Ethical lobbying? Explaining foreign firms' politically-oriented CSR activities in emerging economies: Role of resource importance, managerial ties and international subsidiary integration

Abstract

The corporate social responsibility (CSR) activities of Multinational Enterprises (MNEs) are determined by several factors. In emerging markets, MNEs' often adopt CSR practices that are 'politically-oriented' and targeted towards influencing public policy. While CSR activities are known to increase foreign firms' legitimacy in developing institutional contexts, we suggest that politically-oriented CSR activities are further useful in building relationships with the state and other key external stakeholders such as non-governmental organisations (NGOs), media and environmental organisations that may be critical for the long-term sustainability of the business. Nevertheless, existing research provides little knowledge about specific firm-level determinants of 'politically-oriented' CSR activities of MNEs operating in emerging economies. Drawing on political CSR literature, and using resource-dependency, stakeholder, and legitimacy theory perspectives, this paper extends the currently under-specified political implications of foreign firms' CSR activities in emerging markets and provides fresh insights into the key firm-level determinants of these activities. Using these theories we suggest that foreign firms' subsidiaries that depend on critical local resources, managerial ties with related businesses and government agencies, and those that are highly integrated with other foreign subsidiaries are more likely to involve in politically-oriented CSR practices. We test our hypotheses using a sample of 105 foreign subsidiaries in India. Our evidence supports our argument regarding the link between dependence on local resources, managerial ties and politically-oriented CSR. However the link between international subsidiary integration and politically-oriented CSR is not supported by our data. Overall, our findings enhance our understanding of the factors that affect foreign firms' CSR activities in emerging economies.

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Introduction

Corporate Social Responsibility (CSR) typically represent the continuing commitment by an organisation to behave ethically and contribute to economic development, while improving the quality of life of the employees and their families as well as of the local community and society at large (Grayson, 1993; Muthuri, 2008; Seitanidi & Ryan, 2007). We focus our attention on those CSR activities that are inter-related with political strategies of firms. For the purpose of this paper, we define politically-oriented CSR activities (PoCSR) as broadly consisting of corporate actions that are politically-oriented, but simultaneously aiming to achieve at least one social objective, either in the short-term or long-term. In effect, we argue that although these activities are communicated as 'CSR activities', the underlying goal in implementing these is to influence public policy or to seek political resources. Thus, by using PoCSR, we suggest that firms aim to achieve political goals, such as access to vital resources, consolidation of internal political power and external legitimisation of its key operations in the country, as already recognised in some existing research (e.g. Zhao, 2012).

Research in CSR has been long examining PoCSR as an extended use of CSR. For example, the corporate citizenship theory addressed this issue by examining 'citizenship behaviour' of firms in the situation of government failure (Matten & Crane, 2005), arguing that when firms assume public responsibilities, they could gain access to and develop strong relationships with multiple stakeholders. The *extended corporate citizenship* concept further suggested that firm-level CSR strategies should be developed to address public problems in the absence of either effective governmental infrastructure or processes enabling organisations to gain legitimisation advantages (Valente & Crane, 2010). Much recently researchers have integrated CSR activities of firms with their political activities directed towards influencing public policy, in particular, explaining the CSR activities of firms in an international context (see e.g. Falkenberg & Brunsæl, 2011; Fooks, Gilmore, Collin, Holden, & Lee, 2013; Richter, 2011; Scherer & Palazzo, 2011a; Valente & Crane, 2010). Scholars have justified strong linkages between firm-level CSR activities and corporate political behaviour of MNEs (Rehbein & Schuler, 2013; Richter, 2011) and have examined the *consequences* of such behaviour. For example Zhao (2012) suggested that such CSR strategies can increase foreign firms' legitimacy and provide them with government support in regard to specific incentives such as taxation and subsidies. Scholars have thus suggested that while operating at a global-level, there is an increasing need for multinational enterprises (MNEs) to involve in CSR activities that are aligned with the interests of the government agencies, local environmental organisations and international organisations that affect business regulation and policy (Drahos & Braithwaite, 2001), leading MNEs specifically to become important political actors in the global society (Detomasi, 2007; Matten & Crane, 2005; Palazzo & Scherer, 2006; Scherer, Palazzo, & Baumann, 2006).

Engaging in PoCSR activities is crucial in *emerging market countries* that are experiencing high economic growth and where foreign firms are increasingly seeking a variety of locally available resources such as natural resources, low-cost labour, land, and specific technical skills and know-how, which are often controlled by the government and its regulatory agencies (Meyer, Estrin, Bhaumik, & Peng, 2009; Peng & Luo, 2000; Peng, Wang, & Jiang, 2008). At the same time, in these economies, the institutional environment is complex, comprising of multiple institutional stakeholders and the state still exerts considerable power and control over businesses. We suggest that *institutional development* in emerging economies has not kept pace with the economic growth and therefore the 'non-market' environment in these economies poses a potentially greater threat to foreign firms' operations, as compared to the non-market environment in developed countries (Luo, 2001; Peng & Luo, 2000). This requires companies operating in these economies in general to address political, social and environmental concerns raised by both the government and other stakeholders simultaneously. In particular foreign firms' subsidiaries operating in these economies are often looked upon as exploitative towards the countries' local resources. Therefore foreign firms are particularly required to justify the worthiness of their actions by engaging in CSR that combines both social and political stakeholders, ensuring that long-term relationships are developed, and the risk of local policies with regard to critical resources going against their favour is reduced (Christmann, 2004; Cruz & Boehe, 2010; Donaldson, 1982; Prout, 2006).

Thus our key research question is whether foreign firms operating in emerging economies adopt politically-oriented CSR practices , and what the firm level determinants of these practices could be. We focus on India as our research context because ***firstly***, India is classed as one of the leading emerging markets in the world today and is part of the BRIC countries and contributes to a significant portion of the world's GDP (Hult, 2009). ***Secondly***, CSR in India has risen from corporate philanthropy to an inherent assumption that businesses have an obligation to do social good, given the socialist political ideology predominant in many provinces (Gautam & Singh, 2010). India was one of earliest countries to create collaboration between the government and NGOs to facilitate development (Sen, 1993) with increased government support for NGOs that are engaged in socio-economic development, along with Civil Society Organisations (CSOs) advocating support from businesses on critical issues such as poverty reduction in the country. Although philanthropy is considered by most companies as the key reason for engaging in CSR, there is an increased importance of the role of CSR in developing better relationships with key stakeholders, such as employees, customers, shareholders and local communities (Shrivastava and Venkateswaran, 2000). This prevalent movement away from a passive philanthropy by Indian companies in resolving social issues (through their CSR programs) to developing improved corporate reputations and stronger ties with the local community (PiC, 2004) has been facilitated through 'multi-stakeholder initiatives' (or MSIs). We suggest that these MSIs, mostly driven by leading industry/trade associations, such as the Federation of Indian Chambers of Commerce and Industry (FICCI) in close collaboration with the government, increase the scope of foreign firms in engaging in CSR activities that are politically-oriented (Gautam & Singh, 2010). Thus India provides us with an excellent context for this study. ***Thirdly*** in India, the exploitation of family and political connections in order to deal with the non-market environment is being recently linked to corruption (Lawton, McGuire, & Rajwani, 2012). In the past years there has been a strong movement towards anti-corruption that has been supported by various non-governmental organisations and news channels (Economist, 2011). The recent '2G scandal' in the telecommunications sector in India exposed pervasive political connections between several foreign firms and the telecom minister, who was in-charge of allocating the telecom spectrum licences. These companies were charged with corruption and their licences were revoked. Telenor Group, a major Norwegian telecom firm suffered huge losses after the Supreme Court of India cancelled the 22 licences obtained by its Indian partner Unitech (Economist, 2012). Thus we suggest that foreign subsidiaries operating in India depend on political relations with both the state and central governments, as well as with local communities, NGOs, CSOs and trading bodies. Engaging in PoCSR may simultaneously enable MNEs to gain important intangible resources such as goodwill and reputation, and also assist their lobbying strategies (Hillman and Hitt, 1999, Hillman, 2003) in an ethical manner. Thus with the state and central governments looking for increased direct involvement of private-sector companies in bridging the existing gaps in inclusive social and institutional development through public-private partnerships, exploring the determinants of PoCSR is ever more important within the context of India, if MNEs are to succeed in this rapidly emerging economy.

The remainder of the paper is structured as follows: The next section uses resource dependency theory and legitimacy theory to develop hypotheses linking importance of locally available resources, managerial ties and international subsidiary integration to foreign firms' politically-oriented CSR activities in emerging economies. We then explain the research context, data basis and measures used in our study before presenting the findings. This is followed by the discussion of our findings and a conclusion that highlights our papers' contributions to research and practice and indicates some worthwhile areas for future research.

Theoretical Background and Hypotheses

We combine insights from three social science theories to explain how firm level determinants affect the extent to which firms engage in politically-oriented CSR activities. ***First***, the resource dependence (RD) theory (Pfeffer & Salancik, 1978, 2003) emphasises that no organisation is completely self-contained or in complete control of the conditions for its own existence. Organisations *depend* on *resources* from their environment, which consists of the society in general, other businesses, interest groups and the government. We suggest that in the context of emerging economies, politically-oriented CSR activities are a means to influence policymaking by trying to establish stable governance structures that reduce the unfavourable resource? constraints exercised by powerful non-market actors. ***Second***, from a stakeholder perspective (Freeman, 2010) various political and societal stakeholders play a role in the long term performance of firms. The interests of regulatory and environmental groups may conflict with and subsequently affect the economic interests of firms. Politically-oriented CSR, in this context, is a distinct means to incorporate these stakeholders as part of the overall political action process and influence policymaking in a way that minimised the adverse effects of conflicting stakeholders. ***Thirdly***, the neo-institutional legitimacy theory posits that firms need to conform to both formal and informal 'rules of the game' (North, 1996) and achieve legitimacy, particularly in international markets to reduce liabilities of foreignness (Kostova & Zaheer, 1999). In this context, engaging in politically-oriented CSR activities provides foreign firms with political legitimacy in emerging markets (Zhao, 2012) that can enable its subsidiaries to gain favourable institutional resources such as laws, subsidies and other government incentives.

Based on the above theories we suggest that three factors in particular affect foreign firms' decisions regarding the extent to which they engage in politically-oriented CSR activities in emerging economies. Firstly the RD theory emphasises that criticality of resources to firms affects the extent to which firms will use power to secure continual access to the resource (Malatesta & Smith, 2011). Therefore a subsidiaries' ***importance of local resources*** in emerging economies can affect the extent to which they engage in politically-oriented CSR. Secondly foreign firms' will face diverse and sometimes conflicting political and socio-environmental stakeholders in an international context. Therefore a subsidiaries' ***level of integration*** within the MNE's global network of operations will affect its level of engagement in politically-oriented CSR. Finally due to lack of formal institutions in the business government interface in emerging economies, firms are known to engage in informal ties to both policymakers and market based actors (Peng & Luo, 2000). Therefore we suggest that a subsidiary's ***managerial ties*** in emerging economies will also affect the degree to which subsidiaries engage in politically-oriented CSR or PoCSR activities.

Resource Importance and foreign firms' PoCSR in emerging economies

Resource dependence theory explicitly suggests that one way to manage dependence on resources in the environment is by assessing the criticality of resources to firms' survival and accordingly taking actions to reduce the impact of constraints exercised by powerful actors in the environment on its access to these resources (Pfeffer & Salancik, 2003). We suggest that engaging in politically-oriented CSR is a means for foreign firms to ensure continued access to resources that are important for survival in emerging economies for the following reasons.

First, various authors have emphasised upon the importance of locally available resources such as new markets, skilled/unskilled labour and natural resources at low cost, to foreign firms operating in emerging markets (Meyer, et al., 2009; Peng & Luo, 2000; Peng, et al., 2008), and also suggested that these resources are controlled either directly or indirectly by various governmental and societal stakeholders including NGOs and environmental and regulatory agencies. In general, politically-oriented CSR activities such as forming coalitions with environmental and social groups, and joining business advisory groups to the government increase the scope of 'discursive processes' between firms and their societal stakeholders (Rasche & Esser, 2006). This increases firms' 'moral legitimacy' (Palazzo & Scherer, 2006) or 'democratic legitimacy' (Habermas, 1996; Scherer and Palazzo, 2011) that allows firms to democratically resolve issues related to locally available important resources. In emerging markets, CSR activities additionally allow foreign firms to gain 'political legitimacy' that helps in exploiting favourable government incentives (subsidies, grants etc.) while accessing important resources (Zhao, 2012). For instance, Coca-Cola depends on groundwater as an important resource for its survival, and is therefore affected by the regulatory actions that restrict its access to local groundwater. In 2004, officials in the Indian state of Kerala demanded the closing of one of Coca-Cola's bottling plants to allow local farmers greater access to groundwater. The High Court of Kerala however overturned the decision of officials and allowed Coca-Cola to continue operations (Hills & Welford, 2005). This decision could be influenced by Coca-Cola's strong CSR strategy in India, reflected in its establishment of the 'Anandana - Coca-Cola India Foundation' (Coca-Cola, 2012) that encompasses a variety of community programs both at the local grassroots level and in collaboration with the UN-HABITAT on issues related to water sustainability, showing a political approach to CSR.

Second, authors have emphasised upon the importance of *relational* (Nahapiet & Ghoshal, 1998) and *reputational* resources (Rao, 1994) for the survival of firms. Since these resources are socially constructed, firms depending on these resources need to socially justify that their actions are just and worthy (Pfeffer & Salancik, 1978, 2003). In general, CSR activities enable firms to gain 'social capital' - a particularly important aspect that increases the scope of building relationships with well-reputed and respected societal stakeholders and improving firm reputation (Fuller & Tian, 2006; Perrini, 2006). In emerging economies, as foreign firms are often criticised for exploiting local resources important for their economic benefit, social capital gained through CSR activities allows foreign firms to justify their actions and practices. Thus, it is important for foreign firms to deeply embed with stakeholders such as local suppliers, employees and NGOs in order to gain institutional (legitimacy), relational and reputational resources, important for survival (Sun, Mellahi, & Thun, 2010). CSR activities are not only positively associated with reputation in emerging economies (Rettab, Brik, & Mellahi, 2009), but reputation building political strategies also reduce exposure to various other risks in emerging markets (Puck, Rogers, & Mohr, 2013). Engaging in politically-oriented increases the level of trust in firms among political stakeholders (Griffin & Dunn, 2004; Hillman & Hitt, 1999) which can yield benefits to firms in terms gaining relational and reputational resources, critical to survival of foreign firms in emerging economies.

Thus we suggest that:

> *Hypothesis 1: The likelihood of foreign firms engaging in politically-oriented CSR in emerging economies increases with the importance of local resources for their subsidiaries' survival.*

Managerial ties and foreign firms PoCSR in emerging economies

Neo-institutional theory suggests that firms operating in international markets need to conform to the 'rules of the game' (North, 1996) in order to gain legitimacy to pursue strategies that may gain them economic advantage. According to the *strategic* approach to seeking legitimisation (Oliver, 1991; Ashforth and Gibbs; 1990; Suchman, 1995), gaining legitimacy requires an organisation to strategically (and instrumentally) manage their institutional environments, by 'adopting managerial perspective instrumentally to manipulate and deploy evocative symbols in order to garner societal support' (Suchman, 1995:572). Legitimacy thus becomes a cultural currency and an operational resource (Ashforth & Gibbs, 1990) that facilitates garnering of intermediate inputs (both economic and non-economic) from external constituents, thereby reducing transaction costs for the firm (Boddewyn, 2012). Foreign firms operating in emerging economies have predominantly focussed on establishing ***ties*** with not only policymakers but also with related businesses such as suppliers, key customers, marketing collaborators and technological collaborators in order to seek local legitimacy (Luo, 2001, Peng and Luo, 2000, Sheng, Zhou & Li, 2011). We suggest that such managerial ties increase foreign firms' likelihood in adopting CSR practices that are politically-oriented due to the following reasons.

In emerging markets engaging in CSR activities that may be used to influence policymaking requires foreign firms to embed deeply within the complex governance of these countries structure consisting of government actors, businesses with high bargaining power, and other social and environmental groups. India has a complex governance structure due to the division of political ideologies between the centre and state governments, usually resulting in MNEs having to develop strategic political relationships with both governments. In this context, managerial ties cultivated by MNEs through embedding deeply with related business (e.g. supplier firms, customer firms, and marketing and technological collaborators) and with state and federal level policymakers (Sun, Mellahi, & Thun, 2010) allows foreign firms and non-market actors to develop cognitive social capital, i.e. ‘trust’, in one another (Griffin & Dunn, 2004; Hillman & Hitt, 1999). With greater managerial ties, foreign firms’ subsidiaries gain trust and legitimacy in being able to educate policymakers and local communities in sharing best practices and learning experiences, particularly on issues such as compliance to licenses, software piracy or use of child labour (Bennett, 1995, Bennett, 1998, Boddewyn, 2007). Therefore foreign firms’ subsidiaries that cultivate stronger ties with local managers are better able to initiate CSR programs that could be used to influence future public policy in emerging economies. Firms that do not develop managerial ties will also be able to initiate CSR programs but they will be at lesser legitimacy to use these programs from a political perspective.

Thus we suggest that

Hypothesis 2: The likelihood of foreign firms engaging in politically-oriented CSR activities in emerging economies increases with the managerial ties of the subsidiary.

International subsidiary integration and foreign firms PoCSR in emerging economies

High levels of integration and interdependence are defined as the degree to which activities/outcomes of a foreign subsidiary are influenced by other subsidiaries or its headquarters based in a different country (O'Donnell, 2000; Subramaniam & Watson, 2006). In these firms, certain subsidiaries often provide vital inputs for other subsidiary's strategic success, and this forms an essential part of the 'transnational solution' (Bartlett & Ghoshal, 2002) or 'heterarchy' (Hedlund & Rolander, 1990). We suggest that increased integration between subsidiaries in an international context impacts the degree to which foreign firms' subsidiaries operating in emerging economies will depend on stronger institutions and this will consequently increase their involvement in politically-oriented CSR activities.

Subsidiaries that are integrated more closely within the MNEs' network of international operations, such as global and transnational firms' subsidiaries, are exposed to constraints exercised by a wider variety of external stakeholders across regions, including local regulatory agencies, industry associations, non-governmental organisations and global institutions such as United Nations, World Trade Organisation, International Labour Organisation and International Standards Organisation (Kobrin, 2009; Risse, 2004). This adds to the administrative complexity associated with satisfying stakeholders' interests that relate to locally vs. globally acceptable standards in concern with issues surrounding product quality, wage and labour, human rights, global warming, and deforestation (van Oosterhout, 2010). In emerging markets, foreign firms' subsidiaries may find it difficult to apply global codes of conduct due to the weaker nature of local institutions (Khanna, Palepu, & Sinha, 2005) and the incompatibility of global codes of conduct with local values (Kumar, 1998). Lesser integrated subsidiaries can conform to local norms of stakeholder management, however with increased levels of integration, it becomes increasingly necessary to engage in politically-oriented CSR in order to manage local public affairs concerning education, healthcare and development (Berg & Holtbrügge, 2001). Politically-oriented CSR thus increases the scope of bridging multilateral norms and locally acceptable activities by bringing together various external stakeholders from the society, government as well as other business organisations (Scherer & Palazzo, 2011a). Because subsidiaries with higher levels of international integration will benefit from such activities more than subsidiaries that are less integrated, highly integrated subsidiaries will engage in politically-oriented CSR or PoCSR to a greater extent.

Accordingly, we formulate the following hypothesis:

> *Hypothesis 3: The likelihood of foreign firms engaging in politically-oriented CSR activities in emerging economies increases with their integration with other foreign subsidiaries*

Methodology

Research context and Sample

We chose India as the setting for our research because in India there is a focus on a more direct engagement in social issues by private companies, externally driven by increased governmental and public stakeholder expectations (Mohan, 2001). More recently in India, foreign firms are seen to be engaging in various politically-oriented CSR activities such as forming coalitions with environmental groups and using public relations advertising on particular issue positions, compared to firms operating in other large emerging economies such as China or Russia (Arora & Kazmi, 2012). Moreover, due to the rising importance of institutions such as the FICCI in India, and due to the absence of a legitimate business-government interface that links alternative ways of lobbying to corruption, we suggest that there is increased scope for foreign firms to adopt politically-oriented CSR practices in India, as seen from anecdotal evidence of large firms such as Coca-Cola (Hills & Welford, 2005). India thus provides an excellent setting to test our hypothesis.

Data was collected through a web-based questionnaire survey of the top managers (CEOs, Managing Directors or Country Managers) of foreign firms' subsidiaries operating in India. We obtained a publicly available directory of MNEs operating in India from *Amelia Publications* that provided contacts of over 3000 firms. After removing MNEs that were in fact headquartered in India and those with incomplete contact details, we were left with a sample of 1910 foreign firms to contact. Web-based questionnaires were sent to all of these, but a very large number (900) of emails could not delivered and 'bounced' indicating that 1010 emails were successfully delivered to foreign firms in India. After email and telephone follow-ups over a three-month period, 120 responses were obtained. We excluded fifteen responses due to missing data, resulting in 105 usable responses (response rate of 10.24%). Because questions in concern with this issue tend to be sensitive, firms are less willing to share information about their interactions with policymakers and other non-governmental actors. It is also noteworthy that we obtained responses from foreign firms' subsidiaries operating in India that belonged to nine home-countries including the USA, UK, Australia, Germany, Netherlands, Italy, Malaysia, Sweden and Switzerland.

*** Insert table 1 about here ***

Measures

To measure foreign firms' ***politically-oriented CSR*** as our *dependent variable* we asked survey participants to indicate their importance of four activities - 1) Public relations advertising in the media on specific issues related to policy; 2) Mobilizing grassroots political programs (such as organising demonstrations, signature campaigns, using social networks to organise communities etc.); 3) Forming coalitions with other organizations not in your horizontal or sectorial trade associations (such as environmental groups, social groups); and 4) Joining business advisory groups to government and regulatory bodies such as standard setting committees. We used a five point *likert*-type scale (alpha = 0.81, see appendix for items). We selected these items from a set of several items used to measure constituency-building political strategy from Hillman (2003) and Hillman and Wan (2005). Since these items closely match with activities that reflect firms' politically-oriented CSR (K. Rehbein & D. A. Schuler, 2013; Scherer & Palazzo, 2007), we suggest that our measure provides a reliable indicator of foreign firms' politically-oriented CSR activities in emerging markets.

To measure ***resource importance*** as our first *independent* variable we asked survey participants to indicate their level of importance on a set of eleven resources (including both tangible and intangible resources) as suggested by Srivastava, et al (2001). We used a five-point *likert*-type scale (alpha = 0.79, see appendix for items) and calculated the overall importance by taking the average importance placed over the eleven resources. In order to increase the reliability of this measure, we used options such as 'don't know' and 'prefer not to answer' in addition to the *likert*-type scale options in order to record missing values. These were ignored in the overall average score, which thus provided a reliable measure of firms' overall importance of resources.

To measure ***managerial ties,*** we use survey items suggested in previous studies by Hillman (2003), Sheng, et al. (2011)and Peng and Luo (2000) who have measured firms' connections with political decision makers and other related businesses. We asked survey participants about the extent to which they maintained good personal relationships with 1) officials in various levels of government; 2) regulatory and supporting organizations such as tax bureaus, state banks and commercial administration bureaus; 3) supplier firms; 4) customer firms; 5) competitor firms; 6) marketing based collaborators; and 7) technological collaborators. We measure these items on 5-point likert scale (alpha = 0.72, see appendix for items).

To measure foreign firms' ***international subsidiary integration***, we use the constructs suggested by Subramaniam and Watson (2006) and O'Donnell (2000) in the past. We used four items to measure the extent to which other foreign subsidiaries and headquarters influence the outcomes of the subsidiary using a 5-point likert scale (alpha = 0.71, see appendix for items).

We controlled for factors that have been shown to affect MNEs' CSR activities in host countries. This included ***subsidiary size,*** measured by the number of employees (Hillman, 2003; Hillman & Wan, 2005); ***subsidiary tenure,*** measured by the number of years they have been operating in India (Hillman, 2003; Hillman & Wan, 2005); and ***industry type***, measured using NAICS classification and then coded into a dummy manufacturing (0) and services (1). We also controlled for the degree of ***local ownership*** of foreign firms' subsidiaries in India by the percentage subsidiary shares owned by local (Indian) partners, following previous studies that have used this measure (e.g. Xu, et al., 2006).

We checked for a potential common method bias by using Harman's single factor test (Podsakoff, Mackenzie, & Lee, 2003) which did not indicate a common method bias. Following Lindell and Whitney (2001), we also used the marker method for testing for a common method bias by including a 'marker' variable (managerial autonomy) that was not related to either resource dependence or firms' politically-oriented and could be used to measure the extent of common method bias. This variable was not significantly associated with any of variables indicating the absence of a common method bias.

Results

Table 1 provides the means, standard deviations (SD) and correlations. Although there were some correlations among our independent variables (see table 1), these were very low and multicollinearity was thus not considered to be an issue. The means and SDs of predictor variables indicates good representation of firms with both high and low levels of resource importance, managerial ties and international subsidiary integration.

*** Insert table 2 about here ***

We used linear multiple regression to test our hypotheses. Table 2 shows the regression results.

*** Insert table 3 about here ***

Model 1 shows the baseline model with the control variables only. From among the control variables, only firm size appears to have a very small, but statistically significant and positive effect on firms' PoCSR ($p < .01$). This result indicates that large foreign firms are more likely to engage in politically-oriented as compared to smaller foreign firms in India.

In Model 2 we add the predictor variables to the baseline model. The results of model 2 (see table 2) show a significant positive relationship ($p <.01$) between resource importance and PoCSR supporting our first hypothesis. Our second hypothesis which suggested a positive association between managerial ties and firms' extent of PoCSR is also supported ($p < .05$) by our findings. The respective coefficient in Model 2 is statistically significant. Hypothesis 3 suggested a positive association between international subsidiary integration and firms' PoCSR engagement. Model 2 shows that there is no significant association between these variables and thus empirical support for this hypothesis could not be obtained. Our results thus provide support for two of our three hypotheses.

Discussion

Firstly, a major empirical finding of this study has been the strong positive association between *importance of local resources* to foreign firms' subsidiaries and their adoption of a politically-oriented CSR approach in emerging economies. The support for hypothesis 1 shows that in India, foreign firms that assume greater criticality of locally available resources would be more likely to use engage in CSR activities that are politically-oriented. Our findings in this regard contribute to existing studies on the political role of CSR activities of foreign firms in other emerging economies such as China (Zhao, 2012) that highlighted the legitimacy building role of CSR activities by collaborating with the state, non-governmental organisations and other social actors. We enhance this understanding by suggesting that politically-oriented CSR reduces foreign firms' uncertainty of access to critical local resources important for their survival. We also contribute to existing studies on the constituency building political activities of firms (Hillman, 2003, Hillman and Wan, 2005) by highlighting the role of resource dependency as a determinant of political activities designed to gain public support on issues through strategic CSR and exchanging these votes to gain favourable public policy outcomes. We also contribute to resource dependence theory by suggesting the use of CSR as a way to manage external dependence on key environmental resources. We suggest that by using a politically-oriented CSR approach, foreign firms in emerging economies will be more likely to ensure continued access to critical resources in the external environment by assuming increased organisational power (Casciaro & Piskorski, 2005; Hillman & Dalziel, 2003).

Secondly, our empirical evidence supports our argument (hypothesis 2) that foreign firms with stronger managerial ties with local businesses (e.g. stronger collaborations with supplier firms, customer firms, marketing firms, technology firms, etc.) and with political stakeholders are more likely to employ CSR practices that are politically-oriented, than foreign firms with lesser ties. In emerging markets, due to the increasing power of media and NGOS, foreign firms are often unable to effectively manage their *guanxi* with politicians in the long term and are therefore likely to be targeted by media and other groups when involved in unethical behaviour such as bribing and hiring unqualified relatives of government officials, which may damage their reputation (Li, Poppo, & Zhou, 2008). Yet while ties are important in securing access to critical resources, our findings suggest that foreign firms with stronger managerial ties are more likely to employ philanthropic efforts towards these issues in order to enhance their reputation and legitimacy, than firms with less ties, as already evident in some past studies (He & Tian, 2008). We also enhance the understanding provided by previous studies that highlight the importance of gaining local legitimacy while carrying out constituency building political activities (Hillman, Keim, & Schuler, 2004). In this regard we suggest that stronger managerial ties in emerging economies increase foreign firms local legitimacy and can increase the scope for foreign firms to pursue political activities through CSR, as already evident in some prior research (Reid, Soley, & Vander Bergh, 1981).

Furthermore, our findings adds to research which have emphasised that building stronger ties specifically with government actors could assist in implementing politically-oriented CSR to neutralize and pre-empt detrimental government actions towards their businesses' sustainability in emerging markets (Fooks et al., 2013). Given that CSR is by nature considered to be a *voluntary* corporate activity, our findings indicate, that paradoxically by entering into stronger relationships with MNEs, governments and other institutional actors in emerging economies are using their power to steer the politically-oriented CSR activities of MNEs towards the fulfilment of their own goals. It corresponds with similar studies which have shown how the state (or government) could act as positive force seeking to push corporate CSR agendas further towards the achievement of social goals (Vallentin and Murillo, 2012)

Finally, our empirical evidence does not support our argument (hypothesis 3) that foreign firms' subsidiaries that are integrated highly with other foreign subsidiaries would be more likely to adopt politically-oriented CSR practices. Although this is surprising, one possible explanation for this unexpected finding is that greater inter-subsidiary integration may allow firms' subsidiaries based in another country to exchange critical resources that are constrained by specific regulation in one country. Thus greater international subsidiary integration reduces dependence on local resources, and therefore highly integrated subsidiaries may not engage in politically-oriented CSR activities that are expensive to employ. Thus it is possible that highly integrated subsidiaries are likely be to involved in host country policymaking only at times when the external environment adversely affects their operations, rather than by involving themselves in on-going philanthropic practices.

Overall, our empirical evidence enhances the findings of past studies carried out in India e.g. by Khan (1981), Khan and Atkinson (1987) and Krishna (1992), which showed that CSR was only a consideration among the very large size firms in the corporate sector. Our findings, which do not show association between firm size and PoCSR, suggest that although large sized foreign firms, due to their greater resources, are better equipped to employ CSR practices that are more likely to affect political decisions, small and medium size firms can also participate in the policymaking process of emerging host economies by collaborating with influential NGOs and CSOs. Our findings also enhance the existing knowledge provided by past surveys conducted in India by different NGOs and consultancy firms. For example, Partners in Change (PiC) conducted three surveys in 1996–1997, 1999–2000 and 2004, which showed a marked increase in the number of companies developing and adopting CSR policy over time. The Centre for Social Markets (CSM) survey of July 2001 found key barriers to CSR in India, including unclear government policies, an ineffective bureaucracy, poor monitoring records, complicated tax systems and poor infrastructure (Prakash-Mani 2002). Another CSR survey conducted by the British Council revealed growing recognition among companies that "passive" philanthropy no longer suffices as CSR (British Council et al. 2002). Overall, through the empirical findings of our study we support the increased scope for foreign firms to use CSR in order to lobby the government in an ethical manner.

Conclusion

Overall our study focussed on the firm-level determinants that influence 'politically-oriented' CSR (PoCSR) behaviour of MNE subsidiaries in a newly emergent market. By further exploring this aspect of CSR within the context of emerging economies, our study contributes to neo-institutional theory, resource-dependency theory and CSR literature in the following ways: Firstly, it adds to the relatively small but emerging empirical research body of CSR studies which adopts a developing country perspective in Asia (Chapple and Moon, 2007). Secondly, it addresses calls to develop an understanding of firm-level strategic behaviour, using a neo-institution theory (legitimacy) based view (Peng et al, 2008), especially in relation to MNEs operating in emerging markets (Leung et al., 2005). Here it contributes to enhancing the understanding of the inter-play between foreign firms' subsidiaries and key local institutional actors in relation to gaining legitimacy through the use of CSR activities (Oliver, 1991). Thirdly, it contributes towards understanding more about the cooperative perspective of political behaviour between MNEs and host-county governments considered to be lacking in empirical research (Menzies & Orr, 2010). In this regard, by using resource dependence theory as a theoretical anchor we also respond to the call for a better integration of the insights provided by this theory into the literature on corporate political action (Hillman, Withers, & Collins, 2009). We also extend previous research on political activities of firms anchored in RDT (e.g. Dieleman & Boddewyn, 2012; Meznar & Nigh, 1995) by investigating the political role of CSR activities (Scherer & Palazzo, 2011).

There are a number of limitations to this study which open new alleys for further research on the political orientation of CSR activities in emerging economies. Firstly, future research in emerging economies could focus on foreign subsidiaries' collective action strategy – such as participation in industry trade associations and chambers of commerce that are increasingly playing a role in influencing public policy in emerging economies through the use of ethical lobbying (Lawton et al., 2012). Secondly future research could gain from a larger sample of firms to enhance the variability of the empirical results presented in this study. However, asking questions on the use of CSR in political behaviour of the firm is highly sensitive, particularly in emerging economies, where such information would not be publicly shared. Despite these limitations, we suggest that our study enhances our understanding of the foreign firms' CSR practices and addresses the growing need for understanding the intersection between CSR activities and corporate political activities.

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Appendices

Tables

Table 1: Home-country representation of survey respondents

Firms' home country	**Responding Firms**	**Percentage in total *N***
Anonymous	13	12.38
Australia	3	2.86
Germany	24	22.86
Holland	4	3.81
Italy	8	7.62
Malaysia	4	3.81
Sweden	4	3.81
Switzerland	6	5.71
United Kingdom	8	7.62
USA	31	29.52
Total sample	**105**	**100**

Table 2: Means and Correlations

	Mean	SD	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
(1) PoCSR	2.16	1.07	1							
(2) Subsidiary size	1781.53	6467.05	.230*	1						
(3) Subsidiary tenure	18.48	19.85	.096	.170	1					
(4) Industry	.610	.49	.117	.191	-.050	1				
(5) Resource importance	3.14	.87	.498**	-.003	.010	-.294**	1			
(6) Inter-subsidiary integration	3.13	.65	.050	-.179	-.046	.112	-.018	1		
(7) Local ownership	27.59	39.09	.203	-.020	.132	-.109	.187	-.138	1	
(8) Managerial ties	3.03	.911	.397**	.236*	.200*	-.154	.235*	-.051	.101	1

*$p < .05$; **$p < .01$; N=105

Table 3 Linear Regression

	Model 1	Model 2
Independent Variables		
Resource Importance		.562**
Inter-subsidiary integration		.116
Managerial Ties		.482*
Control Variables		
Subsidiary size	.000*	.000+
Subsidiary tenure	.005	-.001
Industry	.195	.534**
Local ownership		.005+
Adjusted R-square	**.027**	**.423**

N = 105; +p < .1; *p < .05; **p < .01

Measurement constructs

Politically-oriented CSR (Hillman, 2003; Hillman & Wan, 2005) (α = .81)

How important have the following activities been for you to deal with government officials in this country over the past year? (1: Not at all important, up to5: Very important)

1. Public Relations advertising in the media on specific issues related to policy
2. Mobilizing grassroots political programs (such as organising demonstrations, signature campaigns, using social networks to organise communities etc.)
3. Forming coalitions with other organizations not in your sectoral trade associations (such as environmental groups, social groups)
4. Joining business advisory groups to government and regulatory bodies (such as standard setting committees)

Resource Importance (Srivastava, et al., 2001) (α = .79)

How important are the following for the day-to-day operations of your business? (1: Not at all important, up to5: Very important)

1. Finance (money obtained from people, banks, shareholders or private investors)
2. Land (e.g. for construction or agri-businesses)
3. Up-to-date production machinery / equipment
4. Unskilled workers (low cost, minimum wage labour)
5. Semi-skilled workers (admin / support workers, clerks, typists etc.)
6. Raw materials (natural resources)
7. Specifically owned patented technology / technological know-how
8. Highly Skilled employees (engineers, scientists, doctors, accountants, consultants, etc.)
9. Relationships with other firms (such as suppliers, customers and competitors)
10. Relationships with local and central government officials
11. Reputation of your company (e.g. product brand names or company name)

Inter-subsidiary Integration (O'Donnell, 2000; Subramaniam & Watson, 2006) (α = .71)

To what extent do you disagree / agree with the following statements (1: Strongly disagree, up to5: Strongly agree)

1. The activities of headquarters influence our outcomes
2. Our activities influence the outcomes of headquarters
3. The activities of other foreign subsidiaries influence our outcomes
4. Our activities influence the outcomes of other foreign subsidiaries

Managerial Ties (Peng & Luo, 2000; Sheng, et al., 2011) (α = .72)

To what extent do you disagree / agree with the following statements, with regard to dealing with government officials for issues affecting your organisation's operations? (Issues for instance - new tax regulations, subsidies, ownership policies etc.) (1: Strongly disagree, up to5: Strongly agree)

We have maintained good personal relationships with

1. Officials at various levels of government
2. Regulatory and supporting organizations such as tax bureaus, state banks and commercial administration bureaus
3. Managers at Supplier firms
4. Managers at Customer firms
5. Managers at Competitor firms

6. Managers at Marketing based collaborators
7. Managers at Technological collaborators