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<tr>
<td>CS</td>
<td>Corporate Sustainability</td>
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<tr>
<td>CONAM</td>
<td>National Environment Council (Consejo Nacional del Ambiente)</td>
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<td>DAC</td>
<td>Development Assistance Committee</td>
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<td>EPA</td>
<td>Environmental Protection Agency</td>
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<td>GHG</td>
<td>Greenhouse Gas Protocol</td>
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<td>GNP</td>
<td>Gross National Product</td>
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<td>GRI</td>
<td>Global Reporting Initiative</td>
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<td>IDB</td>
<td>Inter-American Development Bank</td>
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<td>IPCC</td>
<td>Intergovernmental Panel on Climate Change</td>
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<td>MNC</td>
<td>Multinational Corporation</td>
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<td>MINAM</td>
<td>Ministry of Environment (Ministerio del Ambiente)</td>
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<td>NRDC</td>
<td>Natural Resources Defense Council</td>
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<td>OECD</td>
<td>Organization for Economic, Co-operation and Development</td>
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<td>WBCSD</td>
<td>World Business Council on Sustainable Development</td>
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<td>WRI</td>
<td>World Resources Institute</td>
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Abstract

The aim of this study is to investigate and discuss why Corporate Social Responsibility (CSR) and environmental issues have become such an important topic to Multinational Corporations (MNCs) and which factors or variables have influence on its growth. The first chapter will be about the evolution of CSR and how the environment became an important part of it within this process; the second chapter will be about some definitions of CSR and other related concepts frequently used to refer to it. After some main theories will be presented and a special attention will be laid on two of them: The Pyramid of CSR and Stakeholder Theory. On chapter four some motivations for a firm to adopt environmental mechanisms will be explained. The next chapters will be about two main variables: Developing Countries (Case: Peru) and Industry type (Case: Oil Industry, OMV) and how these two variables influence the firms’ environmental and CSR decisions. Finally, the work will be concluded with a short discussion on the Environmental Responsibility and its relations to the firm’s financial performance.
Introduction

It is well known that Corporate Social Responsibility (CSR) is not a new concept, almost a century ago already many people started to talk and write about it; however it is on recent years that it has become a prominent topic of discussion among researchers, firms, academics, governmental and non governmental institutions. Since I remember CSR has always been a part of any business oriented professional career, but it seems it is now that it has attracted worldwide attention not just to business people but to everyone and it is focusing more and more on topics related to environmental protection. According to the tradition, governments have the main responsibility to improve and care about society’s living conditions, but at some point firms are also involved and in order to maintain their competitiveness and satisfy society’s demands, they need to include CSR as an important part of their business strategy. There are some reasons that come to my mind to explain the significant growth of interest in environmental issues, for example: globalization, people are now more aware about what companies do and how it can affect the environment, recent environmental scandals, global warming or maybe the governments are now more strict regarding environmental protection. But do all these reasons explaining why and when environmental issues became so important? Is it the same if we talk about environmental responsibility in local firms and Multinational firms?

The aim of this study is to investigate and discuss why CSR and environmental issues have become such an important topic to Multinational Corporations (MNCs) and which factors or variables have influenced on this growth; this paper will start with the theory related to CSR and environmental issues, after that it will refer to some motivations why a firm has to adopt environmental mechanisms and finally two main variables: developing countries and industry
type, which according to prior studies have a significant influence on firm’s Environmental Responsibility decisions, will be presented.

This study is organized as follows: the first chapter is about the evolution of CSR, how it became such an important topic for business people and which orientation is taking on these days. On the second chapter you will find some well known definitions of CSR, and based on prior papers I will try to explain why there is not just one definition and many companies are now coming out with their own definition; other important concepts will also be described in this chapter (Corporate Sustainability, Business Ethics, Corporate Citizenship and Corporate Environmentalism). In chapter three, some main approaches and theories of CSR will be discussed with a special attention on two main theories: Pyramid of CSR and Stakeholders Theory.

The following chapters, based on prior researches and some business cases, will try to answer questions like: What are the motivations firms have to enhance environmental mechanisms? Do Multinational Corporations face levels of environmental responsibility higher than their national counterparts? At this point of the study, the focus will be in two main variables: developing countries and industry type; thanks to some prior researches it is possible to say that these two variables are relevant and influence the CSR strategy of a firm. Chapter six’s main concern will be CSR and environmental issues in emerging countries, is it the same if we talk about environmental responsibilities in developed countries as in emerging countries? Based on national and international sources, Peru will be presented as an example of an emerging economy with signs of increasing interest on environmental responsibility. As mentioned before the industry type might also have a considerable influence on CSR decisions (Abreu, 2009). It could pressure firms to adopt more or less environmental mechanisms, is this true? OMV will be presented here as an example of an oil industry firm, based on some information provided by the company it will be possible to describe its CSR strategy and the mechanisms they use to make decisions regarding this important topic. Chapter
eight of this paper will talk about the relationship between environmental responsibility and business performance, this is one aspect that has generated many discussion among researches (i.e. Brown, 2008; Paulraj, 2008; Cetindamar and Husoy, 2007; McPeak et al., 2010, McPeak and Tooly, 2008 and Plaza-Úbeda et al., 2009), some of them believe in a positive relationship and some not. Finally, chapter night summarizes main finding and offers some conclusions.
1. Evolution of Corporate Social Responsibility

It is important to trace the evolution of the concept Corporate Social Responsibility (CSR) in order to understand when and why the environment has become such an important part of it. On the last decade it is usual to hear that companies have a CSR department, which sometimes is divided in different special areas such as: social, workers right, environment, etc. Nowadays many companies are trying their best to become “green” (Lyon & Maxwell, 2007), when did it change and why? These are some questions that will be answered on this section.

Many authors agreed that the CSR is an old concept, there are some papers dated from the beginning of last century that already mentioned business’ concern for society (Carroll, 1990; Frederick 1978). According to Carroll (1990), Kakabadse (2007) and Frederick (1978) the formal writing on this concept appeared at the 50s; Howard Bowen was the first person who published a book on 1953, which was entirely dedicated to this concept: “Social Responsibility of the Businessman”, because of his book and vision of CSR as an important subject nowadays, Carroll (1990) suggests that Bowen should be called “Father of Corporate Social Responsibility”. It is possible to say that CSR is a post World War II phenomenon (Carroll and Shabana, 2010), Patrick Murphy (1978, quoted by Carroll and Shabana, 2010) described two eras during the 60s and beginning of the 70s, he called them: the “Awareness” and “Issue” eras of CSR, during this time many people were taking conscious about social problems like pollution, workers rights, racial discrimination and other issues, especially in the USA, this was the time where many important social movements came out (Carroll and Shabana, 2010), on the other hand was at this time when business major concern were charitable donations and philanthropy. Pinkston and Caroll (1996) also agreed that the society has suffer many difficulties, which made have impulse society to demand more from corporations, instead of focusing all its attention on creating profits, firms are now being forced to act as good citizens. It was at this time that the Committee for Economic and development
(CED) decided to present three circles of CSR (Carroll, 1999): The inner circle, which included the basic responsibilities (products, jobs) in order of the economic function; the intermediate circle, besides the focus on the economic function there should be an awareness of social priorities, for example: respect to environmental conservation and/or customers right for information; and the outer circle, which focus on the new and still not known responsibilities that will involved business more and more with the society. All these events made authors to start focusing more on the importance of CSR and its implications on business that is a reason why at the end of the 70s and beginning of the 80s new concepts were coming into discussion. Frederick (1978) made clear the difference between Corporate Social Responsibility (CSR1) and Corporate Social Responsiveness (CSR2), according to him CSR1 is about business’s obligation to society and CSR2 refers to the act of responding to society, the author was trying to highlight that companies not just should assumed their responsibility but also respond somehow to society.

It is not possible to talk about the evolution on CSR and not to mention some arguments against this concept. Carroll and Shabana (2010) revised some papers and found 4 arguments of different researchers against CSR. The first one presented by Milton Friedman in 1962, he believed that managers have only one responsibility and that is to maximize the profits; he argued that social problems are not responsibility of a business people, they should be resolved by the free market system, and if they fail, the government and the legislation should solve them. The second and third argument was presented by Davis in 1973; from his point of view managers are not able to handle social problems because their education is just base on finance and operation, he also believed that we shouldn’t give business more power than they already have, that is why we shouldn’t give them the opportunity to manage our social problems. A fourth argument against CSR was presented by Hayek in 1969, as we all known business primary purpose is to maximize profit but CSR adulterates this purpose.
Complementary concepts, theories and models were the main point of discussion between authors at the 80s and 90s, important theories like: stakeholder theory and business ethics were developed during this time, (Carroll, 2008 Oxford). At the same time researchers were focusing more in two main topics: the relation between CSR and the corporation’s finance, and CSR as a global issue (Carroll and Shabana, 2010). As Frederick (2008, Oxford) said that the 90s and 2000s were “The Era of Corporate Global Citizenship”, companies were seen as citizens, having the same obligations as other members of the community, it is clear that international companies are not just citizens of one community, they are responsible for all the other societies where they conduct business. Nowadays many companies are trying to gain good reputation based on their CSR programs, we take a brief look on internet and type CSR on Google and it will come out more than 40 000 000 websites related to this topic, everybody is talking about it and everybody wants to be part of it. We all know that CSR is a concept that includes many different topics, but on the last two decades there has been a notable increase on people´s concern regarding environmental issues, consumers are getting more aware of it and demanding that companies take action on preserving our environment (Klassen and Whybark, 1999 quoted by Paulraj, 2008). CSR might have also gained importance because of legal and ethical scandals related to known companies, and being a big an international corporation with power also means more responsibilities or for sure society’s expectation are going to be higher (Kakabadse et al. 2007). The 2000s was one of the most important growing years for CSR and environmental issues, many international agreements were signed by firms and government leaders, it is an issue that will give us a lot to talk about in the coming years.
2. Definition and other related concepts

Over the decades many definitions of CSR have come out; since the concept is still evolving, it is difficult to find a single globally accepted definition (Kercher, 2006). Through a study in 2006, Dahlsrud identified 37 definitions of CSR (quoted by Carroll and Shabana, 2010). From the perspective of welfare economics, CSR is defined as “the firm’s obligation to respond to the externalities created by market action” (Husted and Allen, 2006 quoting Sethi, 1990), according to the authors, externalities could be positive or negative impacts produced by a company on the society. This is a short but also a very general definition which could lead to some confusion, especially if each stakeholder has its own meaning of CSR, Smith and Langford (2009 p. 98) mentioned that: “To shareholders CSR may mean maximization of profits. To Governments it may mean meeting legislative requirements and ensuring safe products and workplace. To consumers CSR may mean high quality products at a good price, and perhaps ethical or philanthropic behavior. Finally, to other stakeholder groups such as the community, employees and society, the meaning of CSR is likely to vary even more”. This could explain why till now it is so difficult to find a definition that will keep all stakeholders satisfied.

Being the environment an important issue on this research, there are some definitions that have become well used and are more specific about company’s environmental obligations with the society, the first one presented by the World Business Council on Sustainable Development (WBCSD) (Cetindamar and Husoy, 2007).

“Corporate social responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large” (WBCSD, 2000)
Another common used definition was presented in 2006 by the European Commission: "A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis". After extensive reading, it is difficult to find a consensus on the definition; this has motivated many companies to create their own definition or to include CSR issues on their mission statements; some examples are:

“Sustainability is critical to the continued success of our business and to the environment and society we live in.” (Unilever, 2010)

“The energy we supply helps to support economic growth and development. At our operations we aim to address social concerns and work to benefit local communities, protecting our reputation as we do business.” (Shell, 2010)

“The company’s comprehensive approach embraces environmentally and resource-friendly development and production processes and a wide range of high-quality customer services as well as recycling concepts which guarantee that BMW Group vehicles impact the environment as little as possible, including at the end of their useful life” (BMW Group, 2010)

There are many other interesting definitions to CSR and since the early 90s, because of the increasing importance of environmental issues, there also are new terms that are used to describe firms’ responsibility to the society and environment (Lerum Boasson, et al. 2006). Some of the most used or known are: Corporate Sustainability, Corporate Citizenship, Business Ethics and Corporate Environmentalism. All of them are related and sometimes with similar definitions, it is important to describe some of them in order to avoid future confusions.
2.1 Corporate Sustainability

A sustainable business not only offers products and services to customers, it also contributes on the well being of our planet, since the 90s we can observe a growing trend from companies to voluntarily include information about their sustainability strategy, they present reports showing their efforts and contributions to preserve and minimize their impact on our environment (Arevalo, 2010). The difference between CSR and CS, according to Marrewijk (2003), is that while CSR is “related to transparency, stakeholder dialogue and sustainability reporting, CS focuses on value creation, environmental management, environmental friendly production systems, human capital and so forth”. Although the term “Sustainability” is now widely used by companies, there is still some confusion regarding its definition, according to a general review presented by Emerald Group Publishing, “Sustainability involves the balance of four factors: societal influence, environmental impact, organizational culture and finance. It should equate to doing business that remains profitable but takes nothing from society or the environment that it does not replenish” (Emerald Group, 2010).

2.2 Corporate Citizenship

It was introduced around the 80s, but it was on 90s that became popular among different authors, according to Garriga and Melé (2004, p.57), corporate citizenship “are focused on rights, responsibilities and possible partnerships of business on society”, what the author tries to point out is the responsibility that business have towards its stakeholders, and during the last year it is not anymore just local, it has extended to global concern. One example presented by the author is the “Global Corporate Citizenship - Leadership Challenge for CEOs and Boards”, which was a document signed by 34 multinational corporations during the World Economic forum in 2002. Corporate Citizenship is also related to the ability to manage the relationship between the corporation and the society, in order to
minimize all possible negative impacts while maximizing benefits; consequently a new term came out “corporate environmental citizenship”, which is focus on the environmental protection, with a particular attention on every move a company does to minimize the environmental damage (Özen and Küskü, 2009).

2.3 Business Ethics

In 2004, Josie Fisher presented one paper, which was motivated on the frequent confusion of her students between CSR and Business Ethics. There is always a question related to what is exactly the difference between these two concepts, or if they mean the same thing, Fisher (2004, p.392) went to the extensive literature to resolve this problem and identified 4 views, explaining the relationship of these concepts: “(1) social responsibility is ethics in an organizational context; (2) social responsibility focuses on the impact that business activity has on society while ethics is concerned with the conduct of those within the organization; (3) there is no connection between social responsibility and ethics; and (4) social responsibility has various dimensions one of which is ethics”.

2.4 Corporate Environmentalism

According to Banerjee (et al. 2003), it is possible to identify to different aspects of corporate environmentalism: environmental orientation and environmental strategy. The first dimension is about the importance that managers give to environmental issues and the second dimension refers to the integration of environmental issues with the firm’s strategies. Joining these two concepts together, they defined Corporate Environmentalism as “the recognition of the importance of environmental issues facing the firm and the integration of those issues into the firm’s strategic plans” (Banerjee et al. 2003, p.106).
3. Theories of Corporate Social Responsibility

If we go through the literature of CSR, we are going to find some theories that might be ambiguous on their meanings, many years ago Votaw (1972, quoted by Garriga and Melé, 2004 pp.51-52) said that: "corporate social responsibility means something, but not always the same thing to everybody", and this is still happening nowadays. There have been attempts to change this situation and put some order or a proper classification of the most relevant theories (e.g. Carroll, 1994; Frederick, 1998; and others). Based on the hypothesis that the meeting point of this theories are focus on at least one of the following aspects: economics, politics, social integration and ethics; Garriga and Melé (2004) classified the theories in four groups: instrumental, political, integrative, and ethical theories.

According to the author, instrumental theories assume that corporations are just an instrument for wealth creation, in this sense any corporate social activity is accepted only if it produces any financial benefit, to this group belong the famous theories of maximizing the shareholder value and competitive advantage. The political theories, on the other hand, focus on the relationship between corporations and society; it is assumed that corporations have a responsibility to society because of their power and position, here two theories were distinguished: Corporate Constitutionalism and Corporate Citizenship. On the fourth group we find the integrative theories, which focus, as its name says, on the integration of social demands, this interest is justified due society’s importance on the existence of corporations, this comprises theories such as: the Principle of Public Responsibility, Stakeholder theory or Corporate Social Performance. Located on the last group are the ethical theories, which are based on the right thing to do to obtain a better society, belonging to this group are the theories of: sustainable development, stakeholder normative theory and universal rights (Garriga and Melé, 2004).
This gives us a general idea of the existing theories related to CSR, for sure these are not all the existing ones, and surely there will be new ones since as mentioned before the concept of CSR is still evolving. After reading some literature regarding the different approaches and theories of CSR, it was possible to identify some theories that have some relevance on Environmental responsibility: The Pyramid of CSR and Stakeholder Theory.

### 3.1 The Pyramid of CSR

In 1979, Carroll presented the 4 different categories of CSR: economic, legal, ethical and philanthropic; and on the 90s presented the Pyramid of CSR. According to the author, these categories embrace all the business responsibilities which have always existed, but on recent years the ethical and philanthropic have gain a significant position (Carroll, 1991).

![Figure 1: The Pyramid of CSR](source: Archie B. Carroll, The Pyramid of CSR: Toward the Moral Management of Organizational Stakeholders (1991, p.41))
All these four categories must be fulfilled in order to obtain a total CSR of business. According to Carroll (1991 p.42), a CSR firm should exert itself to “make profit, obey the law, be ethical and a good corporate citizen”. Carroll’s model tried to show that it is possible to be economic and social responsible at the same time, the pyramid also shows the weightings of the four components. The first and the second component might be the most easy to explain, companies have to make profit in order to survive and also have the obligation to obey the law; the third area refers to those behaviors and/or activities expected by the society, even though there is no law requirement, the last area is called “discretionary or voluntary area”, there is a desire of society that business have philanthropic responsibilities (e.g. contribute with the education, arts or donate money to hospitals) but if they don’t, they are going to be consider as unethical firms (Pinkston and Carroll, 1996). Carroll pointed out that many firms believe that being philanthropic responsible is enough to be consider as social responsible firm, not like them he believes that philanthropy is just a small part of it and much less important than the other three components of CSR (Carroll, 1991). In 1996, Pinkston and Carroll, published a paper where they investigated if the weightings of this four CSR components change through the years, as we all know we have been facing many social issues on the last years, people expectations regarding social responsibility from firms are much higher than in the past. Issues like the environment became part of almost all companies’ CSR strategy. Even thought this study was made about 15 years ago, the findings on Pinkston and Carroll’s should be consider to understand better why environmental issues have gain such an important place on CSR. According to the study, economy responsibility was still the most important, followed by legal, ethical and philanthropic responsibility, but the gap between economic and legal got much smaller, ethical responsibilities became more important while philanthropic decreased on its importance. This shows how ethic responsibility became from one component of CSR to the maybe most important component, and is in this group where environmental responsibility has a privileged position.
3.2 Stakeholder Theory

Edward Freeman was the first who popularized the concept of stakeholder in 1984 and since then there has been many publications related to this topic (Wang, 2010; Carroll, 1999). Taking a look through the different publications, it is possible to find that many researches in CSR and environmental responsibility have been done from the perspective of Stakeholder theory (e.g. Wang, 2010; Paloviita and Luoma-aho, 2010; Epstein and Widener, 2011; González-Benito, 2010, Haigh and Griffiths, 2009). Stakeholders are “any group or individual who can affect or is affected by the achievement of the organization´s objective” (e.g. customers, employees, community, NGOs and suppliers); he also highlighted the importance of a good relationship between a company and its stakeholders, according to him that was the only way of obtaining benefits for both sides (Freeman, 1984 cited by Paloviita and Luoma-aho, 2010, p.307). Since this concept appeared, there has been a willing to categorize and ranking them according to their importance, so managers would be able to identify which the groups requiring more attention. Mitchell, Agle and Wood (1997) presented three attributes: power, legitimacy and urgency; stakeholders should be evaluated in terms of these attributes, the presence and/or absence of them will determine the importance of each stakeholder. For example, some stakeholder might just have one attribute, others two, but the one with the presence of all of them is the most important in terms of managerial decisions. **Power**, as described by Mitchell (et.al 1997), is the capacity that someone has to influence on other in order to obtain what they want. **Legitimacy**, this one is related to the institutional theory, it is important to obey the law dictated by institutions in order to maintain a competitive advantage (Scott, 2001, cited by Haigh and Griffiths, 2009), it is important to mention that, legitimacy is not only was it code by the law, it is also what is social acceptable . **Urgency**, based on the Merrian - Webster Dictionary, Mitchell (et.al 1997 p.867) explains urgency as “the degree to which stakeholder claims call for immediate attention”. Besides Mitchell other authors have also tried to classify stakeholders. Clarkson divided them in primary
(those are the indispensable ones, without them the firm cannot survive e.g. customers, employees, suppliers) and secondary stakeholders (the rest of groups that affect or could be affected by the company but are not vital e.g. NGOs, media); according to Henrique and Sadorsky, stakeholders are divided into fourth groups: regulatory stakeholders, organizational stakeholders, community stakeholders and the media (González Benito, 2010).

Environmental responsibility and stakeholder theory have been the main topic of lately researches, problems that society is facing on these days (e.g. global warming, energy crisis and degradation of natural resources) might have open a new opportunity for managers to develop a corporate environmental responsibility, firms are obligated to be part of the protection of our environment (Hong, 2010). Stakeholder theory helps to understand why an increasing number of firms are taking voluntary actions regarding the environment protection instead of just following the law; stakeholders’ environmental pressures are gaining power and that is a reason why managers need to identify key stakeholders and prioritize them among their several demands, (Plaza-Úbeda et.al, 2009). Some years ago, key stakeholders in environmental issues were the government or NGOs, nowadays other stakeholders as: customers, local community or suppliers are being part of environmental management pressures (Paloviita and Luoma-aho, 2010).

a) Environmental Stakeholders

Henriques and Sadorsky (1999) identified a group called environmental stakeholders, and these are the ones that affect or can be affected by any firm’s environmental decision, for example: community members, organizational members, regulators and the media. The authors gave a short description of these important stakeholders:

- Community members: it includes community groups, environmental organizations (i.e. IPCC, Sierra Club, WWF, NRDC and Greenpeace) and other potential lobbies, the main characteristic of this group is
that they can easily influence on customers opinion about the good or bad reputation of a company’s environmental performance.

- **Organizational members**: it embraces those who are directly related to the firm: customers, suppliers, employees and shareholders.

- **Regulators**: represented by the government, trade associations, informal networks and particular firm’s competitors. According to the author the main characteristic of this group, is their influence on new environmental regulations and practices.

- **Media**: Media is going to be always important for any organization, their power is centralized on the information they transmit about the company, and this information could modify consumer’s perception of the firm.

Besides the identification of these environmental stakeholders, there is also a discussion about considering the natural environment as a core or primary stakeholder, Haigh and Griffiths (2009) presented a paper where they used the model of Mitchell et al. (1997) to proof that natural environment is a primary stakeholder. The authors began with an analysis of some prior researches which main discussion is the positive and negative arguments to consider natural environment as a main stakeholder, Haigh and Griffiths (2009) preferred to see the environment from a strategic approach and not from an ethical like most of the authors did. Based on the model of Mitchell, they presented the next arguments:

- **Power**: As we all know the natural environment provides all main resources a company needs to operate (e.g. water, air, mineral, solar power, etc), at the same time it can also destroyed resources (e.g. hurricanes, earthquakes and tsunamis). This shows the power it has among organizations and how could it affect their economy.

- **Legitimacy**: The main argument they presented is that if natural environment were not a legitimate stakeholder, not many companies will focus their CSR strategies on environmental issues. The
importance this issue has gained during these years is a proof of its legitimacy.

- **Urgency:** As mentioned before there are some issues that required immediate attention and environmental catastrophes are some of them.

- **Proximity:** This is another element that helps us to identify primary stakeholders, according to Haigh and Griffiths (2009), this element was suggested by Driscoll and Starik and as its name says it is about the stakeholder’s proximity or closeness to the organization. It is not possible to deny the proximity that the natural environment has to any organization.

After this analysis the authors concluded that natural environment meets all the requirements needed to be considered as a primary stakeholder: power, legitimacy, urgency and proximity. If in the past, natural environment was always seeing as a moral obligation, now it is consider part of the organization’s strategy.
4. Environmental Responsibility and its motivation

As mentioned before, people’s awareness and interest regarding the preservation of our environment has notable increased during the last years. This has provoked new strict environmental government regulations that for sure influence and/or change business’s behavior regarding environmental issues (Paulraj, 2008). Researchers like Bansal & Roth (2000), Paulraj (2008), González-Benito (2010) and several authors have tried to explain the reasons why a company “goes green”, there are some companies that just tried to meet all the legislative requirements (environmental reactivity), others that besides meeting these requirements also have their own initiatives to preserve the environment (environmental proactivity), and of course some others even try to avoid the legislation. Some people may think that the most successful way to protect our environment is through the legislation (Bansal and Roth, 2000) but there are some prior researchers showing that if we go through the government environmental legislation in different countries, we are going to find many limitations. For example, Arevalo (2010, quoting Minz, 1995 and Fineman, 2000) presented two different studies on the first one, it was demonstrated that the US environmental legislation effectiveness varies according to the current “presidential regimes and large political processes”; on the second one they found out that in the UK, “regulators exercised considerable discretion in interpreting the law”, most of the time with the idea to make them more convenient to their needs. In other words, it is not possible to care about our environment if the companies do not have other motivation besides law. That is why in the past years, many researchers have tried to explain in models, what really makes a company to take own initiatives regarding environmental issues. Paulraj (2008), based on prior studies, mentioned some reasons for environmental initiatives: regulatory compliance, competitive advantage, stakeholder pressure, ethical concerns, critical events and top management initiatives. Based on these reasons, Bansal and Roth (2000) did a
A qualitative study to identify the three basic motivations for environmental responsibility: Competitiveness, legitimating, and ecological responsibility.

**Competitiveness**

There has been always a discussion about the relationship between CSR and business profitability, some believed that CSR goes against business’s main objective, but on the other hand there has been some cases where a company believes that the main reason of its financial success is the competitive advantage that comes from its CSR programs (Perrini et. al 2006). It is possible that being environmental responsible will give the company the opportunity to gain reputation, or to improve it, which could turn into its competitive advantage, and this could turn into a powerful economic force. Besides helping differentiate products, competitive advantage could lower cost in a long run, for example: firms could use cheaper recycled raw materials or energy savings (Barnejee et al. 2003).

In this context, Bansal and Roth (2000) defined competitiveness as “the potential for ecological responsiveness to improve long-term profitability”, they believed that competitive companies focus more on the cost/benefit analysis of environmental decisions. These kinds of companies are always searching for new environmental mechanism that could help them to reduce costs or to obtain better benefits; so applying innovative technology that reduces the damage on the environment (e.g. less pollution) can increase productivity and/or improve quality of products (Kun Liu, 2010). Another way to gain competitive advantage is to target “environmentally conscious consumers”, a good example of this is the Body Shop which green strategy from the beginning allowed them to have a solid position on the market (Dennis, et al. 1998).
**Legitimating**

This might be the most obvious motivation for environmental responsiveness; firms are obligated to follow regulations, norms and beliefs in order to be accepted (Bansal and Roth, 2000 quoting Suchman, 1995). Here companies tried to focus more on three main stakeholders: government, community and customers, all of them have some rules or legislations that if a company wants to survive, it must follow them. Governments play an important role on the protection of the environment; thanks to: regulations, incentives and pricing, many firms have become aware of the magnitude of this issue. However, it is known that each mechanism presents advantages and disadvantages; that is why a proper combination of them is needed in order to be effective with the environment protection (Kun Liu, 2010). Even though the government and its mechanisms have been and still are very important on the environment protection, it is possible to observe that the traditional regulated approach is evolving to a more voluntary approach and the increasing pressure from community and customers have to do a lot with this change (Khanna and Anton, 2002).

Even though many authors agreed that community and customers have a great influence on corporation’s environmental responsibility, a recently empirical research made by Sandhu (et al., 2010) demonstrated that managers do not see customers as a powerful force to environmental responsiveness; managers interviewed on this research think that for a range of products, factors as price and performance are much more important than environmental attributes on the purchase decision process. However they also do not denied that some businesses (such as Body Shop or Innocent Drinks) have successfully placed their strategy based on their socio-environmental responsibility.
Ecological Responsibility

It seems that many companies have realized the negative effect that they could produce on our environment, that is why many are taking initiative and accommodate their strategy, in order to protect it (Arevalo, 2010). Paulraj (2009) identified that firms are not only seeking to meet the regulations or create a competitive advantage, some have shown their interest on being environmental responsible, only because they consider that it is “the right thing to do”. This motivation may be related to “the common good approach” (Garriga and Melé, 2004), which is based on seeing business as a contributor of the common good, besides creating economic benefits for the company and providing products and services, they have to respect and protect the society.
5. Environmental Responsibility in MNCs

Recent publications are trying to highlight the difference between CSR in local business and in MNCs (e.g. Husted and Allen, 2006; Kun Liu, 2010; Zyglidopoulos, 2002 and Kaptein, 2004). According to Zyglidopoulos (2002), MNCs face a higher social and environmental responsibility than local counterparts; it is known that all companies have to adequate to certain legal, social and cultural norms dictated by the country where they want to operate, in case of MNCs these norms come not only of one specific country but of all the other countries they are operating. Globalization and MNC are related topics, Kercher (2006), Husted and Allen (2006) and Arevalo (2010) agreed that they both had a great impact on the evolution of CSR, especially on certain areas such as human rights and environment.

Many researchers have been studying during years the difference between local and global CSR, there are many discussions related to this topic but not an explicit theory (Husted and Allen, 2006). Managers have the great responsibility to differentiate and at the same time find the relationship between both scenarios. There have been cases were multinationals fail to respond effectible to CSR issues in some host countries, which originated protests and consumers boycotts, for example: Nike in Asia, as a result of child labor abuse; or Nestle accused of unethical marketing practices (Husted and Allen, 2006). To have an effective CSR program is important to have a good understanding of the local culture.

“Global issues”, which is mostly related to human rights and environmental protection (Husted and Allen, 2006 quoting De George, 1993), has become very important to multinational firms. One of the world’s biggest concerns is our environment, we have more access to information and it is possible to know better what companies are doing regarding this topic, people consider that MNEs, because of their power, can and must do something to protect our environment. Not only information is a relevant factor to current discussion regarding CSR and
environmental issues, Kercher (2006), on his analysis of globalization and its impact on CSR, listed some others:

- International organizations such as: UN and OECD have elaborated compacts, declarations, guidelines that delineate the corporation’s conduct concerning the environment and other global issues like human rights, health and anti-corruption.
- Not only consumers are showing an increasing interest on this topic, also investors support responsible business practices, and are demanding information about risks and opportunities related to the environment.
- Recent Environmental scandals have contributed to realize that it is necessary a better control and improvement of the government regulations and the regulation of MNEs

A paper presented by Zyglidopoulos (2002) which was based on the Brent Spar Case, is a good example of how MNC’s social and environmental responsibility differs from national business firms. This case presents the dispute between Shell UK and Greenpeace, the company already had the authorization of the local government and other local interest groups to dispose its Brent Spar oil installation by dumping it in the ocean but Greenpeace, thanks to the support of many Shell customers around the world, initiated an international campaign against it. At the end the company was forced to change the initial plan and to come across with other possible solutions. Zyglidopoulos (2002) made a deep analysis of the case and indentified two factors that enforce the environmental and social responsibility of MNCs:

- **International reputation side effects**: the author considers that MNC have a higher responsibility in matters of social and the environment which also means a higher risk to cause damage on their reputation, not only on one country but also in all the others where they operate. As we all know reputation of a company is a valuable intangible asset,
• **Foreign stakeholder salience**: As mentioned before it is possible to identify different groups of stakeholders, there are some presenting a higher level of salience than others (see Chapter 3.2 p.19). On the Brent Spar case, Shell U.K. ´s foreign stakeholders (customers and general public in Europe) were identified as stakeholders with a big impact on managerial decisions,

Motivations to environmentally responsibility have been already mentioned and these two factors presented by Zyglidopoulos (2002) complement the research and make us realized that MNCs face a higher pressure regarding environmental and social responsibility than local counterparts. However being a MNC is not the only factor that could affect stakeholder’s environmental demand. González-Benito and González-Benito (2010) presented a study where they analyzed some determinant factors of stakeholder environmental pressure; based on prior researches they identified six possible variables: company size, internationalization, geographical location, position on the value chain, industrial sector and managerial values. The first and second factor, are related to MNCs and this topic has been already extensive describe at the beginning of this chapter, the authors also agreed with the arguments that point out that MNCs perceive a greater pressure than other firms. Geographical location of a company seems to affect the intensity of its environmental pressure, factors like society and institutions are essential when designing their environmental strategy. Another factor, position on the value chain, is described by the authors as the proximity to the final consumer; they think that companies that have direct contact to final costumers have a higher environmental pressure than intermediaries or raw material producers. Industrial sector, it is known that some industries face a greater pressure than others, because of its relevance it will be discuss on the next chapter of this research. Finally, it is believed that manager’s values and attitudes are relevant to explain some of their behaviors regarding environmental issues; they suggested that as greater the awareness of managers, greater will be their attitudes. González-Benito and González-Benito (2010) ´analysis gives companies a very important tool, variables being identified,
the company has the opportunity to formulate and implement an effective environmental strategy.

It is known that principles efforts to regulate CSR, regarding environmental issues, comes from the public international entities and non government organizations (NGOs), the main goal is that companies support CSR practices without introducing legislation (Kercher,2006), and that the government support and encourage initiatives presented by NGOs. Many CSR initiatives comes from international organizations which practices include give information and bringing companies together to share valuable information regarding environmental management practices (Cetindamar and Husoy, 2007), some well known international organizations are: UN Global Compact, WBCSD, OECD, ISO 14001, GRI; and in Austria: respACT.

a) United Nations Global Compact

It was created in July 2000, it invites businesses to join the commitment of align their strategies and operations to their universally accepted; nowadays it includes more than 5300 businesses in 130 countries around the worlds (UN Global Compact, 2009)vi. It is possible to say that it is one of the world’s largest voluntary network; it consists of ten principles related to different CSR issues and three of them are specifically related to the environment (Centidamar and Husoy, 2007):

Principle 7: Businesses are asked to support a precautionary approach to the environment.

Principle 8: Businesses should undertake initiatives to promote greater environmental responsibility

Principle 9: Businesses should encourage the development and diffusion of environmental friendly technologies.vii
b) **WBCSD**

The World Business Council for Sustainable Development was created in 1992; it is an association that focuses on two main points: Business and Sustainable development. Their main objective is to provide a platform where businesses could share knowledge, practices and experiences related to sustainable development. Nowadays it has around 200 members from more than 30 countries and 20 main industrial sectors. Nowadays it has four key areas: Energy and Climate, Development, The Business Role and Ecosystem (WBCSD, 2010) viii

c) **OECD**

This might be one of the oldest organizations, its history dates from the beginning of the 60s and this year is celebrating its 50 anniversary. Unlike other organizations, its members are composed by countries and not by businesses, nowadays it has around 34 countries. Its mission as described on its website is “to promote policies that will improve the economic and social well-being of people around the world” (OECD, 2011) ix. In order to meet its mission, they are working together with the governments to fight poverty through economic growth and financial stability, and in recent publications we can see their increasing interest on environmental issues and its implications (OECD, 2011) x.

d) **ISO 14001**

It is an international standard accepted in more than 100 countries, since environment became such an important issue, ISO 14000 addresses Environmental management. In other words thanks to this standard, people get the opportunity to get to know what an organization is doing regarding the environment, for example: what do they do to minimize their environmental effect and how do they improve their environmental
performance. According to its website around 200 000 organizations all around the world, have obtained the ISO 14001 certificate. \textsuperscript{xi}

e) \textbf{Global Reporting Initiative}

The Global Reporting Initiative (GRI) is an organization that promotes the use of sustainability reports, thanks to these reports companies have the opportunity to communicate some indicators, based on their economy, environmental and social performance\textsuperscript{xii}. It offers a framework which can be used by firms to demonstrate their commitment with the environment, to see how much more they are doing besides respecting the law and to compare its performance over the years. According to the Magazine \textit{Environmental Leader} (2009)\textsuperscript{xiii}, many of the firms that are using GRI are the ones leading world´s stock markets, for example: 64 \% of Germany´s DAX 30 and 13\% of U.S. S&P 500.

f) \textbf{RespACT}

It was founded in 2007 and since then it is the most important platform for CSR and Sustainable Development in Austria. Their mission is to provide all the support, their members need, to act responsible regarding the ecological and social issues. All the members have the opportunity to exchange valuable information, experiences and to dialogue with important stakeholders which will for sure help them to define an adequate business´ strategy. It counts with more than 150 active members (respect 2011)\textsuperscript{xiv}.
6. Environmental Responsibility in Developing Countries

There was a time where environmental responsibility was seen as an issue that only concerned leading and developed countries (Carrol and Shabana, 2010), but nowadays people realized that it is a global issue and emerging nations are taking major action on it. In recent years there have been many publications investigating CSR perceptions in developing countries, many author have tried to explain the context of CSR in these countries and how it evolved despite its limitations (e.g. Jamali and Mirshak, 2007; Özen and Küskü, 2009; Blowfield and Frynas, 2005; Schmidheiny, 2006; Puppim de Oliveira, 2006 and Vives, 2006).

As mentioned before institutional pressure plays an important role on environmental responsibility, according to Özen and Küskü (2009 p.297), “environmental regulations and their enforcement by governmental agencies have been relatively loose in developing countries”, this could be an explanation of why the environment was not consider as a mayor issue on companies located in these countries. The same authors also pointed that the mayor issue in developing countries are usually focus on the rapid economic growth, which sometimes make them ignore some future consequences on the environment, at the same time the people expectations and awareness regarding environmental protection are not as high as that people living in developed countries. Inglehart (1995) made an analysis of environmental behavior among 43 countries, his findings demonstrated that countries with a higher GNP per capita, also present the greater interest on environmental issues, they present less priority to economics what gives them the opportunity to pay attention to other values, like environmental protection.

Considering that in emerging countries there is a weak institutional pressure, Özen and Küskü (2009) presented a model to explain the variation of corporate environmental citizenship in developing countries. According to this model, the variation is based on: different market orientation, industrial concentration and
organizational identities. Therefore, companies from developing countries that want to enter new markets in developed countries would need to adopt higher levels of environmental responsibility than inward oriented companies, assuming the higher environmental regulations and pressure in developed economies. In highly concentrated industries there is a bigger need of differentiation and barriers to enter, which is the main reason why the author assumed that companies from developing countries that operate in highly concentrated industries would present a higher interest on environmental responsibility than firms operating in low-concentrated industries. Finally, based on an analysis of institutional theory the authors identified two types of organizations: missionary organizations, they want to contribute to the modernization of their nation and at the same time not neglecting their own economic goals; on the other hand, there are non-missionary organizations, these are the ones who just focus on the economic growth and do not care about other things that much. According to the model, missionary organizations in developing countries are more motivated to be part of environmental practices with the willingness to innovate and improve the strategy; non-missionary organizations may be willing to adopt just what the regulations required. This framework presented by Özen and Küskü (2009) help us to understand the variation of environmental in developing countries, however they also pointed out that this framework might not be working for any developing countries, it adjust more to countries that have “stated dependent or stated coordinated business systems” (2009,p308).

Campbell (2007) presented some factors that affect the degree of a corporation’s CSR in developing countries. He presented three main factors: the economy, the level of competition and institutional conditions to which corporations are exposed; all of them affect the level of commitment with CSR. It is known emerging economies are situated on markets with higher economic risk pressures, at the same time financial performance is lower than in other markets, the author suggests that firms with weak financial performance are less interested to invest on CSR. The level of competition is a special case, in either low or high
levels, firms will present less CSR behavior. It has been already mentioned the pressure that institution have on corporations, if they meet a strong state regulation, industrial regulations and other institution like NGOs, there is a greater probability of higher CSR.

At a published report presented by GRI (2008-2009)^x, we can observe that businesses in emerging and developing countries are still refusing to the importance of publishing sustainability reports, even though there is an interesting growing especially during the period of 2002-2008 and being more specific the list of countries where GRI reports are significantly increasing includes: Indonesia, Taiwan, Peru and Colombia. At the graphic (Figure 2), it is possible to observe the big difference between the quantity of reports presented by OECD countries (i.e. Australia, Austria, Finland, France, Germany, Japan, Mexico, Netherlands, and others) and the reports presented by DAC countries (i.e. Argentina, Peru, China, Colombia, Ecuador, Nigeria, Pakistan among others), there is also a small amount of reports from countries which do not belong to any of the other groups like: Andorra, Israel, Russia, Singapore, Saudi Arabia and United Arab Emirates. These graphic just includes data from 2002, 2005 and 2008, which also let us see the remarkable difference among these years.

![Figure 2: Rise in GRI Reports](Source: Global Reporting Initiative. Year in Review 2008-2009 p.9)
6.1 Latin America: Peru and its Environmental Responsibility

After an extensive analysis of how environmental responsibility responds to different pressures, it seems that location of production facilities is a determinant factor, especially because this one is related to other factors like: institutions, community and customers (Abreau, 2009). That is the reason why at this part of the study, Latin America with a special focus on Peru will be presented as an example to evaluate firm’s environmental behavior and also some main institutions of the country which protect and tried to promote the environmental preservation.

It is important to mention that some authors (e.g. Puppim de Oliveira, 2006; Schmidheiny, 2006 and Vive, 2006) have focused their attention in Latin America and its behavior regarding CSR issues. Latin America has suffered many changes on the last years, many economies have open their markets and thanks to that, many international corporations have decided to invest in this continent, the exportations have increased and at the same time some sectors that used to be controlled by the government, are now private; in general markets have become more competitive, this might be a reason why nowadays firms feel the urgency to focus on environmental responsibility, they consider it is vital in shaping their competitiveness (Puppim de Oliveira, 2006). If we take a look on the CSR in Latin America, we can find that in the past, there was a special attention on social issues; this is because issues as poverty, scarce healthcare, poor education among others have always been more sensitive for society (Schmidheiny, 2006). According to Puppim de Oliveira (2006), it was till the 90s were other issues of CSR, like the environment, got incorporated and nowadays Brazilian firms present rates of social reporting initiatives at the same level of other international companies in Europe or the USA. It is possible to say that Brazil has become a model in topics like CSR or Corporate Sustainability, more than 500 companies present every year a sustainability reports framed by Ethos Institute, which is the most important organization regarding CSR in this region (Schmidheiny, 2006).There is a very important company at this country, Natura, which not just publishes every year its
sustainability report following the guide of GRI, it also has effectively integrated CSR into the firm’s strategy and with positive results, according to a publication of United Nations there are at least two main organizations in Latin America that focus on CSR as its main issue: Red EMPRESA and WBSCD and there are at least 118 companies who are part of the Global Compact initiative (UN, 2004).xvii

Peru itself is member of Red EMPRESA, which main objective is to share information and knowledge regarding CSR issues and it is also member of the WBCSD. In order to understand the evolution of CSR in Peru, it is important to give a briefly description about its background.

**a) Background Information about Peru**

Peru is located in western South America; it is the third largest country of South America with an area of 1,285,215 square km., it has five neighboring countries: Ecuador, Colombia, Brazil, Bolivia and Chile, and on the west side it is the Pacific Ocean. Lima is the capital Peru and the country is divided in 24 departments. According to the World Bank (2009),xviii the country has approximately 29.2 millions of inhabitants. It has two official languages: Spanish and Quechua, but it still possible to find some other languages like Aymara and other more than 40 dialects, which are still use in the Amazon jungle.xix

Peru is a democratic Republic with a president and a congress, who are elected every 5 years. According to some international institutions like The World Bank or the Central Intelligence Agency (CIA),xx Peruvian economy has shown a positive increase, it grew in average almost 6% per year during the last period of 2002-2010. There has been an increase on private investment thanks to the political and economy stability that the country has offered. Its GPD in 2009 was of $130,324.7 million (World Bank, 2009) and in 2010 was $153,500.0 million (CIA, 2010). Other institution like the World Economic forum have described Peru as a very attractive market to invest because of its strategic position, its natural resources, its macroeconomic stability, with moderate levels of public debt and
deficit, very low inflation and stable exchange rates. Peru is classified as an upper middle income economy (World Bank, 2011), which according to this classification means that it belongs to the group of developing countries.

Perú’s key sectors of the economy are: Agriculture, Mining, Fisheries and Tourism. Thanks to its large number of species of flora and fauna, it is one of 15 countries in the world with a large biodiversity, besides that it poses 28 of the world’s 32 types of climate and now it is consider a center of origin (Ministerio Del Ambiente [MINAM], 2010). All these benefits that the country offers and the political and economical stability that presents on these days have significantly increase foreign investments. According to the World Bank and its Doing Business organization (2011), Peru is ranked 38 out 183 economies; at the next graphic it is possible to compare Peru to other economies in the region and to the ranked economy in the Ease of doing business: Singapore.

![Figure 3: Ease of doing Business: Peru and other countries.](image)

Source: Based on the World Bank, Ease of doing Business in Peru (2011) p.5
b) Environmental Responsibility in Peru

As mentioned before one main characteristic in emerging countries when we talk about CSR is that they easily are used to associate it with philanthropy or just social responsibility and Peru is not an exception. Even though it is possible to observe this conception has been slowly changing during the last 20 years. It was till the 90s that a strengthen to the legal and institutional environmental framework was presented by the government, they called it “The Natural Resource and Environmental Code”, at this time the National Environmental Council (CONAM) was the coordinating authority regarding environmental issues, this organization together with other institutions were the responsible of the natural environment preservation. Peru’s growing economy, thanks to foreign investment and many international Free Trade Agreements (FTA) has also encourage the government to take more action in issues related to CSR, they have a constant preoccupation to enhance the performance of environmental organizations at all government levels: national, regional and local. In order to be at the same level of other international businesses, Peruvian firms see the need to integrate CSR into their strategies, not just because of final costumer’s demands but also to be taken into account as possible strategic partner of many international companies that required some standards of CSR all long their production channel.

An important governmental institution to preserve the quality of Peruvian environment was created in 2008, the Ministry of Environment, they are promoting the rational and ethical use of natural resources together with a economic, social and cultural development (MINAM, 2009). Before its creation there were many other governmental institutions in charge of emitting operating licenses and controlling if firms met all environmental law. Nowadays these responsibilities are share between these institutions, which might generate some confusion, for example the Ministry of Energy and Mines controls and emits license to all operating Mines in Peru. As a way to promote environmental responsibility, MINAM is giving recognition awards to companies that achieve an efficient environmental
responsibility strategy. For example the international Repsol obtained an award in 2009 because of its efforts and investments on technology to reduce the hazards and no hazards waste produced during their process xxvi.

Besides Peruvian government initiatives to promote environmental responsibility, there are many NGOs, universities and other organizations that impulse firms to engage CSR initiatives into their strategy, according to UN (2004) the most important organizations in this country are: Peru 2021, University of Pacific and Forum Empresa. Peru 2021 was founded in 1994 and it is the official representative of the WBCSD and also a stakeholder and member of GRI and BSR, it is main objective is to create awareness on issues concerning CSR, they pretend that firms take conscious of their responsibilities, in order to do that, they are always inviting firms to events and conferences, at the same time they give a year award to companies that encourage CSR initiatives. Forum Empresa acts the same way as Peru 2021 but in a regional context, its members are located in different countries of Latin America, they help this other organizations and promote the creation of new ones, especially in countries where it is not possible to find one.

In November of 2003, the United Nations –Global Compact was successfully launched in Peru, at this time around 38 Peruvian companies signed letters of support (UN-GC, 2003) xxvii, by now there are around 95 participants from Peru xxviii. Other important program with major success in Peru is the alliance created by the World Business Council for Sustainable Development (WBC SD) and SNV Netherlands Development Organization, according to a publication in 2010 xxix, this alliance promotes and encourage “Inclusive Businesses”, which main characteristic are to be a successful firm and at the same time social and environmental responsible; many Peruvian companies are now taking part of this project which is also financed by the Inter-American Development Bank (IDB).

In general, it seems that Peru is improving its CSR mechanisms and putting a special focus on environmental issues, since its mayor’s sources of income comes from mining, agriculture and fishing, it should understand how the environment
affects directly all these activities that it is why environmental responsibility needs to have a determinant role in its society. Comparing Peru to other economies in developed countries, we could say that its main disadvantage is the weakness of its institutional system; we have already observed that after more than 3 years of its foundation the Ministry of Environment still not have well defined all its responsibilities. On the other hand as many other Latin American countries, corruption in Peru is perceived as significant, according to the Heritage Foundation and Wall Street Journal (2011)xxx, Peru ranks 75th out of 180 countries in Transparency International’s Corruption Perception Index for 2009. Unfortunately the government has been many times involved in corruption scandals related to environmental regulations; this is a limitation that hopefully the country will overcome for a better application of environmental laws, government and institutions have the great task to encouraging and promoting environmental responsibility and firms should see it more as a win-win strategy instead of an obligation.
7. Industry Type and Environmental Responsibility

Some author have raised the question of how the industry affects the environmental decisions of a company, is it the same if we talk about oil industry, chemical industry or consulting industry? Do people expectations regarding environmental responsibility vary according to the industry? There are some elements mentioned by Banerjee (et al., 2003), that could help us to explain why the differences between industries. First, there is empirical evidence that the amount of pollution and toxic releases that each firm produces is different from industry to industry. For example, the report presented by OECD (2004), shows that mining industry is the biggest waste producers and EPA (based on a study developed between 2001-2009) concluded that the mayor quantity and disposal comes from the mining, electric and chemical industry. Second, public concern related to environmental issues focus more on “dirty industries” than on others. Third, regulations for some industries are more severe than for others, which mean a higher implementation cost. And the last, some industries have a higher risk to be involved in environmental litigations (Banerjee et al., 2003).

Climate change is one of the most important issues for oil companies, which is at the same time one of the most regulated and institutionalized industries regarding CSR, that might be a reason why many firms try to show their interest adhering to mechanisms like: Global Compact, OECD Guidelines, Responsible Care and ISO 14000 just to mention some, of course that doesn’t proof they good behavior regarding the protection of our environment, but it is an evidence of their concern (Boasson et al. 2006).
7.1 OMV and its environmental Responsibility

According to Abreu (2009), petrochemicals, that present more environmental risk and at the same time are consider big polluters, are generally subject to stricter government control and greater pressure from other stakeholders like customers and community. That must have motivated oil companies to put a great attention on their CSR and its environmental implications, and to embrace major international initiatives. Some authors might said that this environmental engagement, is just the response to external pressures, for example the Brant Spar case (See Chapter 5, p.23), however there are other important factors driving firms to embrace environmental behaviors, for example: obtaining competitive advantage, maintaining a stable working environment, managing external perceptions or keeping employments happy (Frynas, 2005). Some of the world’s biggest oil companies have been involved in environmental biggest scandals, just to mention some: BP and the oil spill in the Gulf of Mexico or Shell and the environmental devastation in Nigeria, on the other hand this two companies have now became models of CSR, investing valuable quantity of money in social projects and investigations related to renewable energy (Merrill Lynch, 2006).

OMV is one of the biggest industrial companies in Austria, and one of the main oil companies in Europe, it presented group sales of € 23.32 billion in 2010 and it has more than 30 000 employees. This company was founded in 1956 but it was till this century when its big interest and a creation of a CSR department happened. From 2001 till 2006, it started to publish a yearly CSR Performance Report and from 2009 it publishes a Sustainability Report together with the Annual Report; nowadays they believed that long term financial success is only possible if it goes together with protection and care of the people and the environment, based on that they created a program called: Sustainability: HSSE (health, safety, security and environmental management). If we compared both reports, we will find out that the main difference between them is the special attention that
nowadays OMV puts on stakeholders dialogues, OMV knows about the importance of stakeholder dialogue and stakeholder engagement in the success of CSR initiatives, they know that the best ideas will come out from these dialogues and that will give them an advantage among competitors (Blowfield and Frynas, 2005). With this in mind, the company engages dialogues with main interested groups, in October 2010 was held its 5th annual Stakeholder forum, they invite a representative number of each stakeholder group and divided in groups of work where they should discussed topics, which are already elaborated based on OMV’s strategic plan (OMV, Sustainability Report 2010). On the next graphic we can observe OMV’s stakeholders.

**Figure: 4 OMV’s Stakeholder Landscape**

![OMV’s Stakeholder Landscape](image)

Source: OMV Sustainability Report 2009, p.17

Some of the main topics, according to its reports from 2009 and 2010, discussed on this annual forums are: Future energies and innovation, economy, climate protection, environmental impacts of its products, community relations,
employees, and others related to its three pillars of OMV’s sustainability program: people, planet and profit. OMV is an active member of RespAct in Austria and in 2002 it signed the UN Global Compact\textsuperscript{xxxviii}, and since then it became very important to OMV’s CSR activities and also the main pillar of OMV’s Code of Conduct, which was first published on 2003. Nowadays, its Sustainability Report is not just presented on based of these two organizations, but also according to the GRI and the Greenhouse Gas Protocol (GHG Protocol) which is reporting standard developed by the WBCSD and the World Resources Institute (WRI)(OMV Sustainability Report, 2010).

As we can see, OMV knows about the main advantages of a good CSR strategy. In order to improve their performance and stay on course in times with society´ demands, they maintain constant dialogues with all groups of interest. The company considers vital to gain stakeholders´ trust in order to maintain longtime relationships with them, in order to improve this relationship OMV, on its Sustainability Report of 2010, has set some challenges and goals in 2011:

- Classify stakeholder groups in more detail
- Define criteria to prioritize stakeholder groups
- Qualify stakeholders according to those criteria
- Upload stakeholder data to the database
- Roll out use of the stakeholder database to trace and report on stakeholder interaction.

Besides this special attention OMV puts on its stakeholders, the company shows an especial interest on innovation, they consider that being an energy firm gives them the challenge of rising energy demands, finite fossil fuel and climate change. One way to confront this situation is to invest in research and development, with a focus on renewable energy. Nowadays OMV is an associated partner of Desertec solar power project. (OMV, Sustainability Report, 2010)
8. Environmental Responsibility and Business Finance Performance

Many authors have tried to find a relationship between CSR and business finance performance (i.e. Brown, 2008; Paulraj, 2008; Cetindamar and Husoy, 2007; McPeak et al., 2010, McPeak and Tooly, 2008 and Plaza-Úbeda et al., 2009), some of them agreed that there is an indirect positive relationship between these factors, based on an empirical study that shows that social activity might positive influence brand loyalty (Carroll and Shabama, 2010, quoting Pivato et al. 2008), the difficulty here is to proof with numbers and try to measure this relationship; it is also mention that this positive relationship may vary according to the specific situation, in other words for some companies it could be a positive relation and for others a negative one.

Some authors believed that it is possible to identified four specific categories of economic benefits that companies obtain thanks to their CSR activity: cost and risk reduction, gaining competitive advantage, developing reputation and legitimacy and seeking win-win outcome (Kurucz et al. 2008, p.95, Oxford). Finding the relationship between the environment and the cost and risk reduction is not so difficult; already many researchers agreed that being environmental could reduce the cost caused by current or future government regulations, it means that being proactive on environmental issues could anticipate some future costs and at the same time creates a positive image with customers (Carroll and Shabama, 2010; quoting Smith, 2005). The second category is competitive advantage; environmental practices could be part of their differentiation strategy, in other words they could use them to put a distance between them and their competitors. Smith (2003, quoted by Carroll and Shabama, 2010) said that companies should build its competitive advantage based on its CSR strategies. Developing reputation and legitimacy is the third argument; environmental protection activity could help firms to reinforce their legitimacy and reputation, which cause an increment on its value.
The fourth and last argument is seeking win-win outcomes through synergistic value; firms are able to satisfy stakeholder´s demand and at the same time pursue its operation (Plaza-Úbeda, et al. 2009).

There is an interesting case presented by Centidamar and Husoy (2007) which main purpose was to evaluate the ethical and economical benefits that a firm can obtain after joining the United Nations Global Compact. As explained before, being environmental responsible might involve big investments; however there are some authors that believe on future economic benefits. Considering that, the authors send a survey to some Global Compact´s participants to evaluate the reasons why they joined the program and the impact it has on their economic performance. Due data collection problems, they couldn´t reach a big number of participants, but anyways they concluded that being part of the GC brings benefits not only in the long run but also in the short run. It is important to mention that this study was just based on survey questions to the managers, there are not indicators or numbers that can proof the veracity of these economical benefits. Another study presented by McPeak and Tooley (2008) also wanted to test the relation between CSR and financial performance, for that they took a sample of 56 US companies that were members of the DJSI World Index (which is one of the first global indexes that measure the financial performance of CSR leaders worldwide, See Figure 1), and its analysis also supported the positive correlation between the two factors.

On the other hand an important empirical research, which aim was also to determine if environmental friendly companies obtain economical benefits, was published in 2010 (McPeak, et al.), unlike the first case, this had a larger sample, 302 companies, and they used a time frame of three years. At this case indicators of the environmental investment and the stock value of the firm were used to evaluate any positive or negative relation between them. At the end, the results showed that there is a negative relationship between the investment in environmental strategies and business performance. The authors´ argument is that returns or benefits on environmental investment may take more years to show up
and because it is so difficult to measure the direct or indirect benefits, this study should not be considered conclusive.

Being CSR and business performance a main issue for all managers, it has generated an interest to present different indices to measure this relationship. Besides the DJSI World Index, there is the MSCI Environmental, social and governance which was designed to help companies to incorporate these factors into their investment decisions and the Global Reporting Initiative (GRI), which core goals include the mainstreaming of disclosure on environmental, social and governance performance (GRI, 2010 and Carroll and Shabana, 2010). These are just some of the most used or common indices, managers are getting aware of their importance and start to use them in order to create or improve their business strategy.
9. Conclusions

The main purpose of this study has been to discuss when and why CSR environmental issues have become an important topic to firms, especially to MNCs. Going through the history and evolution of CSR we can observe that CSR was always built under four main pillars: economic, legal, ethical and philanthropic (Carroll, 1991). At the beginning many people used to confuse CSR with philanthropy but now we have realized that CSR includes many other issues. Nowadays, companies and Governments share the responsibility to improve and maintain society’s living conditions.

Regarding the first question of this study about when CSR and Environmental issues became such an important topic to firms, it is possible to say that even though this concepts are old, it was sometime between the 50s and 60s where they started to gain importance and became a favorite topic of discussion among researches; nowadays people and companies are aware of the importance of protecting our environment, some companies’ scandals and international institutions might have made us realize that we all have to work together in order to preserve our natural environment, and MNCs have a main role because of all they can do to contribute to this cause. I agree with some researches when they said that it is difficult to find a single global accepted definition of CSR and that there are many other concepts with similar definitions (Kercher, 2006), I believe that it is good when firms have their own definition of CSR, that shows their interest and highlights their main stakeholders.

Stakeholder theory is nowadays an instrument used by many companies. Firms have realized that it is important to identify who is being affected by the decisions they make; some authors have been discussing about whether the environment should be consider as a stakeholder. After an analysis of the arguments it is evident that the environment should not just always be considered
as a stakeholder but as primary or core stakeholder (Haigh and Griffiths, 2009); firms have to stop seeing the environment as a simple moral obligation and see it as part of its strategy.

There are many reasons to engage environmental responsibility into firms’ strategy, firms should realize that investing in this area wouldn’t affect their financial performance in a negative way, a good CSR strategy could give an advantage over competition: a company could gain good reputation or it could reduce some costs (Perrini et. Al, 2006 and Barnejee et al., 2003). We live in a competitive market where small details matters and environmental responsibility is a tool firms could use against their counterparts.

It is clear that MNCs face a stronger pressure than national counterparts to be environmental responsible (Zyglidopoulos, 2002); firms are now familiar with the term “global citizenship”, they do not just have responsibilities for one country but also in all the others where their products are being offered. It is important to consider that MNCs are the ones with a higher risk of boycotts or negative campaigns; they are constantly monitored by Government, NGOs and other institutions.

MNCs that have locations in emerging countries have to take some important aspects regarding their CSR strategy into consideration. About the specific case of Peru, a developing country which has experience a significant foreign investment, we have observed that Government plays a main role when we talk about environmental responsibility, but in the last years NGOS and other international institutions have become very important since many governmental regulations are not clear and corruption is still a main problem. It is true that developing countries have some shortcomings related to environmental responsibility, but it is also true that some positive changes have occurred (new environmental protection law or creation of new environmental organizations) and all this happened in a much more rapid way than in other developed countries.
People’s expectations regarding to environmental responsibility will vary according to the industry (Banerjee et al., 2003). A clear example of that is the Oil industry which is one of the most regulated not just by the government but also by society and institutions. OMV has a good strategy to face this pressure; its annual stakeholders’ dialogue gives them the possibility to interact with its stakeholders, get some feedback and new ideas regarding its CSR strategy. Firms face the challenge of identifying all their stakeholders and create strategies that will keep everyone satisfied.

Finally, the growing interest of CSR and environmental issues is evident. Environmental Responsibility is a challenge for MNCs, since they have to engage these initiatives but at the same time they should maintain a positive correlation with their financial performance. Firms need to understand that environmental responsibility should be seen as an opportunity to create a competitive advantage, and that it is possible to achieve economical success together with environmental responsibility. One limitations found on this study is that it is really difficult to measure the correlation between environmental responsibility and finance performance, there have been some prior studies but none of them could be taken as conclusive. It will also be interesting for future researches to have a deeper evaluation of stakeholders’ power on firm’s environmental decisions.
Annex 1: Abstrakt

Annex 2: Curriculum Vitae

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Personal Information:

Name: Lourdes Osorio Hidalgo
Birthday: 28. 03. 1981
Place of birth: Lima – Peru
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Marital Status: Single

Education:

1987 – 1992  Santo Domingo de Guzman, Lima – Peru; Primary School
1993 – 1997  Santo Domingo de Guzman, Lima – Peru; Secundary School
Instituto Cultural Peruano – Americano, Lima – Peru; Certificate of TESOL (Teachers of English to Speakers of other Language)
1998 – 2004  Universidad San Ignacio de Loyola, Lima – Peru; Bachelor of Science in Business Administration
2006 – 2007  University of Vienna; German Course, Österreichisches Sprachdiplom C1
2007 – 2011  University of Vienna; Master in International Business with Specialization in International Marketing and International Management.
Employment History

2009  Qidenus Technologies GmbH. Vienna – Austria; E-marketing strategist-QiScan Project.


2002- 2003  Alfa Distribuidores S.A. Lima – Peru; Manager Assistant

Special Skills

Language Skills

- Spanisch  Mother tongue
- English  Fluent in speaking and writing
- German  Fluent in speaking and writing
- French  Basic

Organisational Skills

- Tolerant and flexible to different situations
- Good negotiation skills
- Results-oriented Approach; use of judgment and ability to solve problems efficiently.

Social Skills

- Strong communication skills
- Conflict resolution
- International Teamwork

Lourdes Osorio

Vienna, May 2011.
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