Working Paper 2023.2.3.1
- Vol 2, No 3

KHOẢNG CÁCH KINH TẾ VÀ SỰ KHÁC BIỆT TRONG VIỆC THỰC HIỆN CSR GIỮA CÔNG TY MẸ VÀ CÔNG TY CON

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Tóm tắt

Trách nhiệm xã hội doanh nghiệp (CSR) đang trở thành mối quan tâm ngày càng tăng của các tập đoàn đa quốc gia (MNC). Tuy nhiên, hiệu suất CSR có vẻ khác nhau giữa các quốc gia, ngay cả trong cùng một công ty. Nghiên cứu này xem xét mối quan hệ giữa khoảng cách kinh tế và thể chế với sự khác biệt trong hiệu suất CSR giữa công ty mẹ và công ty con của họ. Nghiên cứu sử dụng 567 mẫu quan sát được phân tích, dựa trên phương pháp định lượng sử dụng dữ liệu thu được từ khoảng 60 công ty con của các MNC hàng đầu trên thế giới. Theo kết quả, khoảng cách kinh tế có ảnh hưởng tích cực đến sự khác biệt về hiệu suất CSR, trong khi khoảng cách thể chế đóng vai trò như một yếu tố điều chỉnh để giảm khoảng cách. Nghiên cứu này hỗ trợ các nghiên cứu trước đây và cung cấp sự hiểu biết tốt hơn về hiệu suất CSR trong các tập đoàn đa quốc gia; và đưa ra các khuyến nghị để thu hẹp khoảng cách hiệu suất CSR giữa công ty mẹ và công ty con của họ.

ECONOMIC DISTANCE AND THE DIFFERENCE OF CORPORATE SOCIAL RESPONSIBILITIES PERFORMANCE IN PARENT COMPANY AND SUBSIDIARY

Abstract

Corporate Social Responsibility (CSR) is becoming a growing concern for multinational corporations (MNCs). However, the performance of CSR appears to differ between countries,

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even within the same company. This study investigates the relationship between economic and institutional distance and the difference in CSR performance between parent companies and their subsidiaries. A sample of 567 observations is analyzed, based on a quantitative approach using data obtained from about 60 subsidiaries of top-ranked MNCs worldwide. According to the findings, economic distance has a favorable effect on the difference in CSR performance, whereas institutional distance acts as a moderator in lowering the gap. This research supports prior studies and provides better understanding of CSR performance in multinational companies; and makes recommendations for narrowing the CSR performance gap between parent companies and their subsidiaries.

Keywords: CSR, Corporate Social Responsibilities, economic distance, parent company, subsidiary

1. Introduction

Corporate Social Responsibility (CSR) is considered as a corporate approach that allows companies to be socially accountable to their stakeholders, the general public, and themselves. According to the Reputation Institute (2017), a well-known brand research agency, up to 91.4% of consumers prefer to buy from socially responsible brands, and 84.3% prefer to trust socially responsible enterprises if those organizations have a trust issue. CSR benefits the community, workers, businesses, and the brand, particularly in emerging nations facing economic and social challenges. However, implementation of CSR policies varies between parent companies and their subsidiaries across different countries. This disparity arises from factors like local understanding of social and environmental issues, favorable legal environments, and collaborative efforts with stakeholders. The Resource Dependency Theory (RDT) and Institutional Theory offer frameworks for comprehending CSR practices in multinational corporations. RDT emphasizes a company's reliance on external resources, potentially hindered in economically distant host nations. Diverse legal, regulatory, and cultural norms further challenge subsidiaries. Some industries may exploit laxer regulations in developing countries, contributing to environmental degradation and economic disparities, termed the "pollution haven hypothesis." Therefore, the aim of this research is to determine the relationship between the economic gap and the variation in CSR performance between the parent company and its subsidiary, and then find ways to close the economic gap such as influencing the market or utilizing legislative regulations.

2. Literature review

2.1. Corporate Social Responsibilities (CSR)

2.1.1. Definition of CSR

Although there is a substantial amount of literature on CSR, no unified and exact concept is defined (Scherer & Palazzo, 2007; Wood, 2010). Among many assumptions, the definition of CSR by Carroll (1979) is the most well-known and has been used in various studies: “CSR is the social responsibility of a business which includes the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time.”.

2.1.2. CSR performance difference between parent company and its subsidiaries

Since MNEs operate in different institutional environments, they are likely to encounter stakeholder groups with varying expectations (Rodriguez et al, 2006). Therefore, MNEs may have to tailor their CSR practices to meet the diverse needs and expectations of different national requirements and stakeholders due to significant variations in business norms and regulatory frameworks across national boundaries. Through the general research, we found that there is a huge difference in CSR performance between the parent company and its subsidiaries.

2.1.3. Internal and external CSR

The stakeholder theory emphasizes the importance of considering the interests of all stakeholders who are affected by or can affect the company's actions (Freeman, 1984) and has been suggested as a useful framework for understanding CSR (Frederick, 1994; Carroll, 1999). Based on stakeholder theory, in this research, we adopt the stakeholder division that differentiates stakeholders into two groups: internal and external stakeholders (Verdeyen et al., 2004). Internal CSR refers to voluntary actions taken by the company to improve the well-being of internal stakeholders, such as employees (Turker, 2009b; Vives, 2006). External CSR, on the other hand, involves voluntary actions that respond to societal needs and concerns, such as environmental protection and philanthropic activities (Carroll, 1979).

2.1.4. Factors influencing CSR performance within parent companies and subsidiaries

Numerous factors shape CSR performance in MNEs and their subsidiaries. These include industry-specific traits, top management support, stakeholder roles, and institutional difference between home and host countries (Doh & Guay, 2006; Brammer & Millington, 2008; Husted and Allen, 2011; Shenkar, Luo, & Yeheskel, 2018; Chen, Y., & Jiang, Y., 2019). Economic factors, such as differences in economic development and legal systems between parent companies and their subsidiaries, have been considered as significant determinants of CSR performance (Luo & Bhattacharya, 2009; Wang & Bansal, 2012). Despite this, there is a research gap regarding the interplay between economic and institutional distances, which contributes to the variance in CSR performance between parent companies and their subsidiaries. Economic distance presents challenges in aligning CSR practices with parent company values and policies, prompting an investigation into its relationship with CSR disparities, moderated by institutional distance.

2.2. Economic Development and Economic Distance

2.2.1. Economic Development

Economic development involves strategic efforts to enhance a specific area's economy, focusing on wealth creation and resource utilization to attract business and investment. It is assessed based on MAC and ECON infrastructure.

Table 1: CSR activities contributed to economic growth (Eliza Sharma & M.Sathish)

Citation	Parameters	Country	Relationship
Belasri et al. (2020)	Technical efficiency score, macro variables, CSR (environment, social, and governance)	41 developed countries	Positive

Kao et al. (2018)	Social responsibility, operating performance, social contribution, public image, education index	China	Positive and long-term benefit
Vastra Dh (2015)	Social responsibility programs, health services, education, environment, infrastructure development	India	Positive
Heal (2005)	Risk management, waste reduction, regulatory protection, brand equity, employee productivity, cost of capital, CSR, and capital markets	USA	Positive

2.2.2. Economic Distance

Economic distance measures the correlation of economic factors between host and target markets, considering variables like wealth disparities, GDP per capita, and access to resources. Strong correlations imply closer economic distance, while weaker correlations indicate greater disparity.

2.2.3. Economic Development and Corporate Social Responsibilities

There have been several studies about the link between CSR and economic development. According to Eliza Sharma and M.Sathish (2022), various CSR activities have a positive and significant contribution to the economic development of any nation. The numerous indices that measure the nation's economic development include the income index, education index, gender development index, human development index, inequality index, unemployment rate, life expectancy rate, and rate of natural depletion (Tang et al, 2012).

2.3. Institutional Distance

Institutional distance is a multidimensional concept that refers to the difference in the institutional environment among nations (Kostova, 1997). Institutional distance can be divided into two main types: formal and informal institutional distance (Garrido et al, 2014). Differences between the legal institutions, legislation, and regulations of the MNE's home country and its host country are known as "formal institutional distance" (Salomon & Wu, 2012). On the other hand, implicit cultural factors (such as beliefs, customs, and values) differing between the home and host countries result in "informal institutional distance" (Salomon and Wu, 2012).

2.4. Gap in literature

Despite a growing body of research on the relationship between economic and CSR performance, there remains a significant gap in understanding the differences in CSR performance between parent companies and their subsidiaries. Prior studies predominantly focused on overall CSR performance without delving into these specific distinctions.

Furthermore, while some research explored the influence of institutional distance on CSR, few examined it as a moderating factor. This study addresses these gaps by investigating how economic and institutional distance impact the disparity in CSR performance between parent companies and their subsidiaries.

2.5. The relationship between Economic Distance and Corporate Social Responsibilities

MNEs in similar economic environments can easily adapt to host country settings, benefiting from different evaluation criteria compared to local firms (Kostova and Zaheer, 1999; DiMaggio and Powell, 1983). This encourages foreign-owned companies to engage in CSR for local stakeholders' approval (Dowling and Pfeffer, 1975; Suchman, 1995). Conversely, high economic distance hinders vertical and horizontal diversification, incurring extra expenses and facing infrastructure limitations (Globerman & Shapiro, 2002). This challenges the MNE's standardization process, leading to less effective subsidiaries (Holmes, Miller, Hitt, & Salmador, 2013).

Overall, based on the above analysis, we propose the following hypothesis:

Hypothesis 1: Economic distance positively impacts CSR performance difference between parent company and its subsidiaries.

2.6. Moderating effect of institutional distance

Subsidiaries in economically distant host countries face challenges aligning with local CSR standards, leading to lower performance compared to the parent company (Peng et al., 2008). Institutional distance can negatively moderate the link between economic distance and CSR performance (Hypothesis 1). Regulatory and cultural disparities may constrain CSR efforts, hindering trust-building with local stakeholders (Kostova et al., 2008). Low institutional distance enables subsidiaries to better navigate economic differences, benefitting from shared norms and institutional support (Verbeke et al., 2018). This suggests that institutional factors can offset the impact of economic distance on CSR performance.

Based on the analysis above, Hypothesis 2 can be formulated as follows:

Hypothesis 2: Institutional distance negatively moderates the relationship between Economic distance and CSR performance difference (between parent company and its subsidiaries).

2.7. Conceptual model

The below conceptual diagram (figure 1) functions as a demonstration of the speculation.

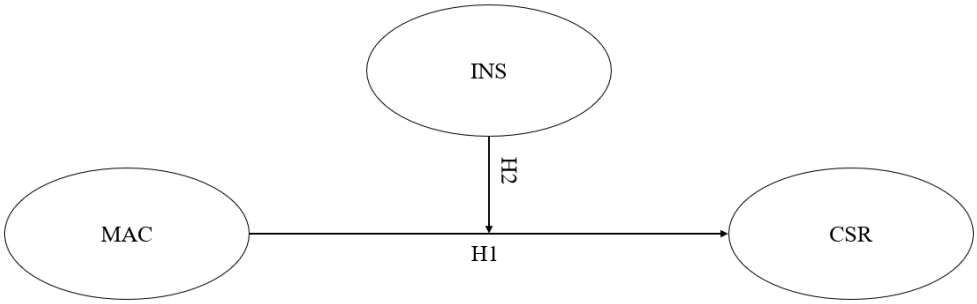


Figure 1: The intercorrelation between Economic distance, Institutional distance and CSR performance

3. Methodological Approach

3.1. Research philosophy

Positivism explained phenomena by formulating principles and establishing causal relationships between variables (King and Horrocks, 2010). This can lead to statistically based literature (Saunders et al., 2016). Hence, positivism is typically implemented with large samples, hypothesis testing, and quantitative data, providing very reliable results (Collis and Hussey, 2009).

Table 2: Positivist paradigm

Basic beliefs	The world is external and objective
	Observer is independent
	Science is value-free
Researcher should	Focus on fact
	Look for casually and fundamental laws
	Reduce phenomena to simplest elements
	Formulate hypotheses and then test them
Prefer methods include	Operationalizing concepts so that they can be measured
	Taking large samples
Purpose	Generalizability

Based on the research topic and objectives, a positivist paradigm was chosen for this study, which tries to evaluate hypotheses using quantitative data. Whether the relationships indicated exist or not, there is only one reality to conclude.

3.2. Research approach

Deductive is a procedure for the development of theories (Zikmund et al, 2013), which involves creating a conceptual and theoretical framework tested through empirical observation (Collis and Hussey, 2009). This approach emphasizes scientific principles, moves from theory to data, seeks causal relationships between variables, and uses quantitative data collection (Saunders et al., 2009).

In this paper, a deductive approach is taken, aligning with positivist principles. This approach suits testing hypotheses about the impact of institutional and economic distance on CSR performance in international subsidiaries of MNEs.

3.3. Research design

3.3.1. Methodological choice: quantitative research

The study employs a quantitative methodology due to its compatibility with the research objectives. This approach involves statistical analysis, aligning with the deductive nature of the study (Saunders et al., 2016).

3.3.2. Research design's goal: Descriptive clarifications

The purpose of research design to accomplish is a precise target established by the research question. In this study, the aim is to identify associations within the conceptual framework. Quantitative research, typically explanatory, includes data for statistical tests to uncover relationships between variables (Saunders et al., 2016). Hence, explanatory research is applied in this study.

3.3.3. Justification of the experimental strategy

Experimentation, borrowed from natural sciences, examines the likelihood of one variable affecting another. It is used in both explanatory and exploratory research (Saunders, Lewis, & Thornhill, 2016, p. 179). Experiments rely on hypotheses, where the null hypothesis posits no discernible relationship. This is statistically tested, and the alternative hypothesis is accepted if the probability is ≤ 0.05 (Saunders, Lewis, & Thornhill, 2016). In this study, the conceptual model illustrates linkages suggested by related literature.

3.3.4. Time Horizon

This study relies on longitudinal data, tracking variables over time, to analyze MNE subsidiaries' CSR performance and economic outcomes from 2009 to 2018 using Bloomberg data.

3.4. Data collection

This research relies on credible secondary data sources: Bloomberg, CSR Hub, and The Global Competitiveness Report.

3.5. Measurements

3.5.1. Economic distance

This research adopts the World Economic Forum's economic distance measurement (2019). Hence, economic distance is quantified by two concepts: Macroeconomy infrastructure (MAC) (consisting of 4 items) and Economic efficiency (ECO) (consists of 8 items). The

economic distance between a parent company and its international subsidiary is measured by subtracting the economic index of the home country from the economic index of the host country and then calculating the absolute value. The following table illustrates the specifics of the items connected with each construct.

Table 3: Economic distance measurement

	Macroeconomy infrastructure Distance (MAC)
DE1	Distance of Policies
DE2	Distance of Infrastructure
DE3	Distance of Macroeconomic environment
DE4	Distance of Health and primary education
	Economic efficiency Distance (ECO)
DE5	Distance of Higher education and training
DE6	Distance of Good market efficiency
DE7	Distance of Labour market efficiency
DE8	Distance of Financial market development
DE9	Distance of Technological readiness
DE10	Distance of Market size
DE11	Distance of Business sophistication
DE12	Distance of Innovation

Correspondingly, a poll conducted by the World Economic Forum collects data for each individual item. The survey used a 7-point Likert scale, with 1 corresponding to "very low" and 7 to "very high." Therefore, it is not necessary to apply the logarithmic technique to the previously collected data in order to achieve normalization.

3.5.2. Corporate Social Responsibilities (CSR)

This research adopts the stakeholder theory proposed by Freeman (1984), which is still widely used in contemporary CSR research (Brammer et al, 2007; Turker, 2009; Hameed et al, 2016; Farooq et al, 2017) and other related theories as aforementioned to differentiate stakeholders into two main groups, namely internal and external stakeholders.

DCSR1	Distance of Internal CSR (Turker, 2009b; Vives, 2006)
DCSR2	Distance of External CSR (Cornelius et al, 2008)

The two items are to measure the CSR performance in different observations we have collected. To gather the necessary data for this research, the Bloomberg database was utilized to obtain relevant samples.

3.5.3. Institutional distance

This study employs the Global Competitiveness Report (2019) measurement of distance for its assessment. To determine the institutional distance between the parent firm and its foreign subsidiary, the institutional indicator of the home country is subtracted from the corresponding indicator of the host country. The absolute value of this discrepancy is then calculated. Following standard procedure (Hair et al., 2016), the data of this quantitative nature will undergo logarithmic normalization before analysis.

Table 4: Measurement summary

Constructs	Items	Element label	Source
Institutional Distance (INS)	INS	Institutional distance	Global Competitiveness Report (2019)
Macroeconomic infrastructure Distance (MAC)	DE1	Distance of Policies	Adapted from World Economic Forum (2018)
	DE2	Distance of Infrastructure	
	DE3	Distance of Macroeconomic environment	
	DE4	Distance of Health and primary education	
	DE5	Distance of Higher education and training	
Economic efficiency Distance (ECO)	DE6	Distance of Good market efficiency	
	DE7	Distance of Labour market efficiency	

	DE8	Distance of Financial market development
	DE9	Distance of Technological readiness
	DE10	Distance of Market size
	DE11	Distance of Business sophistication
	DE12	Distance of Innovation
Corporate Social Responsibilities (CSR)	DCSR1	Distance of Internal CSR
	DCSR2	Distance of External CSR

3.6. Stimulating sample

3.6.1. Target population

The primary audience for this research is multinational corporations' international subsidiaries. In light of the fact that manufacturing subsidiaries have a tendency to be influenced by domestic institutional patterns and economics (Dunning, 2008), this study addresses the manufacturing subsidiaries of MNEs that operate internationally.

3.6.2. Sampling frame

The sample for this research was derived from the Scimago Institutions Rankings, encompassing the top 10 MNEs. While this selection offers diverse data, it's crucial to acknowledge that this sample may not fully represent all MNEs, potentially limiting the generalizability of the findings.

3.6.3. Sampling approach

Non-probability sampling and probability sampling are two sampling strategies in theory (Saunders et al., 2016). With probability technique, every group of population surveillance has an equal chance of being collected, hence enhancing generalisability. The non-probable sampling method, on the other hand, does not select observations at random (Saunders et al., 2016). This research uses the probability technique to get results with a high degree of generalizability. All observations in these top 10 MNEs are chosen at random, despite the fact that their selection is contingent on the availability of data from Bloomberg.

3.6.4. Sample size

For SEM analysis, the recommended sample size to item ratio is 5:1 (Hair et al., 2016). In this study, the minimum acceptable sample size is set at 100, but a larger sample size, around

567 observations, was employed for enhanced generalizability (Saunders, Lewis, & Thornhill, 2016).

3.7. Type of data

Based on the needs of the conceptual model, the current study uses secondary data gathered from prior databases.

3.8. Data analysis

The following diagram shows the process of data analysis:

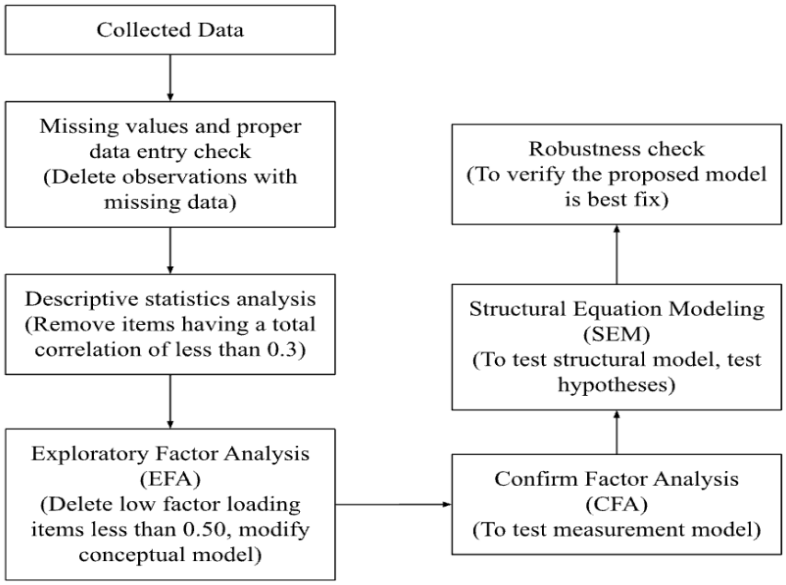


Figure 2: Data analysis process

3.9. Validity, credibility and generalizability

To ensure validity and reliability in research (Saunders et al., 2016), several critical steps are taken:

Initially, the conceptual model is meticulously developed through extensive literature review and prior research validation, as SEM relies heavily on theory (Saunders, Lewis, & Thornhill, 2016).

Secondly, information is gathered from dependable sources, minimizing potential biases and inaccuracies often associated with surveys or interviews (Saunders, Lewis, & Thornhill, 2016).

Thirdly, Cronbach alpha assessments and EFA/CFA, ensures the validity and reliability of measurement models (Saunders, Lewis, & Thornhill, 2016).

Fourthly, Generalizability is considered, emphasizing the selection of a diverse sample frame and probability technique to achieve broader applicability (Saunders, Lewis, & Thornhill, 2016). Additionally, a large and cross-cultural dataset is employed for greater generalizability in SEM (Bullough, Moore, & Kalafatoglu, 2017).

3.10. Restriction

The study's findings are informative despite limitations. Gathering a truly random sample is challenging due to resource and time constraints (Bryman & Bell, 2015). Additionally, using ratings for national institutes every 10 years may affect construct validity and reliability (Hofstede, 1995). While ideally, a construct should include three components, in this case, only DCSR1 and DCSR2 are utilized due to data availability via Bloomberg, potentially impacting model fit (Hair et al., 2014).

4. Data Analysis Result

The preceding chapter described and defended the research methods utilized to test the hypotheses, attain the objectives, and answer the research question. This chapter details the outcomes of the data analysis procedure. The diagram below illustrates the chapter outline.

4.1. Sample profile

The sample encompasses 567 observations from global subsidiaries of MNEs, categorized by home and host countries, company size, MNE presence, and subsidiary count (see Table 5). Non-response bias is negligible due to complete data collection (Armstrong and Overton, 1977). In 2022, these MNEs rank among the world's largest corporations (Statista, 2022).

For CSR-engaged subsidiaries, the average DCSR1 and DCSR2 stand at 3.03 and 2.83, reflecting the CSR performance gap between parent companies and subsidiaries. Bloomberg reports the DCSR1 ranging from 4.55 (best-performing) to 2.05 (least efficient). Institutional distances span from 0.06 to 52.81 miles, while economic distances, per the World Economic Forum, range from 0 to 4.88. Further details are available in Tables 5 and 6.

Table 5: Sample profile

Dimension		**Number of observations**	**Percent**
Country	Number of home country	4	
	Number of host country	36	
	Highest percentage home country	United States	32
	Highest percentage host country	China	18.5
Age	Under 10 years	76	13.4
	From 11 to 50 years	394	69.4
	Over 50 years	97	17.2

Total employee	Under 200	89	15.7
	From 200 to 1000	208	36.7
	From 1000 to 5000	195	34.4
	Over 5000	75	13.2
MNEs	Number of MNEs	10	
	Number of MNEs' subsidiaries	60	

Table 6: Descriptive statics

	Minimum	**Mean**	**Maximum**	**Std.Error**
Total employee (TE)	57	2548.57	18000	161.69
Age	1	30.14	155	1.09
DCSR1	2.05	3.03	4.55	0.011
DCSR2	2.24	2.83	3.96	0.01
Policies distance	0	0.81	3.41	0.025
Infrastructure distance	0	0.77	2.5	0.02
Macroeconomic environment distance	0	0.72	2.64	0.02
Health and primary education distance	0.01	0.9	2.68	0.025
Higher education and training distance	0.01	0.96	2.71	0.024
Good market efficiency distance	0	1.15	3.25	0.036

Labour market efficiency distance	0	1.46	3.58	0.038
Financial market development distance	0	1.35	3.59	0.034
Technological readiness distance	0	1.38	3.28	0.036
Market size distance	0.35	2.18	4.88	0.03
Business sophistication distance	0	1.11	2.24	0.02
Innovation distance	0.01	1.54	3.48	0.03
Institutional distance	-52.81	-2.91	-0.06	0.18
Total observations				**567**

4.2. Testing measurement model: Verify the findings of factor analysis (CFA)

We employed Cronbach's Alpha to assess reliability. Following Hair et al.'s (2016) recommendations, items with low factor loadings and total correlations were removed. All constructs in the model met the criteria for reliability with item total correlations above 0.3 and Cronbach's alpha values exceeding 0.7 (see Table 7 and Figure 3).

Subsequently, we conducted an exploratory factor analysis (EFA) using Maximum Likelihood to determine the required number of factors. Following Hair et al.'s (2016) guidance, we identified four appropriate factors with eigenvalues over 1 and component loadings surpassing 0.9. The validity of the factor analysis is supported by a Kaiser-Meyer-Olkin (KMO) index of 0.859 (exceeding 0.5) and Bartlett's Test ($p < 0.0001$, below 0.05).

Pattern Matrix

	Factor			
	1	***2***	***3***	***4***
DE1			*.877*	
DE2			*.712*	
DE3			*.860*	

DE4		*.607*	
DE5	*.737*		
DE6	*.777*		
DE7	*.932*		
DE8	*.863*		
DE9	*.839*		
DE10	*.903*		
DE11	*.826*		
DE12	*.897*		
INS	*.537*		
lgDCSR1			*.979*
lgDCSR2			*.873*

Figure 3: EFA model

According to EFA results, economic distance (ECON) is separated into 2 constructs, which are: MAC (DE1 → DE4) and ECO (DE5 → DE12). MAC stands for macroeconomy infrastructure and ECO stands for economic efficiency. Therefore, we divided economic distance (ECON) into MAC and ECO in order to be consistent with the literature review. As a result, the conceptual model will be changed into:

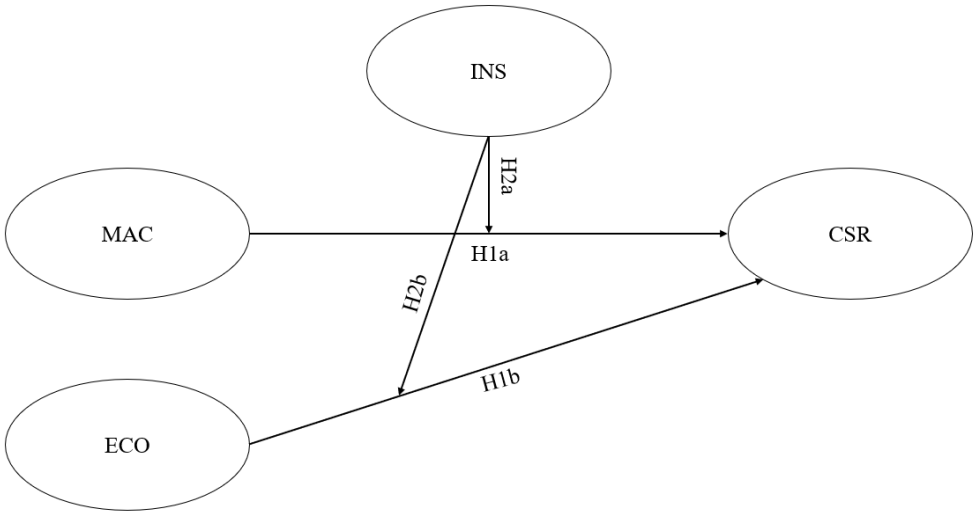


Figure 4: Conceptual Model

Subsequently, as the change in economic distance's construct, the hypotheses can be rewrite as:

H1a: Macroeconomy infrastructure positively impacts CSR performance difference between parent company and its subsidiaries.

H1b: Economic efficiency positively impacts CSR performance difference between parent company and its subsidiaries.

H2a: Institutional distance negatively moderates the relationship between Macroeconomy infrastructure and CSR performance difference (between parent company and its subsidiaries).

H2b: Institutional distance negatively moderates the relationship between Economic efficiency and CSR performance difference (between parent company and its subsidiaries).

Accordingly, the factors indicated that form EFA estimated through observational statistics and the associated items for single factor are comparable to those proposed by the measurement model for CFA (detail of EFA result is displayed in appendix).

According to Hair et al. (2014), the evaluation of the individual constructs (MAC, ECO, INS, and CSR) demonstrated a strong fit with the data and met all model fit standards (N=567, p 0.05, GFI>0.9, CFI>0.9, TLI>0.9, SRMR0.8, and RMSEA0.8). It's crucial to keep in mind that Hair et al. (2014) advise evaluating the measurement model fit overall rather than separately for each construct. The entire model was analyzed, and the outcomes are shown below:

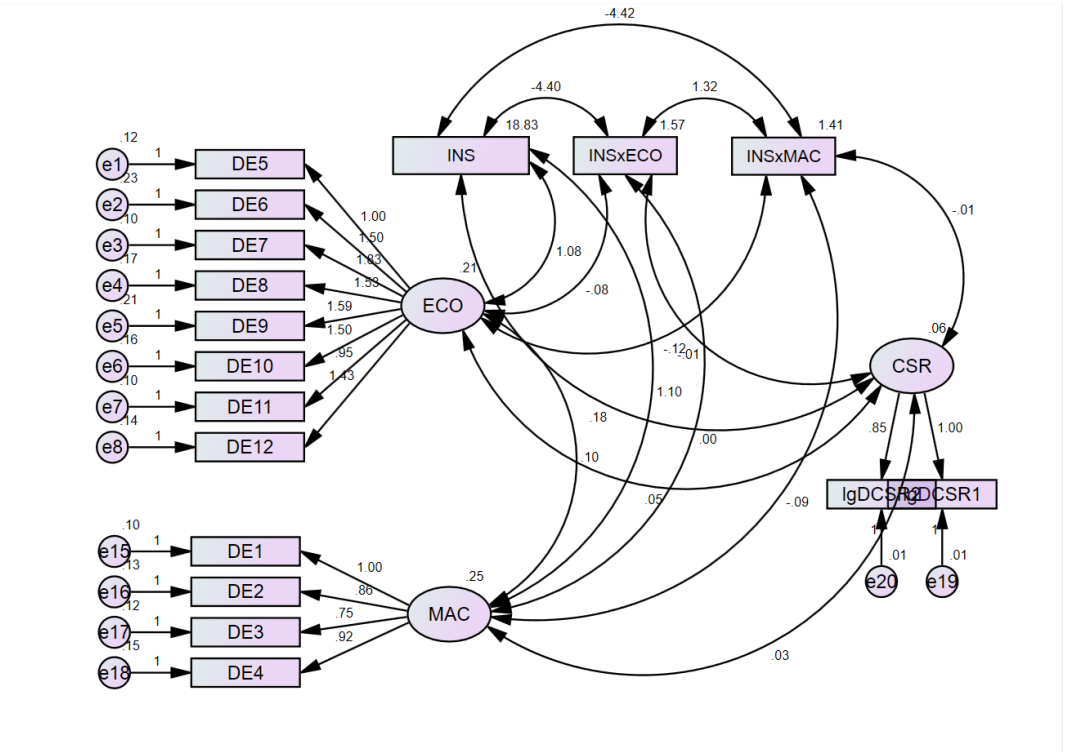


Figure 5: Initial CFA result

The model fit index exposed that the measurement did not adequately fit represent the data ($\chi 2$=1733.936, DF=107, N= 567, p<0.001, GFI=0.742, CFI=0.850, TLI=0.810 and RMSEA=0.164). Besides, the Economic distance construct having an insufficient factor loading of Macroeconomy infrastructure (less than 0.6 Hair at el, 2005) for construct validity is the rationale of the issue. Once again, the CFA was reconducted with Macroeconomy infrastructure construct (MAC) and Economic efficiency construct (ECO) load only on its priori prescribed element. Concomitantly, namely path estimates (indicators with factor loading below 0.6 were removed), standardized residuals and modification indices were implemented to optimize the model fit according to Hair et al. (2006). The last outcome of CFA can be observed in the below-mentioned figure:

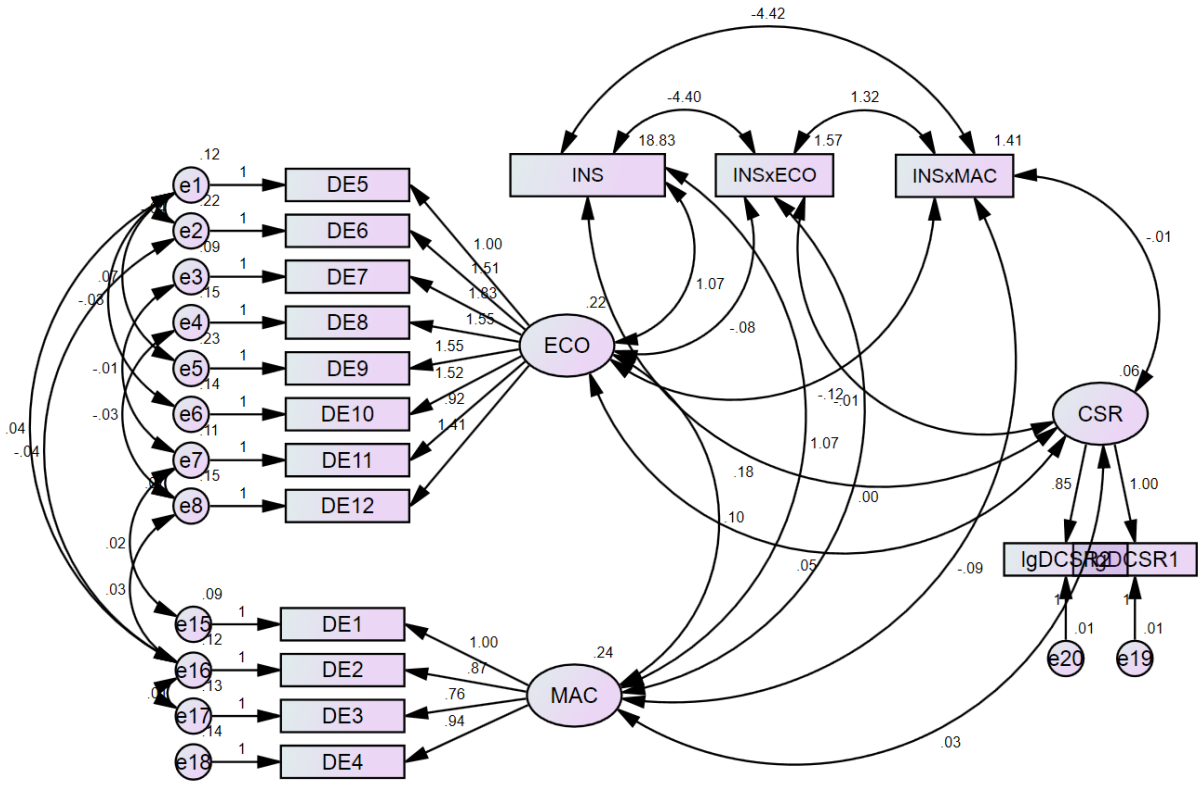


Figure 6: Final CFA result

(χ^2=1031.042, DF=96, p<0.001, NFI=0.906, CFI=0.914, GFI=0.839, TLI=0.878, RMSEA = 0.131)

The model has strong validity and reliability. With loadings ranging from 0.7 to 0.9, each item loaded significantly (p0.001) on its respective construct. A good data fit is indicated by the fact that important fit indices, such as NFI=0.906, CFI=0.914, GFI, and TLI, are higher than the suggested thresholds. Additionally, RMSEA = 0.131 is within allowable bounds.

The composite reliability for each construct is greater than 0.7, ranging from 0.858 to 0.951. Standardized loadings and an AVE greater than 0.5 show convergence validity. For multi-item scales, Cronbach's coefficients are greater than 0.7, indicating no shared bias. The squared correlation being lower than individual AVE values indicates discriminant validity.

Corporate Social Responsibility (CSR), Macroeconomy Infrastructure (MAC), and Economic Efficiency (ECO) are the three main constructs that make up the final measurement model.

Table 7: CFA result for all constructs

Constructs	Items	Factor loading	Cronbach's Alpha	Composite reliability (above 0.7)	Average variance extracted (above 0.5)

Corporate social responsibility (CSR)	DCSR1	0.973	0.938	0.943	0.892
	DCSR2	0.912			
Macro-economy infrastructure (MAC)	DE1	0.874	0.858	0.864	0.615
	DE2	0.746			
	DE3	0.790			
	DE4	0.716			
	DE5	0.792			
Economic efficiency (ECO)	DE6	0.821	0.951	0.956	0.729
	DE7	0.943			
	DE8	0.860			
	DE9	0.843			
	DE10	0.856			
	DE11	0.824			
	DE12	0.881			

(χ^2=1031.042, DF=96, p<0.001, NFI=0.906, CFI=0.914, GFI=0.839, TLI=0.878, RMSEA = 0.131)

According to Hair et al. (2014), Bauldry and Shawn (2015), sample size has a substantial effect on the fitness index. For instance, a larger sample size will result in a higher Chi-square value (Hair et al, 2014). Since the study's sample size (567 vs 100, as outlined in chapter 3) is far bigger than what is required, the Chi-square test is significant. The difference with a decent fit model is modest (0.878 compared to 0.9, respectively), even if GFI and TLI just passed the required threshold (above 0.8). In conclusion, these findings on construct validity and model fit illustrate a suitable measurement model (which satisfies all the criteria). Consequently, the measurement model is suitable for the stage of hypothesis testing.

4.3. Hypothesis testing result

The structural model was later established using the maximum likelihood estimation approach to evaluate the structural causal link hypotheses based on the CFA outcomes. The majority of the fitness indexes (CFI=0.914, TLI=0.878, GFI=0.839, and NFI= 0.906 (above

0.8)) match the acceptable threshold (Bauldry, 2015; Brett, 2010). The following figure illustrates the SEM result in detail:

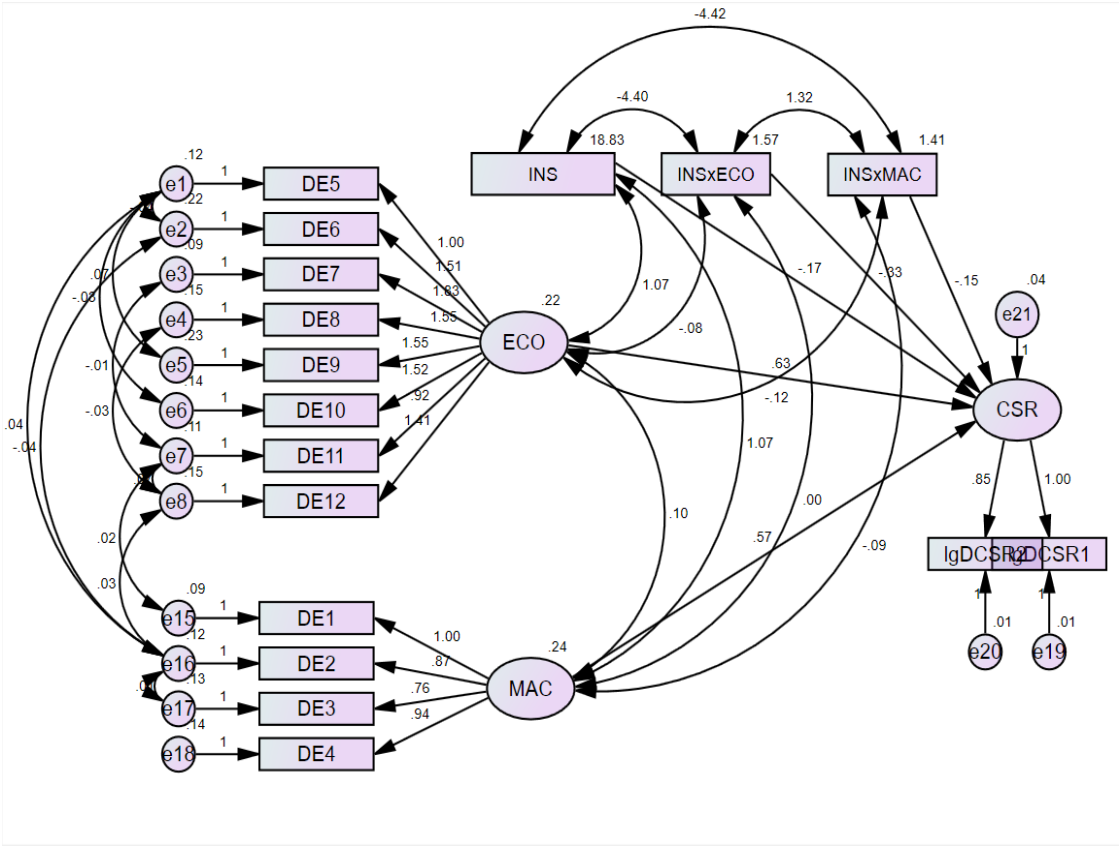


Figure 7: SEM Result

(χ^2=1031.042, DF=96, p<0.001, CFI=0.914, TLI=0.878, GFI=0.839, NFI= 0.906, RMSEA = 0.131)

In summary, the model strongly supports the positive impact of both macroeconomic infrastructure (p < 0.001) and economic efficiency (p < 0.001) on the differences in CSR performance between parent companies and their subsidiaries due to economic distance. It also confirms the negative moderating effect of institutional distance on this relationship (p < 0.001).

As a result, hypotheses H1a (regarding macroeconomic infrastructure) and H1b (related to economic efficiency) are both validated. The empirical results demonstrate that economic efficiency and macroeconomic infrastructure significantly enhance CSR performance differences (p < 0.05 for both). Moreover, institutional distance plays a negative moderating role in the relationship between economic distance and variations in CSR performance.

Table 8: The regression path coefficient and its significance of the sample

Hypotheses		Path coefficient	p	Result
H1a	MAC → CSR	0.574	0.000	Supported
H1b	ECO → CSR	0.634	0.000	Supported

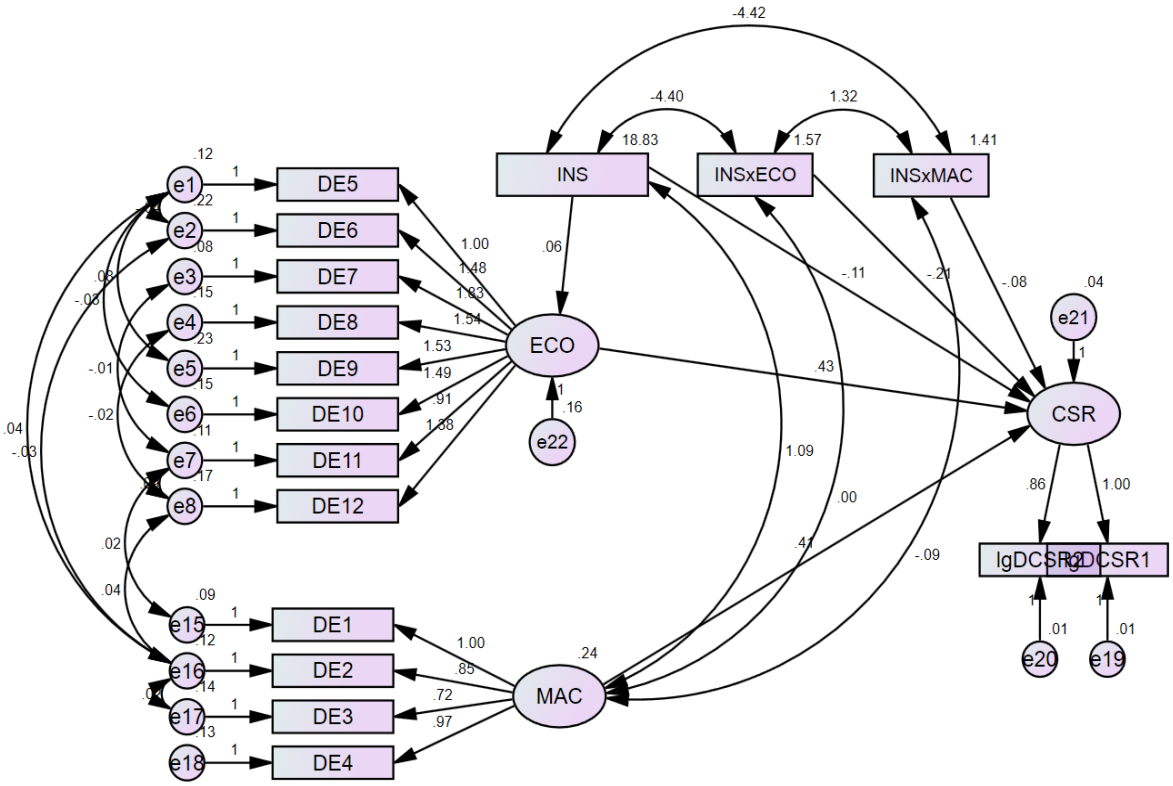
H2a	INSxMAC → CSR	-0.147	0.000	Supported
H2b	INSxECO → CSR	-0.328	0.000	Supported

(χ^2=1031.042, DF=96, p<0.001, CFI=0.914, TLI=0.878, GFI=0.839, NFI= 0.906, RMSEA = 0.131)

4.4. Robustness check

A different model that introduced unintentional paths between economic efficiency (ECO) and macroeconomic infrastructure (MAC) as well as new paths between ECO and institutional distance (INS) was looked at to ensure the validity of the results. All constructs and related items, however, did not change (see Figure 8).

The proposed model consistently outperforms the new model, according to the goodness-of-fit indices, and the relationships seen in the suggested model are still true in the new model, with similar trends. Tables 9 and 10 contain thorough results. As a result, the suggested model represents the relationships between the study variables the most accurately.



(χ^2=1440.698, DF=99, p<0.001, CFI=0.876, TLI=0.830, GFI=0.811, NFI= 0.869, RMSEA = 0.155)

Figure 8: Robustness check result

Table 9: The regression path coefficient and its significance of the sample in alternative model (Robustness check model)

			Path coefficient	p	Result
ECO	→	CSR	0.428	0.000	Supported
MAC	→	CSR	0.406	0.000	Supported
INS	→	CSR	-0.171	0.000	Supported
INSxECO	→	CSR	-0.213	0.000	Supported
INSxMAC	→	CSR	-0.081	0.000	Supported

Table 10: Model fit comparison between suggested model and Robustness check model

Goodness-of-fit index	Suggested model	Robustness check model
χ^2	1031.042	1440.698
DF	96	99
p	0.000	0.000
CFI	0.914	0.876
TLI	0.878	0.830
NFI	0.906	0.869
GFI	0.839	0.811
RMSEA	0.131	0.155

4.5. Finding and discussion

In conclusion, the study shows that institutional distance acts as a negative moderator, intensifying the relationship between economic distance and CSR performance differences. Economic distance has a significant impact on the disparity in CSR performance between parent companies and their subsidiaries.

Our analysis reveals that economic distance has a favorable effect on subsidiary CSR performance, which is consistent with the majority of studies. For example, a 1-unit increase in economic efficiency difference results in a 0.574 increase in CSR performance distance, while a 1-unit increase in macroeconomic infrastructure difference results in a 0.634 increase in CSR performance distance. This suggests that despite their commitments and capabilities, MNEs

generally perform less effectively in CSR in countries with less favorable economic conditions. Due to differences in macroeconomic infrastructure and economic efficiency, parent companies in more developed countries frequently outperform their subsidiaries in CSR.

5. Conclusion

5.1. Summary

This study examines the impact of economic distance on CSR in multinational enterprise subsidiaries, considering the role of institutional distance. The conceptual model, based on extensive literature, proposes two hypotheses:

H1: Macroeconomic infrastructure distance (MAC) significantly influences how host and home country companies adopt CSR differently.

H2: Economic efficiency (ECO) negatively affects CSR performance in controlling companies and subsidiaries.

Utilizing a positivist paradigm and deductive research approach, the study employs statistical analysis and structural equation modeling (SEM) for hypothesis testing. It draws on longitudinal data from over 60 subsidiaries of top-ten corporations (nearly 567 observations), confirming previous findings and validating the MAC and ECO theories.

5.2. Theoretical contributions

This study breaks new ground by empirically examining the link between controlling companies' and MNE subsidiaries' CSR performance and economic distance. Unlike previous research, which primarily focused on entry mode and host country factors, this study takes into account both home and host country characteristics based on distance concepts. By considering various data sources, it offers a comprehensive assessment of economic distance, providing a more accurate and thorough understanding. Overall, this research offers a holistic perspective on the factors influencing subsidiary CSR performance within the context of home and host country distance.

5.3. Implications

The study emphasizes the importance of considering institutional and economic distance for successful CSR implementation by multinational corporations (MNEs) in foreign markets. Economic distance positively impacts the CSR gap between parent companies and subsidiaries. MNEs should focus on effective CSR policies in contexts of high institutional distance. Governments play a vital role in promoting CSR through regulations, incentives, and support for compliant vendors, strengthening the local economy. Consumer organizations, in collaboration with NGOs and governments, can monitor and report CSR violations, ensuring ethical business practices. Overall, MNEs, governments, and consumers collectively shape the landscape of CSR implementation and impact.

5.4. Limitations and directions for future research

Due to time and budget constraints, this study has notable limitations that should be addressed in follow-up studies. While obtaining a completely random sample is challenging (Bryman & Bell, 2015), broadening the sample beyond major MNEs is crucial for broader applicability. Moreover, future research can enhance precision by employing more specific

CSR performance measurements, considering actions like improved labor policies, active volunteering, and socially/environmentally conscious investments. Additionally, for a more nuanced understanding of economic distance, future studies should utilize more precise markers than the World Economic Forum's suggested measurement. The success of CSR between parent firms and subsidiaries is advised to be examined in terms of the impact of other types of distance, such as institutional distance.

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List Of Abbreviations

AVE	Average Variance Extracted
CFA	Confirmatory Factor Analysis
CSR	Corporate Social Responsibility
ECO	Economic Efficiency Distance
ECON	Economic Distance
EFA	Exploratory Factor Analysis
GDP	Gross Domestic Product

HDI	Human Development Index
INS	Institutional Distance
MAC	Macroeconomy Infrastructure Distance
ML	Maximum Likelihood
MNCs	Multinational Corporations
MNE/MNEs	Multinational Enterprises
NGOs	Non-governmental Organization
PAF	Principal Axis Factoring
PCA	Principal Component Analysis
RDT	Resource Dependence Theory
SEM	Structural Equation Modeling