

Complexity of MNE Subsidiary CSR in Host Country: Strategies, Outcomes and Legitimacy

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Abstract

How multinational enterprise (MNE) subsidiaries engage with corporate social responsibility (CSR) in host countries continues to attract steady scholarly attention (Asmussen & Fosfuri, 2019; Burritt et al., 2020; Rygh, 2019). Conceptualizing how MNE's subsidiaries position their CSR strategically and the subsequent outcomes is complex and multifaceted. There are two studies in particular that offered conceptual frameworks, by considering some of these complexities. Tan & Wang (2011) use the 'transplantation of logic' lens to describe the strategic responses of the MNE when they face idiosyncratic ethical pressures in the host countries. Hah and Freeman (2014) extend Tan and Wang (2011) conceptualization and propose that MNE subsidiaries will adopt local CSR strategies to build external legitimacy and will adopt global CSR strategy to build internal legitimacy. However, both these frameworks do not consider the implications of a strategy on subsidiary's internal legitimacy. In both the papers, CSR ingrainedness relates to MNE subsidiary's commitment to headquarter (HQ) CSR logic. However, nationality does not determine MNEs CSR ingrainedness, and less developed MNEs could be leaders in adopting CSR principles (Tan & Wang, 2011). Hence, there is a need to classify MNEs based on their commitment to CSR more generally and recognize the possibility that MNE HQ and the subsidiaries may differ on the level of local CSR engagements that they deem appropriate (Asmussen & Fosfuri, 2019).

We seek to extend the conceptual work (Han & Freeman, 2014; Tan & Wang, 2011) and develop propositions that differentiate the CSR strategies of highly and less committed MNEs and consider decision-making autonomy of the MNE subsidiary as an important variable in influencing the CSR localization strategy, which we show is linked to social value creation outcome. Our work draws on more recent hybrid approach (Acquier, Carbone & Moatti, 2018, Jamali, 2010; Yin & Jamali, 2016). We note the importance of balancing contradictory internal and external demands, which lead to embedded or symbolic legitimacies. Overall, we provide a theoretically derived conceptualization of the subsidiary's engagement in *irresponsible*, *compliant*, and *responsible* actions by evaluating the subsidiary as a moral actor based on whether social value creation outcomes occur.

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