

**CSR PERFORMANCE IN EMERGING MARKETS**  
**EVIDENCE FROM MEXICO**

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### **ABSTRACT**

Although interest in Corporate Social Responsibility (CSR) in emerging markets has increased in recent years, most research still focuses on developed countries. The scant literature on the topic, which traditionally suggested that CSR was relatively underdeveloped in emerging markets, has recently explored the context specificity, suggesting that it is different and reflects the specific social and political background. This would particularly apply to local companies, not so much to foreign subsidiaries of multinationals active in emerging markets. Thus far, empirical research that systematically documents a range of CSR activities of local companies and their performance has been scarce. This paper reports the results of a survey conducted among companies in the Mexican auto industry. CSR performance was investigated across three dimensions: environmental, labor and community, using measures from existing research and global, 'Western' standards of practice, to identify the type of CSR activities and the level of CSR performance that exist, if at all, in the emerging-market context. Results show that local companies do engage in the type of CSR activities commonly associated with CSR in developed countries. To the extent that comparisons could be made, our findings also indicate that CSR activities and levels among the sample are comparable to what is known about CSR in developed-country settings. Moreover, six of the nine CSR dimensions are intercorrelated, which suggests that CSR in the Mexican auto parts industry is more structural than incidental.

### **KEY WORDS**

auto industry; CSR; CSR performance; emerging markets; Mexico

# **CSR PERFORMANCE IN EMERGING MARKETS**

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### **1. INTRODUCTION**

In recent years, attention has increased for the peculiarities of corporate social responsibility (CSR) in emerging markets. Attempts have been made to document developments in countries where CSR has not been widespread in corporate practice and/or not investigated yet (e.g. Kraisornsuthasinee and Swierczek, 2006; Luken and Stares, 2005; Vives, 2006). Indeed, CSR research has traditionally tended to focus on developed countries – North America, Europe and to a lesser extent Asia – sometimes in a comparative perspective (e.g. Kolk, 2005; Maignan and Ralston, 2002; Welford, 2004). Where emerging markets have been covered, this usually involved the activities of North American or European companies there, thus targeting foreign subsidiaries of multinational enterprises (MNEs) rather than local companies (e.g. Husted and Allen, 2006).

Another, somewhat related driver behind the interest in emerging markets has been the idea that CSR, as a ‘Western’ concept, is not by definition directly applicable elsewhere, and needs separate investigation. Logsdon et al. (2006), in their exploratory paper on three large Mexican companies, emphasize that CSR in Mexico is not new, but different as it reflects the particular social and political context. This suggests that local companies, which are embedded solely in Mexico, will deal with CSR in a fundamentally different manner than foreign companies, which have clear links to other institutional forces and stakeholder pressures. It also gives a somewhat different perspective than the traditional assumption that CSR implementation outside developed countries will lag behind because of other priorities (Singh and Zammit, 2004), a lack of

access to technologies (e.g. Christmann and Taylor, 2001) or weaker systems for implementation (UNRISD, 2003). The argument put forward by Logsdon et al. (2006) in a sense implies that judging local companies on 'Western' standards will yield few results.

In considering CSR in new/other settings, however, it must be noted that different notions and backgrounds of CSR (e.g. Katz et al., 1999) do not necessarily translate into concomitant differences in CSR *performance*. One could argue that even if values and perceptions of CSR vary, it may still be the case that when it comes to implementation, similar practices are being followed, or that different approaches nevertheless lead to comparable outcomes. This means that performance deserves further attention, particularly to expand beyond the environment, traditionally the most commonly studied CSR issue, to also include other dimensions. In this way, more insight can be obtained into the extent to which CSR performance in emerging markets actually differs, regardless of the origins and context-specificity of the CSR concept.

Research of this kind has been lacking, however, which may partly be due to the fact that actual implementation of CSR broadly (that is, including a range of CSR issues) is relatively novel. The concept as such is certainly not new (see e.g. Carroll, 1999), but the range of definitions which are often rather general in nature hamper operationalization and measurement of CSR and its various dimensions. Moreover, there are persistent problems related to limited availability of data. Presumably as a result, many studies have focused on single dimensions (frequently environmental performance, or community relations) or used combined measures from secondary sources such as organizations that screen for socially responsible investing. However, in other countries than the US such databases are hard to obtain or non-existent. But even regarding US datasets, it has been noted that assessing actual performance is not

unproblematic (e.g. Gerde and Logsdon, 2001). These particularities complicate generalization and make extrapolation to under-researched settings like emerging markets difficult if not impossible.

Therefore, if we want to shed light on companies' CSR performance in emerging markets, primary data collection is crucial. This paper meets this need by reporting the results of a survey held for this purpose in Mexico among local companies in the auto industry, in which we included several dimensions of CSR often used in research and global, 'Western' standards of practice. Although authors correctly point out that CSR cannot be reduced to a universally applicable multidimensional construct (e.g. Rowley and Berman, 2000), the question of whether CSR considered 'typical' in the Western context may apply in emerging market settings still remains largely unaddressed. Our empirical study enabled us to assess not only the level of activity on several CSR aspects, but also the degree to which companies engage in them simultaneously, thus exploring the consistency (or the 'structural' versus 'incidental' nature) of CSR.

This paper has a research objective in increasing knowledge about what constitutes CSR in emerging markets, with Mexico as a case, and explores a multidimensional approach for measurement in such a context. Its findings may also be interesting, however, to managers, consultants and policymakers who (want to) undertake activities in emerging markets or with emerging-market actors (particularly in Mexico), and obtain insight into CSR activity and in the aspects most important in the local setting, thus identifying areas for further development or mutual learning. Before moving to the empirical analysis, first a brief overview will be given of relevant studies on CSR in emerging markets.

## **2. EMERGING MARKETS AND CSR (PERFORMANCE)**

Relatively few studies have thus far actually investigated CSR, let alone performance, in emerging markets. Husted and Allen (2006) and Muller (2006) have explored CSR among MNE subsidiaries in Mexico, but say little about the applicability of their conclusions to the strategies (or performance) of local companies. Those studies that do explicitly consider local companies tend to be explorative in that they assume CSR strategies to be determined by the local context as opposed to being expressions of a more broadly applicable concept (see Logsdon et al., 2006, for Mexico; and Kraisornsuthasinee and Swierczek, 2006, for Thailand). The emerging country context is assumed to be a distinct setting for CSR due to differences in value systems or the institutional environment, which are assumed to manifest themselves in two ways: firstly, differences in the *type* of CSR activities (with some being more prevalent than others), and secondly differences in CSR *level* (performance).

Thus far, there has been very little research that systematically documents the *type* of CSR activities undertaken by local firms in emerging markets. Exceptions include Dasgupta et al. (2000) and Wisner and Epstein (2005), who studied environmental compliance among over 200 plants in Mexico, both based on the same 1995 survey dataset, and a recent special issue of the *Journal of Corporate Citizenship* (Summer 2006), devoted entirely to the discussion of CSR in Latin America. For instance, Vives (2006) provides interesting insights on the importance of specific CSR behaviors to management through his large-scale survey of small- and medium enterprises (SMEs) in eight Latin American countries, but did not actually measure CSR activities or performance. Logsdon et al. (2006) discussed attitudes towards CSR in three large Mexican companies, considering the historical and cultural roots that may shape such attitudes.

Some studies on CSR reporting have considered the types of activities mentioned by companies in emerging markets either in their CSR reports (KPMG, 2005), on corporate websites (Chapple and Moon, 2005), or both (OECD, 2005). KPMG (2005) referred briefly to general developments in Asia, Latin America, Russia and Africa, and reported actual figures only for South Africa, where disclosure has progressed most, amongst local companies and MNE subsidiaries. Their analysis of the Fortune Global 250 included a limited number of the largest emerging-market MNEs as well. Similarly, OECD (2005) also explored CSR disclosure by some of the largest emerging-market MNEs. In the case of Chapple and Moon (2005) it is unclear to what extent the companies in their sample are domestic or MNE subsidiaries, or both. They selected a sample of companies in seven Asian countries (India, Indonesia, Malaysia, the Philippines, South Korea, Singapore and Thailand) using total revenues as the selection criterion. It seems plausible (or even likely) that in most cases, subsidiaries of large foreign MNEs rank among the 50 largest companies with a website per country.

To the extent that actual CSR *levels* in emerging markets are researched, studies on local firm performance are scarce. The two articles on Mexico referred to above investigated the (self-assessed) environmental compliance status of local facilities, as defined by Dasgupta et al. (2000). Wisner and Epstein (2005) used the same dataset but termed it environmental performance. Although insightful, the relevance for the current situation is also limited because the survey dates from 1995. A more recent study that quantified actual performance is Luken and Stares (2005), who presented results of an international project in 2001-2002 (by the United Nations Industrial Development Organization) meant to show the business case for CSR. They explored CSR performance of 22 SMEs in garment and textile production and leather tanning, in four Asian countries (India, Pakistan, Sri Lanka and Thailand). Performance indicators were

based on international guidelines from NGOs and organizations such as the Global Reporting Initiative. Environmental measures included energy, water and waste, while social indicators paid particular attention to various dimensions of labor relations.

In an attempt to address the fact that few studies have assessed actual performance on a range of CSR measures, this paper is based on an on-line survey aimed at investigating actual company activity directly across a predefined set of nine variables drawn from existing research: three measures related to the environment, three measures related to labor issues, and three measures on community aspects. The next section will explain the setup of the study in more detail, including the selection of the performance measures and more background information about the sample, which consists of local companies in the Mexican auto parts industry.

### **3. DATA AND METHODOLOGY**

The choice for the auto parts supply sector in Mexico was motivated by several considerations. A key motivation was the desire to build on a small but relevant body of existing research on CSR in Mexico (Logsdon et al., 2006; Husted & Allen, 2006; Muller, 2006). A second consideration was that social and environmental issues, typically linked to CSR, figured prominently in the negotiations on the North American Free Trade Association and as such managers may be expected to be cognizant of such issues. Finally, the automotive industry in Mexico more generally has been the target of considerable academic interest, although primarily from a global supply chain perspective (Carillo, 2004). This research suggests that Mexico and the auto parts industry may be a fruitful setting for research on CSR in emerging markets.



### *CSR performance measurement*

The environmental, labor and community dimensions were identified as being among the most common in research, independent CSR assessments and multi-stakeholder initiatives.<sup>1</sup> Extant research based on concrete performance indicators is scarce. The majority of research explores straightforward dichotomies such as whether environmental training systems are in place (Dasgupta et al., 2000), or Likert scales of the perceived importance of various issues (Chapple and Moon, 2005). For instance Husted and Allen (2006) pose four questions on the extent to which job creation, community projects, the environment and social causes were considered “important to the firm’s business mission” (p. 844). We adopted three measures of CSR for each of the three dimensions from the few studies available that reported specific performance levels, or developed indicators from measures used in assessments by KLD (2005), DJSI (2006) and GRI (2006). The nine items were selected in consultation with colleagues with expertise either in global CSR standards or in Mexican business, and scales were taken where possible from available sources and adjusted where necessary in consultation with experts at the branch organization for the Mexican Auto Parts industry (Industria Nacional Autopartes, or INA) and managers spoken to in pilot interviews in November-December 2004. We included these CSR aspects in a questionnaire developed for a broader study on local companies in emerging markets. All questions referred to activities over book year 2005. The questions were posed in Spanish using 5-point Likert scales. The nine questions (in English translation) are reproduced in full in the Appendix with additional detail on sources and rationales.

The first of the three environmental measures targets the share of energy use from renewable energy sources as a percentage of total energy consumption. The transition from fossil fuels to renewable sources is one of the foremost issues addressed

in the Global Reporting Initiative (GRI). Our scale ranged from zero to ten percent, which corresponds to ranges discussed by the Mexican Ministry for Energy (SENER, 2005) and Muller (2006). The second environmental measure is aimed at the share of total waste that is recycled, either for internal use or by external recyclers. Recycling is also addressed in the GRI, and Christmann (2000) identifies “in process recycling/recovery” as an essential component of environmental efficiency. We adopt the zero to ten percent range for our scale in accordance with the results reported by Muller (2006). The third environmental measure, the number of days of environmental training provided to non-management employees, is taken from Dasgupta et al. (2000), and ranges from less than half a day per year to more than five days per year.

The first of the labor measures focused on the percentage of women in management positions (non-line and non-administrative). Gender diversity is commonly addressed in external assessments such as the GRI (2006), KLD (2005) and DJSI (2006). Although developed country sources report high percentages among developed country firms (e.g. Blum et al., 1994), Muller (2006) reported much lower figures, related to the limited availability of eligible women managers and social factors that restrict the mobility of women in the business world. For this reason our scale ranges from zero to ten percent. The second labor relations variable captures the number of days of vocational training available to non-management employees per year, ranging from less than one day to more than ten days per year. Labor issues in general are important in external assessments, but also considered particularly relevant in the case of developing countries in general (Singh and Zammit, 2004) and Mexico in particular (Bair and Gereffi, 2004; Sargent and Matthews, 1997), not least as a consequence of the NAFTA side agreements. The scale is taken directly from the DTI Employee Relations Survey (DTI, 2004) and Muller (2006). The third labor relations measure addresses the

number of working days lost per year per employee due to absenteeism and illness. This measure hinges on the assumption that happier, more satisfied employees are less likely to be absent or call in sick and the scale used ranges from less than 2 days per year to more than 15 (for comparison see Whitaker (2001), the European Foundation (1997) and HSE (2004)).

The first of the three community relations measures targeted philanthropy as a share of pre-tax profit. Philanthropy is a commonly explored aspect of community investment (Brammer and Millington, 2005) and appears to be particularly relevant in Latin America (Peinado Vara, 1999; UNRISD, 2003). We adopt the typical operationalization of charitable contributions as a percentage of pre-tax profits (Brammer and Millington, 2005; DJSI, 2006; Lantos, 2001) and use a scale ranging from less than one percent to more than four percent. The second community relations variable addresses the type of organizational structure in place for dealing with CSR issues in the community. A number of studies emphasize formalization of mechanisms to address CSR-related issues ('mainstreaming') as a measure of CSR performance (GRI, 2006), considering e.g. reporting mechanisms or the presence of managers dedicated to addressing such issues, in particular with respect to environmental issues (Dasgupta et al., 2000). The third community relations variable is the number of free internships offered to secondary school graduates. Vocational and university students in Mexico are required by law to perform community service in order to obtain their degrees. Offering students an internship to fulfill that requirement and, in so doing, investing company resources in students' education, can be seen as a form of corporate community investment. The scale, ranging from zero to more than ten, was developed in consultation with the INA.

Although these nine items are clearly not intended to represent a definitive or

exhaustive list of measurable CSR activities, they represent a range of CSR measures that have been applied in various other settings and which might therefore be considered generally accepted measures. At the same time, they take into account the local institutional context. For instance, philanthropy is frequently considered to be an expression of CSR in the Western context (Brammer and Millington, 2003; Carroll, 1999) but is also particularly associated with Latin America and Mexico more specifically (Peinado-Vara, 2004; UNRISD, 2003). Similarly, the internship question reflects knowledge transfer back to the community more generally but is a common practice in Mexico. In this way the survey neither ignores the local context, nor assumes that CSR is a-contextual; rather, it considers that existing, generally accepted CSR measures may also be applicable in the Mexican context.

#### *The sample*

We targeted companies which self-selected for industry membership by using both the Autopartes.com.mx on-line database and the INA on-line database. We used a mixed-mode approach to contact the target companies in the combined database. Some 500 companies we approached by written letter, another 500 were approached by e-mail, and the remaining 200 were contacted by letter and e-mail. However, approximately 150 of the letters were returned as undeliverable and about one-third of the e-mails 'bounced'. Problems with respect to response rates, reliability of the postal system and database inaccuracy when conducting research in Mexico are well known (Husted and Allen, 2006). Given these limitations, it is reasonable to assume that no more than 800 companies actually received contact from us in any form. This number is actually more in line with most accounts (INA, 2004; Secretaria de Desarrollo Sustentable, 2004).

After two test runs, the survey was fielded from March 1 until June 30, 2006. By

the survey's closing date, 149 companies had logged on to the site, of which 121 hits produced completed, usable surveys. Although the overall response rate (121 divided by 800, or 15%) is low, it is in line with existing research in Mexico (Husted and Allen, 2006). Our focus was on local companies, which we selected by a question on ownership that served as filter, resulting in a sample of 93 locally owned companies. According to the industry association INA, 30% of the 800 companies have domestic ownership, which means that around 240 local companies are active in the Mexican auto parts industry. This suggests that the response rate may actually be in the 35%-40% range. It also deserves mention that the completion rate was over 80%, which is quite high for internet surveys and shows that respondents were motivated to participate. Respondents had on average more than 15 years of work experience in the automotive industry, of which nearly 12 with their current employer and more than eight years in their current position. On average the respondents worked for companies that had been in existence for over 26 years as of 2006. These data indicate that the respondents were in a position to be highly knowledgeable on company activity.

#### **4. RESULTS**

The results are presented in table form to make explicit both *CSR type*, i.e. the prevalence of certain CSR activities, as well as *CSR level*, i.e. how the responding companies perform on each activity. They are grouped by the three dimensions investigated: environment, labor and community. Where possible, the results are placed in perspective by referring to other relevant studies or reports.

##### *Environmental measures*

Table 1 below reports the results for: 1) the share of renewable energy sources in total energy consumption, 2) the share of total waste recycled, either internally or externally,

and 3) the number of days non-management workers were trained in environmental awareness (e.g. how to reduce waste or energy use). Table 1 reveals that the distribution of firms drawing on renewable energy sources is skewed down (over 80% report little to none), while the distribution of firms' recycling behavior is skewed up (more than 40% of respondents recycle at least 10% of their waste). Although the 83% of the companies that utilize few to no renewable energy sources stand out in the results, it is notable that 17% of the companies in the sample draw on renewable sources for at least 3% of their energy use.<sup>2</sup> While this seems low, it may be observed that the level of renewable energy in energy consumption in the European Union in 2000 was less than 6% (EurObserver, 2002). The Mexican subsidiaries of European automobile MNEs that companies that Muller (2006) included in his exploratory case studies did not report significantly different figures.

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Table 1

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The relatively high level of recycling may be intuitive given the intensity of types of materials used in auto parts production such as metals, plastics and rubber. Still, it indicates that recycling is common practice and that internal and external processes and mechanisms (e.g. waste recovery systems, scrap yards) exist to support that practice. For purposes of comparison, approximately 6% of automotive plastics was recycled in Europe in 2002, with higher levels being linked to substantial and prohibitive cost increases (EPEC, 2004). Although it is difficult to generalize the European plastic recycling figure to non-plastic waste, the fact that more than half of respondents in the Mexican case recycle at least 6% of their waste suggests that there is considerable awareness of this issue. Finally, the number of days of environmental training provided

to non-management employees is well distributed across the five categories (>5 to <1/2 day). More than 75% of all companies provided at least half a day of environmental training in 2005, with more than a third of all companies offering more than three days of training.

### *Labor measures*

Table 2 presents the results for 1) the share of women (non-administrative and non-secretarial) in management functions, 2) the number of days of vocational training given to non-management employees, and 3) the level of absenteeism, i.e. the number of days missed due to illness or injury by non-management employees. The first variable, the share of women in management, shows a wide range with a U-shaped distribution, indicating that companies generally either have relatively few or relatively many women in management functions. The 33% of respondents with more than 10% of management positions held by women is striking given that Muller (2006) observed very low percentages among Mexican subsidiaries of European MNEs (for comparison, 40% of white collar employment in the EU was female in 2000; EC, 2000). However, these results may be misleading due to the way the question was formulated: if a company has a relatively small management team consisting of only a few individuals, then a single woman on the team will bias the results upwards.

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Table 2

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The second variable, the number of days of vocational training, shows a balanced distribution across the scale, with the middle category (2-5 days) accounting for the largest group (27 companies). Additionally, the variable shows that in more than 75% of

the companies there is at least two days training a year per employee, on average. While Muller (2006) did not investigate this variable, he observed that vocational training accounted for 2.3% of labor costs in the EU in 1999. Assuming a Mexican worker works 200 to 250 days per year, 2.3% of the total cost of those work days may be equivalent to the cost of five days' labor. If this is correct, then vocational training in the EU and among Mexican auto parts companies may be comparable, but this deserves further study. The third variable, the number of work days lost per employee due to illness or absenteeism, is reasonably well distributed. The variable suggests that overall levels of illness and absenteeism seem fairly low, given that nearly 75% of the companies have no more than five days lost per employee over 2005.

#### *Community measures*

Table 3 reports the results of the three community measures: 1) philanthropy as a percentage of profit (EBIT), 2) organizational structures linked to community relations management and 3) the number of internships offered per year. Each measure captures some aspect of the degree of involvement and openness to the community in which the company operates. The measure on the level of corporate philanthropy generates surprising results. Despite research suggesting that philanthropy is a typically Latin American activity (Peinado-Vara, 2004; UNRISD, 2003), the results here show that most companies only marginally engage in philanthropic activities. For comparison, the Center for Corporate Citizenship at Boston College (BCCC, 2006) reports that large companies in the US typically give between 1% and 1.5% of EBIT to philanthropy.

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Table 3

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The second question, aimed at uncovering the organizational structures used for managing relations with the community, shows a better distribution across the (ordinal) scale. At one end of the spectrum, 14% of the respondents have a dedicated community relations department while at the other end of the spectrum, nearly 27% have no organizational structure in place at all. The most prevalent response was that community relations were a task of general management. Fourteen respondents indicated that community relations management varied depending on the project (ad hoc), and only one respondent indicated that community relations fell under marketing. The final measure, the number of internships offered, also shows reasonable variation, with 18% of the companies having more than ten, over 22% none, and the majority somewhere in the middle.

#### *Consistency of CSR performance*

As reported above, our results show considerable variation across most of the nine CSR measures included in the survey. It is unclear, however, whether a higher score on one variable is related to a higher score on other variables. On the one hand, it is possible that the individual activities investigated here are incidental; i.e. that each variable is dependent on unobserved, external factors not considered here. On the other hand, companies may engage in CSR on a structural basis, meaning that the measures are sufficiently correlated that e.g. relatively high recycling performance would be associated with e.g. relatively high levels of philanthropy. To explore this, we analyzed correlations between the nine CSR measures in the survey (Table 4).

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Table 4

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The correlation matrix reveals that six of the nine measures show strong significant correlations with each other: recycling, environmental training, vocational training, philanthropy, community relations management and internships. Correlations range from 0.17 (recycling and environmental training) to 0.56 (vocational training and environmental training), with the average correlation around 0.30. Subjected to a scale reliability analysis, these six variables return a Cronbach's alpha of 0.701, and can be reduced to a single factor that explains 44% of the variance between the variables. Therefore it can be concluded that these six variables share common patterns of variance, and thus that overall CSR among Mexican auto parts companies – measured as all six together – appears to be structural in nature. Meanwhile the remaining three variables (renewables, women in management and absenteeism) do not correlate with each other or with the other six variables. Only absenteeism shows a single weak correlation ( $p < 0.10$ ) with community relations management.

## **5. DISCUSSION AND CONCLUSIONS**

Existing research on CSR has thus far made limited inroads into CSR in emerging markets. Some publications discuss the context specificity of CSR and explore local variations on CSR in a qualitative way, based on the assumption that CSR in emerging markets is distinct from CSR as conceived of in developed-country settings. Thus far, however, few studies systematically document a range of CSR activities of local companies in emerging markets, or try to assess in absolute terms the level at which these are conducted. The current study on local companies in Mexico shows that they do engage in the type of CSR activities commonly associated with CSR in developed countries. To the extent that comparisons could be made with results from existing literature, results indicate that CSR activities and levels among the sample are

comparable to what is known about CSR in the developed-country context. Moreover, six of the nine CSR dimensions are intercorrelated, which suggests that CSR in the Mexican auto parts industry is more structural than incidental.

By consulting existing research, CSR measurement tools, multi-stakeholder initiatives and experts in CSR and business in Mexico, we identified nine commonly recognized variables. These are not assumed to be a-contextual, nor are they assumed to be specific to Mexico. The intention was to represent a wide range of generally accepted types of CSR activities but without the pretense of forming a ‘universal CSR checklist’. This approach could be used in future studies, as a starting point for further refinement, or to test and improve in other settings by developing additional measures or alternate scales for those variables that showed poor variance. It might also be insightful for those involved in (CSR) activities in emerging markets, including Mexico.

This is particularly the case because our findings indicate that local companies engage in the types of CSR activities conducted in developed-country settings. The fact that all nine activities are undertaken by local companies implies that expertise built up in developed-country contexts can be used in emerging markets. At the same time there are also local variations in terms of the measures that are most relevant. We found, for example, high recycling rates and low rates of absenteeism. At the other extreme were relatively low levels of philanthropy and the limited use of renewable energy sources. The share of women in management turned out to be a dichotomous variable (that is, either high or low), while three variables in particular emerged as well distributed (environmental training, vocational training and internships). If we assume that neither the developed-country practices nor the local contextual factors takes precedence over the other, this international variation in CSR can allow for mutual learning and exchange, and lead to the development of international ‘best practices’.

It has been proposed that CSR in Mexico is often narrowly defined in terms of philanthropy (Peinado-Vara, 2004), while UNRISD (2003) noted that companies are very active in terms of 'eco-efficiency'. While we found evidence of the latter (recycling), there seems little evidence of the former. Our data clearly show that environmental issues figure prominently in Mexican auto parts companies. This observation is in line with earlier studies suggesting that an increase in environmental policy is visible in Mexico as a result of rising consciousness of pollution problems and Mexico's higher international profile (Dasgupta et al., 2000).

Although this paper is not aimed at exploring causation, it is possible or even likely that increased awareness of social and environmental issues is linked to external factors such as the increased integration of Mexican auto parts companies in global supply chains. Similarly, CSR implementation depends on the existence of an institutional and infrastructural framework able to support CSR. For some of our variables, variance can plausibly be attributed to variation in, for example, the availability of geographically proximate renewable energy sources or a cadre of skilled female managers, which may be highly location specific.

On the one hand, these specific contextual factors may invite framing of the auto parts industry in Mexico as a unique case and therefore as not representative of emerging markets in general. On the other hand, it can be argued that greater integration in the global economy at the firm level and concomitant increases in attention from Western NGOs are typical of the emerging-market experience in general, and hence that such pressures can be expected to lead to CSR implementation and performance in a range of emerging-market settings. Additional research is required to explore issues of causation and sources of variance in implementation and performance. It would also be worthwhile to use other research instruments than surveys in view of the limitations

regarding truthfulness of answers.

While our study suggests that performance seems comparable, this does not necessarily mean it is grounded in similar concepts and backgrounds of CSR. It may well be that there is a peculiar interaction between local historical contexts, leading to different notions, and ‘global’ implementation practices with concomitant performance levels. This is an area that deserves further research to show how this dynamic works, and to what extent this ‘globalization’ of CSR performance also applies to other settings than the one studied here. The outcome may have implications for the practice of CSR and its management across borders as well. It will also be worthwhile to compare local companies to MNE subsidiaries, explore drivers for CSR behavior as well as firm-specific factors that help explain variation. Research in this vein may help to generate a more ‘unified’ body of CSR insights that allows for contextual differences but at the same time identifies common ground across countries, industries and cultures.

## **NOTES**

<sup>1</sup> Sources in existing research include Brammer and Millington, 2004; Chapple and Moon, 2005; DTI, 2004; Luken and Stares, 2005; Vives, 2006. Examples of independent bodies aimed at measuring CSR are Kinder, Domini and Lydenberg, S&P Sustainability Reporting (see the Dow Jones Sustainability Index), Vigeo, Innovest and EIRIS, whereas broader multi-stakeholder initiatives like the Global Reporting Initiative and the Global Compact focus more on developing standards.

<sup>2</sup> According to additional comments made by respondents, renewables in use tend to be primarily solar based.

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**TABLE 1****Environment**

<b>Renewable energy</b>			<b>Recycling</b>			<b>Days of environmental training</b>		
<i>Scale</i>	#	%	<i>Scale</i>	#	%	<i>Scale</i>	#	%
>10%	4	4.5	>10%	40	43.0	>5	21	22.8
6%-10%	8	9.0	6%-10%	13	14.0	3-5	13	14.1
3%-6%	3	3.4	3%-6%	16	17.2	1-3	19	20.7
1%-3%	0	0	1%-3%	10	10.8	½-1	18	19.6
<1%	74	83.1	<1%	14	15.1	<½	21	22.8

**TABLE 2****Labor**

<b>Women in management</b>			<b>Days of vocational training</b>			<b>Days lost per employee</b>		
<i>Scale</i>	#	%	<i>Scale</i>	#	%	<i>Scale</i>	#	%
>10%	31	33.3	>10	20	21.5	<2	26	28.0
6%-10%	10	10.8	5-10	24	25.8	2-5	43	46.2
3%-6%	4	4.3	2-5	27	29.0	5-10	19	20.4
1%-3%	13	14.0	1-2	10	10.8	10-15	2	2.2
<1%	35	37.6	<1	12	12.9	>15	3	3.2

**TABLE 3****Community**

<b>Philanthropy/profits</b>			<b>Community relations management</b>			<b>Internships per year</b>		
<i>Scale</i>	#	%	<i>Scale</i>	#	%	<i>Scale</i>	#	%
>2%	5	5.6	Comm. rel. dept.	13	14.0	>10	17	18.3
1.5%-2%	4	4.4	Marketing dept.	1	1.1	6-10	13	14.0
1%-1.5%	5	5.6	General mgmt.	40	43.0	2-5	33	35.5
0.5%-1%	18	20.0	Varies per project	14	15.1	1-2	9	9.7
<0.5%	58	64.4	None	25	26.9	None	21	22.6

**Table 4: Correlations between CSR performance measures**

	1	2	3	4	5	6	7	8	9
1 Renewables	1								
2 Recycling	-0.173	1							
3 Env. training	0.016	0.174 *	1						
4 Women in mgmt	-0.011	0.058	-0.005	1					
5 Voc. training	0.038	0.430 ***	0.561 ***	-0.044	1				
6 Absenteeism	0.093	-0.022	-0.055	-0.143	-0.065	1			
7 Philanthropy	-0.037	0.229 **	0.382 ***	-0.009	0.291 ***	-0.147	1		
8 Comm rel. org	0.103	0.283 ***	0.268 *	-0.026	0.270 ***	0.191 *	0.356 ***	1	
9 Internships	-0.104	0.263 **	0.405 ***	-0.025	0.317 ***	-0.062	0.269	0.232 **	1

\*\*\* significant at the 0.01 level

\*\* significant at the 0.05 level

\* significant at the 0.10 level (2-tailed).

## APPENDIX: CSR MEASURES, SCALES AND SOURCES

The nine questions aimed at investigating CSR performance are reported below in English (the survey was in Spanish; translation is available upon request). As noted in the paper, we drew as much as possible on existing sources and checked all scales with experts at the Mexican auto parts industry organization INA.

### Environment

1. How much of your total **energy consumption** is supplied by **renewable** sources (e.g. solar, wind, water, biomass or geothermal power)?

Less than 1 percent	Between 1 and 3 percent	Between 3 and 6 percent	Between 6 and 10 percent	More than 10 percent
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Muller reported that 5.6% of total energy use in the EU came from renewable sources in 2000, and that the percentage among a small group of European automotive MNEs active in Mexico in 2004/05 ranged from 0%-5%. In comparison, the Mexican Ministry for Energy (SENER, 2005) reports that alternatives to fossil fuel accounted for 3.1% of total energy supply in 2004 and 3.6% in 2005.

2. How much of your total **waste** (in terms of weight) is **recycled**, either for internal re-use or by external recyclers?

Less than 1 percent	Between 1 and 3 percent	Between 3 and 6 percent	Between 6 and 10 percent	More than 10 percent
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Given that auto parts production in general is intensive in natural resources other than water, such as steel, plastics and rubber, we asked for recycling of total waste. We used the range reported by Muller (2006) on waste recycling among European automotive MNEs in Mexico (0 to 10 percent) as the basis for our scale.

3. How many days of **environmental awareness training** did **non-management** employees on average receive in 2005 (on e.g. water, waste or energy conservation)?

Less than ½ a day	½ to 1 day	Between 1 and 3 days	Between 3 and 5 days	More than 5 days
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Dasgupta et al. (2000) also investigated environmental training among Mexican employees, although they posed this as a “yes/no” question. The scale is linked to the vocational training scale (see question 6 below). It seemed unlikely that environmental training would be more intensive than vocational training; therefore we halved the vocational training scale for the environmental training question.

## Employee relations

4. What percentage of your **senior** and **middle management** is comprised of **women**, as a share of total senior and middle management employment?

Less than 1 percent	Between 1 and 3 percent	Between 3 and 6 percent	Between 6 and 10 percent	More than 10 percent
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Gender diversity addressed in external assessments such as the GRI (2006) are typically associated with developed-country operationalizations of CSR, which had to be considered in developing the scale for an emerging-market setting. For instance Blum et al. (1994) report that in 1990, 40% of management positions in the US were held by women. The EU ‘baseline’ reported in the Muller (2006) study was also 40%. However, the latter study reported much lower figures in Mexico, apparently related to the availability of eligible women managers and social factors that restrict the mobility of women in the business world. Based on those considerations, we reduced the scale to the above, which our industry contacts indicated to be representative.

5. How many days of **vocational training** did **non-management** employees receive on average in 2005?

Less than 1 day	Between 1 and 2 days	Between 2 and 5 days	Between 5 and 10 days	More than 10 days
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The scale is taken directly from the DTI Employee Relations Survey (DTI, 2004). Alternately, Muller (2006) notes that 2.6% of total labor cost in the EU is dedicated to employee training. Assuming 200 days of work, and that training costs can be considered ‘average’ labor expenses, 2.6% of 220 days is just under 6 days per year. However, a share of this 2.6% may also be in the form of foregone productivity (if workers are training, they are not working). If so, the number of days training may in fact be slightly lower.

6. What was the average **number of work days** per employee lost due to **absenteeism** or **illness** in 2005?

Less than 2 days	Between 2 and 5 days	Between 5 and 10 days	Between 10 and 15 days	More than 15 days
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In the Netherlands, the share of work days lost due to absenteeism or illness was reported to be 8.3% in 1993, while for Belgium that figure was 7% in 1995 (Whitaker, 2001). The same measures are reported to be 3.5% for Denmark and 5.5% in Portugal (European Foundation, 1997). Assuming around 220 working days per year, the Netherlands figure translates to about 16 days per employee per year, and the Belgian figure to 14 days, while the Danish and Portuguese figures translate to 7.7 and 11 days, respectively. For comparison, a UK study (HSE, 2004) reports that 10 days are lost per employee per year on average among UK civil servants. We assumed that in a setting characterised by a lack of European-style social safety nets, absenteeism would be necessarily lower on average since employees are under greater pressure to work to obtain income. Industry experts indicated the scale to be representative.

## Community relations

7. What is the monetary value of your philanthropic contributions over 2005 (including in-kind giving and employee volunteering), **as a % of pre-tax profit** (EBIT)?

Less than 1 percent	Between 1 and 2 percent	Between 2 and 3 percent	Between 3 and 4 percent	More than 4 percent
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As noted in the text, the variable included in empirical studies is typically charitable contributions as a percentage of pre-tax profits, or EBIT (see also DJSI, 2006). For comparison BCCC (2006) reports this figure to be about 1.5% for US companies, and calculations based on Brammer and Millington (2005) data point to an average of about 2% for the UK firms in their sample. For perspective, Lantos (2001) emphasizes Ben & Jerry's leading position at 5% of pre-tax profit. Given that various articles refer to the prominence of philanthropy as the premier form of community involvement in Latin America (Peinado Vara, 1999; UNRISD, 2003), we expected philanthropy values to fall within a comparable range.

8. Which **department** or **person** in your company is responsible for **community relations**?

No department/ Nobody	This changes with each project	Management in general	Marketing department or manager	Specialized community relations department or manager
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Most studies that explore formalization of mechanisms to address CSR-related issues as a measure of CSR performance look at reporting mechanisms, or the presence of managers dedicated to addressing such issues, in particular with respect to environmental issues. Dasgupta et al. (2000), for instance, considers the degree to which environmental issues are integrated into other management tasks ("mainstreaming"). Our question represents substitution of the environmental setting with the community relations setting.

9. How many **students** at university or vocational schools fulfilled **internships** at your company in 2005?

None	1	2 to 5	6 to 10	More than 10
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Vocational and university students in Mexico are required by law to perform community service in order to obtain their degrees. The scale was developed in consultation with the INA.