

## Corporate Responsibility, Multinational Corporations, and Nation States

Dana Brown\* and Jette Steen Knudsen

# Managing corporate responsibility globally and locally: Lessons from a CR leader

**Abstract:** Corporate Responsibility (CR) is today an essential component of corporate global strategy. CR can bolster the institutional context for market expansion fill institutional voids or facilitate market entry as a component of non-market strategy. Yet, in fulfilling these functions, CR may need to be highly sensitive to local contexts. How can transnational firms organize CR so as to maximize efficiencies from globalization and to minimize the fragmentation of corporate organizational cultures? provide a framework for analyzing the way that corporations coordinate global and local functions. We build on this framework in a case study of Novo Nordisk and its approach to determining global and local CR policies and procedures with regard to its China and US subsidiaries. Our findings suggest that it is important for companies to define a common set of organizational norms. In addition, CR need to be sensitive to local institutional contexts, but learning from subsidiary experience is important and lends itself to standardization and replication of initiatives across market contexts.

---

\*Corresponding author: Dana Brown, EMLYON Business School, E-mail: brown@em-lyon.com  
Jette Steen Knudsen: Copenhagen Business School

---

## 1 Introduction

IBM CEO Sam Palmisano (2006) argues in a thought provoking piece in *Foreign Affairs* that the successful firm of the 21<sup>st</sup> century will be configured as a transnational, taking advantage of opportunities to standardize and specialize in a world of open borders and the free flow of information. Bartlett and Ghoshal define a transnational firm as one that is comprised of dispersed and specialized units worldwide, differentiated by function but integrated to achieve strategic goals. A key feature of the transnational organizational form is the successful allocation of global and local functions. In contrast to the globalized or multi-domestic firm, the transnational adheres neither to a rigidly centralized or decentralized model,

but is rather flexible and able to optimize the position of different functions. To do so, the firm must consider when and where standardization or localized adaptability is optimal, which depends both on internal capabilities and external constraints. A growing literature in Management Studies has begun to specify the conditions under which globalization or localization in firms' product market strategies is most productive. However, the organization of CR strategies on the global-local spectrum is only just being addressed in the Management literature.

CR is "the responsibility of enterprises for their impacts on society (European Commission 2011)." In many global corporations, CR has been and often continues to be an ancillary function. This is in spite of growing evidence that CR yields highest financial and social returns when it is integrated into central corporate strategy. Organizing CR as a component of integrated strategy is particularly important for the firm expanding overseas (Kostova and Zaheer 1999). Porter and Kramer (2006) explain that strategic CR can achieve "win-wins" for the firm and for society when it focused on fostering market conditions. In new markets, there is often a large need for infrastructure, institutions and human capital to facilitate business opportunities. Where this is the case, CR is vital for expansion.

In Porter and Kramer's model, the type of CR policy or intervention that a company pursues should be determined by the environment in which it is to be applied. The mix of needs and institutional constraints and opportunities will be different in every market space. This suggests that CR should be adapted to local conditions much like product markets strategies are adapted when there is strong regulatory variance and/or consumer preferences across markets. However, CR is often strongly influenced by institutional and/or cultural factors in a company's home market (Matten and Moon 2006). This leaves us with a puzzle. To what extent does CR have to be adaptable to local conditions? Are global CR policies possible and optimal?

This paper begins to address these questions by looking at how a company with a strong CR policy organizes the structure and particular implementation of CR in its subsidiaries. The goal of the paper is to use the case study to evaluate general propositions about the global versus local organization of CR in transnational corporations. In particular, we ask whether and how contextual factors in different national locations influence the balance between global and local management of CR issues. Under what conditions do similarities or differences between home and host country contexts require local or global CR policies and management structures? We begin with a review of findings to date concerning the influence of national contextual factors on CR practice. This review suggests that CR in general takes different forms depending on the cultural and formal institutional context in which it is implemented. We ask whether these factors play a role in determining the CR policies of a company operating in multiple contexts?

Our case study, Novo Nordisk is selected because it a crucial case in that it is noted a leader in CR, and is thus ideal for building propositions about a relatively new topic of inquiry. Moreover, within this “single” case, we perform a structured, focused analysis of its operations in two subsidiaries: US and China. These two cases are selected for the variance in institutional and cultural factors across these two market spaces, allowing us to evaluate whether and under what conditions localized strategies are required.

## **2 Literatures apart: CR as a strategic issue for transnational management**

Academic work on corporate globalization strategies and work on CR have developed separately. Only recently, as CR is increasingly recognized as a central component of globalization in practice, has an interest developed in asking how these two literatures might speak to one another. Much of the literature on corporate globalization has focused on broad issues of the organization of the firm, and the management of human resources and knowledge. This literature has yielded insights on the drivers of localization and globalization in corporate product market and human resource strategies. However, less is known about what determines the organization and global management of CR. For its part, the literature on CR has overwhelmingly focused on its impact on economic value in the firm (Margolis and Walsh 2001). While most of the empirical work on CR has looked at its application in large, global firms, it has tended to treat CR policies holistically. Little attention is given to ways that CR policies might be differentiated to achieve various ends across locations. The impact of local context is considered in one branch of the literature on CR, which evaluates the nature and drivers of cross-national differences in CR practice [e.g., the work by Matten and Moon (2008); see also Campbell 2007; Jackson and Apostolakou 2010; Gond, Kang and Moon 2012]. We find this literature useful to build a conceptualization of potential drivers of local and global CR policies.

### **2.1 Local and global strategies in the transnational corporation**

In their seminal work, Bartlett and Ghoshal (1989) define the features of a new type of organization suited to the realities of liberalization and technological developments that have characterized the late 20<sup>th</sup> and 21<sup>st</sup> century globalization. The

authors define a “transnational” corporation and describe how its features differ from the organizational forms that have preceded it. Three alternative models are described. “Multinational” firms are largely decentralized, with national subsidiaries having power and independence to adapt to local conditions. Knowledge is generated at the local level and retained. In Palmisano’s description, the multinational as an organizational form reflects the realities of the mid 20<sup>th</sup> century business environment, which was characterized by high degrees of national protectionism and self-sufficiency. Yet, the multinational is not just a relic of the past. In Ghemawat’s (2007) terms, this type of organization reflects a need for a high degree of adaptation to local markets. Ghemawat argues that firms need more adaptation when operating in environments that are culturally or institutionally “distant” from the home market. Moreover, he contends that certain industries are more or less likely to require a strong adaptation strategy, depending on their degree of sensitivity to the cultural and institutional environment.

Two other organizational forms described by Bartlett and Ghoshal (1989) are the global and international firms. The global firm is focused on achieving global scale and centralizing activities accordingly. In this model, overseas subsidiaries merely implement top down strategies and knowledge is developed and retained at the center of the organization. In international firms, the core competences of the firm are centralized, while other aspects are decentralized. The role of subsidiaries is to adapt and leverage the parent company’s competitive advantage. Knowledge is developed at the center. Ghemawat defines the practice of keeping activities at a central level as an “aggregation” strategy. Firms determine which functions to aggregate, and how much, on the basis of potential economics of scale and the degree to which products and processes fit other market spaces.

The transnational firm is different from all of the other forms. According to Bartlett and Ghoshal (1989: p. 70), its assets and capabilities are “dispersed, independent and specialized.” Subsidiaries might perform a variety of functions and make a variety of contributions to the overall objectives of the firm. Knowledge is developed jointly and is shared easily across and between subsidiaries and the parent company. Palmisano explains the transnational as suited to the conditions of the 21<sup>st</sup> century period of globalization. Low barriers to the cross-border movement of products, services and capital combined with innovations in communication and technology create an environment where firms can truly optimize their global operations. Decisions about where to expand overseas and the function of overseas subsidiaries might be made on the basis of institutional factors that facilitate certain types of business activities (Khanna et al. 2005). Thus we see in the 21<sup>st</sup> century, for example, a concentration of “skill based” processes in India, capitalizing on liberal market policies and educational structures in that country. A transnational firm configures its “global” and “local” to

maximize opportunities for aggregation but with recognition that in some cases local knowledge is critical.

According to Bartlett and Ghoshal, the risks to a transnational lie in over-emphasizing either localization or globalization. Too much focus on local factors risks losing opportunities for efficiency gains from global expansion, but too much globalization risks being too distant from the markets being served. The authors do not delineate the conditions under which localization or globalization is optimal, mainly because these conditions vary considerably across industries and markets. However, their examples in the white goods, technology and telecommunications industries, underscore three key sets of considerations. Firstly, the local-global balance is highly contingent on the industry environment. While the white goods industry requires a great deal of flexibility, the technology sector lends itself more to the development of standard processes and products that can be centrally produced. The second determinant is consumer preference and culture responses and sensitivities. In the white goods industry, local knowledge about how consumers wash their clothes, the instruments at their disposal, their perception of who in the household does the washing, are vital and require adaptation strategies. The third set of factors concerns institutions: laws and regulations that govern product features and marketing strategies, but also infrastructure such as technology, water supply, distribution networks, etc. But, according to the authors, these factors may not be equally important in different market spaces. To determine the appropriate balance between the local and the global, firms face myriad considerations, both about the external conditions of the market place and the internal capabilities of subsidiaries themselves.

The literature that has built on Bartlett and Ghoshal's model has focused mainly on two areas: on the conditions under which functions are organized locally or globally, and on the management of interdependence between units, particularly the management of knowledge (Nobel and Birkinshaw 1998). The conditions under which local adaptation is required are primarily institutional or cultural. Views on the significance of these factors differ between two schools of thought: one that emphasizes the standardization and convergence of business practices globally (Ohmae 1990) and another that sees businesses developing within particular contexts or national business systems (Sorge 1996; Whitley 1999, 2007). Advocates of convergence perceive an ongoing process whereby consumer tastes, working habits and business systems become more similar, or merge toward an Anglo-Saxon model. Scholars in the European institutionalist school argue that national institutions remain strong even in a global economy, and continue to structure business processes in human resources, operations and strategy, as well as organizational cultures. These scholars perceive influences of national institutions both from the home countries of transnational firms (Ferner

and Quintanilla 1998; Harzing and Sorge 2003; Noorderhaven and Wil 2003). as well as from host countries (Carr 1994; Streeck 1996; Haipeter 2002; Woywode 2002).

Prahalad and Doz (1987) define the conditions under which local responsiveness in a company's product market strategy is required. Localization is required when customer needs and tastes, market structures and government requirements are particular to the market in question. Kostova and Roth (2002) argue that local adaptation is determined by regulations, when these regulations make it difficult to integrate worldwide principles with local practices. Ghemawat (2007) argues that significant cultural and administrative distances between markets will require local adaptation. Others have pointed to the importance of uncertainty as a factor that should give local actors more flexibility to interpret and adapt, particularly at the initial stages of market entry (Almond et al. 2005; Dickman et al. 2009). In a study of two Danish firms locating operations in China, Andersen (2008) also found that in a new and uncertain market context, adaptation and then unlearning and relearning in central headquarters were required.

## 2.2 CR in the transnational

CR as a business function is not considered by Bartlett and Ghoshal, but in the years since their seminal work, the significance of CR in business strategy and as a component of global expansion has been emphasized. Debates over the value and purpose of CR for the firm and society have been ongoing, yet a significant body of literature has concurred that when CR is integrated into corporate strategy, responsive to key stakeholders and effectively managed, it is potentially value adding (Arena 2007). CR is relevant for mitigating risk, enhancing reputation, recruiting top personnel and spurring innovation. For the global firm, CR may be even more important. Non-market factors such as public policies and regulations, political systems and cultural norms across countries can impact business success (Baron 1995, 2006; Khanna et al. 2005). Firms that evolve in one context may find that they are unable to operate similarly in another. CR can facilitate global expansion by helping companies to develop business contexts voids (Porter and Kramer 2006) or to fill "institutional voids". Sethi (2002) argues that, particularly in emerging markets, CR initiatives contribute to a company's social "license to operate". Research also shows that CR can create intangible assets that help companies reduce the liability of foreignness and gain competitive advantages over rivals (Gardberg and Fombrun 2006).

In practice, however, CR is not always considered strategically or instrumentally. CR is often the product of particular interests or values of leaders or key employees in an organization, who might only retrospectively rationalize a particularly initiative in terms of value to the firm (Reich 1998; Kapstein 2001; Devinney 2009; Karnani 2011). CR is also often reactive, reflecting the concerns of key stakeholders, particularly consumers and critical activists. CR policies are thus often found to be incoherent or even inconsistent. However, global firms face new pressures for more coherent and comprehensive CR. This is partly due to the emergence of global standards and evolving expectations. Moreover, the potential instrumental value of CR and the cost of managing CR across contexts motivates firms to take a more holistic approach. This is reflected in the emerging terminology and trends that we see today, emphasizing the strategic and the shared value of CR.

In order to provide an overview of the wide range of CR initiatives we turn to the UN's Global Reporting Initiative (GRI), which operationalizes CR activities along four dimensions: economic responsibility; environmental responsibility; social responsibility (labor practice, human rights and society) and product responsibility. These dimensions, summarized in the Table 1, provide a useful means of systemizing CR activities that we will employ in our case study.

Economic responsibility	Environmental responsibility	Social responsibility			Product responsibility
		Labor practices	Human rights	Society	
Economic performance	Materials	Employment	Investment and procurement	Community	Customer health and safety
Market presence	Energy	Labor relations	Non-discrimination	Corruption	Product and service labeling
Indirect economic impacts	Water	Health and safety		Freedom of association	
		Biodiversity	Training and education	Child labor	Anti-competitive behavior
	Emissions and waste	Diversity	Forced labor		Customer privacy
	Products and Services		Security practices		
	Transport		Indigenous rights		

**Table 1** GRI summary of CR issues.

Particular CR policies in any company are likely to be motivated and structured by the context in which a firm operates. Porter and Kramer (2006) argue that the competitive context should direct CR toward strategic actions that will simultaneously improve social conditions and bolster the operational environment. They identify four examples of strategic activity. CR can be directed to strengthen key factor inputs such as labor supply through investment in education, health or housing. It can bolster demand through empowerment of consumers, for example by promoting microfinance or increasing knowledge about public or private health management. CR can improve the conditions of local suppliers and facilitate relationships with them. Finally, CR can contribute to the broader operating environment of the firm, by combating corruption, or aiming to improve institutions and regulations that facilitate business and economic development.

Porter and Kramer's instrumental approach to CR calls for highly specific actions in each context where the firm operates, dependent upon the existing infrastructure and institutional support for its activities. Their focus is on the formal institutional context and their assumption is that firms will deliberately orient their activities toward addressing institutional weaknesses.

Khanna et al. (2005) offer a similar perspective, showing how institutional contexts vary in the four BRIC (Brazil, Russia, India and China) emerging markets, requiring different corporate behavior and adaptation in each. These theories suggest that CR is adapted to local contexts, according to the nature of formal institutional and infrastructural conditions.

Other studies support this view, suggesting that CR is rooted in particular national or local contexts and varies across them, depending on structures of corporate governance (Aguilera et al. 2006), or social institutions and laws (Bondy et al. 2004). A number of recent cross-national studies building on the varieties of capitalism literature (Hall and Soskice 2001) have affirmed these findings. Matten and Moon (2008) see a distinction between European and American approaches to CR, rooted in existing labor market, welfare and corporate governance institutions. According to them, CR in liberal market economies such as the UK and America has emerged in response to weaker institutions governing areas that CR encompasses. Campbell (2007) argues that certain national institutional factors increase the likelihood of CR, including the presence of public and private regulations, institutionalized norms of corporate behavior, associative behavior among corporations and presence of nongovernmental organizations. Recently, Jackson and Apostolakou (2010) have argued that companies from liberal market economies exhibit a greater tendency to engage in CR than those from coordinated market economies.

Another set of arguments emphasizes the importance of national culture or value systems as determinants of CR focus and content. The business ethics

literature has utilized Hofstede's cultural dimensions framework to distinguish between conceptualizations of CR across countries (Maignan 2001; Joyner and Payne 2002; Matten 2006; Kim and Kim 2009). This literature mainly shows that culture determines responses to particular ethical dilemmas, and is largely focused on the differences between more individualistic tendencies in America and more socialistic in Europe. Maignan and Ralston (2002) find that a tendency for US firms to focus on community and philanthropic activity is related to more positive perceptions of capitalism and the role of business in society, while European companies emphasize areas close to their productive activities such as environment and good employment. DeGeorge (2008) sees the differences as rooted in history as well as culture, arguing that "corporate social responsibilities, to the extent that they are not ethical or moral responsibilities, reflect the expectations and demands of the societies in which the corporations are found/or where they operate (DeGeorge 2008: p. 76)." Uniquely, DeGeorge explicitly extends this argument to firms' operations outside of their home markets, but admits that "how one teases out what a society expects of corporations beyond what is written into law is a source of conflicting views and claims (77)."

Studies on CR in multinational corporations have also emphasized the significance of cultural differences as a driver for complex and multi-level CR practices, and have attempted to operationalize cross-cultural distinctions. In a study of Mexican subsidiaries, Husted and Allen (2006) find that local CR is required under conditions when there is a disparity in the salience of particular issues, as indicated by attention given to those issues by key stakeholders. The specificity of CR, in their view, requires an approach that is different from product market strategy, although they find that isomorphism often dictates similarity in the global and local organization of CR and product market strategies. Logsdon and Wood (2005) argue that "some situations require a company to take an absolute and uniform policy, and other situations necessitate responsiveness and adaptability to local norms or contingencies (2005: p. 57)." They find that many companies express openness to local sensitivities, while promulgating universal and general values in their codes of conduct.

In contrast to these perspectives, others point to factors likely to create greater homogeneity in CR across contexts (Donaldson and Dunfee 1994, 1999; Ruggie 2003; Scherer and Palazzo 2007). Institutional challenges may be similar enough across some contexts to allow a firm to specialize on a particular type of "void". Statoil, for example, developed a capability to build local supplier capacity, out of necessity in its home market, but it has transferred this capability to subsidiaries in Eastern Europe and Central Asia, making it a focal point of its CR. In this sense, the capability becomes a part of corporate policy and may even influence locational decisions. Similarly IBM has developed successful

gender diversity programs in its US headquarter, which have been emulated by its European subsidiaries (Knudsen 2011). Supporting this view is the notion that universal norms or values can be incorporated into CR policies, and spread by those policies. Initiatives such as the GRI and the UN Global Compact reflect this view, and underplay the extent to which particularistic CR policies are required.

In sum, there remains some debate about the extent to which CR needs to be adapted to particular locations. Some institutional theories suggest that different institutional contexts may require different CR activities or methods of intervention. By methods of intervention, we refer to practices such as investing in local education, building local supplier capacity, supplying health care infrastructure, etc. The GRI chart (Table 1) shown above provides categories of activities, which a firm may emphasize more or less in any given location. What is notable is that while the mix of CR activities in any given locale may vary, there is a limited pool of activities overall. This means that even if CR policy in a location is tailored to meet certain needs, some learning about how to perform CR activities can occur across locations. This was illustrated in the example of Statoil: the need to build local capacity may vary more or less across locations, yet the organization has learned how to do this well and has thus developed CR policies that emphasize this capacity. In this case, Statoil might even treat this capability as a core capability that drives location decisions.

Other theories in the literature call attention to normative factors that could influence CR policies. If there is a high degree of variance between the norms and preferences of key stakeholders across locations, specifically between HQ and subsidiaries, it may be necessary to adapt CR and manage it locally. On the other hand, companies can take the approach of focusing on “hyper norms” as a basis for global CR policy and take a centralized management approach. CR is not just about applying tools, but also concerns the implementation of values through standards, codes of conduct or codes of practice. Firms need to determine whether the areas of CR in which they are engaged are able to be managed with centralized standards, or whether local adaptation is required. If the latter, then local knowledge of business practices, norms, sensitivities and methods of communication might be necessary and management practices adopted accordingly.

### 3 Propositions

Our central concern is to better understand whether contextual factors in different national locations influence the balance between global and local manage-

ment of CR issues in transnational corporations. We derive five propositions from the existing literature:

*1. Localized CR policies may be required when there are differences between the formal institutional contexts in the home and host markets.*

At the most basic level, particular CR policies would be required in any context if they were legally mandated (such as mandated reporting policies in Denmark and the UK). Moreover, the literature suggests that institutional voids are an important potential driver of CR policies (Jackson and Apostolakou 2010; Valente and Crane 2010; Scherer and Palazzo 2011). If a company uses CR strategically to redress institutional voids in new markets, and if these voids vary across those markets, particular CR policies will be required. Likewise, we can consider the case where certain standards or practices in the home office are not legally required in subsidiary locations, but are felt to be ethically or strategically important. For example, a company based in a country with strong laws on gender diversity might incorporate voluntary gender diversity policies in subsidiaries where laws are weaker.

*2. Localized CR policies may be required where there are differences in normative contexts in the home and host markets and those differences are reflected in unique demands of stakeholders.*

The literature suggests that norms and values in a national business context can shape CR policies when these values are embraced by key and influential stakeholders. Therefore if there are differences in norms between home and host countries on relevant issues, it may be necessary for a company to adapt. Gender diversity, for example, might be more difficult to implement at certain levels in some contexts more than others (Dobbin 2009; Knudsen 2011).

*3. Centralized CR policies are more likely if “hypernorms” can be identified or where standards or norms can be expressed in a general way.*

According to the literature, global firms can be a conduit for universal norms. (Donaldson and Dunfee 1999). Global firms can find support and legitimacy for their CR policies from new institutions such as the GRI for perpetuating certain standards and practices as a component of their CR. Moreover, it is assumed that the more that CR policies are stated in terms of general norms, the easier they will be to manage globally.

*4. Centralized CR policies are likely when the firm considers CR capabilities in determining its locational choices.*

If a firm considers its capabilities in the area of CR when making locational decisions, it is likely that the CR policies in the home and host markets will be similar, and thus able to be managed centrally.

*5. Centralized CR policies are more likely if the firm chooses to open subsidiaries where key stakeholders have similar normative frameworks and expectations.*

It will be easier to manage CR centrally if and when influential stakeholders in the home and host markets have similar norms and expectations by which they will evaluate CR policies. If expectations of the social and environmental responsibilities of the firm are similar, it is possible to develop responsive CR policies without having to pursue particular stakeholder engagements (Jamali 2010).

## 4 Methodology

To evaluate the determinants of local versus global organization of CR, we focus on how this is done within a single company, with regard to two of its subsidiaries. A single case study is an optimal research design when an in-depth understanding and explanation is required (Pettigrew 1990; Yin 1994). At this time, knowledge about the determinants of CR organization in transnational firms is limited, and the field remains divided as to whether CR must necessarily comprise standard or local features. This literature has focused largely on defining CR and understanding what it entails and why firms have CR at all. In many ways, CR as an area of strategic activity is new, thus the literature on how to manage CR in large, transnational organizations is at incipient phase. Moreover, CR is a complex field in that it comprises a wide range of activities, requires multiple capacities, and involves interactions with diverse stakeholders. In order to develop general theories and prescriptions on the optimal management of CR, a bottom up research approach is therefore required.

The company we study is Novo Nordisk, a Danish pharmaceutical firm and known leader in the area of social responsibility. We choose this company precisely because its CR functions are highly developed (Novo Nordisk was for example in the top of the Dow Jones Sustainability Index in 2010) and because Novo Nordisk is rapidly growing its international presence. For example, sales in international operations increased by 26% in Danish kroner and by 17% in local currencies in 2010. The main contributor to growth was sales of modern insulin, primarily in China (Novo Nordisk 2010). Novo Nordisk has experience in developing and implementing CR across its subsidiaries, and has integrated past learning into current processes.

Novo Nordisk has pioneered the Triple Bottom Line approach: balancing financial, social and environmental considerations in a responsible way. Novo Nordisk argues that it sees increasing evidence of a clear correlation of actions as a responsible business and its performance measures as operational profits and return on invested capital. Recently Novo Nordisk has started to assess benefits to society of this approach. Together with experts and input from stakeholders Novo Nordisk has developed a methodology that enables the company to value the contribution of the Triple Bottom Line Principle to Society. Novo Nordisk calls this initiative a Blueprint for Change Program and has conducted Triple Bottom Line reviews looking at its climate strategy and business approach in China. While the company does not have a deliberate delineation of CR functions, it is able to share information about its practices and how they are determined. The authors of this paper have an ongoing and constructive relationship with Novo Nordisk, making it possible to gather data required through contacts and familiarity with company documents.

Novo Nordisk is present in 74 countries (Novo Nordisk 2010). We have selected to study its CR in the two largest of these subsidiaries: China and the US. This selection gives us variation on the key variables in our propositions. We have argued that differences in the cultural and institutional context between the host company and its subsidiaries might shape the allocation of management functions in CR. The literature on CR cited above has made strong claims about cultural and institutional factors driving very different CR practices in the US and European countries. Differences with China are not analyzed as thoroughly in the literature yet, but variations between Asiatic and Western cultures are recognized in the literature (<http://www.geert-hofstede.com>).<sup>1</sup> Moreover, preliminary in the business systems and varieties of capitalism literature suggests that the Chinese institutional context is perhaps different from either the coordinated market economy (close to Denmark's model) or the liberal market economy, although closer to the latter (Redding and Witte 2009). A comparison of practices in these

---

<sup>1</sup> Hofstede's cultural variables are widely considered as a solid indicator of variation between countries. The results of Hofstede's research are reported on his website: <http://www.geert-hofstede.com/>. These results show large differences between China and Denmark on every scale. For example, while China scores 80 on power distance, Denmark scores 18 (world average is 55), indicating that in Denmark, there is a much higher expectation of an equal distribution of power. On the individuality measure, Denmark scores 74 while China scores 20 (world average is 43), indicating that China is a far more collectivist society. The US scores higher than Denmark on power distance (40) and on individuality (91), but the greatest difference between the two countries concerns masculinity, the degree to which values such as assertiveness are dominant in society, with the US scoring a 62 and Denmark a 16.

subsidiaries allows us to look at areas where Novo Nordisk has differentiated its CR policies and to understand its logic for doing so. It permits a comparison of the strategies that the company has employed in these two different contexts, and the challenges it has confronted.

We begin with a general overview of Novo Nordisk's approach to CR and how executives in the organization conceptualize the relationship between headquarters and its subsidiaries in China and the US. This overview is based on a thorough review of available public documents describing the company's CR initiatives, and interviews with seven executives operating in the Danish headquarters as well as interviews with executives in Novo Nordisk's commercial office in Beijing. We use this data to delineate the primary CR functions undertaken by Novo Nordisk, utilizing the general frame of activity types identified by the GRI. Where the requisite information is available, we evaluate how each activity is organized in terms of more or less globalized or localized, with respect to the subsidiaries in China and the US. Where we find more localized or specific CR initiatives, we ask our contacts in Novo Nordisk to explain and validate why this has been the case.

In our propositions above, we suggest several potential explanations for how transnational corporations organize the global-local balance of CR activities. During our interviews with Novo Nordisk we have focused on better understanding when and how aspects of the normative and formal institutional context matter for determining the organization of CR. What we report in our findings are mostly narrative accounts about the conditions under which localization of CR has occurred and where more globalization has been successful. This allows us to reflect on our propositions, including aspects that be missing from them.

## 5 Novo Nordisk: An overview

Novo Nordisk A/S was founded in 1922, focusing on the treatment of diabetes. Today Novo Nordisk is a world leader in diabetes care and has over 30,000 employees in 74 countries. It has production in seven countries and sells its products in 180 countries (Novo Nordisk 2010). Business is centered on two main areas: diabetes care and biopharmaceuticals. Diabetes care constitutes 70% of the company's turnover. Novo Nordisk occupies a leading position within this market with a current world market share of 51% measured in volume. Between 2009 and 2010, the sale of diabetes care products increased by 22% (in Danish kroner). In this period, the stock price of Novo Nordisk increased dramatically, indicative of the company's ability to produce insulin in large batches cheaply,

relative to its competitor. The biopharmaceutical area of the business includes homeostasis management, growth disorders and hormone replacement therapy. Novo Nordisk also occupies a leading position in these markets. In 2010, the sale of biopharmaceuticals increased by 11% (in Danish kroner).

Headquarters of Novo Nordisk in relation to its diabetes products are based near Copenhagen, Denmark.<sup>2</sup> The company is managed by executive board of five directors, including the CEO and the heads of four organizational areas: Research and Development, Finance, Operations and Corporate Stakeholder Relations. All five member of the executive management team are Danes. A Supervisory Board is comprised of ten members, seven elected by shareholders and three employee representatives. As of March 2011, the Chairman and the majority of the board are Danes. The company is financially controlled by the Novo Nordisk Foundation, which holds the majority of voting rights through its holding company, Novo A/S (Morsing and Oswald 2006). The Novo Nordisk Foundation is a non-profit, commercial institution (<http://www.novonordiskfonden.dk/en/index.asp>), whose formal purpose is to provide a stable basis for its companies' operations and to make contributions to scientific, humanitarian and social progress (<http://www.novonordisk.com>). Novo A/S is an unlisted Danish public limited liability company, owned by the Novo Nordisk Foundation and established to manage the Foundation's funds and to invest actively in other companies.

Foundation ownership combined with dual class shares that protects Novo Nordisk from the threat of hostile takeovers have often been cited as a key reason for making responsible social and environmental practices have been integral to Novo Nordisk's business since its founding (presentation by then Chairman of the Board and former CEO Mads Øvlisen to the European Parliament on 28 January, 2003). The company has often been recognized as a CR leader. It has been listed in the Dow Jones Sustainability Index since the founding of the index in 1999, was classified as the healthcare "supersector" leader in 2007 and 2008 and received a gold star ranking for several years, including 2010 (<http://www.sustainabilityindex.com>). In addition, it lists on its website seven major awards in 2010 for responsible business practices (<http://www.novonordisk.com/sustainability/Sustainability-approach/awards-and-recognition.asp>). As we discussed above Novo Nordisk uses Triple Bottom Line reporting and has developed sophisticated techniques for stakeholder engagement. It has reported to the GRI since 2002 and to the Global Compact since 2001.

Novo Nordisk entered China in 1994 with a company now named Novo Nordisk (China) Pharmaceuticals Company, Ltd. It has since become the leader

---

<sup>2</sup> In 2005, Novo Nordisk moved sales and marketing of biopharmaceuticals to Switzerland, although sales and marketing of diabetes products remained in Denmark.

in sales of diabetes products in China (63% of the insulin market), and has completely replicated all major business functions in China: R&D, production, sales and distribution. Chinese headquarters and R&D is based in Beijing, a production facility is located in Tianjin, and there are six regional offices ([http://www.novonordisk.com/careers/working\\_at\\_novo\\_nordisk/novo\\_nordisk\\_geographical\\_sites/china\\_uk.asp\\_](http://www.novonordisk.com/careers/working_at_novo_nordisk/novo_nordisk_geographical_sites/china_uk.asp_)). In 2010, Novo Nordisk had 3511 employees in China, representing 7% of the company's total turnover (Novo Nordisk 2010: p. 27).

Novo Nordisk opened an enzyme production plant in North Carolina in the US in 1979. It formed a joint research and development venture with Squibb Pharmaceuticals in the US in 1982, but replaced this with a fully owned subsidiary in the US in 1989. It now operates Novo Nordisk Pharmaceuticals, Inc. in Clayton, North Carolina and Novo Nordisk North America, Inc., headquartered in Princeton, New Jersey. In total, the company has 4457 employees in North America, and the market represents 39% of the company's total sales. Novo Nordisk controls 42% of the total insulin volume sale market in North America (Novo Nordisk 2010: p. 26).

Both the China and US markets are considered to be of very high strategic importance. The company's *China Blueprint*, an internal research report, estimates that in 2010, about 40 million people in China had type 2 diabetes, and predicts that this number will reach 80 million by 2025 (Interview with OK). Demand is expected to grow in the US as well. Company executives refer to a recent study published in the *Journal of the American Medical Association* (1 January 2003) which reported that obesity climbed from 19.8% of the American population to 20.9% in just a one year period, from 2000 to 2001, and patients diagnosed with diabetes increased simultaneously from 7.3% to 7.9%. These continued trends indicate future growth of the US market.

## 6 CR at Novo Nordisk

Company documents and executives at Novo Nordisk repeat the idea that CR is not an isolated function at the company, but is an integrated component of its overall strategic management. "Novo does not have a CR manager sitting alone in a corner (Interview with OK)." Organizationally, Novo Nordisk manages CR to a great extent through its Corporate Stakeholder Relations division, but not exclusively. In our interviews and discussion with Novo Nordisk executives, it was also clear that CR played a vital role in its market entry and marketing strategies in every country where it operates. This was especially the case with regard to CR

interventions focused on access to health and to providing health information. The primary mechanism for managing CR in the company, however, is through the use of a set of guidelines that define the values and overall organizational culture of the company, now known as the “Novo Nordisk Way.”<sup>3</sup> The Novo Nordisk Way, which is applied throughout all parts of the company, is a key part of the creation of a strong organizational culture (Morsing and Oswald 2006).

The Novo Nordisk Way was introduced specifically to balance out conflicting interests between corporate control in the organization and decentralized decision-making (Morsing and Oswald 2006). It was primarily introduced as a performance management system, but the set of guidelines is also an important tool for putting management’s commitment to sustainable business practices into operation. Novo Nordisk refers to it as a “values-based governance framework” (<http://www.novonordisk.com/sustainability/Governance/NN-way-of-management.asp>). There are several components of the Novo Nordisk Way. The “vision statement” consists of the primary goals for the company and describes its objective to balance commercial interests and responsible business practice. The charter provides a more detailed list of company characteristics and key values, and also lays out a list of 11 fundamentals or rules, which form a key part of managing the value system overall. The fundamentals are applied throughout all operational and national divisions of Novo Nordisk through the use of “facilitators”. There are 15 facilitators who are drawn from senior management at the company. Their task is to evaluate (audit) and assist business units in implementing the fundamentals. In addition, the Novo Nordisk Way is managed through the use of sustainability reporting and the balanced scorecard.

One manager described to us some aspects of what an “audit” on the Novo Nordisk Way fundamentals would entail for his division. The manager has a number of specific targets in his employment contract including to enhance the social glue or positive atmosphere in the unit. Facilitators might check that his employees have clear targets in their contracts, that these are met, and that there are follow-ups. They might also check that this manager is well versed in the Novo Nordisk Way. During an interview with the VP of Human Resources, he also emphasized the importance of the process of auditing. While he acknowledged that in a large and global organization, one might at times only be able to achieve a “helicopter view” of what is happening in any one unit, part of the purpose is to inspire individuals to work well and live up to Novo’s values. Our interviewees in China confirmed that facilitation is a key element of employee assessment and a poor review can lead to dismissal.

---

3 Formerly, the Novo Nordisk Way of Management.

While the objective of the Novo Nordisk Way is clearly to generate and instill a set of universal guidelines for the entirety of the company's global operations, creating values at this level of generality is difficult. In 2010, the senior management undertook a substantive re-evaluation of the fundamentals, partially in response to two challenges that had emerged. Firstly, the fundamentals were perceived to be mainly applicable to management, rather than to employees as a whole. Secondly, there were critiques that the values inherent in the "Way" were particularly Danish referencing the values and ideals of the founders of the company and therefore hard to interpret and understand for some employees outside of Denmark.

---

#### **The Fundamentals (until 2011)**

1. Each unit must share and use better practices.
  2. Each unit must have a clear definition of where accountabilities and decision powers reside.
  3. Each unit must have an action plan to ensure improvement of its business performance and working climate.
  4. Every team and employee must have updated business and competency targets and receive timely feedback on performance against these targets.
  5. Each unit must have an action plan to ensure the development of teams and individuals based on business requirements and employee input.
  6. Every manager must establish and maintain procedures in the unit for living up to relevant laws, regulations, and group commitments.
  7. Each unit and every employee must know how they create value for their customers.
  8. Every manager requiring reporting from others must explain the actual use of the reports and the added value.
  9. Every manager must continuously make it easier for the employees to liberate energy for customer related issues.
  10. Every manager and unit must actively support cross-unit projects and working relationships of relevance to the business.
  11. Everyone must continuously improve the quality of their work.\*
- 

The revised Novo Nordisk Way was announced in February 2011. The main change was to the list of "essentials" (previously called "fundamentals"). A clear shift was made from using prescriptive and value specific objectives, to more general and flexible guidelines. We note the two sets of guidelines in Box 1. The new set of essentials appears to move Novo Nordisk closer to the objective of transnational management advocated by Bartlett and Ghoshal, who recommend the creation of an integrated organizational culture that can counteract centrifugal tendencies by creating a shared vision (Bartlett and Ghoshal 1989: p. 70). There is a distinction here in the level of management and control from the center between

what might be called “centralized” or “globalized” control over processes, and that which Novo Nordisk seems to be attempting to achieve. Bartlett and Ghoshal envision the existence of dispersed and independent managers working in different locations and specializations, but adhering to general standard practices and continuously engaging in the refinement of those practices (Dickman et al. 2009). Our interviewees suggested that the revisions to the Novo Nordisk Way were mainly decided by a central management team in Denmark, but with some input from other units.

---

**The Essentials (introduced in 2011)**

- We create value by having a patient-centered business approach.
  - We set ambitious goals and strive for excellence.
  - We are accountable for our financial, environmental and social performance.
  - We provide innovation to the benefit of our stakeholders.
  - We build and maintain good relations with our key stakeholders.
  - We treat everyone with respect.
  - We focus on personal performance and development.
  - We have a healthy and engaging working environment.
  - We optimise the way we work and strive for simplicity.
  - We never compromise on quality and business ethics.
- 

In practice, the Novo Nordisk way creates an opportunity for what one member of the Senior Management team described as “values based management” at global level. However this also leaves room for local adaptation. “As I see it, change starts with where the individual subsidiaries are and not from where we want them to be (Interview with OKN).”

## 7 Managing CR globally and locally

The Novo Nordisk Way provides a framework for CR management throughout the company. In many ways, Novo Nordisk presents itself as a Danish, and highly centralized company, with the “Way” being a strong representation of this. However, as the company expands out of Denmark (currently 44% of employees are outside of Denmark and this number has doubled since 2000 and is expected to increase), it is necessary to also present itself as more of a global organization. There is a sense of a move toward presentation as a global firm in Novo Nordisk’s publicity. For example, the 2010 Annual Report uses images of what appear to

be a “middle class” Chinese father and son for its front and back cover. In previous years (between 2005 and 2010), the main images have been of Danes.<sup>4</sup> With regard to its organization, most of the global subsidiaries are focused on sales and marketing, with R&D and product development done in five locations. In the US and Chinese subsidiaries, as outlined above, most of the primary functions are replicated in the subsidiary market. Therefore, in terms of product market strategy, we can say that there likely is a mixed organizational approach, between centralized strategic development and organizational culture, and functional replication, such as is characteristic of a “multinational” in Bartlett and Ghoshal’s conceptualization.

Novo Nordisk reports on social performance utilizing the Global Reporting Initiative (GRI). Its submission to GRI points to statistics, position statements and some program examples. Mostly the reporting is done on a global level, without reference to particular nationally or regionally focused variations. We find that on indicators of the environment, and to a less extent on product quality, the reporting is highly standardized and there is little indication of different policies across locations. With regard to the environment, the standards and measurements are clear in the GRI framework. On quality issues, Novo Nordisk refers to ISO standards and global and internal auditing frameworks, although there is also reference to national regulations. With regard to labor practices, company reporting heavily refers to the Novo Nordisk Way, and to corporate policies on diversity, training, wages and benefits. The company uses web based employee surveys and reports high levels of engagement and knowledge of company policies. On labor policies, there is also reference to national regulations and adaptation to practices and standards on a national level.

Overall, it is in the areas of social and socioeconomic programs where Novo Nordisk appears to have the largest needs for adaptation. Initiatives in these areas are also the core of strategic CR within the company. A key area of focus at Novo Nordisk (as well as in most pharmaceutical companies) is “Access to Health”. CR in this area involves a wide range of activities including medicine pricing policies, investments in delivery systems, health education, and advice and involvement in health system structure. Since this a diverse and central area for the company, it is worthy of focus here.

In its Access to Health initiatives, Novo Nordisk engages on a wide level. In new market spaces, the company will develop an assessment of the health situation related to diabetes in the country, identify key stakeholders and devise intervention strategies. Much of this work is handled in the Global Affairs

---

<sup>4</sup> All Annual Reports can be found at the Download Center on the company’s main website: [http://www.novonordisk.com/about\\_us/download-center/downloadcenter.asp?Year=2005](http://www.novonordisk.com/about_us/download-center/downloadcenter.asp?Year=2005).

Department in Denmark, but this division does not work in the US. In our interview with the VP of Global Affairs, the independence of the US division was emphasized. China, however, came under the remit of the Global Affairs department in the company headquarter. The Global Affairs department oversaw a large-scale study of attitudes, practices and policies related to diabetes in China. Over the years, as Novo Nordisk has intensified its efforts, significant resources have been spent on educating doctors and patients, and engaging with government officials on health care strategy in China. These are practices that are common in other markets as well, but specific aspects of culture and institutions in each of them require tailored organizational approach. However, in 2010 Novo Nordisk China was granted status as a region and hence it gained more independence from the headquarter. The head of Novo Nordisk China Ron Christie was “upgraded” from a Vice President to a General Manager for example.

Novo Nordisk’s publication “The Blueprint for Change” contains a section on “Changing Diabetes in China”, which describes some of the challenges it has faced.

*In 1994, China had limited services and institutions to provide the necessary physician and patient education. To fill this gap, we invested in community programs focusing on diabetes prevention. Later, we invested in a National Diabetes Program, including several public-private initiatives developed and executed in partnership with the World Diabetes Foundation and the Chinese Ministry of Health. The largest project involving the World Diabetes Foundation and the Chinese government was initiated in 2002 with a focus on developing diabetes guidelines, training and health system integration.*

These practices in China appear to be a clear example of the type of “strategic CR” advocated by Porter and Kramer, aimed at filling “institutional voids (gaps)” in order to achieve both social outcomes and to lay the ground for successful economic activity. One of our interviewees further pointed out that even up to the mid 1990s, people with diabetes in China were not allowed to go to university or to hold a public sector job. Novo addressed this challenge by engaging “ambassadors” who were Chinese people with diabetes who were undergoing treatment, to publicly discuss the disease and how they were able to live “normal” lives in spite of the illness. This suggests a significant cultural challenge as well.

As mentioned above, the Chinese market is highly important for Novo Nordisk. Diabetes cases are rapidly rising, in line with the pace of economic development and urbanization in China. In one of its partnership initiatives, Novo Nordisk, the World Diabetes Foundation (WDF) and the Chinese Ministry of Health have jointly established a national, 5-year diabetes program in China. Its purpose is to prevent (via information on diet and exercise), diagnose and treat diabetes,

thereby limiting the burden of the disease on the Chinese society. The program will cover approximately 500 million people of which 20 million have diabetes. Systematic diabetes training for a total of 50,000 doctors and nurses will take place in the form of seminars and hands-on training.

Based on what we have been able to ascertain, Novo Nordisk's CR activities in China have until very recently mostly been managed by headquarters, although they engage local actors in stakeholder meetings on some occasions. The approach to China has called for highly specific policies, however, and CR in this sense has been central to developing business in this country. There has been room to learn from practices applied to other markets where similar "gaps" are apparent, but Novo Nordisk invests in a great deal of ground level work that suggests a high need to understand and adapt interventions to local cultural norms and institutions.

The US subsidiary appears to be managed differently. For the US, there is a separate US Code of Business Conduct, which references the Novo Nordisk Way but covers legal and normative areas specific to the US such as modes of interaction with government. This is largely due to differences between institutional/legal context in the US and Denmark than to the differences in culture, which senior management at Novo Nordisk suggested may be less noticeable than between Denmark and China. This is encapsulated in the following answer to our question about whether or not cultural context could be a cause of adaptive CR policies:

"Yes, I agree. There are always cultural norms that decide sensitivities and there are large differences between the USA and China. The social awareness is much higher in the USA than in China. I think it is as much linked to employee motivational factors, as well as to government regulations. One key example is the FDA whistle blower rules. A former USA employee may get an economic benefit from whistle blowing, in cases of corporate fraud or misconduct. Novo Nordisk's response to this has been to make it into a company advantage, and we are encouraging employees to bring forward (and upward) also what may see questionable issues. This has led to enhanced employee satisfaction, as their concerns are being heard and acted upon."

Some particular aspects of the US program also suggest need for adaptation due to institutional difference between Danish and US healthcare situations. An important CR initiative in the US is the Patient Assistance Program (PAP), which is targeted toward the segment of the population, who does not have private health insurance and do not qualify for private, local, state or federal prescription reimbursement. The existence of this specific constituency is unique the US and poses a particular challenge for pharmaceutical companies operating there. These differences and the size and potential of the North American market have

led to a situation where CR functions in the social and socioeconomic areas, are largely created and implemented locally.

It appears, however, that practices in the US are not isolated from other parts of the organization, and practices in the US have been the basis of learning for other markets. For example, in the US there has been a practice of engaging with high level decision-makers as a way of affecting change in patient education and healthcare delivery. This practice has been replicated, for example, in the MENA region, where it was perceived that focusing on high level decision-makers could be the most effective means of social change and market entry for Novo Nordisk. In December 2010, Novo Nordisk co-sponsored a high level conference on diabetes care in Dubai, in coordination with local Ministries of Health and Diabetes Associations. This was seen both as a CR initiative focused on awareness raising, and as a critical component of market entry (Interview with VP of Global Affairs, December 2010).

## 8 Discussion

The propositions posed above lead us to expect that the high degree of normative and formal institutional variation between Danish headquarters and the Chinese operations of Novo Nordisk would require a highly localized CR policy. Notions of corporate responsibility are recently evolving in China as the country adjusts to new roles for private corporations in the economy and society. Few aspects of the political and legal system in Denmark and China are shared. On the contrary, Denmark and the US have more similarities. In these two countries, long histories of CR have created relatively high expectations of the firm with regard to social and environmental responsibilities. Both countries are democracies and both are governed by a strong rule of law. The two countries, while having some significant cultural differences, share more common normative frameworks than do Denmark and China. Therefore, we expect that CR policies in the US would overall be close to those adopted in Denmark, and easier to manage from headquarters. Our study of Novo Nordisk found the opposite of these expectations.

We found that social CR in the Chinese subsidiary was largely being managed from the central office in Denmark, albeit employing localized and specific interventions although recently Novo Nordisk China has been granted more independence from the Danish headquarter. There appear to be two reasons for this. The first has to do with Novo Nordisk's experiences in other new markets and emerging economies. Our interviews with Novo Nordisk revealed several aspects

of Novo Nordisk's approach to new markets. While Novo Nordisk does not have a particular CR unit, much of the work that is done in the Global Affairs division would qualify as CR. Novo Nordisk's voluntary work on patient information and its collaborations with NGOs such as National Diabetes Associations and also with health care officials and workers, are key components of its market entry strategy. It appears that Novo Nordisk's experience has given it an opportunity to develop core capabilities in these areas. These capabilities might be described as knowledge about how different actors in a health market are to be approached, how health care systems are organized, and how to work with political and other stakeholders. Thus, even though the formal institutions and normative context in China might be different from other markets, Novo Nordisk has developed standard methods of working within unique contexts.

A second potential explanation for why CR policies in China are being managed more centrally compared to in the US, lies in Novo Nordisk's reputation as a socially responsible organization. Again, CR appears in Novo Nordisk as a key aspect of its corporate strategy and identity. Since China promises to be one of its largest markets in the future, it is essential that Novo Nordisk upholds its position as a CR leader in its operations there. It appears that Novo Nordisk has expended significant resources to convey its standards of practice to key stakeholders in China, and to understand what kind of adaptations may be needed to accommodate Chinese interests and ways of doing business. Recent revisions to the Novo Nordisk Way are part of the process of approaching China in this way. As noted above, the new "essentials" are stated more generally than the former list of "fundamentals", allowing more flexibility in interpretation. This allows Novo Nordisk to retain central control over a key set of guiding principles, but to allow some degree of local adaptation in interpretation and enforcement as needed.

The two observations on China confirm the general ideas in propositions 3 and 4 presented above, but they do not confirm the expectations in propositions 1, 2 and 5. Although research on CR suggests that unique institutions and normative contexts help to explain variations in CR policies across companies coming from different nations and location, these factors do not necessarily demand a fully localized approach by transnational corporations entering these markets. On the contrary, Novo Nordisk has found it possible to standardize many key features of its CR policies, and to use local knowledge for learning and adapting these policies over time. In this way, it behaves as an ideal typical transnational, allowing for an ongoing process of learning and rebalancing of global and local capabilities.

Novo Nordisk's operations in the US are currently far more localized than its operations in China. The Global Affairs unit that exists in Denmark is not

responsible for the US market, where parallel units appear to exist. A unique US code of conduct has been devised. This code of conduct in the US is heavily based on the values laid out in the “Novo Nordisk Way” but is adapted with regard to regulations and practices in the US context. In our interviews at Novo Nordisk, the more localized organization of the US offices was often explained as being driven by the unique and complex political and legal environment in the US, and the existence of a largely private healthcare system. We can surmise from this explanation, therefore, that formal institutional variation is an important factor in determining the global-local balance in Novo Nordisk, but not necessarily in the way that the CR literature leads us to expect. This literature points us to institutional “voids” and to features of the capitalist systems in the variety of capitalism literature, such as labor market and education institutions. Our study of Novo Nordisk point to institutions of particular value in this industry – the healthcare system and the drug regulation system, specifically. Moreover, this case shows the importance of institutions that shape political influence. Novo Nordisk localizes its CR and government affairs initiatives in the US because influence in these areas are particularly important in carrying out its CR initiatives.

A second possible explanation of localization in the case of Novo Nordisk’s operations may also lie in the similarities between Denmark in the US. Control over new and less familiar markets may be an important factor for Headquarters involvement. It is possible that establishing effective communication and mutual learning between the US and Danish operations is easier than doing so with new, less familiar market spaces. Similarities in the normative contexts, in terms of the levels of “social awareness” and familiarity with reporting systems and normative constructs used in CR, are likely to facilitate the sharing of information. Rather than creating an opportunity for centralized control, as we might have predicted, these similarities create a space for cooperation and more equal footing between Headquarters and the subsidiary.

The case study of Novo Nordisk’s CR engagement in two of its subsidiaries provides a starting point for research into how successful transnational companies balance global and local management of CR. It thus addresses a key issue of this special issue regarding the scope of CR and how firms determine the degree of adaptation and decentralization of CR decisions. We developed propositions on how this balance might be achieved, on the basis of research that investigates the drivers of particular CR policy in companies from different national home bases. We found that in Novo Nordisk, the rationale for organizing CR between Headquarters and the subsidiaries was in some ways different from what we expected. The case points to two important factors, which can usefully guide future research on this subject. First, it is necessary to better understand which aspects of the institutional context matter for firms in the

way that they organize CR between Headquarters and subsidiaries. While the general CR literature is focused on voids and also draws heavily on variety of capitalism models, these may cause us to overlook institutions that are critical to firms for implementing CR policies. In particular, for pharmaceutical firms, the organization of healthcare in different national contexts is likely to be a key variable in determining the degree of localized attention. For all major industries, the political context, and ability to influence public debate on certain issues is also likely to be important. Secondly, our study illustrated that companies can develop core capabilities in CR management which underpin greater standardization and centralization of CR. Novo Nordisk honed its capabilities in stakeholder engagement, outreach, and working with healthcare officials. This has permitted more centralization of CR than might be expected when it enters unfamiliar and highly differentiated markets. Our case study only scratches the surface of these issues, but it points to important avenues for future research. The scope of CR in a global firm may depend on key internal factors, such as the degree of importance of CR in the core business model, the existence of core capabilities in CR management and the type of CR initiatives. As transnational companies begin to focus more on strategic CR, and thus dedicate more resources to it, understanding these issues will become increasingly important.

## References

- Aguilera, R. V., C. A. Williams, J. M. Conley and D. Rupp. 2006. "Corporate governance and social responsibility: a comparative analysis of the UK and the US." *Corporate Governance: An International Review* 14(3): 147–158.
- Almond, P., T. Edwards, T. Collin, A. Ferner, P. Gunnigle, M. Muller-Camen, J. Quintanilla and H. Wachter. 2005. "Unravelling home and host country effects: an investigation of the HR policies of an American multinational in four European countries." *Industrial Relations* 44(2): 276–306.
- Andersen, P. H. 2008. "Knowledge versus learning in internationalization of offshoring activities in China: a case study." *Journal of Engineering, Technology and Management* 25: 184–199.
- Arena, C. 2007. *The high purpose company*. New York City, NY: Harper Collins.
- Baron, D. P. 1995. "Integrated strategy: market and nonmarket components." *California Management Review* 37(2): 47–65.
- Baron, D. P. 2006. *Business and its environment*. 5th ed. Upper Saddle River, NJ: Prentice Hall.
- Bartlett, C. A. and S. Ghoshal. 1989. *Managing across borders*. Boston, MA: Harvard Business School Press.
- Bondy, K., D. Matten and J. Moon. 2004. "The adoption of voluntary codes of conduct in mncs: a three-country comparative study." *Business and Society Review* 109(4): 449–477.

- Campbell, J. L. 2007. "Why would corporations behave in socially responsible ways? An institutional theory of corporate social responsibility." *Academy of Management Review* 32(3): 946–967.
- Carr, F. 1994. "Introducing teamworking: a motor industry case study." *Industrial Relations Journal* 25(3): 199–209.
- DeGeorge, R. T. 2008. "An American perspective on corporate social responsibility and the tenuous relevance of Jacques Derrida." *Business Ethics: A European Review* 17(1): 74–86.
- Devinney, T. 2009. "Is the socially responsible corporation a myth? The Good, bad and ugly of corporate social responsibility." *Academy of Management Perspectives* 23(2): 44–56.
- Dickman, M., M. Muller-Camen and C. Kelliher. 2009. "Exploring standardization and knowledge networking processes in transnational human resource management." *Personnel Review* 38(1): 5–25.
- Doobin, F. R. 2009. *Inventing equal opportunity*. Princeton, NJ: Princeton University Press.
- Donaldson, T. and T. W. Dunfee. 1994. "Toward a unified conception of business ethics: integrative social contracts theory." *Academy of Management Review* 19(2): 252–284.
- Donaldson, T. and T. W. Dunfee. 1999. *Ties that bind: a social contracts approach to business ethics*. Boston, MA: Harvard Business School Press.
- Eckstein, H. 1975. "Case study and theory in political science." In: F. I. Greenstein, N. W. Polsky (eds.), *The handbook of political science*. Reading, MA: Addison-Wesley, pp. 79–138.
- Ferner, A. and J. Quintanilla. 1998. "Multinationals, national identity, and the management of HRM: 'Anglo-Saxonisation' and its limits." *International Journal of Human Resource Management*, August 1998.
- Gardberg, N. A. and C. J. Fombrun. 2006. "Corporate citizenship: creating intangible assets across institutional environments." *Academy of Management Review* 2006 31(2): 329–346.
- Ghemawat, P. 2007. *Redefining global strategy: Crossing borders in a world where differences matter*. Boston, MA: Harvard Business School Press.
- Gond, J.-P., N. Kang and J. Moon. 2011. "The government of self-regulation: On the comparative dynamics of corporate social responsibility." *Economy and Society* 40(4): 640–671.
- Gupta, A. K. and V. Govindarajan. 2002. "Cultivating a global mindset." *Academy of Management Executive* 16(1): 116–126.
- Hall, P. A. and D. Soskice. eds. 2001. *Varieties of capitalism: the institutional foundations of comparative advantage*. New York, Oxford: University Press.
- Haipeter, T. 2002. "Banking and finance in France and Germany, new regulations of work and working time: a challenge for the trade unions?" *Transfer* 3(2): 493–503.
- Harzing, A. W. and A. M. Sorge. 2003. "The relative impact of country-of-origin and universal contingencies on internationalization strategies and corporate control in multinational enterprises: world-wide and European perspectives." *Organisation Studies* 24(2): 187–214.
- Husted, B. W. and D. B. Allen. 2006. "Corporate social responsibility in the multi-national enterprise: strategic and institutionalist approaches." *Journal of International Business Studies* 37(6): 838–849.
- Jackson, G. and A. Apostolakou. 2010. "Corporate social responsibility in Western Europe: CR as an institutional mirror or a substitute?" *Journal of Business Ethics* 94(3): 371–394.
- Jamali, D. 2010. "The CR of MNC subsidiaries in developing countries: Global, local, substantive or diluted." *Journal of Business Ethics* 93: 181–200.

- Joyner, B. E. and D. Payne. 2002. "Evolution and implementation: a study of values, business ethics and corporate social responsibility." *Journal of Business Ethics* 41(4): 297–311.
- Kapstein, E. B. 2001. "The corporate ethics crusade." *Foreign Affairs* 80(5): 105–119.
- Karnani, A. 2011. "Doing well by doing good – the grand illusion." *California Management Review* 53(2): 69–86.
- Khanna, T., K. G. Palepu and J. Sinha. 2005. "Strategies that fit emerging markets." *Harvard Business Review* 83(6): 63–76.
- Kim, Y. and S.-Y. Kim. 2009. "The influence of cultural values on the perceptions of corporate social responsibility: application of Hofstede's dimensions to Korean public relations practitioners." *Journal of Business Ethics* 91(4): 485–500.
- Knudsen, J. S. 2011. "Private sector career trajectories for women in Denmark and the US: Welfare state vs. corporate diversity programs." *European Journal of Industrial Relations* 17(3): 261–275.
- Kostova, T. and K. Roth. 2002. "Adoption of an organizational practice by subsidiaries of multinational corporations: institutional and relational effects." *Academy of Management Journal* 45(1), 215–233.
- Kostova, T. and S. Zaheer. 1999. "Organizational legitimacy under conditions of complexity: the case of the multinational enterprise." *Academy of Management Review* 24(1), 64–81.
- Logsdon, J. M. and D. J. Wood. 2005. "Global business citizenship and voluntary codes of ethical conduct." *Journal of Business Ethics* 59(1–2): 55–67.
- Maignan, I. 2001. "Consumers' perceptions of corporate social responsibilities: a cross-cultural comparison." *Journal of Business Ethics* 30(1): 57–72.
- Maignan, I. and D. A. Ralston. 2002. "Corporate social responsibility in Europe and the US: insights from businesses' self-presentations." *Journal of International Business Studies* 33(3): 497–514.
- Margolis, J. D. and J. P. Walsh. 2001. *People and profits? the search for a link between a company's social and financial performance*. Mahwah, NJ: Lawrence Erlbaum Associates.
- Matten, D. 2006. "Why do Companies engage in corporate social responsibility? background, reasons and basic concepts." In: H. Judith, M. Pohl and N. Tolhurst (eds.), *The ICCA handbook on corporate social responsibility*. West Sussex: Wiley, pp. 3–46.
- Matten, D. and J. Moon. 2008. "“Implicit” and “Explicit” CR: A conceptual framework for a comparative understanding of corporate social responsibility." *Academy of Management Review* 33(2): 404–424.
- Meyer, K. 2008. *The Ethics of offshoring: Novo Nordisk and clinical trials in emerging economies*. London, Ontario: Richard Ivey School of Business Foundation.
- Mayer, M. and R. Whittington. 2003. "Diversification in context: cross-national and cross-temporal extension." *Strategic Management Journal* 24(8): 773–781.
- Morsing, M. and D. Oswald. 2006. "Sustainable leadership: management control systems and organizational culture in Novo Nordisk A/S." *Corporate Governance* 9(1): 83–99.
- Nobel, R. and J. Birkinshaw. 1998. "Innovation in multinational corporations: control and communication pattern in international R&D operations." *Strategic Management Journal* 19(5): 479–96.
- Nohria, N. and S. Ghoshal. 1997. *The differentiated network: organizations knowledge flows in multinational corporations*. San Francisco, CA: Jossey-Bass.

- Noorderhaven, N. G. and H. A. Wil. 2003. "The "Country-Of-Origin Effect" in multinational corporations: sources, mechanisms and moderating conditions." *Management International Review* 43(2): 47–66.
- Ohmae, K. 1990. *The borderless world: power and strategy in the global marketplace*. London: HarperCollins.
- Palmisano, S. J. 2006. "The globally integrated enterprise." *Foreign Affairs* May/June 2006.
- Pettigrew, A. M. 1990. "Longitudinal field research on change, theory, and practice." *Organization Science* 1(3): 267–292.
- Prahalad, C. K. and Y. L. Doz. 1987. *The multinational mission, balancing global integration with local responsiveness*. New York: Free Press; London: Collier Macmillan.
- Redding, G. and M. A. Witte. 2009. "China's business system and future trajectories." *Asia Pacific Journal of Management* 26(3): 381–397.
- Reich, R. B. 1998. "The new meaning of corporate social responsibility." *California Management Review* 40(2) Winter: 8–17.
- Ruggie, J. G. 2003. "The United Nations and globalization: patterns and limits of institutional adaptation." *Global Governance* 9, Summer.
- Sethi, S. P. 2002. "Standards for corporate conduct in the international arena: challenges and opportunities for multinational corporations." *Business and Society Review* 107(1): 20–41.
- Scherer, A. G. and G. Palazzo. 2007. "Towards a political conception of corporate responsibility business and society seen from a Habermasian perspective." *Academy of Management Review* 32(4): 1096–1120.
- Scherer, A. G. and G. Palazzo. 2011. "The new political role of business in a globalized world: a review of a new perspective on CR and its implications for the firm, governance, and democracy." *Journal of Management Studies* 48(4): 899–931.
- Sorge, A. 1996. "Societal effects in cross-national organisation studies: conceptualising diversity in actors and systems." In: P. H. Kristensen and R. Whitley (eds.), *The changing European firm*. London: Routledge: pp. 67–86.
- Streeck, W. 1996. "Lean production in the German automobile industry: a test case for convergence theory." In: B. Suzanne and R. Dore (eds.), *National diversity and global capitalism*. New York: Cornell University Press: pp. 138–170.
- Valente, M. and A. Crane. 2010. "Public responsibility and private enterprise in developing countries." *California Management Review* 52(3): 52–78.
- Whitley, R. 1999. *Divergent capitalisms: the social structuring and change of business systems*. Oxford: Oxford University Press.
- Whitley, R. 2007. *Business systems and organizational capabilities: the institutional structuring of competitive competences*. Oxford: Oxford University Press.
- Woywode, M. 2002. "Global manufacturing concepts and local adaptation: working groups in the French and German car manufacturing industry." *Organization Studies* 23(4): 497–524.
- Yin, R. K. 1994. *Case study research: design and methods*. 2nd ed. Beverly Hills, CA: Sage Publishing.