Corporate Social Responsibility and Culture

A study of a Swedish Multinational Corporation’s CSR strategy in terms of labour policies in East China and its relation to cultural differences

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Bachelor’s Thesis in Business Administration

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Abstract

Corporate Social Responsibility (CSR) has in later years gained increased awareness and the business environment has become more international where multinational corporations (MNCs) are encountering many different national cultures. Along with this development, it has become important for MNCs to take the cultures of the foreign markets into consideration when deciding on what strategy approach to adopt towards CSR as different cultures have different expectations on corporations. Among the various aspects of CSR, this thesis has only focused on the labour issues, which are typically addressed by companies through establishing voluntary Codes of Conduct with the aim of improving the working conditions and labour standards.

The purpose of this thesis is to examine the national cultural differences between Sweden and East China, and analyse if these differences influence whether Swedish MNCs take an adaptation, standardization or glocalization strategy towards CSR in regards to the labour policies when operating in Sweden and East China respectively. By gathering secondary data and primary data through an in-depth, qualitative interview with Company Red, the purpose of this thesis was fulfilled. The results show that Company Red applies a standardisation strategy when implementing their labour policies, while small additions are still allowed in some cases when operating under different cultural contexts. Moreover, the results point to the conclusion that adaptation of labour policies may be more in terms of adapting the way of communicating and implementing the policies to the needs and expectations of the host country, rather than adaptation of the actual Code of Conduct itself.
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1 Introduction

This section provides an introduction of the topic of CSR and adaptation. A background of the topic of CSR and culture, more specifically explaining cross-cultural adaptation of labour-related CSR is thereafter presented, along with necessary information on East China and Sweden. Finally, a description of the problem and the purpose of this thesis are communicated along with a perspective clarification, information on delimitations, and definitions on important concepts.

Corporate social responsibility (CSR) has developed into a global trend (Sahlin-Andersson, 2006) where CSR issues have gained increased attention in the media over the last years (Buhr & Grafström, 2004). Through the increased media coverage, corporations and management consultants’ treatment of CSR issues has also become more visible to the public (Sahlin-Andersson, 2006). The amount of academic research within the field of CSR has correspondingly increased where CSR and businesses role in society has evolved into a prominent concept (Turker, 2009).

The notion of CSR does not have a universally adopted definition and although the pressures to integrate it into business practices has increased, CSR still carries different meanings worldwide (Freeman & Hasnaoui, 2011). The World Business Council for Sustainable Development defines CSR as a “continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large” (WBCSD, n.d., p.3). Although the concept of CSR is applicable to all organizations, the focus tends to be on larger corporations as those carry more power and are more visible to the public (Carroll, 2008, p.1).

The business environment today is more international than ever (Williams, 2008), where marketplaces are becoming even more global. This has lead to corporations encountering many different national cultures that carry different expectations on what responsibility corporations have towards society (Burton, Farh & Hegarty, 2000). Due to this globalization, the issue of cross-cultural adaptation has arisen and become highly
important for businesses and individuals operating abroad (Andreason, 2003a, 2003b cited in Williams, 2008).

Research within CSR and international business has dominantly portrayed two management strategies when entering foreign markets: adaptation and standardization, which has generated a lot of debate regarding which strategy to pursue (Ryans Jr, Griffith & White, 2003). Robertson (1994) invented the term “glocalization”, which combines the words “globalization” and “localization”, that refers to this cross-cultural adaptation in which multinational corporations (MNCs) adapt their business practices to better satisfy the local preferences (Matusitz & Minei, 2011).

The two topics of CSR and adaptation are two very extensive fields of research. To narrow the field of research, the topic of this bachelor thesis will be restricted to merely studying cultural adaptation of CSR. To be more specific, the adaptation of CSR to cultural differences will be in regards to the CSR issue of labour, only examining a MNC’s labour policies to investigate if MNCs adapt their labour policies in the home country to cultural differences in the host country.

According to Porter and Kramer (2006), CSR has become a priority for businesses that cannot be avoided, and the authors further state that CSR can become a great source of competitive advantage. Along with the business environment becoming more international (Williams, 2008) where corporations are confronted with more national cultures (Burton et al., 2000) and the rising importance of CSR, the importance of conducting research on cultural adaptation of CSR feels more relevant today than ever.

1.1 Background

1.1.1 CSR
As of recent years, the subject of CSR has received increased awareness from the public and it has in relation become an important aspect in corporations’ decision-making processes and operations (Woo & Jin, 2016). The definition of the concept has developed over the years. One of the first definitions was the one by Carroll (1979), who defined CSR as the economic, legal, and ethical expectations that society has of
organisations. Laudal (2010, p.64) further defined CSR as companies’ engagements in social and environmental issues, incorporated into the business operations, with the aim of improving human welfare and also meeting international CSR standards.

Although no single definition of CSR exists, it is generally considered as corporations’ practices that go beyond the ethical, legal, and public expectations (Hu, 2006). Bartlett and Ghoshal (1998, 2000) distinguish between three theoretical areas of CSR that are considered to be of universal interest, which are environment, labour and human rights (Arthaud-Day, 2005). Out of these three areas, this study will be focused on the labour aspect.

1.1.2 Labour-related CSR
Within the CSR domain of labour, the UN Global Compact (2003) refers to the upholding and support of “effective abolition of child labor”, “elimination of discrimination in respect of employment and occupation”, “elimination of all forms of forced and compulsory labor”, and the upholding of “the freedom of association and the effective recognition of the right to collective bargaining” (Arthaud-Day, 2005, p.12).

Regarding labour-related CSR, corporations communicate their responsibilities concerning working conditions and labour standards through their voluntary Codes of Conduct. Hu (2006, p.6) defines the term voluntary as “the mechanisms used by companies, both individually and in conjunction with other companies and organisations, to design and enforce the rules themselves.” The rules either go beyond the current laws and regulations of the area or cover a new area that the current laws and regulations are lacking. Codes of Conduct are written policies, or statements of principles, created to serve the purpose of providing a basis for a commitment to particular corporate conduct (Hu, 2006).

Most of the labour-related CSR activities are developed to ensure compliance with the minimal labour standards and to improve working conditions. Some of the issues corporations deal with are namely: “reasonable working time and conditions, compliance with the laws, no discriminations or harassment, elimination of child labour and forced work, training, and others” (Hu, 2006, p.4).
As a result of globalisation, as well as changing public attitudes, there has been a significant growth in corporations developing voluntary Codes of Conduct in regards to labour issues since the early 1990s. As of recent years, companies’ responsibilities have gone beyond the aspects of quality and environmental impacts. Moreover, there has been an increased number of MNCs, operating within global value chains, that are implementing various voluntary initiatives with the objective of trying to improve labour rights, and human and social rights (Hu, 2006).

1.1.3 Adaptation of Labour-related CSR

Within this thesis, the notion of adaptation, more specifically CSR adaptation to culture, will refer to whether MNCs take a localised or standardized approach when establishing voluntary Codes of Conduct.

As aforementioned, in the business world today more corporations are engaging in international operations (Williams, 2008). As a result, it is not only the domestic market that these corporations will have to take into account, but also the foreign markets. Today, with the internationalisation processes, it is of more importance for the companies to meet the global CSR standards in order to be in a better competitive position in the international market (Woo & Jin, 2016). Companies that follow the global CSR approach tend to establish universal Codes of Conduct and apply them in every cultural context in which they do business. This is in essence what the UN has done in issuing its Global Compact (Compact 2003 cited in Arthaud-Day, 2005). Cross-cultural CSR emphasises how the values and social beliefs surrounding the organisation will affect the organisation and its CSR policies (Woo & Jin, 2016). In other words, how the company would adapt its CSR activities to the different environments it operates in.

Since voluntary Codes of Conduct are built upon the laws and regulations (Hu, 2006), and the public’s expectations is also a factor of influence (Woo & Jin, 2016), this paper will take into consideration both of the aspects when examining the adaptation of a company’s labour policies. The differences in public’s expectations will be studied by looking into the different cultural backgrounds, and the differences in labour standards will be examined in regards to the laws and regulations in Sweden and China.
1.1.4 Sweden

Sweden is a Scandinavian country (European Parliament, 1997) with a population of almost 9.9 million people (Statistics Sweden, 2016), which is the largest population rate among the Nordic countries (European Union, 2016).

The economy of Sweden today can be characterized as successful with high competitiveness and diversity where standards of living are regarded as high. Wealth in the country is evenly distributed across the different regions, and the GDP per capita for each Swedish region is even higher than the EU average (Sweden.se, 2015). The industry sector is one of the most important sectors, accounting for approximately 19.7 per cent of the Swedish economy (European Union, 2016).

In Sweden, the government wants to ensure fair conditions and good order in the labour market. Through appropriate regulations and other policy levers the State ensures good working conditions and facilitates the creation of jobs, while the more detailed terms are outlined in collective agreements, such as wage formation, by the involved social partners (Government Offices of Sweden, 2015). Due to the long tradition of market regulation in Sweden, many employee benefits have been written into law. Phenomena such as collective bargaining and cooperation between unions, employers and employees are considered essential in Sweden (Work.Sweden.se, 2016a).

1.1.5 East China

China, officially the People’s Republic of China, is a communist nation in East Asia (Shambaugh, 2008). With a population of over 1.38 billion, China is considered the most populated state in the world (worldometers.info., 2016). The economy of the country is fast growing and with a nominal total GDP of $10,983 trillion it is now the world's second largest economy (Imf.org., 2016).

In this thesis the focus will be on how Swedish MNCs manage their CSR activities regarding labour in East China. East China can be defined loosely as the cultural region that covers the eastern coastal area of China. The Chinese government has categorised Shanghai municipality and Jiangsu, Zhejiang, Anhui, Fujian, Jiangxi, Shandong provinces as the East China region (stats.gov.cn, 2015). However, when defining East China from the economic point of view, according to the World Bank’s 2009 World
Development Report, the East Coast covers the municipalities of Beijing, Tianjin, and Shanghai as well as Hebei, Shandong, Jiangsu, Zhejiang, Fujian, Guangdong, and Hainan provinces. This thesis applies the latter definition from the economic point of view when referring to East China. These coastal regions are significantly more economically developed than other parts of China judging from their regional GDP (diercke.com, n.d.). East China is also considered to be the most prosperous region of China because of its higher levels of imports, exports, FDI, educational level, as well as population density. These factors have helped East China attract thousands of MNCs to start their operations in this area (National Bureau of Statistics of China, 2011 cited in Kolk, Dolen & Ma, 2015).

Because of the huge supply of cheap labour in China, the country has over the past decades attracted a significant amount of labour-intensive industries. Moreover, the ‘Made in China’ label has been known to be associated with issues such as labour abuses and sweatshops. It was not until 2001 after China joined the World Trade Organisation (WTO) that the international governing bodies started to more closely monitor the Chinese labour conditions (Yu, 2015).

1.2 Problem statement

CSR has become an important part of business (Slack, Corlett & Morris, 2015) with increased focus from the public on corporations’ management of CSR issues (Sahlin-Andersson, 2006). As more corporations today internationalize, the need for considering foreign market cultures and their national CSR standards, and not merely considering the domestic market, has also become more important for staying competitive in the international market (Woo & Jin, 2016). Different cultures have different expectations on what corporations’ responsibilities towards society are (Burton et al., 2000). As a result of this globalisation, the issue of cross-cultural adaptation has arisen for businesses operating abroad (Andreason, 2003a, 2003b cited in Williams, 2008), along with the issue of if/how CSR practices are adapted to the firm’s country-of-origin when it comes to what CSR issues are in focus (Woo & Jin, 2016).

Previous research within the field of culture and CSR management has stated that national cultural background factors will influence people’s view on CSR and how the
different issues within CSR are prioritized. Earlier researchers have also conducted studies on how to manage CSR. However, relatively few have addressed the issue on how to manage CSR in a cross-cultural context, that is, cultural adaptation of CSR. In other words, prior research within this area is limited and suggests that there is a lack of research within CSR adaptation to culture. Moreover, the empirical research previously conducted has only focused on this from a broad perspective of continents or from a global point of view.

To address this gap in the literature, this study will be geographically limited to Sweden and East China, exploring how CSR policies and culture differs to determine the level of adaptation from the Swedish MNC’s perspective when operating in East China. The reason for this focus is that many Swedish MNCs are currently operating in this part of China and according to the Embassy of Sweden in Beijing (n.d.), Sweden has throughout the years increased its trading with China and the country is today considered Sweden’s largest Asian trading partner. Moreover, according to empirical studies by scholars like Hofstede, Redding and Bond, there are significant differences between the Chinese and the Western (which includes Sweden) business cultures (Martinsons & Westwood, 1997). This provides the authors with the possibility to conduct this study by examining how CSR is perceived and prioritized in East China when it comes to labour policies in comparison to Sweden. This will in turn allow the authors to investigate if and how Swedish MNCs adapt their CSR labour policies to the local CSR expectations of East China, and if the adaptation is due to the cultural differences.

To narrow the field of research further this study will only examine the adaptation of CSR to cultural differences in regards to the CSR issue of labour, thus examining MNCs’ labour policies in Sweden and East China. According to Arthaud-Day (2005) the labour issues are of universal interest, however, the opinions regarding to what extent corporations should take responsibility when it comes to labour issues varies widely. A report conducted by Serger (ITPS in Beijing) and Widman (Embassy of Sweden in Beijing) (2005), also reports that within China there are huge contrasts in terms of economic development and problems of income inequalities and lack of
protection of workers’ rights, which has become challenging for the country in later years. This is the reason for why this study will focus on the labour aspect of CSR.

To conclude, this thesis will examine if and how Swedish MNCs adapt their labour policies to national cultural differences when operating in East China. This is a problem worth studying as CSR has developed into a global trend (Sahlin-Andersson, 2006), with increased attention in the media (Buhr & Graström, 2004). Also, according to Laudal (2010, p.64), CSR should be seen as a part of corporations’ business operations. Moreover, businesses are increasingly facing a global marketplace, which incorporates having to manage different national cultures different ethical expectations on corporations (Burton et al., 2000). From this globalization, the issue of cross-cultural adaptation has arisen (Andreason, 2003a, 2003b cited in Williams, 2008; Woo & Jin, 2016). With this development, the importance of conducting research on cultural adaptation of CSR feels more relevant today than ever.

1.3 Purpose

The purpose of this thesis is to examine the national cultural differences between Sweden and East China, and analyse if these differences influences whether Swedish MNCs take an adaptation, standardization or glocalization strategy towards CSR in regards to the labour policies when operating in Sweden and East China respectively.

In order to fulfil this purpose, three research questions (RQ) will be answered:

**RQ 1:** What labour policies do Swedish MNCs apply when operating in Sweden and in East China respectively?

**RQ 2:** Do Swedish MNCs take an adaptation, standardization or glocalization strategy approach to labour-related CSR when entering the Chinese market?

If it is a question of adaption;

**RQ 3:** Are these labour policies adapted according to the national cultural differences prevalent in these two places, and if so, how?
1.4 Perspective

The problem is studied from the perspective of Swedish MNCs conducting business in East China. The person interviewed for the case study is employed within a Swedish MNC operating within the industry sector and is responsible for CSR-related questions.

1.5 Delimitations

This bachelor thesis will not assess all aspects of CSR. Instead, the focus has been limited to the labour issues of Swedish MNCs operating in East China. Due to the sensitivity aspect, some MNCs may be reluctant to discuss certain areas within labour-related CSR and therefore this thesis will not cover areas like child labour or forced labour. With regards to labour policies, the aspects of wages, working hours, discrimination, health and safety, freedom of association and collective bargaining, and policies for harassment and abuse will be emphasised. Concerning wages, this study will only touch upon the aspect of living wages without going into depth on differing living costs and standards in Sweden and East China, as this is beyond the scope of this thesis. Moreover, the findings are not claimed to be generalizable to all companies and all industries as the focus will be on one company within the industrial sector. Finally, this study will be limited to East China as those parts of China are more economically developed, hence more comparable to Sweden.

1.6 Definitions

This section presents some definitions of concepts necessary for the reader to be familiar with to be able to gain a better understanding of this study.

Adaptation

Adaptation will throughout this study be referred to as a strategy approach to CSR for MNCs operating internationally. In specific, CSR adaptation to culture will refer to MNCs taking a localized approach when establishing voluntary Codes of Conduct regarding labour policies. In other words, taking into account national cultural differences in terms of differing public expectations on corporations and what the local law states.
Standardization
The opposite CSR strategy approach to local adaptation is referred to as standardization (or global integration) where MNCs implement universal Codes of Conduct where the labour policies are the same throughout the company globally.

Glocalization
Glocalization is a term combining the word globalization and localization. A glocal strategy approach to CSR balances the two strategies of adaptation and standardization by adapting to the local environment, while also standardizing some CSR practices in order to be able to both derive advantages from localising, while still keeping an overall consistent business strategy (Maynard & Tian, 2004 cited in Jain & De Moya, 2013). Arthaud-Day (2005) refers to this approach as a transnational strategy where corporations respond to national cultural differences when necessary, while integrating some practices globally. These two terms of “glocal” and “transnational” will be used interchangeably in this thesis when referring to a glocalization strategy.

Multinational Corporation (MNC)
An MNC can be defined as “a company that operates, produces, and sells products in many countries, and is not wholly subject to the laws of any one nation” (Park & Allaby, 2013, p.279).

CSR-strategy
Strategy within this study will be differentiated between adaptation (localization), standardization (global integration) and glocalization. According to Carroll (1991 cited in Trapp, 2014), CSR involves corporations responsibilities towards society, further defining corporations’ CSR strategy-making as a process of assessing other people’s expectations and requirements of them.

National culture
As different cultures have different expectations on corporations’ responsibility towards society (Burton et al., 2000), this study will investigate if there is a relationship between national culture and the labour policies MNCs adopt. Hofstede (2011) defines culture as “the collective programming of the mind that distinguishes the members of one group or
category of people from others”, where national culture is measured in terms of cross-cultural dimensions. “Category of people” can refer to a nation or region (Hofstede, 1994), and in this study it will refer to the nation of China, or more specifically East China, which has been defined into certain regions in the background section.
2 Frame of reference

This section presents a literature review related to the research questions of international CSR strategy adaptation to culture. A theoretical framework will be provided including the GI-LR model and transnational CSR for determining CSR-strategy and level of adaptation. For explaining and analysing the cultural aspect of this study, Hofstede’s cultural dimensions will be provided. These theories and models will later be applied to the subject analysed in this thesis, namely the labour policies of a Swedish MNC and the level of adaptation of these policies to culture.

2.1 CSR in an international setting

As aforementioned, the phenomenon of CSR does not have a universally adopted definition and CSR still carries different meanings worldwide (Freeman & Hasnaoui, 2011). One often cited definition is the one by Carroll (1979), who defines CSR as the economic, legal, and ethical expectations a society has on organisations. In recent years, the focus on companies’ engagements in social issues has increased with higher expectations from the public on companies’ responsibilities in improving human welfare and meeting international CSR standards (Laudal, 2010, p.64).

Although many researchers have studied the concept of CSR and extensive research on the topic has been conducted at the domestic (i.e. intra-country) level, the amount of empirical studies on the international (i.e. cross-cultural) level is limited when it comes to CSR and management ethics (Arthaud-Day, 2005; Jackson & Artola, 1997).

In today’s international business environment, MNCs are encountering “increasingly complex and sometimes competing social expectations” (Arthaud-Day, 2005, p. 1) in the host countries compared to expectations in the home country (Muller, 2006). According to Bartlett and Ghoshal (1998, 2000), all MNCs are inclined to interpret CSR in a certain way, often related to their domestic “administrative heritage”, which might lead to conflicts when confronted with other cultures in the host countries (Arthaud-Day, 2005, p. 3). When faced with these different cultural settings, corporations may end up in situations in which their CSR policies differs and sometimes even disagree
with the prevalent needs or trends of the host markets (Muller, 2006 cited in Jain & De Moya, 2013).

In relation with the increased focus on corporations social impact and the growth of MNCs in developing countries, the pressure on MNCs to adapt their CSR practices to align with the local environment’s issues has increased (Muller, 2006; Starck & Kruckeberg, 2003 cited in Jain & De Moya, 2013). According to Visser (2008 cited in Jain & De Moya, 2013), the opportunities and challenges of developing and developed countries differ due to their unique local environments, and therefore, CSR in emerging markets should not be considered in the same way as CSR in developed markets.

2.2 CSR strategies: Adaptation vs. standardization

According to Altuntas and Turker (2015), studying the CSR strategies companies pursue when internationalizing into foreign markets is of great importance. When operating in an international environment, corporations are confronted with conflicting institutional contexts with different expectations, cultures and regulations (Hira & Hira, 2000 cited in Kim, Amaeshi, Harris and Suh, 2013), which lead to complexity for MNCs when handling CSR issues. In Western countries, for instance, child labour is considered downright unethical whereas in South Asia the view on child labour is less severe (Kumar & Steinmann, 1988, cited in Kim et al., 2013). Moreover, dismissing employees during times of economic recession is in several Asian societies seen as unethical while it is common practice in the Western business world (Crane & Matten, 2004 cited in Kim et al., 2013).

Research within CSR and international business has dominantly portrayed two management strategies when entering foreign markets, which are local adaptation and global standardization/integration (Ryans Jr, Griffith & White, 2003). Filatotchev and Stahl (2015) further incorporate a glocal (transnational) strategy, which combines the global and local approach. These strategies are presented in the GI-LR framework on a scale of global integration, also referred to as standardization, and local responsiveness, which will also be referred to as adaptation in this thesis.
2.2.1 GI-LR framework

The GI-LR framework is one of the main conceptual models for studying strategy in an international setting. The model has been developed from several sources, among them Bartlett and Ghoshal who distinguish between three main types of MNCs, which are global, multinational and transnational corporations. These three types of MNCs all implement different strategies, which can be referred to as global strategy, multinational strategy and transnational strategy (Fan, Nyland & Zhu, 2008), which also constitutes the first dimension of strategic orientation in the transnational, tri-dimensional model of CSR by Arthaud-Day (2005). In this study, the different types of international strategies are discussed and analysed in relation to global integration and local responsiveness in the context of a Swedish MNC operating in East China.

As shown in Figure 1, the international strategy MNCs adopt is evaluated on the basis of two dimensions, namely global integration (GI) and local responsiveness (LR). On the vertical axis, the amount of GI is measured on a scale from low to high, whereas the horizontal axis considers the LI on a scale from low to high as well. A high GI implies that corporations might prefer to adopt a global or a transnational strategy, depending on the level of LR. A low GI would indicate a preference for an international or a multidomestic (multinational) strategy. Likewise, a high LR suggests that MNCs might favour a multinational or transnational strategy, while a low LR would indicate that an international or global strategy might be more suitable (Fan et al., 2008). Further elaboration on the different types of strategies will be provided under strategic orientation of the transnational, tri-dimensional model of CSR.
According to Filatotchev and Stahl (2015), MNCs need to consider the expectations and demands of both local and global stakeholders. However, balancing the local stakeholders’ expectations and demands with the need for “global consistency in CSR approaches” creates major challenges for MNCs. In the same way as companies decide upon an organisational strategy (e.g. multinational, global or transnational) based upon the local and global demands of the product-market, corporations also need to develop a CSR strategy based upon the expectations and demands of the main global and local stakeholders (Gnyawali, 1996; Arthaud-Day, 2005 cited in Husted & Allen, 2006).

Local CSR can be described as managing the company’s responsibilities towards the local community, while global CSR is described as managing the company’s responsibilities in regards to those “standards to which all societies can be held” (Walzer, 1992, p.9, cited in Husted & Allen, 2006, p.840). Lim (2010, p.303 cited in Jain & De Moya, 2013, p.211) further defines a local strategy as responsive, aiming to tailor its CSR practices to align with the “local environment, local organisational culture”, and the “needs/interests of local stakeholders”. Glocal CSR is defined as balancing adaptation to the local environment and standardizing CSR practices to be
able to both derive advantages from localising, while also preserving an overall consistent business strategy (Maynard & Tian, 2004 cited in Jain & De Moya, 2013). In other words, adopting a glocal approach to CSR involves showing sensitivity towards the “social and cultural contexts of local communities” (Kumar, 1994, cited in Jain & De Moya, 2013, p. 212).

MNCs may need to adapt some of their global CSR practices in order to comply with the regulations in the host countries (Child & Tsai, 2005 cited in Jain & De Moya, 2013), while also being able to meet the local community’s expectations on corporations’ responsibilities (Deetz, 1999 cited in Jain & De Moya, 2013) and the cultural norms of the local environments (Jain & De Moya, 2013). According to Logsdon and Wood (2005 cited in Husted & Allen, 2006, p.839), MNCs are sometimes required by “diverse stakeholders and conflicting value systems” to respond not only to global issues but also to local issues, which in turn requires a more complex strategy approach towards CSR. Brown and Knudsen (2012) suggest that CSR strategy should be adapted to the local environment when the MNC and the host country have different legislations, and when stakeholders have special preferences developed from the local values and norms.

After studying three international companies and their corporate foundations, Altuntas and Turker (2015), using the model of Arthaud-Day, came to the conclusion that all three companies have begun to implement a local CSR approach that is relatively aligned with the overall mission of the MNC, indicating a shift towards a more transnational approach. Filatotchev and Stahl (2015) further claim that the transnational approach to CSR appears to be the most effective approach in facilitating MNCs’ coordination of CSR activities internationally. This is in agreement with the findings of Maynard (2003) and Ritzer (2004), who also found that a glocal (transnational) CSR approach seems to be the most effective approach when trying to implement effective social responsibility in both home and host country (cited in Jain & De Moya, 2013). Moreover, Filatotchev and Stahl (2015) state that MNCs are faced with external and internal challenges, which will impact their CSR strategies and most likely change them as time progresses and as the company develops.
Muller (2006 cited in Jain & De Moya, 2013) states that a global strategy approach to CSR maximizes efficiency, but that a local CSR approach provides managers at the local level with a feeling of authority of having responsibility and legitimacy. However, a local CSR approach could also be challenging from the managers’ point of view as a decentralized approach indicates a “fragmented and ad hoc CSR strategy” (Cho, 2008; Maynard & Tian, 2004; Muller, 2006, cited in Jain & De Moya, 2013).

2.2.2 Transnational, tri-dimensional model of CSR
As a counter to existing conceptualization, Arthaud-Day (2005) has developed a transnational, tri-dimensional model (see figure 2) to analyse MNCs social behaviour, which incorporates the existing research within international CSR while also further facilitating future empirical research within cross-cultural studies. The model incorporates the three key aspects of strategic orientation, content domain, and perspective (see figure 2).

Figure 2. The Three Dimensions of Transnational CSR

Strategic orientation

The first dimension of strategic orientation categorizes the CSR literature on the basis of Bartlett and Ghoshal’s (1998, 2000) four types of MNC strategies: “multinational, global, “international”, or transnational” (Arthaud-Day, 2005, p.11). This dimension acknowledges that a company’s international business strategy influences what type of CSR approach the company pursues, and underscores the central tension present between adapting to local cultural values and establishing universal ethical standards (e.g. Prahalad and Doz, 1987) (Arthaud-Day, 2005). The “international” type is not as common today as it has been historically both in practice and within international business literature (Arthaud-Day, 2005), and therefore this study will exclude it as well.

Global companies strategy approach to CSR tends to be to apply universal Codes of Conduct in all cultural environments when conducting business abroad (Arthaud-Day, 2005). However, Logsdon and Wood (2005 cited in Husted & Allen, 2006) argue that global MNCs are often unsuccessful in responding to important local issues in an effective manner.

The multinational firm’s approach to CSR stresses the importance of being sensitive and flexible towards other cultures and their values when deciding what standards to implement when operating abroad. This suggests that multinationals would take cultural diversity into consideration and conduct comprehensive analyses of for instance the types of discrimination that occurs in a specific culture before implementing a discrimination policy, rather than implementing a general workplace policy against the issue (Arthaud-Day, 2005).

The transnational approach incorporates both integration by centralizing practices when possible, and also responding to cultural differences when necessary by adapting to local conditions (Arthaud-Day, 2005). Donaldson and Dunfee (1999, p.61 cited in Arthaud-Day, 2005) exemplifies it with an Indian MNC, where the MNC may adhere to the local practices of promising the child of an employee a job if it conforms to Indian values, despite the fact that “child labour” does not conform to Western values.
Husted and Allen (2006) investigated MNCs operating in Mexico, and the findings of their study showed that transnational and multinational MNCs are more likely to implement a local CSR approach than global MNCs, whereas the global approach to CSR is just as common within any of the MNC types. This implies that all MNCs emphasize global CSR issues to a similar extent, while the transnational and multinational MNCs put more emphasis on country-specific (local) CSR issues compared to global MNCs. This in turn indicates that MNCs’ CSR approaches appear to comply with the strategy for the organisation, which is developed in relation to the activities for the product-market (Husted & Allen, 2006).

Another study conducted by Jamali (2010 cited in Altuntas & Turker, 2015, p.543) of MNC subsidiaries in developing countries found that “the global CSR patterns” of MNCs are implemented also by the subsidiaries in the emerging countries. The author further states that adopting a limited local CSR strategy can be seen as a result of market environment characteristics as well as a result of the subsidiaries organisational factors (Jamali, 2010 cited in Altuntas & Turker, 2015).

**Content domain**

The second dimension of the transnational, tri-dimensional model of CSR, classifies the literature on international CSR according to content domain. The three universal domains of labour, environment and human rights, outlined in figure 1, are assessed in terms of the first dimension of the model of the strategic orientations: multinational, global, international, and transnational. Concerns over these three issues appear to be reverberated within numerous cultures, and are also accentuated by the UN Global Compact (2003) (Arthaud-Day, 2005). The universal domain of interest for this study is the labour aspect in relation to the Swedish MNC investigated.

**Perspective**

The final dimension of the model accounts for the fact that, within any business setting, there are several groups of stakeholders assessing the social behaviour of MNCs’. The author has borrowed and worked from Zenisek’s (1979) three perspectives on CSR, which are the ideological (I), the societal (S), or the operational perspective (O) (Arthaud-Day, 2005, p.13). Zenisek (1979 cited in Arthaud-Day, 2005, p.13)
emphasizes critical conflicts inherent within CSR with these three perspectives, which are:

- “I versus S: What the firm’s leaders believe the firm should be doing versus what the firm’s external stakeholders expect or demand
- I versus O: What the firm’s leaders believe it should be doing compared to its actual practices.
- S versus O: What society expects of the firm versus what it is actually doing.”

These macro-conflicts are particularly important within international research as MNCs are confronted with a lot of different societies (Arthaud-Day, 2005). As firms cannot solve all their stakeholders’ problems, Turker (2013 cited in Altuntas & Turker, 2015) argues that corporations should instead identify what stakeholders’ problems to target and focus on in order to balance the operational and societal CSR.

2.3 Influential factors on the adoption of CSR policies

Business ethics and CSR are two fields that are commonly integrated into one another. CSR is often subsumed by the context of business ethics (Wright & Bennett, 2011), which is often governed by a complex set of laws and regulations, value norms, Codes of Conduct, policies, as well as multiple organisations (Scholtens & Dam, 2007). More factors such as globalisation, social campaign, investor pressure, government’s role, non-governmental organisations (NGOs), and the public’s rising awareness of CSR (Hu, 2006) can all play a part in influencing a company’s labour policies. Taking into consideration the limitations of this study, this thesis will focus on the aspects of government’s role and regulations as well as national culture when analysing how these two factors can influence the adaptation of CSR policies. The specific culture of Sweden and China will be described in section 2.3.2.1 and 2.3.2.2 based on research conducted by Hofstede.

2.3.1 Government's role and regulations

Government’s role is a term for referring to legislation, regulation, and trade agreements (Hu, 2006). Depending on where the company is operating, there will be differences in the laws and regulations set by the local governments (Brown & Knudsen, 2012).
According to Kostova and Roth (2012 cited in Brown & Knudsen, 2012), local adaptation is needed when there are differences in regulations making it difficult to merge the local practices with the international principles. As this study focuses on a Swedish MNC operating in East China, the labour laws and regulations for Sweden and East China will be presented later in the empirical findings.

Other factors of influence are institutions similar to the United Nations (UN) and the International Labour Organisation (ILO). These institutions have articulated basic social norms and the public’s opinion on what the acceptable corporate conduct is, and further on made them into “soft laws” on a global level. For example, the UN Global Compact contains principles on human rights, labour standards, and environmental standards, which are universally accepted, and it is recognised as a serious act in the definition of international social expectations (Hu, 2006).

2.3.2 National culture
Business ethics is believed to be a part of culture, meaning that it is not isolated and can be influenced by the social and cultural environment, given the local values and norms (Hofstede, 1991; Scott, 2001; Trompenaars, 1993 cited in Scholtens & Dam, 2007). It is also argued that local adaptation of CSR is needed when there exist significant cultural differences between markets that the company operates within (Ghemawat, 2007 cited in Brown & Knudsen, 2012). As ethical conduct of an individual or an organisation is intertwined with culture and society, it is believed that the ethics of a firm’s behaviour will then be subject to change (Scholtens & Dam, 2007).

According to Vitell, Nwachukwu and Barnes (1993) cultural dimensions are related to ethics in a way that they would affect individual’s perceptions on ethical situations, norms and behaviour, as well as ethical judgements. With different cultural backgrounds, an individual’s ethical decision-making process will differ. The authors further go into discussion regarding this issue by using the cultural dimensions in Hofstede’s cultural dimension model. Hofstede’s cultural dimensions theory is a framework that studies a society’s culture and how culture affects the values and behaviours of that society (Hofstede, 1991). From this framework, Vitell et al. (1993) have used four of the dimensions, namely power distance, individualism, masculinity
and uncertainty avoidance. With regards to each of the four cultural dimensions, the authors offered propositions on how the dimensions can affect ethical decision-making. However, the authors did not provide a conclusion on this matter concerning exactly how the cultural differences influence companies’ ethical decisions. Further research was suggested and it was stated that if the propositions were to be further tested, this study could offer MNCs a way to identify some of the inherent differences in culture, which would help companies take the management actions that would most likely result in ethical behaviour (Vitell et al., 1993).

The four cultural dimensions relevant for this study are power distance, individualism vs. collectivism, uncertainty avoidance, and masculinity vs. femininity.

**Power Distance Index (PDI)** stands for the extent to which the less powerful members in an organisation or institution accept and expect the power to be distributed unequally. A higher index indicates that the society has a more defined hierarchy structure (Hofstede, 1991).

**Individualism vs. collectivism (IDV)** studies the “degree of interdependence a society maintains among its members” (Hofstede, 2012, para.4). When a society is considered individualist, the members in the society tend to be more self-centred. In this type of society, people put emphasis on the ‘I’ instead of the ‘we’ when making decisions. Moreover, people will tend to only look after themselves and their direct family. Members in a collectivist society, on the other hand, would form tightly integrated relationships with extended family and other in-group members. They are loyal to their communities and are willing to help out and care for each other when in need (Hofstede, 1991).

**The Uncertainty Avoidance Index (UAI)** is defined as a society’s tolerance of ambiguity. It shows how the society deals with the uncertainty of future. The higher the score, the more threatened the members in that society would feel by the unknown future, and would therefore work to create beliefs or institutions to try to avoid the uncertainty (Hofstede, 1991).
Masculinity vs. Femininity (MAS): A high score on this dimension indicates that the society is more masculine. However, instead of talking about the gender issues, masculinity here refers to the competitiveness of the society. Therefore a high score means that the members in this culture are driven more by competition, achievement, and success. Starting at a young age, members of this type of society thrive to be the winner or the best in the field. A low score, on the other hand, indicates that the members would value their quality of life more, and those members would usually show more care towards the other members. In short, someone in a masculine society would be motivated in one’s work by success while a feminine society would be motivated by doing the things one enjoys (Hofstede, 1991).

Following up on the study of Vitell et al. (1993), Ringov and Zollo (2007) collected data from 1,100 public companies from 34 countries to test whether and how exactly the four cultural dimensions affect companies’ CSR decision-making processes. The result of their survey shows supports for the statements that “companies based in higher power distance countries exhibit lower levels of social/environmental performance” and “companies based in more masculine countries exhibit lower levels of social/environmental performance” (Ringov & Zollo, 2007, p. 477). That is to say, the greater the tolerance on power distance and the more in favour of masculine values, the more the company is negatively associated with the firm’s corporate accountabilities. However, the authors did not find strong evidence supporting the other two statements of that “companies based in more individualistic countries exhibit lower levels of social/environmental performance” or “companies based in more uncertainty avoiding countries exhibit lower levels of social/environmental performance” (Ringov & Zollo, 2007, p. 477-478). The authors concluded that there is no significant effect of uncertainty avoidance and collectivism on companies’ CSR performances. Moreover, it is suggested that companies should then develop a global approach in regards to these issues, while still showing a keen sensitivity towards local idiosyncrasies (Ringov & Zollo, 2007).

However, one similar study conducted by Ho et al. (2011) has suggested contradictory results. Instead of the negative relationship between power distance, masculinity and CSR performances as Ringov and Zollo (2007) have suggested, Ho et al. (2011) have
reached the conclusion that the higher the PDI and MAS, the better the CSR performances. Moreover, instead of the no correlation between CSR performances and uncertainty avoidance or collectivism, the result of Ho et al.’s study (2011) suggests that UAI and collectivism both have positive effects on CSR. Due to the contradictory result, Peng et al. (2012) conducted another research on this topic where the results have shown that power distance, collectivism, and masculinity all have a negative impact on CSR performances, while there is a positive relationship between uncertainty avoidance and CSR performances (Peng et al., 2012).

2.3.2.1 Hofstede’s cultural dimensions applied to Sweden

Sweden’s scores on PDI, IDV, MAS, and UAI are respectively 31, 71, 5, and 29 (see figure 3). To interpret these numbers, one can say that people under the Swedish culture are independent and believe in equal rights. Their hierarchy structure is only built for convenience and the power is decentralised. The managers are accessible and team members’ opinions as well as experiences are all accounted for. The employees expect to be consulted by the managers, and the two parties would address each other on the first name basis in their direct communication. Members of this culture have a strong preference on a “loosely-knit” social structure and they only take care of themselves and their immediate families. In the individualist society the hiring or promoting process is only based on the merits, and the employment contract is signed only when mutual benefits can be achieved. The Swedish society is also feminine, which means that it is important to keep a balanced relationship between work and personal life. Swedes value the quality of the working life and it is common to have more free time and flexible working hours. Managers are supportive and conflicts are usually solved through long discussions until the parties have come to a mutual agreement. This characteristic can be reflected in the fact that the culture is based on the word “lagom,” which means that everything is in moderation. Moreover, Swedes are open to changes and innovations and they tend to have a relaxed attitude towards rules as practice is considered to be more important than principles (Hofstede, 2012).
2.3.2.2 Hofstede’s cultural dimensions applied to China

China’s scores on PDI, IDV, MAS, and UAI are respectively 80, 20, 66, and 30 (see figure 4). These numbers suggest that members of the Chinese culture would consider inequality amongst people acceptable. There is a polarised relationship between superiors and subordinates and the subordinates are not expected to have ambitions that are beyond their ranks. In cases of power abuse, there is no defence by the subordinates. People of this culture will make their decisions based on the interest of the group. During the hiring or promoting process, it is often that the closer in-group members are offered preferential treatment. Whereas the employees are not necessarily committed to the organisation, there is a high value of the cooperative relationship among colleagues. Chinese culture is also success-oriented and many will give up leisure time or family time in order to work. People in the service industry will often work long hours until late at night and people are likely to migrate to other cities in the pursuit of better working opportunities, leaving their family behind. Chinese people are adaptable and entrepreneurial. Moreover, when it comes to the attitude towards laws and regulations, people tend to think that the rules can be bended according to the actual situation since they believe in pragmatism (Hofstede, 2012).
Figure 4. China’s culture

2.4 Summary

The frame of reference has presented the theories and frameworks relevant for this thesis. This section will summarise the literatures presented and further on relate them to the research questions of this study.

From the literature review it has been found that the business environment MNCs are operating in is more international than ever (Williams, 2008), and more complex as corporations sometimes encounter conflicting social expectations in the host country (Arthaud-Day, 2005). As the focus on corporations social impact as well as the pressure on MNCs to adapt their CSR policies to meet the local needs has increased (Muller, 2006; Starck &Kruckeberg, 2003 cited in Jain & De Moya, 2013), the researchers of this thesis found it important to investigate what labour policies Swedish MNCs apply in the home country versus in East China to see if the local issues are taken into consideration.

The second research question builds upon the first, aiming to examine what CSR strategy Swedish MNCs adopt towards the labour policies when entering the Chinese market. The theories of the GI-LR framework as well as the transnational, tri-dimensional model has brought in the concepts of global, multinational, and
transnational strategies and will be applied to this research question. The GI-LR framework measures the local responsiveness and the global integration of corporations’ international strategies (Fan et al., 2008), while the transnational model can be used to analyse MNCs’ social behaviour in a cross-cultural setting in terms of three main strategies, namely global, multinational and transnational (Arthaud-Day, 2005). These two theories will be applied when examining if the interviewed Swedish MNC takes an adaptation, standardisation, or glocalization strategy towards labour policies in Sweden and East China respectively.

When addressing the last research question of the cultural differences between Sweden and China, and whether adaptation of labour policies is due to the national cultural differences between the two countries, Hofstede’s cultural dimensions will be applied. The frame of reference has presented four of the cultural dimensions that are relevant to the third research question of this thesis, and these scores for Sweden and China will be further applied and interpreted in the analysis section of this study in relation to adaptation of labour policies.
3 Methodology and Method

This section is divided into two parts, methodology and method. The methodology part presents a description of the research philosophy, research purpose and the research approach, while the method part explains how the research is designed and how the data collection process was carried out.

3.1 Methodology

Methodology is defined as “the theory of how research should be undertaken”. It includes philosophical and theoretical assumptions, which research is built upon, and the implications of these assumptions upon adopted method(s) (Saunders, Lewis & Thornhill, 2016, p.720).

3.1.1 Research philosophy

What research philosophy is adopted for a study is of great importance as it holds assumptions about how the researchers view the world. These assumptions will guide and support the selection of research strategy and the choice of method (Saunders & Lewis, 2012). According to Saunders et al. (2016) there are five different research philosophies, which are positivism, critical realism, interpretivism, postmodernism and pragmatism. Interpretivist research aims to develop new and more in-depth interpretations and understandings of organisational realities in a social world context (Saunders et al., 2016). This aligns with the purpose of this research of trying to understand and find indicators of what strategy approach to CSR Swedish MNCs take regarding labour policies when operating in East China. Moreover, this study involves reflecting and interpreting whether adaptation is due to national cultural differences. Saunders et al. (2016) further state that the interpretivist perspective is very suitable when conducting research within business and management, as business situations are complex and unique, which is also in accordance with this thesis that is written within business administration. Finally, the interpretivist philosophy typically applies qualitative methods and conduct more in-depth investigations on smaller samples (Saunders et al., 2016), which is in line with this thesis that is built upon one Swedish MNC.
3.1.2 Research purpose
According to Saunders and Lewis (2012), there are three types of research purposes: exploratory, descriptive and explanatory. Exploratory studies are beneficial when the researcher wants to gain new insights of a topic to develop a better understanding (Saunders & Lewis, 2012). The intention of descriptive studies is to generate an accurate description of persons, events or situations (Saunders & Lewis, 2012), while explanatory studies take it a step further by trying to identify a causal relationship between variables to explain the occurrence of a problem or a situation (Saunders & Lewis, 2012). The main purpose of this thesis can be classified as exploratory, aiming to gain new insights about the research topic of CSR by asking new questions and assessing it from a new angle in relation to culture, and from a more narrow empirical perspective. More specifically, this thesis aims to explore whether national cultural differences will influence what labour policies are employed in the home country versus in the host-country by Swedish MNCs to see if it’s a question of adaptation, standardization or glocalization.

3.1.3 Research approach
Saunders et al. (2016) distinguish between three approaches to research (or theory development), which are deductive, inductive and abductive approach. The deductive approach is useful in explaining “causal relationships between concepts and variables”, and it emphasizes testing propositions by collecting quantitative data in order to falsify or verify theory (Saunders et al., 2016, pp.145-146). The inductive approach, on the other hand, focuses on gaining “an understanding of the meanings humans attach to events” (Saunders & Lewis, 2012, p. 109) by collecting qualitative data to explore a phenomenon to be able to develop theory (Saunders et al., 2016). The abductive approach incorporates both deduction and induction, moving back and forth between theory and data, in order to “explore a phenomenon, identify themes and explain patterns, to generate or modify an existing theory which is subsequently tested” (Saunders et al., 2016, p.152).

According to Saunders et al. (2016), the inductive approach is most suitable when conducting research on a new topic where existing literature is limited. As this study focuses on a fairly new and not well-defined topic on which there is limited previous research, namely cultural adaptation of CSR of MNCs operating internationally, this
research uses an inductive approach. The study begins with an observation of the phenomena of CSR strategy and adaptation to culture, searching for explanations by analysing qualitative data gathered from interviews and secondary data in order to develop theory. This investigation of CSR and culture requires “an understanding of the meanings humans attach to events” (Saunders & Lewis, 2012, p.109) by examining the thoughts and interpretations of the interviewees to be able to fulfil the purpose.

3.2 Method

The term method is defined as the “techniques and procedures used to obtain and analyse data”. This encompasses observations, questionnaires and interviews as well as qualitative (non-statistical) and quantitative (statistical) analysis techniques (Saunders et al., 2016, p.4).

3.2.1 Research strategy

According to Saunders and Lewis (2012), there are seven different strategies that can be used in a research design process, and these strategies can sometimes be combined. The strategies to choose from include experiment, survey, case study, action research, grounded theory, ethnography, and archival research. Any of these strategies can be used for any of the research purposes described in section 3.1.2, although some are more appropriate for a deductive approach than an inductive approach, and vice versa. Research strategy should be selected in regards to the research questions and to the objective of the research, while also taking into consideration the time aspect, the resources available for the research and the already existing knowledge of the researcher (Saunders & Lewis, 2012).

The research strategy for this thesis has been a case study, which is often utilized in exploratory research (Saunders & Lewis, 2012). A case study is appropriate when conducting an “investigation of a particular contemporary topic within its real-life context, using multiple sources of evidence” (Saunders & Lewis, 2012, p. 116). This aligns with the purpose of this thesis, investigating the contemporary topic of CSR and culture in the real-life context of Swedish MNCs in East China, which made it an appropriate strategy for this thesis. Moreover, a case study is suitable when not only
asking the questions of “what” and “how” but also investigating the aspect of “why” (Saunders & Lewis, 2012). The “why” aspect was addressed in this study by looking at if the possible adaptation of labour policies in East China is due to cultural differences, thus investigating why it is a question of adaptation.

3.2.2 Data collection

In order to find the information needed for this research study, data has been collected from primary and secondary sources. Primary sources can be defined as information acquired by the researcher first-hand, while secondary data constitutes information gathered from already existing sources. Interviews and focus groups are examples of primary sources of information and journals and articles are typical secondary sources (Sekaran, 2003). In order to create an as interesting and reliable study as possible, both secondary and primary data has been collected. The primary data has been collected through an interview in order to complement the lack of available data in the field, while secondary data has been collected through several peer-reviewed journals that cover international CSR and CSR adaptation to culture.

3.2.2.1 Secondary data

This thesis is based on literature gathered from bibliographic databases and a company case study as well as some information available from Internet sources.

To make sure the data is reliable, only those that are subjective and qualitative in the description of the content have been used in this thesis. In this way a link between theory and research has been established. Criticism against utilised articles has only been made on the content and the author's conclusions, excluding any personal opinions. Whether the data is gathered from a primary or secondary source could affect the perception of the article’s value. Therefore, when the author writes parts of the text in a speculative manner, such as using expressions as "I think" or "I guess," it has been approached with caution.

3.2.2.2 Interviews

The case study has been based on one Sweden-based company that currently operates in China. Since there is a lack of public information on the company’s labour policies, the
interview has served as a means to fill that gap. The interview has been designed to be a semi-structured, qualitative research interview. Qualitative interviews are more flexible and contain open-ended questions, where the focus tends to be more on people's actual experiences rather than general beliefs and opinions (King & Horrocks, 2010). A semi-structured interview is “a method of data collection in which the interviewer asks about a set of themes using some predetermined questions, but varies the order in which the themes are covered and questions asked. The interviewer may choose to omit some topics and questions and ask additional questions as appropriate” (Saunders & Lewis, 2012, p.151). This type of interview has been suitable for this study, as this research requires in-depth information regarding the topic. Moreover, instead of the researchers leading all the questions, the interviewee has had more freedom to speak from his/her own experiences, meaning that the researchers have been able to adjust the questions accordingly to what the interviewee has said. The interview for this study has been conducted either via phone calls or in person depending on the availabilities of the contact person of the company and it has been recorded with the interviewee’s permission.

3.2.3 Data analysis

“The process of data analysis involves making sense out of text and image data” (Creswell, 2009, p.183). More specifically, it encompasses “collecting open-ended data, based on asking general questions and developing an analysis from the information supplied by participants” (Creswell, 2009, p.184). As aforementioned, the research strategy for this thesis has been a case study, conducting an interview with a Swedish MNC operating in East China.

When analysing qualitative research data like interviews, Creswell emphasises six interrelated steps. The first step involves organising and preparing the raw data for analysis (2009), which, applied to this thesis, involved transcribing the audio recordings from the interviews into text. The transcription of the interview data was completed shortly after the interview took place and was sent to the company for approval of the information stated due to the sensitivity aspect of the topic. Furthermore, the interview was conducted in English. The second step in the data analysis process incorporates reading through all the gathered data to obtain an overall impression of the assembled
information (Creswell, 2009). Within this step, a general perception of the findings was gained along with an impression of the depth and credibility of the collected information. Moreover, potential conclusions also started to develop within this stage.

The next step in analysing data entails a coding process of categorising or labelling the data in a meaningful manner for the analysis to fulfil the purpose of the research (Saunders & Lewis, 2012; Creswell, 2009). The fourth step also builds on the coding process to produce a description of the categories for the analysis (Creswell, 2009). As this thesis has been using an inductive approach, the categories have been established from the collected data, in comparison to a deductive approach, which derives categories from existing theory (Saunders & Lewis, 2012). The categories for this thesis were structured in accordance to the purpose of finding out if Swedish MNCs adapt their labour policies in response to cultural differences in East China or not, and in that case how by looking at to what extent there is adaptation and within which areas of the labour policies. Adopting this strategy approach, the most meaningful categories established from the primary data were:

- The interviewee’s perspective on whether, and how, their company adapts or standardises its labour policies in East China regarding the aspects of:
  - Wages and benefits
  - Working hours
  - Discrimination
  - Freedom of association and collective bargaining
  - Health and safety
  
  by looking at the labour policies the Swedish MNCs employ in Sweden and East China respectively.

- The interviewee’s perspective on whether the possible adaptation of labour policies is due to cultural differences

The findings within these categories have been presented in the empirical part of the thesis. The final steps involve how to represent the data, and how to interpret and make meaning of the data (Creswell, 2009). The findings of the analysis for this thesis have been represented through a narrative passage, which in this case involved a discussion
of the established categories abovementioned, which were also interconnected. The data has been interpreted in relation to established theories where meaning has been derived from the findings and the existing literature. This approach has demonstrated if the findings has confirmed or disagreed with existing theories (Creswell, 2009).

3.2.4 Quality standards
3.2.4.1 Reliability

Reliability of a research concerns the consistency of the research findings with regards to the following aspects:

- “If the methods used would produce the same results in other occasions;
- If other research will produce similar results when using the given methods and procedures;
- How the data collected lead to the conclusions can be easily seen by those who are interpreting the research” (Saunders & Lewis, 2012, p.128).

One way to ensure reliability is through transcription, which is a process of putting recorded materials down into text (King & Horrocks, 2010). A transcript of a research is drawn in full and it is also important to make sure that it does not contain any mistakes (Creswell, 2009). To further on establish a reliable study, this research has been conducted by following the same procedures suggested in gathering and analysing the data. These processes have been presented in detail in the upcoming sections of this thesis in order to make it easy for future researchers to follow and be able to conduct further research and reach similar results.

There are several types of bias that could harm the reliability of a qualitative semi-structured interview. Firstly, there could be interviewer bias, which refers to the bias that occurs when the researchers incorporate their own beliefs or the frame of reference into the questions asked during the interview. Interviewer bias can also occur during the interpretation of the gathered information. The second type of bias is the interviewee or the response bias. This type of bias can be caused by the interviewees’ perception of the interviewers. More importantly, when sensitive topics are brought up during the interview, the participants might choose to conceal some of the information or refuse to discuss those certain topics. This would result in the interviewer only receiving the
partial picture of the situation (Saunders et al., 2009). To reduce the risk of the interviewer bias to the minimum, the researchers of this thesis have presented the interview questions to their supervisors prior to the interview to make sure that the questions are asked in an objective manner. To avoid misinterpretation of the data, the interviewee has reviewed the information from the transcript before the application of it. Eliminating sensitive areas of the topic, such as forced labour or child labour, reduced the interviewee bias.

3.2.4.2 Validity

According to Saunders and Lewis (2012, p.127), validity is “concerned with whether the findings are really about what they appear to be about”. It talks about the extent to which the gathered information is about what it professes to be about and if the data collection methods have correctly measured the outcomes.

In this thesis, when interpreting secondary data, multiple sources have been used to build justifications. This process is claimed to be of good use when improving the validity of the study (Creswell, 2009). Furthermore, applying the suggested methods by Creswell (2009), after finishing the transcription of the interview, the interviewee has been given the opportunity to read through the drafted case analysis to make sure that the results are accurate with the participant's acknowledgement. Follow-up interviews could be conducted if a necessity to comment on the findings arose from the interview participants' side. External auditors, alike the tutors and opponents of this thesis, can also help improve the validity by reviewing the whole report and providing objective assessments throughout the research process (Creswell, 2009).

3.2.4.3 Generalizability

Qualitative generalisation is “a term that is used in a limited way in qualitative research, since the intent of this form of inquiry is not to generalise findings to individuals, sites, or places go outside of those under study” (Gibbs, 2007 cited in Creswell, 2009, p.192). Instead the value of a qualitative research lies in its particularity, which is the specific descriptions and themes “developed in context of a specific site”, rather than its generalizability (Creswell, 2009, p.193). The generalizability of a qualitative research can be achieved when there are multiple cases studied and the findings are generalised
to the additional cases (Creswell, 2009). Since this thesis has only interviewed one Swedish MNC, the interview findings do not reflect the whole industry nor the operations of Swedish MNCs. Therefore the research has been of particularity rather than generalizability. However, if further research was conducted and more companies were to be studied, this research could be generalised.

### 3.2.4.4 Ethical issues

In the context of research, ethics is referring to the appropriateness of the researcher’s behaviours, which means that if and how the subject of the research were to be affected by the researcher should be taken into consideration (Saunders et al., 2009). The ethical practice of social research is complex and it is a demanding responsibility of researchers. From the initiation to the completion of the research, ethical issues will arise and the moral dilemmas will need to be resolved (King & Horrocks, 2010).

The ethical issues that might occur during the research are listed as followed. Firstly, the privacy of the participants; secondly, the volunteering nature of participants and freedom to withdraw from the process; thirdly, consent from the participants; fourthly, the maintenance of confidentiality and/or anonymity of the participants; and lastly, the avoidance of harm, embarrassment, stress, discomfort, and pain to the participants when conducting the interviews or reporting the data (Saunders et al., 2009).

Ethical issues have been considered to be of importance in this particular study since the qualitative interviews might generate questions on the company's’ labour policies. By having external auditors reviewing the questions prior to the interview, the study has been of no harm, embarrassment, stress, discomfort, or pain to the participants. The information gathered from the interviews has been treated with care in order to protect the confidentiality and anonymity of the interviewee. Confidentiality refers to the need of the safety of access as well as the privacy of the information gathered in the qualitative interview (King & Horrocks, 2010; Saunders et al., 2009). Anonymity stands for the concealment of the identities of the interviewees in all the documents resulting from the research (King & Horrocks, 2010; Saunders et al., 2009). To ensure confidentiality of the interviewee of this thesis, all of the gathered data has been kept secure by the researchers while only using the information that has been agreed upon by
the interviewee to be implemented. Further on, the data will not be kept any longer than necessary (King & Horrocks, 2010). Methods to make the data anonymous include: pseudonyms, removal or omission of data that can be linked directly back to the source, and seeking information consent before applying the data (King & Horrocks, 2010). With the aforementioned methods applied, the confidentiality and anonymity of the participants have been kept safe.
4 Empirical findings

This section presents the empirical findings from the data collected during the interviews, as well as primary data collected specifically related to Sweden and China and their labour laws and regulations. As aforementioned, this study incorporates one company, which will be referred to as Company Red, and one interviewee within Company Red, who will be referred to as interviewee or Green. The interviewee has been kept anonymous due to the company’s request. The date and duration of the interview as well as the interview questions are provided in appendix I of this thesis.

4.1 Primary data on Sweden and China

4.1.1 Labour laws and regulations in Sweden

In Sweden, there are numerous labour laws in place that are established to protect workers’ rights and to ensure that employees are given proper notice before any dismissal. In general, employees and their unions need to be informed beforehand about any changes that will have an impact upon their employment (Work.Sweden.se, 2016a).

Besides the labour legislation, Sweden also has collective agreements between unions and employers and agreements for private employment that involves the employer and the employee. Decisions made within these types of agreements can sometimes diverge to some extent from what is stated in the law by establishing a written contract where the deviations or additional terms are stated. However, only some laws can be subject to negotiation. Collective agreements are commonplace in Swedish workplaces. The union organisations and the employers can negotiate and agree upon what terms for employment should be followed (Swedish Work Environment Authority, 2015), which can differ depending on sector (Work.Sweden.se, 2016a). In the collective agreements matters like wages, working hours, parental leave or vacations (Swedish Work Environment Authority, 2015), working conditions and insurance for health and accidents are regulated. An employee is covered by the collective agreement regardless of whether that person is a member of the workplace union or not (Work.Sweden.se, 2016a).

Minimum wages in Sweden are also regulated in the collective agreements instead of by Swedish law, and the state does not audit whether firms adhere to the agreements of
terms of payment or not. That responsibility instead lies upon the union organisations and the employers. Foreign businesses can join the Swedish employers’ associations as well and are then bound to follow the Swedish collective agreements (Swedish Work Environment Authority, 2015). According to the Working Hours Act (Arbetstidslagen), regular working time per week may generally not exceed 40 hours, with respect to necessary overtime (Government Offices of Sweden, 2013).

Safety regulations for working environments are defined in the Work Environment Act where the responsibility for upholding the standards is shared by the employees, employers and the suppliers. The employer has a great responsibility in preventing accidents, caring for employees’ mental and physical health, and limiting hazards in the workplace. From a legal perspective, the responsibility to ensure that the act is adhered to lies upon the Swedish Work Environment Authority as well as on local labour inspectors (Work.Sweden.se, 2016a).

Finally, according to Swedish law, any type of discrimination in the workplace due to religion, gender, sexual orientation, ethnicity, age or functional disabilities is forbidden. This concerns all employers and employees, irrespective of whether the discrimination is deliberate or not. Under serious circumstances of discrimination, unfair treatment in regards to for instance wages, promotion opportunities and working conditions might be involved, or even cases of direct harassment might occur. An employer is responsible for investigating discrimination accusations and taking appropriate action. Moreover, in Sweden there is a central authority, named The Equality Ombudsman (Diskrimineringsombudsmannen, DO), which makes sure that the anti-discrimination regulations are followed. Any type of punishment against employees reporting discrimination is not allowed (Work.Sweden.se, 2016a).

4.1.2 Labour laws and regulations in China

When it comes to labour policies in China, the Labour Law of People’s Republic of China has stated the regulations. Regarding workplace discrimination, the law states that labourers should not be discriminated due to the person’s nation, race, sex, or religious beliefs. It also states that women and men share the equal rights of employment, meaning that unless the job is ruled by the government to be unsuitable for women, it is not allowed to raise the standards of employment or to reject a female
candidate because of her gender. The freedom of association and collective bargaining is protected by the labour law with clause No. 7, stating that workers have the right to join or form a union under the regulations of the law. However there is no clause in the Labour Law that addresses the issues of workplace harassment and abuse (gov.cn., 2005).

Each provincial, autonomous regional and municipal people’s governments set the minimum wage in China, which makes it difficult to determine and evaluate the minimum wage levels for specifically East China due to the many provinces. However, in 2015 the highest minimum monthly wage in China was in Shenzhen City, Guangdong Province, at an amount of 2030 Yuan (2574.65 SEK with the exchange rate of today), and the highest hourly wage was set in Beijing municipality at 18.7 Yuan (23.72 SEK with the exchange rate of today) (finance.people.cn., 2015). Concerning benefits, female workers have the benefit of no less than 90 days of parental leave (gov.cn., 2005).

Regarding working hours, worker’s daily working hours should not exceed 8 hours and the average weekly working hours should not exceed 44 hours. Moreover, workers should have at least one day off per week. Companies are allowed to have workers working overtime as long as a negotiation with the union and the workers themselves take place where both parties give their consent. Also, the workers’ health conditions have to allow it, and the over hours should not exceed three hours per day or 36 hours per month. Concerning wages, employers should pay their workers no less than 150% of their normal wage when working overtime. When employees are working during their day offs the wage should not be less than 200% of their normal wage. Moreover, when working on national holidays workers should not be paid less than 300% of their normal wage (gov.cn., 2005).

Regarding health and safety of the workers, the law states that a company must establish safety and hygiene standards that meets the government's regulations, and also provide necessary education to all workers to ensure workplace safety. Moreover, the workers must be provided with necessary safety protection and health check-ups if the job requires it (gov.cn.,2005).
4.2 Primary data on Company Red

The case of this study is focused on a Swedish MNC actively operating in East China, which will be referred to as Company Red. The interviewee representing Company Red is a manager responsible for CSR-related issues whom will be referred to as interviewee or Green for the remainder of this thesis.

4.2.1 General background

Green has been working for Company Red for almost eight years, which is a company within the industry sector. Green started in sales and customer service, and has a business administration background with a focus on strategic management and sustainable development. Since five years back the interviewee has worked at the centralist sustainability department at Company Red. The position of Green within Company Red includes working with coordinating and managing projects, undertaking stakeholder dialogues and reporting around the company’s sustainability work, not only concerning human rights but instead from a broader perspective.

4.2.2 Operations in East China

Company Red has both production and sales in East China. The company structure can be described as vertically integrated where Company Red owns all its manufacturing. The company source raw material and components and some outsourced processes from sub-suppliers or sub-contractors that are not within their core competence, but it is still relatively vertically integrated. This structure benefits the company in terms of maintaining control over manufacturing, sales and distribution operations. In general, Company Red tries to manufacture, source material and sell where the customers are located to stay as close to the customers as possible.

Over the last two decades, Company Red has been growing significantly in China, as many other companies have done as well. The companies in China employ the largest amount of employees for Company Red with approximately 7000 employees. To compare that to other operations of Company Red, the companies in Sweden employ around 3000. The total amount of employees for Company Red globally amounts around 45 000 people where approximately 25 000 work in manufacturing.
4.2.3 Code of Conduct: Labour policies

The Code of Conduct of Company Red is quite long in terms of being a policy, but not as long as a complete set of instructions on how to manage people in detail. The company’s Code of Conduct is universal and applies for all the companies throughout Company Red’s value chain globally. The Code of Conduct and any other policies also apply for the factories in China that are under secondary or complementary brands but still owned by Company Red.

Company Red uses a Group Policy in its management process to assure that stakeholder's needs and customer's expectations and requirements are met, and that regulations are followed. The Group Quality Policy is the highest level of requirement in Company Red's global quality management system, which deals with the environmental, health and safety policy. Proceeding to the second level of group management, work instructions and guidelines are more detailed regarding how to meet the demands of the Group Policy through different procedures. The two final steps provide even more detailed guidelines and procedures on how to manage on country-level and on operational site-level. However, overall Company Red has the Code of Conduct as its general policy that always applies.

Company Red’s Code of Conduct is built upon international principles like the ILO conventions, the UN Global Compact and the UN Guiding Principles on Business and Human Rights. The human rights are incorporated into the Code of Conduct, which covers issues like wages and compensation, working hours, discrimination, freedom of association and collective bargaining, and health and safety.

4.2.3.1 Wages and benefits

Regarding wages and benefits, Green explains that there are differences between Sweden and East China in terms of the levels. However, Company Red’s Code of Conduct states that the company shall meet at least the legal minimum standards or the industry minimum standards. “We make sure that we adhere to the law, but also that we have a reference to industry standards, which is more of a reference to the living wages” (Green, personal communication, April 14, 2016). Company Red does acknowledge that there is a risk when it comes to minimum wage or living wage but;
“When it comes to metalworking and so on, at least in our own factories it has not really been the highest priority with minimum wage and living wage because there has not been any significant risks. We see more of a risk when it comes to excessive overtime and working hours” (Green, personal communication, April 14, 2016).

4.2.3.2 Working hours

In terms of working hours, as well as working benefits like vacation days, Company Red refers to the labour laws and regulations of each of the countries in which they operate. However, Green also states “in most countries the legal standards are quite similar, both in terms of age when you can start working and also regarding working hour limits” (Green, personal communication, April 14, 2016). There are situations when customers want to make changes to the Code of Conduct. Green for instance mentions a case where a customer wanted to limit the maximum amount of hours allowed to work per week to around 66 hours. Even though this is quite significant, in some countries the legal working hours could be up to 70 hours including overtime. In situations like this, Company Red refers to country legal limits, as it is more pragmatic to adhere to and easier to ensure.

“If you limit working hours below the country legal limits then you have to put in place your own set of internal control mechanisms to make sure that the limits are followed. That is why we have said that it is much more effective to relate to the local legal standards, which is still quite a challenge as many individuals seek to work as much as possible during a shorter period of time” (Green, personal communication, April 14, 2016).

Green further states that the problem with working hours in China, and globally, is that the law states that employees are not allowed to work too much overtime but that there will always be situations where the individual wants to work even more hours. Therefore, if Company Red were to implement an even more strict Code of Conduct it would be more difficult to implement the labour policy standards because the company would have to spend resources on internal control mechanisms and it could actually be more difficult to compete for labour.
4.2.3.3 Discrimination

When it comes to discrimination in the workplace, Company Red has implemented an ethics and compliance reporting line to help get a better working climate. Everyone within the company can send questions to the help line, which will go straight to the HR directory or HR senior vice president of human resources. The current reporting and helpline is externally hosted to ensure anonymity and confidentiality to protect the individuals reporting. Moreover, in India the company has implemented a reporting line for suppliers’ workers because the company saw a need for it as it seemed like the workers were not empowered to raise their concerns.

4.2.3.4 Freedom of association and collective bargaining

Regarding freedom of association and collective bargaining, everyone has the right to join or not to join the union, and then it is just a matter of how independent the union is. Green states that if the union in a country is not independent but is connected to the state, then even if Company Red has 80% of all personnel connected to the union, it is difficult to talk about freedom of collective bargaining and association. The situation may be that the people are forced to join a union and in that case it is not really a question of freedom of association.

4.2.3.5 Health and safety

Concerning health and safety, when Company Red is confronted with different legal frameworks it is the company standard or the local legal standard, whichever the most stringent, that applies. Green states that Company Red’s minimum standards are the reference point, but if another other country in which they operate has higher standards in terms of labour policies then Company Red adopt that country’s requirements instead. However, Green also points out that “in reality, while practicing health and safety, we find very differing results in different sites” further stating “it is not necessary so that the emerging market factories are worse than the mature markets” (Green, personal communication, April 14, 2016). According to Green, if the situation regarding health and safety is good or bad depends highly upon whether the factories have a working management system and procedures in place, and if someone is following up upon it.
Overall, it is the line managers’ responsibility to make sure that the Code of Conduct and the labour policies are followed. Besides the internal audits, Company Red also has group policy audits and external audits to ensure compliance with the Code of Conduct throughout the company.

4.2.4 Adaptation of labour policies to culture
Factories and sales offices of Company Red are allowed to make additions to the Code of Conduct as long as the additions still adhere to the Code of Conduct and the environmental, health and safety policy. If there are differences within the legal frameworks, then the local laws are followed to avoid breaking the law in any of the countries where Company Red has production or sales. However, if there are hinderers regarding for instance collective bargaining or freedom of association then Company Red tries to work with it in a pragmatic way. There is for instance a world union council with more than 1000 employees representing the workers. However, Green states that there are no free trade unions in China in the sense that “they are not so allowed by the ‘book’ to be part of the world union council” (Green, personal communication, April 14, 2016). Nonetheless, even if the employees in China cannot officially be full members of the world union council, the employees can still send observers. In practice, they can still implement the same type of procedures to the highest extent possible. This means that the standards are similar throughout Company Red and it is just the practical implementation that needs to be handled a bit differently from country to country. Thus, although the legal setup is different in all countries, the labour policies in the Code of Conduct are considered the common standards throughout Company Red’s value chain.

When asked about if any specific labour policies have to be adapted to comply with the local laws of China, Green mentioned the aspect of collective bargaining and freedom of association. Green states that Company Red has not really changed its policies regarding that issue, but claims that it is difficult to implement due to the aforementioned issue of the unions not being independent in China. “If we say that all employees have the rights to form or join, or not to join the union, the local law might in some cases be so that you cannot join free unions because there are no free unions” (Green, personal communication, April 14, 2016). In other parts of the world, it could also be that an operational site has voted on whether or not to be unionised, and if more
than 50% say no to being unionised that would mean that those employees who want to be unionised are not able to become unionised due to the majority voting against it. In other situations, employees have been forced to join the union to have everyone unionised, which is also not considered freedom of association. Although it is stated in the Code of Conduct that everyone should have the freedom to join or not join a union there are differences in the legal frameworks between the countries in which Company Red operates. According to Green, “most people are aware of this issue with different rules of freedom of association. Right now you cannot really tick the box that there is 100% of freedom of association but that is the ambition” (Green, personal communication, April 14, 2016).

In general, Green does not believe that labour policies should be adapted to culture, but that the policies should be standardized. Green claims that organisations such as the ILO and the UN with its global compact have an important role in influencing the labour standards across the globe, and that companies should adhere to those standards, where some aspects should not be open to negotiation in Green’s opinion. “I think instead of adapting the policy, one should keep the policy for what the intention is and adhere to these international standards” (Green, personal communication, April 14, 2016). Company Red does not really adapt to culture, but more aim to do business in a responsible way by adhering to ethical standards and legal frameworks. However, Green also states that although the company does not really adapt to cultural norms, the culture aspect is taken into consideration when establishing labour policies, but not in the sense of adapting to it. For Company Red, the most important thing when it comes to doing business is to adhere to the global standards and the local legal frameworks.

4.2.5 Influential factors when establishing labour policies
According to Green, public expectations and opinions are one driver influencing the labour policies established in the Code of Conduct. Other factors of influence include governmental laws and regulations, and stakeholder opinions and expectations. In terms of public drivers and their opinions, examples could be non-governmental organisations (NGOs), or certain institutions, investors, or customers, who are all affected by Company Red’s business in some way. What the public expects can differ between China and Sweden. Green states that one dilemma the company faces is for instance
employees wanting to work as many hours as possible during a period of time, not having to comply with the maximum amount of work hours per week stated in the Code of Conduct. Green further states that the public opinion may be a mix of the government’s opinion and the individual employee’s personal opinion. Nevertheless, when dealing with these types of issues, Company Red refers to the industry standards.

4.2.6 Definition of CSR and sustainability
Over the last decades, the term CSR has been a bit diluted. Many companies arrange their sponsorship under CSR as “something nice on the side” in the sense that a lot of people perceive CSR as giving money to an institution to do something nice, despite it not really being good for the business (Green, personal communication, April 14, 2016). Hence, people may see CSR as a nice thing that is good for the conscious. Green tries to avoid using the terminology of CSR and instead refer to sustainable development. “Sustainability is more about the types of activities that make our company stronger and at the same time have positive impact on society. Do we go in the way that society wants us to go? If yes, well that’s sustainable” (Green, personal communication, April 14, 2016).
5 Analysis

In this section an in-depth analysis is conducted on the findings from the primary and the secondary data. In order to fulfil the purpose of the thesis and provide answers to the research questions, this section analyses a Swedish MNC’s CSR strategy and adaptation of labour policies to national cultural differences in relation to the empirical observations. The empirical findings are interpreted in regards to the models and theories introduced in the frame of reference. A model developed by the authors is presented of how the analysis is structured.

To facilitate this analysis, a model has been developed (see figure 5) that will be applied to the findings of the interview and the secondary data. The aim is to find indicators on whether the Swedish MNC takes an adaptation, standardization or glocalization strategy approach towards CSR in regards to the labour policies, and in that case if the policies are adapted due to national cultural differences. As seen below (figure 5), this analysis will mainly focus on adaptation to national culture, which incorporates public expectations. However, also laws and regulations will be analysed in terms of how these two aspects influence what strategy approach the Swedish MNC takes towards CSR, if it is a question of adaptation, standardization or both, which would be defined as glocalization of labour policies.
5.1 Swedish MNCs’ CSR strategies: Adaptation, standardization or glocalization

After conducting the interview with Company Red, the first research question of this study of what labour policies Swedish MNCs employ in Sweden compared to the labour policies employed in East China was answered. This research question was necessary to have to be able to find out if Swedish MNCs take an adaptation, standardization or glocalization strategy towards CSR when operating internationally. The second research question in turn facilitated the final question, if Swedish MNCs’ adaptation of labour policies is due to national cultural differences.

One of the main findings from the empirical research was that Company Red has adopted a standardization approach towards CSR where the Code of Conduct, more specifically the labour policies, are globally integrated throughout the company’s value
chain. According to Green, Company Red’s Code of Conduct is universal, meaning that it applies for all companies owned by Company Red. Linking the information provided from the interviewee to theory, Company Red’s international CSR strategy would be categorised as high on the global integration scale and low on the local responsiveness scale in the GI-LR framework (see figure 6). This finding implies that the Swedish MNC does not adapt to the local culture in East China when implementing the labour policies, but instead applies the same policies everywhere.

The GI-LR framework can also be related to Arthaud-Day’s (2005) transnational (tridimensional) model of CSR, where the empirical findings support that Company Red’s strategic orientation would be defined as a global strategy (see figure 6), as the GI is high and the LR is low. The global strategy approach to labour policies denotes that the company applies universal Codes of Conduct in all cultural environments that the company operates within (Arthaud-Day, 2005). This strategy definition of a global strategy aligns with the statement made by Green that Company Red has a universal Code of Conduct.

![Figure 6. The GI-LR framework applied to Company Red.](image)

Relating the findings to Altuntas and Turker (2015), their results indicate that MNCs are starting to adopt a more transnational strategy by implementing a local CSR approach that still relatively aligns with the MNC’s overall mission. Linking this to the GI-LR
framework, the findings suggest that Company Red has a high GI, which could indicate that the company could also adopt a transnational strategy, maintaining the high GI while also taking local conditions into consideration. However, this does not seem to be the case with Company Red, as Green states that the company takes a standardization strategy, which as aforementioned can be interpreted as a global strategy. However, analysing the findings of this study further, some indicators were found that could be interpreted as the company actually taking an adaptation strategy towards some labour policies, thus indicating that the company might be moving towards a more transnational (glocal) strategy. Green for instance states that the factories and sales offices of Company Red are allowed to make additions to the labour policies as long as the additions still adhere to the Code of Conduct and the environmental, health and safety policy. Concerning for instance discrimination, an additional reporting line for suppliers’ workers has been implemented in India because the company saw a need for it. This finding indicates that Company Red has taken the cultural setting and the needs of the host market into consideration when establishing the labour policies by putting more emphasis on an important local issue. Moreover, Green states that regarding for instance health and safety, the company adopts the higher standards in situations where the legal frameworks differ. In other words, if China has higher standards in place then Company Red would adhere to those standards in the host country, which could be considered a form of adaptation strategy as the Swedish standards would be maintained in Sweden but higher standards would be applied in China.

The findings on Company Red’s CSR strategy can also be analysed in terms of the transnational, tri-dimensional model of CSR by Arthaud-Day (2005), where a shift towards a more transnational (glocal) strategy again can be perceived, at least to some extent. The transnational strategy is defined as incorporating global integration by centralizing practices when possible, while also responding to cultural differences (local conditions) (Arthaud-Day, 2005). Judging from the findings, Company Red appears to have centrally developed objectives in terms of the labour policies. However, it also seems like all the companies owned by Company Red can to some extent adapt their labour policies, by making additions or applying higher standards, to meet the local societal needs and wants of the host country. Therefore, the findings could suggest that
Company Red is in the process of adopting a transnational strategic orientation towards CSR, although Green states that the company follows a global strategy.

Looking at specifically the perspective dimension (ideological, societal and operational) of the transnational model, Company Red seems to adapt the ideological standpoint in accordance with the needs of local stakeholders when necessary. Although Company Red has a universal Code of Conduct that is consistent throughout the company globally, the company still allows for some modifications of the labour policies, and always adopts the higher/better standards. For instance, regarding working hours Company Red would comply with the host country’s regulations, which could differ from Sweden’s regulations. If the host country’s legal framework allows for employees to work more hours per week than in Sweden, that would mean that Company Red would adapt the labour policies in the host country in order to comply with the law, and to meet the local needs and wants of the host country’s society.

In terms of the societal perspective, which incorporates society’s expectations on the corporation (Zenisek, 1979 cited in Arthaud-Day, 2005), Company Red tries to think about sustainability in the sense of how activities can benefit the company and at the same time have a positive impact on society. “Do we go in the way that society wants us to go? If yes, well that’s sustainable” (Green, personal communication, April 14, 2016). Green states that the company standardizes its labour policies by adopting a global strategy. Linking this to the theory of Logsdon and Wood (2005 cited in Husted & Allen, 2006), the global strategy approach would imply that Company Red is not really successful in responding effectively to local issues. However, in terms of the macro-conflict between the operational and societal perspective, the findings indicate that Company Red has a social focus to some extent by for instance responding to the local need of a reporting line for suppliers’ workers in India. This, again, could be interpreted as Company Red moving towards a more transnational (glocal) strategy approach to CSR.

Previous research has found that a transnational (glocal) approach seems to be the most effective when trying to implement effective CSR in both home and host country (Filatotchev & Stahl, 2015; Maynard, 2003 and Ritzer, 2004 cited in Jain & De Moya,
2013). However, according to Green, Company Red’s global CSR approach is what helps the company become more effective, contradicting previous findings. The standardization of the labour policies reduces Company Red’s need for more internal control mechanisms.

“If you limit working hours below the country’s legal limits then you have to put in place your own set of internal control mechanisms to make sure that the limits are followed. That is why we have said that it is much more effective to relate to the local legal standards, which is still quite a challenge as many individuals seek to work as much as possible during a shorter period of time” (Green, personal communication, April 14, 2016).

From this statement, the findings of this study could instead be said to agree more with Muller (2006), who states that a global approach to CSR maximizes efficiency.

A study conducted by Husted and Allen (2006) has shown that the global approach to CSR is equally common within global, multinational or transnational companies, implying that all types of MNCs focus on global CSR issues to a similar extent. The transnational and multinational firms however also put focus on country-specific (or local) CSR issues. Theory further states that MNCs’ CSR approaches seem to comply with the organisational strategy, which is developed in relation to the activities for the product-market (Husted & Allen, 2006). Looking at the results of this study, this could suggest that Company Red has adopted a global (standardized) strategy towards CSR for the reason that the company’s organisational strategy perhaps also takes a global/standardized approach in regards to the product-market.

Overall, from the collected empirical findings it is believed that Company Red mainly takes a standardization (or global) strategy towards CSR by having a universal Code of Conduct that applies for all companies owned by Company Red. However, the findings also seem to indicate that the company is moving towards more of an adaptation strategy, or in other words a transnational approach to CSR. Although the adaptation only seems to be to a small extent as of now, there are still indications of adaptations to
be found in the sense of adapting to local laws, which may be compulsory adaptation, and adapting to needs and expectations of the host countries.

5.2 Cultural adaptation of CSR

Regarding whether MNCs should adapt their CSR policies, previous researchers like Filatotchev and Stahl (2015) argue that MNCs need to take both local and global stakeholders expectations into consideration. Just like an MNC would take the local and global demands of the product-market into account when establishing the organisational strategy, the expectations and demands of the main global and local stakeholders should also be accounted for when developing the CSR strategy (Gnyawali, 1996; Arthaud-Day, 2005 cited in Husted & Allen, 2006). Brown and Knudsen (2012) has further stated that CSR strategy should be adapted to the local environment when the host country’s legislation differs from the home country of the MNC, while also adapting in response to stakeholders expectations that are developed from local values and norms.

Looking at the results of this study, Green (personal communication, 2016) in general does not believe that MNCs should adapt their labour policies to cultural differences but that the labour policies should be standardized, somewhat contradicting the existing theory. Although Green states that some aspects regarding labour policies should not be up for negotiation, that could however also be interpreted in the way that some aspects could be up for negotiation as long as the Code of Conduct and the international standards are adhered to. Hence, the results of this study could indicate some sort of acceptance for adaptation. For instance, regarding the working hours, Company Red refers to the country’s legal limits as it is easier to ensure and more pragmatic to adhere to. Referencing to the local law could be considered adaptation, although it might be compulsory adaptation in order to not break the law in the country. If a country has a legal framework that states that working hours could be up to 70 hours per week including overtime, then that would imply that Company Red would adapt its working hour policies in the host country to comply with the legal framework. This would in turn mean that the labour policies in Sweden and the host country would not be the same, hence adaptation to local conditions.
In regards to Sweden and East China, the following aspects of the labour policies, namely the freedom of association and collective bargaining, workplace discrimination, health and safety regulations as well as the working hours are all quite similar. For instance, the maximum working hours per week is 40 in Sweden and 44 in China, allowing necessary overtime. The problem instead lies in to what extent the law is implemented. As there are no major differences in the legal frameworks between the two countries, there is no need for adaptation in terms of the working hours, and the same goes for other aforementioned aspects. However, the laws and regulations can be quite different when it comes to minimum wage. The Swedish law does not regulate the minimum wage, but instead the minimum wage is stated in collective agreements. Hence the responsibility lies upon union organisations and employers, while the Chinese law has stated the system of a guaranteed minimum wage in where the provincial, autonomous regional and municipal people’s governments stipulate the specific standards. However, the standards of minimum wage in China might not meet the living standards, and therefore Green claims that Company Red adapts to the local industrial standards or the international standards such as the UN Global Compact and the ILO standards when setting the minimum wage.

Regarding adaptation to culture, four of Hofstede’s cultural dimensions have previously been applied by Vitell et al. (1993), Ringov and Zollo (2007), as well as Ho et al. (2011) when studying the connection between culture and CSR. However, the studies have reached different results on the relationship between the different scores and the company’s engagement in CSR. This could be partly due to the different research methods taken when conducting the studies, as using different methods could give different results.

As aforementioned, secondary data has suggested that culture should be a factor of influence when establishing CSR policies in different countries. In the case of Sweden and China, the cultural differences are apparent when comparing the scores on Hofstede’s cultural dimensions of both countries respectively (see figure 7).
Relating to existing theories, one can say that Company Red should adapt their CSR strategy when operating in the two countries and take these cultural differences into consideration. Although the findings of this study seem to indicate that Company Red does not adapt their labour policies as of now, it could be interpreted that the company is moving towards a transnational CSR strategy, as previously mentioned. For instance, regarding the issue of working overtime Green states that there are occasions where the workers themselves would want to work over hours with the intention of earning more hourly wages. This could correspond to Hofstede’s dimension of Masculinity. Comparing Sweden and China’s scores on this dimension, China has a much higher MAS score of 66 compared to Sweden’s score of 5. This indicates that Chinese workers are more success-oriented in their working lives and therefore would be more likely to voluntarily work overtime than Swedish workers. Moreover, due to the differences in the minimum wage standards in the two countries, Chinese workers are more likely to have the need to work overtime. With the disparity between the attitudes and needs of the members in these two societies, different implementations of MNCs’ labour policies might be required, indicating adaptation in terms of implementation rather than localising their actual labour policies.

The differences in the scores of PDI and IDV suggest that the Swedish employees and the Chinese employees would have different attitudes towards authority as well as different levels of commitment towards organisations. In order to effectively implement the company's Code of Conduct, managers would need to find the best fit for the local...
employees. For instance, if Company Red were to maintain its company’s guidelines as a whole, it could result in inefficiency when operating in East China. Since the Chinese society has high power distance in organisations, Chinese employees might be more comfortable and content if they were to be directly told what to do instead of the Swedish way where managers would have a dialogue with subordinates before decision making.

In terms of IDV, Sweden has a high score meaning that the Swedish workers would be more concerned with their own self-interest, whereas Chinese workers with a lower score of 20 would be more focused on the interest of the group. This indicates that when communicating the benefits of implementing the company’s labour-related CSR, it would be more important for the Swedish employees to understand how it would benefit them individually and for the Chinese employees to see how it would be in the best interest of the company. This corresponds to what Green has stated in the interview that many would view CSR as “something nice on the side”, while it should be more about the sustainable development of the company itself and the positive impact on the societies. To communicate this value of CSR, managers would need to adjust their ways of delivering this message to the members in the organisation when operating in different countries, in this case Sweden and East China. Hence in this sense, the adaptation of CSR would be more in terms of the way of communication, meaning that Company Red might need to communicate their Code of Conduct in a different manner in East China compared to Sweden.

Finally, when it comes to the last dimension of UAI, there are no major differences between the scores of China and Sweden, which could indicate that there is no need for adaptation of companies’ labour policies according to this particular cultural dimension.

To conclude, cultural adaptation of CSR could be two-fold. Firstly, looking at Hofstede’s dimension on MAS it could be interpreted that Company Red should implement their labour policies differently. Secondly, combining the findings on the dimensions of PDI and IDV, one could say that the managers of Company Red need to take various approaches when communicating the company's’ Code of Conduct throughout their divisions worldwide. Therefore, while maintaining the general
principles as a whole, MNCs should take into consideration the different attitudes their employees have towards CSR, as well as the different needs of their employees when operating under different cultural contexts.
6 Conclusion

This section presents the conclusion of this thesis by summarising the key findings of the research questions.

The purpose of this research was to examine the national cultural differences between Sweden and East China, and analyse if these differences influences whether Swedish MNCs take an adaptation, standardization or glocalization strategy towards CSR in regards to the labour policies when operating in Sweden and East China respectively. In order to fulfil this purpose, three research questions were established and answered.

The first research question concerned what labour policies Swedish MNCs apply when operating in Sweden and in East China respectively. The empirical findings showed that Company Red’s labour policies are based upon international principles and are outlined in the company’s Code of Conduct. Their Code of Conduct is universal and applies for all companies throughout Company Red’s value chain globally, indicating that the labour policies applied in Sweden are applied in East China as well.

This question in turn facilitated the second research question of whether Swedish MNCs take an adaptation, standardization or glocalization strategy approach to labour-related CSR when entering the Chinese market. One of the key findings from the empirical research was that Company Red takes a standardization strategy towards CSR, meaning that the company has a universal Code of Conduct. This is the approach Green believes to be most effective for the company when managing CSR at an international level, contradicting some previous literature. However, when applying the model of Arthaud-Day and the GI-LR framework to the research question and the empirical findings, there were some indicators possibly suggesting that Company Red might be moving towards a more transnational CSR strategy of adapting more to local conditions. Company Red for instance stated that small additions are in some cases allowed, while also stating that the higher standards are always applied, implying some sense of adaptation to the host countries’ policy standards. Despite the possible shift towards an adaptation strategy, Company Red’s CSR strategy would in present time be characterised as a standardization strategy when related to existing literature.
Although the empirical findings showed that Company Red does not take an adaptation strategy towards CSR by adapting the labour policies to national cultural differences between the home and the host country, this study was still able to analyse and discuss CSR adaptation to culture to some extent in relation to the empirical findings and what previous studies have found.

When addressing the third research question of whether adaptation is due to national culture, the model of Hofstede’s cultural dimensions was applied to the empirical findings and the existing secondary data. Sweden and China’s scores on Hofstede’s four cultural dimensions showed that there are cultural differences between the two countries, especially in terms of PDI, IDV and MAS. From these differences in scores it could be interpreted that Company Red should implement their labour policies differently. Moreover, the findings on the dimensions of PDI and IDV could imply that the managers of Company Red need to take different approaches when communicating the company's’ Code of Conduct throughout their divisions worldwide. Conclusively, adaptation to culture in relation to the empirical findings was interpreted to be more in terms of communication and implementation of the policies rather than adaptation of the actual Code of Conduct itself.
7 Discussion

This section provides the reader with the authors’ general thoughts and discussion regarding how this thesis contributes to existing research within the field. Moreover, limitations and implications are provided, along with recommendations for further research.

7.1 Contributions

This thesis has contributed to existing research by addressing the gap within the research field of cultural adaption of CSR. Prior research within this area of study has been found to be limited and empirical studies have only focused on the topic from a broad perspective of continents or from a global point of view. As no previous studies have been found on cultural adaptation of CSR from a Swedish perspective, this study was needed to further extend the understanding of what strategy approach Swedish MNCs take towards CSR, and if national culture is an influential factor on the choice of strategy.

The findings of this research could be of value for MNCs that encounter different cultural expectations on CSR when operating internationally by providing useful information and guidance for what strategy approach to pursue. As this study is geographically limited to Sweden and East China, this thesis can more specifically contribute with knowledge about the differences between Sweden and East China in terms of culture and differing views on what responsibility MNCs have towards society. This can in turn be helpful in determining what strategy approach might be most beneficial for the Swedish corporation, adaptation, standardization, or glocalization to become competitive and profitable in this part of China.

7.2 Limitations

A limitation of this study in regards to the applied methods concerns the empirical sample. As this research is only based upon one Swedish MNC within the industry sector, the results are ineligible to be generalized to all Swedish MNCs or all industries without further investigation reinforcing the findings. The initial plan was to conduct a
case study on three to four Swedish MNCs within the industry sector actively operating in East China. However, due to difficulties of getting in contact with the targeted MNCs in relation with the limited time aspect for this research, more secondary data was utilized. This approach of supporting the empirical findings with more secondary data was taken in order to compensate and strengthen the credibility of the results of this study. Conducting a research on several Swedish MNCs would have provided a better analysis and a more trustworthy picture of whether Swedish MNCs take an adaptation, standardization or glocalization strategy towards labour policies, and if adaptation is due to national cultural differences. On the other side, only having one company allowed for a more in-depth investigation of Company Red. However, not enough specific information on China was provided from the interview, which might be due to the sensitivity aspect of the company not being willing or able to discuss more detailed matters in terms of what labour policies are applied in East China. These limitations were taken into account when stating the delimitations of this study, and when analysing and concluding the results.

Regarding the theory, although the Hofstede model was used as a representative for national culture this paper does not claim that the four dimensions are fully representative of Sweden’s and East China’s culture, but more use the scores as possible representatives for some cultural values of the two countries to predict if the dimensions affect CSR strategy. Moreover, the criticism against the Hofstede model of being outdated, equating “nation” and “culture”, and not acknowledging that culture is a changing phenomenon (Signorini, Wiesemes & Murphy, 2009 cited in Viberg & Grönlund, 2013) was taken into consideration when applying this model to this study. However, as it is still one of the main models used within culture-related research (Baskerville, 2003; Bhimani et al., 2005; Harrison & McKinnon, 1999; McSweeney, 2002 cited in Viberg & Grönlund, 2013), the authors of this study still considered it valid.

7.3 Further research

The existing literature has studied the possible relationship between Hofstede’s cultural dimensions and the level of CSR engagement. However, different studies have reached
controversial results and therefore the actual relationship between culture and CSR remains unknown. Hence, it would be beneficial if more studies were to be conducted to provide a better picture regarding this subject. Further on, there are very few studies on how the cultural background of a society affects the labour policies undertaken by an MNC, although cultural backgrounds do have an impact on people’s working ethics as well as their ways of working. While Company Red has taken a standardized strategy in implementing their Code of Conduct, the need for MNCs to localise their labour policies and the benefits of doing so is still a field that needs to be further investigated.

Another interesting aspect that could be further looked into is the actual implementation of MNCs’ CSR policies in different countries. Although companies might have the same Code of Conduct throughout the different divisions worldwide, whether the Code of Conduct is being followed and to what extent the Code of Conduct is implemented remains unknown. To continue with this thesis, more detailed information on the labour policies Swedish MNCs implement in China also needs to be investigated. Moreover, more Swedish MNCs need to be interviewed in order to generate a broader picture of this research topic.
References


Appendix

Appendix I – Interview guidelines

Interview conducted with Company Red.
Interviewee: Green.
Date: April 14, 2016
Duration of interview: 1:08.35

What the interviewee was informed about prior to the interview started:
The purpose of the research
Why Company Red was chosen
What the interviewee has to do
What happens to the information of the interview?
What happens to the results of the study?
Who has approved this study?
Contact for further information

Interview guidelines

• Personal background
  o Tell us about your background and current position?
  o Previous working experience and education?
  o How long have you been at your current and previous positions?
  o Number of manufacturing and operational sites?
  o Previous experience of CSR

• The company’s Code of Conduct/ Labour policies
  o Does the company have a Code of Conduct?
    • Are all the labour standards stated in the Code of Conduct
  o Can you give a general description of the labour policies that your company applies concerning:
    • Wages and benefits
    • Working hours
• Discrimination
• Freedom of association and collective bargaining
• Harassment and abuse
• Health and safety

o Do these policies differ from the labour policies applied in East China?
  • If yes - then within which aspects and how specifically?
    • Why are there differences, can the differences be related to the employees’ expectations and/or cultural differences?
  • If no - why are there not any differences?

o Are there any specific labour policies that you have to adopt to comply with the laws in China that you can come up with?

o Are companies allowed to make additions to the Code of Conduct, in other words adapt the labour policies to their local circumstances?

o Do you think that there is a necessity for MNCs to adapt their labour policies?

o Do you think that public expectations (external stakeholders expectations and demands) are an influential factor to why MNCs adapt labour policies?

o Do you believe there is a connection between CSR and culture or do you think that adaptation of labour policies is more in regards to the differences in laws?

o How do you enforce the labour policies in different divisions? / Who is responsible for making sure that the labour policies are followed?

o What are the challenges with your approach to CSR?

o How do you personally view CSR/ How would you define the concept?