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# CSR and sustainability in emerging markets: Societal, institutional, and organizational influences

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Multinational enterprises (MNEs) are increasingly focusing on emerging markets as the source of future growth and profits. At the same time, the emergence of multinational enterprise from developing countries (DCMNEs) has occupied considerable attention in both academic and managerial circles. Companies like Embraer of Brazil, Tata of India, and Haier of China have undergone rapid global expansion and are challenging large developed country MNEs. Haier, for example, is now the largest appliance manufacturer in the world. In the realm of corporate social responsibility (CSR) and sustainability, little is known about the perspectives, policies, and programs of these firms. Although scholars and practitioners have begun to explore some of the unique features of these developing country MNEs in terms of their somewhat distinct ownership, governance, and management structures, and other scholars have studied and documented the global CSR and sustainability profiles of developed country MNEs (heretofore MNEs), little attention has been directed to how DCMNEs approach CSR and sustainability.

In this paper, we explore the conditions that have arisen to prompt both MNEs and DCMNEs to pursue CSR and sustainability initiatives in developing countries. We first focus on the macro problem of institutional voids in these developing countries and position CSR and sustainability as strategies both MNEs and DCMNEs use to address social deficits in these developing country markets. We also propose that CSR and sustainability initiatives are used as strategic levers to provide signals to customers, suppliers, and other stakeholders of the overall reliability, stability, and credibility of especially DCMNEs as they enter and operate in developed country markets. We then introduce and discuss more micro societal cultural drivers that may also influence DCMNEs to exhibit unique forms of CSR that are distinct from their developed country counterparts, and use the example of Brazil's

socio-cultural environment to illustrate our points. We summarize the CSR and sustainability initiatives of Odebrecht, the large Brazilian construction, energy, and transportation conglomerate as one illustration of this phenomenon, and reference several other DCMNEs that also appear to pursue a unique form of CSR and sustainability that is reflective of their country context.

## STRATEGIC DRIVERS OF CSR AND SUSTAINABILITY BY DCMNES

CSR is a phenomenon that emerged first in developed countries, originally in the U.S., partly in response to the challenges of the depression, the domestic economic hardship during World War II, and the postwar recovery period. As a result of globalization of business and a gradual move in the 1980s toward less government economic intervention, especially in the United States and Great Britain, growing expectations have been placed on companies to contribute to society above and beyond those firms' basic economic objectives. Through the 1990s, this focus broadened to include the CSR approaches and strategies of MNEs as they expanded globally. More recently, the CSR and sustainability actions of DCMNEs have begun to gain attention, as these firms enter other emerging and developed markets.

The forces that have prompted MNEs from developed countries to initiate and implement global CSR and sustainability programs are well documented. From Coca Cola to GE to Intel, Walmart Stores, Apple, and Tesco, MNEs have come under pressure from concerned stakeholders to improve their environmental, labor, and overall community impact in all markets—both developed and developing—in which they operate.

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Given MNEs' well-documented record in the developed country context, what might we expect from DCMNEs? On the one hand, we might expect emerging market firms to be less—or not at all—subject to stakeholder pressures from customers, competitors, or others, at least when compared with firms in developed markets. Lower income levels, less awareness of and sophistication about social and environmental problems, lower levels of product variety, and greater emphasis on the basic value proposition of products all could contribute to less sensitivity by firms to respond to pressures to engage in CSR and sustainable business practices.

Yet, emerging markets may feature countervailing forces that would provide firms with a sound rationale for adoption of CSR practices under specific conditions. Here we emphasize the proposition advanced by Khanna and colleagues that emerging markets feature the problem of “institutional voids”—the absence or underdevelopment of institutions that make up a given market ecosystem. Khanna and Palepu suggest that these voids can exist in markets for outputs (products, services) as well as inputs (labor and capital markets). In such environments, firms—both MNEs and DCMNEs—must explore filling these institutional voids through other means. We contend that in emerging markets, adoption of CSR and sustainability effectively substitutes for an institutional deficiency related to one or more relevant stakeholder groups: governments, nongovernmental stakeholders, customers, and competitors. Scholars have highlighted many examples of how MNEs attempt to fill these voids by promoting human rights, organizing AIDS prevention campaigns, protecting the natural environment, and reducing poverty.

In addition to addressing the reality that governments in developing countries may be unable or unwilling to address critical social needs, and that MNEs and DCMNEs' CSR and sustainability initiatives may constitute one way to mitigate this deficit, we also believe that MNEs and DCMNEs can and do engage in CSR and sustainability programs as a vehicle to signal and convey important information to developed country customers, suppliers, and business partners. Signaling theory describes how observable proxies for information about quality or intent—such as college diplomas demonstrating educational competencies—can mitigate information asymmetries between parties to a transaction. In this regard, researchers have argued that CSR and environmental management practices such as third-party certifications of environmental standards (ISO 14001) can convey information about the overall soundness of the company, its trustworthiness, and its ability to make credible commitments. Monteil et al. showed that in environments characterized by corruption at the level of governmental policy, firms sought private certification (e.g., the adoption of ISO 14,000 environmental quality standards in Mexico) to overcome the lack of trust in the government's ability to regulate them. They did so to signal to investors, customers, and other stakeholders that they are legitimate partners in the absence of governmental authority and accountability. Indeed, there is some evidence that companies that are from emerging markets may actually engage more in CSR than their developed market counterparts.

In sum, MNEs and DCMNEs invest in CSR and sustainability for several macro, strategic reasons. First, and especially in

the early stages of economic development, they may initiate CSR and sustainability programs to shore up institutional deficits in their home or other developing country markets where governmental capacity to meet basic public services is limited. Second, they use CSR and sustainability as signals to stakeholders of their commitment to responsibility, but also as a mechanism to signal overall quality, trust, and reliability. In this regard, CSR serves as a strategic differentiator for customers and other stakeholders who are concerned with socially responsible initiatives. As such, CSR can improve the company image in the marketplace, meeting investor/shareholder demands that target socially conscious investments in the developing world. Ultimately, CSR can serve as a sort of “insurance policy” to protect the firm from potential threats from government or other stakeholders.

## CSR AND SUSTAINABILITY MECHANISMS AND MNEs/DCMNEs

Given the various strategic drivers of CSR and sustainability that we discussed above, there are a wide range of industry and firm-level characteristics that influence whether and how firms advance their CSR and sustainability agendas. Internal factors, such as the structure of the MNE, impact the magnitude of CSR investment. MNEs with strong corporate governance mechanisms, including those with a high percentage of outside directors, are more likely to embrace CSR as a nonmarket strategy. The more financially stable and profitable an MNE is, the more likely it is to invest in CSR. The prominence of the MNE also impacts CSR involvement; the larger and more visible a MNE is in the marketplace, the more likely it is to invest in CSR.

Research points to a few core business operations where CSR investments could generate the greatest value. CSR initiatives that directly relate to the corporation's overall business strategy, thereby adding value to the MNE's operations while also meeting stakeholder demands for CSR, improve the value of the firm. Furthermore, CSR initiatives that directly impact processes along the value chain of the company can lead to increased margins and efficiency. MNEs and DCMNEs can voluntarily utilize non-governmental regulations—in the forms of external private regulation and internal codes of conduct—to acquire advantages in the emerging market domain and meet various stakeholder demands.

MNEs, which by definition operate across political borders, are difficult to regulate universally through governmental policy. Laws and regulations differ between governments; transnational companies in the global economy are therefore subject to a variety of inconsistent legal restrictions. Illegal and unethical practices, such as child labor and environmental carelessness, are not regulated by every emerging market government, and developed nations can do little to ensure that MNEs act in a manner consistent with their own laws when operating abroad. In response to this lack of universal legislation, NGOs and other private groups have developed private, ethics-based CSR regulations and standards. Although MNEs may not be legally required to adopt these regulations, MNEs and DCMNEs tend to internalize these policies for a variety of reasons, leading to increased emphasis on CSR in emerging markets.

In addition, especially MNEs, in an attempt to align themselves with locally influential groups, will adopt NGOs' private regulations to elevate their own standing and increase the level of trust that stakeholders have in their organization. DCMNEs may already have such relationships and so may be at an advantage over MNEs when forging such partnerships. As discussed previously, NGOs, who often propose "private" regulations, hold power and influence in emerging markets. By not agreeing to NGO-developed regulations, MNEs risk negative publicity and criticism from the highly regarded NGOs, leading to increased pressure from the general public and poor market performance. Conversely, publicly embracing the policies of the NGOs wins stakeholder trust and improves the image of the MNE's brand, potentially leading to increased long-term performance within the developing market.

MNEs also see private regulations as a mechanism to influence or preempt governmental regulations prior to their enactment. Though developed market economies may have established political restrictions and reforms, dictating a certain minimum threshold of ethical actions, many emerging market governments are legislating these issues for the first time. By enacting CSR-related policies prior to government implementation, MNEs can influence the legal restrictions to achieve a more favorable and potentially less-restrictive legal framework for their business.

MNEs also may adopt private regulation to "even" the emerging market competitive landscape. The adoption of private regulation by one MNE in a developing market can pressure all other similar MNEs and DCMNEs to adopt the same policies, thereby eliminating the competitive advantage that other MNEs can attain through socially irresponsible but legally permissible actions, such as child labor. This ultimately results in an emerging marketplace where CSR is commonplace among all operating MNEs and DCMNEs.

In addition to implementing private regulation, MNEs address developing market CSR through their internal codes of conduct, in exchange for similar rewards from their stakeholders. Developed by the MNE, CSR codes of conduct supplement the private regulations and signal the corporation's sense of duty regarding a variety of shareholder needs. Codes of conduct among different companies, though independent from common, industry-wide regulations, tend to focus on similar themes and frequently include a mechanism for continual monitoring.

CSR codes designed to protect employees from basic unethical labor practices—such as harsh working conditions, long hours, low wages, abuse, and discrimination—are common. Some DCMNEs take the additional steps of guaranteeing development of employees through employee job training, aiding to the long-term economic development of the region. This is especially the case in large, family-founded firms that exhibit a kind of a "paternalistic CSR" that was once common in developed country contexts (e.g., Andrew Carnegie or Arthur Guinness, both of whom provided basic housing, health, education, and even recreational services for their employees and communities). An example of this form of CSR can be seen in Odebrecht, discussed in the final section of this article. Investing in the development of employees leads to long-term gains for the MNE. Its skilled workforce increases in efficiency; the developing market realizes economic gains; and the pool of potential future consumers grows. Furthermore, these employee-centric codes not only appeal to the

stakeholders within the host country, but also build the international reputation of the MNE.

Sustainability of the natural environment is another frequently expressed topic in MNE codes of conduct. These codes often ensure practices that result in clean air and water, protect the livelihoods of the existing residents, and maintain the existing ecosystem. Like employee-centric CSR codes, these environmental policies increase long-term value for the MNE and DCMNE by improving the longevity of the operating environment while meeting the demands of internal and external groups.

Codes often will express a commitment to transparency and fairness in business dealings. Typical MNE CSR codes include a commitment to open financial transactions, including political contributions. Bribes are often explicitly prohibited. These transparency-centric CSR codes add value to a MNE's brand by meeting stakeholder demands for fairness in the developing market, while simultaneously leveling the playing field among other market competitors by pressuring them to adopt similar standards, preventing the use of corruption to gain a market advantage.

In addition to signaling their socially responsible positions to stakeholders by agreeing to private regulation and the adoption of CSR-oriented codes of conduct, MNEs can utilize NGO/MNE partnerships as an effective method to implement CSR initiatives in developing markets. With distinctly different competitive advantages and strengths, MNEs and NGOs bring complementary resources to the partnership, which allow each party to achieve their CSR-related goals within the emerging country. MNEs bring financial resources and business acumen to the NGOs, enabling the NGOs to achieve more impactful results, meet more stakeholder needs, and rapidly implement strategy. NGOs, possessing a longstanding history and a positive reputation within the emerging markets in which they operate, bring an established level of trust within the local marketplace. This trust enables NGOs to acquire inside information and to influence consumers and potential consumers. MNEs, despite their capital resources, cannot attain these marketplace competitive advantages when working alone. By partnering with reputable NGOs, MNEs are able to align their brand with the values and CSR-initiatives of the NGOs, thereby potentially improving their reputation among emerging market consumers.

## CSR IN DEVELOPED AND DEVELOPING COUNTRY MNEs: HOW MIGHT IT DIFFER?

Having established that both MNEs and DCMNEs engage in CSR in emerging markets in response to external pressures and internal strategic interests, here we consider how the type and form of CSR might differ between these two from both a macro and micro perspective. First we consider the prospect that DCMNEs may be in a stronger position to respond to both social and economic institutional voids than their developed country counterparts, and subsequently we make the argument that effective global leadership—including CSR—should reflect the particular cultural setting in which it is conducted, and that leaders of DCMNEs are likely to be more culturally congruent with the emerging markets countries in which they operate than their developed country counterparts.

Khanna and Palepu have argued that despite the many advantages of MNEs over DCMNEs (ubiquitous brand names, large R&D budgets, sophisticated managements systems, low cost of capital and high caliber talent), these MNEs face a gap between the institutional environments of their home country and those of developing countries that is unfamiliar and difficult to navigate. Local companies, on the other hand, are accustomed to operating in that environment and either working around those institutional deficiencies or, in the case of CSR, internalizing some of the services that would otherwise be provided by external intermediaries. For example, Western companies rely heavily on external partners to source talent, to raise capital, and to outsource routine services. In emerging markets where such services may be limited or nonexistent, companies must “internalize” these functions by developing the internal capacity to assume these functions. Emerging markets firms have a longer track record doing exactly this, and have amassed more experience, leverage local knowledge and successfully mitigated these conditions through their own business operations and functions.

Extending this to CSR, and considering that many DCMNEs are family founder-led multi-business firms, we might expect DCMNEs to have a broader scope of CSR that includes provision of basic services and infrastructure, including roads, schools, health care facilities, and other services not provided by government and necessary for employee and community well-being. Companies like Tata in India, Cemex in Mexico, and Haier are all known for focusing on CSR-like services that provide employees with broad access to health care, education, training, and other services and extending those services to the communities in which they are active.

In addition, cultural differences within specific emerging markets are also likely to influence and dictate how CSR manifests in these contexts. At the micro, decision-making level, organizational leaders must make decisions regarding how involved in CSR initiatives they want their organization to be, in addition to how to prioritize these initiatives. A vast body of recent scholarship from the GLOBE (Global Leadership and Organizational Behavior Effectiveness) research program has yielded insights that suggest that leadership is most effective when it is appropriately “matched” to the cultural context in which it operates. In brief, GLOBE included responses collected from over 17,000 managers representing 62 societies and 951 organizations (House et al., 2004; please see the bibliography for more details on the numerous publications connected to the project). The latest findings of the study (House et al., 2014) suggest that culture does not directly influence leadership, but rather influences leadership indirectly through cultural expectations about leadership.

The theoretical process through which this happens is based on a leadership model from cognitive psychology called implicit leadership theory. The theory suggests that people (1) develop their own individual understandings of leadership (called “leadership schema”) and (2) use this schema as a measurement or judgment tool to assess leaders with whom they come in contact. When a person comes across a leader who “matches” their individual ideas about leadership, the theory suggests that s/he would evaluate the leader positively, finding them to be more effective. As researchers in this area note, the matching process is thought to be subconscious, with little or no active thought on the part of the individual in question. The GLOBE study built on the findings

from cognitive psychology and suggested that cultural influences have an impact on individual-level leadership schema, such that members of the same culture agree a fair amount on their individual understandings of leadership. On the other hand, there is a fair amount of variance between cultures as to what is expected about leadership. The findings of GLOBE further suggest that business leaders who “fit” followers’ cultural expectations about leadership may actually be more effective leaders. Indeed, results showed that CEOs whose behaviors were consistent with what was culturally expected performed better on several measures of effectiveness, including perceptual measures of top management teams’ dedication, effort, commitment, and team solidarity, in addition to measures reflecting more objective firm competitive performance.

In the context of CSR activities, cultural expectations likely also play a role in whether organizational leaders choose to engage in CSR. Some DCMNEs may be based in cultures that may simply expect more of this type of activity from leaders. Following the logic of the GLOBE study, it would be strategically advantageous for organizational leaders to engage in CSR when that activity is a cultural match or “fit” with the subconscious leadership expectations of their compatriots, and DCMNE leaders would appear to be in a stronger position to respond to those expectations. Of course, this is not to suggest that everyone coming in contact with DCMNE leaders is from that particular culture, but rather that the overall cultural context will influence how individuals envision the leadership role and what priorities they focus on when in power.

One country’s culture that may have such implicit expectations about leadership—and whether organizational leaders should engage in CSR—is Brazil. Brazil has had a long tradition of business leaders engaging in philanthropy, perhaps as a result of some of the historical social inequities that have characterized the society, and a tradition of more “paternalistic” leadership. As Duarte notes in her illuminating work about the state of CSR in Brazil, the country has gradually moved away from individual philanthropy and toward more formalized CSR frameworks “whose core aim is to implement programs with transformative goals that go beyond short term charitable actions.” She notes that more than half of the ISO 14,001 (environmental) certifications in Latin America are associated with Brazilian companies; additionally, more of the global accountability standard certifications (e.g., SA8000 for social accountability in the workplace) are associated with Brazilian companies than any other country in the Americas. It seems likely that historical and cultural factors serve as an important foundation and backdrop for Brazilian leaders’ now somewhat institutionalized emphasis on CSR and sustainability issues.

In the final section of this article, we focus on Odebrecht’s CSR and sustainability initiatives, many of which are reflective of the rationales described above for DCMNEs to engage in CSR, and represent the range of approaches and mechanisms available to those firms.

## ODEBRECHT’S CSR AND SUSTAINABILITY INITIATIVES

Founded in 1944 in Salvador da Bahia by Norberto Odebrecht as a construction company, Norberto Odebrecht Construtora,



Brazilian-based Odebrecht SA has grown into the 15th largest construction and engineering conglomerate in the world, and the largest in South America.

Born in Recife in 1920, Norberto Odebrecht's upbringing was reportedly based on of service, humbleness and discipline. As a child, he was tutored by a religious figure who instilled in him strong Lutheran values and a perseverant spirit. Many years later, when he assumed leadership of the organization, he drew upon these values and principles, ones that he strongly felt should be adopted by employees during their work day and also in their personal lives. According to the company, his vision and teachings, as documented in a series of books, proposed a systematized culture capable of transforming all of those who work at the organization into "one big family."

Odebrecht has become a leader in infrastructure engineering and construction within Brazil, and has diversified to include operations in industrial, energy, and petrochemicals sectors, having conducted projects in over 35 countries through nearly 20 subsidiaries. As a DCMNE, Odebrecht employs nearly 200,000 people (referred to as "members") across 14 countries in the Americas, Europe, Africa, and the Middle East. Nearly one half of Odebrecht's revenue (\$43 billion in 2013) is generated outside of Brazil.

Odebrecht's offerings have expanded in recent years to include sustainable products. In the early 2000s, Odebrecht strategically acquired raw material producer Copene and subsequently founded Braskem, a petrochemical producer with operations in North & South American and Europe. Braskem is now one of the largest petrochemical companies in the world and exports products to nearly 60 countries. In 2007, Odebrecht expanded into bioenergy with ETH Bioenergia (now Odebrecht Agroindustrial) which includes production of sugarcane ethanol and other biofuels. Sustainability on major construction and engineering projects has also gained traction within the organization. By 2012, 162 projects had been inventoried for Green House Gas emissions, and 74 percent of waste has been diverted.

Odebrecht has pursued CSR and sustainability for several decades. Odebrecht began its sponsorship of cultural works in 1959 with the publication of a book focusing on the history of Bahia, the Brazilian state where Odebrecht conducted most of its early operations. In 1965, the Odebrecht Foundation was formed to provide a pension for Odebrecht's employees; the Foundation now functions as an external philanthropic entity.

Odebrecht's "Sustainability Policy" divides the company's sustainability-based CSR goals into five categories of focus, each aimed at increasing opportunities for the company. The economic development category focuses on financial sustainability for clients, shareholders, and regions where it conducts business. Bringing new technology to the forefront and reinvesting in its areas of operations is critical for this category. The social development category is subdivided into three pillars: (1) developing jobs and bringing income to areas in which it conducts business, (2) educating and developing children into professional adults, and (3) encouraging citizenship/governance. The third category focuses on valuing culture—encouraging diversity with employees and ensuring respect for all, while the fourth, environmental responsibility, focuses on waste reduction, energy use, resource renewal, and reducing CO<sub>2</sub> emissions. Finally, Odebrecht engages in political

participation to promote policies in the countries in which it operates to encourage sustainable initiatives.

Odebrecht focuses its CSR efforts both geographically and operationally, effectively channeling funding to targeted actions that are most likely to affect Odebrecht's success. Geographically, Odebrecht directs all of its sustainability-related CSR projects to communities where it is directly involved, rather than focusing efforts on global causes. The local stakeholders contribute to the success or failure of Odebrecht's business initiatives, and therefore social issues that directly affect them are most impactful. Operationally, Odebrecht does not involve itself in sustainability or CSR efforts that are unrelated to its business processes. Rather, it utilizes industry-related sustainability-oriented CSR as a strategic nonmarket strategy—a natural way to embed its operations into the regions where it conducts business, aligning its goals with the stakeholder demands of the region.

Odebrecht has an internal code called "Odebrecht Entrepreneurial Technology," or "TEO;" the internal, ethics-based code of conduct serves as a framework for business decisions at Odebrecht. TEO emphasizes Odebrecht's philosophy that, by improving and developing the emerging regions where it conducts business through CSR initiatives, it will ultimately increase value for its owners and customers as well. The TEO includes four sections, all of which touch upon various elements of ethics and CSR, including the improvement of employee welfare, working conditions, safety, and the natural environment. The CSR goals relate directly to emerging markets, including encouraging socio-economic development at the local level through reinvestment of profits, ensuring the protection of the natural environment of the region, improving the lives of its customers, and increasing local employment.

Odebrecht's CSR policy is to focus first on the people with whom Odebrecht comes in contact—inside and outside the organization—when making social investments in a region. This includes prioritizing long-term CSR initiatives that emphasize development, improve life conditions, and prepare people for future employment. Job training for future employees has been critical to Odebrecht's success in developing communities where skilled labor is not readily available. For example, when Odebrecht needed 10,000 employees for the development of the Baixo Sabor Hydroelectric Power Plant project in Portugal, it created a training program that has since prepared nearly 100,000 employees. This training program now serves as an example used by Odebrecht in other countries. Partnerships with local NGOs, emphasizing the development of people and the job skills, have also been successful for Odebrecht. Since 2007, Odebrecht Oil & Gas and the Crescer (Grow) Institute, a Brazilian NGO, have partnered to provide both recreation and job skill training to impoverished school-age residents of Rio de Janeiro. Through the partnership's program, "Schools in Action," young people have received computing and information technology (IT) skills, construction experience, and training in various other trades.

Environmental sustainability at Odebrecht centers on the issues that surround the industries in which it operates, working to appease stakeholders while growing its operations sustainably for the long-term. Actions by Odebrecht Agroindustrial, an ethanol-focused subsidiary of Odebrecht,

provide examples of proactive environmental CSR doing both. Working independently and with the partnership of NGOs, Odebrecht Agroindustrial has extensively examined the traditional sugarcane industry, which historically suffers from labor issues, environmental issues, and deforestation issues, and has explored how to mesh this industry with a culture of sustainability. According to Odebrecht, sustainability is not just about producing a sustainable product (ethanol), but extends to the maintenance of ecological corridors and the protection of animals—both of which are aspects of its CSR program. The efforts have included exploring the social development of local communities, the issues affecting biodiversity, and employment. In 2013, Odebrecht Agroindustrial partnered with the Jaguar Institute, a Brazilian NGO, to research the impact that development of land, particularly from sugarcane, has on the biodiversity of the Scrubland region of Brazil.

Odebrecht’s environmentally responsible development in the Amazon region also highlights the ability to grow business operations through CSR investments. In 2003, Odebrecht initiated a hydroelectric power plant project in the Amazon

region of Brazil. As the first project of its kind, the plans for the power plant countered the previous prevailing theory that the Amazon was unable to be responsibly developed and therefore untouchable. Using private funds, Odebrecht invested in social studies of the impact of the project, involving objective research institutes in the process, and developing its plans around the research that it generated. Now in its final development, the project can serve as a learning tool that Odebrecht can utilize on similar future projects, proving that sustainable development can happen within the Amazon region while maintaining environmental responsibility.

As part of the ETH Bioenergia division, Odebrecht has worked to end child labor, participated in the sustainability-focused “New Earth Leaders” organization, and successfully campaigned to create the first National Industrial Learning Service unit at the Araguaia Center. In Peru, Odebrecht constructed a highway between Cusco and the Brazilian border. While designing and constructing the road, Odebrecht created and implemented a sustainability plan that is now used by NGOs. Odebrecht uses emission reduction to

**Table 1** Rationale for CSR/Sustainability Initiatives and Examples from Odebrecht

Basic Rationale	Type of Investment	Examples from Odebrecht
Fill “institutional voids” by investing in basic infrastructure and social services	<ul style="list-style-type: none"> <li>• Build transportation and energy infrastructure</li> <li>• Provide basic health, education and training</li> </ul>	<ul style="list-style-type: none"> <li>• Hydroelectric power plant project in the Amazon region of Brazil.</li> <li>• \$20 million invested across 800 local communities in 2013, directly impacting over 20,000 people.</li> <li>• Comprehensive job training beyond prospective employees (training program in Portugal prepared nearly 100,000 workers when Odebrecht needed only 10,000 employees for development of Baixo Sabor Hydroelectric Power Plant project).</li> <li>• Odebrecht Oil &amp; Gas and the Crescer (Grow) Institute, a Brazilian NGO, have partnered to provide both recreation and job skill training to impoverished school-age residents of Rio de Janeiro. Through the partnership’s program, “Schools in Action,” young people have received computing and IT skills, construction experience, and training in various other trades</li> </ul>
Respond to cultural requirements and enhance reputation and legitimacy in home and host country markets	<ul style="list-style-type: none"> <li>• Engage with customers</li> <li>• Engage with investors</li> <li>• Engage with governments</li> <li>• Engage with NGOs</li> </ul>	<ul style="list-style-type: none"> <li>• Entry and operation into culturally allied countries, including Portugal, Angola and Mozambique</li> <li>• Sustainability Policy focuses on economic development (financial sustainability for clients, shareholders, and regions; bringing new technology to the forefront and reinvesting in its areas of operations), social development (developing jobs and bringing income, educating and developing children into professional adults, encouraging citizenship/governance), valuing culture (encouraging diversity with employees and respect for all), environmental responsibility (waste reduction, energy use, resource renewal, reduction of CO<sub>2</sub> emissions), and engaging in political participation.</li> <li>• Push into North American markets, especially mass transit</li> </ul>

measure its impact on sustainability, and the company started the first greenhouse gas emission inventory to track CO<sub>2</sub> at plants. Using this method to benchmark progress, Braskem (Odebrecht's petrochemical unit) was able to reduce emissions by 13.6 percent in two years. Odebrecht participated in the UN Climate Change Conference, Carbon Forum. Odebrecht partnered with Angola and UNICEF to distribute polio vaccines, with Peru to train leaders and conserve resources, and with Brazil's Ministry of Social Development to grow the "Believe" program.

Originally established in 1965 as a pension fund for Odebrecht employees, the Odebrecht Foundation has evolved into an independent, humanitarian organization, financially supported by Odebrecht, that invested nearly \$20 million across 800 local communities in 2013, directly impacting over 20,000 people. All four pillars of the Foundation—Human Capital (education and adolescent development), Social Capital (societal issues), Environmental Capital (environmental sustainability), and Productive Capital (job creation)—focus on CSR while also leading to a sustainable community in which to conduct business operations. The Foundation primarily invests in the regions where Odebrecht operates its for-profit business, strategically forming a long-term learning process, or "social experience," that the for-profit business divisions can utilize as experimentation. Since 2003, the Southern Bahia Lowlands region in northeastern Brazil has been a primary focus of the Foundation. The ultimate goal for that region is to train future employees while creating jobs and to bring reliable, long-term prosperity to the region through ecotourism—resulting in a sustainable economy and increased development.

Odebrecht serves as a fascinating example of a Brazilian MNE that emphasizes CSR and sustainability. Through the original vision of its founder, Odebrecht has instilled CSR and sustainability in its internal practices related to employee training and welfare, in its community investments and contributions, and in its development of new products

and services. We contend that the values are reflective of both the macro-level institutional conditions in Brazil and the organizational culture of the company, itself a reflection of the needs, norms and expectations in Brazil. Table 1 presents a summary of the rationale and type of CSR investments in emerging markets, with examples from Odebrecht.

## CONCLUSION

CSR and sustainability are global trends that have begun to penetrate into emerging markets. Both developed and developing country multinationals engage in CSR, albeit to different degrees and with different motivations and manifestations. Institutional, societal, and organizational characteristics all play a role as to whether and how CSR and sustainability is exhibited in emerging markets and by DCMNEs.

Future research should examine the extent to which cultural factors play a role in the development of other DCMNEs from other parts of the world, particularly from societies that may have some similarities in terms of concepts like paternalistic leadership and cultural expectations about the role business leaders play in society as a whole. We recommend that future studies empirically examine our assertion that a match or "fit" culture and leadership around CSR activities actually motivates leaders to engage in CSR activities in both MNEs and DCMNEs. Our sense is that a range of strategic and cultural factors plays into firms' decisions about involvement in CSR and sustainability-related activities. Ultimately, the common notion that the most developed countries are likely to produce the most CSR and sustainability-oriented organizations is likely overly simplistic.



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