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Similar threats, different strategies: “Glocalized” CSR reactions to cognitive framing of institutional pressures in Latin-
America

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Abstract

Combining the principles of prospect theory with theoretical and case study evidence from Latin America, the current study sheds light on the role of managerial cognition in shaping firms’ localized vs. globalized CSR reactions towards institutional events perceived as legitimacy related losses or gains, for both MNC subsidiaries and local firms operating in developing countries. Particularly, the study proposes that MNCs react to perceptions of legitimacy losses with localized CSR and to perceptions of legitimacy gains with globalized CSR, whereas the reverse holds true for local developing country firms, acting in developing country contexts.

Introduction

Institutional research has long sought to understand the environmental factors affecting companies’ strategic choices (DiMaggio & Powell, 1983). Particularly, institutional literature suggests that changing institutional environments creates conditions for strategic change, requiring firms to develop new strategies to better respond to the institutional pressures of the environment, within which they operate (e.g. Matten and Moon, 2008). Research argues that firms’ strategic choices are highly motivated by their need to enhance their legitimacy, and efforts have been done to understand the legitimacy issues firms are faced with, when acting in diverse institutional environments (e.g. DiMaggio & Powell, 1983; Bird and Smucker, 2007; Jamali, 2010; George et al, 2006). Over the last years, particular attention has been drawn to the tensions faced by MNCs in developing country contexts as well as the subsequent corporate social responsibility (CSR) strategies they are expected to employ in the pursuit of legitimacy (e.g. Griesse, 2007a, Perez-Batres et al, 2010; Griesse, 2007b). However, given that CSR is a relatively new notion in developing country contexts, literature still lacks a thorough understanding of the dynamics composing such institutional contexts, leading firms to adopt either localized or globalized CSR strategies in order to enhance their legitimacy in a local level (Jamali, 2010).

Recently, research made a first effort to take the focus from the organization per se to the organizational decision maker, and show how human cognition can shape the institutional environment. Particularly, George et al (2006) applied prospect theory to institutional theory, to understand how institutional pressures affect and can be formed by human attitudes and behavior (e.g.: Robson et al, 1996; Zucker, 1977), in turn shaping strategic action. However, even though institutional theory has been calling for further clarity in understanding cognitive factors affecting firms’ strategic choices in view of

institutional pressures (e.g. Scott, 1995; Selznick, 1996; Zucker, 1987), a limited body of literature has so far discussed the interplay between institutional pressures and human perception in guiding firms' CSR strategic choices (e.g. Basu and Palazzo, 2008); an aspect of strategy demanding particular attention due to the special nature of operations it involves and the fact that it is highly informed by the need to enhance legitimacy in a local level (Kolk and van Tulder, 2006; Jamali, 2010).

Since its generation in the United States (Carroll, 1999), CSR has been highly endorsed by international organizations such as the OECD, the World Bank and the UN (Gjølberg, 2009). In light of the increased involvement of multinational corporations (MNCs) in developing countries and the different institutional frameworks stipulating different CSR practices, MNCs are highly pressurized to reconcile conflicting forces emerging from home and host country institutional contexts, in the pursuit of legitimacy (Jamali, 2010; Bird and Smucker, 2007). Such institutional pressures requiring firms to find a middle path between localized and globalized CSR strategy are not specific to developing countries. However, the unstable institutional environments answered in developing countries as opposed to developed countries makes the localized vs. globalized CSR debate even more relevant to study in such contexts. So far, little evidence exists on MNCs' CSR strategies in developing countries, a condition that hinders our understanding of the factors affecting MNCs' globalized or localized CSR choices in such dynamic institutional contexts (Jamali, 2010). Given the increasing institutional pressures requiring firms to develop locally relevant CSR practices, in the developing countries within which they operate, it is obvious that a better understanding of firms' CSR reactions to such institutional tensions is imperative.

Similarly, research has also been calling for further clarity on the way through which managers' framing of institutional pressures, as legitimacy related gains or losses, can inform managerial decisions with regards to CSR practices. Responding to recent calls for more research on the "glocalized" CSR strategies that MNCs and local firms pursue in developing countries (Jamali, 2010), I use theoretical and empirical evidence from business operations in Latin American countries, to predict the extent to which globalized vs. localized CSR strategies constitute reactions to institutional pressures, affected by managerial framing of environmental threats and opportunities as losses or gains of legitimacy. Having conducted a thorough literature review around MNCs and local firms' CSR strategies in developing countries, I deem the Latin American context as an ideal institutional environment to draw illustrations from, given the heavy MNC operations in those countries and the multiple international institutional interdependencies affecting CSR practices of both MNCs and local Latin American firms (Perez-Batres et al, 2010).

The central goal of this article is to inform and extend current debates on the way in which managerial perception of environmental pressures, as legitimacy related threats or opportunities (Jackson & Dutton, 1988) informs CSR strategic

decisions with regards to globalization or localization. With the use of case studies from Latin American countries, I first discuss MNCs' globalized and localized CSR practices in light of institutional theory and stakeholder theory. In so doing, I develop propositions linking different expressions of CSR to different institutional reactions and I use those to further predict the CSR choices followed by MNC managers in host country contexts. Second, I argue the importance of localized CSR strategy in enhancing the perceived legitimacy locally. My discussion leads to the fundamental role of framing in conditioning managerial responses and a description of the fundamental assumptions of prospect theory (Kahneman and Tversky, 1979), which I then use to predict MNC and local firms' globalized or localized CSR strategies in view of legitimacy losses or gains, in developing country contexts. Last but not least, recognizing the multiple levels (local and global) at which legitimacy might be achieved, I discuss the role of country of origin in shaping the way MNC and local firm managers frame similar events differently. Particularly, I argue that both globalized and localized CSR practices can reflect efforts taken in the pursuit of legitimacy, and that managers from different firms (MNCs or local) will employ different strategies, as a result of their framing of the situation as legitimacy related gains or losses, based on the levels of risk either strategy reflects for them. Throughout the report, the combined review of institutional, CSR literature, case studies and prospect theory allows me to set the grounds for the development of the final propositions.

Theoretical Review and Propositions Development

Institutional Theory and Localized Vs. globalized CSR

Institutional theory argues that organizational responses to institutional changes are efforts taken in the pursuit of legitimacy (Matten & Moon, 2008). Organizational legitimacy is defined as the "generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions" (Suchman, 1995: 574). Institutional scholars argue that legitimacy can be achieved in different levels (e.g. local or global) and is crucial for organizations because it allows access to necessary resources (e.g., Parsons, 1960; Pfeffer & Salancik, 1978). The same body of literature suggests that legitimacy is produced in three ways: mimetic processes, normative pressures and coercive isomorphism (DiMaggio & Powell, 1983); institutional pressures to which organizations respond through mimetic, normative and isomorphic/non-isomorphic actions, respectively. Isomorphic responses reflect organizational tendencies to respond to environmental institutional events through taking similar actions to those of other players in the environment, such as the development of similar structures and practices (e.g. Sitkin & Sutcliffe, 1991; Zilber, 2002; Fligstein, 1985), which are intended to reinforce the institutionalized nature of extant organizational structures.

Conversely, non-isomorphic actions reflect departure from institutionally embedded practices and involve higher levels of risk. Literature suggests that non-isomorphic actions are intended to challenge the legitimacy of established practices, through setting the ground for new forms of legitimacy (e.g. Covalleski & Dirsmith, 1988; Cardinal et al, 2004). Conversely, mimetic responses relate to firms' tendency to imitate organizational practices adopted by other players in the market, in order to be seen as legitimate, like for instance development of CSR reports that most firms engage into in order to conform to other players' actions in the industry (Matten & Moon, 2008). Normative responses refer to organizational reactions, towards norms established by authorities, that organizations are implicitly required to abide by in order to be seen as legitimate, like for example firms' increasing engagement in CSR initiatives as a result of establishment of CSR as a discipline in Business Schools (DiMaggio & Powell, 1983).

The diverse institutional environments, within which organizations operate, crucially inform firms' strategic and managerial choices (Oliver, 1991). A case clearly representing the above tensions is that of Brazil. Brazilian firms first started thinking about and engaging into CSR initiatives, towards the end of 1960's, when compliance with international regulations, membership in international trade relations and accommodation of socially outstanding issues, were regarded as necessary conditions for survival and legitimacy (Griesse, 2007a). Such conditions led the country to develop a number of organizations charged with addressing social burning issues. For instance, in 1986, the Business Development Foundation (FIDES) was founded to help humanize organizational operations while the National Thinking in Business Foundations (PNBE) was developed to defend national versus business interests and educate firms to develop socially relevant business practices intended to improve life quality standards.

Similarly, the need to defend the human rights of socially vulnerable groups and develop solid programs for environmental protection gave rise to a number of NGOs working to those ends (Griesse, 2007a). Along the same lines, the Brazilian Business Council for Sustainable Development was founded in 1997, to promote sustainable growth through economic development (Cappellin and Guiliani, 2004). As a result of those institutional changes, firms are now required to obtain a number of certificates to demonstrate their involvement in socially favorable business practices. The above mentioned initiatives have significantly shaped the institutional environment of the country and have established conditions of normative, coercive and mimetic responses on the part of organizations. The latter has increased CSR requirements, for both local and MNC subsidiaries operating in Brazil. Considering those institutional pressures, it is obvious that firms are expected to develop relevant CSR practices allowing them to successfully integrate and respond to the changing institutional environments within which they operate, in the pursuit of legitimacy.

Institutional theorists argue that decision makers are constantly faced with environmental and institutional threats and opportunities stipulated by the ever-evolving dynamic contexts their organizations operate in (e.g. Nigh and Cochran, 1987; Vachani, 1995). I use the terms threats and opportunities to describe environmental events that are crucial to managerial decision-making and thus likely to inform subsequent actions. Opportunities and threats involve a state of risk and urgency and therefore are viewed as drivers of organizational action (Jackson & Dutton, 1988; Dutton & Jackson, 1987). The central point of this paper is to examine the extent to which managerial framing of institutional pressures as legitimacy related threats or opportunities (losses or gains), informs managerial decisions towards globalized or localized CSR strategies.

Literature suggests that organizations are faced with two types of institutional pressures; the dependence on resources, and their independence from the institutional context that is the control they have over their environment (Oliver, 1991). It has further been suggested that organizations strive to maintain their access to resources and control in order to obtain legitimacy. In an effort to understand the two way interaction between institutional forces and human behavior and cognition (e.g.: Hoffman, 1999; Robson et al, 1996; Zucker, 1977), George et al (2006) used the assumptions of prospect theory, to understand how organizational responses to institutional pressures are shaped by the way decision makers frame institutional pressures as legitimacy - related losses or gains. They suggested that when decision makers perceive legitimacy losses of resources they are more likely to undertake risk-seeking behaviors, reflected in non-isomorphic institutional reactions, in order to prevent this loss, whereas when they perceive legitimacy gains of resources, they will undertake risk-averse behaviors reflected in isomorphic institutional reactions. The latter suggests that managers' are willing to make risk-laden strategic choices depending on their framing of environmental events as legitimacy threatening.

Eventhough the above predictions enrich our knowledge of the way decision makers' cognition guides organizational responses to institutional pressures, little has been done to explore the localized vs. globalized CSR strategies that decision-makers are likely to adopt as a result of their framing of environmental events as legitimacy related losses or gains. The current study combines the principles of prospect theory, institutional and CSR theory to make predictions on the localized versus globalized nature of the CSR strategies that decision-makers are likely to follow as a result of their framing of environmental events as losses or gains of legitimacy.

Literature suggests that regardless of the fact that CSR is of global nature, it is applied differently across national institutional contexts formed by diverse political, cultural, institutional, economic and legal forces (Gjølberg, 2009). Recent research has made attempts to understand the factors affecting CSR choices of MNCs acting in host country contexts and

their subsequent globalized versus localized CSR strategies (e.g. Jamali, 2010). Particularly, it has been suggested that institutional theory explains MNCs' globalized CSR strategies (e.g., Matten and Moon, 2008), whereas stakeholder theory (e.g. Brammer and Pavelin, 2005) explains MNCs' focus on localized CSR strategies. Institutional theory places emphasis on the institutional forces exerting pressure on MNCs to follow isomorphic actions through the adoption of universal global CSR principles, whereas stakeholder theory stresses the importance of the local context and the necessity of considering local stakeholders' interests in developing more locally-relevant CSR practices.

Moreover, the political risk literature suggests that firms are confronted with a wealth of challenges in the diverse institutional contexts within which they operate, often requiring a localized approach (Brewer, 1983; Jain and Nigh, 1989). Among others, factors like governmental processes in diverse contexts, diversity in the major issues faced by firms in different country contexts, and access to local resources have an impact on MNC subsidiaries' strategies and the decision of globalization versus localization reflected in their CSR strategies (e.g.: Vachani, 1995; Brewer, 1992).

For instance, in a study investigating operations of international petroleum firms in Peru and Colombia, Moser (1998) found that the two countries had different governing principles in terms of governmental support and regulations. Such differences between the two local institutional contexts made it hard for MNCs to apply their universal principles, thus leading them to adjust their CSR strategies accordingly to match the local requirements. The latter and other similar examples suggest that MNCs and their local subsidiaries are required to respond to multiple conflicting environmental forces across institutional contexts, urging for either globalized or localized CSR strategies, in the pursuit of legitimacy. Under such circumstances, the MNC subsidiary managers are left with the difficult task to decide what would be the best CSR approach to follow.

There are different views on the ideal choices to be made in such cases, that is whether MNCs should adopt strategies reflecting global CSR approach, or develop their local CSR strategy, taking into consideration their local stakeholders' needs (Muller, 2006). As mentioned above, stakeholder theory stresses the importance of considering the local needs and developing locally relevant CSR practices (Brammer and Pavelin, 2005). However, the fundamental principle of institutional theory is that through cognitive, normative and regulative processes, isomorphism legitimates the homogenization of CSR practices over distinct institutional contexts (Matten and Moon, 2008).

Building on the latter, I make the assumption that, for MNCs operating in host country contexts, globalized CSR practices are expressions of isomorphic reactions to the global institutional context stipulating the adoption of universal CSR guidelines across national borders, whereas localized CSR, considers more local stakeholders' special needs and reflects a

departure from well-established global CSR principles, thus representing a non-isomorphic form of CSR reaction to institutional pressures. Similarly, drawing on the above mentioned research suggesting that isomorphic reactions to institutional pressures reflect risk-averse behaviors, whereas non-isomorphic reactions to institutional pressures reflect risk-seeking behaviors (George et al 2006), it follows that globalized CSR practices reflect risk-averse behaviors, whereas localized CSR practices reflect risk-seeking behaviors. The latter sets the ground for the development of the first proposition:

Proposition1: *Globalized CSR practices, taken by MNC subsidiaries operating in developing countries, are expressions of isomorphic responses to institutional pressures, reflecting risk-averse behaviors, whereas localized CSR practices are expressions of non-isomorphic responses to institutional pressures, reflecting risk-seeking behaviors.*

The above proposition discusses localized and globalized CSR practices in light of institutional theory, thus paving the ground for a more elaborated discussion of the type of strategies MNC subsidiary managers would opt for, based on their framing of institutional pressures as legitimacy related gains or losses, in developing country contexts. Using the principles of prospect theory, I will later argue that the degree of risk involved in managers' CSR choices will be informed by their framing of the institutional environment as legitimacy related gains or losses and that the CSR practices followed will be different for MNCs as opposed to local firms, in developing country contexts. My discussion stresses that legitimacy exists in both global and local levels and argues that the extent to which managers perceive institutional events as legitimacy threatening, largely depends on their country of origin, which in turn informs the globalized vs. localized CSR choices managers will make in order to reach the desired levels of legitimacy. I first focus on CSR choices taken by MNC managers in developing country contexts and then propose that the reverse holds true for managers of local firms, as a result of their framing of similar institutional events as differently affecting their legitimacy.

However, before discussing the above dynamics, I stress the importance of considering the local context as a legitimacy enhancement mechanism, for MNCs operating in host developing countries; a proposition justifying MNCs' risk-laden choices towards CSR, in the pursuit of legitimacy.

Legitimacy in a local level

Literature suggests that for MNC managers to be able to develop a thorough insight of the distinct institutional dynamics of the host countries, within which they operate, they have to get involved into engaging social communication with local stakeholders. This practice can help managers understand and evaluate the local contextual dynamics and develop locally informed CSR practices, allowing them to enhance their legitimacy, locally (Bird and Smucker, 2007). Resource

dependence theory has also emphasized the crucial role of MNCs' partnerships with local entities as a condition for getting access to resources and enhancing their legitimacy. Moreover, literature suggests that MNC subsidiaries don't control the entire set of factors they need to survive but need to develop links with local powerful actors in order to get access to the necessary resources and control they need to maintain and develop their operations (Pfeffer and Salancik, 1978).

A case representing a firm's attempt to get involved into a social dialogue with local stakeholders and develop socially relevant CSR practices, is that of Caterpillar in Brazil. As a result of its meaningful and thorough engagement in understanding the local needs, the company was positively accepted by the local entities as a driver of social welfare, a case that establishes the necessity of developing locally engaged CSR practices in order to enhance legitimacy in a local level (Griesse, 2007b).

Similarly, another case representing the crucial role of engaging in a local dialogue with the public in an effort to develop legitimacy in a local level, is that of Dupont in Brazil (Griesse, 2007c). Due to the company's biotechnological activity, a number of concerns had arisen with regards to ethical and safety issues. In order to understand the special needs of the local context and integrate this knowledge to develop a socially responsible profile, the company partnered with a number of local entities and integrated in its agenda CSR practices stipulated by the local environment. This strategy helped Dupont to adjust its global CSR practices to the local institutional context and develop a CSR agenda informed by the local needs for safety and security. As a result of its locally relevant CSR policy, the company was elected as the sector's most admired company in Brazil, a fact that reflects the importance of engaging with local stakeholders in order to enhance legitimacy in a local level.

The above empirical evidence confirms research suggesting that among the major incentives urging MNCs' subsidiaries to develop local CSR strategies are legitimacy and various forms of commitments with local entities (Jamali, 2010; Matten & Moon, 2008), and argues that regardless of the fact that global practices are often easier to perform, they many times reflect lack of legitimacy, locally. Literature suggests that deviation from socially established behaviors leads organizations to be seen as breaching cultural or legal expectations and organizing principles and that this poses legitimacy threats and the risk for firms to be seen as socially irresponsible by diverse local stakeholders (Deephouse and Carter, 2005). As illustrated by the above, ability to engage in a constructive social dialogue and respond to local needs helps firms to develop locally relevant CSR strategies and gain access to resources and control, elements constituting basic conditions for legitimacy in a local level (George et al, 2006). Thus:

Proposition 2: *MNC's ability to engage into a social dialogue with local stakeholders and partner with local powerful actors, in host developing country contexts, allow them to gain access to resources and control and develop a certain level of localized CSR strategy, thus enhancing their legitimacy, in a local level.*

Given the diverse institutional forces and increasing uncertainty MNCs are subject to in host country contexts, and given that one of the major motivations for MNCs' engagement in CSR is the enhancement of their perceived legitimacy locally (Jamali, 2010), the above proposition suggests that maintaining a certain level of perceived legitimacy requires a constant pursuit of links development with local actors and locally relevant CSR strategies. The latter suggests that firms would be willing to employ diverse CSR practices in their effort to maintain their legitimacy, if they perceived that the latter is threatened.

Managerial Framing and CSR

As mentioned above, literature has established the role of managerial cognition in guiding firms' responses to institutional pressures (George et al, 2006; Basu and Palazzo, 2008; Iederan et al, 2011). However, research investigating the role of framing of environmental events as legitimacy related gains or losses in shaping decisions of localized vs. globalized CSR remains scarce. The current paper contributes to this line of research through discussing the role of cognition with regards to CSR strategic choices of both MNCs and local firms operating in developing country contexts.

A number of different case studies from Latin American countries reflect firms' attempts to reconcile tensions of local responsiveness versus local integration and demonstrate the effect of managerial framing, as losses or gains of legitimacy, in the subsequent CSR choices taken. For instance, in order to address public concerns, the Chilean subsidiary of the Norwegian salmon producer, EWOS, offered its employees competitive salaries and social coverage contracts, beyond the average Chilean standards. At the same time, to contribute to the accommodation of social issues like unemployment, the company didn't automatize the feed packing task of the value chain, which would be in line with its business objectives of cutting costs, but rather employed lower paid workers for this position. However, while maintaining manual packing in the value chain was positively accepted in the Chilean context, this practice could not have been implemented in Norway, where this task is regarded as a "lower-status" work (Huemer, 2010). This practice helped the company address employee concerns with regards to various issues and enhance employee satisfaction, thus also enhancing legitimacy in a local level. This example reflects the conflicting dynamics firms are confronted with in their effort to deal with host and home country requirements and the impact of managerial framing of the situation as legitimacy related losses, on the subsequent CSR strategies taken to restore legitimacy and be seen as socially responsible across contexts.

The example of another Norwegian salmon producer MNC operating in Chile, provides a better illustration of how managerial framing informs localized vs. globalized CSR actions for legitimacy enhancement. The Chilean subsidiary of the Norwegian salmon producers, Cermaq-Marine Harvest and Mainstream, was accused by Chilean NGOs and the media for lack of high quality working standards and salaries (Huemer, 2010). As a response to its managerial framing of this situation as a legitimacy threatening event, the company adopted new, locally informed, CSR practices under the name 'Cermaq Passport to Sustainable Aquaculture'. The new CSR strategy included diverse sustainable practices relating to environmental protection and social to product requirements, imposed to all Cermaq subsidiaries across the globe.

In the frame of this new initiative, the managers stressed the importance of local perception and decided to develop locally relevant CSR practices. In other words, the firm realized that it was crucial to understand the Chilean interpretation of the European way of doing business and try to integrate it into their local CSR strategy, in order to accommodate and enhance its legitimacy in a local level. The above example illustrates the local versus global conflicting forces firms are faced with in the host developing countries, within which they operate and suggests that MNC managers' framing of environment challenges as legitimacy related losses leads them to depart from their established practices and develop locally adapted CSR agendas in order to be perceived as responsible and legitimate by their various local stakeholders.

In talking about perceptions of losing or gaining legitimacy and the respective CSR responses that managers are likely to take in view of legitimacy related losses or gains, the main assumptions of prospect theory can help further inform this discussion. Prospect theory is one of the most influential theories shedding light on the effect of managerial cognition on subsequent reactions towards prospects of losses or gains (Tversky & Kahneman, 1981). In the development of prospect theory, Tversky and Kahneman (1979) stressed the importance of framing effects, a crucial and inseparable aspect of it (Tversky & Kahneman, 1981; Kahneman & Tversky, 1979), as a situation when similar occasions give rise to considerably distinct decisions, based on whether those occasions are perceived or framed, as prospects of gains or losses (Tversky & Kahneman, 1981). Kahneman (1973) argues that loss prospects trigger the decision maker's ability to process information (March & Simon, 1958), thus urging them to come up with new solutions as opposed to socially established practices (March, 1989). Thus, prospects of loss give rise to more risky and novel solutions than well-learned routines. Conversely, prospect theory posits that individuals demonstrate risk-averse behaviors in view of gains, because they undervalue the likelihood of extra gains but overvalue the likelihood of extra losses, against their point of reference (Kahneman & Tversky, 1979).

Having said the above, according to prospect theory, changes seem greater when framed as losses than gains. Thus, considering the role of framing effects in individual decisions and the extent to which identical situations can give rise to different responses depending on whether the situation is framed as a loss or a gain, is of significant importance. In considering the role of individual framing, one has to consider the role of cognition affecting the way in which decision makers process information in situations of uncertainty (George et al, 2006) and how this, in turn, translates into specific actions reflecting the perceived interpretation of the environment. Also considering that one of the major managerial responsibilities is to build and preserve legitimacy in a local level (Selznick, 1957), it follows to argue that organizational decision makers would be willing to go to great lengths to accommodate the organization's legitimacy, when they perceive that it is threatened.

Having demonstrated the above, and given that maintaining legitimacy in new local contexts, where the 'rules of the game' differ to those of home countries, is a major necessity and requires MNCs to develop locally relevant strategies non-tested in their home countries (Bird and Smucker, 2006), I make the assumption that the degree or risk involved in CSR organizational responses to legitimacy related losses or gains will vary based on managerial framing of the institutional context. In other words, I argue that the CSR reactions to institutional pressures will be informed by the principles of prospect theory.

Having argued that, for MNCs operating in developing countries, globalized CSR strategy is a reflection of isomorphic, risk-averse response to institutional influences, informed by institutional theory (Matten and Moon, 2008), as opposed to localized CSR strategy, which is more of a reflection of non-isomorphic, risk-seeking behavior, informed by stakeholder theory (Brammer and Pavelin, 2005), and combining this with the premises of prospect theory suggesting that decision-makers have the tendency to adopt risk seeking behavior in view of losses as opposed to risk-averse behaviors in view of gains (Kahneman & Tversky, 1979), set the ground for the development of the third proposition, as follows:

Proposition 3: *MNC managers perceiving that their firm is confronted with losses of legitimacy, in the developing countries within which they operate, are more likely to depart from well-learned global CSR strategies and follow a localized CSR strategy, whereas MNC managers perceiving that their firm is confronted with gains of legitimacy, in the host countries within which they operate, are more likely to take globalized CSR action.*

So far, we have made predictions regarding the CSR practices that MNC managers would opt for, as a result of their framing of the situation as legitimacy related gains or losses, in developing country contexts. However, the above discussion so far disregards the pressures faced by local firms in their home developing country contexts. Research suggests that a

crucial element determining developing country firms' CSR agenda and priorities, is the relational interdependencies linking their countries of origin with developed countries, namely European and US (Peres-Batres et al, 2010). Particularly, it has been argued that international interdependencies require developing country firms to develop new CSR strategies, in their home countries, in order to respond to the emerging international institutional requirements. The latter is particularly observed in developing countries where CSR is not a diffused idea, thus the local institutional environment doesn't encourage firms to develop mimetic or isomorphic CSR responses in order to gain legitimacy. In such a context, firms from developing countries are pressurized by their international environment to adopt internationally imposed CSR practices to be seen as legitimate both internationally and locally.

For instance, in a study investigating Latin-American public organizations' operations in Mexico, Brazil, Colombia, Argentina, Chile and Peru, Perez-Batres and colleagues (2010) discussed the crucial role of the global institutional dynamics in guiding Latin – American firms' CSR agendas. Particularly, the study argued that international institutional changes and variable international interdependencies between countries, guide firms to adopt CSR practices imposed by their international context. Particularly, it was found that Latin-American firms strongly tied with the European institutional context are more pressurized to develop an internationally informed CSR agenda as compared with Latin- American firms strongly linked with the US institutional context.

The same study concluded that membership in international partnerships, like the NYSE, gives rise to mimetic institutional reactions, since it leads firms to strongly copy CSR practices of other firms of the list. For instance, Latin-American firms included in NYSE were found to heavily engage in CSR, in an effort to maintain legitimacy, as opposed to firms not included in the list. Conversely, state-imposed initiatives, like a country's participation in the Kyoto protocol, were not found to provide incentives for engagement in CSR practices. This might be explained by the fact that most Latin America countries lack local firms demonstrating exemplary socially responsible behaviors, thus limiting firms' incentives to imitate other powerful players, since this does not satisfy their legitimacy realization objectives (Peres-Batres et al, 2010).

Those findings suggest that the US and European institutional contexts have a significant impact on Latin American firms, listed in international conventions, even when they operate within the boundaries of their home countries, and that the local CSR strategies developed by Latin-American firms depend to a great extent upon the focal country's international links with Europe or US. The latter reflects a case of institutional isomorphism, whereby Latin-American firms are required to abide by global CSR principles in order to be perceived as legitimate locally and internationally. In other words, a firm's country of origin and related institutional interdependencies with the international context, substantially inform the extent to

which managers frame institutional events as threatening their legitimacy, which in turn informs the subsequent CSR agenda firms develop in the pursuit of legitimacy.

As illustrated above, it is obvious that in developing countries, where CSR is a relatively new notion, pressures to achieve legitimacy require local firms to comply with international requirements and integrate new global CSR practices in their home country CSR agenda. That said, global CSR agenda would translate to a more risk-seeking behavior, for local firms, since it is not directly informed by their home country contexts and requires a certain departure from firms' well-learned routines. Conversely, firms originating at developed countries (MNCs) usually already possess a well-developed CSR agenda, in line with the global principles stipulated by their institutional environment, since their countries already shape the international CSR requirements to a great extent. Thus, MNCs' CSR strategy is often in line with global CSR requirements, which to them translate to risk-averse behavior, as established above. Conversely, as predicted by the above propositions, when perceiving losses of legitimacy in developing country contexts, MNCs are willing to go to greater lengths to restore it, thus adopt more risk-seeking behaviors, to them translating to localized CSR. The latter suggests that both globalized and localized CSR strategies reflect reactions taken in the pursuit of legitimacy, and that the strategies firms will opt for depend on managers' framing of the situation as legitimacy related gains or losses, a framing highly informed by the firm's country of origin. In other words, similar CSR strategies – global or local- translate to different levels of risk that firms, depending on their country of origin, would be willing to take in order to restore their legitimacy, when operating in developing countries. Thus:

Proposition 4: *Globalized CSR practices reflect non-isomorphic, and thus risk-seeking behaviors for local firms and isomorphic, risk-averse behaviors for MNCs, operating in developing countries, whereas localized CSR practices reflect non-isomorphic, risk seeking behaviors for MNCs, and isomorphic, risk-averse behaviors for local firms operating in developing countries.*

The above proposition suggests that the asymmetry of knowledge of the institutional environment leads local firm and MNC managers to perceive and frame similar institutional pressures in differently ways and thus perceive different levels of uncertainty in similar situations. For instance, local managers would tend to feel higher uncertainty in the international institutional environment as opposed to their home country context, whereas MNCs would tend to feel higher uncertainty in a local developing country context as opposed to the international institutional environment. This suggests that local and MNC firm managers would perceive similar situations as differently affecting their legitimacy and this would in turn inform the level of risk involved in their subsequent CSR practices, in their effort to restore the perceived legitimacy losses. Thus, again

the degree of risk involved in firms' CSR action would be informed by prospect theory, which in that case translates to different strategies depending on the firm's country of origin. Having established that for local firms, as opposed to MNCs, globalized CSR demonstrates a risk-seeking behavior, whereas localized CSR demonstrates a risk-averse behavior, and combining this with the assumptions of prospect theory, leads to the development of the 5th proposition:

Proposition 5: *As opposed to MNC managers, environmental framing as losses of legitimacy, would lead managers of local developing country firms, which tend to be more dependent on the international institutional context, to adopt globalized CSR strategies, in a demonstration of a risk-seeking behavior, whereas in view of gains of legitimacy, managers of the same firms would tend to adopt more localized CSR, in a demonstration of a risk-averse behavior.*

Discussion

In the current study, I have made predictions paralleling CSR strategies to different institutional reactions in the pursuit of legitimacy. Further, my propositions predict that organizational decision makers' CSR choices, towards globalization or localization, will be informed by their framing of environmental events as legitimacy losses or gains. I have combined together the assumptions of prospect and institutional theory as well as globalized versus localized CSR literature from Latin American developing countries, to predict the extent to which decision makers are likely to pursue localized vs. globalized CSR strategies in view of environmental threats or opportunities involving losses or gains of legitimacy. Finally, the current study discusses CSR strategies followed by firms originating at developed vs. developing countries to draw conclusions on the impact of country of origin in guiding managerial frame of environmental events and thus subsequent CSR practices.

The current study aims to contribute to recent debates discussing the role of cognition in shaping reactions to institutional pressures (Scott, 1995; Selznick, 1996; George et al, 2006). Particularly, building on this line of research, I argue that institutional pressures framed as legitimacy related losses or gains affect and are affected by human cognition, in turn shaping the CSR strategies that firms develop in their home and host developing country contexts. My discussion uses the fundamental assumptions of institutional theory and stakeholder theory, to predict firms' global vs. local CSR practices in developing country institutional contexts. My propositions suggest that localized CSR strategies reflect non-isomorphic responses to institutional pressures, whereas globalized CSR strategies reflect isomorphic responses, to institutional pressures, for MNCs operating in host developing country contexts.

Second, using a number of real cases studies of MNCs acting in Latin America and the premises of resource-dependence theory on the importance of contracting with local actors in order to gain access to resources and control in host country contexts, I propose that ability to partner with local players and engage into a meaningful social dialogue with local stakeholders allows MNCs to gain access to resources and control and develop localized CSR strategies, thus enhancing their perceived legitimacy. Third, discussing evidence from Latin American countries and using the premises of prospect theory (Kahneman and Tversky, 1979), I argue that in face of environmental threats and opportunities, decision makers' framing of the situation as legitimacy related losses or gains will affect the degree of risk involved in their CSR choices and the subsequent localized or globalized CSR strategies they will follow, in host developing country contexts. Particularly, I propose that in view of losses of legitimacy, MNC managers operating in developing countries will adopt intensive localized CSR strategies, in an expression of non-isomorphic reaction involving higher levels of risk, whereas in view of legitimacy gains, MNC managers are more likely to adopt globalized CSR strategy, in an expression of isomorphic response to the institutional pressures, reflecting a risk-averse behavior.

Last but not least, using evidence from Latin-American firms (Perez-Batres et al, 2010), the current paper discusses the role of country of origin in shaping the way institutional pressures are framed by managers, in turn affecting firms' CSR practices. Particularly, I argue that international interdependencies between countries, lead firms originating at developing countries to adopt global CSR strategies, even when they perceive legitimacy threats in their home country and that similar strategies –localized or globalized CSR- translate to different levels of risk for local firms as opposed to MNCs operating in developing countries. Specifically, I argue that when framing institutional pressures as losses of legitimacy, local firms managers, whose country of origin is closely linked to US or Europe, would tend to adopt globalized practices in a demonstration of risk-seeking behaviors as opposed to MNC firms, which when faced with losses of legitimacy, in host developing country contexts, would tend to adopt localized CSR. Conversely, I argue that when faced with gains of legitimacy, local firm managers would tend to adopt more localized CSR strategies in a demonstration of risk-averse behavior. This proposition proposes boundary conditions on the relationship between managerial framing and CSR practices, suggesting that depending on the firm's country of origin, similar environmental events are perceived as involving different levels of legitimacy risk, thus differently informing MNC and local firm managers' risk-laden CSR decisions, in developing country contexts.

Directions for Future Research

As mentioned above, the current study contributes to debates around the role of cognition in affecting firms' strategic responses to institutional pressures, in particular with regards to CSR. Those propositions open an avenue for future research to explore the proposed dynamics across diverse country settings and potentially identify more boundary conditions affecting the effects of managerial framing on MNC and local firms' CSR practices, in Latin America. Future research could also try to confirm those propositions across a number of different developing country contexts and further inform current debates on the role of cognition in shaping CSR strategies as well the role of international interdependencies in shaping MNCs and local firms' CSR strategies.

Conclusion

Using a number of case studies from local firms and MNCs operating in Latin America, the current study discusses the role of human cognition in shaping firms' localized or globalized CSR responses to institutional pressures. The current study proposes that for MNCs operating in developing countries, global CSR practices reflect isomorphic reactions to institutional pressures, whereas local CSR practices reflect non-isomorphic reactions to institutional pressures. However, using examples from Latin American firms, the study proposes that the reverse holds true for local firms originating at developing countries, when their country of origin is institutionally linked with developed countries. The current study extends previous research on the role of cognition in managerial strategic reactions (George et al, 2006; Selznick, 1996; Zucker, 1987). Particularly, basing its rationale on the premises of prospect theory, the current study proposes that when MNC managers perceive losses of legitimacy, they will tend to adopt risk-seeking behaviors reflected in localized CSR strategies, whereas when they perceive gains of legitimacy, they will tend to adopt more risk-averse behaviors reflected in globalized CSR, in the host developing countries within which they operate. Last but not least, the study discusses boundary conditions shaping global vs. local CSR practices and argues that, as opposed to MNCs, firms originating at developing countries would adopt reverse action in response to managerial framing of environmental events as losses or gains of legitimacy. The current propositions contribute to recent debates around the role of cognition in shaping firms' CSR strategic decisions and extend this dialogue through proposing new interesting relationships that future research could confirm across diverse country settings.

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