

# Chapter 11

## Successful MNC CSR Activities in Asia: A Case Study of Samsung Electro-Mechanics, Thailand Co., LTD.



Na Na Jeon and Sang Hoon Nam

### 11.1 Introduction

As the world of business has become increasingly borderless, multinational corporations (MNCs) are pressured to break out of their comfort zones to compete for new and emerging business opportunities elsewhere. Despite being armed with superior brand power, technology, and management skills, not all MNCs successfully establish themselves in their new markets. Making economic contributions to the host country, while a necessary condition, is nevertheless often insufficient in sustaining the survival and success of the MNC. The MNC has an increased chance for survival and success if it is perceived as a responsible corporate citizen who will not exploit the host country.

Achieving a favorable reputation is a daunting, if not impossible, challenge for a foreign company that often face skepticism from the local stakeholders. As Godfrey, Hatch, and Hansen suggest, and our case study supports, there is a clear correlation between “doing good” and “doing well” (2010: 320). Or more precisely in the case of Samsung Electro-Mechanics, Thailand Co., LTD (SEMTHAI), doing well seems to be a function of doing good. Corporate social responsibility (CSR) activities that are authentic and adapted to the local stakeholders’ interests and societal needs will assist in refuting the skepticism and suspicion of the MNCs in the host country. As we examine this hypothesis, we employ McWilliams and Siegel’s definition of CSR activities: “actions that appear to further some social good, beyond the interests of the firm and that which is required by the law” (2001: 117).

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N. N. Jeon

Wesley Theological Seminary, Washington, DC, USA  
e-mail: [njeon7608@students.wesleyseminary.edu](mailto:njeon7608@students.wesleyseminary.edu)

S. H. Nam (✉)

University of Victoria, Victoria, BC, Canada  
e-mail: [snam@uvic.ca](mailto:snam@uvic.ca)

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Although CSR has been studied extensively in management literature, most of the research has focused on CSR in a corporation's domestic market. Little is known about CSR of MNCs taking place in different cultures, let alone in Asia (Rodrigues & Child, 2003). The debate over the strategic choice for MNCs between CSR centralization and localization in the new market remains inconclusive (Muller, 2006; Yang & Rivers, 2009). Despite the growing recognition that CSR orientation and management should be adapted to cultural differences (Yang & Rivers, 2009), there is a paucity of empirical research on CSR localization. This chapter, therefore, aims to contribute to the growing research by presenting a case study of SEMTHAI with a focus on its authentic and successfully localized CSR activities.

Given the increasing numbers of MNCs investing in the emerging markets in Asia, the successful establishment and operation of SEMTHAI deserves close attention. This MNC in Thailand has earned a great deal of recognition and numerous awards from the Thai government and society, despite being a business-to-business (B2B) entity. SEMTHAI first differentiated itself from other MNCs by regularly conducting CSR activities that involved local and expatriate employees' participation. SEMTHAI also truly localized its CSR activities by not only specifically addressing the immediate needs and values of Thai society, but also further utilizing their local employees as the main driving force behind their CSR localization. SEMTHAI quickly earned its recognition and became the first foreign company to receive "The Prime Minister Industry Award" from the Thai government in 2009.<sup>1</sup> Since then, SEMTHAI has been benchmarked by many companies in Thailand, both foreign and domestic.

SEMTHAI's outstanding achievements, beyond its operations, can certainly be contributed to its unique and impactful CSR activities. Taking SEMTHAI as a model, we argue that Asian MNCs seeking to successfully establish their reputations (and hence performance) in emerging Asian markets should focus on the power of moral capital, among other things. Moral capital, according to Godfrey, is "the outcome of the process of assessment, evaluation, and imputation by stakeholders and communities of a firm's philanthropic activities" and therefore has the potential to influence the actions of the stakeholders (2005: 783). Moral capital earned by the MNCs' authentic CSR practices, specifically aligned with local values and expectations, could provide effective strategic leverage that would distinguish them from their competitors.

In this chapter, we will first explain why we chose SEMTHAI as the subject of our case study, followed by a section on methodology. We will then analyze the case to identify and examine the potential determinants of SEMTHAI's success. We will conclude our chapter with implications for both researchers and practitioners.

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<sup>1</sup>"The Prime Minister Industry Award," established in 2003, is presented every year to one enterprise that has previously received at least three Prime Minister Awards. The government evaluates eligible enterprises in six criteria (i.e., the corporation's sales, quality, environment, safety, productivity, and contribution to Thailand) and picks the very best enterprise. This award is thus considered the most honorable award an enterprise can receive in Thailand.

## 11.2 Why SEMTHAI?

SEMTHAI, a subsidiary of South Korea-based Samsung Electro-Mechanics (SEM), is a manufacturer of electronic components used in computers, cell phones, and LCD TVs (Lee, 2009b). SEM, one of the 16 publicly traded companies belonging to the Samsung Group, was established in 1973 (Naver Encyclopedia, 2019; Naver Encyclopedia, 2020). SEM remains closely related to Samsung Electronics, the flagship company of the Samsung Group. Samsung Electronics is not only one of the largest buyers for SEM, but also the largest shareholder of SEM (K-Biz News, 2019; Naver Encyclopedia, 2019).

SEMTHAI was the very first foreign subsidiary of SEM that was established in 1990 and production began in 1993 with the completion of its first manufacturing plant located within a 50 km radius of Thailand's capital, Bangkok (Naver Encyclopedia, 2019). Since then, SEMTHAI's annual sales increased from less than US \$100 million in 1995 to almost US \$400 million in 2010. SEMTHAI, as a B2B company, did not directly engage with Thai consumers nor did it advertise in Thailand (Lee, 2009b).

SEMTHAI, nevertheless, has established an excellent and respectable reputation in Thailand, winning praise from both the government and the public. When SEMTHAI received the "Prime Minister Award"<sup>2</sup> for the fifth time in 2009, alongside "The Prime Minister of Industry Award," the Prime Minister at the time, Abhisit Vejjajiva, complimented, "I hope more Korean companies would invest in Thailand. I would always welcome Korean companies like SEMTHAI" (Lee, 2009b). This was one of many compliments the Thai public had showered SEMTHAI with (Hyun, 1998; Kang, 2003; Lee, 2009a, 2009b; Sung, 2003). Apart from winning numerous prestigious awards as a business enterprise in Thailand, SEMTHAI was commended by the Prime Minister as a "good" company that is "helpful to" Thailand (Lee, 2009b). Many local and international companies visited SEMTHAI to benchmark its remarkable success.

SEMTHAI's unprecedented success triggered our curiosity. What made this mid-sized B2B MNC from Korea stand out among the more well-known and established names of American and European MNCs in Thailand? A close examination of SEMTHAI's various activities made it apparent that its unique CSR activities clearly and significantly contributed to SEMTHAI's noteworthy achievements. A former head of SEMTHAI explained its success as follows:

"Thai society's appreciation and recognition of SEMTHAI's good corporate citizenship first led its employees to gain pride in being an employee of SEMTHAI. The pride led the

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<sup>2</sup>The Prime Minister Award is an annual award presented to four different enterprises operating in Thailand, with respect to their excellence in one of the four categories: sales, productivity, quality, and safety and environment. The Thai government evaluates all the local and foreign enterprises in the four categories and picks the best firm in each category to present the annual award to. The Prime Minister Award therefore is recognized as one of the most prestigious awards an enterprise may receive in Thailand and the award-winning enterprises get to represent Thailand by publicly displaying the award logo on its products for the proceeding year.

employees to respect the company and eventually build up loyalty to SEMTHAI. It motivated the employees to work hard for the company, which accordingly improved the company performance. Furthermore, a continued exposure of its good corporate citizenship not only attracted SEMTHAI's current and potential employees by being portrayed as an admirable working environment, but also had led the government officials to notice its contributions" (Roh, 2010).

As SEMTHAI became an excellent example for CSR activities of an East Asian MNC in Southeast Asian markets, SEMTHAI made further efforts to improve its operational performance. SEMTHAI took the initiative to create harmonious employment relations and establish a respectable corporate reputation through practicing CSR at various levels and on various occasions. The loyalty created within SEMTHAI's employees, coupled with the harmonious work environment, assisted SEMTHAI in its efforts to manufacture new products ahead of other companies, improve product quality, and increase productivity—all of which have been recognized by the Thai government with five Prime Minister Awards in productivity, quality, and safety and environment (Roh, 2010).

### 11.3 Methodology

In the world of international business, unprecedented and unique real-life opportunities and problems often arise, driven by the complexity of its multicultural environment. Existing theories and concepts may not be sufficient enough to explain the new organizational phenomena that MNCs experience. When such is the case, a non-traditional research methodology that can bring a variety of theoretical lenses to build, test, and illustrate a theory is one plausible way of approaching "the black box" (Doz, 2011; Van de Ven, 2007). Because the question of how CSR would affect the survival and performance of an East Asian MNC entering a Southeast Asian country is still insufficiently understood, a qualitative case study seemed to be the most practical and promising method for obtaining a concrete, contextual, and in-depth understanding of the phenomena.

To find the best subject for this case study, we first began our research by collecting general archival data from the literature and the media to identify key issues for CSR of MNCs in Asia. SEMTHAI, with its extraordinary success stories introduced over the years in various media outlets, consequently caught our attention. After designating SEMTHAI as a potential topic of study, a second round of archival data collection took place by contacting SEMTHAI's headquarters, SEM, in Suwon, Korea. We focused our second round of archival research on obtaining information specific to SEMTHAI's history, background, achievements, sales ratio, employee statistics, CSR activities, and performance.<sup>3</sup>

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<sup>3</sup>These data provided by Samsung Electro-Mechanics (SEM) and SEMTHAI include a public relations DVD produced in Korean and a PowerPoint presentation file including SEMTHAI's general

After we identified specific CSR factors of interest (e.g., duration, frequency, orientation, nature, and effects), we developed a list of potential interviewees, limiting the spectrum to those who were affiliated with or had worked in relation to SEMTHAI. Among the candidates contacted for comments and interviews, those who contributed their insights to this study include a former head of SEMTHAI and four managerial-level male employees of SEM (all of whom were either affiliated with SEMTHAI through their current or former managerial-level experience at SEMTHAI or had experience with SEMTHAI through their work at SEM's Human Resource Center in Korea), as well as a couple of journalists who had published articles on SEMTHAI's achievements. An in-person interview was conducted with the former head of SEMTHAI, focusing on the influence of SEMTHAI's unique CSR activities on its success in Thailand. SEMTHAI's data and individual comments from managers and journalists were collected using email correspondence or phone interviews, primarily with a standardized set of four questions addressing SEMTHAI's CSR activities in relation to its headquarters, SEM, and SEM's other subsidiaries.

It is also important to note that our case analysis primarily centers on our in-depth interview with Seung Hwan Roh, who served as the head of SEMTHAI between 2005 and 2010. Roh proved to be an authoritative primary source and the best candidate for the study because he had not only been with SEMTHAI since its first operation, but he was also the driving force behind the design and implementation of SEMTHAI's CSR. Having spent nearly 20 years with SEMTHAI, Roh earned praise-worthy status as a renowned businessman in Thailand. Through his service and contributions to SEMTHAI and his unique sense of localization for both the company and himself, Roh was widely acknowledged in Thailand as a "Thai-local."

In 2008, Roh became the first Korean entrepreneur ever to receive an honorary doctorate degree in business administration from Thailand's Ramkhamhaeng National University. Roh had been repeatedly complimented by the former Prime Minister, Abhisit Vejjajiva, for his successful management of SEMTHAI (Lee, 2009b; Choi, 2009). His outstanding achievements in the Thai subsidiary also earned him a promotion to an executive position in the company's headquarters in Korea.

## 11.4 Case Analysis

### 11.4.1 *The Recognition of SEMTHAI*

Thailand's recognition of SEMTHAI began in 1994 when the Ministry of Industry awarded SEMTHAI the "Best Factory Award" for the first time. Since then, SEMTHAI has received numerous other awards from the Thai government,

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information: history, sales ratio, annual number of employees, operating and non-operating activities (i.e., training and CSR), and more.

including “The Prime Minister Industry Award.” SEMTHAI also received the “Prime Minister Award” five times for its excellence in productivity (1995 & 2000), quality (1998 & 2009), and safety and environment (2003).

Notably, SEMTHAI was the very first foreign company to win “The Prime Minister Industry Award” in 2009, the most prestigious award an enterprise could receive from the Thai government. This award recognized SEMTHAI’s outstanding performance, which surpassed all of its competing enterprises. SEMTHAI received the award in recognition of its contributions to Thai society, along with its ongoing efforts to improve productivity, quality, and working environment. The Thai government also officially recognized SEMTHAI’s with numerous other awards, including the “Best Company of Social Contribution Award” in 1998. SEMTHAI was the very first foreign company ever to receive the Social Contribution Award (Hyun, 1998). Between 2001 and 2003, SEMTHAI received the “Company of Social Contribution Award” 3 years in a row, along with the “Exemplary Company of Social Purification Award” in 2003 (Kang, 2003).

SEMTHAI remained persistent with its efforts to return to Thai society what SEMTHAI that which the corporation had earned from. SEMTHAI even managed to improve the public’s general impression of Korean companies in Thailand through its numerous awards, along with the media exposure that followed. Moreover, SEMTHAI earned an unexpected reputational advantage over other competing nominees for the Prime Minister Awards through its unique CSR activities. Most of SEMTHAI’s awards were granted because its rigorous and persistent CSR activities differentiated it from other corporations. This gave SEMTHAI an added advantage beyond establishing its respectable status in the Thai community (Roh, 2010).

#### ***11.4.2 The Original Purpose of CSR Activities***

Although SEMTHAI had little experience in CSR, SEMTHAI boldly utilized its inexperience as an opportunity to take a distinctive yet authentic approach. For instance, SEMTHAI initially geared its CSR activities toward a unique motive to create a sense of cohesiveness among its local employees. This was especially important for SEMTHAI because the majority of its local employees consisted of individuals who had left their homes to work at SEMTHAI. Most of SEMTHAI’s employees were from rural areas and were living alone near the plant. Consequently, many of SEMTHAI’s local employees spent most of their time alone. They often did not interact with the local community or one another, let alone enjoy an active social life. Naturally, the employees felt lonely, having little connection with fellow workers and the company. There was also a lack of connection to the Korean expatriates. SEMTHAI therefore decided to employ CSR activities as team building opportunities to create a sense of belonging, concord, and cohesiveness among the local employees and with the company (i.e., create a harmonious organizational climate).

SEMTHAI's CSR practices therefore became significantly unique: local employee-centered and action-oriented CSR activities that served the marginalized local communities in need on a regular basis. SEMTHAI's consistent engagement in CSR activities began with volunteering at a nursing home for the severely disabled and teaching at the Watapanki primary school located in one of the poorest rural towns in Thailand. SEMTHAI's attempts to regularly engage its employees first-hand and provide help to those who were ignored and abandoned, even by their own family members, eventually caught the attention of Thai society.

### ***11.4.3 The Persistence of CSR Activities***

SEMTHAI's unique philanthropic engagement was further recognized as exceptional because Thailand's cultural expectations of social responsibility or contribution barely existed at the time. The generally recognized form of social responsibility practiced in Thailand in the early 1990s was the royal family's contributions to Thai society. Therefore, SEMTHAI's unique and persistent contributions, despite it being a foreign company, escalated Thai society's appreciation for SEMTHAI and its employees, who consistently carried out the altruistic CSR activities. Naturally, SEMTHAI's CSR activities significantly improved SEMTHAI's reputation among Thai citizens, which in turn increased employee pride in the company.

Over the span of nearly two decades (i.e., early 1990s to 2010), "persistent efforts to contribute back to Thai society" became one of SEMTHAI's signature characteristics. SEMTHAI's altruism became imprinted into its unique policy about social services. SEMTHAI's CSR activities were regularly practiced, local employee-centered (from planning to execution and evaluation), and aligned with the local community's needs and values. SEMTHAI localized its CSR practices so that the ethical values underlying the activities matched the ethical values of the focal community. This match effectively increased SEMTHAI's moral capital.

### ***11.4.4 The Moral Capital and Localization of CSR Activities***

SEMTHAI is living proof that demonstrates how CSR, if managed well, can benefit both communities and the corporations. The core idea of CSR is that business and society be bound by a reciprocal social contract (Amba-Rao, 1993). There have been increasing expectations from society for corporations to return some of their profits back to the communities from which they originated (Bartlett et al., 2006). Nevertheless, MNCs' philanthropic activities are able to create positive moral capital only to the degree of consistency between the "ethical values underlying the activity" and the "ethical values of the focal community" (Godfrey, 2005: 793). Consequently, MNCs in foreign markets encounter a barrier with their CSR activities, despite their good intentions, because local communities, especially those in

developing countries, are “either unwilling or unable to represent [their] interest to the MNCs unlike the powerful communities in the developed nations” (Amba-Rao, 1993: 563).

SEMTHAI's CSR activities were clearly localized: centered around local employees to directly address the local communities' needs and values, to meet the interests of the local community, and to match the local community's values. The resulting positive moral capital was a significant bonus that enabled SEMTHAI to earn recognition not only from its employees, but also from the broader community.

The two most significant CSR activities that enabled SEMTHAI to accrue moral capital were monthly visits to the nursing home for the disabled and the less-privileged primary schools, which began in 1995 (Kim, 2007; Lee, 2009b; Sung, 2003). During these visits, SEMTHAI's employees spent time caring for the home's residents and teaching and playing with the children. SEMTHAI's employees were given the chance to share their time, money, and skills with the less-privileged individuals of Thai society while developing personal relationships among employees and with the Korean expatriates during these monthly CSR activities.

SEMTHAI also actively engaged in efforts to stop the spread of AIDS and drug misuse in the community through various campaigns. As part of these campaigns, SEMTHAI provided educational programs to raise children's awareness against drugs and AIDS and also added a “Drug and AIDS” category under the company's physical examination for current and future employees. These campaigns further enabled SEMTHAI to present a positive message to its potential employees and increase its attractiveness beyond its already positive reputation that had been established through its various CSR activities.

SEMTHAI's monthly community service opportunities further enabled its employees to practice its corporate philosophy of returning valuable contributions to society. Beyond establishing a highly regarded reputation in Thailand, SEMTHAI's corporate philosophy of giving back also improved the attitudes of its local employees toward the corporation. Another former head of SEMTHAI said, “SEMTHAI's social service activities help out in increasing local employees' pride in the company and assists in harmonizing the relationship between the labor and the management” (Sung, 2003). SEMTHAI was further recognized as the most admired workplace for Thai employees in 2003. SEMTHAI's altruism clearly achieved an added economic value of having a positive influence on its employees, which led to improved productivity and reinforced retention.

In addition to the regularly conducted CSR activities, SEMTHAI also created special occasions to solidify its altruistic image. For example, SEMTHAI held the “Year of Celebration for Volunteer Work” campaign in 2003. The campaign included 15 different social service programs every month along with the “Samsung Marathon for the People in Need,” a town library construction, providing medical services in underprivileged regions, and providing scholarships to local schools (i.e., Watapanki primary school and Burpa College) (Kang, 2003; Sung, 2003). Considering the variety and extent of SEMTHAI's CSR activities, which focused on being a good Samaritan for the local communities in need, it is no surprise that SEMTHAI's altruistic deeds were publicly recognized twice in 2003 for their social contributions (Kang, 2003).



During the 2005 South Asian tsunami disaster that impacted southern Thailand, SEMTHAI sought and received additional assistance from Korea. Samsung Medical Center in Korea, an affiliate of Samsung Group, dispatched an emergency medical team at the request of SEMTHAI. Along with the Korean medical team, SEMTHAI also sent a group of approximately 200 executives and employees on a 20-hour long journey to help restore the tsunami-impacted sites for 3 days. This level of commitment clearly differentiated SEMTHAI from most of the other companies that primarily assisted Thailand by simply providing relief supplies and financial donations.

### *11.4.5 The Effects of CSR Activities on Employees*

The literature on CSR's impact on HR and performance also accounts for SEMTHAI's classification as a business phenomenon. Social identity theory states that the organization for which an individual works forms the basis of social category classification of the self; and such categorical social membership further influences an individual's self-concept (Turban & Greening, 1997). Consequently, CSR activities that represent a company's behavior to the public become, at least partially, responsible for the employees' perception of self-identity. Thus, the anticipated economic benefits of CSR activities include CSR's positive impact on the corporation's employees, which in turn improves employee productivity and reinforces employee retention based on appreciation for and affiliation with the positively behaving company (Lev et al., 2010).

Moreover, continued exposure to positive organizational climates and interactions with fellow internal stakeholders assists employees in identifying with the corporation and promotes a sense of communion with other internal stakeholders (i.e., coworkers, managers, and expatriates) (Cruz & Pedrozo, 2009). This relational identification further enables employees to obtain satisfaction from the specific affiliation, which becomes only stronger when the organization continuously presents a positive image within the local community to which the employees belong (Judge et al., 2001; Walsh et al., 2003).

The high level of organizational citizenship behavior and productivity displayed by SEMTHAI's employees may be explained by Leung: "behaviors carried out by individuals at work that are discretionary in nature and are not formally rewarded or sanctioned by the organization" promote organizational efficiency, innovativeness, and competitive advantage (2008: 43). This is likely because employees' behavior within an entity is influenced by the "gratification or prosperity that the employees get from their job," such as contentment or a sense of meaning from the job they do with and within the company (Eskildsen & Nussler, 200: 582). Employee satisfaction thus produces employee loyalty, which invites positive behavior and contributes to improved performance (Duboff & Heaton, 1999; Eskildsen & Nussler, 2000). Additionally, employees endorsing high levels of ethical climate have the potential to exhibit greater levels of citizenship behavior (Leung, 2008).

SEMTHAI's strong commitment to altruism further inspired managers and employees at other affiliates of Samsung Business Group. They made voluntary financial donations, which became the seed money for the establishment of the "Samsung Community Center of Hope, Thailand" in one of the regions struck by the tsunami, Phan-Na. It was designed to function as a center for education, information sharing, and socializing—including serving as a nursing home for elders (Kim, 2007; Roh, 2010). SEMTHAI's voluntary CSR activities reinforced its positive, caring, and altruistic reputation, which, over time, was shared and supported by all of its internal stakeholders.

### **11.4.6 Summary**

SEMTHAI's persistent efforts to actively contribute to Thailand's social services had paid SEMTHAI back handsomely. SEMTHAI's CSR not only increased local employees' loyalty to and pride in the company, but it further helped the company earn recognition for being the most successful MNC in Thailand (Roh, 2010). More importantly, SEMTHAI's positive reputation also improved the general impression of Korea in Thailand, which enabled SEMTHAI to achieve "reverse-localization" among its employees. In 2008 alone, SEMTHAI educated about 170 managerial level Thai employees in both the Korean language and culture, so that they could better understand and participate in Korean corporate culture (Lee, 2009b). SEMTHAI also sponsored its outstanding local employees to travel to Korea and be trained as the "Experts of Korea" after completing courses in Korean language and culture at Kyung Hee University's School of International Studies (Song, 2005). These Thai employees returned back to Thailand at the end of the 9-month long training period to assist in more effectively transferring SEM's corporate culture to its local employees (Song, 2005).

In sum, SEMTHAI's unique CSR approach has brought numerous positive effects for the company, both internally and externally. Within the company, there were improvements in job satisfaction and company loyalty among the employees. The relationship between the Thai employees and their Korean managers became more harmonious. Externally, SEMTHAI enjoyed numerous awards of recognition from the Thai government, as well as incredibly positive publicity in the media. SEMTHAI became a company with an outstanding corporate reputation.

## **11.5 Discussion**

### **11.5.1 The Power of Moral Capital**

SEMTHAI was hailed as "a good company benefiting Thailand" by the Prime Minister himself, who also went on to say that he would welcome more Korean companies like SEMTHAI to invest in Thailand. To a certain extent, SEMTHAI

worked like a civilian diplomat, contributing to improving the relationship between the two countries. The Prime Minister's praise was an extraordinary recognition for a foreign company to receive. It was especially noteworthy because MNCs were often perceived, especially in developing countries, as being fundamentally selfish, opportunistic, and possibly exploitative with no genuine interest in the welfare of the host country (Tavis, 1988; Paz-Vega, 2010).

What was so special about SEMTHAI's CSR? Has SEMTHAI indeed proven the correlation between "doing good" and "doing well" (Godfrey et al., 2010: 320)? We believe so. As we examined the case in depth, we found a few surprising factors about SEMTHAI's unique and authentic CSR, as described above. The biggest surprise, however, was not the idiosyncratic aspects of SEMTHAI's CSR activities, but how powerful an MNC's CSR could be in a developing country in Asia. We expected some positive effects of CSR on SEMTHAI's performance, as suggested in the literature, but the power of SEMTHAI's CSR surpassed our expectations. It was subtle at times and obvious at other times, but overall, the power exercised by the authentic and localized CSR activities was deep, strong, and extensive. SEMTHAI's CSR changed almost everything it came in contact with, from internal and external stakeholders to complete strangers in Thailand's rural areas who may have otherwise never heard of SEMTHAI or Samsung.

Inside the company, the local employees were motivated and empowered as, over time, they became increasingly proud to be affiliated with SEMTHAI. Their motivation, commitment, and loyalty to the company increased. Working together on various CSR projects improved the relationships between the local employees and the Korean expatriate managers, promoting a mutual understanding, interpersonal bonding, and cooperation. The harmonious work environment occupied by motivated employees naturally improved the company's performance. SEMTHAI's annual sales quadrupled in a mere 15 years within their first two decades of operation. This shows that CSR can improve an entity's financial returns, whether it be by creating a bond between the MNC and its stakeholders or by improving the firm's reputation, brand equity, employee relations, and quality of management (Bustamante, 2011; Godfrey et al., 2010; Turban & Greening, 1997; Waddock & Graves, 1997).

Outside the company, the Thai government—likely the most influential external stakeholder for SEMTHAI—was truly impressed by what SEMTHAI had done for the country and wanted to return the favor with whatever support it could offer. The Thai government's commending assessment of SEMTHAI further created an unexpected asset: a relationship-based resource that directly impacted SEMTHAI's performance (Godfrey, 2005; Kobeissi & Damanpour, 2009; Wood & Jones, 1995; Yang & Rivers, 2009). The Thai society, too, was inspired by this medium-sized Korean manufacturer who, in many ways, cared for them even more than their own local companies did. Thus, it was not surprising that a considerable number of Thai nationals mistook SEMTHAI for a Thai company (Lee, 2009b).

Where did SEMTHAI's extraordinary power come from? We argue that SEMTHAI's secret ingredient was the moral capital it created through its authentic and localized CSR activities. SEMTHAI was willing to consistently contribute its resources to help local people in need without expecting anything in return. Such

altruistic morality was not typical of business entities such as MNCs (Amba-Rao, 1993; Tavis, 1988).

SEMTHAI was perceived to genuinely care for people in need. Both the internal and external stakeholders (e.g., local employees, expatriate managers, Thai government, Prime Ministers, and Samsung Group) were inspired by SEMTHAI's selfless acts and good will. They responded enthusiastically with their willingness to support SEMTHAI and its CSR activities in whatever way they could. SEMTHAI undoubtedly tapped a hidden geysir of energy in moral capital.

SEMTHAI's experience also suggests another source of power in moral capital: a halo effect. Once SEMTHAI was seen as a company with strong morality, other areas of their managerial capability became more visible and positively recognized. A company perceived as "good" had an increased chance of being perceived as competent in its managerial capabilities. We believe such a halo effect has the potential to magnify the power of moral capital on MNCs' performance.

From the observations made about SEMTHAI's unique CSR activities contributing to its improved performance and recognition, we suggest the following propositions:

Proposition 1: Moral capital has the power to affect MNC performance positively, more powerfully than usually assumed.

Proposition 2: The more authentic CSR is perceived to be, the more powerful its moral capital becomes.

### ***11.5.2 The Perceived Authenticity of CSR***

CSR practices of corporations have become increasingly common. In today's culture of overwhelming media exposure, it is difficult to find a company that does not engage in any kind of CSR activity at all. MNCs create organizational units responsible for CSR, mostly within their public relations (PR) departments. Business entities diligently promote their CSR activities to make sure that their stakeholders will be informed of their "good deeds." The goal is to be perceived as good, or at least not evil. The stakeholders, however, are not so quick to accept the self-portrait the companies try to sell through their CSR activities. Stakeholders basically ask two questions: Is the "good deed" symbolic or substantial? Is the "goodness" intentional or pure? The question about the authenticity of CSR comes down to: is this CSR fake or real?

The concept of authenticity has received increasing research attention lately in management literature, especially in the area of leadership (Walumbwa et al., 2008). Management leadership is often perceived as insincere, dishonest, and unethical (James, 2012; Sutton, 2007). There is often a big gap between what managements say (or pretend) and what they actually do, ultimately destroying trust. Contrastingly, authenticity demonstrated through honesty, genuineness, transparency, and morality acts like a breath of fresh air in management leadership that has been polluted by

images of dishonesty, self-interest, disguise, and sometimes even immorality. The sad truth is that while increasingly informed consumers seek (and demand) authentic business leaders, they are in short supply.

In the same light, stakeholders expect CSR to be authentic. They do not want to see another sleek, but artificial, PR stunt from the company. They instead want CSR carried out with sincerity, honesty, and morality. Inauthentic CSR, like inauthentic leadership, destroys trust. Nevertheless, companies have too often utilized CSR to cover up their unethical behaviors. Consequently, engaging in CSR does not necessarily signal the existence of a moral quality in a company. It has become increasingly harder to trust (or prove) the authenticity of CSR in recent days.

SEMTHAI, on the other hand, gives hope by modeling how CSR authenticity enables MNCs to accrue moral capital. We attribute SEMTHAI's CSR authenticity to three factors: voluntariness, consistency, and distinctiveness. Godfrey et al. (2009) argued that the positive reputational value would be strengthened further if the firm's CSR activities could be perceived (and believed) to be voluntary in nature. The consistency of CSR activities likewise has the potential to increase the economic value (Cruz & Pedrozo, 2009). Consistent or patterned philanthropic activity—portraying truly altruistic commitment continued over time—avoids the appearance of ingratiation by providing counterfactual evidence against the general perception of philanthropic activities being largely “opportunistic or capricious” (Godfrey, 2005: 795). Our case analysis finds that SEMTHAI's CSR clearly demonstrated both authenticity and consistency.

SEMTHAI had no outside pressure or expectation to engage in CSR. Rather, SEMTHAI's CSR was for HR, meant to promote cooperation and team spirit among the diverse members inside the company. Over time, SEMTHAI expanded its CSR activities to address other areas of concerns in Thailand. Its commitment to a “good cause” was escalated and reinforced by the enthusiastic responses from its organizational, local, and national communities. SEMTHAI's long period of commitment clearly indicated that its CSR was genuine—far from being capricious or opportunistic.

SEMTHAI went the extra mile to help those in need whenever opportunities arose. A prime example is SEMTHAI's quick and aggressive response to the huge tsunami in 2005. Aid poured in from both for profit and nonprofit organizations to help people devastated by the disaster, but this aid was mostly in the form of financial donations and materials. SEMTHAI, likewise, made material and financial donations, but also went further, beyond what was normally expected from a foreign company—or any company for that matter.

SEMTHAI sent a large group of organizational members, both local and Korean, to the devastated area to directly assist victims for 3 days in a row. SEMTHAI even arranged a group of medical doctors to be dispatched from Samsung Medical Center in Korea to meet the urgent medical needs of those injured by the natural disaster. SEMTHAI's immediate and direct reaction to the natural disaster-stricken country, accompanied by its extraordinary level of dedication to directly address those in desperate need, distinguished SEMTHAI from all other companies, foreign or local,

whose help was mostly materialistic and indirect. Therefore, we take SEMTHAI's authentic CSR to suggest the following:

Proposition 3a: The perceived authenticity of CSR is positively influenced by voluntariness.

Proposition 3b: The perceived authenticity of CSR is positively influenced by consistency.

Proposition 3c: The perceived authenticity of CSR is positively influenced by distinctiveness.

### ***11.5.3 CSR for HR***

SEMTHAI utilized CSR for HR, against the popular practice to employ CSR for PR. MNC subsidiaries often experience various types of HR difficulties, such as low levels of employee motivation, weak organizational commitment, and conflicts between local employees and expatriate managers, just to name a few. SEMTHAI showed how an effective CSR could address these HR-related problems.

SEMTHAI was once chosen as Thailand's "most admired company to work for." It was quite a significant HR achievement for a medium-sized B2B company from Korea. What was SEMTHAI's secret that made it more attractive than the other more prestigious and powerful MNCs from North America and Europe or the well-known local companies?

Companies usually attract potential employees with monetary incentives, job security, and promotional opportunities. There is no doubt that such tangible incentives are important. Yet, SEMTHAI's experience suggests that the morality of a company can work as a more powerful recruiting force than money or other tangible incentives. The Thai people wanted to become a part of a company that did (and had the reputation of doing) something good for Thailand. SEMTHAI's good reputation became a valuable asset that served as a basis for its stakeholders' interactions with SEMTHAI. The Thai people evidently considered "meaning" as a significant factor in their job searches, and SEMTHAI was one of the few companies that offered the chance to satisfy this heightened ethical preference with its strong moral capital.

SEMTHAI also showed that CSR could be effective in increasing employees' motivation and loyalty to the company. The local employees—inspired by SEMTHAI's continued selfless acts benefiting their home country—wanted to become affiliated with the company. The pride and loyalty the local employees felt toward SEMTHAI motivated them to work harder and more harmoniously with others. This, in turn, improved SEMTHAI's overall performance in the long run.

More importantly, CSR activities helped the local employees and the Korean expatriate managers develop a cooperative relationship. Anecdotal evidence suggests that conflicts between local employees and expatriate managers are not uncommon in developing countries, and Korean subsidiaries are no exception (Chung, 2009). But at SEMTHAI, numerous periodical CSR projects provided

natural opportunities for the local employees and the Korean expatriate managers to work together, share the same purpose, and communicate often. The resulting outcome was a deeper mutual understanding and trust. SEMTHAI's case further suggests that cultural differences can become a source of synergy rather than conflict when there is a strong sense of trust between different cultural groups. As such, we take SEMTHAI's harmonious corporate culture achieved by its unique CSR to suggest:

Proposition 4a: MNC's CSR contributes to creating harmonious relationships between expatriate managers and local employees.

Proposition 4b: MNC's CSR contributes to increasing organizational citizenship behavior.

Proposition 4c: MNC's CSR contributes to reducing turnover rates among the local employees.

## 11.6 CSR's Localization

An online article of the *Chosun Media* indicated that the successful management of SEMTHAI was the result of "promoting localization [of SEMTHAI] through recruiting local employees and encouraging social services" (Lee, 2009b). The article also indicated that the frequent exposure of SEMTHAI's social contributions in the local media led many Thai citizens to believe that SEMTHAI was a Thai corporation. What truly deserves attention here is the extent of SEMTHAI's localization, which surpasses the simple recruitment of local employees. SEMTHAI actively engaged its local employees at all stages of CSR.

The literature suggests that, in order for CSR of MNCs in developing countries to be effective, it should be localized because the cultures of the host country and the MNC's home country could be vastly different (Bustamante, 2011; Godfrey, 2005). The greater the value gap between the MNCs and developing countries, the greater the obstacle becomes in emerging markets that preconceive MNCs as selfish entities entering their market to reap profits at the expense of the local communities and the nation (Paz-Vega, 2010). Localization of CSR, however, is a challenging task for expatriate managers because it requires a deep and meaningful understanding of the local values and culture. Helping the local community requires the ability to identify local problems, prioritize them, understand their root causes, and be able to provide effective solutions. Such complicated tasks require intimate knowledge of the local culture, values, and circumstances—which expatriate managers often lack due to the linguistic and cultural barriers (Paz-Vega, 2010).

Amidst an imperfect understanding of the local community, culture, and values, the effectiveness of MNC's CSR activities may diminish regardless of the good intentions. Therefore, it is important to actively engage those with an intimate understanding of the local culture at every stage of the MNC's CSR activities, from design to execution. This is exactly what SEMTHAI did from the beginning. Local

employees led SEMTHAI's CSR initiatives and the Korean expatriate managers provided support. SEMTHAI's CSR activities were truly localized—local employees planned activities aligned to local values in order to meet local communities' needs in ways that the local people would appreciate. SEMTHAI's CSR was of the local people, by the local people, and for the local people.

The result of SEMTHAI's CSR localization on its employees is clear. It induced a positive image of SEMTHAI, satisfied the employees' sense of belonging, and further fostered their loyalty. The public's recognition of SEMTHAI's moral capital and the loyalty induced by the employees' satisfaction further enhanced individual employee performance and naturally improved overall company performance. SEMTHAI thus provides additional evidence to support Duboff and Heaton's (1999) analysis of over 300 companies that indicated a positive effect of employee loyalty and motivation on shareholder value. SEMTHAI's uniquely localized CSR adds to the argument that there is a positive correlation between employee loyalty and CSR localization.

SEMTHAI's true localization of CSR was undoubtedly responsible for SEMTHAI's success in CSR activities and performance. While we recognize that the local employees' role in SEMTHAI's CSR were absolutely critical, we also suspect that the Korean expatriate managers' input was also invaluable in creating culturally synergistic CSR programs. Localized CSR is good, but synergetic CSR is great. This is what MNCs should aim for when they engage in CSR localization. With that said, we propose the following from our observations of SEMTHAI's successful CSR localization:

Proposition 5: The more localized CSR of MNC is, the more effective it becomes in achieving its desired effects.

Proposition 6: The more actively local employees are involved in CSR, the more effective CSR becomes.

### **11.6.1 Limitations**

One limitation of this study would be the absence of input from SEMTHAI's local employees, especially with regard to the experienced effects of SEMTHAI's CSR activities and the various factors highlighted in this chapter. A few in-depth interviews or at least a customized survey of the local employees would have helped further verify this study's findings. We recognize this limitation with our understanding of the possibility that interview data could be subject to biases.

Another obvious limitation is the generalizability of the findings from a single case study to other companies. Nonetheless, a single case study has proven to be significant with regard to its contribution in combining theoretical and pragmatic aspects of phenomena (Pettigrew, 1990). It is therefore our hope that this case study will shed light on understanding the dynamics and complexity of CSR of Asian MNCs or MNC's CSR in Asia, both of which are a fascinating topic awaiting other scholars' interests.



## 11.7 Conclusion

In his study of high-performing companies, Jim Collins (2001) differentiated “great” companies from “good” ones. “Greatness” was defined by the firm’s ability to financially perform multiple times better than their competitors for a sustainable period of time. To our knowledge, no attempt has been made to study “great” companies in the area of corporate social performance, especially among MNC subsidiaries in Asia. It is hard to find financially “great” performers, but socially “great” performers are even harder to find. In this study, we attempted to unlock the secret formula that made a Korean MNC a “great” social performer in Thailand.

The concept of CSR originated in the United States and spread to Europe (Heiduk & McCaleb, 2014). As a result, CSR is still a relatively unexplored concept for Asian MNCs. SEMTHAI therefore could have easily imitated the CSR practices of its Western competitors, whose CSR was generally carried out as a business transaction, a PR stunt. Strategically speaking, CSR has long been known to ultimately serve the interest of the firm. The success or effectiveness of CSR continues to be measured by what the firm can get in return in the form of legitimacy or even financial performance. Such transactional CSR may make sense business-wise. Yet, it also creates a philosophical dilemma: the supposedly selfless activities of CSR are fundamentally self-serving for most companies.

SEMTHAI’s CSR was far from being transactional or strategic. SEMTHAI did not expect to get something in return for its efforts to help Thai people in need. SEMTHAI employed CSR as an opportunity for the local employees and Korean expatriate managers to work together for a common and noble cause, while making the world a better place. SEMTHAI did not employ CSR for PR. Sincere appreciation from those who received its help and seeing the world become a better place through its efforts motivated SEMTHAI to continue with its regular and authentic CSR activities over a long period of time.

The selflessness of SEMTHAI inspired both its internal and external stakeholders. The morale of the employees was boosted. The local employees and Korean expatriates enjoyed a harmonious relationship. The Thai government showered SEMTHAI with various awards—for both its CSR and performance. The employees working at SEMTHAI’s sister companies in Korea were inspired by SEMTHAI’s altruistic behavior and joined in SEMTHAI’s selfless cause. In this sense, SEMTHAI’s CSR was more transformational than transactional.

Transformational leadership theory suggests that transformational leaders, in contrast with transactional leaders, inspire people to go beyond their selfish interest. When people are inspired to go beyond their selfish interest for something bigger than themselves, they can perform beyond expectation (Bass & Riggio, 2006). We believe that the extraordinary performance of SEMTHAI was a result of such transformational CSR.

CSR as a strategic choice for MNCs has now been studied for decades. Yet, the debate between CSR localization or centralization persists and the best-practice scenario is yet to be established. Hence, the implications of SEMTHAI’s

transformational CSR seem promising—at least for MNCs headquartered in developed countries trying to enter or survive in emerging markets. The greater the cultural difference between the headquartering and subsidiary nation, the more applicable SEMTHAI's implications will be. After all, the beginning point of SEMTHAI's successful establishment and recognition in Thailand was its authentic CSR to care for those who were abandoned by their own.

The real story of the SEMTHAI case is this: if you want the true force of moral capital to be released, an authentic CSR is your best shot. The ultimate goal of CSR is to transform not just your employees or your company, but the world. When a company is faithful to this spirit, CSR can be more powerful than expected. The case of SEMTHAI is living proof.

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