Offshoring and CSR Practices in the Context of Global Production

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"And do good as Allah has been good to you. And do not seek to cause corruption in the earth. Allah does not love the corrupters",
(Surat Al Qasas 28:77)

The Holy Quran

ENGLISH SUMMARY

This study uses quantitative data from two research surveys – the Global Operations Network (GONE) survey and the International Manufacturing Strategy Survey (IMSS) – to investigate two emerging and interlinked trends in global manufacturing – offshoring/outsourcing and sustainable production. This dissertation contains six chapters, which provide additional background to and discussion of five research papers, which are the backbone of the dissertation.

Global sourcing, offshoring/outsourcing

Firms are increasingly offshoring their production and service activities abroad to gain various advantages. Offshoring has become an established business practice and a necessity to compete in today's world. Offshoring decisions are driven by a number of factors; however, the actual performance effects of offshoring depend on the extent to which these drivers are *realized*. Offshoring can help firms to improve their performance on the one hand, while it exposes them to challenges (risks) on the other, which, if they materialize, undermine the performance. Offshoring experience can maximize the realized offshoring drivers and manage the risks involved in offshoring, which in turn could lead to better firm performance. However, little is known about how offshoring experience affects firm performance. This dissertation investigates the influence of offshoring experience on firm performance through realized offshoring drivers and risk management. The findings show a positive effect of offshoring experience on firm performance via realized offshoring drivers but no effect through risk management.

This study not only contributes to the theory on offshoring but also helps managers to achieve better firm performance as a result of offshoring experience through realized offshoring drivers. Moreover, in spite of their limited experience, smaller firms, like their larger counterparts, should try to learn from their previous offshoring experience, for example, by employing a formal Enterprise Risk Management System.

Corporate social responsibility (CSR)

Predominantly for economic reasons, globally sourcing firms often neglect CSR practices in their supply chains, which could lead to greater social and environmental risks. Stakeholders are increasingly pressing the firms to implement CSR practices inside the firms and extend these practices to the upstream supply chains. Implementing such practices could enhance firm performance. Firms neglecting these pressures do so at the cost of their survival in the long run; therefore, it is important to manage and respond to these pressures. Offshoring production and service activities means that a firm based in one country (home country) carries its operations to another country (host country). The different institutions, economic development levels, and national business systems in the home and host countries can influence and lead to differences in the associations

between stakeholder pressure and CSR practices implementation and CSR practices and performance. However, these relationships have not been jointly addressed in previous research. Such a joint investigation furthers understanding of CSR in multinational corporations (MNCs) as opposed to that in local firms (operating in either the developing or the developed world). The part of the dissertation examining this assumes that the implementation of environmental and social practices in a firm's supply chains is associated with ownership. That is, if a sourcing firm engages in offshore outsourcing, which means that it does not own the supplying firm(s), it will be more prone to environmental and social risks in the supply chain than captive offshoring firms, i.e. sourcing from firms abroad, which they own. However, very few studies address CSR in the context of global sourcing. This study determines the mediating relationship of supplier-related CSR practices between stakeholder pressure and performance. Moreover, this study compares the mediating role of supplier-related CSR practices in the relationship between stakeholder pressure and performance in locally and globally sourcing firms.

The findings suggest that neither home nor host country influences the relationship between stakeholder pressure and CSR practices' implementation; however, they affect the association between CSR practices and performance. This suggests that firms should respond to stakeholder pressure and implement CSR practices irrespective of the location of their operation. Firms that invest in CSR practices enhance their environmental, social, and financial performance. In particular, firms originating from a developed country but operating in a developing country and firms originating from and operating in developing countries can reap greater benefits – in terms of high social performance –from investing in social practices. Finally, the results show that firms that implement CSR practices in their supply chains, which – responding to stakeholder pressure– are focused on environmental dimensions, improve their environmental and financial performance. Firms sourcing from developing countries are sensitive to stakeholder pressure too, and they implement CSR practices in their supply chains with more focus on social dimension, which enhances their social performance. However, firms located in and sourcing from developed countries focus on environmental dimension and improve their environmental performance. Implementing supplier-related CSR practices in response to stakeholder pressure enhances the financial performance of both locally and globally sourcing firms.

Practical implications

Based on these findings, a number of practical implications for managers are inferred; in particular, external stakeholder pressure has a positive and significant impact on the implementation of both internal and supplier-related CSR practices, irrespective of the country of location. CSR practices pay back in terms of financial, environmental, and social performance. The financial performance will help managers to justify CSR, especially in developing countries where there are greater concerns about financial outcomes resulting from implementing CSR practices.

Operation managers from local firms in developing countries need to invest more in the social dimension of CSR practices to enhance their social performance. Managers of firms from developed countries that have operations in developing countries can reap greater social performance benefits than local firms by focusing on CSR's social dimensions. This will help them attract and retain talented employees, resulting in greater productivity and a better financial position. Finally, this study provides managers an overview of the adoption of supplier-related CSR practices in locally and globally sourcing firms and their performance impacts.

DANSK RESUME

Dette studie anvender kvantitative data fra to forskningsundersøgelser - the Global Operations Network (GONE) survey og the International Manufacturing Strategy Survey (IMSS) – til at undersøge to nye og sammenhængende tendenser inden for global produktion – offshoring/outsourcing og bæredygtig produktion. Denne afhandling indeholder seks kapitler, som giver yderligere baggrund for og diskussion af fem forskningsartikler, som udgør rygraden i afhandlingen.

Global sourcing, offshoring/outsourcing

Virksomheder benytter i stigende grad af offshoring til udlandet som led i deres produktionsstrategi for deres produktion og serviceaktiviteter, med det formål at opnå forskellige fordele. Offshoring er blevet en etableret forretningspraksis og en nødvendighed for at konkurrere. Offshoring beslutninger er drevet af en række faktorer; de faktiske præstationseffekter af offshoring afhænger dog af, i hvilket omfang disse drivkræfter realiseres. Offshoring kan hjælpe virksomheder med at forbedre deres resultatskabelse, mens resultatet modsat kan undermineres hvis udfordringer (risici) opstår. Erfaring med Offshoring kan maksimere de realiserede offshoring-drivkræfter og håndtere de risici, der er forbundet med offshoring, hvilket igen kan føre til bedre virksomheds resultat. Der er imidlertid begrænset forskningsbaseret viden omkring, hvordan offshoring-oplevelsen påvirker virksomhedens resultat. Denne afhandling undersøger påvirkningen af offshoring erfaring i forhold til virksomhedens resultat gennem realiserede offshoring drivkræfter og risikostyring. Resultaterne viser en positiv effekt af offshoring erfaring på virksomhedens resultat via realiserede offshoring drivkræfter, men ingen effekt gennem risikostyring.

Dette studie bidrager ikke kun til teorien om offshoring, men hjælper også virksomhedsledere til at opnå et bedre virksomhedsresultat som følge af offshoring erfaring gennem realiserede offshoring drivkræfter. Desuden skal mindre virksomheder, ligesom deres større kolleger, på trods af deres begrænsede erfaring forsøge at lære af deres tidligere offshoring-erfaring, for eksempel ved at anvende et formelt Enterprise Risk Management System.

Virksomhedens sociale ansvar (CSR)

Overvejende af økonomiske grunde forsømmer globale sourcing virksomheder ofte CSR-praksis i deres forsyningskæder, hvilket kan føre til større sociale og miljømæssige risici. Interessenter presser i stigende grad virksomhederne til at implementere CSR praksis inden for virksomhederne og udvide disse fremgangsmåder op ad i forsyningskæden. Gennemførelsen af en sådan praksis kan forbedre virksomhedernes resultat.

Virksomheder, der forsømmer dette pres, gør det på bekostning af deres overlevelse i det lange løb; Derfor er det vigtigt at styre og reagere på dette pres. Offshoring af

produktions- og serviceaktiviteter betyder, at en virksomhed med hjemsted i et land (hjemland) flytter sine aktiviteter til et andet land (værtsland). De forskellige institutioner, økonomiske udviklingsniveauer og nationale forretningssystemer i hjem- og værtslandene kan påvirke og føre til forskelle i forbindelsen mellem pres fra interessenter og implementering af CSR-praksis og CSR-praksis og resultat.

Disse forhold er imidlertid ikke blevet behandlet i forbindelse med tidligere undersøgelser. En sådan fælles undersøgelse fremmer forståelsen af CSR i multinationale selskaber i modsætning til i lokale virksomheder (der opererer i enten udviklingslandene eller den udviklede verden). Den del af afhandlingen, der undersøger dette forudsætter, at gennemførelsen af miljømæssig og social praksis i en virksomheds forsyningskæde er forbundet med ejerskab. Det vil sige, at hvis en sourcing virksomhed beskæftiger sig med offshore outsourcing, hvilket betyder, at den ikke ejer leverandørerne, vil den være mere udsat for miljømæssige og sociale risici i forsyningskæden end offshoring virksomheder som sourcer fra virksomheder i udlandet, som de selv ejer. Meget få undersøgelser omhandler CSR i forbindelse med global sourcing. Dette studie klarlægger den formidlende relation af leverandørrelateret CSR-praksis mellem interessentens pres og resultat. Desuden sammenligner dette studie den formidlende leverandørrelaterede rolle i CSR-praksis i forholdet mellem interessenters pres og resultat i lokale og globale sourcing virksomheder.

Resultaterne af undersøgelsen tyder på, at hverken hjem eller værtsland påvirker forholdet mellem presset fra interessenter og CSR-praksissens gennemførelse; de påvirker dog forbindelsen mellem CSR-praksis og resultat. Dette tyder på, at virksomhederne skal reagere på interessentens pres og implementere CSR-praksis uanset virksomhedens placeringen. Virksomheder, der investerer i CSR-praksis øger deres miljømæssige, sociale og økonomiske resultater. Virksomheder med oprindelse i et udviklet land, men som opererer i et udviklingsland og virksomheder, der stammer fra og opererer i udviklingslande, kan især høste større fordele - hvad angår høj social præstation - ved at investere i social praksis. Endelig viser undersøgelsens resultater, at virksomheder, der implementerer CSR-praksis i deres forsyningskæder, - som svar på interessentpresset - fokuserer på miljødimensioner og forbedrer deres miljømæssige og økonomiske resultater. Virksomhedsopkøb fra udviklingslande er også følsomme over for interessentpresset, og de implementerer CSR-praksis i deres forsyningskæder med mere fokus på den sociale dimension, hvilket forbedrer deres sociale præstationer. Virksomheder i og som sourcer fra udviklede lande fokuserer imidlertid på miljødimension hvilket forbedrer deres miljømæssige ydeevne. Implementering af leverandørrelaterede CSR-praksis som reaktion på interessentpresset øger de økonomiske resultater for både lokale og globale sourcing virksomheder.

Praktiske implikationer

Baseret på disse resultater er der udledt en række praktiske konsekvenser for virksomhedsledere; Især eksternt interessentpres har en positiv og betydelig indvirkning på implementeringen af både intern og leverandørrelateret CSR-praksis, uanset hvor landet er beliggende. CSR praksis skaber grundlag for økonomiske, miljømæssige og sociale præstationsmål. Den økonomiske udvikling vil hjælpe virksomhedsledere til at retfærdiggøre CSR, især i udviklingslande, hvor der er større bekymringer over økonomiske resultater som følge af implementering af CSR-praksis. Produktionschefer fra lokale virksomheder i udviklingslande skal investere mere i den sociale dimension af CSR-praksis for at forbedre deres sociale præstationer. Ledere af virksomheder fra udviklede lande, der har aktiviteter i udviklingslande, kan høste større sociale resultats fordele end lokale virksomheder ved at fokusere på CSR's sociale dimensioner. Dette vil hjælpe dem med at tiltrække og fastholde dygtige medarbejdere, hvilket resulterer i større produktivitet og en bedre økonomisk position. Endelig giver denne undersøgelse virksomhedsledere et overblik over anvendelsen af leverandørrelaterede CSR-praksis i lokale og globale sourcing virksomheder og dets påvirkninger på resultatet.

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CHAPTER 1. INTRODUCTION

This chapter presents an overview and background of the research, recent trends in global production, research motivation, summary of the chapter, and finally, organization of the thesis.

1.1. GLOBALIZATION

Globalization is often perceived as the most powerful tendency of our time (Mathews, 2006). Different scholars define globalization in different ways. For example, Croucher (2004, p. 98) defines it as "a cluster of related changes occurring in, but not limited to, economic, technological, cultural, and political realms that are increasing the interconnectedness of the world". Gunaratne (2009) uses the term "economic globalization" that refers to the integration of the national economy into the international economy by trade, foreign direct investment (FDI), migration, capital flows, and the spread of technology. Hollingsworth (1998) refers to globalization as the situation where most economic activities are internationalized and the state loses its economic governance capacity. Improvements in power and ICTs and the declining trade barriers have been the main drivers of globalization (Baldwin and Evenett, 2015; Gaubinger *et al.,* 2015). Historically, globalization has progressed in two leaps. First, it moved forward when the invention of the steam engine, and later on the combustion engine, reduced shipping time and costs and slowly progressed with the post-war reduction of trade barriers. This enabled the firms to separate production from consumption, both of which were previously aggregated in one region. However, coordination issues still resulted from the separation of production from consumption. Thus, globalization progressed further when the invention of and improvement in ICTs during the middle of the 1980s reduced the coordination costs (Baldwin and Evenett, 2015) and eased global information exchange.

Though the phenomenon of globalization has been around for many decades, economists and social researchers did not widely use the term until the 1960s (Cheng *et al.,* 2015). Since then, it has been impossible for companies to deny the globalization trend, and researchers have started discussing the benefits of going abroad. For instance, Kogut (1990) differentiated between the initial benefits (access to raw materials, exploitation of costs and skill differentials, and access to markets) and the sequential benefits (coordinated management of a global network) of FDIs, and Yip (1989) showed market, cost, competition, and government as the drivers of industry globalization. During this time, researchers (e.g., Ferdows 1997a; Colotla *et al.,* 2003) utilized theories from different disciplines such as internationalization theory (Buckley, 1990), eclectic theory (Dunning, 1988), and transaction cost theory

(Williamson, 1971), among others, to broaden the insight into global manufacturing of multinational corporations (MNCs). Therefore, manufacturing which is the single largest type of FDI in most countries has necessarily become more globalized (Cheng *et al.,* 2015). Traditionally, firms manufactured their goods locally, by using the local inputs and sold it in national markets. After this, they started sourcing inputs/equipment from different countries and selling them in the national and international markets. Today, however, the role of manufacturing companies has shifted from supplying products to international markets through exports to local manufacturing in these markets (Rudberg and Olhager, 2003).

As a result, global sourcing and offshoring/outsourcing have become the established global manufacturing strategies. Many factors, including competition, technological advances, and competitive pressures, drive firms from developed countries to source globally and offshore/outsource their production and service activities (Coucke and Sleuwaegen, 2008; Cerruti, 2008; Kotabe and Mol, 2009). Global sourcing is defined by Trent and Monczka (2003, p. 26) as "global sourcing involves proactively integrating and coordinating common items and materials, processes, designs, technologies, and suppliers across worldwide purchasing, engineering, and operating locations". Global sourcing is inevitable for firms to stay competitive in today's market place (Hartmann *et al.,* 2008) and has been used by firms since the last two decades as a source of competitive advantage (Jin, 2005). Offshoring is defined as "the process of sourcing and coordinating tasks and business functions across national borders," while "outsourcing, in contrast, denotes the delivery of products or services by an external provider" (Manning *et al.,* 2008, p. 39). Based on the ownership and location, offshoring and outsourcing can take the forms of 1) domestic outsourcing, 2) offshore outsourcing, 3) domestic insourcing, and 4) captive offshoring (Oshri *et al.,* 2009). Domestic outsourcing refers to the contracting out of business functions to an independent third party that is located in the same country as the client organization. Offshore outsourcing is contracting out business functions to a third party located in another country as the client organization. In domestic insourcing, firms manage the business functions inside a business unit situated in the same country as the organization. Finally, in captive offshoring, firms locate the business functions to their wholly owned subsidiaries in another country (Oshri *et al.,* 2009). In this thesis, the term offshoring covers both captive offshoring and offshore outsourcing.

Recently, firms are captive offshoring/offshore outsourcing a wide range of business activities, such as product designs, research and development, and marketing. As described by Grossman and Helpman (2005), we live in the age of offshoring. Firms can hardly afford to ignore the potential benefits of captive offshoring/offshore outsourcing. As a result, offshoring is an inevitable phenomenon in this globalized world (Sun *et al.,* 2007). Offshoring in developed countries dates back to the 1970s, and even before that, in large firms with high labor cost (Coucke and Sleuwaegen, 2008; D'Attoma and Pacei, 2014). In the 1990s, this trend increased significantly

(Cusmano *et al.,* 2010). Greater competitive pressures also compel small firms, like the large firms, to offshore and gain the benefits (e.g., low cost and market access, among others) of offshoring. Also, offshoring is not only limited to manufacturing but also includes a wide range of services, which were previously thought to be immovable (Sun *et al.,* 2007; Cusmano *et al.,* 2010; Jensen and Pedersen, 2011). Firms in developed countries are increasingly offshoring to low-cost destinations in developing countries (Sun *et al.,* 2007). For example, as described by Brennan *et al.* (2015), from 1970 to 2010, the share of global manufacturing value added for G7 nations dropped from 71% to 47%, which has been taken up by emerging countries. A couple of examples from the world's leading companies also show this trend. For example, Chrysler and Ford produce less than half of their cars inside. Boeing produces less than 10% in house and has offshore outsourced its third largest commercial aircraft, 767, to the Japanese consortium, namely, Fuji, Kawasaki, and Mitsubishi (Gilley and Rasheed, 2000). Boeing has moved to the business model that involves extensive captive offshoring and offshore outsourcing of their new aircraft – 787 Dreamliner (Contractor *et al.*, 2011). Offshoring, in fact, has become a strategic tool for the world's leading firms, including Sony, Boeing, General Electric (GE), Wal-Mart, Morgan-Stanely, and Philips (Kedia and Mukherjee, 2009). Offshoring has attracted the greater attention of media and academia, and it has become an important topic among the international business (IB) researchers (Sun *et al.,* 2007), practitioners (Aron and Singh, 2005), and policy makers (Cusmano *et al.,* 2010). Offshoring has been termed as "the next wave of globalization" (Dossani and Kenney, 2003).

1.2. DRIVERS OF GLOBAL MANUFACTURING AND PRODUCTION

Firms offshore their production activities and services for a number of reasons, which can be divided broadly into three groups: 1) economic, 2) strategic, and 3) technical drivers. The most common economic drivers, including lower labor and input costs, access to market, tax incentives, and other privileges, among others, are widely addressed in the literature (Ferdows, 1997a, 1997b; Claver *et al.*, 2002; MacCarthy and Atthirawong, 2003; Hung Lau and Zhang, 2006; Dana *et al.*, 2007; Kinkel and Maloca, 2009; Jabbour, 2010; OK, 2011; Davis and Naghavi, 2011; Roza *et al.*, 2011; Michel and Rycx, 2012; Da Silveira, 2014). These factors mainly drive the offshoring decisions of the standardized products and processes.

Besides the economic drivers, companies also offshore for strategic and technical reasons. Recently, there is much attention given to these drivers in the literature (Manning *et al.,* 2008). These drivers include flexibility to respond to market changes, access to talent, knowledge, and skills, access to scarce resources, and focus on the core activities (Ferdows, 1997a, 1997b; MacCarthy and Atthirawong, 2003; Nachum and Zaheer, 2005; Hung Lau and Zhang, 2006; Manning *et al.*, 2008; Lewin *et al.,* 2009; OK, 2011; Roza *et al.*, 2011; Da Silveria, 2014). The insufficient

availability of science and engineering graduates and the rising costs of research and development (R&D) in the developed world drive the offshoring decisions of the firms to search for talent across the world. The greater availability of science and engineering graduates and knowledge clusters in emerging countries make them better locations for offshoring of high-value activities and services (Contractor *et al.*, 2011).

1.3. EMERGING TRENDS IN GLOBAL MANUFACTURING AND PRODUCTION

Various emerging trends in the global manufacturing and production have been reported in the literature. These trends are discussed as follows:

1.3.1. SERVITIZATION OF MANUFACTURING

There is an increasing trend toward the servitization of manufacturing (Lightfoot *et al.*, 2013; Brennan *et al.*, 2015). Recently, a greater number of companies are taking interest in the servitization of manufacturing, although its origin goes back to the 1960s. Maximizing the capabilities of information technologies and enhancing the potential of big data across the entire network are among the important capabilities for future manufacturing. These capabilities can help firms to provide more services to their customers and designing new business models, which provide them with a new source of revenues (Brennan *et al.*, 2015). Therefore, companies are offering integrated product-services as a way of differentiation. For example, IBM adds maintenance services to their hardware and Rolls Royce sells hours of jet engine operations. Along with these, other companies including BAE Systems, Castrol Lubricants have recently moved into this area. The servitization of manufacturing will catch greater attention in future.

1.3.2. GLOBAL SOURCING, OFFSHORING/OUTSOURCING

Global sourcing (Stanczky *et al.*, 2017) and offshoring/outsourcing are increasing in volumes in firms (Chatta and Butt, 2015; Brennan *et al.*, 2015). Since the last three decades, the trade in goods and services has increased twice the growth of the global economy (Brennan *et al.*, 2015). Some studies, however, show an evidence for the backshoring (where companies bring back their production activities to their home countries) (Kinkel and Maloca, 2009; Kinkel, 2012; Fratocche *et al.*, 2014). Factors leading to the backshoring include quality issues, flexibility issues, to keep production close to research and development, low-cost differential, among others (Kinkel and Maloca, 2009; Stentoft *et al.*, 2015). However, the scale and scope of the backshore operations are very few compared to the offshore operations. The backshoring of manufacturing activities from the low-wages countries is not a strong trend. For instance, for the last 15 years, the ratio of companies that back-shored to those that offshored is stable at one to four (Kinkel, 2014). Offshore locations are

still important for Western companies (Bals *et al.,* 2015) in terms of cheap labor, low input costs, access to the growing markets, and access to knowledge and technology. For example, Western companies cannot ignore the growth potential of the emerging markets and cannot afford to backshore completely (Stentoft *et al.*, 2015). Similarly, American apparel industries, despite the low-cost differential between the offshore and onshore locations, find it hard to backshore to the USA because of less availability of qualified personnel (Clifford, 2013). Global sourcing and offshoring/outsourcing are shaping the configuration of the global manufacturing, and given the earlier discussion, this trend is likely to continue in the future albeit, perhaps, in varying degrees for different industries.

1.3.3. CORPORATE SOCIAL RESPONSIBILITY (CSR) PRACTICES

Stakeholders from the developed and developing countries are increasingly pressing firms for implementing environmental friendly and socially compatible practices inside the firms as well as in their entire network, consisting of subsidiaries and suppliers. A number of factors including the negative effects of business sourcing on the environment and society (Jenkins, 2009), changing consumer preferences and demands, government regulations, and ethical motivations (Betts *et al.,* 2015) contribute to the overwhelming stakeholders pressure concerning sustainability. Multinational corporations respond to the stakeholders' pressure in different ways such as ethical sourcing, environmental friendly products, and participation in humanitarian and social projects, among others (Haugh and Talwar, 2010). Although, sustainable manufacturing (where firms practice social and environmental practices in their operations) is a growing trend, the majority of firms have not given high priority to sustainability (Chatta and Butt, 2015; Brenann *et al.,* 2015). Firms generating more economic value at the cost of social and/or environmental damage will threaten their existence in future (Chatta and Butt, 2015). Firms in the future will refrain from only producing at low-cost and focus on the entire costs including economic, environmental, and social. In the future, sustainability of the manufacturing will depend on the sustainability of their environments (Chatta and Butt, 2015). Overall, it appears that the recently increasing trend of sustainable production will likely be continued.

1.3.4. INDUSTRY 4.0

There is an increasing trend of the use of advanced technologies in manufacturing, such as additive manufacturing, new generation of intelligent robots, internet of things (where equipment communicate and coordinate their operations) (Brenann *et al.,* 2015), cyber-physical systems and semantic technologies, and advance information analytics (Posada *et al.,* 2015; Lee *et al.,* 2015). These technologies have changed the traditional methods of production and merged the virtual and real world; consequently, they have revolutionized manufacturing and production to the next generation of industrial revolution, namely, 4^{th} industrial revolution (Anderl,

2014; Lee *et al.*, 2015; Hermann *et al.*, 2015). This revolution is termed differently in various advanced manufacturing countries, such as industrial internet and the advance manufacturing partnership in the USA, industry 4.0 in Germany, and la nouvelle industrielle in France (Posada *et al.*, 2015). However, the word "industry 4.0", which has its origin in Germany, is most commonly used in the media and in the literature. Industry 4.0 addresses a number of key aspects: 1) mass customization (enabled by IT) of the products where production is adapted to the individual needs or short batches, 2) adaptation of automatic and flexible production chains to the changing requirements, 3) tracking and self-awareness of parts and products and their communication with machines, 4) optimization of production due to internet of things (IOT) in smart factories, 5) new types of business and services models that will change interaction in the value chains, and 6) improved human-machine interaction (Posada *et al.*, 2015). Under the industry 4.0 paradigm, machines are connected as a collaborative community (Lee *et al.*, 2014). New business and service models are emerging around the industry 4.0 (Stock and Seliger, 2016). The economic impact of the industry 4.0 is expected to be substantial because it promises to increase operational efficiency and offer completely new business models, services, and products. It is estimated that these benefits, resulting from the industry 4.0, will contribute around 78 billion euros to the German GDP by the year 2025 (Hermann *et al.*, 2015). Besides, industry 4.0 has a great potential for ensuring the sustainable value creation in terms of economy, society, and environment (Stock and Seliger, 2016). Resources including materials, water, and energy can be better allocated and optimized for each step in the value network, which will reduce the environmental impact in terms of low CO_2 emissions (Gabriel and Pessl, 2016) and provide better working conditions (Lee *et al.*, 2014). However, industry 4.0 is also expected to contribute to the negative impact on the social dimension of CSR. For example, the constantly changing work contents and the greater flexibility required to respond may lead to the mental stress, and the frequent contact with machines rather than humans may lead to the emotional stress (Gabriel and Pessl, 2016). Keeping in mind the potential impact of the industry 4.0, recently, the world's leading companies such as Bosch and Siemens in Germany, Rolls-Royce in the UK, Dassault in France, and GE in the USA have adopted the Industry 4.0 for improving their competitiveness (Posada *et al.*, 2015). Like the previous industrial revolutions (first, second, and third) that took decades to realize their impacts, this revolution (fourth) will also take time to realize its full impact (Kagermann, 2015).

1.4. RESEARCH MOTIVATION

This thesis finds its motivation in the interaction of the two emerging trends, namely, offshoring/outsourcing and CSR practices

1.4.1. OFFSHORING/OUTSOURCING

Firms are increasingly offshoring their production activities, and this phenomenon has recently attracted greater attention in the media and literature. Factors, including low labor and input costs, access to the market, access to knowledge and technology, access to resources, among others, drive these offshoring decisions. Offshoring is changing the organizational structure of firms and, in effect, has become an established business practice for firms to stay competitive in today's global market. Although offshoring is a high priority for firms, its desired effects on performance are not always realized. Therefore, firms are concerned about the performance effects of the offshore activities. There is wide discussion in the literature on the effect of offshoring on performance. Most studies report positive effects (e.g., Cerruti, 2008; Ceci and Masciarelli, 2010), some show negative effects (Yu and Lindsay, 2011), and others find no effects (e.g., Gilley and Rasheed, 2000; Mol *et al.*, 2005).

The core observation underpinning this part of the research is that firms materialize the offshoring performance *only* when they realize (access) the offshoring drivers. The realized offshoring drivers enable firms to judge how much potential they have gained out of their offshore activities, while offshoring drivers *per se* determine the scope of the offshoring initiatives. The distinction between the offshoring drivers and the realized offshoring drivers is vital from the perspective of offshoring performance.

Offshoring exposes firms to many complexities, uncertainties, and risks, including challenges in control, coordination, and knowledge transfer (Rudberg and West, 2008; Dibbern *et al.*, 2008). Failing to manage these challenges, the risk can materialize in the form of hidden costs that negatively affect performance and lead to more than half of the offshore projects to fail (Stringfellow *et al.*, 2008). The hidden effects, including higher costs, quality and lead time issues, loss of intellectual capital, have been recently mentioned in the literature and media as the drivers of insourcing, nearshoring, and backshoring (Kinkel and Maloca, 2009; Stentoft *et al.*, 2015; Zhai *et al.*, 2016). Another factor that has been mentioned in the literature is improvement in automation, which reduces the production cost for which firms mainly offshore to developing countries (Arlbjørn and Mikkelsen, 2014; Tate *et al.*, 2014; Stentoft *et al.*, 2015). Although ever more firms are insourcing, nearshoring, or backshoring, offshoring will remain important, as the locational advantages of the emerging countries in terms of low-cost advantage, growing customers markets, and a wide pool of scientific and engineering talent will prevent a full-scale reshoring (Stentoft *et al.*, 2015).

Managing the risks involved in offshoring has a positive effect on performance (Barthelemy, 2001). Despite its importance, the effect of risk management on firm's performance in the context of offshoring is not empirically addressed in the

literature. Most of the studies have addressed different kinds of risks in offshoring (Massini *et al.*, 2010; Gray *et al.*, 2011; Hansen *et al.*, 2017), yet, studies addressing the risk management are very few (Kumar *et al.*, 2009; Sundararajan *et al.*, 2014): Mostly identifying the models and tools to manage risk. Firms mostly employ risk management in areas such as insurance, health, and internal audit, among others; however, its use is not so common in core business processes related to future growth activities (Taran *et al.*, 2014).

According to Kumar *et al.* (2009), most of the business professionals lack or have little knowledge about the tools to manage risk, given the increasing trend of offshoring in the future. There is a need to investigate the relationship between risk management and firm performance in the offshoring context.

Offshoring experience, that is the organizational experience in conducting or managing to offshore efficiently and successfully following the learning curve (Westner and Strahringer, 2010), may play a positive role in offshoring. For instance, offshoring experience helps firms to provide knowledge about alternate suppliers – monitoring them, and avoiding incomplete contracts (Gainey and Klass, 2003) – better coordinate suppliers (Leiblein and Miller, 2003), choosing better locations and reducing the relevant risks (Graf and Mudabmi, 2005). Offshoring experience also reduces the cognitive limitations of the managers and provides them with a number of options and new organizational ways to use these options (Maskell *et al.*, 2007). Moreover, offshoring experience helps firms to implement processes to reduce challenges in control, coordination, and knowledge transfer (Choudhury ad Sabherwal, 2003), reduce the cost estimation errors (Larsen *et al.*, 2013), and reduce costs concerning vendor search and contracting (Barthelemy, 2001).

Thus, offshoring experience should play a role in realizing offshoring drivers and managing the risks involved in offshoring. In this regard, few studies have addressed the effect of offshoring experience on realized offshoring drivers (Westner and Strahringer, 2010) and risk management (Cho and Padmanabhan, 2005; Larsen *et al.*, 2013). The effect of offshoring experience on firm's performance is rarely addressed in the literature with a few exceptions (Lo and Hung, 2015). In addition, studies simultaneously addressing the role of offshoring experience in realized offshoring drivers and risk management are lacking. The joint consideration is important because they are the key elements in the offshoring process. The role of realized offshoring drivers and risk management in the relationship between offshoring experience and firm performance has not been addressed as shown in Figure 1:

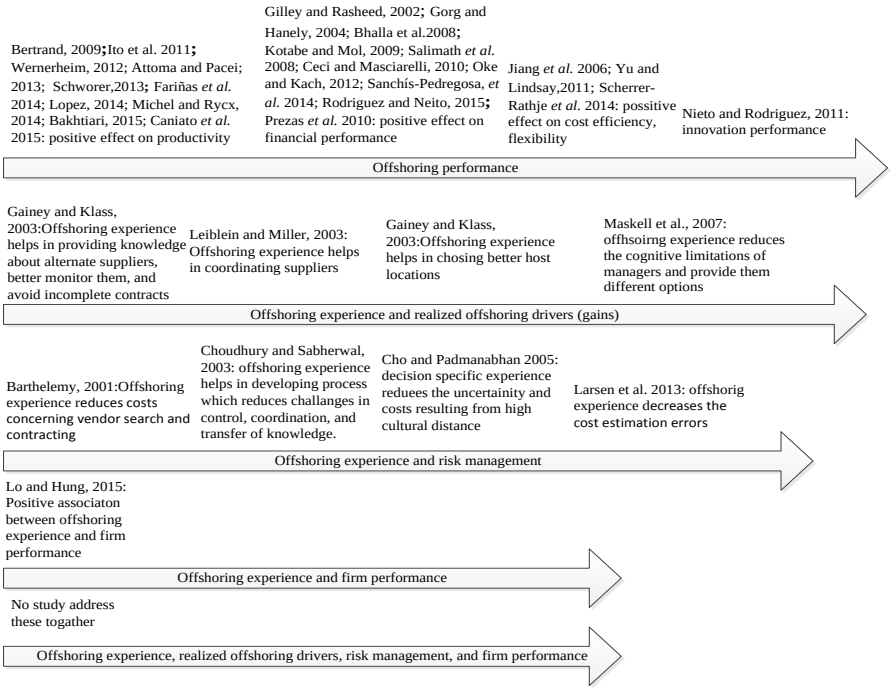

Figure 1- Summary of the literature on offshoring experience, performance, and risk management

This leads to the first objective of this study to investigate the following:

- The effect of offshoring experience on firm performance via realized offshoring drivers and risk management.

1.4.2. CORPORATE SOCIAL RESPONSIBILITY (CSR) PRACTICES

Although strategic and technical reasons also play a role (Manning *et al.*, 2008; Lewin *et al.*, 2009), global sourcing and offshoring/outsourcing are mainly based on economic reasons (Zutshi *et al.*, 2012), whereas Western companies do not often transfer environmental and social standards/practices to developing countries (Moosavirad *et al.*, 2014). This could often result in environmental and social problems, particularly in developing countries (Moosavirad *et al.*, 2014). Offshoring/outsourcing, on one hand, reduces the various toxic emissions in developed countries, but on the other hand, it increases these emissions in developing countries (Michel, 2013). Unlike developed countries, technology in developing countries is not efficient and produces more CO_2 emissions than technology in the developed world (Moosavirad *et al.*, 2014). Consequently, raising

the environmental degradation in the developing countries. According to the Asian Development Bank, Asia has become the dirtiest continent on earth. The area is facing the severe water and air pollution, deforestation, and loss of biodiversity, among others (Frank *et al.,* 2007). Climatic change (global warming) is the main concerns of stakeholders, including environmentalists, advocates, academicians, and NGOs, since the 1990s (Rosenberg, 2015). Reducing pollution in one place while, simultaneously, increasing in another adds to the global warming, with severe consequences in terms of a rise in the sea level, floods, droughts, and disturbance in biological systems, among others (Thornton *et al.,* 2014). The presence of irresponsible incidents at suppliers' factories of the leading multinational companies, reported by Amnesty International (2016), shows that these companies often fail to manage the risks related to human rights in their supply chains, thus, earning from misery in the developing countries. Due to the negative effects of business sourcing and the changing consumers' preferences and demands, government regulations, and ethical motivations businesses are under greater pressure from their stakeholders to adopt sustainable practices in their operations (Betts *et al.,* 2015).

Stakeholders' pressure lead to the adoption/implementation of CSR practices both inside the firms as well as externally in their supply chains. There is a wide discussion in the literature about the effect of stakeholder's pressure on CSR practices' adoption/implementation: Most studies report positive effect (e.g., Chen *et al.,* 2009; Zhu *et al.,* 2013; Sancha *et al.,* 2015), however, few of them find no effect and report internal motives as the drivers of CSR practice implementation (e.g., Denend, 2007; Wolf, 2014). In the literature, given the stakeholders pressure, the implementation of environmental CSR practices is addressed relatively more often than the social CSR practices (Meixell and Luoma, 2015). The social pressure is suggested to be a part of the stakeholders' pressure, and social dimension of CSR is an important element of sustainability, (Adebanjo *et al.,* 2016) which is not addressed so well in the literature. Stakeholders' pressure may influence firms' awareness about CSR, the adoption, or even the implementation of CSR practices (Meixell and Luoma, 2015). Due to the varied results, the association between stakeholders' pressure and CSR practice implementation is not obvious. Meixell and Luoma (2015) suggest investigating the association between stakeholders' pressure and CSR practices under different contexts.

Firms that implement CSR practices are concerned about the performance (environmental, social, and financial) effects of these practices. The literature fails to provide generic relationships on the performance effects of the CSR practices. For instance, majority of studies report positive effect of CSR on financial performance (e.g., Prado-Lorenzo *et al.,* 2008; Cheung *et al.,* 2010; Eltayeb *et al.,* 2011; Wei and Lin, 2015), while few report either no or negative effects (e.g., Lin *et al.,* 2009; Oeyono *et al.,* 2011; Dam and Petkova, 2014). Similarly, most studies show a positive effect on environmental performance (e.g., Gualandris *et al.,* 2014; Adebanjo *et al.,* 2016), while few show no effect (e.g., Theyel, 2001; Pullman *et al.,*

2009; Grekova *et al.*, 2016). The social performance also follows the same pattern: Most studies find positive effect (e.g., Carter and Rogers, 2008; Lo *et al.*, 2014; Sancha *et al.*, 2016), while few of them find no effect (Robson *et al.*, 2007). One plausible reason for the mixed results is the omission of mediating and moderating variables in these relationships. Mediating and moderating variables affect differences in the findings reported (Carroll and Shabana, 2010), and, indeed, some studies suggest including moderating variables (Margolis *et al.*, 2007; Nawrocka and Parker, 2009). Including more contextual variables as moderating variables make the association between CSR practices and performance more contexts specific and provide results that are more reliable.

Given the large-scale global production activities, a growing number of researchers consider it very interesting and crucial to integrate CSR into global production activities and call for research on this topic (e.g., Timlon, 2011; Terouhid *et al.*, 2012; Gimenez *et al.*, 2012; Caniato *et al.*, 2013; Wenzhong, 2013). Firms that offshore are based in one country (*home country*) and operate in another country (*host country*). The different institutional environments in the home and host countries could influence the association between stakeholder pressure and CSR practices, and CSR practices and performance. However, home and host countries have not been addressed together in the literature. Wei *et al.* (2014) suggest for the joint consideration of home and host countries in order to provide further understandings on CSR engagement in multinational corporations (MNCs). The level of ownership in the global operations also influences the implementation of CSR practices: Firms provide best practices to their subsidiaries under direct ownership while in subcontracting where ownership is either less or missing, cost often take priority and that leads to social risks in the supplier's facilities (Anner, 2012). Western firms have been sourcing from a diversified geography, including local (mostly from developed countries) and global (mostly from developing countries) locations, to meet their business objectives. These firms lack ownership on their supplier factory and, consequently, are more prone to environmental and social risks in their supply chains. It is natural to expect that stakeholder pressure affects the adoption of supplier-related CSR practices, and, in turn, sustainability performance will be different due the business' contextual nature of the locally versus globally sourcing firms. However, the effect of stakeholder pressure on the adoption of supplier CSR practices and, in turn, performance has never been investigated in local versus global sourcing firms so far.

The second objective of this thesis is to investigate the following:

- The role of home and host countries on the association between stakeholder pressure and CSR (internal and supplier-related) practices implementation, and CSR practices and performance.

- The effect of stakeholder pressure on the adoption of supplier-related CSR practices, and in turn, performance of locally versus globally sourcing firms.

1.5. ORGANIZATION OF THE THESIS

This thesis is organized in 6 chapters, as shown in Figure 2. Chapter 1 describes the overview/background of the research, emerging trends in the research area, research motivation, thesis organization, and finally summary of the chapter. Chapter 2 presents and discusses the literature on offshoring/outsourcing drivers, offshoring governance mode's effects on performance, offshoring experience's effects on performance, the association between offshoring experience and risk management, stakeholders' pressures and CSR implementation, and the relationships between CSR practices and performance. That chapter defines the core concepts, highlights the research gaps in existing literature, and formulates research questions to address those gaps. Chapter 3 presents the research design of this study and elaborates the nature of the research in detail, the data sources, and finally the statistical techniques used in the research papers. Chapter 4 summarizes the findings reported in the five research papers. Chapter 5 discusses these findings against the literature presented in Chapter 2 and formulates the implications of the research for theory and practice. Finally, Chapter 6 summarizes the main findings, discusses the limitations of this study, and, based on that, formulates future research direction.

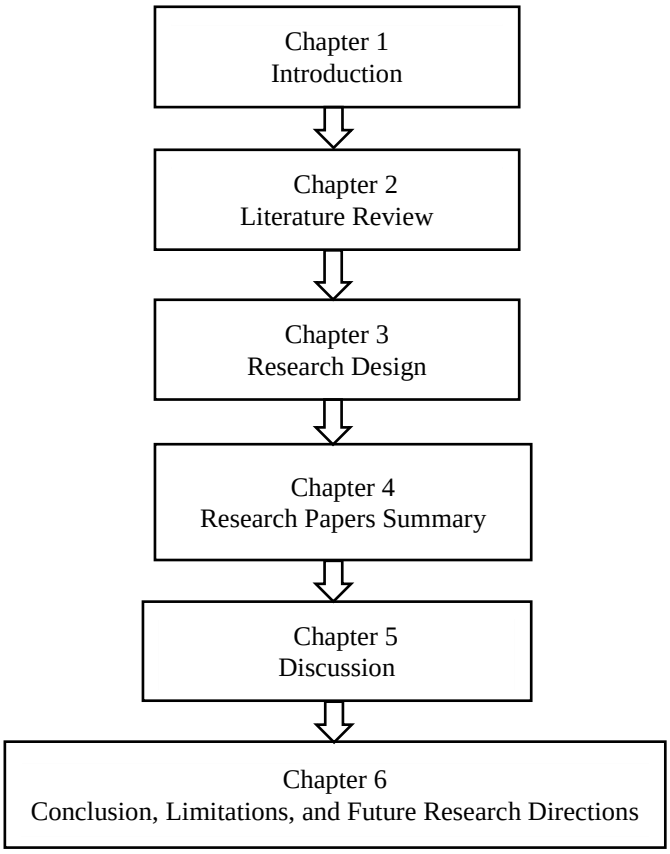

Figure 2-Thesis structure

1.6. CHAPTER SUMMARY

This chapter provides an overview of globalization and the competitive pressures resulting from globalization. The chapter elaborates in detail the emerging trends in the global production. Among these trends, offshoring, which is driven by economic, strategic and technical reasons, has become an established business practice. Offshoring offers firms gains (access to cheap inputs, the markets, and knowledge and technology) and, simultaneously, exposes them to risks, which, if materialized, may reduce firm's performance. Representing the first objective of this study, one of the assumptions underlying the research, not hitherto researched, is that offshoring experience helps firms to realize the offshoring drivers (gains) and minimize the risks involved in offshoring, which, in turn, leads to better performance effects.

Predominantly for economic reasons, the global sourcing and offshoring/outsourcing activities often lead to environmental and social problems, resulting in high

stakeholder pressure on firms to implement CSR practices in their operations inside and outside, in their supply chains. Evidence about the associations between stakeholder pressure and CSR implementation, and between CSR practices and performance is inconclusive, which is due to the omission of various mediating and moderating variables. In offshoring, both home and host countries influence the relationship between stakeholders' pressure and CSR practices' implementation, and between CSR practices and performance. The simultaneous investigation of home and host countries, which has not been researched so far, is assumed to offer further insight into the CSR in MNCs. Furthermore, the level of ownership in global production activities is associated with the implementation of CSR practices. The study assumes that global sourcing – through offshore outsourcing to other firms is not owned by the sourcing firm – is more prone to environmental and social risks in supply chains than captive offshoring to plants that are owned by the sourcing firm. Therefore, the second objective of this study is to investigate the role of home and host countries and locally versus globally sourcing in the relationships between stakeholder pressure, CSR practices, and performance.

The next chapter reviews existing literature, defines the core concepts of this study, and points out the research gaps leading to research questions that need to be answered in order to realize the objectives of this study.

CHAPTER 2. LITERATURE REVIEW

This chapter reviews the literature on offshoring under the following five groups: offshoring concept, offshoring drivers, offshoring governance modes, offshoring performance, offshoring risk, and offshoring experience, and points out the evolving gaps in offshoring research. In addition, the chapter also presents a comprehensive review of literature on the corporate social responsibility (CSR) concept, its drivers, and performance effects, and explores research gaps in this field.

2.1. OFFSHORING

Due to globalization and improvement in information and communication technology, markets (i.e. capital and labor) have become more integrated, which gives firms the opportunities to get access to these markets (Kedia and Mukherjee, 2009). Consequently, a greater number of firms are increasingly offshoring their production activities (Maskell *et al.,* 2007). In fact, offshoring has become an established, strategic business practice (Kedia and Mukherjee, 2009). The word "offshoring" is often confused with the word outsourcing. However, there is a difference between them. Offshoring is defined as "… the process of sourcing and coordinating tasks and business functions across national borders", while "outsourcing, in contrast, denotes the delivery of products or services by an external provider" (Manning *et al.,* 2008, p. 39). Based on location and ownership, the phenomenon takes different forms, such as inhouse development, domestic sourcing, captive offshoring, and offshore outsourcing (Kedia and Mukherjee, 2009). Inhouse development suggests development that is neither outsourced not offshored. Domestic sourcing involves contracting out business processes to domestic suppliers. Captive offshoring is the relocation of business functions to one of the firm's own centers or subsidiaries abroad under their ownership and control, while offshore outsourcing is the operation of these functions by an independent supplier (Kedia and Mukherjee, 2009). In this thesis, we will treat offshoring as including both captive offshoring and offshore outsourcing and the word "outsourcing" and "offshore outsourcing" will be used interchangeably. The literature in this area can be grouped into the following: 1) drivers of offshoring, 2) offshoring governance modes, 3) offshoring performance, 4) offshoring experience and firm performance, and 5) offshoring experience and risk management.

2.2. DRIVERS OF OFFSHORING

Firms offshore their production and service activities for a number of reasons. Among these reasons, low cost is reported as the main motivating factor (e.g., Kinkel *et al.,* 2007; Aird and Saffinfield, 2009; Kinkel and Maloca, 2009; Davis and

Naghavi, 2011; Jabour, 2010; Ok, 2011; Roza *et al.*, 2011; Michel and Rycx, 2012; Da Silveira, 2014; Ikediashi and Okwuashi, 2015). Out of the total number of articles reviewed (38) for this study (Table A1 in Appendix A), 20 (52%) have reported cost reduction as one of the main reasons behind offshoring decisions. These drivers are most common in less information-intensive firms (Nachum and Zaheer, 2005). Transaction Cost Economics (TCE) explains the logic behind these drivers (Ellram *et al.*, 2008; Roza *et al.*, 2011). The uncertainty involved in offshoring decisions increases transaction costs, which may undermine the savings. Firms lower these costs by gaining from low-cost inputs and wages in the offshored locations.

Market access is another reason driving companies to offshore or outsources their functions abroad **(**Ferdows, 1997a, 1997b; Corbett, 1998; MacCarthy and Atthirawong, 2003). Along with these, flexibility (Claver *et al.*, 2002; González *et al.*, 2005; Hung Lau and Zhang, 2006; Da Silveira, 2014) and tax incentives (MacCarthy and Atthirawong, 2003; Aird and Saffinfield, 2009) are the other motivating factors. Out of the total set of articles reviewed for this study, 8% (3/38) report access to market, 11% (4/38) flexibility**,** and 5% (2/38) tax incentives. These drivers can be explained by entrepreneurship theory (Schumpeter, 1934; Davidsson, 1989). According to Schumpeter (1934), entrepreneurship is related to developing new resource combinations, and it shows the willingness of firms to expand beyond their boundaries (Davidsson, 1989). Getting access to new markets and customers gives firms the opportunities which they can exploit and use to improve their performance.

Along with the above-mentioned drivers, recently, there is an increasing trend of companies to try and get access to talent, knowledge, technology, and scarce resources (Lewin and Couto, 2007; Manning *et al.*, 2008; Aird and Saffinfield, 2009; Lewin *et al.*, 2009; Lynn and Salzman, 2009; Mazzanti *et al.*, 2009; Ok, 2011). From the total set of articles, 28% (11/38) report these drivers, showing that they are the second largest group of reported drivers after the low-cost drivers. This recently evolving trend comes from the scarcity of talent in advanced economies and the emerging and seemingly unlimited availability of science and engineering talent in developing countries. In relation to this, companies not only offshore standardized products and processes, but also an increasing number of advanced functions such as design, and research and development are being offshored (Manning *et al.*, 2008). These drivers are most common in high-tech information-intensive industries (Nachum and Zaheer, 2005). The resource-based view (Barney, 1991) explains the logic behind these drivers. Access to talent, knowledge, and technology develop a firm's capabilities, which helps them to maintain or improve their competitive position in the market.

In summary, in the past, cost motives were the main driver. Today, along with these drivers, strategic motives (access to knowledge, technology, and talent) drive firms,

especially high-tech information-intensive firms, to offshore business functions to destinations that are mostly in emerging countries.

However, the studies analyzed in this subsection do not talk about realized offshoring drivers – the drivers that firms actually get access to. Offshoring drivers are important because they determine the scale of offshoring initiatives. However, the performance effects of the offshored projects cannot result from these drivers themselves but rather depend on the extent to which the drivers are realized. As firms are mainly concerned about the performance effects of their offshored projects, it is important to investigate the extent to which the offshoring drivers are actually realized and the effect that it has on performance.

2.3. OFFSHORING GOVERNANCE MODES AND THEIR INFLUENCING FACTORS

Offshoring mode has been studied widely (Table A2 in Appendix A). While entering foreign markets, firms may choose between a variety of entry modes, including joint ventures, licensing, sole ventures, exporting (Agarwal and Ramaswami, 1992, Roza *et al.*, 2011), greenfield, and acquisition (Kogut and Singh, 1988). Anderson and Gatignon (1986) divide these modes broadly into three categories: 1) sole ownership where firms have full control, 2) balanced ownership where there is shared ownership (e.g., joint ventures), and 3) diffused modes with low or no control. Based on these different control levels and forms of ownership, Roza *et al.* (2011) divide these modes into captive offshoring, which includes both full ownership and shared ownership, and offshore outsourcing with no ownership. Choosing among captive offshoring and offshore outsourcing modes is a challenging task for managers (Elia, 2014) since they are influenced by a wide range of factors.

Previous studies (e.g., Aron and Singh, 2005; Narayanan and Swaminathan, 2007; Hutzschenreuter *et al.*, 2011; Gooris and Peeters, 2014; Linares-Navarro *et al.*, 2014; Gerbl *et al.*, 2015) have pointed out different factors that influence the choice of governance mode (i.e. captive offshoring versus offshore outsourcing). Out of these, firm level and process level factors as well as factors related to location's attractiveness influence the choice of modes of governance (Gerbl *et al.*, 2015). According to Gerbl *et al.* (2015), firms with a high degree of prior offshoring experience and employee skills in foreign cultures and languages are more likely to choose the offshore option. Alternatively, firms with little offshoring experience are more likely to opt for nearshore locations. Among the process level factors, standardized processes and low danger of knowledge loss lead the firms to go for the offshore option. Finally, location factors, including low costs concerning labor and infrastructure and differences in time zones, culture, and languages, influence the choice of offshoring mode. Narayanan and Swaminathan (2007) suggest that captive offshoring is also suitable for complex tasks, high quality, and greater control. Similarly, companies choose internal governance if they have high proprietary

assets, and if cultural distances are high, they look for regional market growth and/or produce differentiated products (Hutzschenreuter *et al.*, 2011).

The nature of activities to be offshored also influences the choice of governance mode. Linares-Navarro *et al.* (2014) divide activities into two groups: 1) core and essential activities, 2) non-core activities. According to them, firms offshore core and essential activities through captive modes, while non-core activities are offshored via offshore outsourcing. Different kinds of distances are also reported to affect the choice of governance modes. For example, Gooris and Peeters (2014) find that geographical, institutional, and cultural distance influences the choice of governance mode. According to these authors, internal uncertainties, resulting from the interaction of geographically dispersed and culturally different offshore and onshore units, can be mitigated via greater control and coordination mechanisms in captive offshoring. Given the external uncertainties that result from institutional distance, firms confine their commitment abroad and take advantage of the local experience and resources of third-party providers. Hutzschenreuter *et al.* (2011) find that firm-specific characteristics and objectives, institutional environment, and behavior of similar firms in the surroundings influence the choice of governance mode. Different kinds of risks are also reported (Aron ad Singh, 2005) to influence the choice of governance mode. For example, in the case of high operational risk – the risk that the processes offshored will not operate in a smooth way and structural risk – the risk that the relationships will not work, the captive mode is appropriate. When these risks are low, outsourcing is a preferable mode. In summary, no single governance mode is superior to the other. The appropriateness of governance modes depends on their fit with the firm strategy in highly competitive environments (Metters, 2008).

2.4. OFFSHORING AND PERFORMANCE

Many studies have reported performance effects of offshoring; some focus on the effect of offshore outsourcing alone and others focus on offshore outsourcing and captive offshoring together. Articles on the effect of offshoring on firm performance (Table A3 in Appendix A) report different performance effects.

The first group of studies investigates the offshoring effect on productivity (Ito *et al.*, 2011; Wernerheim, 2012; Schworer, 2013; D'Attoma and Pacei, 2014; Farinas *et al.*, 2014; Lopez, 2014; Michel and Rycx, 2014). According to Ito *et al.* (2011), firms that offshore outsource both manufacturing and services tasks together to external suppliers have positive effects on their productivity; however, firms that offshore outsource only manufacturing or services tasks experience no effects on their productivity. Firms that offshore to several host locations are more likely to be productive than non-offshoring firms. These results suggest that the level of engagement (with a wide coverage of tasks and host locations) in offshoring is important for firms' productivity. Farinas *et al.* (2014) find that subcontracting to

external suppliers has a positive effect on productivity for both domestic outsourcing and offshore outsourcing. Furthermore, the intensity (value of outsourcing of intermediate inputs relative to the total value of intermediate inputs) of both these decisions has a positive effect on productivity. Similarly, Wernerheim (2012) reports a positive effect of manufacturing and services' offshore outsourcing on productivity, while, Schworer (2013) reports this effect only for services and non-core activities. In a similar vein, D'Attoma and Pacei (2013) find a positive effect of offshore outsourcing on productivity in the context of manufacturing companies from Italy. Dividing the nature of activities into materials and business processes, Michel and Rycx (2014) show that there is no effect of material offshoring and a positive effect of business process offshore outsourcing on productivity. Finally, in the context of labor intensive industries in Spain, the offshore outsourcing intensity of manufacturing activities has a positive effect on productivity (Lopez, 2014). Some studies compare the effects of different offshoring governance modes. Different offshoring governance modes have different effects on firm performance due to differences in resources and control level required for each of the governance modes. For instance, both offshore outsourcing and captive offshoring have a direct and indirect positive effect on productivity. However, the indirect effect via innovation (improvement in processes) on productivity is stronger in captive offshoring (Neito and Rodríguez, 2011; Nieto and Rodríguez, 2013) than in offshore outsourcing.

The second group of studies reports the effect of offshoring on cost savings, quality, and flexibility (Cerruti, 2008; Van de Gevel, 2006; Yu and Lindsay, 2011). Out of these, offshore outsourcing has a positive effect on cost savings and quality but a negative effect on flexibility and delivery (Yu and Lindsay, 2011). According to Cerruti (2008), offshore outsourcing based only on cost reduction deteriorates competitive advantage due to unreliable deliveries and poor customer services, yet well-focused offshore outsourcing improves competitiveness by enhancing cost reduction. Some studies (e.g., Elia *et al.*, 2014; Caniato *et al.*, 2015) report no direct effect of offshoring governance mode on firm performance; rather, offshoring governance mode interacts with locational drivers to affect firm performance (Elia *et al.*, 2014). According to these authors, failing to implement captive offshoring for complex processes affects service quality negatively, while there is no effect in the form of cost savings. In contrast, offshore outsourcing of complex tasks introduces greater costs of coordination which lower the benefits of cost savings and economies of scales. According to Caniato *et al.* (2015), offshore outsourcing has a positive effect on the relationship between efficiency seeking strategies and operational performance, while captive offshoring has a positive effect on the association between resource-seeking strategies and strategic performance (better access to new markets, product innovations, firm growth, increase in firm's overall competitiveness). Hutzschenreuter *et al.* (2011) report greater success of offshore projects in terms of cost savings and service quality in offshore outsourcing than in captive offshoring. Larsen *et al.* (2013) find less cost estimation errors in captive

offshoring than in offshore outsourcing. This difference is mainly due to the expected cost savings. Yet, there is no difference in realized savings in these different modes. The role of transaction costs is important in the effect of governance modes on firm performance. For example, according to Chen and Hu (2002), governance modes of the offshoring projects that are selected based on the guidelines from the transaction cost theory (to minimize transaction costs and maximize transaction benefits) outperformed than those projects whose modes are selected otherwise.

Yet, other research studies report positive effects of offshoring on firm performance in terms of profitability, market share, market returns, and sales growth (Jiang, 2006; Salimath *et al.*, 2008; Ceci and Masciarelli, 2010; Jabbour, 2010; Prezas *et al.*, 2010; Tat *et al.*, 2010; Jaklic *et al.*, 2012; Mohiuddin and Su, 2013; Sanchís-Pedregosa *et al.*, 2014), amongst others. For example, offshore outsourcing has a positive but insignificant effect on productivity gains and profitability in the short run, while in the long run, these effects are positive (Jiang, 2006; Jaklic *et al.*, 2012). Similarly, offshore outsourcing decisions have a positive effect on financial performance (sales, net profit, growth in sales) (Salimath *et al.*, 2008; Sanchís-Pedregosa *et al.*, 2014). In a similar vein, the offshore outsourcing of intangibles (i.e., software development, R&D) is reported to have positive effect on firm performance due to several advantages, such as cost reduction, access to skilled talent and technologies, and access to the market (Ceci and Masciarelli, 2010). Caniato *et al.* (2015) find a positive effect of offshoring drivers – low cost and resource availability – on operational performance and strategic performance (sales) and a positive effect of local networks on strategic performance, but a negative effect on operational performance. Furthermore, coherence between what a firm offshores and the firm's downstream activities positively moderates the relationship between offshoring and firm performance. Different governance modes have different effects on firm growth (sales) (Nieto and Rodríguez, 2013; Rodríguez and Nieto, 2016). Among them, offshore outsourcing has both a direct effect and an indirect effect, via innovation, on firm growth (sales). The direct effect comes from improvement in efficiency, flexibility, and getting access to the market. There is only an indirect effect via innovation on firm growth in the case of the captive offshoring (Rodríguez and Neito, 2016).

Offshore outsourcing is also reported to improve market share, stock returns, and focus on core activities (Prezas *et al.*, 2010; Bustinza *et al.*, 2010; Tat *et al.*, 2010; Mohiuddin and Su, 2013). According to Prezas *et al.* (2010), firms predominantly offshore outsource for lower costs reasons, which helps them realize operating and stock returns performance in the years following offshoring. Some studies also report better innovation performance resulting from the offshoring of R&D in captive offshoring than in offshore outsourcing (Nieto and Rodríguez, 2011). Lin *et al.* (2017) report a positive relationship between functional diversity in offshoring and innovation performance and an S-curve shaped relationship between locational

diversity and innovation performance. The effects of functional diversity on innovation performance are higher in captive offshoring than in offshore outsourcing. Furthermore, offshore outsourcing has a positive effect on the export performance of the firms. These effects are stronger in export markets where firms import intermediate goods (Bertrand, 2011).

In contrast to the above, some studies report no relationship (Gilley and Rasheed, 2000; Gorg and Hanely, 2004; Mol *et al.,* 2005) or even a negative relationship (Yu and Lindsay, 2011; Kotabe *et al.,* 2012) between offshoring and performance. Gilley and Rasheed (2000) find that offshore outsourcing has no direct effect on either financial or non-financial performance, rather, the firm's strategy and environmental dynamism moderate this relationship. According to Gorg and Hanely (2004), the relationship between firm performance (profitability) and offshore outsourcing depends on plant size. In large plants, there is an increase in the profitability, while in the case of smaller plants, there is no such effect. Yu and Lindsay (2011) show that offshore outsourcing has both positive and negative effects on operational performance in terms of cost, quality, flexibility, and delivery. Similarly, Kotabe *et al.* (2012) find a negative curvilinear relationship between offshore outsourcing and firm's market share. Furthermore, competition and the strength of the firm's resources negatively moderate this relationship. According to Kotabe *et al.* (2008), the relationship between offshore outsourcing and firm performance is inverted U shaped, suggesting the existence of an optimal level of offshore outsourcing. Moving beyond this level deteriorates firm performance.

In summary, reports on the relationship between offshoring and firm performance are mixed. These mixed results come from differences in operationalization of the performance indicators and time horizon (i.e. short term versus long term effects). Differences in context may provide a further explanation of variation in the results reported. Some authors report or even measure the influence of variables such as size and strategy, while others do not do so. Thus, there is a need to study the role of context in this relationship more systematically.

The set of contextual factors put forward in the literature includes strategy (Gilley and Rasheed, 2000; Gorg and Hanely, 2004; Cerruti, 2008; Prezas *et al.,* 2010; Massini *et al.,* 2010), size (Salimath *et al.,* 2008; Ceci and Masciarelli, 2010; Wagner, 2011; Bertrand *et al.,* 2011; Roza *et al.,* 2011; Farinas *et al.,* 2014), outsourcing intensity (Ito *et al.,* 2011; Farinas *et al.,* 2014), environmental dynamism (Gilley and Rasheed, 2000), governance modes (Neito and Rodríguez, 2011; Caniato *et al.,* 2015; Rodríguez and Neito, 2016), age (Salimath, 2008), organizational learning, economies of scales, organizational capabilities (Sherrer-Rathje *et al.,* 2014), and industry (manufacturing and service) (Michel and Rycx, 2014). Host location may also be a possible source of variation in the performance effects resulting from offshoring, in that, it may moderate the relationship between offshoring drivers and firm performance (Caniato *et al.,* 2015). Studies that

investigate the moderating role of governance mode have considered only two extremes: captive offshoring and offshoring outsourcing; however, the governance modes in the middle, e.g., joint ventures, have not been investigated.

In addition, the emphasis on offshoring drivers has changed. In the past, cost motives were the main driver, while today, along with these drivers, strategic motives (access to knowledge, technology, and talent) drive firms. As these changes in locational choices may influence performance, further examination of the effect of offshoring drivers on performance is needed. Caniato *et al.* (2015) concur with Kedia and Mukherjee (2009) and Roza *et al.* (2011) that offshoring drivers or, as they call it, location drivers have rarely been related to performance and investigate relationships between four groups of drivers and two groups of performance indicators, namely, operational and strategic performance. Ceci and Masciarelli (2010) too report the effect of offshoring drivers on performance. However, the effect of *realized* offshore drivers (accessed offshore drivers) on firm performance is not addressed in these studies. Offshoring drivers are important because they determine the scope of an offshoring initiative. However, the extent to which these offshoring drivers *materialize* actually affects the initiative's success (or failure). There is a need to research the effect of realized offshoring drivers on performance.

2.5. OFFSHORING EXPERIENCE AND FIRM PERFORMANCE

Several authors have studied the relationship between offshoring experience and performance (Table A4 in Appendix A). Most studies suggest that offshoring experience from offshoring attempts may affect the success of those projects and, consequently, firm performance. Maskell *et al.* (2007) describe offshoring experience as a gradual learning process by which new possibilities are identified and new organizational ways are developed for exploiting these possibilities. When an offshoring initiative matures, the firm gains offshoring experience, and the resulting learning occurs in both the home and the host country (Jensen, 2009). This learning also suggests changes at the systematic level for realizing the benefits from the offshoring. In short, prior offshoring experience should be expected to help an organization conduct, manage, and deal with the challenges in later offshoring projects more efficiently and successfully (Li, 1995; Westner and Strahringer, 2010).

The positive effect of offshoring experience on offshored projects' success, and consequently firm performance, has been addressed in several studies. For example, the learning experience from offshoring reduces managers' cognitive limitations and enables firms to offshore high-end activities, resulting in quality improvement and innovation (Maskell *et al.*, 2007). Massini *et al.* (2010) find that accumulated knowledge and experience from offshoring increases cost savings and efficiency. According to Lewin *et al.* (2009), prior offshoring experience can both enable and constrain offshoring decisions in different ways. First, due to search rules and

routines used by firms with a history of internal R&D sourcing, they continue to source R&D internally. Second, firms with no experience with R&D outsourcing are more likely to source R&D internally because experience related to internal sourcing reduces costs as these activities are performed within the organization. Third, past experience may influence the different possibilities in terms of more distant markets and high commitment (captive) modes that managers consider while taking the offshoring decisions (Hutzschenreuter *et al.*, 2007; Lewin *et al.,* 2009). Offshoring experience is further reported to help in selecting locations and searching for vendors (Graf and Mudambi, 2005; Hätönen, 2009; Demirbag and Glaister, 2010). For example, the ability and knowledge of the people responsible for outsourcing help in making good location choices, which are important for the offshoring projects' success (Graf and Mudambi, 2005). According to Demirbag and Glaister (2010), prior experience with overseas R&D determines the project's location choices. Di Gregorio *et al.* (2009) find that offshoring experience with administrative and technical services in SMEs has a positive effect on the volume and scope (ability to expand into more foreign markets) of international sales.

Offshoring experience also relates to efficiency and cost savings. According to Massini *et al.* (2010), challenges in coordination and control undermine the savings, but as firms gain knowledge, experience, and control of offshored projects, efficiency and cost savings improve. In contrast, Westner and Strahringer (2010) show no direct effect of offshoring experience on offshore project success. However, offshoring experience has a positive effect on project suitability, knowledge transfer, and liaison quality, which in turn have a positive effect on project success. However, the effect size is very small due to the low experience level of organizations and individuals in the study sample. Prior offshoring experience in the context of low-value business process outsourcing (BPO) is reported to have a positive effect on productivity (Kshetri and Dholakia, 2011). According to Leiblein and Miller (2003), experienced firms can select the best suppliers, manage relationships effectively, and better respond to and anticipate technological and market contingencies over time. Furthermore, with the gain of offshoring experience, the capability of searching, evaluation, negotiation, and contracting improves, and it increases the scale and scope of offshoring (Larsen *et al.*, 2013).

On the other hand, knowledge gained from previous implementations is often hard to apply in different settings. Many efforts are required to apply even some portion of the knowledge in the same settings (Leiblein and Miller, 2003). This is due to the reality that different modes of governance require different capabilities. Knowledge gained from experience in one mode of governance may not be applicable in another mode (Chang and Rosenzweig, 2001).

In summary, offshoring experience may influence the offshoring decisions and management of offshoring projects and, consequently, the firm's performance. However, the effect of offshoring experience on the success and performance effects

of offshoring projects has not been addressed empirically. Literature regarding the impact of offshoring experience on firm performance is quite rare. One of the few examples of such studies is the one by Lo and Hung (2015), where they show a positive effect of offshoring experience on offshoring strategy and firm performance. The extent to which the offshoring drivers are realized determines the success (or failure) of the offshore projects. Offshoring experience in this regard can enhance the realization of offshoring drivers, which in turn may have a positive effect on firm performance. The selection of offshoring governance mode is influenced by a number of factors, including prior offshoring experience (Gerbl *et al.*, 2015), greater control (Narayanan and Swaminathan, 2007), the type of activities to be offshored (Linares-Navarro *et al.*, 2014), geographical and cultural distances (Gooris and Peeters, 2014), and the different kinds of risks (Aron and Singh, 2005). Different host locations offer different locational advantages, and governance modes interact with these drivers to influence a firm's performance (Caniato *et al.*, 2015). Investigating the relationship between offshoring experience on firm's performance via realized offshoring drivers in different governance modes and host locations will add to the literature on offshoring.

2.6. OFFSHORING EXPERIENCE AND RISK MANAGEMENT

The number of articles on offshoring experience and risk management is limited (Table A5 in Appendix A). The general thrust is that offshoring offers companies a wide range of opportunities, but also exposes them to risks, which, if materialized, lead to hidden effects, including quality and lead time issues, loss of intellectual capital, and higher unexpected costs, which are reported as the main drivers of insourcing and backshoring (Kinkel and Maloca, 2009; Stentoft *et al.*, 2015; Zhai *et al.*, 2016). The unexpected costs are termed differently, such as "extra costs", "invisible costs" and "hidden costs" (Barthelemy, 2001; Dibbern *et al.*, 2008), "remaining costs" and "new costs" (Lancelloti *et al.*, 2003). We use the term "hidden costs" in this thesis. As noted by Larsen *et al.* (2013, p. 536), "hidden costs might arise from unanticipated organizational needs and can be related to areas such as knowledge transfer, new interdependencies, training and coaching, the protection of intellectual capital or the monitoring the performance of offshore units". Similarly, according to Andersson and Pedersen (2010), hidden costs are the unexpected, non-contractual costs of maintaining the offshoring relationships. The word "unexpected" means that these costs occur suddenly in a surprising way (Andersson and Pedersen, 2010).

Hidden costs have different sources. For example, task and geographical complexity lead to cost estimation errors (Larsen *et al.*, 2013). According to Barthelemy (2001), hidden costs occur when the offshoring decisions are taken based on a lower unit price without considering all the relevant costs. This author divides sources of hidden costs into four categories: 1) vendor search and contracting, 2) transition to the vendor, 3) vendor management, and 4) transition after outsourcing. Out of these,

the first three are related to the pre-startup phase of offshore outsourcing, while the last one is related to the management of post-offshore outsourcing relationships. Similarly, Dibbern *et al.* (2008) distinguish five categories: 1) requirements specification costs, 2) design costs, 3) knowledge transfer costs, 4) coordination costs, and 5) controlling costs. The first three are related to the transition phase, the other two to the management of the offshored projects.

Several studies (e.g., Stratman, 2008; Srikanth and Puranam, 2011) address challenges related to controlling and coordinating the onshore and offshore tasks and processes. Among them, coordination failures are higher in offshored projects where there is a high interdependency between onshore and offshore locations, leading to lower process performance (Srikanth and Puranam, 2011). Mechanisms including modularization and continuous, tacit communication reduce the negative effect on performance resulting from high interdependence. Stratman (2008) finds that transactional costs from transferring, monitoring, and coordinating offshored service processes consume some savings from cheap offshore labor. Controlling and coordinating costs are interrelated. For example, better coordination helps in controlling, while effective controlling ensures good coordination (Sabherwal and Choudhury, 2006).

Besides this, companies may face challenges in the knowledge transfer between the onshore and the offshore organization due to differences in time zone, language, climate, political history, culture (Chen *et al.*, 2013), and the dynamic nature of knowledge (Ferdows, 2006). On the one hand, the effect of knowledge transfer on cost savings is positive due to fewer adaptations in each plant that result from transferring production knowledge from the lead factory. On the other hand, the effect is negative due to the transfer cost of knowledge itself. The complexity level of production processes and plant heterogeneity influence this relationship (Lang *et al.,* 2014). According to these authors, low complexity has a positive effect, while high complexity has a negative effect on a firm's performance. Furthermore, plant heterogeneity decreases linearly the effectiveness of knowledge transfer. Wæhrens *et al.* (2012) report that knowledge transfer is an extensive process; standard procedures and division of labor reduce the complexity involved. Overall, transferring knowledge between an onshore and offshore unit is a challenging task, and companies often fail to do it effectively. For example, Galbraith (1990) reports that out of 32 attempts of knowledge transfer he studied, 10 failed and terminated, while in the 22 remaining attempts, there was an average productivity loss of 34%. Similarly, Knudsen *et al.* (2014) find that only 13% of executives effectively transfer knowledge from one part of the organization to another.

Offshoring experience may reduce the above-mentioned challenges; hence, the resulting hidden costs (risk) gets reduced. Few studies investigate the role of experience in mitigating hidden costs (Barthelemy, 2001; Choudhury and Sabherwal, 2003; Rudberg and West, 2008; Larsen *et al.,* 2013). Among them,

Larsen *et al.* (2013) report the reduction of cost estimation errors in companies with previous offshoring experience. Offshoring experience enhances managerial decision-making capabilities and helps them to correctly estimate the hidden costs. In addition, the cost estimation errors tend to be higher in captive offshoring than offshore outsourcing. According to Graf and Mudambi (2005), offshoring experience lowers the associated risks and transaction costs in offshoring. Demirbag and Glaister (2010) found that there exists a trade-off between such experience and political risk. As companies gain experience with and knowledge on how to manage an offshore R&D project, the impact of political risk declines (Demirbag and Glaister, 2010).

Companies with low offshoring experience cannot accurately assess challenges in terms of service quality, operational efficiency, and managerial control, while those with high experience can work out these challenges by collaborating with partners (Manning *et al.,* 2008). Moreover, besides focusing on the operational efficiency, experienced companies learn to develop capabilities to manage the risk of wage inflation and recruit, manage, and retain talent effectively. Gatignon and Anderson (1988) find that firms without offshoring experience lack the knowledge to monitor and control the foreign subsidiaries effectively. Furthermore, offshoring experience helps companies in better understanding and accurate assessment of foreign risks and returns (Gatignon and Anderson, 1998). Choudhury and Sabherwal (2003) find that initially control is simple, but as the client gets experience with vendors, they employ more controls. Therefore, clients with more offshoring experience have a wider portfolio of tighter controls and fewer problems in their offshored projects in effect. Similarly, experienced firms, such as Ericsson and Honda, have created standardized guidelines for manufacturing activities, which enhance the coordination of their manufacturing networks (Rudberg and West, 2008). Furthermore, offshoring experience helps in reducing costs related to vendor search and contracting (Barthelemy, 2001; Peeters *et al.,* 2010). For example, prior outsourcing experience lowers vendor search and contracting costs which lead to low hidden costs (Barthelemy, 2001) and develops the capabilities of the management, which can act as a better substitute for external consultants (Barthelemy, 2001). Similarly, offshoring experience helps firms to develop specific capabilities, including relational and contracting capabilities, which helps firms to estimate the benefits and costs involved in offshore decisions more accurately (Peeters *et al.,* 2010).

Control, coordination, and knowledge transfer are important aspects of offshoring, and firms need to manage the challenges arising in these aspects adequately. In the case of failure, the risk involved in offshoring materializes in the form of, for example, hidden costs and have a substantial negative effect on firm performance and in extreme cases, turn the offshored project into failure. Some reports (e.g., Stringfellow *et al.,* 2008) claim that more than half of all offshored projects fail because the extra costs are not properly considered. Therefore, managing this risk

(lowering hidden costs) adequately will have a positive effect on firm performance. Despite its importance, the effect of risk management on firm performance is not widely addressed in the literature. Firms, mostly, employ risk management in areas such as insurance, health, and internal audit, among others; however, its use is not so much common in core business processes related to future growth activities (Taran *et al.,* 2014). Therefore, further studies are needed to investigate the relationship between risk management and firm performance in an offshoring context. The relationship between risk management and firm performance under different governance modes and in host countries adds more to the body of literature on offshoring. Furthermore, the effect of offshoring experience on risk management is not explicitly addressed in the literature either. Further research is needed to explore this link. The above literature suggests that offshoring experience may have a positive effect on risk management, which in turn may affect firm performance positively. Finally, examining the role of offshoring experience in risk management in different host locations and different governance modes will add to the literature on offshoring.

2.7. CORPORATE SOCIAL RESPONSIBILITY (CSR)

CSR has been defined in various ways in different contexts. The Commission of the European Communities (2001) defines CSR as a concept where companies integrate social and environmental concerns in their operations and interact with their stakeholders on a voluntary basis. According to Watts and Holme (1999), CSR is a firm's commitment to help in the sustainable development of the world by working with stakeholders and improving the quality of life. The key elements in these definitions are environmental issues, social issues, and stakeholder interactions. Dahlsrud (2008) in his review of 37 CSR definitions identifies 5 dimensions of CSR, namely, the stakeholder, social, economic, voluntariness, and environmental dimension. These dimensions have a 50% chance to appear in any CSR definitions.

CSR behavior can be divided into internal and external practices. Internal CSR practices include social responsibility practices related to employees, such as health and safety, employee development and environmental practices concerning the natural environment (Castka *et al.,* 2004; Houghton *et al.,* 2009). Internal environmental practices commonly include environmental certifications (e.g., EMAS or ISO 14001), formal sustainability-oriented communication, training programmes and internal stakeholders' involvement, energy and water consumption reduction programmes, pollution emission reduction, waste recycling programmes (Gimenez *et al.,* 2012; Adebanjo *et al.,* 2016), and eco-labeling of products and eco-designs (Zhu *et al.,* 2013). External CSR practices cover the social and environmental issues outside a company and interaction with a wide range of stakeholders such as business partners, suppliers, customers, and NGO and public authorities (Kolk and Pinkse, 2010). Most common examples of external CSR practices include monitoring CSR of partners in the supply chain (raw material and

component certification, supplier audits, product integrity in distribution), collaboration with suppliers for sustainability (Gimenez *et al.*, 2012), cooperation with customers for cleaner production, green packaging, product take back, and reverse logistic relationships (Zhu *et al.*, 2013), among others. Overall, in this thesis, internal CSR practices refer to social and environmental practices inside a company, while external CSR relates to these practices with suppliers. The list of articles related to CSR definitions and dimensions is shown in Table 1.

Table 1: CSR definitions

Authors	**Definitions**	**Method**
Kolk and Pinkse (2010)	CSR can have both internal and external dimensions. Internal CSR relates to the environmental and social issues inside the company, while external CSR concerns the environmental and social issues outside of the company boundary.	Empirical
Drews (2010. p. 422)	"CSR is defined as voluntary corporate activities to tackle social and environmental issues".	Case study
Houghton et al. (2009)	Internal CSR practices include legal and ethical compliance behaviors related to employees, while external CSR practices go beyond the firm boundaries. External practices include philanthropic giving, ecological sustainability initiatives, and other activities to enhance the social capital of the organization.	Empirical
Dahlsrud (2008)	CSR covers five dimensions: stakeholder, social, economic, voluntariness, and the environmental dimension.	Content analysis
Castka et al. (2004)	The internal dimension of CSR are the socially responsible practices involving employees and relates to issues such as health and safety, employee development, management of natural resources in production. External CSR includes these practices beyond the companies' doors and involve stakeholders such as suppliers, customers, public authorities, and NGOs.	Case study
Staples (2004)	CSR are the good business practices that help to add to the social well-being in the present and future. These practices include treating employees fairly, operating ethically, respecting basic human rights, and caring for the environment and the local community.	Theoretical
Van Marrewijk (2003)	CSR refers to the inclusion of environmental and social concerns in the business operations and interaction with stakeholders on a voluntary basis.	Theoretical
Commission of the European Communities (2001)	CSR is the voluntary integration of environmental and social concerns in the business operations and interactions with stakeholders.	Theoretical
McWilliam and Siegel (2001, p. 1117)	"Actions that appear to further social goods beyond the interest of the firm and which are required by law are known as CSR".	Theoretical

2.7.1. COUNTRY OF ORIGIN AND COUNTRY OF OPERATION AND CSR

Multinational firms from one country perform their operations in other countries with different institutional environments. Due to the sensitivity of CSR in different contexts, the different institutional environments in the home and host countries of multinational enterprises (MNEs) should be expected to influence these firms' CSR practices. Table A6 (Appendix A) lists articles on the relationships between home and host countries, respectively and CSR practices.

Various studies (e.g., Chapple and Moon, 2005; Husted and Allen, 2006; Mohan, 2006; Khan *et al.*, 2015; Park and Ghauri, 2015; Beddewela and Fairbrass, 2016) report the influence of the country of operation, i.e. the *host country*, on the adoption of CSR practices. Among these, MNEs practice more CSR than the local ones, and they follow the profile of the host country rather than the country where they originally come from (Chapple and Moon, 2005). Different authors report that institutional pressures such as coercive, mimetic, and normative pressures, in the host countries influence the CSR practices of MNEs (Husted and Allen, 2006; Mohan, 2006; Park and Ghauri, 2015). Khan *et al.* (2015) find that MNEs follow the headquarter in marketing their CSR practices but they adopt CSR practices locally (where they operate). However, an integrated approach in which all the institutions are considered is lacking in these firms. In addition to the institutional pressures, internal factors, such as legitimacy seeking, influence the CSR practices of MNEs (Beddewela and Fairbrass, 2016).

Another group of studies investigate the impact of the country of origin, i.e. the *home country*, on the adoption of CSR practices and CSR disclosure (e.g., Wanderely *et al.*, 2008; Kolk *et al.*, 2010; Fifka, 2013; Spencer and Gomez, 2011; Castelo Branco *et al.*, 2014; Barkemeyer and Figge, 2014; Bonsón and Bednárová, 2014; Duran and Bajo, 2014; Vidaver-Cohen *et al.*, 2015; Einwiller *et al.*, 2016). Wanderely *et al.* (2008) report that country of origin and industry type have a significant effect on CSR disclosure; however, the effect of country of origin is stronger than that of industry type. The influence of country of origin on CSR disclosure has been shown for countries such as Spain and Sweden (Castelo Branco *et al.*, 2014), Germany, and the US (Einwiller *et al.*, 2016). In addition, country of origin, industry type, and listing in the Dow Jones Sustainability Index influence the intensity of reporting related to sustainability (Bonsón and Bednárová, 2014). Focusing on China, Kolk *et al.* (2010) report that foreign retailers from developed countries do more CSR practices than the Chinese retailers. Similarly, US firms practice more CSR practices related to corporate citizenship than German firms (Fifka, 2013) do. Barkemeyer and Figge (2014) find that headquarters play a dominant role in firms' implementation of CSR practices in their subsidiaries. Finally, country of origin and industry determine the CSR strategy of MNEs; they

tend to follow a standardized approach toward CSR in their subsidiaries abroad, which reflects the prevailing practices from their home countries, rather than the host countries' institutions (Duran and Bajo, 2014).

A firm's country of origin is reported to have an association with corporate reputation, perceptions of many organizational competencies (product service quality, innovation orientation, workplace climate, community citizenships, leadership practices, and high financial performance), and consumers intention to support the firm (Vidaver-Cohen *et al.*, 2015). According to Ferreira and Riebrio (2017), both socially responsible and socially irresponsible behavior affect the consumers' purchasing intentions. Country of origin plays a role in this relationship: Consumers are more likely to purchase from a local firm with CSR practices than from a foreign firm and tend to purchase less from a local firm with corporate social irresponsibility than from a foreign firm. Some studies show higher consumer demands for CSR from foreign firms than from the local firms. For instance, Han (2015) reports high expectations for CSR in Korea from foreign firms that come from countries with high environmental and social standards. Furthermore, foreign firms respond better to environmental pressure than local firms, by leveraging their environmental capabilities resulting from exposure to high environmental pressure in their home countries (Kim *et al.*, 2016).

All the above studies focus on either the role of country of operation or country of origin on the adoption or disclosure of CSR practices; however, studies that consider the role of both is almost non-existent. It appears that there is only one study (Lamontagne, 2015) that addresses the role of both country of operation and country of origin up to some extent. According to the author, host country institutional structures influence the MNCs in regulating the working conditions and work standards, while MNC self-regulation influences the voluntary spending. Wei *et al.* (2014) call for the investigation of country of origin and country of operation together, to detail understanding on CSR in MNEs.

There is a relatively limited body of research on CSR in developing countries (Chapple and Moon, 2007). Developing countries are characterized by low social awareness and purchasing power of the customer, corrupt governments, controlled media, and weak NGOs (Frank *et al.*, 2007; Arli and Lasmono, 2010; Nasrullah and Rahim, 2014). Overall, the institutional setups are weak and CSR is in an evolutionary stage in these countries. In contrast, developed countries have strong institutional setups, strong regulations related to CSR, more aware customers with higher purchasing power, powerful media, NGOs, and education on business ethics (Matten and Moon, 2004; Nasrullah and Rahim, 2014; Idowu *et al.*, 2015). CSR is at the maturity point in these countries. In this context, comparative studies on CSR between the developing and the developed countries will provide an understanding of how the developing countries are practicing CSR practices and how these practices affect the performance outcomes compared to the benchmark (developed

countries).

Some studies have conducted comparative studies between CSR in developing and developed countries **(**Welford, 2004, 2005; Baughn *et al*., 2007; Lo *et al.,* 2008; Wei *et al.,* 2014; Su *et al.,* 2016). Among these, Welford (2004) finds that European companies practice more CSR practices than the Asian companies; however, there is a great opportunity to learn from each other. According to this author, there are more written policies in Europe than in Asia. However, in some Asian countries, codes on ethics are more developed; human issues are getting important yet, unlike developed countries, firms rarely engage stakeholders in CSR. In another study, Welford (2005) finds that CSR is not less developed in companies from developing countries than those from developed countries. Furthermore, CSR issues mainly represent the local issues and cultures of the developing countries. In addition, there is a growing trend in CSR related to supply chains in developing countries that have strong trading relationships with developed countries. Baughn *et al.* (2007) in their comparative study of CSR among different regions (Asia, Europe, USA, and Canada) conclude that there are substantial country and regional differences in CSR and strong relationships between CSR and country's economic, political and social context. Finally, Lo *et al.* (2008) find that differences in CSR practices in the US and China are due to differences in their regulatory, normative, and cultural institutions: CSR practices related to customers and community are widely practiced in the US, while there is no difference on CSR practices related to employees, investors, and environment. The role of country is also reported to affect the association between CSR practices and performance. For instance, Wei *et al.* (2014) in their comparative study find that in Taiwan, employee-oriented CSR contributes more to the employee's commitment level than in Canada, while in the case of customer-oriented CSR, the effects on customer loyalty were the same. The effect of CSR on financial performance is stronger in the less developed markets than in more developed markets. Firms gain more benefits in terms of financial performance in low information-diffusion markets than the high ones because CSR practices provide information (signals) about the firm's superior capabilities to investors (Su *et al.,* 2016).

Overall, due to different institutional environments in developed and developing countries, the pressures from different stakeholders are different. As a result, the effect of stakeholder pressure on CSR practices' adoption may be different and eventually lead to different performance effects (environmental, social, and financial). There is no evidence concerning the effect of stakeholder pressure on CSR practices' adoption and the CSR practices on performance, in the context of developing versus developed countries. Also, studies comparing these relationships in different regions in developing countries, including North America, Europe, and Asia, to those in developed countries are non-existent. Furthermore, the comparison of CSR practices based on small, medium, and large firms is missing. Small firms make 95% of their economies in both developed and developing countries. Since

firms from developed countries are at the maturity level in CSR and that in developing countries are at the evolutionary stage, it is interesting to know whether firms from developing countries are catching their counterparts in developed countries.

2.7.2. THE ADOPTION/IMPLEMENTATION OF INTERNAL CSR PRACTICES IN DEVELOPING COUNTRIES

The articles listed in Table A7 (Appendix A) suggest that various factors drive the adoption/implementation of CSR practices. These factors can be either internal or external. Internal factors relate to factors inside the organization (e.g., support from top management), while external factors relate to pressures from external stakeholders outside the organization. A wide range of studies have addressed these drivers in large firms located in developing countries (e.g., Hettige *et al.*,1996; Chen *et al.,* 2009; Arevalo and Arvind, 2011; Hori *et al.,* 2014; Guatam and Sing, 2010; Massoud *et al.,* 2010; Qi *et al.,* 2011; Abreu *et al.,* 2012; Qi *et al.,* 2013; Zhu *et al.,* 2013; Graafland and Zhang, 2014) which address external motivating factors (stakeholder pressures) that lead to the adoption of internal CSR practices. The different stakeholders pointed out in these studies are government, community, customers (national and international), competitors, and NGOs, among others. However, the effect of pressure from these stakeholders is different on adoption of internal CSR practices. For example, foreign customers and local community drive companies to implement environmental certification (ISO140001), while public listing motivates companies to implement social certification (Qi *et al.,* 2013). The effect of different stakeholders is different on environmental and social disclosures. Shareholders influence environmental and social disclosures positively, while creditors only affect environmental disclosures (Lu and Abeysekera, 2014). In addition, size, position in the value chain, and country of location are also reported as important factors in the CSR adoption (Abreu *et al.,* 2012). According to these authors, in China, government enforcement mechanisms related to environmental and social issues is weaker than Brazil, leading to higher CSR adoption in Brazil.

Another group of studies, also focused on large firms located in developing countries, address internal factors as the drivers for CSR practices' adoption. Among these internal factors, the profit motive drives CSR practices' implementation the most (Arevalo and Arvind, 2011). Chen *et al.* (2009) find top management and company image, along with customer pressure, as drivers. The main motivation for CSR comes from top management; however, pressure from customers accelerates CSR adoption. Environmental consciousness of top and middle managers and the strong legal enforcement are the critical factors that affect the implementation of environmental certification (Zeng *et al.,* 2005).

In the context of developing countries, some studies have addressed internal and external drivers of CSR practices' adoption in small firms. Among these,

stakeholders' pressure, managers' own believes, values, and religion (Nejati and Amran, 2009; Jamali *et al.*, 2009), personal feelings of the executives, financial position (Dincer and Dincer, 2013), customer propositions, founder characteristics, and the broad socio-economic purpose (Roy *et al.*, 2013) drive the CSR practices of small firms. According to Roy *et al.* (2013), small firms practice CSR mainly due to their moral obligation and economic objectives. In addition, Agan (2013) reports image, brand reputation, and governmental regulations as the drivers of CSR practices in SMEs. According to Studer *et al.* (2008), there is no substitute for government regulations, and the majority of SMEs will not practice CSR unless it is made mandatory. However, governmental regulations are not the only effective ways to handle climatic change and environmental pollution. Due to lack of resources, SMEs need assistance from their business partners and governments to implement CSR practices (Agan, 2013).

Comparative studies of the motivation for the adoption/implementation of CSR in SMEs and large firms are few. For example, Udayasankar (2008) suggests the U-shape relationship between size and CSR practice. According to this author, the motivation for CSR in very small and large firms is equal due to their visibility, resources access, and operating scale, while medium-sized firms have less motivation than small and large firms. Overall, comparative studies between small and large firms in terms of the effects of stakeholder pressure on the adoption of CSR practices are almost non-existent.

In summary, the research articles reviewed for this section focus more on the environmental dimension of CSR, while social dimension alone is less covered. The majority of these studies address the environmental and social dimensions together. This has been reflected in the fact that out of the total studies reviewed for this thesis, 38% (8/21) report only environmental dimension, 10% (2/21) only social dimension, and 52% (11/21) address both environmental and social dimensions. Therefore, more studies should investigate, especially, the social dimension as well as combine both environmental and social dimension. Furthermore, these studies have addressed the direct effect of different stakeholder pressures on the adoption of CSR practices. However, the combined effect of stakeholder pressure divided into social and environmental practices is not addressed in these studies. Most of the studies in this section address the direct relationship between stakeholder pressure and CSR practice adoption. The role of contextual variables (micro and macro level) is very important because they enable organizations to practice the appropriate CSR practices, which are beneficial to the organizations (Örtenblad, 2016). Meixell and Luoma (2015) call for investigating the association between stakeholder pressure and the adoption/implementation of CSR practices under different contexts. Therefore, there is a greater need for studying contextual variables as controlling, mediating, and/or moderating variables in these relationships, in order to have an in-depth and contextual understanding. Abreu *et al.* (2012) show the influence of country of location, size, and position in the supply chain as the contextual variables

and suggest that further studies should include country, industry, and firm-level factors. The country-level factors, such as economic development, income distribution, economic and political freedom, corruption level, connectivity to the global trade (Baughn *et al.,* 2007), and culture (Davidson, 2016), may act as potential moderators. In addition, contextual variables such as industry (Banerjee *et al.,* 2003; Xu *et al.,* 2013; Betts *et al.,* 2015) and firm-level factors, such as size (Gonzalez-Benito and Gonzalez-Benito, 2010), ownership structure (Park and Kim, 2014; Muttakin and Khan, 2014), firms' managers support (Dai *et al.,* 2014), are put forward in the literature. As suggested in the earlier section, both country of origin and operation may possibly moderate these relationships. Furthermore, few studies address the drivers of CSR in small firms, and comparative studies between small and large firms on CSR motivation are very rare. Therefore, there is a need for studies that compare small and large firms in terms of the effect of stakeholder pressure on the adoption of CSR practices.

2.7.3. THE ADOPTION/IMPLEMENTATION OF INTERNAL CSR PRACTICES IN DEVELOPED COUNTRIES

The external drivers for internal CSR practices adoption in large firms located in developed countries have been widely addressed (Henriques and Sadorsky, 1996; Campbell, 2006; Campbell, 2007; Sweeney and Coughlan, 2008; Neugebauer, 2012; Berrone *et al.,* 2013; Ervin *et al.,* 2013; Thorne *et al.,* 2014). Among them, pressure from external stakeholders (e.g., customers, government, environmental regulatory bodies, and community) has a positive influence on firm's environmental plan formulation; however, the effect of pressure from other lobby groups is negative (Henriques and Sadorsky, 1996). Similarly, in the presence of strong state regulations, NGOs and independent organizations, and encouraging normative institutional environments (where norms are institutionalized), firms act in a more socially responsible way (Campbell, 2006; Campbell, 2007). In addition, Ervin *et al.* (2013) report cost barriers, management attitudes related to the environment, and institutional pressures from competitors, investors, and regulatory authorities as the drivers of the adoption of environmental practices and pollution prevention activities. External stakeholder pressure also triggers environmental innovation beyond the normal environmental practices (Berrone *et al.,* 2013). This effect is stronger in high-polluting industries and those having high assets specificity (where the assets cannot be redeployed). Moreover, the positive effect of normative pressures (from NGOs) on environmental innovation is higher than the effect of coercive pressures (from governments) in firms with more internal organizational resources. Besides CSR practices, the effect of stakeholder pressure is also positive on CSR communication via issuing CSR reports (Sweeney and Coughlan, 2008; Thorne *et al.,* 2014). Due to their size, large firms are more prone to the stakeholder's scrutiny than smaller firms (Thorne *et al.,* 2014). With regard to the environmental management systems and certifications, external stakeholder pressure includes government, public, and NGO pressure and influence the adoption of

ISO14001, while the motivation for Eco-Management and Audit Schemes (EMAS) for environmental management comes from inside the organization (Neugebauer, 2012).

Some studies report only internal organizational drivers of the adoption of CSR practices, while others report these drivers together with external stakeholder pressure. For example, financial benefits (Crotty and Rodgers, 2012), cost benefits, and internal stakeholders drive environmental practices (Uecker-Mercado and Walker, 2012). Similarly, Marshall *et al.* (2010) report internal stakeholders and subjective norms as drivers of CSR in the wine industry**.** In addition, according to Lozano (2013), internal leadership and business case are the main important internal drivers, while external drivers include customer demands, government regulations, and reputation. Finally, Babiak and Trendafilova (2012) find only strategic motives as the main drivers behind environmental CSR practices, and report that external pressures (from government, NGOs, and competitors) drive the adoption of environmental CSR practices to a lesser extent.

Another group of studies investigates the influence of moderating variables on the relationship between stakeholder pressure and the adoption of CSR practices. These studies provide context-specific understanding of this relationship. For example, González-Benito and González-Benito (2010) find that size, industry type, and internationalization affect environmental pressure. Similarly, industry type (dynamic versus static) moderates the relationship between stakeholder pressure and the implementation of environmental strategy (Betts *et al.,* 2015). In dynamic industries (with a high rate of change), the pressure from stakeholders is higher than in static industries (with a slow rate of change), and, as a result, the implementation of the environmental strategies including product stewardship, pollution prevention, and environmental development is higher in dynamic industries (Betts *et al.,* 2015). Delmas and Toffel (2004) suggest investigating the moderating role of firm's competitive position, previous environmental record of accomplishment, and plant's organizational structure in the relationship between institutional pressures and the adoption of environmental management systems. According to them, firms perceive institutional pressures. However, managers perceive and act upon these pressures depending on the firm characteristics, including plant's organizational structure, previous environmental track record, and firm's competitive position. In a similar vein, competitive advantage expectations in the least polluting firms positively moderate the relationship between stakeholder pressures and the adoption of environmental CSR practices. However, this does not hold in highly polluting firms (Garcés-Ayerbe *et al.,* 2012). Studies like these, which incorporate moderating variables, are not so widely present, and there is a need to first identify possible moderators and then investigate the role of these variables in the relationships between stakeholder pressure and the adoption of CSR practices.

With regards to smaller firms, studies report external stakeholder pressure as a

driver of the adoption of CSR practices in SMEs in developed countries (Hillary, 2004; Williamson *et al.,* 2006; Lynch-Wood and Williamson, 2007; Baden *et al.*, 2009; Morsing and Perrini, 2009; Russo and Tencati, 2009; Darnall *et al.,* 2010; Fitjar, 2011; Santos *et al.,* 2011). For example, pressure from the media and competitors (Fitjar, 2011), government (Williamson *et al.,* 2006), customers (Baden *et al.,* 2009), and community (Russo and Tencati, 2009) drive the adoption of CSR practices by SMEs. The effects of these pressures differ, though. For example, customer demands exercise greater influence on the adoption of environmental management systems (EMS); however, legislation and regulations influence environmental improvements more than customer demands do (Hillary, 2004).

Among the above studies, some relate the intensity of stakeholder pressure with firm size. For example, in terms of visibility and high environmental impact, large firms face more stakeholder pressure than small firms with limited environmental impact (Lynch-Wood *et al.,* 2009). Compared to small firms, large firms have more human, financial, and technical resources, resulting in more involvement in CSR practices (Elsayed, 2006). In contrast, Darnall *et al.* (2010) show that SMEs are more responsive to external stakeholder pressure from value chain and regulatory authorities. Small and medium-sized firms exercise some CSR practices and strengthen their relationship with their communities, and in the case of failure, they incur huge economic losses (Russo and Tencati, 2009).

Other groups of studies point out firm's internal motivation as the driver of CSR adoption (Jenkins, 2006; Santos, 2011; Lewis *et al.,* 2014). For example, the benefits resulting from eco-efficiency, social climate, and a high profile in the local community motivate SMEs to adopt CSR practices (Santos, 2011). Similarly, according to Jenkins (2006), CSR should not be practiced as a response to external pressures but should be integrated into the overall strategy of the firms. Furthermore, the relationships of SMEs with other firms can contribute to greater awareness of the benefits of such activities and, therefore, enhance the possibility of environmental engagement (Lewis *et al.,* 2014).

In summary, out of the total articles (Table A8 in Appendix A), 60% address only environmental practices, 37% address both environmental and social practices, and only 0.02% address social practices separately. This shows that environmental practices resulting from external stakeholder pressures are widely addressed, followed by both environmental and social practices, while social practices alone are rarely addressed. Also, external drivers (stakeholder pressures) are more frequently addressed than internal drivers. Contextualizing this relationship is very important because it enables business people to practice the appropriate CSR practice and gain from these practices in terms of environmental, social, and economic performance. The number of articles that include contextual variables as moderating variables in the relationships between stakeholder pressure and the adoption of internal CSR practices are few. There is a need to include more moderating variables in this

relationship. In the context of globalized activities, macro variables, such as economic development, inequality in income level, corruption (Baughn *et al.*, 2007), political structures, social norms and customs, civil society institutions (Davidson, 2016), environmental and social regulations (Thorne *et al.*, 2014), and the country of operation as well as origin, can possibly moderate the relationship between external stakeholder pressure and the adoption of internal CSR practices. Furthermore, comparative studies between large and small firms on the relationship between external stakeholder pressure and CSR adoption are very few. This is a research gap and can be addressed via comparative studies investigating more moderating variables in this relationship.

2.7.4. THE ADOPTION/IMPLEMENTATION OF SUPPLIER-RELATED CSR PRACTICES IN DEVELOPING AND DEVELOPED COUNTRIES

Various factors (both internal and external) drive large firms to adopt and implement external supplier-related CSR practices. A wide range of studies in both developing and developed countries have addressed these factors (e.g., Eltayeb *et al.*, 2010; Chan *et al.*, 2012; Hsu *et al.*, 2013, Wu, 2013; Zhu *et al.*, 2013; Laosirihonthong *et al.*, 2013; Freise and Seuring, 2015; Sancha *et al.*, 2015a; Tachizawa, 2015; Marshall *et al.*, 2015; Seles *et al.*, 2016; Lo *et al.*, 2016). The common external drivers in these studies are customer (local and international) and cultural responsibility, and regulatory, competitive, media, and normative (NGOs, society, business associations) pressures.

The majority of these studies investigate the direct association between different stakeholders' pressures and external supplier-related CSR practices in supply chains. In addition, some studies (e.g., Liu *et al.*, 2012; Zhu *et al.*, 2013; Sancha *et al.*, 2015a; Lo *et al.*, 2016) investigate the mediating and moderating variables in this relationship. For example, internal factors (top management support, company-learning capacity) mediate the relationship between external stakeholder pressures and green supply chain management (GSCM) practices (Liu *et al.*, 2012). Similarly, institutional (coercive, mimetic, and normative) pressures lead to internal CSR practices that, in turn, lead to external supplier-related practices (Zhu *et al.*, 2013). Lo *et al.* (2016) find the positive moderating role of environmental uncertainty. According to them, the effects of environmental uncertainty are most significant on green logistics, green purchasing, and internal environmental management. Finally, supplier integration positively moderates the relationship between institutional pressures and GSCM practices (Sancha *et al.*, 2015a). Studies like these provide an in-depth understanding of these relationships. Some studies (e.g., Eltayeb *et al.*, 2010; Pagell and Wu, 2009; Mann *et al.*, 2010; Liu *et al.*, 2012; Caniato *et al.*, 2012; Wolf, 2014; Freise and Seuring, 2015; Tachizawa, 2015; Lo *et al.*, 2016) point out internal factors as the drivers of supplier-related CSR practices. These drivers include top management support, expected (financial) benefits, and company and brand reputation. Studies addressing external drivers are relatively more in number

than those addressing internal factors.

Compared to large firms, few studies have addressed external and internal drivers in small firms. Due to their limited resources, small firms transfer either low or no CSR practices to their suppliers. For example, Pedersen (2009) concludes that only a small number of Danish companies practice CSR in their supply chains. However, larger SMEs practice more CSR in their supply chains due to their greater resources and bargaining power. Previously, very few studies (e.g., Jorgensen and Knudsen, 2006; Lee, 2008; Ciliberti *et al.*, 2008; Nawrocka, 2008; Lee and Klassen, 2008 Baden *et al.*, 2009; Ciliberti *et al.*, 2009; Lewis and Cassells, 2010; Ayuso *et al.*, 2013; Huang *et al.*, 2015) have addressed internal and external drivers of supplier-related CSR practices in small firms. Among these studies, external drivers include buyer demands, government regulations, and community demands. Out of these drivers, large-buyer demands and governments regulations are the most influential ones. Ayuso *et al.* (2013) conclude that large firms demand more CSR requirements than small firms from their SME suppliers, and, in turn, SMEs transfer these requirements to their own suppliers. According to these authors, small firms can effectively transfer CSR practices to their supply chains despite their limited resources and bargaining power. In contrast, Jorgensen and Knudsen (2006) find that buyers demand environmental and social standards from their suppliers, mostly SMEs, which in turn transfer the pressures, albeit fewer, to their suppliers. Large firms are more likely than smaller firms to act as a change agent for sustainable production in the global supply chains. According to these researchers, the majority of supply chains consist of small firms, and, consequently, it is difficult to extend the sustainability requirements in the global supply chains. These studies lack variables such as the company's position in the value chain, country of origin of the suppliers, and business subsectors, which influence the formulation and diffusion of CSR practices. Some studies (e.g., Lee and Klassen, 2008; Ciliberti *et al.*, 2008; Baden *et al.*, 2009; Huang *et al.*, 2015; Lewis and Cassells, 2010) have addressed internal factors including cost savings, internal environmental championship, managers' values, and top management support, among others. Compared to the external drivers, these drivers are investigated less in the literature. Literature has mostly shown the effectiveness of external drivers, especially large firms' demands and governmental regulations.

In summary, out of the total articles reviewed for this section (Table A9 in Appendix A), 65% address only environmental dimension, 5% address only social dimension, and 30% address both environmental and social dimensions. This shows that there is a need to address the social dimension in isolation as well as the combination of the environmental and social dimensions of CSR in further studies. Most of the above studies have investigated the direct association between different stakeholder pressures and external supplier-related CSR practices with few studies addressing mediating and moderating variables in this relationship. Furthermore, research on the combined effect of different stakeholder pressures divided into environmental

and social pressure is non-existent. Stakeholder pressures may lead to creating awareness about CSR and the adoption and implementation of CSR practices (Meixell and Luoma, 2015). These authors suggest studying these relationships under different contexts. As mentioned in an earlier section (2.7.3), contextualizing this link is very important. In the context of globalized activities, macro-variables – including economic development, income inequality, corruption level (Baughn *et al.,* 2007), political structures, social norms and customs, civil society institutions (Davidson, 2016), and environmental and social regulations (Thorne *et al.,* 2014) in both the country of operation and the country of origin – influence the stakeholder pressures and, in turn, the effect of these pressures on the adoption of CSR practices. SMEs in both developed and developing countries provide more than half of employment and contribute substantially to the creation of Gross National Product (Jamali *et al.,* 2009; Baumann-Pauly *et al.,* 2013); however, unlike the large firms, there is not much literature on CSR for SMEs (Baumann-Pauly *et al.,* 2013). There is a need to address the motives for SMEs to adopt CSR. The existing literature only investigates the CSR of small firms in isolation, and comparative studies with large firms and even with SMEs from other contexts and industries is non-existent. In agreement with Baumann-Pauly *et al.* (2013), we conclude that comparative studies on CSR in small and large firms are needed to unveil the differences in the pattern of adoption and implementation of CSR practices in these firms.

2.8. CSR PRACTICES AND PERFORMANCE

2.8.1. INTERNAL CSR PRACTICES AND FINANCIAL PERFORMANCE

A wide range of studies address the relationship between internal CSR practices and financial performance and report mixed findings in the context of developing countries (see Table A10 in Appendix A). The majority of these studies report positive relationship between internal CSR practices and financial performance (Cheung *et al.,* 2010; Waworuntu *et al.,* 2014; Ahamed *et al.,* 2014; Qi *et al.,* 2014; Bai and Chang, 2015; Saeidi *et al.,* 2015; Hasan and Ali, 2015; Wei and Lin, 2015). Some studies report negative relationships (Cui *et al.,* 2014), while others come with no relationships (Lin *et al.,* 2009; Oeyono *et al.,* 2011). In order to understand the mixed relationships, the link between CSR practices and financial performance (Lu *et al.,* 2013) needs to be contextualized. As noted by Carroll and Shabana (2010), the effect of CSR is not always positive, depending on the mediating and moderating variables that are considered. Similarly, Saeidi *et al.* (2015) suggest including mediating and moderating variables so as to avoid biased results reported in studies focused on the direct relationship.

Studies that have investigated mediating and moderating variables in this link include Wang and Choi (2013), Qi *et al.* (2014), Cui *et al.* (2014), Wei and Lin (2015), Saeidi *et al.* (2015), and Bai and Chang (2015).

The moderating variables in these studies are slack resources and industry munificence (Qi *et al.*, 2014), firm's size (Cui *et al.*, 2014), and temporal and interdomain consistency (Wang and Choi, 2013). Wang and Choi (2013) find that consistency of CSR, that is, application of CSR with little variation over time and across different stakeholders, interacts with the level of adoption of CSR practices and has a positive effect on financial performance. Furthermore, CSR consistency is more important in knowledge-intensive firms (where knowledge is a critical part of competitive advantage). Qi *et al*. (2014) report a positive effect of environmental CSR practices on financial performance. Slack resources have a positive influence on this relationship, while industry munificence (growth/decline in industry) has no effect. According to Cui *et al.* (2014), the effect of CSR practices on financial performance is positive in large firms and negative in small firms.

The mediating variables that have been studied are reputation and competitive advantage (Saeidi *et al.*, 2015), marketing competence (Bai and Chang, 2015), and corporate image (Wei and Lin, 2015). Saeidi *et al.* (2015) report that competitive advantage and reputation mediate the relationship between CSR practices and a firm's performance. Bai and Chang (2015) conclude that marketing competence fully mediates the relationship between CSR practices and performance. Furthermore, competitive intensity has a negative effect on the relationship between employee related CSR and marketing competence, and has a positive effect on the relationship between society related CSR and marketing competence. Furthermore, market turbulence has a positive effect on the relationship between employee related CSR and marketing competence. Wei and Lin (2015) show that customer related CSR leads to customers loyalty and, in turn, the firm's financial performance.

Similarly, in the context of developed countries, most studies a report positive effect of CSR on financial performance (Orlitzky *et al.*, 2003; Margolis *et al.*, 2007; Prado-Lorenzo *et al.*, 2008; Nelling and Webb, 2009; Dunn and Sainty, 2009; Hammann *et al.*, 2009; Peters and Mullen, 2009; Melo and Garrido-Morgado, 2012; Baird *et al.*, 2012; Chang *et al.*, 2013; Lu *et al.*, 2013; Von Arx and Zeigler, 2014; Weber and Gladstone, 2014; Pätäri *et al.*, 2014). Some studies report neutral (McWilliams and Siegel, 2000; Fauzi, 2009; Lech, 2013) or even negative (Makni *et al.*, 2009) relationships. Most of these studies investigate the direct link between CSR practices and financial performance. However, Vishwnathan (2010) raises questions about the direct link between CSR practices and financial performance and argues for including mediating and moderating variables in this link. As noted by Margolis *et al.* (2007), it is important to understand the mechanism that connects CSR and financial performance: The question should be when and how CSR practices affect financial performance rather than whether they affect financial performance.

Out of the studies mentioned earlier, some investigate the role of mediating and moderating variables in the CSR-financial performance relationship (Orlitzky *et al.*,

2003; Kassinis and Soteriou, 2003; Fauzi, 2009; Surroca *et al.,* 2010; Melo and Garrido-Morgado, 2012; Baird *et al.,* 2012; Dixon-Fowler *et al.,* 2013; Martinez-Ferrero and Frías-Aceituno, 2015; Chang *et al.,* 2014; Kiessling *et al.,* 2016). The mediating variables in these studies include market orientation and customers orientation (Kiessling *et al.,* 2016), intangible resources (innovation, human capital, and culture) (Surroca *et al.,* 2010), corporate reputation (Orlitzky *et al.,* 2003; Melo and Garrido-Morgado, 2012), firm resources and competitive advantage (López-Gamero *et al.,* 2009), customers loyalty and satisfaction (Kassinis and Soteriou, 2003).

The moderating variables are: company size, financial leverage (Fauzi, 2009), industry (Baird *et al.,* 2012; Melo and Garrido-Morgado, 2012), CSR engagement strategy (Tang *et al.,* 2012), corporate environmental performance types (reactive versus proactive), firm's characteristics (e.g., large versus small and private versus public) and methodological issues (e.g., self-reported measures) (Dixon-Fowler *et al.,*2013), high performance work practices (Chang *et al.,* 2014), corporate governance (Martinez-Ferrero and Frías-Aceituno, 2015) , and advertising intensity (Wagner, 2010).

Fauzi (2009) reports no effect of CSR practices on financial performance under firm's slack resources. This author shows that financial leverage can moderate the CSR-performance relationship. Baird *et al.* (2012) show a positive effect of CSR practices on financial performance and industry influence this relationship. According to Tang *et al.* (2012), firms that adopt slowly and consistently the interrelated CSR practices gain more benefits in terms of financial performance. Moreover, there is no moderating effect of the speed of CSR engagement strategy (fast versus slow) on this link. Chang *et al.* (2014) conclude that the presence of high-performance work practices, such as training and employment security, have a positive effect on the relationship between CSR practices and financial performance. Advertising intensity is also reported to influence the association between sustainable practices and financial performance (Wagner, 2010) positively. Furthermore, environmentally sustainable practices have a direct effect on performance; however, social practices have a moderating effect. Dixon-Fowler *et al.* (2013) in their meta-analytical study, identify potential moderators in the CSR-performance relationship. These variables include firm characteristics (size, ownership, structure), methodological issues (self-reported measures, time lag in the effects of CSR on performance), and type of CSR adoption (reactive versus proactive). These authors suggest that both small and large firms benefit from environmental CSR practices; USA-based firms gain more than their colleagues in other countries, and the effect of CSR practics is stronger on market measures of financial performance. Furthermore, they call to include more moderating variables to better understand this link. Finally, Martinez- Ferroro and Frías-Aceituno (2015) show a positive, two-way association between CSR and financial performance. Different governance systems moderate this relationship.

This kind of studies provide more in-depth understanding of the relationship between CSR practices and financial performance and of the role of different moderating and mediating variables in the link between internal CSR practices and financial performance. However, from the perspective of firms operating globally, other factors, not hitherto studied, should also be considered as potential moderators in this relationship. Potential candidates include country of origin and country of operation, national and organizational culture, stakeholder pressures (social and environmental), and macro variables such as economic development, corruption, and political freedom.

2.8.2. SUPPLIER-RELATED CSR PRACTICES AND FINANCIAL PERFORMANCE

With regard to supplier-related CSR practices, studies (Table A11 in Appendix A) have shown positive effects on financial performance (e.g., Zhu and Sarkis, 2007; Zhu *et al.*, 2010; Eltayeb *et al.*, 2011; Lee *et al.*, 2012; Green Jr *et al.*, 2012; Gimnez *et al.*, 2012; Zhu *et al.*, 2012; Wiengarten *et al.*, 2012; Wong *et al.*, 2012; Wang and Sarkis, 2013; Golicic and Smith, 2013; Laosirihongthong *et al.*, 2013; Zhu *et al.*, 2013; Yu *et al.*, 2014; McCarthy and Marshall, 2015). However, other studies (also shown in Table A11) (e.g., Dam and Petkova, 2014) report negative effects, while others (Carter, 2005; Zhu *et al.*, 2010; Lee *et al.*, 2012) do not find any relationship. Most of these studies have focused on the direct relationship between supplier-related CSR practices and financial performance.

Mediating and moderating variables may affect differences in findings reported and, indeed, some studies have investigated moderating and mediating variables in the relationship between supplier-related CSR practices and financial performance (e.g., Carter, 2005; Zhu and Sarkis, 2004; Zhu and Sarkis, 2007; Lee *et al.*, 2012; Wong *et al.*, 2012; Zhu *et al.*, 2012; Laosirihonthong *et al.*, 2013; Zhu *et al.*, 2013). The moderating variables investigated in these studies are strategy type (low-cost, time-based, and quality-based strategy) (Laosirihonthong *et al.*, 2013), just-in-time and total quality management (Zhu and Sarkis, 2004), environmental management capability of the suppliers (Wong *et al.*, 2012), institutional pressures related to environmental issues (only related to environmental issues) (Zhu and Sarkis, 2007), and industrial dynamics (Wiengarten *et al.*, 2012). The mediating variables include organizational learning and supplier performance (Carter, 2005), operational and relational efficiency (Lee *et al.*, 2012), environmental and operational performance (Zhu *et al.*, 2013), and green outbound supply chains management (Rao and Holt, 2005).

Laosirihonthong *et al.* (2013) show that firms in a low-cost strategy are most unlikely to follow green CSR practices that lead to a positive effect on (environmental, social, and economic) performance. In contrast, firms that follow a quality and time-based strategy, practice more green practices have a significant

effect on firm's performance. These authors also find that different green practices have a different effect on firm's performance. Zhu and Sarkis (2004) conclude the positive effect of GSCM practices on environmental and economic performance. Quality management has a positive effect on the relationship between GSCM practices (related to customers and suppliers) and environmental and economic performance. Just-in-time (JIT) has no effect on the relationship between GSCM practices and environmental and economic performance. According to Wong *et al.* (2012), product stewardship has a negative effect on pollution reduction and financial performance, and process stewardship has a positive and significant effect on environmental and financial performance. Under high environmental management capability (EMC) of suppliers, both the product stewardship and process stewardship have a positive effect on environmental performance. Process stewardship has a positive and significant effect on financial performance under high EMC of suppliers, and under low EMC, this effect is negative. Zhu and Sarkis (2007) show that under high environmental pressure from competitors (mimetic), the effect of internal environmental management practices and green purchasing on economic performance is stronger than it is under low pressure. Wiengarten *et al.* (2012) find that firms from dynamic industries practice less environmental practices than the static industries, and the performance effects of these practices – in terms of operational performance – are lower in dynamic industries than in static industries.

Concerning the mediating variables, Carter (2005) shows that there is no direct relationship between socially responsible supply management activities and firm's performance, in term of cost reduction rather than this relation is indirect through organizational learning and supplier performance. Lee *et al.* (2012) find no direct effect of green supply chain management practices' implementation on business performance. Operational and relational efficiency mediate this relationship. According to Zhu *et al.* (2013), institutional pressures influence the adoption of internal GSCM practices which lead to external GSCM practices and, in turn, lead to operational and environmental performance. Both these performances, in turn, have a positive influence on economic performance. Rao and Halt (2005) show that greening of the production and inbound function lead to the greening of outbound function and competitiveness, which leads to economic performance in terms of profit margins, new market opportunities, and sales.

Further research is needed to study contextual influences on the relationship between supplier-related CSR practices and financial performance in globally operating firms. Factors to be considered include macro level variables such as environmental regulations, local and global political environment, organizational and national culture, and economic development in the country of origin and operation, respectively.

2.8.3. INTERNAL AND SUPPLIER-RELATED CSR PRACTICES AND ENVIRONMENTAL PERFORMANCE

Studies reporting the effect of internal and supplier-related CSR practices on environmental performance are reported in Table A12 (Appendix A). Various studies (e.g., Zhu and Sarkis, 2004; Chiou *et al.,* 2011; De Giovanni, 2012; Green Jr *et al.,* 2012; Gimenez *et al.,* 2012; Zhu *et al.,* 2013; Gualandris *et al.,* 2014; Testa *et al.,* 2014; Li, 2014; Green *et al.,* 2015; Gimenez *et al.,* 2015; Tachizawa *et al.,* 2015; Liu *et al.,* 2015; Arimura *et al.,* 2016; Grekova *et al.,* 2016; Adebanjo *et al.,* 2016) report positive effects. In contrast, other studies (e.g., Theyel, 2001; Pullman *et al.,* 2009; Grekova *et al.,* 2016) find no effect on environmental performance. Furthermore, Henriques and Sadorsky (2013) show a curvilinear relationship between environmental practices and environmental performance. These studies show that, overall, the effect of environmental practices on environmental performance is mixed. As a result, one cannot assume a generally valid relationship between environmental practices (internal and supplier-related) and environmental performance but rather one that is context dependent. It is important to explore the mechanisms involved in this relationship rather than to investigate whether there is an effect or not (Nawrocka and Parker, 2009).

Following this logic, some studies investigate mediating and moderating variables in this link (e.g., Zhu and Sarkis, 2004; Zhu and Sarkis, 2007; Chiou *et al.,* 2011; Simpson, 2012; Hajmohammad *et al.,* 2013; Ryoo and Koo, 2013; Li, 2014; Gualandris *et al.,* 2014; Chin *et al.,* 2015; Green *et al.,* 2015; Gimenez *et al.,* 2015; Liu *et al.,* 2015; Yu *et al.,* 2016; Arimura *et al.,* 2016). Mediating variables studied include knowledge sources (Simpson, 2012), green practices (Hajmohammad *et al.,* 2013), green practices' integration with manufacturing and marketing (Ryoo and Koo, 2013), external environmental practices (Zhu *et al.,* 2013; Gualandris *et al.,* 2014; De Sousa Jabbour *et al.,* 2015), environmental management system (Phan and Baird, 2015), environmental collaboration (Tachizawa *et al.,* 2015), and environmental management maturity (De Sousa Jabbour *et al.,* 2014). Moderating variables include quality management and just-in-time (Zhu and Sarkis, 2004), institutional pressures related to environmental issues (Zhu and Sarkis, 2007), industry dynamism and size (Yu *et al.,* 2016), environmental collaboration (Chin *et al.,* 2015), and global versus local sourcing (Gualandris *et al.,* 2014). These studies provide more detailed insight into the relationship between internal and supplier-related environmental practices and environmental performance. More research effort must be put into identifying more mediating and moderating variables and investigate the role of these variables in the link between CSR practices and environmental performance. From the perspective of globalization, variables such as economic development (Baughn *et al.,* 2007), environmental and social regulations (Thorne *et al.,* 2014), the political structure (Davidson, 2016), and national culture (Ho *et al.,* 2012) in a firm's country of origin and operations (Wei *et al.,* 2014) together can possibly moderate the above-mentioned relationship. However, studies

have not addressed these variables as moderating variables. Therefore, this is a potential gap, which can be filled by treating these variables as moderating variables, in the link between internal and supplier-related environmental practices and performance.

2.8.4. INTERNAL AND SUPPLIER-RELATED CSR PRACTICES AND SOCIAL PERFORMANCE

Overall, the social dimension of CSR is less covered in the literature than the environmental dimension (Seuring and Müller, 2008; Yawar and Seuring, 2017). Papers covering this dimension are listed in Table A13 (Appendix A).

The social dimension of CSR covers a wide range of issues such as safety, diversity, human health, labor rights, and justice; therefore, it is challenging to operationalize and measure these issues in the manufacturing domain (Sutherland *et al.,* 2016). However, some studies (e.g., Veltri *et al.,* 2007; Robson *et al.,* 2007; Carter and Rogers, 2008; Gimenez *et al.,* 2012; Lee *et al.,* 2013; Lo *et al.,* 2014; Gualandris *et al.,* 2014; Sancha *et al.,* 2015b; Sancha *et al.,* 2016) investigate the association between internal and supplier-related CSR practices and social performance in terms of improvement in firm reputation, employee motivation, and safety. Among them, according to Veltri *et al.* (2007), employee safety has a direct association with products' quality and employee involvement in their jobs. Similarly, better-working conditions increase employee motivation and productivity (Carter and Rogers, 2008). Some studies (e.g., Lo *et al.,* 2014) report positive and significant effects of social certifications (OHSAS, 18001) on improvement in health, safety, and economic performance (sales growth and profitability). In addition, according to these authors, complexity (measured by R&D and labor intensity) and coupling (inventory levels and volatility) positively moderate this link. In contrast, some studies (e.g., Robson *et al.,* 2007) find no conclusive evidence about the effectiveness of occupational health and safety management systems and attribute this to the poor quality of methodologies and lack of generalizability of the studies involved in their review.

Some studies investigate the effect of external supplier-related CSR practices on the social performance of both buying firms and suppliers. For example, the suppliers' assessment on social issues positively affects the social performance of the buying firms in terms of reputation and safety, while collaboration enhances the social performance of the suppliers (Sancha *et al.,* 2016). Other studies investigate the social performance of either the suppliers or the buyers. For example, Gualandris *et al.* (2014) find a positive effect of suppliers' monitoring CSR on the social performance (reputation, employee satisfaction) of the buying firms. Supplier development practices help to improve the social performance of the suppliers and the operational performance of the buying firms but has no effect on economic performance (Sancha *et al.,* 2015b). Similarly, Gimenez *et al.* (2012) find that

internal environmental practices have a positive and significant effect on environmental, social, and economic performance, while socially oriented internal practices have a positive effect on social performance, and the buying firms' collaboration with the suppliers on sustainability affect positively their environmental, social, and economic performance.

Procedural justice, which was introduced by Thibaut and Walker (1975), concerns the people's interests in fairness: People consider a procedure fair if they perceive that they have control over the process. Based on procedural justice, some studies show a positive association between the social consciousness of an organization and its employees' satisfaction and motivation. For example, employees feel more satisfied when their organization is committed to justice via behaving socially responsibly toward employees, suppliers, and society (Riordan *et al.,* 1997; Colquitt *et al.,* 2001; Rupp *et al.,* 2006; Turker, 2009). This positive effect of involvement in CSR activities on employee satisfaction and motivation is true even when employees are not getting the direct benefits. In contrast, in the case of an injustice, employees react via their emotions, attitudes, and behaviors (Folger *et al.,* 2005). Therefore, social performance improves directly when safety improves and indirectly when employees perceive their organization's high commitment to the corporate justice.

In summary, the social dimension of CSR is less addressed in the literature compared to the environmental dimension. The link between social CSR practices and performance is mixed. There is a need for more studies to address the social dimension and the performance effects. Nonetheless, like the relationship of internal and supplier-related CSR practices with environmental and financial performance, this link needs to be contextualized to have an in-depth understanding. keeping in view the complex nature of the social dimension of CSR, including more moderating variables will help to understand this relationship in a more context specific way. The moderating variables put forward in the literature are complexity and coupling (Lo *et al.,* 2014), global versus local sourcing (Gualandris *et al.,* 2014). Buyer and supplier power (Sancha *et al.,* 2016) and a country's economic development level (Lee *et al.,* 2013) can potentially moderate the relationship between the social dimension of CSR and firm's performance. As mentioned in the previous section, in the perspective of globalized activities, factors that were not previously studied, such as country of origin and operation (Wei *et al.,* 2014), can possibly moderate the relationship between social dimension of CSR and performance.

2.9. THEORETICAL LENSES USED TO STUDY CSR AND OFFSHORING/OUTSOURCING

Both the institutional theory and stakeholder theory are widely used in the studies that address stakeholder pressures and their effect on the adoption and

implementation of CSR practices.

Stakeholder theory is purely managerial and illustrates and guides how managers operate (Freeman *et al.,* 2004). The core of this theory lies in two questions (Freeman, 1984): 1) what is the basic purpose of the business? and 2) what is the responsibility of management toward stakeholders? The first question helps managers to express the shared value they create which binds various stakeholders and guides firms in moving ahead and creating superior (financial) performance, in view of its overall purpose. The second question helps firms understand what kind of relationships they should maintain with their stakeholders to realize the firm's main purpose (Freeman *et al.,* 2004). A stakeholder is defined as "any group or individual who can affect or is affected by the achievement of the organization's objectives" (Freeman, 1984, p. 46). Firms are surrounded by different groups of stakeholders, which can be classified into primary and secondary stakeholders (Darnall *et al.,* 2010). Primary stakeholders such as employees, suppliers, and customers are directly involved in the business, while secondary stakeholders are those having an indirect stake in the business, for example, community, NGOs, and governments. Stakeholder theory focuses on the stakeholder groups that interact with the organization, and how managers can effectively manage these stakeholders (Freeman, 1984; Darnall *et al.,* 2010). Pressures from stakeholders may be more or less explicit under this theory.

Institutional theory, on the other hand, classifies institutional pressures into coercive, normative, and mimetic pressures, and illustrates how organizations align their competitive environment in response to these pressures (DiMaggio, 1983). These three kinds of pressures come from different stakeholders. Coercive pressure comes from governmental regulations, both local and global (because of globalization). Normative pressures arise from stakeholders such as customers, non-governmental organizations, and the public. The third kind of pressure –mimetic pressures – comes from successful competitors in the same industry that force firms to imitate these competitors (Zhu *et al.,* 2013; Sancha *et al.,* 2015a).

Stakeholder and institutional theory are related and partly overlap, but they do have differences in how they categorize things. Stakeholder theory categorizes different actors, such as customers, community, government, and investors. Institutional theory categorizes pressures into different types, such as mimetic, coercive, and normative pressures. Some stakeholders may exercise all the three types of pressures and each pressure may derive from a variety of stakeholders.

For the CSR-performance link, the most common theories are the resource-based view (RBV) and transaction cost theory (TCT). The RBV has been used since three decades to explain the achievement of competitive advantages in strategic management. This theory posits that resources that are rare, valuable, and inimitable can enhance firm's capabilities and hence, competitive advantage (Barney, 1991).

The RBV ignores the challenges and constraints of the natural environment. In 1995, arguing that environmental considerations may help to build new resources and that past economic activities cannot be continued into the future with similar outcomes, Hart presented the natural resource-based view (NRBV). This theory has its base in three interconnected strategies, pollution prevention, product stewardship, and sustainable development. The first two are the concerns of the developed countries, while the last one is the main focus of developing countries. Most studies addressing the relationship between environmental CSR activities and performance have used this theory.

Transaction cost theory (TCT) comes from the field of economics. Transaction costs are related to the economic exchange and are independent of the market price. They consist of costs related to information search, monitoring, contractual enforcement performance, and uncertainty in determining appropriate market price, among others (Williamson, 1979; Robins, 1987). This theory has been used in studies that address the relationship between external supplier-related CSR practices and firm performance.

The TCT and the RBV have also been widely used in the studies related to offshoring performances.

2.10. LINKING OFFSHORING AND CSR

Reduced trade barriers are among the enablers of globalization, which has made it possible for companies to purchase raw materials as well as produce goods and services across the globe. As a result, concepts such as global sourcing, offshoring, and outsourcing have become common terminology. These globalized activities are mainly based on economic reasons, which however, may, but do not necessarily lead to environmental and social problems (e.g., Doh, 2005; Lai *et al.*, 2008; Chong and Wad, 2009; Zutshi *et al.*, 2012; Anner, 2012; Lair, 2012; Donahoe, 2013; Wenzhong, 2013; Moosavirad *et al.*, 2014). For example, outsourcing is usually aimed at cost reductions to enhance profitability (Zutshi *et al.*, 2012), but may have adverse, long-term impact on environmental and social issues (Moosavirad *et al.*, 2014): Outsourcing has led to increased CO_2 emissions in China due to inefficient technology that emits more CO_2, compared to the technology in Europe. Michel (2013) show that from 1995 to 2007, offshoring reduced the emissions – including greenhouse gasses emissions by 17%, tropospheric emissions by 7%, and acidic emissions by 6% – in the manufacturing industries in Belgium. In addition, subcontracting (outsourcing) frees organizations from responsibilities toward stakeholders, leading to higher probability of social risks in the host countries (Fuentes-García *et al.*, 2008). The level of ownership also affects these problems. For example, in the case of direct ownership, companies transfer best practices to their offshored subsidiaries, and there is positive effect on labor rights (social issues), while in subcontracting, costs take precedence leading to more frequent

incidents of human rights' violations (Anner, 2012).

Globalization of supply and supply chains creates longer transportation routes, resulting in more CO_2 emissions and exposes firms to different cultures where people have different norms and customs – making it difficult for firms to motivate these people about sustainability – thus, undermining the sustainability performance in terms of environmental and social performance (Cadarso *et al.,* 2010; Gualandris *et al.,* 2014). Some authors, however, report positive effects of globalization. Chong and Wad (2009), for example, find a positive effect of offshoring activities on CSR, in the context of Malaysia. These authors also find that companies' workforce size and foreign ownership have positive influence on CSR practices. Finally, firms operating on global levels are large firms, which are exposed to a wide range of stakeholders at home and in their host countries (Mahmood and Humphrey, 2013). Being large firms, they face greater pressure, but they also have huge resource to resist these pressures (Darnall, 2010).

Thus, offshoring reduces the toxic emissions in domestic economies (Western countries); however, it increases these emissions at the global level. Climatic change is one of the recent concerns of national leaders, environmentalists, advocates, NGOs, and academicians (Rosenberg, 2015). Reducing pollution emissions in one place and increasing it, simultaneously, in another will not serve the purpose of a sustainable world, rather it will be a threat to its existence. Drastic climatic changes affect the planet in terms of rise in sea level, increase in floods and droughts, disturbance in biological systems, health, and nutrition, among others (Thornton *et al.,* 2014). Even some countries may disappear in future due to the consistent rise in sea level, which result from rising temperature. Therefore, it is crucial to minimize the CO_2 emissions at the global level and produce in a sustainable way, irrespective of the location of production.

Another group of studies consider it very interesting and crucial to integrate CSR in globalized production activities and call for research on this topic (e.g., Timlon, 2011; Terouhid *et al.,* 2012; Babin and Nicholson, 2012; Gimenez *et al.,* 2012; Caniato *et al.,* 2013; Wenzhong, 2013). CSR is lagging behind in outsourcing decisions (Wenzhong, 2013) and can be a promising future research area (Timlon, 2011). According to Babin and Nicholson (2012), the intersection of outsourcing and sustainability will be very important for both the buyers and suppliers. Also, Terouhid *et al.* (2012) report the increasing importance of environmental and social issues, but note that direct investigation of sustainability considerations in location decisions is rare. Similarly, Gimenez *et al.* (2012) call for offshoring as moderating variables in the relationship between external supplier-related CSR practices and (environmental, social and financial) performance. Also, global sourcing is a diffused practice which can affect sustainability performance (Caniato *et al.,* 2013). Yet, despite these calls, according to our knowledge, there is only one study, by Gualandris *et al.* (2014), which addresses global sourcing as a moderating variable

between external supplier-related CSR practices and performance. However, these authors only include environmental and social performance while controlling for financial performance. Studies considering all the three performances (environmental, social, and financial) and stakeholder pressures under globalized activities via offshoring, outsourcing, and global sourcing are non-existent. This gap needs to be addressed to understand the interaction between stakeholder pressure and CSR adoption and their effects on the performance of globalized companies.

2.11. RESEARCH QUESTIONS

Given the literature reviewed, we ask the following questions:

A. Concerning offshoring:

1. How does offshoring experience affect firm performance?

2. How do risk management and realized offshoring drivers, respectively, affect the relationship between offshoring experience and firm performance?

3. How do governance modes (captive, joint venture, and outsourcing) influence the relationship between offshoring drivers and firm performance?

4. How do governance modes (captive, joint venture, and outsourcing) influence the relationship between risk management and firm performance?

5. How does host country influence the relationship between offshoring drivers and firm performance?

6. How do different host locations and governance modes influence the mediating relationship of offshoring drivers and risk management, respectively, between the relationship of offshoring experience and firm performance?

B. Concerning CSR:

7. How do corporate social responsibility practices affect financial performance?

8. How do stakeholder pressure and context influence the relationship between corporate social responsibility practices and financial performance?

9. Are SMEs exposed to the same stakeholder pressure as large companies, and do they react the same way in terms of the adoption of CSR practices?

10. Are companies in developing countries face the same stakeholder pressure as companies in developed countries, and do they react the same way in terms of CSR adoption?

11. How do country of origin and operation influence the relationship between stakeholder pressure and the adoption of CSR practices and their impact on performance (environmental, social, and financial)?

12. How does stakeholder pressure influence the adoption of CSR practices and their impact on performance in developing countries from different regions in the USA, Europe, and Asia?

13. How do external supplier related CSR practices mediate the relationship between stakeholder pressure and performance?

14. How does the mediating relationship of supplier related CSR practices between stakeholder pressure and performance differs in local and global sourcing firms?

15. How do offshoring governance modes moderate the mediating relationship of supplier related CSR practices between stakeholder pressure and performance?

We have addressed all these questions except 3, 4, 5, 6, 12, and 15 in the five research papers, including two conference papers and three journal articles. The next chapter presents the research design methodology used to research these questions.

CHAPTER 3. RESEARCH DESIGN

This chapter presents the nature of research, data sources, and the statistical techniques for testing the proposed hypotheses in the research papers associated with this thesis.

3.1. THE NATURE OF THE RESEARCH

This thesis is based on five quantitative-natured research papers. Research can be either quantitative or qualitative. Quantitative research is the prevailing method in empiricism and positivism (Duffy, 1985; Carr, 1994). Quantitative research mainly has its roots in the scientific methods originating from physical sciences (Cormack, 1991; Carr, 1994). It is an objective and systematic process, which measures a phenomenon and analyzes the causal relationships between variables (Sale *et al.*, 2002), generalizing these findings to the general population (Park and Park, 2016). This kind of research tests the theory in a deductive way from the existing body of knowledge through developing hypothesized relationships and proposed outcomes (Carr, 1994; Park and Park, 2016). A variety of techniques including highly structured protocols, randomization, and structured questionnaires ensure this goal (Sale *et al.,* 2002). Quantitative research is based on the notion that there exists only one objective reality and that there is no association between this reality and human perceptions (Sale *et al.,* 2002). The investigator and investigated are independent, and the researcher can investigate a phenomenon without influencing it. In this regard, Guba and Lincoln (1994, p. 110) describe it as "inquiry tak[ing] place as through a one-way mirror". This reduces researcher's involvement and biases and leads to objectivity. Moreover, quantitative research usually requires large, random samples, and the results can be often generalized to the whole population. However, it is time-consuming to select a large number of respondents randomly. The data that comes from the quantitative research is hard and numerical, which can act as the basis of an action and produce scientific answers to the research questions. Quantitative research is more reliable than qualitative research because the extraneous variables in a study can be controlled and data generated can be accessed via several standardized testing procedures. However, quantitative research is low on validity because a more controlled study does not reflect the reality outside environment. As a result, it is difficult to assess that the research situation and real life are the same (Carr, 1994). The common research processe in quantitative research include experimental, quasi-experimental, descriptive, and correlational research (Cormack, 1991).

We used quantitative research methods in this study because the study aimed to 1) test the hypothesized relationships, and 2) generalize these findings to the general population.

3.2. DATA SOURCES

The five research papers in this thesis are based on two surveys, the Global Operations Network (GONE) survey and International Manufacturing Strategy Survey (IMSS). Among the five research papers, the first paper "*Offshoring experience and performance: The role of realized drivers and risk management"* is based on a sub sample of 185 companies from the GONE survey. The GONE project was started in Denmark in 2009, with financial support of the Danish Strategic Research Council. The Center for Industrial Production (CIP) took the leading role in this regard, while collaboration was established with the partner universities Copenhagen Business School, University of Southern Denmark, and Chalmers University of Technology from Sweden. The main goal of the project was to identify and develop methods for studying companies, which are exposed to globalization over a longer period.

The survey was conducted in the fall of 2011 and the spring of 2012. Initially, the survey was sent to a large number (3000) of firms from Denmark and Sweden. Out of that number, 1085 responded, which makes a 36% response rate. Among these companies, the majority (60%) are small firms that offshored their operations during 2011-2012. The GONE survey collects information not only about corporate properties, such as size and industry, but also on innovativeness and quality orientation. Unlike previous Danish surveys, which only focus on why Danish companies are offshoring, this survey identifies the causes of the challenges, which come from the offshoring of standardized and knowledge-intensive tasks. The survey consisted of 45 questions; the majority of these are measured through a 7-points Likert scale and multiple response options. The questionnaire is divided into two parts. The first part shows general information about the companies, offshoring drivers, motives, transfer processes, and the resulting outcomes, while the second part covers the latest offshoring project of the companies going into more complex issues including the nature and complexity of the offshored functions, realized effects, organizational implications, and hidden costs.

The rest of the research papers use data from the sixth version of the International Manufacturing Strategy Survey (IMSS-VI). Among these research papers, the second paper "*Environmental and social pressure as drivers of corporate social responsibility in a globalizing world"* is based on a sample of 445 companies. The third paper "*The moderating role of stakeholder pressure in the relationship between CSR practices and financial performance in a globalizing world"* uses 805 companies in its analysis. The fourth one "*Corporate social responsibility practices and performance: Home and host country influences"* is based on a sample of 616

companies. Finally, the last paper "*Supplier corporate social responsibility practices and sourcing geography"* uses a sample of 381 companies.

The IMSS is an international network of business schools, which collaborate internally and externally with manufacturing companies. The basic aim is to develop a survey instrument for the study of global manufacturing management and supply chain management. Initially, a group of 20 business schools established this network in 1992, which was led by the London Business School and Chalmers University of Technology (Sweden). Currently, the network is managed and coordinated by Politecnico di Milano (Italy). IMSS-VI was conducted from June 2013 to June 2014, and the final data was issued in September 2014. In total, 7167 companies from different countries were selected. To sample data in the same way in different countries, a common research methodology was followed.

In all countries, respondents were given a common survey instrument. This instrument was originally designed in the English language and then translated into different languages such as Spanish, French, and Chinese by the national researchers, as needed. The questionnaire was pre-tested with managers from different companies, which ensured the relevance of the instrument and validity of the content (Weingarten *et al.,* 2014). Production, operation, and supply chain managers/ directors at plant level were targeted due to their knowledge related to operational and strategic decisions. The sample covers manufacturing plants with more than 50 employees from assembly manufacturing industrial sectors (ISIC codes 25-30) including machinery, electronics, metal products, transport equipment, and motor vehicles. The local research teams via email or phone accessed the respondents. Respondents who showed willingness to participate were sent questionnaires through email or fax. In the case of non-response or missing data, the respondents concerned were contacted again by sending a reminder in order to increase the response rate. The local research teams also controlled the non-response bias and late response bias. Finally, the data from the various research teams were thoroughly checked for quality and then combined into a single database by Politecnico di Milano. In total, 2586 questionnaires were distributed in the different countries. Finally, after removing the missing cases, 931 companies from 22 countries remained in the sample, which makes a response rate of 36% (931/2586).

The survey covers small, medium, and large companies from the USA, Europe, and Asia. Furthermore, the large sample size reduces the power issues related to the effect sizes (Wiengarten *et al.,* 2014). Finally, several iterations of the IMSS show that the previous versions of IMSS research instruments have been well tested and verified in the literature (e.g., Frohlich and Westbrook, 2001; Vanpoucke *et al.*, 2014; Wiengarten *et al.,* 2014).

3.3. STATISTICAL TECHNIQUES

We have used various statistical techniques in our research papers. Among them, the first paper uses principal component analysis (PCA) for identifying various factors (constructs) from the individual, inter-correlated items (Abdi and Williams, 2010). In addition, the bootstrapping method is used for testing the hypothesized mediation effects. This is a powerful method, which detects mediation effects more accurately than the other techniques, including the Barron and Kenny's (1984) approach and the Sobel test (Malhotra *et al.,* 2014; Rungtusanatham *et al.,* 2014).

The second paper uses ordinal regression for testing the hypothesized relationships. In this paper, the variables are measured on a Likert scale in which ordinal regression is most appropriate because it maintains the directionality of the data (O' Connel, 2006). In addition, the t-test is used to compare different group of companies for the effect of external stakeholder pressure on the adoption/ implementation of CSR practices.

The third paper uses principle component analysis and later on, hierarchical regression for testing the hypothesized interaction effects. Hierarchical regression tests hypotheses based on a stronger theory than simultaneous and stepwise regression (Petrocelli, 2003). Furthermore, this kind of regression provides reliable results for detecting moderating effects (Evans, 1985). The t-test is used for comparing the effect of CSR practices on financial performance in firms from developing countries and that of developed countries.

The fourth paper uses exploratory factor analysis, confirmatory factor analysis, and the general linear model (GLM). Exploratory factor analysis determines the factor's structure, while the confirmatory factor analysis further confirms this structure (Hair *et al.,* 2010). GLM is most appropriate when the unit of analysis consists of both the micro and macro level data (Autio and Acs, 2010; Schøtt and Sedaghat, 2014). GLM calculates the true value of probability (p-value), while ordinary least square regression (OLS) does not account for this and often comes with high probability values. Also, GLM is based on cluster sampling, that is, manufacturing plants are sampled within countries as cluster samples in which plants from the same country share similar characteristics, while the OLS considers the independent sampling of units (Schøtt and Cheraghi, 2014). In this paper, the unit of analysis uses both the micro and macro level data; therefore, the GLM technique is applied.

Finally, the last paper uses an advanced technique called moderated mediation, through multi-group moderation. In a moderated mediation analysis, we actually determine the role of a group variable acting as moderator in a mediation relationship. In short, it shows whether the mediation effects vary across different groups. As defined by Malhotra *et al.* (2014, p. 8), "moderated mediation occurs when a mediation process is shown to indicate different strengths or heterogeneous

structures at different level of another factor or a moderator." All the earlier mentioned statistical analyses are carried out through SPSS version 21, 22 and AMOS version 22. Table 2 shows the data source, subsamples, and statistical techniques of the research papers covering this thesis.

Table 2: Data sources, subsamples, and statistial techniques

Research papers	**Data source**	**Subsample**	**Statistical techniques**
Paper 01. Offshoring experience and performance: The role of realized drivers and risk management	GONE Survey	185	Bootstrapping, principal component analysis (PCA)
Paper 02. Environmental and social pressure as drivers of corporate social responsibility in a globalizing world	IMSS-VI	445	Ordinal regression, t-test
Paper 03. The moderating role of stakeholder pressure in the relationship between CSR practices and financial performance in a globalizing world	IMSS-VI	805	Principal component analysis (PCA), hierarchical regression, t-test
Paper 04. Corporate social responsibility practices and performance: Home and host countries influences	IMSS-VI	616	Exploratory factor analysis, confirmatory factor analysis, generalized linear model (GLM)
Paper 05. Supplier corporate social responsibility practices and sourcing geography	IMSS-VI	381	Exploratory factor analysis, confirmatory factors analysis, bootstrapping, moderated-mediation

3.4. CHAPTER SUMMARY

This chapter highlighted the quantitative research approach used in this dissertation and its characteristics, including large, random samples, statistical analyses, and possibility to generalize. The chapter briefly discussed two surveys, the GONE survey and the IMSS-VI, which provide the data for the research papers presented and discussed in this thesis. Out of the five research papers, the first paper uses data

from the GONE survey utilizing the statistical techniques *bootstrapping* and *PCA*. The remaining four research papers takes data from the IMSS-VI survey and analyzes them using a wide range of statistical techniques: *hierarchical regression*, *t-test, exploratory factor analysis, confirmatory factors analysis, bootstrapping,* and *moderated mediation.*

CHAPTER 4. RESEARCH PAPERS SUMMARY

This chapter presents brief summaries of the research papers, including two conference papers and three journal articles. The papers address two areas of research – offshoring and corporate social responsibility (CSR) practices.

4.1. OFFSHORING EXPERIENCE AND PERFORMANCE: THE ROLE OF REALIZED DRIVERS AND RISK MANAGEMENT

Abstract

Purpose: The purpose of this study is to investigate the extent to which realized offshoring drivers and risk management mediate the relationship between offshoring experience and firm performance.

Design/Methodology/Approach: Data from the GONE project, a cross-sectional survey administered in Denmark and Sweden, are used to test two hypotheses on the mediating role of realized offshoring drivers and risk management in the relationship between offshoring experience and firm performance. AMOS version 23 is used to perform the analyses.

Findings: The results show that realized offshoring drivers have a positive association with firm performance. Realized offshoring drivers fully mediate the relationship between offshoring experience and firm performance. Risk management has a positive effect on firm performance but does not mediate the relationship between offshoring experience and firm performance.

Originality/Value: This study develops a new theory on, and managerial insight into, the direct effect of realized offshoring drivers and risk management on firm performance and their mediating role in the relationship between offshoring experience and firm performance.

Keywords: Realized Offshoring Drivers; Offshoring Experience; Performance; Risk Management; Survey.

Paper Type: Research paper

4.2. ENVIRONMENTAL AND SOCIAL PRESSURE AS DRIVERS OF CORPORATE SOCIAL RESPONSIBILITY IN A GLOBALIZING WORLD

Abstract

Purpose: The aim of this study is to investigate the effect of environmental and social pressures from external stakeholders on the adoption of CSR practices. Furthermore, the study also aims to investigate the role of context in the relationship between external pressures and CSR practices' adoption.

Design/Methodology/Approach: This study is based on two hypotheses on the effect of external pressures on the adoption of CSR practices and the role of context in the hypothesized relationships. These hypotheses are tested by ordinal regression using data from IMSS-VI.

Findings: The paper concludes that environmental and social pressures positively influence the efforts companies put into the implementation of internal as well as external CSR practices. Size and location influence the relationship between external pressures and implementation efforts. Interestingly, large as well as medium-sized firms located in and originating from developing countries put more efforts into implementing CSR practices than companies in and from developed countries.

Originality/Value: There are no studies addressing the effect of external pressures on both the internal and external CSR practices in small, medium, and large firms from developing and developed countries. Also, comparative studies addressing the effect of external pressures on the adoption of CSR practices by small, medium, and large firms in developing and developed countries are non-existent. This study investigates these relationships.

Keywords: Environmental Pressure; Social Pressure; Internal CSR Practices; External CSR Practices.

Paper Type: Research paper

4.3. THE MODERATING ROLE OF STAKEHOLDER PRESSURE IN THE RELATIONSHIP BETWEEN CSR PRACTICES AND FINANCIAL PERFORMANCE IN A GLOBALIZING WORLD

Abstract

Purpose: The aim of this study is to investigate the effect of CSR practices on financial performance. In addition, the study also aims to investigate the effect of context and external stakeholder pressure on this relationship.

Design/Methodology/Approach: We developed three hypotheses on the effect of CSR practices on financial performance and the moderating role of context and stakeholder pressure in this relationship. The hypotheses are tested by hierarchical regression using data from the IMSS-VI.

Findings: The results show that CSR practices have a positive effect on financial performance. Furthermore, stakeholder pressure has no moderating role in this relationship. Finally, the relationship between CSR practices and financial performance is significant in both the developed and developing countries with no significant difference between the two subsamples.

Originality/Value: Most studies address the association between CSR practices and financial performance; yet, there is no study which investigates the role of stakeholder pressure (environmental and social) and context (developed versus developing) in this relationship. Therefore, this study makes an original contribution to theory and practice by addressing the role of stakeholder pressure and context in the relationship between CSR practices and financial performance.

Keywords: CSR Practices; Environmental Pressure; Social Pressure; Financial Performance.

Paper Type: Research paper

4.4. CORPORATE SOCIAL RESPONSIBILITY PRACTICES AND PERFORMANCE: HOME AND HOST COUNTRIES INFLUENCES

Abstract

Purpose: The purpose of this study is to investigate the moderating effect of home and host countries on the relationship between external stakeholder pressure and the implementation of CSR practices and between CSR practices and performance.

Design/Methodology/Approach: Two hypotheses are developed, related to the moderating effect of home and host countries, on the relationship between external stakeholder pressure and the implementation of CSR practices and between the CSR practices and performance. These hypotheses are tested by General Linear Model (GLM) using data from the IMSS-VI conducted in manufacturing assembly plants in 22 countries around the globe.

Findings: The results show that home and host countries have no moderating effect on the relationship between external stakeholder pressure and the implementation of CSR practices, while they have a moderating effect on the relationship between CSR practices and performance (e.g. financial, environmental, and social performance).

Originality/Value: Previous studies have mainly addressed the effect of external stakeholder pressure on the implementation of CSR practices and the effect of CSR practices on performance. However, studies addressing both home and host countries influence on these relationships are non-existent. The joint consideration of home and host countries is very important in the perspective of globalized operations. This study contributes to theory and practice by investigating the role of home and host countries on the relationship between external stakeholder pressure and CSR practices on one hand and between CSR practices and performance on the other.

Keywords: Stakeholders; Corporate Social Responsibility; Performance; Home Country; Host Country; Survey.

Paper Type: Research paper

4.5. SUPPLIER CORPORATE SOCIAL RESPONSIBILITY PRACTICES AND SOURCING GEOGRAPHY

Abstract

Purpose: This study aims to investigate the mediating effect of supplier-related CSR practices between stakeholder pressure and performance. In addition, the study also aims to investigate the effect of sourcing geography (local versus global) on this relationship.

Design/Methodology/Approach: We developed six hypotheses covering the mediating effect of supplier-related CSR practices between stakeholder pressure and performance and the effect of sourcing geography (local versus global) on this relationship. Bootstrapping and moderated mediation is used to test the hypotheses using data from the sixth release of the IMSS.

Findings: The results show that supplier-related CSR practices mediate the relationships between stakeholder pressure and environmental performance, and stakeholder pressure and financial performance, respectively, but they do not mediate for social performance. Furthermore, sourcing geography (local versus global) moderates the mediation effects of supplier related CSR practices within the relationships between stakeholder pressure and environmental and social performance, respectively, but does not moderate the relationship with financial performance.

Originality/Value: Several researchers call for the integration of CSR in globalized activities. However, very few studies have addressed the relationship between supplier-related CSR practices and performance, all of which focus on environmental and/or social performance in locally and globally sourcing firms. No study considering all the three performance areas (environmental, social, and financial) has been reported. This study addresses the mediating effect of supplier-related CSR practices between stakeholder pressure and environmental, social as well as financial performance and, therefore, offering an original contribution to theory and practice.

Keywords: Stakeholder Pressure; Supplier related CSR Practices; Performance; Sourcing Geography.

Paper Type: Research paper

CHAPTER 5. DISCUSSION

This chapter presents a discussion of the research papers in this thesis. Furthermore, the research questions are answered in the light of the existing literature.

This study has addressed two emerging trends in global production: offshoring and the increasing demand for the environment friendly and socially responsible practices in business operations. Section 5.1 discusses the offshoring trend, while sections 5.2 and 5.3 discuss sustainable practices (environmental and social) in business operations. Finally, section 5.4 presents the link between global operations in terms of global sourcing and supplier-related CSR practices.

5.1. OFFSHORING

5.1.1. REALIZED OFFSHORE DRIVERS AND FIRM PERFORMANCE

Improvement in information and communication technologies and globalization has led to integrated markets (i.e. capital, labor) and made it possible for firms to access these markets (Kedia and Mukherjee, 2009). As a result, a greater number of firms are increasingly offshoring their production activities to developing countries (Maskell *et al.*, 2007). For example, from 1970 to 2010, the share of global manufacturing value added by G7 nations dropped from 71% to 47%, to be taken up by emerging countries (Brennan *et al.*, 2015). Similarly, Chatta and Butt (2015) show an increasing trend in various modes of global production, including offshoring and outsourcing by firms from North America and Europe. In fact, offshoring has become an established, strategic business practice (Kedia and Mukherjee, 2009). Therefore, evaluating the performance effects of offshored activities has become a hot topic for both industry and academia.

A wide range of studies have addressed the performance effects of offshoring in terms of productivity, quality, flexibility, sales growth, profitability, market share, and market returns, among others. The reports on the relationship between offshoring and firm performance are mixed. In addition, the emphasis on offshoring drivers has changed: In the past, cost motives were the main driver. Today, along with these drivers, strategic motives (access to knowledge, technology, and talent) drive firms. As these changes in locational choices may influence performance, further examination of the effect of offshoring drivers on performance is needed. Caniato *et al.* (2015) concur with Kedia and Mukherjee (2009) and Roza *et al.* (2011) that offshoring drivers or, as they call it, location drivers have rarely been related to performance, and they investigate relationships between four groups of

drivers and two groups of performance indicators, namely, operational and strategic performance. No single study, however, has investigated the effects of realized offshore drivers on performance. Representing the benefits pursued by moving production and related activities abroad, offshore drivers are important because they scope the initiative and, thus, provide a frame for assessing performance. *Realized* offshore drivers are important because they enable evaluating the initiative and establish whether a firm achieves, or even outlives, the benefits pursued. The performance effects resulting from offshoring are not due to the offshoring drivers themselves but a result of the extent to which these drivers are actually realized. Therefore, the effect of realized offshore drivers on firm performance is important and needs to be investigated.

Paper #01 (Appendix B) shows that realized offshore drivers affect productivity, flexibility, and market share performance positively. These effects stem from the realization of offshore drivers, such as access to commodities, knowledge and technology, and the market. Pursuing access to commodities (raw materials and components) lie in the category of low-cost drivers and can be explained through the lens of the transaction cost theory (TCT) (Ellram *et al.,* 2008; Roza *et al.,* 2011). Key attributes of the transaction cost theory (TCT) are bounded rationality, opportunism, and uncertainty. Offshoring may, however, lead to an increase in transaction costs resulting from uncertainty of the relocation of activities, and these costs may partially offset the savings from offshoring. Firms can reduce the sum total of production and transaction costs to maximize gains from offshoring. Firms only offshore for low cost if the transaction costs from supplier opportunism, uncertainty, and bounded rationality do not exceed the benefits from the low cost in the offshore location (Roza *et al.,* 2011).

Inputs, including raw materials, components, and labor, make up a major part of a firm's overall production costs. Access to cheap commodities (raw materials and components) decreases the total production costs (Yu and Lindsay, 2011) and contributes to productivity (Ito *et al.,* 2011; Farinas *et al.,* 2014). The resources released in the form of cost savings help firms to increase their profitability and invest more time and resources in their core activities. Offshoring has been suggested to give firms more specialization (Oshri *et al.,* 2015), which increases their productivity (Van de Gevel, 2006) and flexibility (Nieto and Rodriguez, 2011).

Access to the market, another offshoring driver, can be explained through the lens of entrepreneurial theory (Schumpeter, 1934; Davidsson, 1989), which argues for the combination of new resources to exploit the new business opportunities. According to Farrell (2006), the importance of the local market is the sixth most important driver of offshoring decisions. Several factors, including actual size, potential size, and key position in the supply chain (as a hub), determine how important a market is. For instance, the Brazil, Russia, India, and China (BRIC) are large markets for household products. In comparison, Taiwan is a small or only a medium-sized

market; however, as a hub for designing integrated circuits or personal computers (PCs), it connects the production facilities of China with the Western markets and in turn, provide the access of Western technology to the Chinese market (Contractor *et al.,* 2011). Getting access to a new market may improve a firm's performance in two ways. First, increased sales may lead to high profitability. Second, while searching for and negotiating with foreign suppliers, the firm develops networks and learns about the foreign market. This knowledge further increases offshoring to that country or, further, to countries having similar setups. The benefits of offshoring, such as lower production costs, higher flexibility, new resources, and market's knowledge, increase the ability of firms to export (Bertrand, 2011). This has happened with most Western multinational firms in China. These firms first entered China for low-cost reasons, and after gaining market knowledge resulting from offshoring (Yu and Lindsay, 2011), they focused on its large market, which is over one billion people (Zhang, 2001). Multinational firms use China as an export platform where they produce for regional and the global markets (Kumar, 2000) in order to capture a major chunk of market share.

Finally, the offshoring driver "access to knowledge and technology" is getting more important due to the shortage of science and engineering talent in developed countries, which can be explained through the lens of the resource based view (RBV) (Barney, 1991). The RBV explains the set of resource-seeking offshoring drivers, namely, access to qualified people (talent) and access to knowledge and technology. Consistent with the RBV, these resources are a source of competitive advantage and contribute to much of the variation in a firm's performance (Lewin *et al.,* 2009). Firms go for these resources in offshore locations to improve and maintain their competitive positions (Roza *et al.,* 2011).

According to Manning *et al.* (2008), access to scientific talent has moved to the second rank among the offshoring drivers. Since the 1990s, the number of post-graduates in the US and the EU have been more or less stagnant, resulting in a shortage of engineering and scientific talent in certain technical areas (National Scientific Foundation, 2009). Also, many emerging countries in Asia, including India and China, Eastern European countries, and Latin America are becoming "factories" of a wide pool of science and engineering talent (Lewin *et al.,* 2009). In addition, knowledge clusters in developing countries – the integration of firms, universities, and research centers – are also attracting knowledge-seeking offshore activities (Contractor *et al.,* 2011). An example is the biotech cluster in Singapore, which has emerged due to government's support and tax incentives.

Firms that offshore for knowledge and technology purposes aim to develop new resources and capabilities from different advantages from the locations abroad, such as science, engineering and technological talent, knowledge, and capabilities (Manning *et al.,* 2008; Jabbour, 2010). Access to knowledge and technology in offshore destinations helps firms to enhance, especially, product innovation (Nieto

and Rodrigues, 2011), which increases their performance in terms of sales, profitability, and foreign market share (Kleinschmidt and Cooper, 1991). In addition, knowledge related to product development and access to advanced technologies help firms to increase quality (Yu and Lindsay, 2011). To get access to knowledge and resources, the Danish wind turbine company, Vestas, established R&D centers in Chennai and developed strong relationships with the local universities, including the Indian Institute of Technology Delhi (IITD). Similarly, General Electric (GE) uses its Technology Center (R&D center) in Bangalore for several products and technology areas (Contractor *et al.*, 2011). Overall, the realized offshore drivers have positive effect on firm performance. These results are in line with Ceci and Masciarelli (2010), who report the positive effect of offshoring intangibles (i.e., software development and research and development) on firm performance due to locational advantages, including cost reduction, access to skilled labor and technologies, and access to market. These results are in contrast with some studies. Gilley and Rasheed (2000), for example, find no direct effect of offshoring on both financial and non-financial performance. Kotabe *et al.* (2012) show a negative curvilinear relationship between outsourcing and firm's market share.

Therefore, the conclusion, supported by paper #01, is that *realized* offshore drivers, rather than these drivers *per se*, influence a firm's performance. Firms should try to maximize the realization of offshoring drivers, which helps them to perform better than their competitors. Better alignment of the firm's strategic objectives with the locational advantages can help firms to better realize their offshoring drivers. Offshoring performance does not only come from viable choices; also past offshoring experience is likely to play a role in performance (Caniato *et al.*, 2015). Prior experience may help firms to realize the offshoring drivers and perform better.

5.1.2. OFFSHORING EXPERIENCE, REALIZED OFFSHORE DRIVERS, AND FIRM PERFORMANCE

Offshoring experience is a result of the learning that firms obtain by exploring new possibilities and organizational ways to exploit different possibilities (Maskell *et al.*, 2007). Offshoring decisions have been reported to be mainly taken based on prior offshoring experience, managerial intention, and environmental factors (Lewin *et al.*, 2009). Li (1995) shows that firms benefit from learning and experience in foreign operations, which improve the chances for subsequent foreign investments. Based on the articles reviewed for this study, it was expected that offshoring experience enhances the realization of offshore drivers, which in turn, should have a positive effect on firm's performance; however, at the start of this study, no single study had investigated that. The role of realized offshore drivers between offshoring experience and firm performance has been addressed in paper #01, which reports a positive effect of offshoring experience on the realization of offshore drivers and, through that, a positive effect on firm's performance.

This finding suggests that prior offshoring experience helps firms to develop the managerial, relational, and contractual capabilities that they need to offshore their business functions successfully (Barthelemy, 2001; Leiblein and Miller, 2003; Sydow *et al.*, 2009; Peeters *et al.*, 2010; Larsen *et al.*, 2013). The success of offshored projects mainly depends on good location (Massini *et al.*, 2010) and partner selection (Hätönen, 2009), and the experienced-based capabilities referred to help firms find the best locations, acquire greater knowledge about suppliers, identify and select the best ones and manage them well, and design better contracts to avoid the costs of incomplete contracts. In addition, firms with high offshoring experience are better than firms with less experience in identifying and dealing with challenges associated with service quality, operational efficiency, and managerial control (Manning *et al.*, 2008). Information about cultural, political, and economic differences in different locations is important for firms that move their production activities abroad, and many firms invest in acquiring this information (Hymer, 1976). Prior knowledge of offshore locations (Hymer, 1976; Eriksson *et al.*, 1997) and how to find them reduces these costs and leads to other benefits, such as a well-trained workforce and opportunities for learning from other firms (Graf and Mudambi, 2005). Thus, offshoring experience helps firms in selecting among locations, searching for vendors, risk management (Graf and Mudambi, 2005; Hätönen, 2009; Demirbag and Glaister, 2010) and enhances the performance of offshored projects.

Furthermore, learning experience from previous offshoring activities reduces the cognitive limitations of managers and enables firms to offshore high-end activities, resulting in quality improvement and innovation (Maskell *et al.*, 2007). For example, the accumulated experience resulting from offshoring of production and services has opened the doors for many pharmaceutical firms to offshore part of their R&D, to India, including drug discovery, clinical trials, and testing, which makes 70% of their R&D budget (Contractor *et al.*, 2011). Overall, the offshoring experience enhances the offshore realized drivers, which, in turn, increases firm performance. These findings appear to concur with those of Li (1995), Hutzschenreuter *et al.* (2011), Westner and Strahringer (2010), and Manning *et al.* (2008), who highlight that firms with offshoring experience perform better.

5.1.3. RISK MANAGEMENT AND FIRM PERFORMANCE IN THE CONTEXT OF OFFSHORING

Task-specific (size, breadth, and customization) and location-specific (geographical distance, cultural distance, and geographic dispersion) offshoring complexity (Handley and Benton Jr, 2013) exposes firms to a wide range of challenges in control and coordination of, and knowledge transfer to, offshored sites (Sabherwal and Choudhury, 2006; Dibbern *et al.*, 2008). The greater the interdependence between the onshore and offshore tasks, the more likely that coordination failures occur and lower performance (Srikanth and Puranam, 2011). In addition, transaction

costs from transferring, monitoring, and coordinating offshored service processes undermine savings from cheap labor in the offshore locations (Stratman, 2008). Control and coordination costs affect each other and, in effect, the performance of offshored projects (Sabherwal and Choudhury, 2006). Challenges in knowledge transfer arise from differences in time zones, languages, political history, culture (Chen *et al.,* 2013), and the dynamic nature of knowledge itself (Ferdows, 2006). Knudsen *et al.* (2014) note that only 13% of the executives effectively transfer knowledge from one part of the organization to the other. Firms often fail to do it effectively, which may lead to productivity loss (Galbraith, 1990).

Failing to properly manage these challenges leads to extra costs (Dibbern *et al.*, 2008; Handley and Benton Jr, 2013). These costs are termed differently in the literature, such as extra costs, invisible costs, hidden costs, and remaining or new costs (Lancellotti *et al.,* 2003; Barthelemy, 2001; Dibbern *et al.,* 2008). They arise in an unexpected way and their effects on offshore projects may be substantial. Some reports (e.g., Stringfellow *et al.,* 2008) claim that these costs are responsible for the failure of more than half of the offshored projects. These costs – among other factors, such as quality, lead time issues, the loss of intellectual capital, improvement in automation – have been recently mentioned in the literature and in the media as the drivers of insourcing, nearshoring, and backshoring (Kinkel and Maloca *et al.,* 2009; Stentoft *et al.,* 2015; Zhai *et al.,* 2016). For example, GE has recently invested $ 800 million in one of its previous plants to produce appliances in the US, which were previously outsourced to Chinese suppliers. National Cash Register (NCR) has back-shored its ATM production in their wholly-owned Chinese and Indian subsidiaries to the US. Similarly, Wal-Mart has recently reverted the sourcing of appliances and furniture from Chinese suppliers to the US (Bals *et al.*, 2016). Overall, challenges in knowledge transfer, coordination, and control may have a negative effect on firm performance and managing these challenges (risks) will have a positive effect on firm performance. This has been addressed in paper # 01. The study results report the positive effect of risk management on firm performance.

5.1.4. OFFSHORING EXPERIENCE, RISK MANAGEMENT, AND FIRM PERFORMANCE

As mentioned earlier, the complexities in offshoring expose firms to a wide range of challenges related to, control, coordination and knowledge transfer, amongst others (Choudhury and Sabherwal, 2003; Rudberg and West, 2008; Dibbern *et al.,* 2008). Failing to manage these challenges, the risk may materialize in the form of unforeseen costs, which has a negative effect on the success of the offshored projects. Some reports (e.g., Stringfellow *et al.,* 2008) claim that more than half of the offshored projects fail due to the improper risk management. Therefore, risk management is essential for the success of offshored projects and firm performance. Previous studies report a positive role of offshoring experience in offshoring success

and suggest for its positive effect on risk management. However, the effect of offshoring experience on risk management and, in turn, on firm performance has not been explicitly addressed in the literature either. Further studies need to explore this.

This study has addressed this aspect in research paper #01. The results failed to provide enough evidence for the positive effect of offshoring experience on risk management. This is in contrast with previous studies (e.g., Choudhury and Sabherwal, 2003; Gainey and Klass, 2003; Rudberg and West, 2008; Martinez-Noya *et al.*, 2012; Larsen *et al.*, 2013), which report that offshoring experience helps firms to develop decision making (Larsen *et al.*, 2013) and contractual capabilities (Martinez-Noya *et al.*, 2012). These capabilities further help firms to reduce the uncertainty involved by implementing better coordination mechanisms (Rudberg and West, 2008), control systems (Choudhury and Sabherwal, 2003), and well-designed contracts (Gainy and Klass, 2003), which help firms to correctly estimate and properly manage the risk involved. The reason for our findings, which are rather surprising against this background, could be that knowledge gained from previous offshore implementations is hard to apply in different settings (Chang and Rosenzweig, 2001; Leiblein and Miller, 2003). Experienced firms may have a better starting position but that does not mean that they have been able to adequately accumulate knowledge and experiences if their previous offshoring projects involved different activities, modes (captive, offshoring, and outsourcing), locations, time periods, and/or different people managing these projects. However, most successful firms (e.g., GE, Sony Ericsson, Intel etc.), large firms with a wide range of global operations, are in a better position to externalize and combine knowledge from offshoring projects in different host countries. The positive and significant correlation of one of the control variable, i.e. size, with offshoring experience, and the positive and significant effect of size on firm performance, support the notion that large firms better combine and externalize knowledge from offshoring in different host locations.

5.2. CORPORATE SOCIAL RESPONSIBILITY (CSR)

5.2.1. CSR PRACTICES ADOPTION/IMPLEMENTATION AND STAKEHOLDER PRESSURE

The concept of (CSR), which argues for the inclusion of environmental and social concerns in business operations, has taken a front seat in research and industrial agendas. Firms adopt and implement CSR practices responding to a wide range of internal and external factors. Internal factors coming from inside the firm include top management support, manager belief and values, firm image, brand reputation, and financial benefits, while external factors include pressures from different stakeholders outside the firm (customers, community, governments, media, NGOs, and competitors).

As noted by Krause *et al.* (2009), buyer firms cannot be more sustainable than their suppliers. Therefore, firms need to implement CSR practices internally and ensure, externally, that their suppliers are sustainable too. As today, firms buy from suppliers all over the world (Sancha *et al.*, 2015a), CSR has become a global issue.

The chapter "Literature Review" has shown that a greater number of studies based on stakeholder and institutional theory have explicitly addressed external factors than internal ones. This is mainly attributed to the business operations' negative effects on the natural environment and human beings in last 60 years, which have increased the concerns of different stakeholders (Rosenberg, 2015). The effects of pressure on the adoption/implementation of CSR practices vary from stakeholder to stakeholder. Furthermore, it is not clear how the *combined* effect of stakeholder pressure influences the adoption/implementation of the CSR practices. Consequently, this picture is incomplete (Meixell and Luoma, 2015) and needs further investigation. This study has addressed the effect of stakeholder pressure on the adoption of internal and supplier-related CSR practices in papers #02 (Appendix C), #04 (Appendix E), and #05 (Appendix F). These findings report positive effects of stakeholder pressure on the adoption of CSR practices. With regards to the effect of external stakeholder pressure on the adoption of internal CSR practices, our results are in line with Henriques and Sadorsky (1996), Qi et al. (2013), Ervin *et al.* (2013), and Hori *et al.* (2014). In relation to the effect of stakeholder pressure on supplier-related CSR practices, our results are consistent with those of Zhu *et al.* (2005), Zhu *et al.* (2013), Tachizawa *et al.* (2015), and Sancha *et al.* (2015a). However, our results are in contrast with some studies (e.g., Jenkins, 2006; Jamali *et al.*, 2009; Pagell and Wu, 2009; Wolf, 2014, Lewis *et al.*, 2014), which argue that firms adopt these practices in pursuit of financial benefits, meeting managers' personal values, and matching top management social orientation, among others, rather than responding to the external stakeholder pressure.

5.2.2. CSR PRACTICES AND PERFORMANCE

The question whether CSR practices affect firm performance positively is very important to the business community because businesses incur costs while investing in CSR practices. Various studies have addressed the relationship between CSR practices and firm performance. The majority of these studies report positive effect of internal as well as supplier-related CSR practices on environmental and financial performance (e.g., Prado-Lorenzo *et al.*, 2008; Gimenez *et al.*, 2012; Green Jr *et al.*, 2012; Zhu *et al.*, 2013; Golicic and Smith, 2013; Dam and Petkova, 2014; Adebanjo *et al.*, 2016); however, few studies report negative or no effect(Lin *et al.*, 2009; Theyel, 2001; Pullman *et al.*, 2009; Oeyono *et al.*, 2011; Cui *et al.*, 2014; Grekova *et al.*, 2016). Relative to these two dimensions, the social dimension of CSR is less covered. Some of these studies, however, report a positive effect of CSR practices on social performance (Carter and Rogers, 2008; Lo *et al.*, 2014; Gualandris *et al.*,

2014; Sancha *et al.,* 2016), while some other studies (e.g., Robson *et al.,* 2007) conclude no effect on social performance.

Thus, overall, the findings of empirical studies on the performance effects of CSR practices are mixed. In addition, few studies address the effects of CSR covering all the three dimensions of performances (financial, environmental, and social). Considering all the three performance effects is important from the perspective of sustainability, i.e. the triple bottom line concept. This study has addressed these effects in the context of assembly manufacturing industries in research papers #04 and #05. The results confirm the positive effect of internal and supplier-related CSR practices on environmental performance (pollution emission reduction, resources consumption reduction), social performance (safety, employee motivation), and financial performance (sales growth) of the buying firms in our sample. The implementation of internal CSR practices (pollution emission reduction and waste recycling programs, energy and water consumption reduction programs), increased environmental performance of the buying firms in terms of pollution emission reduction, resources consumption reduction and financial performance in terms of sales growth. Similarly, supplier-related CSR practices (supplier assessment, training, and collaboration on sustainability) have positive effects on the environmental and financial performance of the buying firms in our sample.

The positive effects of both internal and supplier-related CSR practices on financial performance come from the efficiency (inside the firms as well at suppliers) resulting from environmental performance (waste reduction), and there are reputational effects added to it. Our results are in line with the majority of studies (e.g., Prado-Lorenzo *et al.,* 2008; Gimenez *et al.,* 2012; Golicic and Smith, 2013; Lo *et al.,* 2014; Gualandris *et al.,* 2014), which report a positive effect of CSR practices on environmental performance and financial performance. The environmental issues including global warming, oil crisis and the increasing population have made this world, in effect, unstable (Li *et al.,* 2014). Today, sustainability is gaining grounds at both local and global levels. Along with internal CSR practices, supplier-related CSR practices aimed to extend sustainability to the upstream supply chain can ensure sustainability. Firms invest in the internal and supplier-related CSR practices to satisfy stakeholders' demands related to the environmental issues. Investment in CSR practices reduces pollutants and resource consumption, minimizes wastes, and improves resource utilization, which enhances sustainability. Firms also get financial benefits that result from the efficiency, cost savings, and reputational benefits that come from investing in CSR practices. The results provide evidence for the business case of CSR in addition to environmental performance. Our results are in contrast with other studies, (e.g., Theyel, 2001; Robson *et al.,* 2007; Pullman *et al.,* 2009; Oeyono *et al.,* 2011; Dam and Petkova, 2014; Cui *et al.,* 2014), which find either a negative or no effect of CSR practices on environmental and financial performance.

In relation to social performance, among the internal CSR practices, formal occupational health and safety management have a positive effect on employee safety, which is one element in the construct of social performance. This is consistent with the findings of Lo *et al.* (2014), who report a positive effect of occupational health and safety management certificates on employee safety as well as sales growth, labor productivity, and profitability. Feeling that there is a safe working environment also increases the employees' motivation level. In addition, when firms practice supplier-related CSR practices (based mostly in developing countries where environmental and social conditions are vulnerable), employees position their firms with corporate justice. Employees who feel that their firms can have an impact on environmental and social issues are double satisfied in their jobs than those who do not (Zuki and Szeltner, 2012; Sancha *et al.*, 2016). In contrast, in the case of an injustice, employees react via their emotions, attitudes, and behaviors (Folger *et al.*, 2005). Being part of an organization committed to social justices, the motivation level of employees increases further leading to high social performance even when employees are not getting the direct benefits. In addition, the buying firm's social performance increases in term of social reputation as the buying firms improve policies related to child labor, working conditions, and human rights compliance at their supplier's facilities. As a result, the employees remain more committed to their firm and stay longer, which further contributes to high productivity (Riordan *et al.*, 1997; Turker, 2009). Our results about the positive effect of supplier-related CSR practices on social performance in terms of employee motivation is consistent with Gualandris *et al.* (2014) and Sancha *et al.* (2016).

As mentioned earlier, stakeholder pressures drive the implementation of internal as well as supplier-related CSR practices. However, stakeholder pressures can also influence the relationship between CSR practices and performance. Under this model, stakeholder pressure drives the adoption and affects the performance effects of CSR practices. However, a firm may also have other reasons for CSR adoption, besides the stakeholder pressure, and may anticipate that stakeholder pressure needs to be integrated into CSR practices once this pressure is exerted. In this context, the effect of CSR practices on performance will be greater.

5.2.3. THE ROLE OF STAKEHOLDER PRESSURE IN THE RELATIONSHIP BETWEEN CSR PRACTICES AND FINANCIAL PERFORMANCE

In the chapter "Literature Review", the relationship between internal and supplier-related CSR practices and financial performance has been explicitly addressed. However, the literature shows no generically valid relationship between CSR practices and financial performance. Therefore, as shown in the literature, there is a greater need to include more mediating and moderating variables in order to develop an in-depth understanding of these relationships. The few studies (Zhu and Sarkis, 2007; Ketikidis *et al.*, 2013) that have addressed external stakeholder pressures (e.g.,

from customers, governments, community, and media) as a moderating variable focused on the effects of pressures related to pollution emission and energy and resource consumption from external stakeholders on the relationship between CSR and financial performance. External pressures also include social pressure concerning respect for human rights, labor conditions, and ethical commitment as important dimensions of CSR. However, the role of environmental and social pressures together in the association between CSR practices and financial performance has not been investigated.

Therefore, given the importance of the environmental and social dimensions of CSR and financial performance, it is important to investigate the role social pressure along with the environmental pressure in the relationship between CSR practices and financial performance. This has been addressed in paper #03 (Appendix D). The results show that environmental and social pressures do not affect the relationship between CSR practices and financial performance. This is a surprising result in the sense that one would expect that the relationship between CSR practices and financial performance would change under high stakeholder pressure.

This surprising result can be attributed to several reasons. First, unlike other studies, which have taken firms from highly polluting industries, this study is based on firms from assembly manufacturing industries. The pressures from stakeholders might be lower due to the lower impact of these industries on the environment and human life. Second, the external pressure construct combines environmental and social pressures rather than treating them separately, which may contribute to the non-interaction effect of external pressure. Finally, this study did not consider the contextual variables that may influence the perceived importance of stakeholder pressure, such as management values (Gonzalez-Benito and Gonzalez-Benito, 2010) and employee training (Sarkis *et al.*, 2010). Our results appear to be consistent with Ketikidis *et al.* (2013), who do not find any moderating effect of stakeholder pressures on the association between environmental sustainable practices and firm performance in a sample of firms from the construction industry. These authors attribute the lack of a moderating effect to the presence of weak regulations and propose that under strong regulations, there will be a moderating effect. However, our findings are in contrast with Zhu and Sarkis (2007), who investigate the institutional pressures (i.e., coercive, mimetic, normative) on the relationship between green supply chain management practices and (economic and environmental) performance, and show that pressure from (mimetic) competitors positively influence the effects of green supply chain management practices on economic performance. Note, though, that Zhu and Sarkis (2007) focused on firms from heavily polluting industries.

Thus, a proactive approach, in which CSR is an important strategic objective and firms engage in CSR due to other reasons than only stakeholder pressure, does not appear to be favored by firms from the assembly manufacturing industries analyzed

in this study. Perhaps the reactive model, in which firms engage in CSR only when there is stakeholder pressure to do so, suits these firms better due to the less polluting nature of their industries.

5.3. THE ROLE OF CONTEXT

The adoption and effects of CSR practices are sensitive to contexts (Argandoña *et al.*, 2009). Firms located in different part of the world have different institutional contexts, which lead to differences in stakeholder pressure: Stakeholders react differently to the adoption/implementation of CSR practices (Lindgreen *et al.*, 2009; Berrone *et al.*, 2013), and CSR practices influence performance differently (Wei *et al.*, 2014). Despite its importance, the role of context is less explored in the relationship between stakeholder pressure and CSR practices adoption and between CSR practices and performance. Therefore, paper #04 (Appendix E) examines the role of following contextual variables in the relationships between stakeholder pressure and CSR practices adoption and CSR practices and performance.

5.3.1. THE INFLUENCE OF HOME AND HOST COUNTRIES ON THE RELATIONSHIP BETWEEN STAKEHOLDER PRESSURE AND CSR PRACTICES

The literature section on CSR shows that most studies have seen a direct link between external stakeholder pressure and CSR adoption/implementation. However, these relationships are not so generic and the theory developed thus far is not quite robust and is a rather contextual one, due to the omission of intervening and moderating variables. Thus, it has been suggested to include more mediating and moderating variables to make the theory more meaningful and context specific (González-Benito and González-Benito, 2010; Betts *et al.*, 2015). At the macro level, country characteristics may influence the relationship between external stakeholder pressure and CSR practices adoption/implementation. Different countries have different institutions (Baughn *et al.*, 2007), economic development levels and cultures (Welford, 2005), and governance systems (Li *et al.*, 2010), which should influence the stakeholder pressure and the adoption/implementation of CSR practices. Firms that offshore are based in one country (*home country*) and operate in another country (*host country*). The institutional environment in the home country influences the social behavior of firms in the host country (Krumweide *et al.*, 2012). Stakeholders from host country insert different intensity of pressure on foreign firms based on their home country (Spencer and Gomez, 2011). In the literature, home and host countries effects have been investigated separately; no single study has addressed them together so far. Wei *et al.* (2014) suggest investigating both home and host countries to provide a further understanding of CSR engagement in MNCs. This study investigates the effect of home and host countries on the relationship between external stakeholder pressure and (internal and supplier-related) CSR practices adoption/implementation in paper #04.

In this paper, we have grouped firms into 1) firms from and operating in developed countries, 2) firms from and operating in developing countries, and 3) firms from developed countries and operating in developing countries. We concluded no difference on the effect of stakeholder pressure on the adoption/implementation of CSR practices in the earlier three groups of firms. Firms from and operating in developing countries are equal to their counterparts in developed countries in terms of CSR (internal and supplier-related) practices adoption/implementation as results of stakeholder pressure. Unlike the developed countries, due to the weak consumer purchasing power (Arli and Lasmono, 2010), weak NGOs (Frank *et al.*, 2007), weak institutions, controlled press, and lack of developed democratic systems (Nasrullah and Rahim, 2014) in developing countries and different stakeholders expectations from foreign firms in host countries (Spencer and Gomez, 2011; Kim *et al.*, 2016), we were expecting a difference on the effect of stakeholder pressure on CSR adoption/implementation in home and host countries; yet, we are unable to find difference in these firms. Several reasons could contribute to these interestingly surprising results. First, as illustrated by Nasrullah and Rahim (2014), developing countries including China, India, Brazil, Mexico, and Malaysia have achieved dramatic economic growths and they are rapidly developing. According to Reed (2002), these countries are introducing corporate governance reforms that are moving them in the direction of the Anglo-American model of corporate governance. The net effects of these reforms enhance economic growth through attracting FDI and increasing the competitiveness of the local firms. Also, economic development and CSR development have been reported to have a positive association (Welford, 2005; Baughn *et al.*, 2007). Economic development provides resources and wealth for the environmental and social initiatives; greater wealth per head also enables a country's citizen to demand more from firms about CSR (Ramasamy and Ting, 2004). These countries are involved in trade with most developed countries, and some pressure about CSR is diffused from there. Firms from developing countries are motivated to improve their CSR practices in order to meet the concerns of their outsourcers and importers from the Western countries (Cheung *et al.*, 2015). In developing countries, the labor standards and health and safety issues are more severe. Therefore, firms from these countries invest in CSR practices in their supply chains because this directly affects them. As described by Welford (2004), CSR related to supply chains is growing among firms from these countries having strong trading relationships with developed countries. Reporting requirements may also play a motivational role in this regard. The KPMG (2015) report shows that developing countries including India, Indonesia, and Malaysia are the highest on CSR reporting in the world. Among them, the CSR reporting increased 27 percent in India and 21 percent in Indonesia in 2015 compared to the year 2013. This increase in CSR reporting have resulted due to legislation and stock exchange requirements regarding the CSR reporting in these countries. All these factors should be responsible for the home and host country having no effect on the relationship of external stakeholder pressure and CSR practices adoption/implementation in the three groups of firms mentioned earlier.

Given these results, we are unable to claim that CSR practices adoption in developing countries is as matured as that in the developed countries, yet they are catching the difference and this gap will get narrower in the future. It is very encouraging to see that stakeholders in these countries are sensitive and realizes the importance of CSR practices. The conclusion, supported by paper #04, is that the adoption and promotion of CSR practices given the stakeholders pressure in firms from developing countries are same to developed countries.

5.3.2. THE INFLUENCE OF HOME AND HOST COUNTRIES ON THE RELATIONSHIP BETWEEN CSR PRACTICES AND PERFORMANCE

The majority of the studies have addressed the association between (internal and supplier-related) CSR practices and performance. These studies, however, report mixed findings and do not produce a generic relationship, rather this relationship is context specific. Thus, the literature suggests investigating more contextual variables in the relationship between CSR practices and performance. Context, more specifically, country characteristics may provide one reason for these varied results. Firms implement different CSR practices in different countries with different institutions, and in effect, the impact on performance differs (Lo *et al.,* 2008). Foreign firms (MNEs) may implement different CSR practices as they are influenced by their home and host countries' institutions (Krumweide *et al.,* 2012; Beddewela and Fairbrass, 2016). Foreign firms have better CSR management capabilities resulting from being exposed to high environmental and social standards in their home countries, which affect the implementation of CSR practices and the performance differently than the local firms (Kim *et al.,* 2016). Therefore, both home and host countries' institutions should influence the CSR-performance link. Wei *et al.* (2014) suggest for investigating home and host countries' influence on the CSR-performance link in order to provide further understandings on CSR engagement in MNEs. This study has addressed this in paper #04 attached in this thesis. We conclude that home and host countries' influence the relationship between CSR practices and performance.

5.3.2.1 CSR practices and environmental performance

The effect of internal CSR practices on environmental performance in terms of reduction in pollution and resources consumption in firms from and operating in developing countries is higher than firms from developed countries that are operating in developing countries, and firms from and operating in developed countries. The paper #02 shows the greater effect of external stakeholder pressure on the adoption of water and energy consumption reduction programs followed by pollution emission and waste reduction programs in firms from and operating in developing countries. Developing countries (emerging economies), as they are growing fast, face greater environmental issues in terms of water and air pollution and scarcity of resources such as water and energy (Rosenberg, 2015). As noted by

Hori *et al.* (2014), energy consumption has increased in the industrial sectors of these economies; therefore, controlling energy consumption and encouraging energy saving is crucial for sustainable development of the developing countries. Thus, firms from and operating in developing countries are increasingly investing in the environmental practices, which result in higher environmental performance in terms of reduction in pollution emission and resource and energy consumption. For instance, China was the largest market for solar and wind power by 2014 (Rosenberg, 2015). This could be attributed to the poor quality and high costs of energy in these countries. The environmental issues of the developing countries appear to be same as that of Western, developed countries in the 1950s. Although the environmental sensibility in the developing countries is rising, unlike the developed countries which are at the maturity level of CSR, developing countries are at the evolutionary stage and need more efforts to catch up this difference. Therefore, the higher environmental performance may be attributed to the more efforts that firms put in CSR practice from developing countries.

5.3.2.2 CSR practices and social performance

The effect of internal CSR practices on social performance is greater in firms from and operating in developing countries than firms from and operating in developed countries. This appears to be an interesting result. The social conditions in developing countries are vulnerable, and humans are treated as a factor of production rather than human capital (Welford, 2005). In addition, executives in these countries mainly focus on stakeholders such as customers and shareholders as they contribute directly to the firm's performance, rather than on softer areas of reputation management, including community relations and internal communication (Lines, 2004). Overall, due to the non-economic and invisible nature of the social dimension of CSR, it is less focused and worse in the context of developing countries. Given these reasons, employees expect low human practices (e.g., safety, balance work environment) at the workplace in these countries. Therefore, investment in internal CSR practices by firms in our sample from these countries has a higher effect on social performance in terms of an increase in employee safety and motivation than firms from and operating in developed countries. In comparison, due to the longer existence of the social dimension of CSR in firms from developed countries (Pedersen and Neergaard, 2006), employees there are exposed to high social standards. As a result, they expect higher social practices related to the workplace and firms commonly implement these practices as a normal part of their businesses. Therefore, the effect of internal CSR practices on social performance is lower in firms from developed countries than in firms from developing countries. This result is in line with Wei *et al.* (2014), who conducted a comparative study between Taiwan and Canada and found that employee related CSR further increased the employees' commitment and motivation level in Taiwan than in Canada; however, they found no difference on the effect of customer related CSR on customer loyalty.

The effect of external CSR practices on social performance in firms from developed and operating in developing countries is significantly higher than firms from and operating in developing countries. This can be attributed to the maturity level of firms on CSR from developed countries (Nasrullah and Rahim, 2014) with enhanced CSR management capabilities, which help them to implement CSR practices effectively than local firms where the expectations for social practices is low. The effect of supplier-related CSR practices including supplier's assessment, training, and collaboration on social performance is also significantly higher in buying firms from and operating in developing than firms from and operating in developed countries. This can be explained from the perspective of organizational justice. Psychologically, employees feel more satisfied when their organizations commit to justice and treat employees, suppliers, and society fairly (Riordan *et al.*, 1997; Colquitt *et al*., 2001; Turker, 2009). Employees who feels that their firm can have an impact on the environmental and social issues are twice satisfied than those employees who do not feel so (Zukin and Szeltner, 2012; Sancha *et al.*, 2015b). When firms from developing countries invest in supplier-related CSR practices, it gives positive signals to employees and they think that their firm is more reliable and secure as it cares for external partners. This increases the motivation level of employees and leads to the higher social performance in firms from and operating in developing countries, given the low expectations about the human practices at the workplace.

Based on this information, we suggest firms operating in developing countries with an origin of either developing or developed countries to implement more CSR practices (internal and supplier-related) and address the social dimension more specifically. Practicing the social dimension of CSR, despite of its non-economic and intangible nature, increases the employee's safety and motivation level and contributes to high productivity.

5.3.2.3 CSR practices and financial performance

Finally, home and host countries have no moderating role in the relationship between internal CSR practices and financial performance (sales) in our sample firms from assembly manufacturing industries. Investing in internal CSR practices pay off firms in terms of financial performance irrespective of location (i.e. developing or developed countries). This finding is in line with paper #03. This information is particularly interesting for the firms from developing countries. The fear that investing in CSR practices would not payoff is often counted as one of the obvious hurdles to CSR promotion. This perception is even higher in developing countries due to low resources, weak institutional setups, standards and appeal systems, implementation, and unaware and low social consciousness of customers (Kemp, 2001; Arevalo and Arvind, 2011). These reasons contribute to the common perceptions in firms in these countries that CSR does not pay off (Roberston, 2009). The positive effect of CSR practices on financial performance in terms of sales

growth will motivate firms from and operating in developing countries in assembly manufacturing industries to invest in CSR practices and improve their financial performance. Managers will be able to justify the CSR expenditures on the ground that the CSR practices bring the economic benefits. Since executives from developing countries are more concerned about the direct effect of CSR on firm performance (Lines, 2004). As pressures from external stakeholders mainly drive the CSR agenda in developing countries (Belal and Momin, 2009), the business case of CSR will act as the internal motive and help to diffuse CSR practices in these countries. The effect of supplier-related CSR practices on financial performance is higher in firms from and operating in developed countries than that in developing countries. This can be explained by the leveraging effect of their capabilities that they have developed because of complying with high CSR standards in their home countries (Kim *et al.,* 2016). This result is in contrast to that of Su *et al.* (2016), who report that due to less developed markets in developing countries, CSR gives positive signals to investors about the firms' capabilities, and consequently, thus, the effect of CSR and financial performance is stronger in these markets than the developed countries (Su *et al.,* 2016).

Based on these results, we suggest that firms from assembly industries in these countries should invest more in CSR practices, which will enhance their financial position as well as contribute to sustainable development of these countries. Overall, our sample shows that investing in CSR practices is a win-win situation for firms from assembly industries.

5.4. LOCALLY AND GLOBALLY SOURCING, SUPPLIER-RELATED CSR PRACTICES AND PERFORMANCE

The globalization resulting from lower trade barriers has led to tense global competition and interdependence among countries. This has enabled firms to purchase not only goods and services but also manufacture goods in different parts of the world. Consequently, terminologies such as global sourcing, offshoring, and offshore outsourcing are very common in the literature, and they have become established business practices. Although strategic and technical reasons also play a role, the global operations via global sourcing, offshoring, and outsourcing are mainly focused on economic reasons, which could lead to environmental and social problems in their supplier facilities. The level of ownership in these global operations also influences the environmental and social problems. Firms transfer best practices to their offshore subsidiaries under their full ownership, and there is a positive effect on labor rights, while in subcontracting, costs take precedence, and there are often incidents of human violations (Anner, 2012). The Western firms have been sourcing locally (mostly from developed countries) and globally (mostly from developing countries) to meet their business objectives. These firms lack ownership on their supplier factory and, consequently, are more prone to environmental and social risks in their supply chains. Due to the negative effects of sourcing, changing

consumers' preferences, ethical motivations, and governmental regulations, stakeholders are increasingly pressing these firms to implement CSR in their supply chains which may lead to improvement in environmental, social, and financial performance. CSR in the upstream supply chain is necessary for ensuring sustainability, as firms cannot be more sustainable than their suppliers (Krause *et al.*, 2009) and the irresponsible supplier behavior is reflected in the buying firms' image which brings them huge losses (Foerstl *et al.*, 2010).

A wide range of literature addresses the effect of stakeholders' pressure on supplier-related CSR practices' adoption/implementation (Sancha *et al.*, 2015; Lo *et al.*, 2016), and the effect of CSR practices on performance (Gimenez *et al.*, 2012; Golicic and Smith, 2013); however, studies which address them together are non-existent except for few (e.g., Zhu *et al.*, 2013, Wolf, 2014). Given the increasing stakeholder pressure, firms are concerned about the performance effects of their CSR practices. Therefore, it is important to know whether supplier-related CSR practices resulting from stakeholder pressure lead to performance. Although, a group of researchers (e.g., Timlon, 2011; Gimenez *et al.*, 2012; Babin and Nicholson, 2012) argue for the integration of CSR in the global operations; however, studies addressing global operations and CSR are very few (*c.f.* Gualandris *et al.*, 2014). The relationship between stakeholder pressure, supplier CSR, and performance is sensitive to different locational contexts. Firms in local as well as global sourcing are exposed to different environments in developed and developing countries. It is natural to expect that stakeholder pressure effects on the adoption of supplier-related CSR practices, and, in turn, sustainability performance will be different due to the business contextual nature of the local versus global sourcing firms. Despite the wide presence in the literature and as an established industry practice, the relationship between stakeholder pressure, supplier CSR practice, and performance has not been investigated in local and global sourcing firms. We have addressed the mediation effects of supplier CSR practices in the relationship between stakeholder pressure and performance and investigated these mediating effects in local versus global sourcing firms in research paper #05 (Appendix F).

5.4.1. MEDIATION EFFECTS OF SUPPLIER-RELATED CSR PRACTICES

We concluded the presence of mediation effect (partial) of supplier-related CSR practices between the relationship of stakeholder pressure and environmental and financial performance, while we found no mediation effect for the social performance. The partial mediation shows that motivation for the implementation of supplier-related CSR practices not only come from external stakeholder pressure but also due to other reasons, such as, internal motives (financial benefits, managerial values). Firms in our sample from assembly industries responded to stakeholder pressure and implemented CSR related to suppliers mainly focused on environmental issues that led to the environmental performance in terms of pollution emission reduction and resource consumption. This can be attributed to several

reasons. First, the tangible nature of these issues makes them easier to be measured and monitored. Second, environmental issues mainly relate to the regulations and by addressing these issues, firms comply with regulations (Hassini *et al.*, 2012). In addition, the visible nature of environmental issues helps firms to gain differentiation in terms of social activism and strong financial position by practicing these issues (Freise and Seuring, 2015). This result concurs with that of Zhu *et al.* (2013), who find that institutional pressures (coercive, mimetic, and normative) influence the implementation of internal environmental practices which, in turn, have a positive effect on external green supply chain management practices, leading to further improvement in environmental performance. However, these results are in contrast with those of Wolf (2014), who fails to find a mediation effect for sustainable supply chain management practices in the relationship between external stakeholder pressure and sustainability performance. The difference, in this case, can come from the index of sustainability performance, which consists of both environmental and social performance. Thus, the partially reactive model regarding the implementation of supplier-related CSR practices focused on the environmental dimension is appropriate to the data in our sample.

In contrast, the social dimension of CSR covers a wide range of issues, such as safety, diversity, human health, labor rights, and justice. Due to this, it is a challenge to operationalize and measure these issues in the manufacturing domain (Sutherland *et al.*, 2016). Also, social issues are invisible as it is difficult to measure them objectively (Varsei *et al.*, 2014), quantify clear measures of evaluations, and gain compliance across an entire supply chain (Hassini *et al.*, 2012). Furthermore, it is difficult to address these issues across different regions due to their varied nature (Ashby *et al.*, 2012). In addition, addressing these issues does not contribute directly to economic performance. Some researchers (e.g., Schaefer, 2004; Ashby *et al.*, 2012) describe these issues as the inappropriate goal of the business, due to the reasons that business cannot properly address them. Supplier-related CSR practices do not have a mediation effect in the relationship between stakeholder pressure and social performance. This shows that firms implement these practices for their internal benefits and not just due to stakeholder pressures. The positive effect of one of the control variables, social orientation (i.e. the strategic importance a business put on the environmental and social issues), on the implementation of supplier CSR practices further support the notion that internal factors matter in the supplier CSR practices' implementation rather than only the stakeholder pressure. This is in line with the finding of Wolf (2014), who finds that sustainable supply chain management practices do not mediate in the relationship between external stakeholder pressure and sustainability performance. Thus, the proactive approach toward implementation of supplier-related CSR practices focused on social issues prevails among the sample firms.

Finally, we found the (partial) mediation effect of supplier-related CSR practices between the relationship of stakeholder pressure and financial performance. This

shows the fact that firms from assembly industry in our sample implement supplier-related CSR not only to respond to stakeholders' pressure but also due to other reasons, such as internal motives and increased financial performance in terms of sales. The supplier-related CSR practices, on one hand, improve the efficiency of suppliers, which in turn, increases the efficiency of the buying firms and, on the other hand, contribute to the good reputation of these firms. Both these have contributed to financial performance of the firms in our sample. Our results are consistent with those of Zhu *et al.* (2013). Based on this information, we suggest these firms to respond to the stakeholder pressures and invest in supplier-related CSR practices, because reacting to these pressures and adopting CSR in supply chain pays in terms of environmental and financial performance of the buying firms. This will help firms to manage the demands from stakeholders as well as improve their environmental and financial performance. The partially reactive approach toward supplier-related CSR practices in firms from assembly industry pays in terms of both environmental and financial performances.

5.4.2. MODERATING EFFECT OF LOCAL VERSUS GLOBAL SOURCING

Our results found the different mediating effects of supplier-related CSR practices in the relationship between stakeholder pressure and social performance in local as well as global sourcing firms. The full mediation effect of supplier-related CSR practices between the relationship of stakeholder pressure and social performance in global sourcing firms show that they follow reactive approach toward the implementation of supplier-related CSR focused mainly on social issues. These practices, in turn, lead to the improvement in social performance, in terms of an increase in the motivation level of employees in global sourcing firms. The high sensitivity of the global sourcing firms concerning the social issues in their supply chains can be attributed to a variety of reasons. Global sourcing firms are large firms (mostly from developed countries) with high brand image and mostly source from developing countries with poor social conditions, such as child labor and poor working conditions. These firms have a wide range of stakeholders (e.g., Western consumers, media, and NGOs) and therefore, social issues in their supply chains badly affect their brand reputation as well as their legitimacy to the global community. In addition, due to their high visibility and sensitivity of brand images to social issues, media and NGOs can easily target these firms for the presence of social issues in their supply chains, which could lead to adverse consequences in terms of low sales revenue. For example, in the 1990s, Western multinationals faced adverse outcomes when media reported the presence of poor working conditions and child labor in their global supply chains. Among them, for instance, Nike suffered bad reputation, negative publicity, and protests outside its stores against the poor labor conditions in its supplier facilities around the world. Similarly, Apple suffered negative publicity due to the poor working condition in its Chinese supplier's production facilities (Magnusson *et al.,* 2015). These incidents raised concerns regarding social issues in global supply chains among the global community, which

led to some anti-sweatshops movements in the USA and, later on, was joined by international organizations and NGOs (Rock, 2003). Very recently, Amnesty International (2016b) reported the presence of social issues including child labor, unsafe working environments, and long working hours, among others in the supplier's factories producing palm oil in Indonesia for the leading household and food firms including Colgate, Nestlé, and Unilever. Such incidents badly damage these firm's brand image. Therefore, global sourcing firms respond more to stakeholder pressure and implement supplier-related CSR practices more focused on the social issues in order to avoid the reputation loss and maintain their legitimacy in the global community, which improves motivation level of employees in these firms. This result is in line with that of Islam and Deegan (2010), who show the positive effect of stakeholders' pressure on social issues in two multinationals including Nike and Hennes & Mauritz in Bangladesh. It also appears that these results are consistent with those of Islam and Deegan (2008), who found that suppliers from the garment industry in Bangladesh responded more to the pressure from their international buyers in terms of social disclosures (communication of social issues). In contrast, in local sourcing firms which source from developed countries with high social standards, supplier-related CSR have no mediating effect between supplier-related CSR and social performance. This can be attributed to the fact that initially CSR mainly addressed the social issues in the developed, Western countries (Pedersen and Neergaard, 2006). Consequently, the social dimension of CSR is more mature and has found the way into their culture and values. Therefore, firms in these countries implement social practices in their supply chains as a part of their culture rather than under external stakeholders' pressure. The reactive model is not appropriate in this regard.

Global sourcing firms which source mainly from developing countries did not react to pressure from external stakeholders and implemented environmental CSR related to suppliers, which did not improve the environmental performance in terms of reduction pollution and resource consumption. This can be attributed to a number of reasons. As the developing countries are growing, they have relaxed policies toward investments coming from abroad. Also, environmental regulations are flexible that foreign firms can easily exploit. Furthermore, regulations related to CSR (especially environmental) are weak, press and media are controlled (Nasrullah and Rahim, 2014), NGOs and consumers have low power (Arli and Lasmono, 2001). Unlike the developed countries, CSR in developing countries is at the evolutionary stages, and it is not yet recognized as the development agenda in these countries (Nasrullah and Rahim, 2014). Economic motives rather than the social ones mainly drive global sourcing (Zutshi *et al.*, 2012). Therefore, global sourcing firms often take advantage of low-wage workers and lax-environmental regulations (Doh, 2005) degrading natural environment in developing countries. The blame should not only go to developing countries having lax regulations but also to the firms from the developed world. Based on this information, developing countries should re-consider their regulations related to natural environment and should keep a balance between

growth and their natural environments. This will help them to protect their environments, and they will grow in a sustainable way; otherwise, they will be left with massive environmental pollutions in the long run. On the other hand, firms who source locally (from developed countries) are exposed to strict environmental regulations, powerful press and media, strong environmental NGOs, and finally customers with strong social consciousness and buying power (Nasrullah and Rahim, 2014; Idowu *et al.,* 2015). In general, developed countries have policies which help them to grow in a sustainable way. These countries do not compromise on their natural environments and keep a balance between economic growth and environment. All these factors contribute to strong pressures on firms to care for the environment. In addition, initially, the CSR consisted of mainly the social practices, while the environmental issues of CSR appeared later when the negative environmental effects of the business operations were realized (Pedersen and Neergaard, 2006). As a result, the social dimension is more matured and has found its way into the culture and norms of these countries; however, the environmental dimension is at evolutionary stages. Therefore, firms in our sample reacted to pressures from external stakeholders and implemented environmentally focused CSR related to suppliers, which improved the environmental performance of these firms in terms of reduction of pollution and resource consumption. The full reactive model in the case of supplier-related CSR practices focused on environmental dimension is appropriate for local sourcing firms in our sample.

Finally, CSR related to suppliers, given the stakeholder pressure, pay off in terms of sales in local and global sourcing firms. The positive effect on financial performance in case of global sourcing firms is quite interesting, and several reasons can explain this. First, global sourcing firms with coordination capabilities can better coordinate the complex networks (Trent and Monczka, 2002; Holweg *et al.,* 2011). Second, these firms exploit the knowledge and skills at different locations (Bansal, 2005) and develop best practices, which may help them to better implement the CSR in their supply chains. In addition, these firms, by implementing CSR in their supply chains, can contribute to the social conditions of workers in developing countries with adverse social conditions (Gualandris *et al.,* 2014). This enhances their image in the global community and increases the employees' satisfaction level due to the perception that their organization is committed to corporate justice (Turker, 2009). These factors contribute to financial performance resulting from the implementation of supplier-related CSR practices, given the stakeholder pressure. This result is in contrast with some studies which suggest that network complexity may undermine the sustainability performance (Golini and Kalchschmidt, 2011). This will help in the diffusion of CSR practices, as global sourcing firms will be more motivated to implement if supplier-related CSR pay back in terms of good reputation and sales. Therefore, global sourcing firms can play a role in the sustainable development of these countries (as governments lack resources and cannot address the social and environmental problems) as well as increase their own profit. In the case of local sourcing firms, which source from developed countries are exposed to efficient

markets and strong institutions where investment in CSR practices is recognized and paid off.

5.5. CHAPTER SUMMARY

This chapter provides answers to the research questions concerning the two emerging trends in global production, namely, offshoring/outsourcing and CSR, identified in Chapter 2.

5.5.1. OFFSHORING/OUTSOURCING

This chapter makes a distinction between the offshoring drivers that drive a firm to engage in offshoring and the actual realization of these drivers, and provides evidence for the positive effect of realized offshore drivers on firm performance. Offshoring performance not only comes from viable choices, but also past offshoring experience is likely to play a role in performance. Prior experience may help a firm to realize the offshoring drivers, manage risk, and enhance performance. The findings confirm that offshoring experience enhances the realized offshoring drivers and, in turn, a firm's performance, which is in line with that of the previous research. When it comes to risk management, the results fail to confirm the positive effect of offshoring experience on risk management and, in turn, performance, which is at odds with the extant literature. The reason for this finding could be that knowledge gained from previous offshore implementations is hard to apply in different settings (Chang and Rosenzweig, 2001; Leiblein and Miller, 2003). Experienced firms may have a better starting position but that does not mean that they have been able to adequately accumulate knowledge and experiences if their previous offshoring projects involved different activities, modes (captive, offshoring, and outsourcing), locations, time periods, and/or different people managing these projects. Most successful firms (e.g. GE, Sony Ericsson, Intel etc.) are large with a wide range of global operations and in a better position to externalize and combine knowledge from offshore projects in different host countries than small(er) firms. The positive and significant correlation of one of the control variable, i.e. size, with offshoring experience and that of the positive and significant effect of size on firm performance support the notion that large firms better combine and externalize knowledge from offshoring in different host locations.

5.5.2. CORPORATE SOCIAL RESPONSIBILITY (CSR)

Consistent with the majority of the previous researches, the findings of this research confirm that there is a positive relationship between stakeholder pressure and the adoption of both internal and supplier-related CSR practices and between CSR practices and performance (environmental, social, and financial). These results confirm the importance of taking stakeholder's approach toward the adoption of

CSR practices and support the business case for CSR. Stakeholder pressure can also influence the relationship between CSR practices and firm performance. Under this model, a higher level of CSR is necessary under higher stakeholder pressure.

As regards country level factors, this chapter answers whether home and host countries' influence the relationships between stakeholder pressure and CSR practices adoption and between CSR practices and performance. The findings show no moderating effect of home and host countries on the relationship between stakeholder pressure and CSR practices. The effect of stakeholder pressure on the adoption of CSR (internal and supplier-related) practices is not different in the three groups of firms: firms from (country of origin/home country) and operating (country of operation/host country) in a developing country, firms from and operating in a developed country, and firms from a developed country operating in a developing country. The results suggest that firms from the developing countries catch the differences with their counterparts in the Western countries. Concerning the relationship between CSR practices and performance, home and host countries have a partial effect, which suggests that firms from and operating in developing countries and local firms in these countries can reap greater benefits in terms of social performance, attract and retain talent, and increase their productivity. The effects of internal CSR practices on environmental performance are significantly lower in firms from and operating in a developed country and firms from a developed and operating in a developing country, than in firms from and operating in a developing country, while the effect of CSR on financial performance is not different in the three groups of firms.

Finally, the chapter answers the questions whether 1) supplier CSR practices adopted in response to stakeholder pressure affect performance and 2) these relationships are different in locally and globally sourcing firms. The findings show a mediating effect of supplier-related CSR practices in the relationship between stakeholder pressure and environmental as well as financial performance but do not show its mediating role in the relationship between stakeholder pressure and social performance. These results support the notion that a reactive model dominates in the adoption of environmental supplier CSR practices leading to environmental and financial performance, while a proactive model appears to prevail toward the adoption of the social supplier-related CSR practices. Moreover, globally sourcing firms react to stakeholder pressure and adopt these practices focused on the social dimension, which enhances the social performance of these firms. Locally sourcing firms react to stakeholder pressures to adopt supplier-related CSR practices focused on the environmental dimension and improving the environmental performance of these firms. The financial performance effects resulting from supplier-related CSR responding to stakeholder pressure are not different for locally and globally sourcing firms. These results support the high sensibility of globally sourcing firms to social issues and local sourcing firms to environmental issues in their supply chains.

CHAPTER 6. CONCLUSION, LIMITATIONS, AND FUTURE RESEARCH DIRECTIONS

This chapter presents the summary and conclusion of the overall research. Furthermore, this chapter also presents the limitations and future research directions based on the knowledge presented in this thesis.

This thesis has addressed the two research streams, namely, offshoring and the CSR practices.

6.1. RESEARCH FINDINGS

6.1.1. OFFSHORING/OUTSOURCING

Global sourcing and offshoring/outsourcing are increasing in volumes in the global production. This has been reflected in the fact that from 1970 to 2010 the share of global manufacturing value added by G7 nations has dropped from 71% to 47%, which has been taken up by emerging countries (Brennan *et al.,* 2015). Two things have mainly led to this explosive growth. First, firms face greater competition and fewer trade barriers resulting from globalization. They cannot develop and maintain the expertise needed inside the firm to effectively compete in the global world. Offshoring, in effect, has become a necessity for firms to remain competitive. Second, the lower costs of data transmission, transports, and tariffs costs have led to this explosive growth of offshoring phenomenon (Contractor *et al.,* 2011). Consequently, offshoring is becoming an established business practice for firms in the 21st century. Offshoring decisions are mainly driven by factors including access to low-cost inputs, access to the market, and access to knowledge and technology, among others. These drivers determine the scope of the offshoring initiatives, while it is the realization of these drivers, which materialize the offshoring performance. Therefore, a distinction between the realized offshoring drivers and offshoring motives is important from the perspective of offshoring performance. Firms face a wide range of challenges in control and coordination of, and knowledge transfer to, offshored sites. These challenges may materialize in the form of hidden effects including higher costs, quality and lead-time issues, and loss of intellectual capital, which may undermine the success of the offshore projects. The effect of these risks, if they materialize, is substantial on the failure of the offshore projects. As a result, there is a greater debate about the challenges involved in offshoring among practitioners and academicians (Christopher *et al.,* 2011; Zhang and Huang, 2012).

Recently, world-leading firms including Bosch, Philips, and Caterpillar have announced to bring back their offshore production to their home countries (Fratocchi *et al.*, 2014). This trend is termed differently, for instance, de-internationalization (Benito and Welch, 1997), reshoring (Ellram, 2013), backshoring (Kinkel, 2012). Factors that drive backshoring include quality issues, flexibility issues, keeping production close to research and development, rising wage levels in host locations, and extra or hidden costs (Kinkel and Maloca, 2009; Stentoft *et al.*, 2015). However, the scale and scope of the backshore operations are less compared to the offshore operations. The backshoring of manufacturing activities from the emerging countries is not a strong trend. For instance, for the last 15 years, the ratio of firms that backshored to those that offshored is stable at one to four (Kinkel, 2014). Although ever more firms are insourcing, nearshoring, or backshoring, offshoring will remain important as the locational advantages of the emerging countries in terms of low-cost advantage, growing customers markets, and a wide pool of scientific and engineering talent will prevent a full-scale reshoring (Stentoft *et al.*, 2015).

Keeping this in view, the performance evaluation of the offshoring is a hot topic for both industry and academia. Existing studies researching the effect of offshoring on firm performance are inconclusive. Offshoring experience may play a positive role in a firm performance; yet, there is a lack of research addressing the effect of offshoring experience on firm performance. There is little research on the effect of offshoring experience on realized offshoring drivers and risk management, and studies addressing the effect of offshoring experience on firm performance via realized offshoring drivers and risk management simultaneously are non-existent. This study has investigated the effect of offshoring experience on firm performance. In addition, this study has investigated the mediating role of the risk management and realized offshoring drivers in the relationship between offshoring experience and firm performance. The study's findings show the positive and significant effect of realized offshoring drivers and risk management on firm performance. Moreover, realized offshoring drivers fully mediate the relationship between offshoring experience and firm performance, while risk management has no mediating role in the relationship between offshoring experience and firm performance. This study has contributed to the research on offshoring by presenting and empirically testing a model that determines the relationships between offshoring experience, firm performance, realized offshoring drivers, and risk management using data from the Global Operations Networks (GONE) survey.

6.1.2. CORPORATE SOCIAL RESPONSIBILITY (CSR)

Stakeholders are increasingly pressing firms in both developing and developed countries to adopt/implement sustainable (environmental and social) practices in their operations. Although strategic and technical reasons also play a role, global sourcing and offshoring/outsourcing are mainly based on economic reasons, whereas Western companies do not often transfer environmental and social

standards/practices to developing countries (Moosavirad *et al.,* 2014). This could often result in environmental and social problems in developing countries. In this regard, irresponsible social behaviors in the suppliers' facilities of the Western multinational firms (Nike, Apple, and Walmart) have been reported in the media in the past (1990). More recently, the presence of child labor and inhumane conditions in the suppliers' facilities of the leading household and consumer firms including Colgate-Palmolive, Nestlé, Reckitt Benckiser, Procter & Gamble, and Unilever in Indonesia came to the front (Amnesty International, 2016b). Due to these incidents, changes in consumer preferences, ethical motivations, and governmental regulations, stakeholders not only press firms to adopt/implement environmental and social practices inside but also in their entire supply networks including subsidiaries and suppliers (Betts *et al.,* 2015). Under this scenario, firms that generate economic value at the social and environmental cost will lose the license (legal and social) to operate and cease to exist in the future. As a result, managing stakeholder demands, adopting/implementing sustainable practices, and the performance effects of these practices have become an important research area in the global production literature.

Extant literature has extensively studied the association between stakeholder pressure and CSR practices adoption/implementation and between CSR practices and performance, however, these studies are unable to provide generic findings on the above relationships, thus, showing that these relationships are highly context sensitive. There is a need to study these relationships under different contexts. Many studies have addressed the micro-level factors including industry and firms' characteristics, yet, the macro-level factors are still underestimated. From the perspective of offshoring, the macro-level factors are very important. Firms that offshore are based in one country (*home country*) and operate in another country (*host country*). The institutional environments in the home and host countries could influence the association between stakeholder pressure and CSR practices and between CSR practices and performance. However, home and host countries have not been addressed together. Wei *et al.* (2014) suggest for the joint investigation of home and host countries to detail the understanding on CSR in MNCs. The level of ownership in offshoring influences the adoption/implementation of CSR practices. Local (mostly source from developed countries) and global (mostly sourcing from developing countries) sourcing firms lack ownership on their supplier factory and, consequently, are more prone to environmental and social risks in their supply chains. It is natural that the effect of stakeholder pressure on CSR practices adoption/implementation and, in turn, on performance, will be different in locally, and globally sourcing firms, however it has not been investigated in the literature.

This study has investigated the effects of stakeholder pressures on the adoption/implementation of CSR practices (internal and supplier-related) and the effects of these practices on performance (environmental, social and financial). Also, this study has evaluated the role of home and host countries in these relationships. In addition, stakeholder pressure (environmental and social) has also been tested as

moderating variables in the relationship between CSR (internal and supplier-related) practices and financial performance. Finally, this study has investigated the mediating role of supplier-related CSR practices in the relationship between stakeholder pressure and performance in locally and globally sourcing firms. The results show that stakeholder pressure has positive effect on the adoption/implementation of CSR practices that, in turn, have positive effect on performance in terms of environmental, social, and financial performance. In addition, home and host countries do not moderate the association between stakeholder pressure and CSR practices adoption/implementation; however, they moderate the relationship between CSR practices and performance. Finally, findings of this research conclude that supplier-related CSR practices mediate the relationship of stakeholder pressure and environmental and financial performance, respectively, with no mediation effects found for social performance. The mediation effects of supplier-related CSR practices in the relationships between stakeholder pressure and environmental and social performance, respectively, is different in locally and globally sourcing firms, yet, there is no difference on the mediation effect of supplier-related CSR practices in the relationship between stakeholder pressure and financial performance.

This study has contributed to the literature on CSR by testing different models, which show the relationships between stakeholder pressures, the adoption/implementation of CSR practices, and performance in the context of home and host countries, and in locally and globally sourcing firms using the data from sixth version of the International Manufacturing Strategy Survey (IMSS-VI).

6.2. CONTRIBUTION TO PRACTICE

6.2.1. OFFSHORING/OUTSOURCING

This study contributes to practice in several ways. Offshoring drivers, per se, do not have performance effects, realizing these drivers have effect on firm performance. Firms need to maximize the realized offshoring drivers to perform better than their competitors. Firms should develop a risk management system, which helps them to manage the risks in offshoring. This enhances the success of the offshore projects and, in turn, increases the firm's performance. Although ever more firms are insourcing, nearshoring, or backshoring, offshoring will remain important as emerging countries offer locational advantages in terms of low-cost advantage, growing customers markets, and a wide pool of scientific and engineering talent. The backhoring trend is mainly led by short-term operational measures to correct the previous offshoring decisions rather than by the strategic motive. Bals *et al.* (2015) show that 80% of firms backshore due to short-term operational corrections, while only 20% firms backshore for strategic reasons. A well-developed risk management system can also reduce the more recent, albeit not so common, trend of insourcing, reshoring, and backshoring where quality, lead-time issues, loss of intellectual

capital, and extra or hidden costs are the dominant factors. Firms should document learning/experience from the offshoring, regularly update the experience, and make available the experience to the management to make appropriate offshoring decisions. The learning from the offshoring is stored in individuals rather than in organizations; therefore, firms need to consider developing a shared insight and a learning culture in firms that would encourage the incremental learnings from offshoring. This improves the firm's ability to create and protect the learnings from offshoring as hard to imitate asset, which gives them a competitive advantage. This learning/experience helps firms to mitigate the risks involved in offshoring, better realize their offshore drivers, and maximize the potential gains from the offshoring project.

6.2.2. CORPORATE SOCIAL RESPONSIBILITY (CSR)

Adequate management of the stakeholder demands in terms of CSR practices' implementation improves a firm's relationship with stakeholders and leads to a good reputation. Failing to do so, firms may face stakeholders' criticisms, bringing firms a bad reputation, which influences negatively firms' reputation. The recent scandals in firms, for instance, Enron, Worldcom, Nike, and Apple (Magnusson *et al.*, 2015) came to the front, because they failed to manage and respond to their stakeholder demands. Therefore, this study suggests firms to develop a strategy for managing and responding to the stakeholder demands to avoid the reputational damages and reap greater financial benefits. The positive effect of CSR practices, in particular, on financial performance (the business case), will likely motivate the opponents of the CSR, who argue that CSR is an extra cost for the business and that there is only a moral case to invest in CSR practices. This will reduce the gap between the opponents and the proponents of CSR. This should also help managers to justify the CSR expenditures, not only as a moral obligation but also due to the economic benefits of these practices. Keeping in mind the win-win situation for the firms in our sample, we suggest firms should invest in the CSR practices, which will improve their financial performance as well as their sustainability performance (environmental and social).

The adoption/implementation of CSR practices, given the stakeholder pressure in firms from developing countries, are same in developed countries. This information will be helpful for firms to strategically manage stakeholder relationships, no matter where they come from or where they are engaged in operations. The implementation of CSR practices pays off in terms of financial, environmental, and social performances. Among these, the financial performance will help in the diffusion of CSR practices, especially in developing countries, where there are greater concerns about financial outcomes resulting from implementing CSR practices. Firms from developed countries but having operations in developing countries can indirectly increase their financial performance by implementing supplier-related CSR practices, focusing on environmental and social issues. Local firms in developing

countries should invest more in social practices, to improve their social performance and compete with their competitors from developed countries who are also operating in the local developing country. Multinational corporations from the West, that operate in developing countries, should focus on the social dimension of CSR. Greater social performance than the local firms further helps them attract and retain talented employees, resulting in greater productivity and a better financial position.

The irresponsible behavior of leading firms in their supply chains has recently deteriorated their integrity and business values and these firms are under strong stakeholder pressure, which they can only avoid at their reputation's cost. Firms involved in sourcing face pressures to adopt/implement CSR practices in their suppliers' facilities. This study would help firms, providing them an overview of the implementation of supplier-related CSR practices, given the stakeholder pressure and the performance effects of these practices in local and global sourcing firms. For instance, global sourcing firms implement supplier-related CSR practices focused more on social practices leading to social performance and local sourcing firms implement supplier-related CSR practices focused more on environmental practices, given the stakeholder pressure, leading to environmental performance. The finding that supplier-related CSR practices, given the stakeholder pressure, pay in terms of financial performance for both local and global sourcing firms would encourage managers to justify the investment in supplier-related CSR practices that would help in diffusing CSR practices to the upstream supply chain. In short, industrial managers from both local and global sourcing firms that face consistent stakeholder pressure should use this study as a reference for expected performance.

6.3. LIMITATIONS AND FUTURE RESEARCH DIRECTIONS

Overall, this study suffers from a number of limitations, which may provide directions for future research. This study is based on two cross-sectional surveys, namely the GONE and the IMSS survey. Cross-sectional data provides a snapshot, but no trend and causality related to the hypothesized relationships. Future studies should take longitudinal data, which will provide more reliable results on the hypothesized relationships in this study. The nature of this study is only quantitative. However, both quantitative and qualitative research methods are mutually inclusive and both methods have their merits and demerits. The strengths of one method reduce the limitations of the other. The results of this study can be generalized to the general population of firms; however, an in-depth and microscopic understanding of the hypothesized relationship is lacking – qualitative research in the form of detailed case studies could provide that understanding.

The research based on the GONE survey contains industrial data from only two countries, namely, Denmark and Sweden. Therefore, the results obtained from this study can be generalized, albeit with caution, by strictly considering the socio-economic demographics of Denmark and Sweden. Further studies should extend this

analysis to more countries for generalization purposes. This study has used constructs, including realized offshoring drivers, offshoring experience, risk management, and performance limited to the GONE Survey. For example, the risk management construct is measured through proxies such as challenges in controlling, coordinating, and knowledge transfer. Further studies should take more refined measures of these constructs and investigate the hypotheses in this study with more refined measures. This study shows no effect of offshoring strategy and offshoring modes on firm performance. Further studies should conduct detailed case-studies in this regard for more explanation. In addition to this, further studies should investigate the finding that experience does not help in improving risk management in offshore projects. Different offshoring modes (captive, joint venture, offshore outsourcing) can possibly moderate the hypothesized relationship in this study; further studies should address this. Finally, this study does not consider the moderating role of the host country in the hypothesized relationships in this study. However, host location can possibly moderate these relationships. As suggested by Caniato *et al.* (2015), further studies should investigate the moderating role of the host country in these relationships.

The research based on the IMSS survey has several limitations, which need to be considered while interpreting the results. First, financial performance is measured as sales, which is a short-term measure of financial performance. Similarly, traditional measures are used for environmental (e.g., pollution reduction, resources consumptions' reduction) and social performance (e.g., employee safety, motivation). Also, these performances are based on the perceptions of the operation managers of only the buying firms. Further studies should include better measures of financial (e.g., return on sale (ROS), return on equity (ROE), market value added (MVA), economic value added (EVA)), environmental and social performance of both buying firms and their suppliers. In addition to this, future studies should collect objective data on these measures to investigate the hypothesized relationships in this study. Second, environmental and social pressures are measured as singular items from overall stakeholders, without mentioning the different types of stakeholders. Further studies should include pressures from different kinds of stakeholders (e.g., internal and external), which will give further depth to the results of this study. Third, in this survey, data is collected from only operational managers of the buying firms. Further studies should collect data from external stakeholders in addition. Fourth, in this study, we have classified between the home and the host country based on developing and developed countries, which are the two extremes. It would be interesting to compare developing countries from different regions, such as the North America, Europe, and Asia. This study has investigated the mediating effect of supplier-related CSR practices and performance in global versus local sourcing firms. Further studies should address these relationships under different governance modes, including captive offshoring, offshoring outsourcing, and joint ventures.

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APPENDICES

Research papers in Appendix B, C, D, E, and F are not made publicly available in the online version of the PhD thesis in order not to infringe on publishers copyright. The following pages present only reference to these papers.

Appendix A. Literature tables

This appendix contains the tables mentioned in Chapter 2 Literature Review

Table A1: Offshoring drivers and relevant theories

Author	**Drivers**	**Method**
Ikediashi and Okwuashi (2015)	Cost related, strategy related, innovation related, quality related, and time related drivers	Survey
Da Silveira (2014)	Flexibility, low cost	Survey
Michel and Rycx (2012)	Low labor cost	Empirical
Roza et al. (2011)	Low cost, access to resources	Survey
Davis and Naghavi (2011)	Low labor costs	Survey
Ok (2011)	Access to cheaper resources and increasing competition, access to scarce and distinctive resources and reduction of other production costs.	Survey
Jabbour (2010)	Low cost-cheap labor and inputs	Survey
Kinkel and Maloca (2009)	Low labor costs	Survey
Aird and Saffinfield. (2009)	Labor arbitrage, tax incentives, access to global talent and desire to contain overhead costs	Theoretical
Lewin et al. (2009)	Access to talent , labor arbitrage	Survey
Lynn and Salzman (2009)	Access to knowledge and assets	Theoretical
Mazzanti et al. (2009)	Technical knowledge	Empirical
Manning et al. (2008)	Access to skilled labor	Survey

Stringfellow (2008)	Low labor costs	Theoretical
Lewin and Couto (2007)	Cost reduction, race for talent and skilled employees.	Survey
Gupta et al. (2007)	Professional services(Knowledge intensive-software development, technical support) tasks, skilled personnel	Theoretical
Dana et al. (2007)	Low labor costs	Case studies
Kinkel et al. (2007)	Low factors costs	Survey
Maskell et al. (2007)	Cost, quality	Survey
Bunyaratvej et al. (2007)	Low labor costs	Empirical
Hung Lau and Zhang (2006)	Economic factors: cost savings; cost reduction, capital investment reductions. Strategic drivers: re-engineering and flexibility benefits. Environmental factors: IT and suppliers development.	Case study
González et al. (2005)	Flexibility, access to technology, quality	Survey
Nachum and Zaheer (2005)	Knowledge, efficiency, and low cost drivers.	Empirical
Astall.(2004)	Low cost	Theoretical
Antràs and Helpman(2004)	Low variable cost, low wages.	Empirical
Clott (2004)	Release of resources and focus on core specialization	Theoretical
Dossani and Kenney (2003)	Costs, knowledge and technological consideration	Theoretical
Weerakkody et al. (2003)	Business focus, flexibility	Literature review
MacCarthy and Atthirawong (2003)	Access to lower labor costs, high labor skills, access to markets, tax incentives	Delphi study
Claver et al.(2002)	Low labor costs, flexibility	Survey
Corbett (1998)	Tactical reasons: lower costs, funds available, resources not available inside the companies. Strategic reasons: focus on business core activities	Theoretical

Ferdows (1997)a	Low cost, access to market, access to knowledge and technology, access to talent	Theoretical
Ferdows (1997)b	Flexibility, access to market, technological and competitive intelligence, access to talent	Theoretical
Meijboom and Vos (1997)	Access to low cost and technology, proximity to market	Survey
Bolisani and Scarso (1996).	Low cost, access to market, flexibility, geographical and cultural proximity	Survey
Quinn and Hilmer (1994)	Focus on core specialization	Theoretical
Dubios et al. (1993)	Market proximity, efficiency, quality, flexibility	Case studies
Dunning (1980; 1988)	Access to low labor, market, and location endowment factors, access to goods and materials	Empirical, Theoretical
Relevant theories		
Barney (1991)	Resource-based view (RBV). The strategic drivers (e.g. access to knowledge and technology, knowledge, skilled labor) of offshoring can be explained from the lens of RBV. RBV suggest that firms can create and sustain competitive advantages via collecting and integrating the valuable, rare, and inimitable resources. Realizing the strategic resources, help firms to get access to scarce resources, improve, and sustain their competitive position.	Theoretical
Schumpeter (1934), Davidsson (1989)	Entrepreneurial theory. The entrepreneurial drivers (e.g. access to market, customers etc.) can be explained from the perspective of entrepreneurial theory (ET). The entrepreneurial argues for the combination of resources in order to avail new business opportunities. Accessing entrepreneurial drivers offer new resources and by combining them, firms realize the business opportunities.	Theoretical
Coase (1937), Williamson (1979)	Transaction cost economics (TCE). Low-cost drivers can find their explanation in TCE. Accessing these drivers, lower the overall cost (production and transaction costs) and consequently, the cost in domestic locations.	Theoretical

Table A2: Offshoring governance modes and their influencing factors

Author	CO-OO-both	Key findings	Method
Gerbl et al. (2015)	Both	Both location distance and governance modes are determined by firm level, process level, and location attractiveness factors. Among firms level factors, improved inside human resource skills in foreign languages, cultures and prior outsourcing experience drive for offshore locations. In the case of low experience, firms choose local or nearshoring. Among the process factors, standardized processes with low potential for knowledge loss drive for offshore outsourcing. Captive mode is more appropriate where there is greater control and protection of knowledge and critical process required.	Case studies
Gooris and Peeters (2014)	Both	Different kinds of distances such as geographical, cultural, and institutional influence the selection of governance modes. These distances lead to internal and external uncertainties. Internal uncertainties come from the interaction of geographically dispersed and culturally different onshore and offshore units. The captive offshore option is feasible in this condition. Under external uncertainties, limit their foreign commitment and benefit from the services of a third party through offshore outsourcing.	Survey
Linares-Navarro et al. (2014)	Both	The nature of offshore activities influences the selection of governance modes. Firms offshore essential activities via captive modes of offshoring, while non-core activities through offshore outsourcing.	Survey
Startor and Beamish (2014)	Both	The increase in behavioral distance between the home and host countries has positive association with organizational control. In contrast, the increase in technological distance and demand oriented distances has negative association with organizational control.	Survey
Roza et al. (2011)	Both	Cost, scarce resources, and entrepreneurial strategy mainly drive offshoring. Small business focus on cost motive and offshore in far destinations, medium firms offshore for cost, scare resources and entrepreneurship and often near shore, while large firms go for costs, resources, and entrepreneurship to far destinations. Size has no effect on the choice of governance mode.	Survey
Hutzschenreuter et al. (2011)	Both	Offshoring experience, available knowledge, and governance modes influence the success of offshored projects. In the case of external mode, success is greater compared to that of internal, but as the offshoring experiences increases, the success of activities in external mode also increases. Factors such as institutional environment, similar firms' offshoring behavior, firms' specific characteristics, and objectives influence the modes of implementation (internal versus external) in offshoring.	Survey
Mudambi and Venzin (2010)	Both	Offshoring generally refers to the relocation of the business process to other countries for getting benefits of cheap and skilled labor. The word offshoring has been used to represent a wide range of control situations, which range from several international purchasing and outsourcing to wholly owned-captive centers.	Case study
Metters (2008)	Both	No single governance mode is superior over others. The appropriateness of a governance mode is mainly based on fit with firm strategy and the high competitive environment.	Theoretical

Narayanan and Swaminathan (2007)	Both	Choosing between governance modes is a strategic choice and mainly based on overall cost and setting up and operation of the offshore center abroad. The captive mode is appropriate for complex tasks and offers benefits including high control, quality, greater freedom and lower employee turnover, among others. In contrast, outsourcing is more flexible and companies can exploit the capacities of their suppliers in case of urgency, and employees can learn about the experiences and cultures of their clients, which increase productivity and cost reduction.	Interviews
Aron and Singh (2005)	Both	Both operational and structural risks guide the choice of captive offshoring versus offshore outsourcing. Captive mode is appropriate in case of operational (operations will not operate smoothly) and structural (relations will not work) risk. When both of these risks are higher, the option of offshore outsourcing is not appropriate.	Theoretical
Chen and Hu (2002)	……..	Investment projects whose modes of governance are based on transaction cost theory outperform than those without this alignment. The focus of the transaction cost- maximizing benefits and minimizing transaction costs influence the choice of governance modes, which affect the performance. Besides this, companies choose high control modes when they have high propriety assets, differentiated products, large cultural distance, and regional market growth.	Survey
Anand and Delois (1997)	Both	Firms enter through joint ventures and acquisitions when there is a need to develop the capabilities through local experience, while in the case where firms can offset the location specific disadvantages with their specific advantages, greenfield is appropriate. Greenfield investments in wholesales perform better than retailers, while joint ventures and acquisitions outperform in retails.	Database
Nitsch et al. (1996)	CO	Greenfield, wholly owned subsidiaries perform best followed by the joint venture and acquisition.	Database
Li (1995)	Both	Diversification strategies, entry strategies, and organizational experience have a significant effect on the exit of foreign firms in the US. Diversifying into unrelated products increases the chance of exits. Exit rate in acquisitions and joint ventures is higher compared to greenfield investments, and finally, that firms learn from experience in their international operations and learning from other investors.	Database
Woodcock et al. (1994)	Both	The effect of various modes on performance is different mainly due to different resources and organizational control requirement. New ventures outperform joint venture and acquisition.	Survey
Kent (1991)	Both	Companies in joint venture enjoy high power, but due to higher payment for lease, performance is lower in joint ventures compared to the non-joint ventures.	Database
Pan and Chi (1999)	Both	Equity joint ventures have higher profit levels than cooperatives and wholly owned subsidiaries. Furthermore, equity joint ventures survived more compared to cooperatives, while there was no difference between equity joint ventures and wholly owned subsidiaries.	Survey

Agarwal and Ramaswami (1992)	CO	List foreign entry modes such as joint ventures, sole ventures, licensing, exporting. Factors including ownership, locational and finally advantages from internalization affect the selection of these modes.	Survey
Kogut and Singh (1988)	CO	Foreign entry modes: acquisition, greenfield, and joint ventures. National culture influences these modes.	Database
Anderson and Gatignon (1986)		Classify the entry modes with respect to three broad categories: 1) with sole ownership, 2) the balanced mode where there is shared ownership such as joint venture, 3) the diffused governance modes with low or no ownership.	Theoretical

Note: CO: captive offshoring; OO: offshoring outsourcing; both: CO+OO

Table A3: Offshoring and performance

Author	**CO-OO-both**	**Key findings**	**Method**
Rodríguez and Neito (2016)	Both	Outsourcing has both direct and indirect effect on firm growth. The direct effect comes from improved efficiency, flexibility, and access to the market. The indirect effects go through the achievement of innovation, which leads to firms' growth. In the case of captive mode, the effect is only indirect through innovation achievement, which leads to sales growth.	Survey
Bakhtiari (2015)	OO	There is a significant increase in productivity improvements for firms lying on the lower tail of productivity. Firms that are more productive mainly focus on exports; research and innovation in order remain competitive in the long run.	Survey
Caniato et al. (2015)	Both	Operational and strategic performance is positively affected by low cost and resource availability while local network has a positive effect on strategic performance and negative effect on operational performance. Further, offshoring outsourcing moderates positively the effect of resource availability on operational performance as well as the resource availability and cultural proximity on strategic performance. Captive offshoring strengthens the effect of low costs and the local network on strategic performance.	Survey
Lo and Hung (2015)	Both	The larger the degree of offshoring disaggregation and geographical dispersion, the better the firm performance. In case of their interaction, the influence is even greater.	Survey
Elia et al. (2014)	Both	Governance modes do not have a direct effect on performance, but rather than its alignment with transaction cost economic affect performance. Also, the effect of misalignment of governance modes has no homogenous effect on different dimensions of performance. Failing to offshore complex processes via captive offshoring have a negative effect on service quality, but no effect on cost savings. In contrast, outsourcing complex tasks introduce greater costs of coordination, which lower the benefits of cost	Survey

		savings and economies of scales.	
Lopez (2014)	OO	For manufacturing as a whole, there is a positive and significant association between outsourcing and productivity. The outsourcing intensity has positive effect on productivity in firms from light industries (i.e. labor intensive).	Survey
Farinas et al. (2014)	Both	Both domestic outsourcing and offshoring internationally affect positive and significantly output (productivity). Large firms offshore and outsource more than small firms outsource.	Survey
Sanchis-Pedregosa et al. (2014)	OO	The depth of services outsourced effect financial performance. The depth affects the labor cost ratio, return per employee and employee productivity. The more the depth of services outsourced the more the financial performance.	Survey
Michel and Rycx (2014)	OO	There is no effect of material offshoring on productivity. The effect of business process offshoring is statistically significant on productivity gains in manufacturing industries.	Database
D'Attoma and Pacei (2014)	Both	Offshoring has a significant positive association with productivity, while have an insignificant association with profitability in the context of Italy manufacturing companies.	Survey
Schworer (2013)	OO	Service and non-core manufacturing activities offshoring enhance productivity while there is no significant association between offshoring of core manufacturing activities and domestic outsourcing on productivity.	Database
Larsen et al. (2013)	Both	Cost estimation errors are higher in offshore outsourcing compared to the offshored projects. This difference is due to the expected and achieved savings. The expected savings from offshore outsourcing are higher than captive offshoring, while there is no difference in the case of the achieved savings.	Survey
Neito and Rodríguez (2013)	Both	Modes of governance (i.e. outsourcing and offshoring) have both direct and positive effects on productivity. Offshoring also affect indirectly productivity through innovation-improvement in processes. This effect is higher in captive modes than offshore outsourcing.	Survey
Mohiuddin and Su (2013)	OO	Offshoring has a significant positive association with productivity and have an insignificant association with profitability.	Case study
Jaklic et al. (2012)	OO	International sourcing in manufacturing firms reduces labor costs and increase profitability, while in services firms it reduces number of employees and labor costs. Given the service firms orientation beyond cost cutting, the important effects are improved quality, access to new knowledge and technological know-how.	Survey
Wernerheim (2012)	OO	Services outsourcing cause increase in productivity growth for manufacturing and business services. For manufacturing and business services outsourcing granger cause total factor productivity (TFP), (i.e. outsourcing precedes TFP growth). For business services, causality runs both sides.	Time series data
Oke and Kach (2012)	Both	Operational innovation fully mediates the effect of subcontracting –in on financial performance, but partially mediate the influence of outsourcing and collaborative partnership with suppliers on financial performance.	Survey
Yu and Lindsay (2011)	OO	International outsourcing has a positive significant effect on cost savings and quality, while has a negative effect on flexibility and delivery.	Case study

Ito et al. (2011)	OO	Positive and significant association between offshoring and productivity.	Survey
Nieto and Rodríguez (2011)	Both	Offshoring of R&D has a greater positive effect on product innovation than process innovation. Captive offshoring influences more innovation compared to outsourcing.	Database
Bertrand (2011)	OO	Offshoring has a positive effect on productivity due to improvement in flexibility, new resources, and market knowledge. This increase in productivity further enhances firms export performance. The firm size, the organization of intra-firm imports and the exports experience moderates the effects of offshore outsourcing positively.	Database
Bustinza et al. (2010)	OO	Offshoring helps in the development of sustainable competitive advantage via development of resources. Offshoring increases business capabilities (e.g. increase flexibility, improves customers satisfaction, enable firms to focus on their core activities) and organizational capabilities (e.g. technological improvement of operations, access to new technology, and Increase in innovations). Better adaptation to the market conditions enhances sale growth and market share. Offshoring helps this adaptation to the changing market conditions through the positive impact of offshoring on external capabilities.	Survey
Jabbour (2010)	Both	While offshoring, companies locate labor intensive tasks in low-wage countries and invest the costs savings from offshoring in their productive activities and focus on their core activities, which increase their productivity. Companies that offshore to developed countries get access to technology and high-skilled human capital that produce high-quality inputs. This, in turn, improves the production process and enhances productivity and profitability.	Survey
Ceci and Masciarelli (2010)	OO	Offshoring intangibles (R&D, product design etc.) have a positive effect on firms performance. Firms obtain several advantages (e.g. cost reduction, access to knowledge, skilled talent, and increased flexibility, and efficiency, access to new markets) which ultimately improve firm performance. The presence of coherence positively moderates the relation between offshoring of intangible activities and firms performance.	Survey
Prezas et al. (2010)	OO	Firms that offshore primarily activities to reduce costs enjoy improved operating and stock returns performance in the year following the announcement. Only firms with cost motive benefit from offshoring.	Database
Tate et al. (2010)	OO	When firms realize low costs, they go for other strategic motives such as to increase quality and market shares. During this journey, the governance modes and expectations also change.	Case studies
Cerruti (2008)	Both	Offshoring mainly focused on cost reduction deteriorates competitive advantage due to unreliable deliveries and poor customer services. The well-focused offshoring strategy enhances firms competitiveness by reducing costs and adds into organizational learning and transformations.	Theoretical
Kotabe et al .(2008)	OO	Firms choose to outsource some activities while integrating some at the optimal level of outsourcing. Sourcing activities below the optimal point have positive, close to optimal point have neutral effect while beyond the optimal level have a negative curvilinear effect on financial performance. The magnitude of uncertainty influences this relationship.	Census

Salimath et al. (2008)	OO	Outsourcing has a positive effect on financial performance and the configurations (size, age, innovativeness) moderates this relationship. Entrepreneurial firms that align their configurational characteristic with outsourcing tend to get greater gains in financial performance.	Database
Jiang et al. (2006)	OO	Outsourcing improves cost-efficiency but does not affect improvement in productivity and profitability. The main reason for this is 1) the savings coming from cost efficiency are invested in core competencies, and 2) prices are lowered due to competitive pressures.	Database
Van de Gevel (2006)	OO	Costs savings resulting from exploiting offshore resources lower inflation increases productivity and lowers interest rates, which in turn increases economic activities. Offshoring provides improved returns on capital, lower risk, greater flexibility, and better responsiveness to the consumer need given the core competencies are kept inside companies.	Theoretical
Mol et al. (2005)	OO	No effect of international and global outsourcing on firms' performance.	Survey
Gorg and Hanely (2004)	OO	The relationship between outsourcing and firm profitability depends on the plant size. Plants with greater size than the average size benefit from outsourcing in terms of improved profitability, while in the small plant there are no such benefits. In the case of services, this relationship is not clear.	Survey
Gilley and Rasheed (2000)	OO	No direct effect between outsourcing and performance. The effect is high in case of cost leadership and differentiation strategies. Also in stable environments, outsourcing increases firm performance.	Survey

Note: CO: captive offshoring; OO: offshoring outsourcing; both: CO+OO

Table A4: Offshoring experience and firm performance

Author	**CO-OO-both**	**Key findings**	**Method**
Larsen et al. (2013)	Both	Offshoring experience enhances capabilities in searching, evaluation, negotiation, and contracting which increases the extent and scope of internationalization.	Survey
Hutzschenreuter et al.(2011)	CO	Offshoring experience, publically available knowledge on offshoring, path dependencies, cultural distance and the chosen governance mode influence the success of offshoring activities.	Survey
Kshetri and Dholakia (2011)	OO	Offshoring experience in low BPO outsourcing improves productivity.	Survey
Demirbag and Glaister (2010)	CO	The experience of overseas R&D projects and prior experience of research in the host country are determinants of the location. There is a trade-off between host country experience and political risk. As firm learn and increase their knowledge on how to manage offshored projects, the impact of political and country risk diminishes.	Database
Massini et al. (2010)	Both	The realized savings from more expanded activities decline due to challenges in coordination and control. As firm accumulate experience and knowledge, efficiency and cost savings improve. The	Survey

		performance is higher for firms with offshoring strategy and captive offshoring outperformed in the US compared to that of outsourcing in Europe.	
Peeters et al.(2010)	Both	The offshoring experience and learning effects, prior experiments with the captive and outsourced model influence outsourcing decisions. Outsourcing helps companies to develop specific capabilities such as relational capabilities and contracting capabilities. These capabilities help in estimating accurately the benefits and costs involved in the offshoring decisions.	Survey
Westner and Strahringer (2010)	OO	The role of offshoring experience is low in explaining the success of the offshored projects. Trust in offshored service providers (OSP) has a small direct effect on success effect. The direct effect of Project suitability, knowledge transfer and liaison quality are small on project success.	Survey
Lewin et al. (2009)	Both	Past experience influence offshoring decisions in several ways. First, due to past routines and search rule, firms continue to source R&D internally. Second, firms with less offshoring experience more likely source R&D internally. Third, past experience influence the different options to managers while taking the offshoring decisions.	Survey
Hätönen (2009)	OO	Experiential learning helps in vendor search and selection, contracting and process management. Prior experience influences the future degree of and success of internationalization due to several benefits.	Case studies
Di Gregorio et al.(2009)	Both	Offshoring experience in the case of administrative and technical service has a positive effect on the volume and scope of international sales in SMEs.	Survey
Jensen (2009)	CO	The learnings resulting from offshoring experience occurs in both host and home countries. Experience gained suggests changes at the systematic level to better exploit the advantages of offshoring.	Case study
Manning et al. (2008)	Both	Companies with low offshoring experience hardly point out challenges including service quality, loss of managerial control and operational efficiency while experienced ones discover and manage them well through collaboration with partners. Experienced companies develop new capabilities and better manage wage inflation and employee turn- over.	Survey
Maskell et al. (2007)	OO	Offshoring is the gradual learning process whereas firm discovers new possibilities abroad and new ways of utilizing such possibilities. Learning experience reduces the cognitive limitations of the managers and firms gain advantages such as quality improvement and innovation.	Survey
Cho and Padmanabhan (2005)	Both	Firms with extensive prior experience can easily handle uncertainties and costs in different host countries with strong routines and heritages developed due to repeated experiences. The higher level of experience reduces the negative effects of high cultural distance.	Database
Graf and Mudambi (2005)	OO	Both international and outsourcing experience influence location decisions. Knowledge obtained from operating in a specific market lead to new business opportunities, while the lack of knowledge is an obstacle for further international expansion.	Theoretical
Leiblein et al. (2003)	OO	Offshoring experience helps firms to develop routines, which further in collaborating with a wide range of partners. Among these routines includes the general capabilities such as contracting capabilities and the mechanisms to improve coordination across different functions. Experienced firms may select best suppliers, manage relationships effectively, better respond to, anticipate technological, and market	Survey

		contingencies over time.	
Barthelemy (2001)	OO	Prior outsourcing experience reduces the costs involved in vendor search and contracting. Also, past outsourcing activities develop the capabilities of the management, which is a substitute for the external consultants. Inside talent is more useful than external consultants due to having a better understanding of the company's specific needs.	Case studies
Gatignon and Anderson, (1988)	CO	Firms without any international (offshoring experience) do not have the knowledge how to manage, monitor appropriately the offshored entity. Experience improves competence, confidence, and the more accurate perception of foreign risks and returns in addition.	Empirical

Note: CO: captive offshoring; OO: offshoring outsourcing; both: CO+OO

Table A5: Offshoring experience and risk management

Author	**CO-OO-both**	**Key findings**	**Method**
Knudsen et al. (2014)	Both	Transferring knowledge from one part of the organization to another is a challenging task for executives. Only 13% of the executives effectively transfer knowledge from one part of the organization to another.	Case study
Lang et al. (2014)	CO	Due to fewer adaptations in every plant, knowledge transfer has a positive effect on costs savings, while the cost of knowledge transfer has negative effect on cost savings. The complexity of production processes and plant heterogeneities moderate these relationships. Production processes having low complexity, knowledge transfer can lower superior network performance. In the case of medium and high complexity level, knowledge transfer reduces performance level. The usefulness of knowledge decreases linearly with increase in plant heterogeneity.	Empirical
Chen et al.(2013)	Both	Knowledge transfer between onshore outsourcers and offshore providers face many challenges and difficulties due to differences in time zones. Mechanisms such as close interactions, continuous communication, and coordination enhance the knowledge transfer.	Case study
Larsen et al. (2013)	Both	Cost estimation errors mainly come from complexity (e.g. task and configurational) and experience and a strong orientation toward organizational design reduce these errors. Previous learning develops the capabilities of decision-making and managers correctly estimate the hidden costs in offshoring.	Survey
Handley and Benton Jr. (2013)	OO	Both service scale and geographic distance have a positive association with control and coordination costs. Complexity (e.g. task and locational) leads to inter-firm control and coordination problems. Control costs have a positive association with both task breadth and geographic dispersion, but no association with coordination costs. Service customization has a negative effect on control cost, while both control and coordination costs have a negative relationship with cultural distance between the customer and the provider organization.	Survey
Wæhrens et al.	CO	Knowledge transfer is an extensive process whereas division of labor and procedures helps to reduce the	Case study

(2012)		complexity involved. Templates and principles are the mechanisms of transferring knowledge. Templates are useful to transfer codified knowledge for unskilled operations. Knowledge transfer suffers from weak relationships and coordination.	
Sidu and Volberda (2011)	CO	Previous experience and routines develop project team knowledge and provide a solution for problems in coordination. The role of horizontal communication, senior management support, and exact timing of offshore and onshore team involvement are important in this process.	Case study
Srikanth and Puranam. (2011)	Both	Coordination failures are higher where there is greater interdependency between the offshore and onshore location, which lead to lower process performance. Mechanisms including modularization, continuous communication reduce the negative performance.	Survey
Andersson and Pedersen. (2010)	CO	Low availability of talent and high competition has compelled companies to change their current configuration and locations in search of activities. Disaggregation of activities (R&D) on one hand gives companies access to talent, but at the same time add the cost of management and coordination.	Case study
Dibbern et al. (2008)	OO	Hidden costs may come from; 1) specification cost, 2) design cost, 3) knowledge transfer costs 4) control costs, and 5) coordination costs. In addition, cultural and geographic distance, and employees turnover lead to hidden costs. These costs are high in projects with specific knowledge related to clients than those with general knowledge. Prior experience can lower these cost, but cannot neutralize these cost in case of client specific projects.	Case study
String fellow et al. (2008)	OO	Offshoring on one hand gives companies competitive advantage while on the other hand exposes companies to challenges, which lead to extra costs. One-half of the sourcing arrangements come to end due to not properly taking into consideration the invisible or hidden costs. These costs arise from the cultural and communication friction.	Theoretical
Oshri et al. (2008)	OO	Standardized templates, teleconferencing and short visits reduce the differences between onsite and offshore teams members in terms of different work routines, methodologies, and skills. These mechanisms enhance the transfer of knowledge between onshore and offshore team members.	Case study
Stratman (2008)	OO	Transaction costs related to coordinating, monitoring and transferring the business processes undermine savings from cheap labor in offshore destinations. Inclusive and standard information about the firm processes reduce uncertainty and enhance the efficient transaction monitoring. Capabilities related to business processes resulting from enterprise system implementation helps the transfer of knowledge to the offshore service vendor.	Conceptual
Rudberg and West (2008)	……..	Experience companies such as Intel, Ericsson and Honda have standard guidelines (standardized production processes, transfer of production capabilities and knowledge) for manufacturing and related activities which helps to better coordinate their manufacturing network operations.	Case study

Hutzschenreuter et al. (2007)	…….	Expansions into new markets require knowledge, which can come from foreign operations. Lack of experience is not only related to costs but also to the options availability/flexibility to managers.	Conceptual
Ferdows (2006)	…….	Knowledge transfer is a difficult task and there are many complications in case of knowledge, which changes often. He classified knowledge transfer into four groups, "slow and codified, "slow and tacit", "fast and codified", and "fast and tacit". This classification helps managers to avoid mistakes by comparing itself with their peers.	Case study
Sabherwal and Choudhury (2006)	OO	There is an association between controlling and coordinating cost- Improved coordination helps in controlling while effective control helps in good coordination. Control relates to output, while coordination with behavioral control. A client with high experience, apply thorough control systems in case of danger of opportunism and other problems with the project.	Case studies
Ko et al. (2005)	OO	The common understanding, interactive relationships, absorptive capacity, and motivation minimize the obstacles and enhance the transfer of knowledge.	Case study
Lancelloti et al. (2003)	OO	These authors term ´hidden costs´ as remaining costs or new costs	Theoretical
Choudhury and Sabherwal (2003)	OO	Control is simple in most outsourced projects in the start, but with time when client gain experience with a vendor; they introduce more controls later on in the project. Clients with previous offshoring experience implement a tight portfolio of controls mechanisms and face fewer problems later in their projects.	Case study
Barthelemy (2001)	OO	Identified four categories of costs, 1) vendor search and contracting 2) transition to the vendor, 3) vendor management, and 4) transition. Prior experience reduces the costs of vendor search and contracting costs, which lower hidden costs. Some companies hire people with outsourcing experience and gain experience from external sources while other develop the capabilities of the management- a substitute for the external consultants.	Case studies

Note: CO: captive offshoring; OO: offshoring outsourcing; both: CO+OO

Table A6: CSR and context (country of origin and country of operation)

Author	**Findings**	**Method**
Einwiller et al. (2016)	Multinational corporations following the global standards such as GRI show similar reporting related to CSR. However, there is also the country of origin effect. German- based firms report more on environmental dimension, while US-based firms more on the social dimension (community). This shows that their home country institutions and expectations influence MNCs.	Review

Kim et al. (2016)	Foreign firms perform better under high environmental pressure in the host country. This result holds true in firms from countries with high environmental standards and pressure. Firms from these countries with high environmental pressures and standards utilize their environmental management capabilities and strengths, which lead to higher performance than the local firms do.	Empirical
Beddewela and Fairbrass (2016)	Both internal and external factors influence the CSR practices of multinational corporations. Internal factor include the legitimacy seeking efforts, while external factors include the coercive and normative pressures in the host country.	Interviews
Su et al. (2016)	Firms adopting CSR practices in emerging countries give signals to investors that their firms have superior capabilities. As a result, the relationship between CSR and financial performance is stronger in the least developed markets with lower information diffusion than the developed ones with high information diffusion.	Empirical
Lamontagne (2015)	The institutional structure of the host country affects internal CSR practices via influencing the regulatory and distributive areas at the macro level. MNCs influence the voluntary spending and soft policies related to CSR via self-regulations at the micro level. Both the host country institutional environment and the MNCs interest and power influence the transfer of internal CSR practices.	Case studies
Khan et al. (2015)	In relation to the CSR marketing strategy, multinational corporations follow their head quarter, while they adopt the CSR practices locally in host countries. However, they do not take an integrated approach by considering all the institutions of the host country.	Interviews
Vidaver-Cohen et al. (2015)	Country of origin is associated with perceptions related to reputation and the behavioral actions for supporting the brands. Companies from USA and northern Europe got high ranks than companies from southern Europe. Country of origin also relates to the assessment of a company on different performances. In addition, industry moderates this relationship.	Empirical
Park and Ghauri (2015)	Consumers, internal employees, competitors, NGOs in the context of emerging countries, determine the corporate social behavior of the small and medium sized subsidiaries of the MNCs.	Empirical
Idowu et al. (2015)	This book discusses in detail the CSR practices in whole Europe	Book
Han (2015)	Korean people expectations are high from foreign multinational firms than from domestic firms. Factors such as personal values (care for environment etc.), attitudes towards foreign brands influence their expectations related to CSR from these companies.	Survey
Duran and Bajo (2014)	Country of origin and the industrial sector both determines the CSR strategy of the multinational corporations. In general, MNCs take an integrated approach toward CSR on global level.	Survey
Wei et al. (2014)	The effect of CSR related to employees and customers is more in firms from Taiwan than from Canada. The employees related CSR contributed more to the employees' commitment levels while the customers related CSR effect on customers' loyalty is the same in both countries.	Empirical
Nasrullah and Rahim (2014)	This book compares the CSR practices in developing countries with developed countries. There is also discussion about CSR in different regions in developing and developed countries.	Book
Castelo Branco et al. (2014)	Companies from Spain place information related to social responsibility in more sections of their reports than the Swedish firms do. Swedish companies disclose more information on ethical codes and conducts, and published articles. Country of origin, affect the CSR disclosure in both these countries.	Empirical

Barkemeyer and Figge (2014)	The effect of the headquarter is dominant while multinational corporations implement CSR practices in their subsidiaries. This headquartering effect imposes the northern-CSR agenda, which in true sense does not give power to stakeholders from developing countries.	Conceptual
Bonsón and Bednárová (2014)	Country of origin, industry types, and companies listing in Dow Jones sustainability index influence the level of reporting related to sustainability.	Empirical
Fifka (2013)	Firms from US practice more and a wide range of corporate citizenship activities than their counterparts in Germany.	Exploratory
Spencer and Gomez (2011)	Based on country of origin, stakeholders in host countries insert different level of pressures on foreign firms and expect different standards from these companies.	Empirical
Arli and Lasmono (2010)	Unlike developed countries, consumers in Indonesia are uninformed and unhelpful about the CSR initiatives from companies. They cannot pay extra price for CSR and only buy from socially responsible companies when the price and quality are the same.	Survey
Kolk et al. (2010)	Foreign retailers from developed countries practice CSR practices like their home country and more than the local Chinese retailers.	Exploratory
Aguer et al. (2010)	Social attributes determine the choice or intention of to purchase even in the presence of other intangible attributes such as brand image and country of origin. Consumers from developed world put more emphasis on social attributes than consumers from developing countries do.	Experiment
Wanderley et al. (2008)	Both country of origin and industry type influences the disclosure of CSR on corporations' websites; however, the effect of country of origin is stronger than the industry.	Survey
Lo et al. (2008)	In a comparative study between USA and China, difference in CSR practices is attributed to the difference in institutional environments. CSR practices related to customers and community were more common in USA while no significant difference was found for investor, employees, and environmental practices. Furthermore different CSR practices in these countries lead to different outcomes (financial performance, reputation, and employee commitment).	Survey
Baughn et al. (2007)	This study shows differences in CSR practices among different regions (Asia, Europe, US, Canada). There is a link between the political, economic and social context. Country economic development is very important in the support and promotion of CSR.	Survey
Frank et al. (2007)	Domestic NGOs are small, new, and poorly funded and have a poor coalition with each other and they are unable to act like pressure groups in developing countries.	Conceptual
Chapple and Moon (2007)	There is a limited body of research on CSR in developing countries in comparison to the developed countries.	Theoretical
Mohan (2006)	Various factors including, the interaction of strategic choice, institutional environments (coercive, memetic, and normative) and internal design practices determines the CSR management of the multinational companies.	Case studies
Husted and Allen (2006)	Multinational enterprises place greater emphasis on the host country specific CSR. The institutional pressures (coercive, mimetic, and normative) rather than strategic logic shape the CSR practices of the multinational enterprises.	Empirical
Chapple and Moon (2005)	CSR practices differ across various Asian countries. These differences are attributed to the different national business systems rather than the economic development. Multinational corporations practice more CSR practices than the local firms do, and they follow the profile of the country of operation rather than the country of their origin.	Empirical

Welford (2005)	Asian firms are not less developed than firms from the west are. There is a positive association between the economic development and the development of CSR. CSR issues in the Asian companies mostly reflect the local issues and cultures. There is an increasing trend of external supplier related CSR practices in the developing countries having a strong trading relationship with the western world.	Survey
Welford (2004)	Although European companies practice more CSR practices than their Asian counterparts do; however, there is a greater opportunity where they can learn from each other. In some Asian countries, some form of CSR practices (e.g. codes on ethics such as bribery and corruption) is more developed. Human issues in these countries are getting importance; yet, stakeholders dialogues are still rare.	Survey
Matten and Moon (2004)	Business schools in Europe are capable to educate business leaders and managers in CSR and business ethics. There is a collaborative approach between NGOs, businesses, and academics in the CSR education.	Empirical
Harzing and Sorge (2003)	Multinational corporations are embedded in their national business systems and their organizational control practices are strongly influenced by their country of origin; however, size and industry are more related to their internationalization strategy.	Empirical

Table A7: The adoption/implementation of internal CSR practices in developing countries

Author	**Drivers**	**CSR dimension**		**Method**
		Social	Environment	
Hori et al. (2014)	Community, culture	×	√	Case study
Lu and Abeysekera (2014)	Government, Creditors, and shareholders	√	√	Survey
Graafland and Zhang (2014)	Formal instruments, foreign ownership	√	√	Survey
Qi et al. (2013)	Foreign customers, community, and foreign investors	√	√	Empirical
Zhu et al. (2013)	Institutional pressures: coercive, normative, competitive	√	√	Survey
Dincer and Dincer (2013)	Executives personal feelings, financial conditions, friend and family, and religion	√	√	Empirical
Agan (2013)	Government regulations, brand image and reputation	×	√	Empirical
Roy et al.(2013)	Customers propositions, stakeholder value, founder characteristics, and business motive	√	√	Empirical
Abreu et al. (2012)	Size, country, and position in the value chain	√	√	Empirical
Arevalo and Arvind (2011)	Customers, employees, top management, and governmental regulations	√	√	Survey
Qi et al. (2011)	Foreign customers, community	×	√	Empirical

Guatam and Singh (2010)	Mixed stakeholders	√	×	Review
Massoud et al. (2010)	International customers, environmental performance, company image	×	√	Survey
Chen et al. (2009)	Customers, top management, and company image	√	×	Survey
Nejati and Amran (2009)	Beliefs and values, religious thoughts and stakeholders pressure	√	√	Exploratory
Jamali et al. (2009)	Managers personal values, religion	√	√	Case study
Studer et al. (2008)	Regulations	×	√	Empirical
Udayasankar (2008)	U-shaped relationship between firm size and CSR participation	√	√	Conceptual
Sambasivan and Fei (2007)	Customers, government, and top management	×	√	Empirical
Zeng et al. (2005)	Environmental consciousness of the top and middle management, legal system, and strong legal enforcement	×	√	Survey
Hettige et al. (1996)	Community, informal regulations	×	√	Empirical

Table A8: The adoption/implementation of internal CSR practices in developed countries

Author	**Drivers**	**CSR dimension**		**Method**
		Social	Environment	
Betts et al. (2015)	Governments, employees, suppliers, and consumers demands	×	√	Survey
Thorne et al. (2014)	External Stakeholders pressure	√	√	Survey
Lewis et al. (2014)	Benefits of environmental activities.	×	√	Survey
Lozano (2013)	Internal leadership and business case. External drivers: reputation, customer demands, and regulation and legislation.	√	√	Interviews
Ervin et al. (2013)	Cost barriers, management attitude, company ownership and external institutional forces such as competitiveness, investor, and regulatory pressures.	×	√	Survey
Berrone et al. (2013)	Regulatory and normative pressure	×	√	Survey
Uecker-Mercado and Walker (2012)	Internal stakeholders pressure, organizational culture, cost benefits, competitiveness and ethical motives.	×	√	Interviews

Neugebauer (2012)	Coercive and mimetic, internal motivation	×	√	Interviews
Garcés-Ayerbe et al.(2012)	Customers, suppliers, community, government regulations, employees	×	√	Survey
Crotty and Rodgers (2012)	Financial benefits	×	√	Empirical
Babiak and Trendafilova (2012).	Strategic motives, institutional pressures	×	√	Interviews
Reimann et al. (2012)	Local mid-level employees, local government	√	×	Interviews
Zyglidopoulos et al. (2012)	Media pressure	√	√	Empirical
Santos et al. (2011)	Legislation	√	√	Survey
Fitjar (2011)	Media and competitors pressure	√	√	Case study
Santos (2011)	Internal motivation	√	√	Survey
Heras and Arana (2010)	Customers demands, company image , environmental performance considerations	×	√	Survey
Darnall et al. (2010)	Value chain, internal, external societal stakeholders pressure	×	√	Empirical
González-Benito and González-Benito (2010).	Governmental and non-governmental pressures	×	√	Empirical
Marshall et al. (2010)	Strategic motives, internal stakeholders demands, external stakeholders	×	√	Survey
Morsing and Perrini (2009)	External stakeholders pressures	√	√	Theoretical
Baden et al. (2009)	International buyers demands	√	√	Survey

Lynch-Wood et al. (2009)	Size, visibility	×	√	Theoretical
Russo and Tencati (2009)	Community pressure	√	√	Survey
Preuss and Perschke (2009)	Owner, external stakeholders pressure, benefits	√	√	Case study
Sweeney and Coughlan (2008)	Customers, employees, and communities, shareholders	×	√	Content analysis
Lynch-Wood and Williamson (2007)	Societal pressure	×	√	Theoretical
Campbell. (2007)	NGOs, government, industrial associations	√	√	Theoretical
Elsayed (2006)	Size, available resources,	×	√	Empirical
Jenkins, (2006)	Internal drivers	√	√	Survey
Williamson et al. (2006)	Business performance, governmental regulations	×	√	Interviews
Campbell. (2006)	NGOs, government, industrial associations	√	√	Theoretical
Delmas and Toffel (2004)	Regulators, customers, activists, local community, industrial associations	×	√	Review
Hillary (2004).	Customers demands, legislation, regulations	×	√	Theoretical
Henriques and Sadorsky (1996)	Customers, government, environmental regulatory bodies and neighborhood pressures	×	√	Survey

Table A9: The adoption/implementation of external supplier-related CSR practices in developing and developed countries

Author	**Drivers**	**CSR dimension**		**Method**
Developing countries		Social	Environment	
Lo et al. (2016)	Internal and external drivers	×	√	Survey
Brik et al. (2013)	Mangers commitment, headquarter pressure, international customers demands	×	√	Survey
Wu (2013)	Local and international customers	×	√	Survey
Hsu et al. (2013)	Regulations, customers, competitors, socio-cultural responsibility	×	√	Survey
Zhu et al. (2013)	Institutional pressures: coercive, mimetic, and normative	×	√	Survey
Laosirihonthong et al. (2013)	Legislation, regulations	×	√	Survey
Chan et al.(2012)	Internal and external environmental orientation	×	√	Survey
Liu et al. (2012)	External pressures: domestic client, competitors, regulation. Internal factors: support of top management, learning capacity	×	√	Survey
Mann et al. (2010)	Social (primary stakeholders, secondary stakeholders), financial (cost reduction, profit maximization), legislation, customer, environment, and internal business processes.	√	√	Review
Eltayeb et al. (2010)	Regulations, customers pressure, expected benefits, ownership	×	√	Survey
Lee and kim (2009)	Customers, regulations,	×	√	Exploratory
Welford and Frost (2006)	Customers, NGOs, governments	√	√	Interviews
Zhu et al. (2005)	Regulatory, marketing and competitive pressures	×	√	Survey
Developed countries				
Seles et al. (2016)	Primary stakeholders (customers, government, suppliers)	×	√	Case studies
Tachizawa (2015)	Non-coercive drivers: top management, normative, mimetic. Coercive drivers: Government regulations	×	√	Survey
Sancha et al.	Governments, NGOs, competitors,	×	√	Survey

(2015a)				
Freise and Seuring (2015)	Government, NGOs, customers, top management orientation toward sustainability, competitive differentiation, supply chain risk	√	√	Survey
Marshall et al. (2015)	Sustainability culture	√	×	Survey
Wolf (2014)	Mixed stakeholders	√	√	Survey
Caniato et al. (2012)	Internal drivers, market drivers	×	√	Case studies
Park-Poaps and Rees (2010)	Consumers, industry peers, regulation and media	√	×	Survey
Pagell and Wu (2009)	Top management	×	√	Case studies
Strand (2009)	Culture: honesty and trust	√	√	Case studies
Walker et al. (2008)	Internal and external factors.	×	√	Case studies
Plambeck and Denend (2008)	Consumers, internal benefits	×	√	Case study
Lim and Phillips (2008)	Consumers, NGOs	√	√	Case studies
Amaeshi et al. (2008)	Customers, employees, community pressure, corporate culture	×	√	Theoretical
Hall (2001).	Demand side, supply side stakeholders pressure, firms capabilities	×	√	Case study
Small firms	……	…….	…….	…….
Huang et al. (2015)	Regulations, public, customers, internal motives	×	√	Survey
Ayuso et al. (2013)	Public authorities, customers: large businesses	√	√	Survey

Lewis and Cassells (2010)	Internal: cost savings, external: customers, society, regulations.	×	√	Survey
Pedersen (2009)	Size	√	√	Survey
Baden et al. (2009)	Buyer, owner, manager	√	√	Survey
Ciliberti et al. (2009)	Large buyers	√	√	Case study
Ciliberti et al. (2008)	Consumers, owner, managers	√	√	Case study
Zhu et al. (2008)	Size	×	√	Survey
Lee (2008)	Government, customers	×	√	Survey
Nawroka et al. (2008)	Legal, consumers	×	√	Survey
Lee and Klassen (2008)	Buyers green initiatives, internal environmental championship	×	√	Case studies
Jorgensen and Knudsen (2006)	Large buyers	√	√	Survey

Table A10: Internal CSR practices and financial performance

Author	**Findings**	**CSR dimension**		**Method**
Developing countries		Social	Environment	
Wei and Lin (2015)	Corporate image mediates between the relationship of CSR related to customers and customer loyalty, yet have no mediating effect between CSR related to employees and organizational commitment. Corporate image have mediating role in between CSR related to employees and customers loyalty. The effect of CSR related to customers on financial performance (ROA) is indirect via customers loyalty.	√	×	Survey

Hasan and Ali (2015)	Green innovation (technology to develop environmental friendly products and processes) and green promotion (communication) have positive effect on firm's performance (financial returns- sale growth, market returns; operational performance-price, cost, quality, flexibility etc.).	×	√	Review
Saeidi et al. (2015)	Reputation and competitive advantage mediate the relation between CSR and financial performance (ROS, ROA, ROE, ROI, net profit margin).	√	√	Survey
Bai and Chang (2015)	Marketing competence fully mediates the relationship between CSR activities and firm performance (sales, ROI, Profitability). Competitive intensity weakens the positive impact of CSR toward employees on marketing competence, while it strengthens the positive effect of CSR toward society on marketing competence. Market turbulence enhances the positive effect of CSR toward employees on marketing competencies.	√	√	Survey
Ahamed et al. (2014).	Positive relationship between CSR practices and performance (ROA, ROE).	√	√	Content analysis
Waworuntu et al. (2014).	Positive correlation between CSR practices and financial performance (ROA). There is an increasing awareness about CSR disclosure in the top companies from ASEAN countries.	√	√	Survey
Qi et al. (2014)	Environmental performance has direct positive significant effect on financial performance. Industry munificence does no moderate, while slack resources moderate this relationship positively.	×	√	Survey
Cui et al. (2014)	CSR in the Chinese context has small negative effect on sale growth while this relationship is positive for large firms.	√	√	Survey
Wang and Choi (2013)	CSR consistency (temporal and inter-domain) positively moderates the link between CSR and financial performance. Both level and consistency of CSR influence firm financial performance.	√	√	Empirical
Oeyono et al. (2011)	Positive, but weak association between CSR practices and corporate financial performance (EBITDA, EPS).	√	√	Empirical
Aras et al. (2010)	They found no significant relationship between CSR and financial performance (ROA, ROE, and ROS).	√	√	Empirical
Cheung et al. (2010)	Positive and significant relation between CSR and subsequent year market valuation in Asian firms.	√	√	Empirical
Rettab et al. (2009)	CSR has positive effect on three measures of organizational performance: financial performance, employee's commitment, and corporate reputation.	√	√	Survey
Lin et al. (2009)	Positive relationship between CSR and financial performance. After proper specifying the model by including investment in R&D, CSR then do not have	√	√	Empirical

	much positive impact on short-term financial performance.			
Mittal et al. (2008)	Companies having ethical codes generate higher economic value added (EVA) and market value added (MVA) than those without codes.	√	√	Empirical
Developed countries				
Kiessling et al. (2016)	Firm high ranking on CSR is related to firm's performance. Market orientation (MO) and customer orientation (CO) is also correlated with the firm adopting CSR. Furthermore, CSR positively mediate the CO and MO to firm performance.	√	√	Empirical
Martínez-Ferrero and Frías-Aceituno. (2015)	Positive and bi-directional relationship between CSR and financial performance. Furthermore, corporate governance in different regions affects this relationship.	√	√	Empirical
Flammer (2015)	CSR related proposals leads to superior financial performance. This impact is stronger for companies, which operate in industries where Institutional norms of CSR are higher .This impact, will be weaker in companies, which already involved in higher level of CSR.	√	√	Empirical
Pätäri et al. (2014)	CSR concerns Granger cause both profitability and market values while CSR strengths only market value. These effects appear after different delays. There is no evidence of bi-directionality between CSP and CFP.	√	√	Empirical
Weber and Gladstone (2014)	Among stakeholders, employees strongly relates to corporate financial performance followed by consumers. There is less association between community natural environment and community stakeholders. General support was found for the CSP-CFP relationship at a given point in time with some support for CSP as an independent variable. Among financial measures, ROA is more correlated with CSP than ROE.	√	√	Empirical
Von Arx and Zeigler (2014)	Environmental and social activities of the firms compared with others firms within the industry are valued by financial market in the form of increased stock returns in both regions (e.g. USA and Europe). This effect is stronger in US than Europe.	√	√	Empirical
Chang et al. (2013)	High performance work practices moderates the relationship between corporate social performance and financial performance. This reflects the importance of human resource in this relationship.	√	√	Empirical
Lu et al. (2013)	Investment in CSR by semiconductor companies in the US pays in terms of financial performance.	√	√	Empirical
Lech (2013)	Found no significant effect of CSR on financial performance in the context of polish companies.	√	√	Empirical

Dixon-Fowler et al. (2013)	Performed meta-analysis on the moderators between the relations of Corporate Environmental Performance (CEP) and financial performance. The moderators in their study includes: Corporate environmental performance types (reactive versus proactive), firm's characteristics (e.g. large, small, and private versus public) and methodological issues (e.g. self-reported measures).	×	√	Meta-analysis
Baird et al. (2012)	Found significant positive association between corporate social performance and corporate financial performance. Industry has significant effect on this relationship.	√	√	Empirical
Melo and Garrido-Morgado (2012).	CSR drive reputation, which leads to competitive advantage hard to imitate by competitors. Industry types moderates this relationship.	√	√	Survey
Vishwanathan (2010).	Raised a question on the direct relationship between CSP and CFP. The author treated various moderating variables (such as stakeholder groups, industry, and institutional context) and mediating variables (R&D intensity, visibility) in the above relationship.	√	√	Meta-analysis
Kim (2010)	The results show no statistical significant effect of the overall CSR on financial performance, but this notion is supported in part through panel data. The moderating effect of CEOs compensation was found in several cases. Among eight dimensions, diversity and minority concerns are negatively related, however, employees relationships and environment has positive significant effect.	√	√	Empirical
Makni et al. (2009)	Based on Grangers Causality approach there is no relationship between the composite measure of corporate social performance and corporate financial performance. However there is significant negative impact of the environmental dimension of the corporate social performance and three measures of financial performance namely, ROA, ROE and market returns.	√	√	Empirical
Peters and Mullen (2009)	Time-based, cumulative effects of CSR on firm financial performance (ROA) are positive and strengthen over time.	√	√	Empirical
Hammann et al. (2009)	CSR practices have positive impact on the firm and its performance.	√	×	Empirical
Dunn and Sainty (2009)	Positive relationship between social performance and financial performance (EPS, ROE).	√	√	Empirical
Fauzi (2009)	No association between CSP and CFP. Furthermore, support for interaction of financial leverage was found while no support was found for size as a moderating variable.	√	√	Empirical

Nelling and Webb (2009)	Positive relationship between CSR and financial performance.	√	√	Empirical
Van Beurden and Gössling (2008)	Positive relationship between corporate social responsibility and financial performance.	√	√	Review
Prado-Lorenzo et al. (2008)	Positive significant relationships between CSR and sales. However, no impact of CSR on market value and productivity was observed.	√	√	Survey
Margolis et al. (2007)	Conducted meta-analysis on 129 studies and found the overall effect between CSR practices and financial performance small and weak.	√	√	Meta-analysis
Orlitzky et al (2003)	CSR has high correlations with accounting based measures of financial performance while low correlation with market based measures. Reputation appears to be an important mediator of the relationship.	√	√	Meta-analysis
McWilliams and Siegel (2000)	Impact of CSR on corporate financial performance is neutral when the intensity of investment in research and development (R&D) is used as controlling variable.	√	√	Review

Table A11: Suppliers-related CSR practices and financial performance

Author	**Findings**	**CSR dimension**		**Method**
		Social	Environment	
McCarthy and Marshall (2015)	Social sustainability practices in supply chains such as monitoring, management systems, new product, and process development pay more in terms of operational performance competitive outcomes (sales growth) than the environmental dimension of these practices.	√	√	Survey
Yu et al. (2014)	Both internal and external green supply chain management practices have a positive effect on operational performance in firms from automotive industries in China.	×	√	Survey
Dam and Petkova (2014)	The announcement of environment programs in supply chains has marginal significant negative effect on stock price. This announcement is less in firms, which face high consumers' pressure than those with less consumers' pressure. The negative effect becomes more significant when the industry bias is corrected.	×	√	Survey
Laosirihongthong et al. (2013)	Among the green supply chain management practices, green purchasing has a positive significant effect on environmental performance. Eco-design related to	×	√	Survey

	packaging has a positive effect on economic while eco-design related to products has a positive effect on intangible performance. Legislation has also a positive effect on all these performances. Time-based and quality strategy has a positive effect on all the three performance while the low-cost strategy has no effect.			
Wang and Sarkis (2013)	Environmental and social dimension of CSR together in supply chain have positive effect on corporate financial performance (return on assets, return on equity). The realization of this positive effect takes at least two years.	√	√	Empirical
Zhu et al. (2013)	Institutional pressures drive the internal green supply chain management practices, which further leads to the external green supply chain management practices. These practices do not affect directly economic performance, but via environmental and operational performance.	×	√	Empirical
Golicic and Smith (2013)	Environmental supply chain practices have a positive and significant effect on market-based, operational-based, and accounting-based forms of firm performance.	×	√	Meta-analysis
Hollos et al. (2012)	The effect of green supply chain practices is only positive on economic performance while, there is no effect of social practices (child rules etc.).	√	√	Survey
Zhu et al. (2012)	All the internal green supply chain management (GSCM) practices, mediates fully the relationship between two external GSCM practices such as green purchasing and investment recovery and environmental performance. Internal financial policy has partial mediation effect between customers' cooperation and environmental performance. Among the external GSCM practices, green purchasing has full mediation effect between eco-design and economic performance, while internal financial policy has full mediation effect between green purchasing and economic performance. Green purchasing fully mediates the relationship between eco-design and operational performance, however, customers' cooperation partially mediates the relationship between internal financial policy and operational performance. These mediation effects show that these internal and external practices need to be integrated for better performance.	×	√	Survey
Green Jr et al. (2012)	Green supply chain management practices such as monitoring and collaboration have a positive and significant effect on environmental and organizational performance (return on sales, market share growth, return on investment, profit growth).	×	√	Empirical

Gimnez et al. (2012)	Internal environmental activities have positive effect on environmental, social, and economic performance while internal social activities only have positive effect on environmental and social performance. External sustainable supply chains programs such as supply chains collaboration on sustainability has positive and significant effect on environmental, social, and economic performance. There is no effect of supply chains assessment on triple bottom line.	×	√	Survey
Lee et al. (2012)	Green supply chain practices do not have direct significant effect on organizational performance in terms of assets utilization, market position, and profitability. There is significant indirect relationship between green supply chain practices and organizational performance via operational and relational efficiency.	×	√	Survey
Wong et al. (2012)	Green operations especially in process (process stewardship) has positive effect on performance in terms of, return on assets, return on equity, net profit margin, net profit, and earning per share. The capability of the suppliers to manage their environmental impact positively moderates this relationship in addition.	×	√	Survey
De Giovanni (2012)	Internal environmental management practices have a positive and significant effect on environmental, social, and economic performance. However, the effect of external environmental management practices is only significant on environmental performance while on economic performance there is an indirect effect. In the case of formative measurement of performance and component based SEM, the effect of internal environmental management is both direct and indirect on all three triple bottom line. The effect of external environmental management is indirect on economic performance.	×	√	Survey
Wiengarten et al. (2012)	Firms from dynamic industries invest less in environmental activities in their supply chains than the static industries. Furthermore, in dynamic industries investment in environmental activities do not have positive significant effect on operational performance in terms of cost, quality, flexibility while in static industries this effect is positive and significant.	×	√	Survey
Eltayeb et al. (2011)	Eco-design has positive significant effect on environmental (resources consumption and pollution reduction), economic (sales, productivity, profitability), operational (improvement in delivery, flexibility, and quality), and intangible performance (product image). Reverse logistic has positive effect only on cost reduction.	×	√	Survey
Zhu et al. (2010)	Japanese large firms implement more effectively environmental management than their Chinese colleagues. However, the implementation level for green purchasing, investment recovery and customers cooperation is the same. These	×	√	Case studies

	practices have positive influence on environmental and financial performance in Japanese firms; however, there is no significant improvement for operational performance due to the insignificant transfer of these practices to suppliers and customers.			
Vachon and Klassen (2008)	Collaboration with suppliers on environmental issues in firms from furniture industry has a positive effect on superior delivery and flexibility performance while collaboration with customers has a positive effect on product quality. These collaborations also improve environmental performance.	×	√	Survey
Zhu and Sarkis (2007)	High regulatory pressures tend to implement green purchasing and investment recovery in firms. Competitive pressures significantly improve the economic benefits from adoption of green practices without having negative effects on environmental performance.	×	√	Survey
Chien and Shih (2007)	Both green manufacturing and procurement have positive influence on environmental and organizational performance (market share, profitability, cost reduction) in firms from electronics and electrical industry in Taiwan.	×	√	Survey
Carter (2005)	There is no direct relationship between purchasing in a social responsible way (PSR) and cost reduction. Reduction in cost occurs due to organizational learning and improved supplier performance.	√	√	Survey
Rao and Holt (2005)	Both the green production and green inbound supply chains (where suppliers are integrated into a green supply chain) lead to green outbound (green packaging, green distribution) which further leads to firms' competitiveness (efficiency, quality, productivity, low cost) and economic performance (sales, market share, new market, profit margin).	×	√	Survey
Zhu and Sarkis (2004)	Green supply chain management practices have a positive effect on economic performance. Furthermore, just in time (JIT) and total quality management moderates this relationship.	×	√	Survey

Table A12: Internal and suppliers-related CSR practices and environmental performance

Author	**Findings**	**CSR dimension**		**Method**
		Social	Environment	
Arimura et al. (2016)	Environmental certification (ISO14001) has a positive effect on environmental performance in firms from both US and Japan; however, this effect is stronger in Japan than the US.	×	√	Survey
Adebanjo et al. (2016)	External pressures (environmental and social) have a direct and an indirect effect via green supply chain practices on environmental performance. External pressures have no effect on manufacturing performance.	×	√	Survey
Grekova et al. (2016)	Environmental collaboration with suppliers does not enhance the internal environmental process improvement of the firm (to reduce pollution, material, and energy usage, reduce, and recycle waste and packaging). The environmental collaboration with suppliers has both direct and indirect effect via sustainable practices on performance (cost savings, market gains).	×	√	Survey
Kumar and Rahman (2016)	Both external influence and expected benefits influence positively the commitment of the top management toward the adoption of sustainability practices. Relationships between buyer and suppliers such as supplier selection, supplier development, and suppliers review have positive and significant effect on environmental, social, and economic performance.	√	√	Survey
Yu et al. (2016)	The effect of firm exploration is positive and significant on proactive environmental performance, while the effect of firm exploitation is positive and significant on reactive environmental performance. Industry dynamism and size positively moderate these relationships.	×	√	Survey
Liu et al. (2015)	Top managers' intention has the stronger effect on proactive environmental strategy (PES) than governmental regulations. These effects are similar in China. The effect of PES is greater on environmental performance than the economic performance in western countries; however, there are both effects on environmental and economic performance in China. This effect is stronger for economic than environmental performance in China.	×	√	Meta-analysis
Tachizawa et al. (2015)	The effect of non-coercive pressures and coercive pressures is positive on monitoring suppliers' sustainability; while this effect is negative on collaboration with suppliers, the effect is negative. Monitoring cannot only improve environmental performance; there is a need for collaborative practices with suppliers. Collaboration has a direct effect on environmental performance	×	√	Survey

	whereas the effect of monitoring is indirect via collaboration.			
Gimenez et al. (2015)	Environmental practices have positive effect on environmental performance, and coordination enabled through information (information technology enabled coordination and information technology enabled control) technology positively moderates this relationship.	×	√	Survey
De Sousa Jabbour et al. (2015)	Internal environmental management practices have a positive and significant effect on environmental performance, while green supply chain management practices have a greater significant effect on operational performance.	×	√	Case studies
Green et al. (2015)	The effect of market orientation is both direct and indirect via green supply chain management practices on environmental performance.	×	√	Survey
Chin et al.(2015)	Green supply chain management practices have a positive and significant impact on sustainability performance, while collaboration on environmental issues positively moderates this relationship.	×	√	Survey
Phan and Baird (2015)	Stakeholders (government, employees, customers, professional groups, media, and community) demands enhance the completeness of environmental management systems and these have a positive effect on environmental performance.	×	√	Survey
De Sousa Jabbour et al. (2014)	Quality management is an important antecedent of the environmental management maturity, which influences the adoption of green supply management, which in turn has positive effect on environmental performance. Environmental management maturity has a mediating effect in the relationship between quality management and the green supply chain management practices, and these practices also have mediating effect in the relationship between environmental management maturity and environmental performance.	×	√	Survey
Gualandris et al. (2014)	Sustainable supply chain management practices have a positive and significant effect on environmental and social performance. The effect of supply management is indirect via sustainable supply chains management practices on environmental and social performance. This mediation effect is the same for both local and global sourcing firms, however, in case of locals; supply management has a direct effect on environmental and social performance.	×	√	Survey
Li (2014)	Environmental innovations have positive effect on environmental performance. Environmental performance mediates the relationship between environmental innovations and financial performance. Resource commitment positively	×	√	Survey

	moderates the relationship between environmental innovation and financial performance.			
Testa et al. (2014)	The effect of environmental management systems is positive on environmental performance in both short run and long run in energy intensive industries in Italy. However, this effect is different for ISO14001 and EMAS whereas the earlier has effect that is more positive in the short run, and the later has effect that is more positive in the long run. In the case of complex organizations with a large number of people, realize more gains from implementation of these standards than the less complex organization.	×	√	Database
Zhu et al. (2013)	Institutional pressures have positive effect on the internal environmental practices, which further affect the adoption of external environmental practices in supply chains. This in turn have positive effect on environmental performance. These practices do not have direct effect on economic performance.	×	√	Survey
Ryoo and Koo (2013)	The alignment between the green practices and information system have positive indirect effect via green practices integration with marketing and manufacturing on environmental performance. The environmental performance, in turn, increases economic performance.	×	√	Survey
Henriques and Sadorsky (2013)	Pressure from buyers and headquarter have a positive significant effect on the implementation of environmental practices in Canadian manufacturing firms. There is a curvilinear relationship between environmental practices and environmental performance.	×	√	Survey
Hajmohammad et al. (2013)	Lean management and supply management have an indirect effect via green (environmental) practices on environmental performance in the context of Canadian firms.	×	√	Survey
Gimenez and Tachizawa (2012)	Both assessment and collaboration have positive effect on environmental performance. However, assessment alone is not enough; firms also need to adopt collaborative approaches.	√	√	Review
Comoglio and Botta (2012)	Environmental management systems have a positive and significant effect on environmental performance in firms from automotive industries in Italy.	×	√	Survey
Gimenez et al.(2012)	Internal environmental programs have positive impact on environmental, social and economic performance (triple bottom line). Among external practices, suppliers assessment have no effect on triple bottom line, while supply chain collaborations have positive effects on all the pillar of the triple bottom line.	√	√	Survey
Zailani et al. (2012)	The effect of environmental purchasing is positive and significant on economic,	×	√	Survey

	social, and operational performance. However, the sustainable packaging has positive and significant effects on environmental, social, and economic outcomes.			
Simpson (2012)	Knowledge resources (expertise, R&D) mediate the relationship between pressures related to recycling (international regulations, domestic regulations, disposal costs and industry practices) and environmental performance.	×	√	Survey
Green Jr et al. (2012)	Green supply chain management practices in manufacturing organizations have a positive and significant effect on environmental performance and economic performance. Both these performances further enhances operational performance which in improves organizational performance.	×	√	Survey
Eltayeb et al.(2011)	Eco-design has positive effect on four kinds of outcomes; environmental outcome, economic outcome, cost reduction and intangible outcomes). Reverse logistic only have effect on cost reduction while green purchasing have no effect on any of the above outcomes.	×	√	Survey
Chiou et al.(2011)	Green innovation (product, process, and managerial) mediates the relationship of suppliers greening and environmental performance and competitive advantage.	×	√	Survey
Iraldo et al. (2009)	There is a positive and significant effect of environmental management system on environmental performance, and no effect on market performance and resource productivity.	×	√	Empirical
Pullman et al. (2009)	Environmental programs have no significant direct effect on cost performance. Among the environmental programs, only conservation and land management have positive effect on environmental performance, while there is no effect for recycling and re-use of resources. Social sustainability practices have a positive effect on quality performance. Furthermore, environmental performance enhances environmental performance, which in turn leads to quality performances, which in turn improves cost performance.	√	√	Survey+interviews
Nawrocka and Parker (2009)	It is more important to explore the mechanisms involved the relationship between environmental management systems rather than to investigate whether there is a relationship or not?	×	√	Meta-analysis
Zhu and Sarkis (2007)	Competitive pressure positively influences the relationship of green purchasing and eco-design with environmental performance. Similarly, the effect of competitive pressure is positive on the relationship between green purchasing and economic performance, while negative in case of eco-design. Competitive pressure also has positive effect on internal environmental support and economic performance. Regulatory pressure effect is positive on green	×	√	Survey

	purchasing and economic performance, while negative effect on the relationship of investment recovery and economic performance.			
Zhu and Sarkis (2004)	Green supply chain practices have positive and significant effect on both environmental and economic performance. Quality management positively moderates the relationship between external green supply chain management practices and environmental and economic performance. However, just in time (JIT) negatively influences the relationship between internal environmental management practices and environmental performance.	×	√	Survey
Melynk et al. (2003)	Firms with Formal environmental management certifications has a greater effect on environmental and operational performance than firms with formal but not certified EMS. Furthermore, experience coming from these certifications helps firms in selecting among different environmental options.	×	√	Survey
Theyel (2001)	There is no significant relationship between information exchange and collaboration with suppliers on environmental performance in firms from chemical industry in USA.	×	√	Survey

Table A13: Internal and suppliers-related CSR practices and social performance

Author	**Findings**	**CSR dimension**		**Method**
		Social	Environment	
Yawar and Seuring (2017)	The social dimension of CSR is less covered than the environmental dimension. Social performance broadly is the measurement of social issue related to the society and in a narrow sense the improvement of the safety and welfare of the employees (workers). The effect of these indicators is non-economic and intangible on economic performance. Due to the lack of composite measures and the dynamic nature of these issues, it is difficult to measure their impact on performance.	√	√	Review
Sutherland et al.(2016)	There is less information available for social dimension than the environmental and the economic one. The social dimension covers a wide range of issues including, safety, diversity, human health, labor rights, and justice. It is challenging to operationalize and measure these issues in manufacturing domain.	√	×	Theoretical
Sancha et al. (2016)	Suppliers' assessment on social issues has a positive and significant effect on buyer's firm social performance in terms of reputation, low accidents, and safety improvement. However, collaboration with them enhances the social performance of suppliers.	√	√	Survey

Sancha et al. (2015b)	Suppliers development practices help to improve the social performance of the suppliers (working conditions, child labor compliance) and the operational performance of the buying firm while having no effect on economic performance (including sales and other measures).	√	×	Survey
Gualandris et al.(2014)	Suppliers monitoring on corporate social responsibility including the monitoring of suppliers on sustainability lead to the improvement of social performance (including reputation and employees satisfaction).	√	√	Survey
Lo et al.(2014)	Social certification (OHSAS 18001) has a positive and significant effect on operational performances such as safety, sales growth, labor productivity, and profitability. Furthermore, with an increase in complexity and coupling, these benefits are more realized.	×	√	Survey
Hoejmose et al.(2014)	Socially responsible supply chain management practices (social and environmental) have positive effect on firms' reputation, which leads to increased sales and competitive advantage.	√	√	Interviews
Lee et al.(2013)	CSR practices related to employees' rights protection have a positive effect on firms' reputation and financial performance. When suppliers implement these rights, it gives good reputation and financial performance to the buying firm.	√	×	Empirical
Sezen and Cankaya (2013)	The effect of green manufacturing is positive and significant on environmental and social performance (reputation); the effect of eco-product innovation is positive on social performance. There is no effect of eco-product innovation on environmental and social performance.	×	√	Survey
Gimenez et al. (2012)	Internal environmental programs have a positive and significant effect on the economic, environmental, and social performance. Internal socially oriented programs have a positive and significant effect on social and environmental performance. Supply chain assessment has no effect; however, collaboration with suppliers has a positive effect on all the three performances.	√	√	Survey
Turker (2009)	Employees prefer to work in socially responsible organizations and their organizational commitment level is positively affected by their organization CSR to the society, customers, employees, natural environment, next generations, and NGOs.	√	√	Survey
Carter and Rogers (2008)	Better working conditions increase motivation and productivity and reduce the absenteeism of supply chain personnel.	√	√	Theoretical
Robson et al.(2007)	Occupational health and safety management systems (OHSMS) improve employees' health and safety for many stakeholders. The outcomes from OHSMS consist of OHSMS benefits and economic benefits. However, there are mixed finding of the effectiveness of OHSMS benefits, some presenting positive effects and others no effect. These differences are attributed to poor methodologies and lack of generalization.	√	×	Review

Veltri et al.(2007)	Safety relates to internal and to a lesser degree to external performance. In case the safety is not good, product quality and plant performance suffer. As a result, there is fewer employee involvement and more scrap. Employees who do not feel safe in their job are not likely to do their jobs well.	√	×	Empirical
Rupp et al. (2006)	Employees as members of the organization show concerns and react to the social consciousness of the organization. They may react negatively when they know their organizations are involved in corporate injustice. Employees' perceptions of their organization involvement in CSR generate emotional, attitudinal, and behavioral responses, which lead to motivation and job satisfaction.	√	√	Theoretical
Folger et al. (2005)	In the case of injustice where an organization crosses the moral principles (e.g. to treat people fairly), employees react via their emotions, attitudes, and behavior even if they are not directly hit by this injustice.	……	……	Chapter
Colquitt et al. (2001)	Employees react positively when they perceive their organization is committed to justice and this, in turn, has a positive effect on their job satisfaction, job performance, and organizational commitment.	……	…….	Meta-analysis
Riordan et al.(1997)	Employees' estimates of the reactions of external groups (e.g. corporate image) influence both their job satisfaction and their intention to leave the organization. Employees, who view the company with a lower image from external groups, have a lower job satisfaction and a higher probability of leaving the job.	√	√	Empirical

Appendix B. Paper 1

OFFSHORING EXPERIENCE AND PERFORMANCE: THE ROLE OF REALIZED DRIVERS AND RISK MANAGEMENT

Haleem, F., Farooq, S., Wæhrens, B.V. and Boer. H. (2017)

"Offshoring experience and performance: the role of realized drivers and risk management"

Under review in Supply Chain Management: An International Journal

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Appendix C. Paper 2

ENVIRONMENTAL AND SOCIAL PRESSURE AS DRIVERS OF CORPORATE SOCIAL RESPONSIBILITY IN A GLOBALIZING WORLD

Haleem, F., Boer. H. and Farooq, S. (2014)

"Environmental and social pressure as drivers of corporate social responsibility in a globalizing world"

Published in Proceedings of the 21st International EurOMA Conference on Operations Management in an Innovation Economy, Palermo-Italy: EurOMA (2014)

Appendix D. Paper 3

THE MODERATING ROLE OF STAKEHOLDER PRESSURE IN THE RELATIONSHIP BETWEEN CSR PRACTICES AND FINANCIAL PERFORMNCE IN A GLOBALIZING WORLD

Haleem, F., Farooq, S., Boer. H. and Gimenez, C. (2015)

"The moderating role of stakeholder pressure in the relationship between CSR practices and financial performance in a globalzing world."

Published in Proceedings of the 22nd International EurOMA Conference on Operations Management for Sustainble Competitiveness, Neuchâtel-Switzerland: EurOMA (2015)

Appendix E. Paper 4

CORPORATE SOCIAL RESPONSIBILITY PRACTICES AND PERFORMANCE: HOME AND HOST COUNTRY INFLUENCES

Haleem, F., Farooq, S. and Boer. H. (2017)

"Corporate Social Responsibility Practices and Performance: Home and Host Country Influences

Under review in Journal of Cleaner Production

Appendix F. Paper 5

SUPPLIER CORPORATE SOCIAL RESPONSIBILITY PRACTICES AND SOURCING GEOGRAPHY

Haleem, F., Farooq, S. and Wæhrens, B.V. (2017)

"Supplier corporate social responsibility practices and sourcing geography"

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