

The relationship between corporate social responsibility and competitiveness: proposition of a theoretical model moderated by participation in global value chains

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Abstract

Purpose – This paper aims to propose a model that relates Corporate Social Responsibility (CSR), competitiveness, and Emerging Market Enterprises (EMNEs) in Global Value Chains (GVCs)

Design/methodology/approach – Extensive literature review and analysis of issues concerning the competitiveness of EMNEs and its relationship with CSR practices, considering their participation in global trade.

Findings – The refinement and integration of concepts from the literature review led us to verify that the participation of EMNEs in GVCs moderates the relationship between CSR and competitiveness. In response, we propose a theoretical model resulting in the proposition of six research hypotheses concerning three dimensions of CSR.

Originality/value – The proposed model allows for a better understanding of the participation of EMNEs in global trade, considering environmental, social, and strategic dimensions of CSR. It also contributes to the GVC literature by considering global trade from the perspective of EMNEs and adding CSR dimensions in the analysis.

Keywords – Brazilian multinational; Developing countries; Emerging countries; Multinational enterprises; South-South trade.



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I Introduction

Multinational enterprises from emerging countries (or emerging market multinational enterprises - EMNEs) deal with different institutional contexts and can accelerate or slow down the process of sustainable development both locally and globally (Dunning, 2009; Kolk & Van Tulder, 2010; Sinkovics, Forsgren, Sinkovics, & Holmström-Lind, 2017). A key point is that up to 20 years ago, the role of MNEs from developed countries was highlighted as “drivers” of the upgrading of agents from developing countries. In this process, the leading companies shaped the governance structures and the impact of global value chains (Henderson, Dicken, Hess, Coe, & Yeung, 2002; Mudambi, 2008). Nowadays, MNEs from emerging countries have expanded their value chains, and we often see leading companies from emerging countries shaping value chains and being the drivers of change (Pananond, 2015; Ramamurti & Singh, 2009).

By operating in the international market and participating in global value chains, which requires the fulfillment of different socio-environmental requirements, MNEs that have socio-environmentally responsible management see impacts of such performance on their competitiveness (Gomes, Kneipp, da Rosa, Bichueti, & Perlin, 2016). This is seen by companies from emerging countries, such as Brazilian multinationals, as a possibility to improve their performance beyond national borders, thus entering the external market (Cuervo-Cazzura & Narula, 2015; Gomes et al., 2016; Kolk, 2016; Zadek, 2004). Therefore, corporate social responsibility (CSR) activities affect the core business, growth, profitability, and survival of firms, and have increasingly taken a place on the strategic agenda of managers, and are ultimately a potential source of competitive advantage (Kolk & Pinkse, 2008; Porter & Kramer, 2006). The CSR concept adopted by this study was proposed by Knorringa and Nadvi (2016), who state that corporate social responsibility is “a process wherein

corporate actors integrate economic, social, and environmental concerns into their core business activities [and] also requires a need to recognise the multiple interests of diverse stakeholders that shape this process” (p. 56).

Different studies have analyzed the relationship between CSR and competitiveness in MNEs from developing countries (Chinomona & Omoruyi, 2016; Gugler & Shi, 2009; Husted & Allen, 2009; Husted, Allen, & Rivera, 2010), i.e., by including CSR in strategic business issues (del Valle, 2010). However, the effects on competitiveness have not yet been consolidated in the literature (Brandão, Diógenes, & Abreu, 2017; Kemper, Schilke, Reimann, Wang, & Brettel, 2013; Marín, Rubio, & Maya, 2012). Most of the studies on this theme focus their analysis solely on the environmental dimension of CSR (Cave, 2014; Lundgren & Zhou, 2017; Qi et al., 2014). On this point, we advance the research by considering the social and strategic as well as the environmental aspects of CSR.

Also, the GVC literature, which emerged in the 1990s, is based on the relationship between developed country agents and local agents from developing countries, as well as the effects of developed country companies on local producers in developing countries. In the last twenty years, developing countries’ participation in global trade has increased and, consequently, so has the importance of multinational companies from developing countries. In 1990, the Organization for Economic Co-operation and Development (OECD) countries accounted for 62% of the global economy, but by 2010, this percentage had decreased to 50% (Brian, 2012). There are indications that the participation of OECD countries in global GDP will be 43% in 2030 (Brian, 2012).

Considering this, two elements are highlighted in this paper. The first is the issue of EMNEs and their role in global trade. It is also important to be aware of CSR practices and how these practices can affect the competitiveness of EMNEs. In this context, the following research

question arises: what is the relationship between CSR and the competitiveness of EMNEs in global value chains? This study aims to propose a model that relates CSR and competitiveness in GVCs. The main dimensions of CSR considered in this model are the environmental, social, and strategic ones. The aim is to contribute to the literature on GVCs by considering new elements of participation in global markets, such as CSR. This model could provide insights regarding the main dimensions to consider in the relationship between social and environmental practices and competitiveness.

This paper has been divided into six chapters. It begins with an introduction. Chapter two deals with CSR and competitiveness. Chapter three begins by laying out the CSR dimensions and develops hypotheses for specific relationships between the CSR dimensions and competitiveness. The fourth chapter presents the hypotheses for moderator variables. The fifth chapter presents the theoretical model developed. Finally, in the last chapter, the discussion of the model and conclusions are presented.

2 Corporate Social Responsibility and Competitiveness

Competitiveness is directly related to performance, which, according to the literature, has two main aspects: financial and non-financial (Haguenauer, 2012). According to Brandão et al. (2017), it is possible to associate financial performance with socio-environmental benefits, using the indicators of financial performance, such as growth, turnover, return on assets, efficiency, and profitability in an analysis of competitiveness (Centenaro & Laimer, 2017; Haguenauer, 2012; Hamel & Prahalad, 1989). Financial performance is thus considered as a proxy for competitive advantage.

The relationship between CSR strategy and its impact on organizational performance, whether financial or not, has been widely discussed in the literature, but still with divergent results (Vilanova, Lozano, & Arenas, 2009; Wang,

Lu, Kweh, & Lai, 2014). Different theoretical perspectives have been used to discuss this relationship, such as agency theory, the resource-based view, and stakeholder theory, among others, implying that CSR is seen as an integral part of corporate strategy (Erhemjamts, Li, & Venkateswaran, 2013).

Despite the different motivations and results indicated by the theory and practice, the adoption by companies of a strategy that contemplates socio-environmental practices will only occur with a clear perception of benefits, especially financial and operational benefits (Brito & Berardi, 2010). As examples of these benefits, Aguinis and Glavas (2012) list some corporate results derived from socio-environmentally responsible performance: risk reduction, competitive advantage, attractiveness to investors, capabilities, good management practices, operational efficiencies, product quality, and perceived quality of management, among others.

The first challenge of relating CSR with competitiveness lies in the definition of these terms. As mentioned earlier, there are different definitions for CSR as well as for the term competitiveness. Krugman (1996) stated that “of course competitiveness was the key; the only question was how to achieve it” (p. 17). Competitive strategies are designed with the aim of increasing sales and profit, thus enabling the company to grow (Mulatu, 2016). The intention is to improve performance, which is seen as a business success. However, it is not only the position in the market vis-a-vis competitors that translates into business competitiveness, but also internal characteristics (Kianto, Andreeva, & Pavlov, 2013).

Among the dimensions that categorize competitiveness are financial performance, productivity, quality and innovation of the product/service, and trust in the relationship with stakeholders (Ambastha & Momaya, 2004; Brandão et al., 2017). Maletič, Maletič, and Gomišček (2018, p. 425) emphasized that “the

competitiveness of organizations is dependent upon their approach towards corporate social responsibility”, and they considered the business environment to be relevant in this relationship. Working in a global value chain requires the alignment of all these dimensions with socio-environmentally responsible performance, given the pressures from stakeholders, especially those from developed countries.

The most recent definitions of the term corporate social responsibility emphasize a set of voluntary actions that aim to achieve both social benefits and maintain the company’s reputation and competitiveness. It is observed that, with the advancement of the discussion regarding sustainability, the concept of CSR itself has incorporated the term. As the paper by Wesselink, Blok, van Leur, Lans, and Dento (2015) states, “CSR concentrates on the contribution of companies to achieve said sustainability goal, for instance by balancing people, planet, and profit in their business practices” (p. 497).

The presence of the word profit in the definition of CSR reinforces that not only the stakeholders and the environment should be the focus of the company when it adopts a CSR strategy. Keeping the company competitive in its industry must also be considered, so that the company’s own benefits from responsible performance are continuous. In a theoretical analysis of the theme, corporate social responsibility broadens the view of the nature and management of multinational companies, and thus requires a new way of thinking about the strategies of multinationals (De Chiara & Spena, 2011).

The theoretical discussion is reflected in the emphasis given to CSR by different industries, where it has been perceived that this strategy improves organizational performance, brand image, reputation, and increases competitive advantage (Barney, 1991; Porter & Kramer, 2006; Wang et al., 2014). Therefore, the implementation of CSR involves much more than just talk, and is an important part of business competitiveness.

Through the positive impact of CSR on corporate reputation (Melo & Garrido Morgado, 2012), an effect on sales can be seen, the attraction

of better commercial contracts and better qualified employees, the charging of premium prices, as well as a reduction in the capital costs of operations, as consequences generating competitive advantage (Parente & Machado, 2016; Sánchez, Sotorrió, & Díez, 2012).

Hence, against the backdrop of constant changes in which MNEs act, and given the scarcity of resources, there is a challenge for managers to position their organizations in order to generate shared value, focusing beyond the economic results of the company, and also considering the socio-environmental impacts (Porter & Kramer, 2006). By aligning operational strategies with a CSR strategy, organizations can minimize operating losses by reorienting their competency portfolios toward socio-environmentally responsible technological skills (Hart & Milstein, 2004).

3 CSR Dimensions

This chapter aims to discuss the dimensions of CSR – environmental, social, and strategic – in theoretical terms. The definition of competitiveness and the relationship with competitiveness are also presented, and this is the basis for the elaboration of the hypotheses. The strategic dimension refers to the characteristics of the company related to CSR in the business strategy.

3.1 Environmental dimension

Focusing on EMNEs, Aguilera-Caracuel, Hurtado-Torres, and Aragón-Correa (2012, p. 857) argue that “involvement in markets with diverse environmental institutional situations is positively associated with a proactive environmental strategy”. This supports EMNEs being traditionally more flexible in their internationalization strategies (Guillén & García-Canal, 2009). Also, the results from Chen, Ong, and Hsu (2016), González-Benito and González-Benito (2005), Hart and Ahuja (1996), and King and Lenox (2001) show that environmental management positively influences firm performance.

Regarding the GVC approach, we have to consider the term “environmental upgrading”, which is the process in which economic actors adopt a production system that avoids or reduces environmental damage by products, processes, and management systems (Marchi, Maria, & Micelli, 2013). Given the scarcity of natural resources, the environmental dimension can be seen as a limiting factor of economic activity (Hart, 1995). Due to this limitation, a company must develop technological capabilities to deal with the constraints, ranging from the reduction of gas emissions to knowledge of the product life cycle. Empirical studies that evaluate environmental strategy reinforce the need to triangulate environmental information, as well as integrating stakeholders in the process, emphasizing that individual access to scarce natural resources or leadership in eco-efficient processes do not lead to competitive advantage (Brito & Berardi, 2010).

Improving operations focused on the environment has been widely discussed in the literature (Brito & Berardi, 2010; Sousa & Barbieri, 2015), but besides new forms of production, emphasis has been placed on the importance of participation and collaboration in sustainable supply chains in order to obtain support in the continuous improvement process (Rajeev, Pati, Padhi, & Govindan, 2017; Walls, Phan, & Berrone, 2011).

Actions aimed at preventing pollution, developing new technologies, developing new products with less social and environmental impact, and health and safety projects of contributors, are examples of internal CSR initiatives (Hart & Dowell, 2011; Husted & Sousa, 2016; Lee & Min, 2015; Shrivastava, 1995). These internally managed initiatives allow the company to redistribute its resources and capabilities that are geared toward creating its products for the development of socio-environmental projects.

As pointed out by Hart and Dowell (2011), the use of clean technologies shows how companies “build new competencies and position themselves for competitive advantage

as their industries evolve” (p. 1470). By using clean technologies, companies reduce their consumption of material and energy and in doing so they meet human and environmental needs.

The relationship between the company and the environment is affected by the policies, actions, plans, and evaluations included in an environmental management system (Darnall, Henriques, & Sadorsky, 2008). By adopting an environmental management system, a company makes its commitment to environmental performance explicit, and it allows companies to jointly evaluate their operations in order to map, mitigate, and minimize environmental damage (Shrivastava, 1995).

According to Turker (2009), this range of CSR actions focused on the natural environment is interrelated with future generations. This interrelationship is supported by the notion of “sustainable development”, which “meets the needs of the present without compromising the ability of future generations to meet their own needs” (World Commission on Environment and Development, 1987, p. 41).

Khattak, Stringer, Benson-Rea, and Haworth (2015) found that the adoption of environmental certification did not lead to increased profits, but did increase the environmental performance of companies, culminating in a competitive advantage in terms of reducing costs. In addition, the result of Qi et al. (2014, p. 353) reinforces “the general conclusion in the empirical ‘pay to be green’ literature”. Considering the association between environmental aspects and company performance, we develop the following hypothesis:

H1: *There is a positive relationship between the environmental dimension of CSR and competitiveness.*

3.2 Social dimension

Related to social practices, this dimension can be described as the one that “concerns the

impacts the organization has on the social systems within which it operates” (Global Reporting Initiative, 2015). The classification of social practices is based on the company’s stakeholders and their influence on its activities. The main stakeholders are employees, suppliers, and the local community. According to Sharma and Henriques (2005), the “stakeholder influences can be direct or indirect based on resource dependence (Pfeffer and Salancik, 1978) between the focal firm and the stakeholder (Frooman, 1999) or based on the position of the focal firm in the stakeholder network (Rowley, 1997)” (p. 161).

An action involving responsible practices with regards to suppliers, customers, and the local community has a direct effect on key aspects of the company’s competitive environment. Porter and Kramer (2006) argue that such practices can improve the delivery of high-quality services, the provision of specialized inputs, the promotion of more sophisticated demand, the creation of a more productive and transparent environment, and improve complementary sectors.

Regarding stakeholders, Hutchins and Sutherland (2008) argue that CSR actions of organizations must first seek to meet the basic needs of their employees, in consequence of the community that relates to them. In this sense, an organization should be concerned with implementing efficient mechanisms that are designed to curb any kind of discrimination and to ensure diversity in its functional frameworks aimed at promoting diversity and equality at work (Hutchins & Sutherland, 2008; Instituto Ethos, 2016).

Similarly, an organization should attempt to address internal and external aspects of health and safety. Internal aspects include working and environmental conditions, the prevention of injuries and accidents, and absenteeism. On the other hand, external aspects relate to the availability of health plans, extending these plans to the employee’s family, and the level of responsibility assumed with the different types of workers (interns, temporary, outsourced, among

others) (Hutchins & Sutherland, 2008; Instituto Ethos, 2016).

Based on the GVC framework, we can understand the social aspects mentioned above as kinds of social upgrading (Barrientos, Gereffi, & Rossi, 2010) that focuses on workers’ rights. Rossi (2013) associated the different types of economic upgrading with certain types of social upgrading: process upgrading was associated with measurable social upgrading, such as a reduction in overtime, an improvement in the work environment, and an increase in the percentage of workers hired formally. Product upgrading is related to increased investment in training and retraining of workers. Functional upgrading should lead to a better distribution of the value captured by the product.

Considering the association between social aspects and company performance, we develop the following hypothesis:

H2: *There is a positive relationship between the social dimension of CSR and competitiveness.*

3.3 Strategic dimension

Particularly noteworthy since the 1990s, the presence of socio-environmental actions in corporate strategy have, besides working toward mitigation goals, intended to be a source of competitive advantage (Brito & Berardi, 2010). Such an advantage could be motivated by the search for social legitimacy, a reduction in compliance costs, the development of best business practices, an improvement in reputation, risk management, or even customer loyalty generation (Brito & Berardi, 2010; Hsueh, 2014; Porter & Van Der Linde, 1995).

The alignment between the CSR actions and the strategic vision of an organization is the basis of the effectiveness of the CSR strategy (del Valle, 2010). The company’s vision and strategy should “incorporate sustainability items, which must be equally present in the products and services offered by the company and in its *modus*

operandi, that is, in the way that it organizes and establishes its operations” (Instituto Ethos, 2016, p. 18).

Considering business strategy, the incorporation of CSR as a competitive differential is reflected in the products, processes, and services offered by the company, making them unique and superior to those of competitors (Bansal, 2003; Marcus & Anderson, 2006). Furthermore, by including the norms of conduct the company adopts, it is responsible for the formalization and diffusion of its practices in its network of influence.

Among the results of a CSR strategy are added value to the company image, which is reflected in the influence of customer loyalty behavior; reaching more conscious consumers; increased income and personal satisfaction of employees; reaching new markets through exports to countries with tougher socio-environmental laws; the appreciation of company shares in the capital market, such as in the Corporate Sustainability Index (ISE) - BM&FBovespa and in the Dow Jones Sustainability Index (Ginsberg & Bloom, 2004; Isaksson & Woodside, 2016; Miles & Covin, 2000; Rosen, 2001).

The insertion of CSR into an organization’s strategy involves voluntary commitments undertaken by the company to ensure its participation in CSR initiatives, as these directly affect the image (Davis, 1973) and legitimacy (Bansal & Roth, 2000; Sharma, 2000) of the organization. Moreover, the strategic dimension is also a result of the transparency of the company’s social and environmental information through its sustainability reports, in which it aims to identify the relationship between CSR principles and the generation of business value (Instituto Ethos, 2016).

Harjoto and Jo (2011) complement this discussion by arguing that there is a positive association between CSR and firm value/performance. Another way to generate competitive advantage through CSR actions is to strengthen relationships with clients (Fehre, Fehre, Weber, &

Weber, 2016). A proactive CSR action by a focal company will convince both clients and suppliers of the sustainable capacity, not only in social and environmental aspects, but also in economic ones, guaranteeing its existence over time (Carroll & Shabana, 2010).

Based on the association of strategic aspects with company performance, we develop the following hypothesis:

H3: *There is a positive relationship between the strategic dimension of CSR and competitiveness.*

4 GVC Participation as a Moderator of Competitiveness Variables

A moderator variable is one that affects the nature of the relationship between an independent variable and a dependent one, by either modifying the direction or the strength of the relationship (Baron & Kenny, 1986; Carte & Russell, 2003; Simpson, Power, & Samson, 2007). In this study, we investigated the moderating role of GVC participation in the relationship between CSR (independent variable) and competitiveness (dependent variable).

Baron and Kenny (1986, p.1174) describes the “analysis procedures for appropriately measuring and testing moderational hypotheses” in four cases, depending on the level of measurement of the independent variable and the moderator variable. According to Baron and Kenny (1986), when the moderator is a dichotomy, and the independent variable is a continuous variable, multi-group models should be used in the modeling of structural equations.

The main concern of the GVC approach is the entry of local producers, from developing countries, into the global market (Gereffi, Humphrey, & Sturgeon, 2005; Humphrey & Schmitz, 2000, 2001). Under the lens of this approach, it is important to consider governance and upgrading issues. Governance refers to the power of different sectors, mainly industry

(producer-driven) or retail (buyer-driven), in demanding requirements from local producers. In general, this role is fulfilled by leading companies that hold a dominant position in the value chain due to their relative financial strength regarding sales, profitability, purchasing power, or through control of key technologies, brands, or market access (Kaplinsky & Morris, 2000). The leading company could use different mechanisms to govern the relationship with suppliers. According to Gereffi et al. (2005), there are five modes of value chain governance. They are: markets, modular value chains, relational value chains, captive value chains, and hierarchy (Gereffi & Fernandez-Stark, 2016). According to Gereffi and Fernandez-Stark (2016), the governance structure could be measured by three variables. They are: “the complexity of the information shared between actors in the chain; how the information for production can be codified; and the level of supplier competence” (p. 10). Market governance is characterized by easy codification and simple product specification. From market to hierarchy, the complexity of transactions increases at each level, which requires more capability from suppliers. Hierarchy is adopted when the level of specificity is so high that the company decides to internalize the relationship.

When meeting the requirements, local producers may engage in some upgrading. Upgrading refers to improvements carried out by producers mainly regarding products and processes. Functional upgrading implies that suppliers increase their overall skill and undertake new functions. Chain upgrading is where suppliers move to new activities in the value chain (Gereffi and Fernandez-Stark, 2016). Some authors have also mentioned social upgrading, which is mainly related to work conditions (Barrientos et al., 2010). There are two types of social upgrading. The first one is measurable, such as salary level and hours of service. The second type is related to permission rights, such as freedom of association, and non-discrimination (Rossi, 2013).

GVCs are related to sustainability, and upgrading is the basic concept used to analyze how companies could act in global markets and

to disseminate sustainable practices. However, the global market has changed substantially in the last twenty years, with an increase of the participation of developing economies. Thus, EMNEs have increased their importance in global value chains (Crescenzi, Pietrobelli, & Rabellotti, 2015; Fleury, Shi, Junior, Cordeiro, & Fleury, 2015). The participation of EMNEs in GVCs implies coordinating and inducing some kind of upgrading to other levels of value chains. Until recently, the focus of the literature had been on analyzing this phenomenon from the perspective of MNEs from developed countries. Considering the reconfiguration of global value chains, it is important to point out the specificities of multinationals from emerging countries, specifically Brazilian MNEs.

EMNEs mostly originate from unstable political environments, and the modes of entry into global markets are through alliances and acquisitions, according to Guillén and García-Canal (2009). Moreover, EMNEs have high organizational adaptability because of their small international presence, compared to traditional MNEs. It is also important for EMNEs to be multi objective rather than single objective like the majority of Western MNEs (Guillén & García-Canal, 2009; Mitchell, Weaver, Agle, Bailey, & Carlson, 2016), which could imply different alternatives when addressing CSR practices. According to Hennart, Sheng, and Carrera (2017), the top 20 Brazilian MNEs are directly or indirectly owned by the Brazilian government. It is argued that government participation implies more engagement in CSR practices by Brazilian MNEs and they need to balance business and political/social objectives simultaneously during their entry into global markets.

According to Jamali and Karam (2018), CSR in developing countries is less formalized, and it could be classified as relational. By relational CSR, the authors are referring to a set of collaborative links inside and outside the company (Souza & Amato, 2012). CSR in developing countries implies understanding the

local context (Ali, Frynas, & Mahmood, 2017) and adapting relationships with other agents to enable CSR practices. In this sense, the best way to coordinate CSR activities would be through collaboration. For Husted (2003), collaborative governance implies both parties contributing with resources to the development and implementation of CSR actions. Collaborative governance in CSR is similar to the concept of relational value chains, which refers to “complex interactions between buyers and sellers, which often creates mutual dependence”, as described by Gereffi et al. (2005) (p. 84). However, the concept goes beyond the governance modes based on the degree of standardization of products and processes highlighted by those authors. In this paper, the idea that an EMNE could be the focal company and the driver of CSR practices is essential, and so the local context is fundamental for explaining the phenomenon of CSR practices.

H4a,b: The participation of an emerging market multinational in a global value chain positively moderates the relationship between both the (a) environmental and (b) social dimensions and competitiveness.

Value chains have governance “when parameters requiring product, process, and logistic qualification are set which have consequences up or down the value chain” (Kaplinsky & Morris, 2000, p. 29). According to Jorgensen and Knudsen (2006), it is possible to highlight “rule making” and “rule keeping” as the two main roles of the governance of a value chain.

For these authors, “rule making” refers to the “power of actors inside and outside the value chain to define the rules in the chain” (Jorgensen & Knudsen, 2006, p. 450).

According to Gold, Seuring, and Beske (2010), different groups of stakeholders exert pressure on companies to effectively incorporate sustainability issues into the management of their chain. When bringing sustainability to the global value chain scenario, rule making applies standards in areas such as environmental protection, human

rights, labor rights, and corruption. Hereupon, Jorgensen, and Knudsen (2006) state that multinational buyers should focus on improving the ability of companies to reconcile sustainability standards with competitiveness.

When considering the relationship in value chains between developed and developing countries, developed countries traditionally influence developing countries (Contractor, Kumar, Kundu, & Pedersen, 2010; Henderson et al., 2002; Mudambi, 2008). However, in the development of private standards that aid in the governance of these chains (Henson & Humphrey, 2010), emerging countries are playing a leading role and not only complying with the rules and standards imposed by developed countries that are disconnected from the reality of developing countries. One example of the construction of a private standard that had an effective participation of Brazilian representatives was the ISO 20400 standard, where the leadership of the drafting of the standard was established between Brazil and France (Associação Brasileira de Normas Técnicas, 2017). This international standard deals with sustainable purchases, presenting guidelines to achieve the best practices, so that the companies that have them can be promoters of sustainable development in the chains where they operate.

Another highlight of EMNEs with regards to socio-environmental actions in their chains is the performance of Brazilian multinationals in the countries where they operate. One outstanding case is the work of Natura in empowering women in Mexico by training low-income women in entrepreneurial skills, a case that has been recognized by the United Nations Development Program (UNDP) (UNDP, 2013). In addition, Mexican labor law guarantees only six working days of annual leave (Gasparini & Pati, 2016), and the company extended this period for its employees. The company understands that a longer period has positive impacts on the quality of life of its workers. In this case, the reality advocated by Meyer, Mudambi, and Narula (2011) can be seen with regards to balancing the

identity of the MNE with the identity of the place where it is acting.

When EMNEs stand out in their global value chains, it is observed that they become drivers in social and environmental actions. It is noteworthy that the flow of knowledge, norms, and benchmarks of socio-environmental performance in GVCs not only goes in the North-South direction. Southern companies have also been drivers of their peers, and also lead solutions for companies from the North. This movement has a direct impact on the competitiveness of the MNEs that operate in GVCs, since a proactive role in CSR, besides being a way to overcome non-tariff barriers (Herzfeld, Drescher, & Grebitus, 2011), is also a way of legitimizing the performance of these companies and reaching new markets.

H4c: The participation of an emerging market multinational in a global value chain positively moderates the relationship between (c) the strategic dimension and competitiveness.

5 Proposed Model

A representation of the relationship between CSR strategy constructs and competitiveness, containing their respective dimensions, as well as the variables that interfere in the relationship, is presented in Figure 1. In accordance with Whetten (1989), we propose a theoretical model based on a literature review, which intends to show how EMNEs could develop their CSR strategies in global value chains.

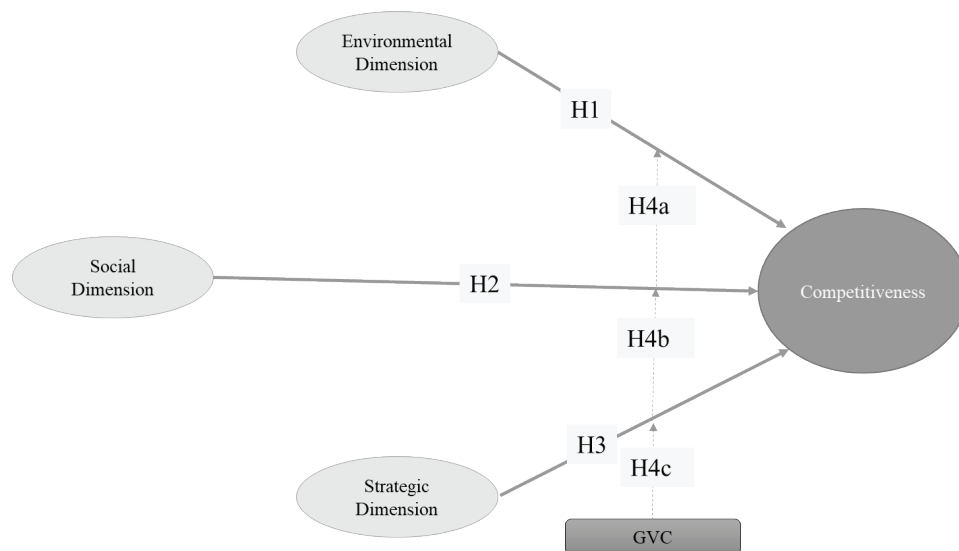


Figure 1. The relationship between CSR and competitiveness.

6 Conclusions

The main objective of this paper was to answer the question: what is the relationship between CSR and the competitiveness of EMNEs in global value chains? To answer the question, a theoretical model was proposed to analyze the effects of CSR practices on the competitiveness of EMNEs. We understand that Brazilian

MNEs could play an important role as drivers of sustainable practices in global value chains. Here, the social dimension stands out because it is more strategic with regards to stakeholders. The fact that EMNEs are traditionally more flexible in their internationalization strategies might imply more collaborative governance structures to develop sustainable practices in leading global value chains. Brazilian MNEs could develop

models of collaborative governance with different stakeholders to optimize sustainable practices. The proposed model may provide insights about the main concept discussed in the Global Value Chain approach, i.e. governance, specifically relational governance. Relational governance is still a “black box” and could be shaped in different ways. In addition, companies are multi-objective, which means that they could develop their sustainable practices in global value chains with different governance mechanisms and involve different stakeholders. Further research is needed with regards to this matter.

In terms of developing collaborative governance (relational governance), we understand that the complexity of transactions is high, as well as the capabilities in the supply base, but the ability to codify transactions is low. Brazilian EMNEs could intensify the exchange of knowledge between actors, especially tacit knowledge. This kind of knowledge may allow suppliers to engage in chain upgrading, which consists in moving to new activities in related industries.

The proposed model could provide insights regarding the main dimensions to consider in the relationship between both social and environmental practices and competitiveness. The results may be useful for managers and for shaping public policies. For future research, we propose applying the model to understand different sectors and different institutional environments.

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4. Theoretical foundation/Literature review	√	√		
5. Definition of methodological procedures	√	√	√	√
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8. Analysis and interpretation of data	√	√	√	
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