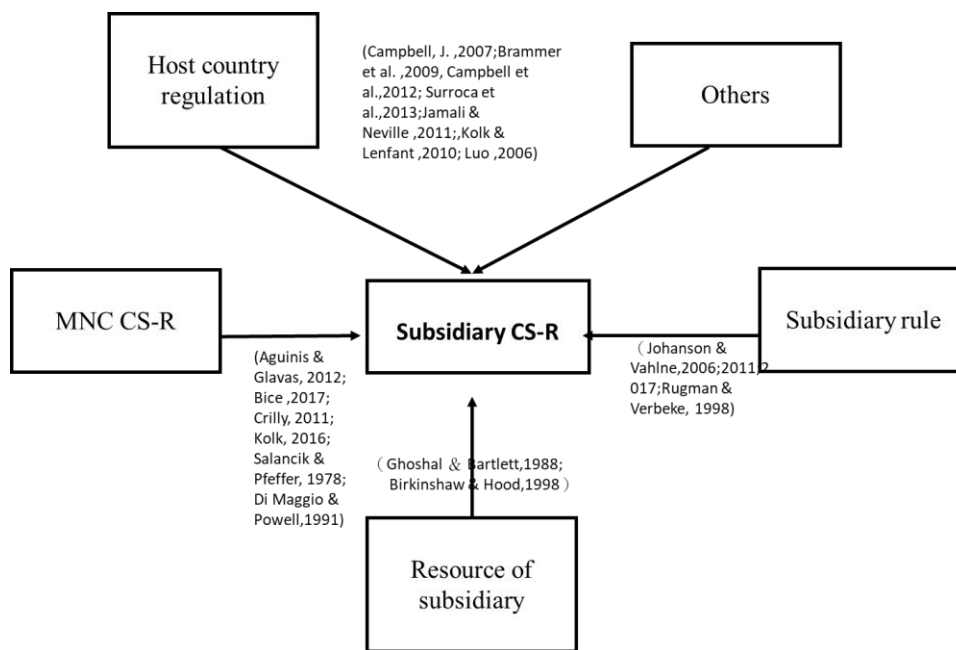
Jamali and Karam (2018) proposed corporate social responsibility as a subsidiary of a MNC as globalization or localization (Husted & Allen, 2006; Jamali, 2010; Jamali & Karam, 2018) is also an extension of the compromise interpretation.

In this paper, the four important affecting constructs to subsidiaries were developed from literature, and the integrated structure was developed through the case interviews this study

which ignored in prior research. Second, the study also confirmed the relationship between constructs, or other relationships.

According to the literature, the whole research structure is developed based on the theory of stakeholders, institution theory and resource dependence theory. The CS-R activities of the host country is influenced by the regulation pressure of the host country, the CS-R of the MNC, the resources of the subsidiary, and the role of the subsidiary presented in figure 1.

Figure 1: The Antecedents of Influencing Sustainability and Social Responsibility on Subsidiaries



Research Methodology

Case Study

This study used multiple case design (Eisenhardt, 1989; Yan & Gray, 1994) to develop an integrated approach (Eisenhardt, 1989; Glaser & Strauss, 1967; Lindesmith, 1947; Yan & Gray, 1994; Znaniecki, 1934) for each case company that fits the research purpose in an analytically induced approach. According to the Yan and Gray (1994) case study, the process is generally: first, the study of practical phenomena, defining research questions; second, developing the research structure according to theory; third, interviewing single case companies, developing case structures, and observe the difference between the theoretical constructs and new findings.

This study was coded after interviews, in addition to extracting important keywords and concepts, and developed the two categories of "sustainable CS-R" and "careful CS-R".

“sustainable CS-R” refers to the CS-R behaviors performed by companies in the process of operations to increase environmental sustainability and human sustainability, such as environmental protection, green energy conservation, safety and public health. "Caring CS-R" refers to the social responsibility of caring for people, such as caring for citizen and employees, making public welfare or workplace safety, such as increasing or protecting internal labor rights and initiating external sponsor actions and volunteer actions. In addition, the data provided by the respondents were classified to develop a complete research structure (Diesing, 1972; Eisenhardt, 1989; Glaser & Strauss, 1967; Lincoln & Guba, 1985; Lindesmith, 1947; Taylor & Bogdan, 1984; Yan & Gray, 1994; Znaniecki, 1934).

The study used an in-depth interview with anonymous because of the requirements from interviewees. After the interview, the interviewed verbatim manuscript was sent back to the respondent to confirm the correctness of the information to determine the correctness of the analysis. To triangulation, after the interview, secondary data (such as the annual report) was used (Denzin, 2012).

The study started from February 2018, and began to interview the MNC in March. The interview ended in mid-April. A total of 7 groups were interviewed and focused on 7 host country subsidiaries in China. During the interview, the respondents were asked to answer and explain the most CS-R activities and influenced factories in China that develop an integrated approach. The following is introduction of the case companies background.

Case Introduction

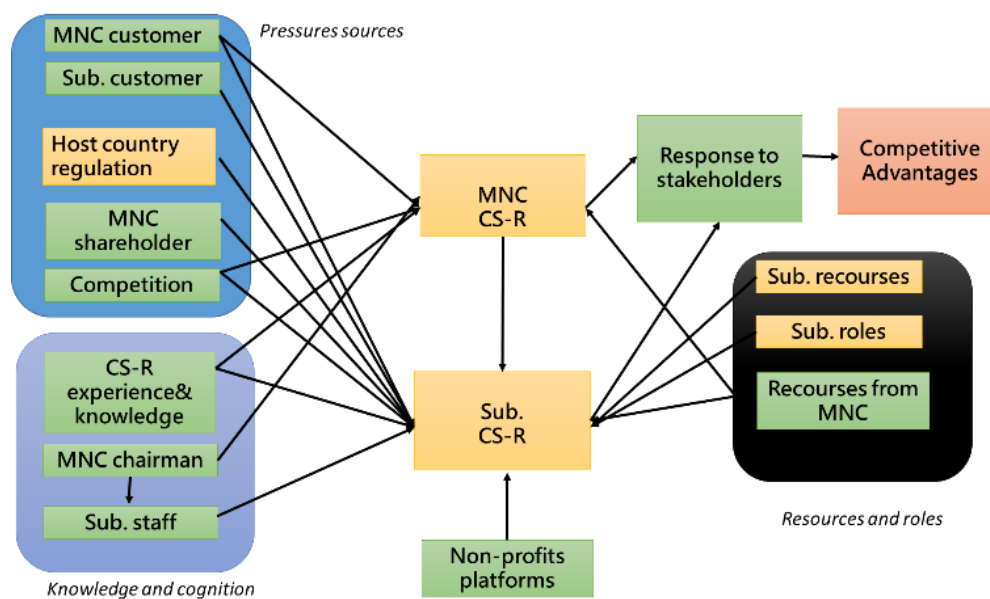
N group is a food group, and N01, one of a subsidiary, is domestically produced and exported to food manufacture, located in China. The respondents are N group Finance coordinator, group spokesperson and CS-R committee leader, has more than 10 years career life in N group, and interview time is 130 minutes. L group is an auto component manufacturer. L01 is one of a subsidiary in China. The interviewee, work over 20 years in group, is the financial manager of home company and charged finance of the subsidiaries in China, and was interviewed 120 minutes; M group was the tire manufacture MNC, M01 was the M group's one of subsidiary in China, and the respondent was the production manager of M group who worked for more than 20 years, and interviewed time was 120 minutes; F group is a cloth manufacture company, a highly non-related and diversified group. F01 is a cloth manufacture subsidiary of F group in a certain place in mainland China. The respondent is the secretary of the F group chairman and the executive secretary of the CS-R office. The career life is more than 10 years in F group; H group is a computer assembly company, H01 is one of subsidiaries in China, and the respondent is the H group CS-R committee office staff who worked more than 6 years, and the interview time is 70 minutes; T group is the electronic equipment manufacture, T01 subsidiary, the production and assembly plant, is one of subsidiaries in China, and the interviewee is the chief of the CS-R committee office and the spokesperson for public relations,

worked more than 10 years in T group, and the interview time is 96 minutes. Z group is a computer manufacture company. Z01 is one of the subsidiaries in China. The respondent is the Z group's CS-R committee manager and the spokesperson for public relations who has worked for more than 20 years in Z group, and the interview time is 115 minutes. The following findings is discussion from the case interview.

Finding and Results

New Constructs

Figure 2: The antecedents of influencing sustainability and social responsibility on subsidiaries of manufacture in China



This study develops the integrated structure of the antecedents constructs of manufacture sustainability and social responsibility on subsidiary in China. After the interview, found that there are other factors affecting the host country's subsidiary CS-R decision and activities, as shown in figure 2. The constructs including "MNC customer pressure", "competitive pressure", "MNC shareholders", "host subsidiaries customers", "non-profits platform (eg. foundation, industry-university partnership cooperation)", "CS-R experience and knowledge", "MNC chairman", "staff of subsidiary", "CS-R resources from MNC", "responding to stakeholders" "competitive advantages", etc., and presented into four categories: "pressures sources", "knowledge and cognition", "resources and roles" and "non-profit platforms".

Finding1: *The antecedents of influencing sustainability and social responsibility of manufacture subsidiary in China are present into four categories: pressures sources, knowledge and cognition, resources and roles, and non-profit platforms.*

CS-R experience and knowledge \ Subsidiary role

When the subsidiary with an important charter engages in a caring CS-R, and the MNC had a caring CS-R in Taiwan which recognized by the stakeholders, the subsidiary could be transferred the experienced and knowledge from MNC. For example, the MNC of T group and the non-profits platform, was a foundation, cooperated of the education and promotion for green energy, CO2 reduction, and green building. The foundation is responsible for all activities of planning, promotion and education, while the MNC of T group and T01 provide sustainable CS-R's performance that become the foundation's promotion and education materials, and provides the MNC's talents for volunteers to the foundation. Therefore, T01 developed the Caring CS-R in China. Z01 promotes labor rights and labor interests in the factory, and attaches importance to the problem of over workhours of production from employees. MNC of Z group had relevant management experience, so that Z01 transferred the experience from Taiwan. Under the impetus of the chairman of the board, The MNC of M group often stays close to neighbors, sponsor to community activities, and sponsors local temple activities to enhance community identity in Taiwan, so that M01 transferred experience to subsidiary in China including sponsoring for elders' activities in community. Based on the above, the following findings:

Finding2: *If the MNC has a stakeholder CS-R experience in a caring CS-R, the subsidiary with an important charter was transferred the experience from MNC.*

MNC customer \ Subsidiary Rule \ CS-R recourse from MNC

The main customers of the T01, Z01 are the same as the MNC. The customer required the MNC and subsidiary to meet the requirements of the CS-R index. T01 completely inherits the MNC's management method in terms of CS-R governance. And each project had a charge man, maintains a high degree of interaction with the MNC CS-R committee, and meet the requirements of the MNC in order to maintain customer requirements, and the MNC also provides technical and management for CS-R. The main customers of Z01 from the MNC, and the MNC is familiar with the customer requirements, and leading host country subsidiaries to fit sustainable CS-R performance . F01 only has a OEM customer, and the customer also has trading with the MNC and other subsidiaries. Therefore, the MNC understands the overall planning of the customer CS-R policy, and F01 cooperates with the customer to implement the sustainable CS-R. In order to maintain a long-term relationship with the customer's different subsidiaries, it is able to lead the F01 CS-R activities to meet customer expectations, and also to make F01 highly compatible with the MNC's CS-R policy. Based on the above, the following findings are proposed:

Finding 3: *The subsidiary becomes an important network node of the group to develop CS-R, if the subsidiary with an important charter, and the MNC has higher probability to invest resources and support.*

Hybrid model and Synergy

T01 has transferred its experience and knowledge due to the MNC's international competitiveness in the sustainable CS-R, T01 also aggressive to set up a specific office to deal with CS-R, participating in the CS-R competition, and transfer the knowledge and experience from MNC. T01 developed a caring CS-R depended on its own characteristics. Therefore, T01 adopts the globalization strategy of the sustainable CS-R and the localization strategy of the caring CS-R. Moreover, parts of caring CS-R learn by MNC which enable provide a hybrid approach that the MNC's sustainable and caring CS-R occur at T01 at the same time effectively.

N01 developed to become a paradigm factory in China for the MNC, establishing the latest pipeline equipment with the sustainable CS-R, as well as the latest product traceability system, and extending its technology and technical experience to other subsidiaries in China. F01 is an excellent factory for the group in order to maintain the key account which gives orders to other subsidiaries in the F group. Its sustainable CS-R adopts a global strategy because of its knowledge and experience from the MNC, while the caring CS-R acts as a global action and in order to respond to the pressure of the MNC's customers, and provide to some localization strategy activities to meet the local government regulations. Due to the MNC's sustainable CS-R experience and technology innovation capability, the Z01 sustainable CS-R adopted a global strategy, and part of the caring CS-R also adopted a global strategy to fit the MNC which response to customer pressure, global industry association, and part of the localization strategy in order to integrate and respond to local culture. L01 adopted a global strategy in the caring CS-R which guided Taiwan student internships in L01. M01 adopted a proactive globalization strategy, with MNC and subsidiary information inter-operation to fit customer and local government regulations, and the caring CS-R adopted a localization strategy to meet local needs and regulations. The H01 adopted a global strategy and a localization strategy in parallel, and has more flexibility in the non- waste policy in H01.

Finding4: *The hybrid model CS-R, adopted globalization strategy and localization strategy due to sustainable CS-R and caring CS-R, is a proactive strategy and provide the CS-R synergy between the MNC and the subsidiary once the subsidiary was an important network node and with an important charter.*

Conclusion

This study extended the prior research, developed a complete the antecedents constructs that the influencing CS-R activities of subsidiaries for manufacture in China, and the constructs with categories of pressures sources, knowledge and decision-making, subsidiary roles, and

resources, non-profit platforms, The subsidiary adopted a proactive strategy rather than developing its CS-R as a more responsive strategy such as “imitation” and “learning” competitors in China.

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In addition, this study extended the prior research, developed a hybrid model which instead of neither providing into a globalization strategy nor localization strategies of corporate sustainability and social responsibility. According to the CS-R types with the different contexts, the subsidiaries will adopt the parallel strategy of globalization and localization. The argument complemented the strategy more completely and closer to the practice, and theory and structure more completely (Jamali & Karam, 2018).

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