FUNDAÇÃO GETULIO VARGAS
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HENRIQUE HENARES

# APPROACH TO CORPORATE SOCIAL RESPONSIBILITY MANAGEMENT STRATEGY: CASE COMPARISON STUDY OF THE UNITED STATES FORD MOTOR COMPANY AND GERMANY'S BMW GROUP

SÃO PAULO

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Campo do Conhecimento: Gestão e Competitividade em Empresas Globais

Orientador: Dr. Servio Tulio Prado Junior

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## ABSTRACT

This paper addresses the question, “How do major institutional differences between the USA and Germany explain the dissimilarities in the way Ford and BMW implement their CSR strategies?" This thesis aims to contrast the implementation of CSR strategies in the United States and Germany with the two practical cases of Ford Motor Company and BMW Group. To answer the proposed question, the author in a qualitative comparative research does so by examining first, the Political, Social, Economic, and Institutional CSR systems of both countries. In the United States, the author has come to the conclusion that the Government is endorsing the encouragement of CSR activities, however not mandating it at the Federal Level. In Germany, the author has come to the conclusion that the Government is mandating CSR at the Federal Level. Second, the author used the MSCI ESG Rating quantitative database reporting mechanism to measure the two corporations as a means to understand if the institutional differences have an effect on the corporations. Third, the author developed the CESI Framework to further analyze the two corporations. After an in-depth analysis of the Corporations’ Sustainability Report, it is clear that both corporations changed their business strategy to consider Sustainability as a key winning solution for their automotive companies to succeed by caring for the environment, and the society.



**KEY WORDS:** Corporate Social Responsibility, Management Strategy, United States, Germany, Ford, BMW, Sustainability, Automotive Industry

**RESUMO (in Portuguese)**

Este estudo pretende responder à questão: " De que forma as principais diferenças institucionais entre os Estados Unidos e a Alemanha explicam as diferenças no modo em que a Ford e a BMW implementam as suas estratégias de Responsabilidade Social Corporativa?" Este trabalho tem como propósito comparar a implementação de estratégias de RSC nos Estados Unidos e na Alemanha com os dois casos práticos da Ford e BMW. Para responder à proposta questão, o autor, numa pesquisa qualitativa comparativa, procede a uma análise preliminar dos sistemas Políticos, Sociais, Económicos e com uma avaliação Institucional de RSC de ambos países. Após a realização desta análise, o autor entendeu que existem diferenças nas implementações institucionais entre os Departamentos Governamentais dos Estados Unidos e da Alemanha. Nos Estados Unidos, o autor chegou à conclusão de que o governo está endossando o incentivo de atividades relacionadas a RSC, mas não o exigindo no nível Federal. Na Alemanha, o autor chegou à conclusão de que o governo está exigindo a RSC no nível Federal. Ademais, o autor utilizou o mecanismo de informação quantitativa da base de dados MSCI ESG Rating para medir as duas empresas como forma de compreender se as diferenças institucionais têm efeitos sobre as empresas. Conquanto, o autor desenvolveu o CESI Framework para analisar melhor as duas empresas. Após uma análise aprofundada do Relatório de Sustentabilidade das Empresas, é evidente que ambas alteraram a sua estratégia de gestão para considerar a sustentabilidade como uma solução chave para o sucesso das suas empresas do sector automóvel, cuidando do ambiente e da sociedade.

**PALAVRAS CHAVE:** Responsabilidade Social Corporativa, Estratégia de Gestão, Estados Unidos, Alemanha, Ford, BMW, Sustentabilidade, Indústria Automotiva

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| | |
|---|---|
| **CSR** | Corporate Social Responsibility |
| **CESI** | Corporate Environmental Societal Initiatives |
| **CARES** | Corporations that Accommodatively Reassure Environmental & Societal Issues |
| **ESG** | Environmental Social and Governance issues |
| **CSP** | Corporate Social Performance |
| **CC** | Corporate Citizenship |
| **SVT** | Shareholder Value Theory |
| **MSCI** | Morgan Stanley Capital International |
| **NGO** | Non-Governmental Organization |
| **US** | United States |
| **UN** | United Nations |
| **UNGC** | The United Nations Global Compact |
| **SDG** | Sustainable Development Goals |
| **GRI** | Global Reporting Initiative |
| **SME** | Small and medium-sized enterprises |
| **GHG** | Greenhouse Gas |
| **BMW** | Bayerische Motoren Werke AG |

**Introduction and Objective**

All accounts of Corporate Social Responsibility recognize that business firms have many different kinds of responsibilities and seek to define both the scope of corporate responsibility in society and the criteria for measuring business performance in the social arena (Carroll, 1979). The main objective of the thesis is to analyze the role of Governments CSR Institutions in determining the effects on Corporations CSR Management Strategies by doing a qualitative comparative analysis of the Ford Motor Company, and the BMW Group and examine if, through them there are effects in management practices due to their national institutions. First, the author examined the Political, Social, and Economic systems of both countries. Second, the author used the MSCI ESG Rating quantitative database reporting mechanism to measure the two corporations, respectfully, the Ford Motor Company and the BMW Group as a means to understand if the institutional differences have an effect on the corporations. Third, the author developed the CESI Framework to further analyze the two corporations.

The author chose the United States and Germany as the national contexts to show differences in the corporations' approaches to CSR in nation-states with seemingly similar economic influence over their region, however with historically different institutional contexts. For scholars, CSR is highly contextual not only in terms of its corporate environment but also in terms of its national environment (Moon, J., 2004). The interest in researching this specific sector of the automotive industry is for the reason that it has importance and pressure to reduce the environmental impact on a global scale. The author has the understanding that if the automotive industry can make the transition to produce less waste, make use of less natural resources, and produce more energy than they consume then any industry can make the transition to be environmentally and socially capable of achieving their objectives.

In consideration of a comprehensible boundary line between the governments' and the corporations' obligations, respecting both the economic importance and social significance of the role of business it is difficult to analyze where the line of responsibility is met for both actors. The role of the Federal Government Institutions may influence a corporation's ethics and morality. The history of different countries institutional frameworks can also have an effect on the determinants of Corporate Social Responsibility. Companies' ability to grow and continuously develop is

determined by its social competences, ethical responsibility, and environmental contributions (Hardjono, T., 2001).

Moreover, Howard R. Bowen argued that corporations have to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society (Bowen, H. R., 1953). Like the government, a business has a social contract, an implied set of rights and obligations (Steven L. Wartick, Philip L. Cochran, 1985). As Corporate Social Responsibility is gaining prominence, there is a growing need for incorporating social responsibility in management curriculums (Vohra N., Sheel R, 2012).
This research builds upon Fox, Ward and Howard's 2002 CSR baseline study, by carrying out a comparative qualitative analysis, that can confirm if there are differences between the United States and Germany in their Governmental Departments and Policies Pertaining to CSR implementation and if it effects the subject corporations. The author investigates this with one focused and calibrated research question:

"How do major institutional differences between the USA and Germany explain the dissimilarities in the way Ford and BMW implement their CSR strategies?"

What can be affirmed methdologically is that there are dissimilaties between the two countries National Institutions and this can help explain the diferences effectively observed on the cases compared. In the past, it was inconvenient to compare the American and German Governmental Departments and determinants of Corporate Social Responsibility implementation due to non-transparent reliable sources from companies. However, companies are now being monitored and measured by international organizations and financial auditing agencies that consequently facilitate the analysis of corporations, such as the MSCI ESG Ratings which will be used by the author. Corporate Social Responsibility perceptions and practices differ widely between countries (Maignan, I., Ralston D.A., 2002). A number of countries have passed Corporate Social Responsibility laws for the protection of the employees, the communities, and the environment in which the corporation needs to comply with by obligation. This system imposed by the government consequently creates a set of structure which a company must follow in specific national contexts.

However, in a liberal system of government, it is perceived that the role of the government should be to encourage but not to enforce social responsibility to corporations, whereas businesses have the free will to have social responsibilities if the company understands it as a competitive advantage or their interest is to be sustainable, and if they abstain from assuming responsibility there are no legal consequences. Therefore, this thesis seeks to understand the influence of government institutional models by comparing two corporations' CSR strategies by creating an updated CSR Framework. Corporate Environmental Societal Initiatives or CESI is focused on transitioning the core competence of a corporation that *CARES* (Corporations that Accommodatively Reassure Environmental and Societal issues) about the Environmental and Societal issues with the objective of using three parameters which include; Creativity, Circularity, and Glocality to analyze similarities and differences.

The authors framework suggests that these are the winning solutions and that a corporation should transition their entire business model, fundamental objective, and values to care for the environmental and societal issues as their core competence of the corporation. The problem that led me to research this topic is that there isn't an updated Framework that recommends responsible business conduct in a global context independent of the national government Federal laws, or regulations. The CESI Framework suggests that a corporation can develop, lead, and implement a system of environmental and social initiatives that could have the same effect regardless of government influence on a global scale. Therefore, corporations are not limited to following the regulations and can overachieve for the reason being that the corporation decided to care for environmental and societal global issues. Moreover, the author contributes to the field of knowledge International Management by suggesting that managers should not consider CSR as a branch of a Corporation, however, should consolidate it within the Core Business Strategy of any SME or Large International Corporation. Furthermore, the creation of an updated CSR Framework aimed to combine major contributions made by past scholars for International Corporations to actively engage by acting out responsible business conduct in a global context regardless of the national governments.

# 1 Literature Review

In the literature review, the author presents three theories and two approaches of CSR based on their corresponding concentration of different idealistic notions of social realities, which include; economic wealth, political control, social integration, and ethical ideologies thematically. The literature review describes each theory or approach, the first is Corporate Social Performance Theory, the second is Shareholder Value Theory and Stakeholder Theory (as one), and the third is Corporate Citizenship Theory. Followed by the two approaches, the Implicit vs. Explicit Approach, and Carroll's Approach. After the three theories, and two approaches have been analyzed the author will do an explicit summary of the literature review, and propose an alternative framework in the following chapter.

## 1.1 Corporate Social Responsibility Theory: Corporate Social Performance

D., Melé, (2008) found especially useful the distinction introduced by Wood (1991) that "the configuration in the business organization of principles of social responsibility, processes of response to social requirements, policies, programs and tangible results that reflect the company's relations with society (Wood, 1991b, edited by author). The theory explains that corporations, besides their essential responsibility to create wealth, should also have the requirement to address social issues created by the core of the corporation, or due to their influence, that is that they should be held accountable beyond their economic and legal reliability. The theory further explains that civilians are responsible for giving the authorization or grant the license for the business to function, and therefore, corporations should serve the needs of civilians or society by addressing their social regards towards corporations.

The author Howard R. Bowen could be perceived by scholars to be considered the father of Corporate Social Responsibility in the world with his book; *Social Responsibilities of the Businessman*. Bowen addressed that corporations have to pursue strategies, make choices, and follow those lines of action which are worthwhile in terms of the aspiration to make wealth, and the standards that are beneficial to society. The doctrine of social responsibility, refers to the idea, now widely expressed, that voluntary assumption of social responsibility by businessmen is, or might be, a practicable means toward ameliorating economic problems and attaining more fully

the economic goals we seek (Bowen, H. R., 1953). In particular, the book Social Responsibilities of the Businessman closely examines the executive mindset during the early stages of CSR and offers data showing how managers make sense of social responsibility (Basu, K., Palazzo, G., 2008).

Researchers in the 1970s gave a new understanding of Corporate Social Responsibility for corporations and society. Preston and Post introduced the notion of public policy process and public responsibility. Public Policy refers to widely shared and generally acknowledged principles directing and controlling actions that have broad implications for society at large or major portions thereof. It is not necessary, of course, that all members of society accept, or even be aware of, policy principles and their implications (Preston, L. E., Post, J. E. ,1975). Preston and Post introduced the institutional systems model of Public Policy process where society raises issues for the government system, which results in policy formation and implementation.

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The Institutional Systems Model of the Public Policy Process seen in Figure 1:

***Society***

Social, economic and political leaders; interest groups and the general public

**Raises Issues For** **Responds to Stimuli From**

***The Constitutional and Governmental System***

Which define (a) the levels of government, and their responsibilities; (b) the branches of government, and their powers

**Resulting In**

***Explicit Public Policy Formation***

(1) Specification of policy issues (agenda items)
(2) Analysis of alternatives and results; relationships among costs, effects, and other policy goals
(3) Policy decision and formal implementation
(4) Implementation and experience

**Leads to**

**Evaluation and Feedback**

**Figure 1** The Principle of Public Responsibility

**Source:** Preston, L. E., Post, J. E. 1975. Private Management and Public Policy. The Principle of Public Responsibility. Englewood Cliffs, NJ: Prentice Hall.

There was no clear attempt from Preston and Post to identify a framework for Corporate Social Performance, however it did introduce institutional systems of society and the interlink between the governmental systems. Preston and Post are in favor of business intervention in the public policy process in sectors where public policy has yet to be permanent or is in the process of being developed. Preston and Post theory concludes that corporations should be socially accountable in their role in society because their existence is in a mutual ecosystem, and their functions of business are dependent on the commonwealth of civilians (Preston, L. E., Post, J. E. ,1975).

Then in 1979, Carroll emphasized that "Corporate Social Performance requires that (1) a firm's social responsibilities be assessed, (2) the social issues it must address be identified, and (3) a response philosophy be chosen" (Carroll, 1979). The entire range of obligations according to Carroll, will be covered in the last section of the literature review. The model of Preston and Post did not bring answers, but only suggestions for a corporation to follow for better social integration.

In the 1990s, Donna J. Wood, did not receive in full Preston and Post's theory and proposed that we (as in a society to) stop thinking about Corporate Social Responsibility as a pain-and-suffering concept, and accept it as a concept of freedom and maturity. In a society that values freedom, people who take responsibility for their actions can exercise freedom of choice, and those who wish to have freedom must earn it through being responsible. It is a synthesis which includes: (1) principles of CSR, expressed on three levels: institutional, organizational, and individual; (2) processes of corporate social responsiveness, and (3) outcomes of corporate behavior (Melé, D., 2008, edited with numbers to clarify). Therefore, in a corporation the CEO's, senior executives, and managers should use "Managerial Discretion" since they are ethical actors, and therefore should be accountable for following the law, course of action, and methods that are responsible.

Reoriented CSP Model in Figure 2:

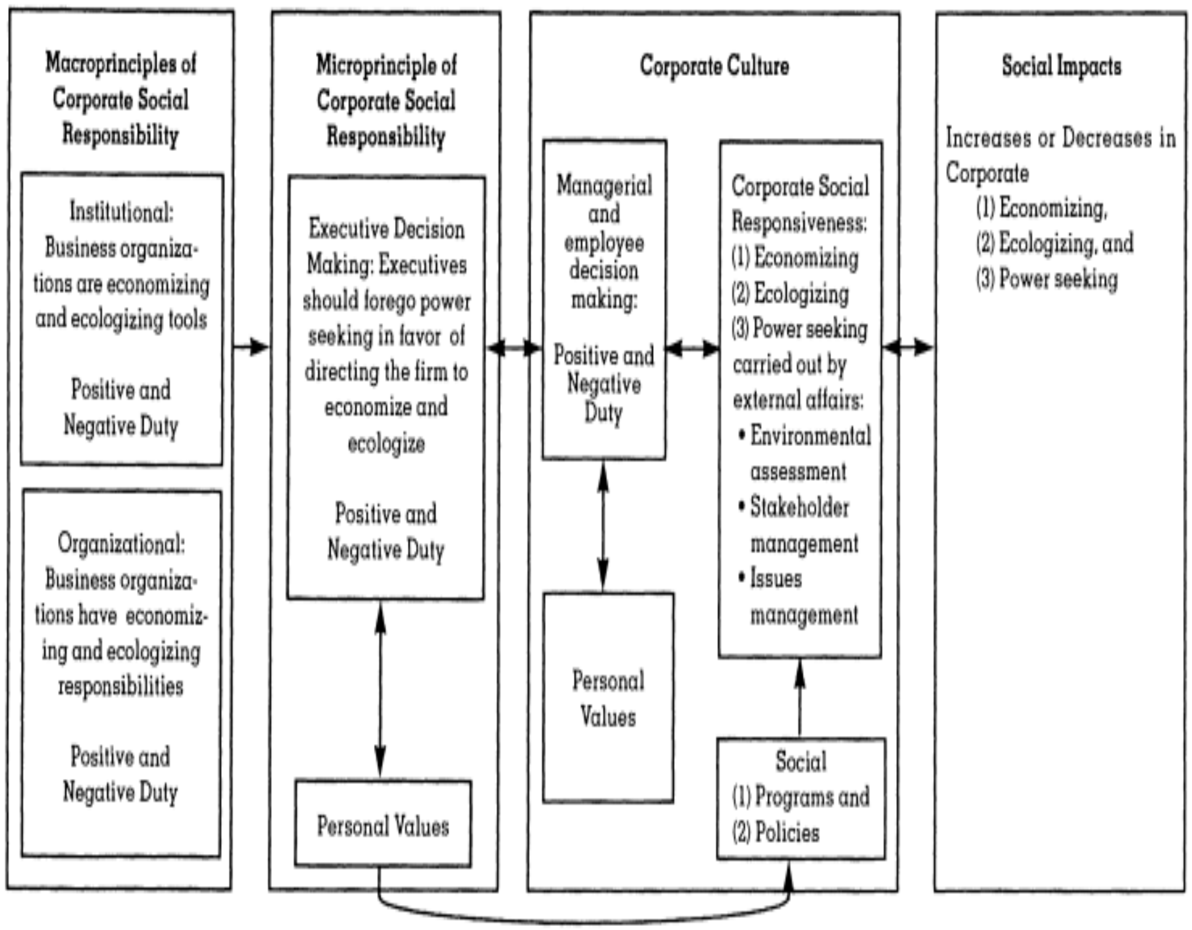


**Figure 2** Corporate Social Performance Model

**Source:** Swanson, D. L. (1995). Addressing a theoretical problem by reorienting the corporate social performance model. The Academy of Management Review, 20(1), 43–64.

However, Diane L. Swanson found difficulties in the theoretical approach by Wood's principles. The economic and duty-aligned perspectives are not compatible in CSR principles in view of the fact that they encounter trade-offs and moral justification problems that prevent their theoretical integration. Additionally, the principles restrain corporate economic responsibilities through normatively unclear social controls that can be influenced by a corporation's own responsiveness, programs, and policies. Moreover, the principles do not clarify the moral motivation for this influence and other corporate social behavior. The second way the CSR principles lack normative clarity is related to the moral justification problem (Swanson, D. L., 1995). Swanson made

emphasis that there is a need for a broader CSR principle. As seen on Figure 2 where the Reoriented Corporate Social Performance model is illustrated.

## 1.2 Corporate Social Responsibility Theory: Shareholder Value and Stakeholder

Shareholder Value:

Shareholder Value theory (SVT), or Fiduciary Capitalism concentrates on the exclusive, singular, and unique responsibility of the corporation is to make profit, and consequently, increase the economic worth of the corporation for the benefit of their shareholders. Milton Friedman stated that there is "one and only one social responsibility of business, to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud" (Friedman, M., Friedman, R. 1962). Nonetheless, Friedman did welcome the amalgamation of social requests into the corporation if the company was making a profit or had a competitive advantage for an extensive period of time. Furthermore, that corporations could partake in societal engagements if it was required by law, or if contributed financially to the enlargement of shareholder value. For Friedman, the concept of involvement from a corporation was adequate and fair if the firms' personal interest or advantage is accounted for in the first place (Friedman, M., 1970).

The idea of a free market economy was essential to Western Civilization, it was the fundamental piece that paved the way for the key principles of the United States of America to succeed with limited government intervention; open and free competition by abiding to the law. Those who are in favor of the shareholder theory are the individuals who are encouraged by the advancement of a corporation to accelerate substantial assets in order to expect future returns that are considerable to the firm's forward-looking performance and essentially win by the "rules of the game" by becoming the wealthiest corporation (Friedman, M., Friedman, R.,1962.) Shareholders continuously evaluate a firm's current market, management, and financial conditions for wealth creation. Corporations should then, by default, innovate, cut costs, produce products that will bring value to the corporation, and invest in capital that will bring future investment.

However, there are those scholars that have a different understanding of the shareholder value theory. Peter Drucker in 1954, made emphasis the idea or perception that profit and the leadership of a company in social affairs are possible, and the main concern is how to transform Corporate Social Responsibility into financial business opportunities for shareholders. Drucker views growth as the engine of economic development and the means by which shareholders are rewarded for taking risks (Drucker, P., 1954). Drucker redefines the role of the enterprise, focusing on its role in creating growth and profitability. An organization is an important means of putting wealth-creating resources to productive use, a task that could not be achieved without skillful, decisive, and visionary management (Shaker A. Zahra., 2003). In other companies the CSR practices, which are typically limited, are undertaken only if and when it can be shown that shareholder value will be protected as a result (Visser, W., 2010).

Stakeholder Theory:

The Stakeholder Theory considers the civilians, individuals, and the public that have an interest due to the financial involvement or investment in the corporation. In other words, stakeholders are the population who either have something to gain or have something to lose by the actions of the corporation. The list of stakeholders originally included shareowners, employees, customers, suppliers, lenders, and society (Freeman, E., Reed, D., 1983). In the 1960s, scholars such as Davis asserted that corporations had "extreme significance and there was of such obligation to behave in social affairs that were beyond the interest of the firm. Social responsibility, therefore, broadens a person's view to the total social system" (Davis, W., 1967).

The stakeholders are recognized for their concern of the corporations, and consequently their motivation is naturally existential. The firm is a system of stakeholders operating within the larger system of the host society that provides the necessary legal and market infrastructure for the firm activities. The purpose of the firm is to create wealth or value for its stakeholders by converting their stakes into goods and services (Clarkson, M. B. E., 1995). Stakeholder Theory, as it exists today, is more a general orientation than a theory capable of predicting or proscribing specific types of Corporate Social Responsibility investments (Evan, W. M., and Freeman, R. E., 1988). The Corporation is understood to be a conceptual, metaphysical establishment that has to consider the different populations, organizations, and other businesses that are affected positively or

negatively by the corporation. Therefore, there is a responsibility for managers to incorporate constructive interests to all stakeholders, however the managers are responsible to evaluate which of them are predominant in order to consider their essential requirement.

### 1.3 Corporate Social Responsibility Theory: Corporate Citizenship

By most scholars the term Corporate Citizenship (CC) is a metaphor in which a corporation is put into the position of an individual to do what is beyond the normal expectation (Crane, A., Matten, D., 2005). Therefore, Corporate Social Responsibility begins where the law ends. A firm is not socially responsible if it merely complies (as cited in D., Melé, D., 2008) with the minimum required of the law, because this is what a good citizen would do (Davis, K., 1973). For the firm, CC is generally seen therefore as fueled by issues of self-interest, including the insight that a stable social, environmental and political environment ensures profitable business (Windsor, D., 2001).

The idea of the term "citizenship" is the conception that there is an individual obligation to be morally good, honorable, and to follow the law from one particular person to another. Nonetheless, the term "citizenship" could also be perceived as the notion of following these duties with a bigger perspective of incorporating these actions towards the entire society. Therefore, the "citizen" in this scenario is the corporation that shall partake in contributing to their entire community of where they operate in by focusing on what is correct, just, and responsible.

Four models of citizenship and their potential application to Corporate Citizenship in Figure 3:

| | Liberal Minimalism | Civic Republicanism | Developmental Democracy | Deliberative Democracy |
|---|---|---|---|---|
| Nature of citizenship | Citizenship as a bundle of rights or utilities, administered by governing elites | Citizenship as participation in a community, involving obligations towards the public (or 'civic') good | Citizenship as a dense network of interpersonal relations in society for individual and social flourishing | Citizenship as free deliberation over public decisions in a community |
| Basis for citizenship | Legal and administrative status | Legal and administrative status<br><br>Process of participation | Legal and administrative status<br><br>Process of participation | Legal and administrative status<br><br>Process of participation |
| Nature of participation by citizens | Extremely limited; mostly by electoral choice of governing elites | Obligation to governments and sharing governance with elites<br><br>Pressure group activity<br><br>Direct participation in governing | Fulfillment of obligations to society (rather than just to government) and enactment of direct relations to fellow citizens | Direct involvement in collective problem-solving on basis of equality and plural values to address complex problems |
| Potential as metaphor for 'corporate' citizenship | Offers no space for CC; corporations do not share legal and administrative status of citizens. | Corporate lobbying of government<br><br>'New governance': business as partner of civil society actors<br><br>Governance through everyday economic activities | Corporate involvement with all stakeholders beyond the bottom line rationale for social flourishing | Corporations assume deliberative role in society<br><br>Corporations enable/open up to processes of deliberation by societal members; development towards 'stakeholder democracy' |
| Normative basis for corporate citizenship | N/A | Corporations should participate in societal governance | Corporations should align self-interest with social flourishing | Corporations should participate in civic deliberation as equals |
| Conditions for applying citizenship metaphor to corporations | N/A | Corporations represent aggregates of human interest<br><br>Corporations discharge accountability analogous to other surrogate citizens | Corporations represent aggregates of human interest<br><br>Corporations discharge accountability analogous to other surrogate citizens<br><br>Reciprocal ties between corporations and civil society | Corporations represent aggregates of human interest<br><br>Corporations discharge accountability analogous to other surrogate citizens<br><br>Reciprocal ties between corporations and civil society<br><br>Corporations exercise self-restraint<br><br>Arenas for free and fair deliberation |

**Figure 3** Four Models of Citizenship and their Potential Application to Corporate Citizenship

**Source:** Crane, A., Moon, J., and Matten, D. (2005). 'Can corporations be citizens? Corporate citizenship as a metaphor for business participation in society (2nd Edition).

The separation made of the three views of citizenship is insightful according to Parry, which include the; 1) minimalist, 2) communitarian, and 3) universal rights (Parry, G., 1991). However, other scholar extended the approach made by Wood and Logsdon with a new approach to understand Corporate Citizenship. While corporations therefore “are” not citizens (in the sense of status) we (Crane, and Matten) contend that corporations could reasonably claim to act ‘as if’ they were metaphorically citizens in that their engagement in society resembles that of citizens. We suggest, though, that there are various forms of participation, ranging from indirect participation as pressure groups, to the deliberative model, which entails direct participation in order to resolve problems rather than to press particular interests (Crane, A., Moon, J., and Matten, D., 2005). A framework in Figure three above elaborates on the understanding of their analysis of Corporate Citizenship.

## 1.4 Corporate Social Responsibility: Implicit vs. Explicit Approach

This difference between socially embedded governments (Implicit) and liberal governments (Explicit) was designed by the authors Matten and Moon. Where they focused on those two dimensions exclusively by creating a framework to better understand them with the Implicit and Explicit model of Corporate Social Responsibility for democratic states. By Explicit CSR they refer to corporate policies which assume and articulate responsibility for some societal interests. They normally consist of voluntary programs and strategies by corporations which combine social and business value and address issues perceived as being part of their social responsibility by the company. By Implicit CSR they refer to the corporations’ role within the wider formal and informal institutions for society’s interests and concerns. Implicit CSR normally consists of values, norms and rules which result in (mandatory and customary) requirements for corporations to address stakeholder issues and which define proper obligations of corporate actors in collective rather than individual terms (Matten, D., Moon, J. 2008).

Recent years have seen the spread of explicit CSR throughout the world, first from large companies to small- and medium-sized businesses (Spence, L. J., 2007). In the liberal economies, firms have long had the chance to demonstrate their voluntary social engagement by going far beyond legal regulations, whereas, in the coordinated economies, their adherence to implicit CSR rules and requirements have made an explicit debate about CSR dispensable for a long time. The current

increase in this debate about the role of firms and their socially responsible activities is an indication that, in coordinated economies, the binding force of implicit CSR standards is crumbling. While implicit regulatory CSR standards are shrinking, the scale and scope of corporations' explicit voluntary CSR activities are on the rise (Hiss, S., 2009).

Matten and Moon used insights from new institutional theory (e.g. DiMaggio, P. J., Powell, W. W., 1983) to explain how field-level processes of isomorphism have led to explicit forms of CSR spreading throughout the world (Aurélien F., Emmanuel B., & Jean-P.G., 2019). Since in implicit systems of government these measures are being imposed, corporations have no choice but to follow the rule of law. Government regulation increasingly mandates social responsibility reporting. These pressures clearly demonstrate the extent to which external stakeholders are seeking to hold companies accountable for social issues and highlight the potentially large risks for any firm whose conduct is deemed unacceptable (Porter, M.E., Kramer, M.R., 2006).

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Explicit and Implicit elements of Corporate Social Responsibility in Figure 4:

| **Explicit CSR** | **Implicit CSR** |
|---|---|
| Describes corporate activities to assume responsibility for the interests of society | Describes the corporations' role within the wider formal and informal institutions for society's interests and concerns |
| Consists of voluntary corporate policies, programs and strategies | Consists of values, norms, and rules which result in (often codified and mandatory) requirements for corporations |
| Incentives and opportunities are motivated by the perceived expectations of different stakeholders of the corporation | Motivated by the societal consensus on the legitimate expectations of the roles and contributions of all major groups in society, including corporations |

**Figure 4** Implicit and Explicit CSR

**Source:** Matten, D., & Moon, J. (2008). Implicit and explicit CSR: A conceptual framework for a comparative understanding of corporate social responsibility. Academy of Management Review, 33(2), 404–424.

Scholars and institutions have developed using the original Explicit and Implicit an updated CSR theory from Matten and Moon's original work. For example, The United Nations Global Impact engaged in Implicit and Explicit CSR for global governance. Firms are routinely confronted with the problem of how to attend to competing demands simultaneously. Institutions have identified the interrelated, yet seemingly conflicting, logics surrounding the UNGC as an integrated form of implicit and explicit CSR.

The UNGC: Engaging in Implicit and Explicit CSR in Figure 5:

| **Implicit CSR** | **UNGC Logics** | **Co-Existing Logics** | **UNGC Logics** | **Explicit CSR** |
|---|---|---|---|---|
| - Describes corporations' role within the wider institutional network for society's interests | Community | UNGC integrates structural, normative and symbolic elements | Market | - Translates to corporate activities that assume responsibility |
| - Consists of values, norms, and rules that result in requirements for corporations<br>- Motivated by the societal consensus on the legitimate expectations of the roles and contributions of societal groups | Collective Identity | - UN principles provide norms of behavior<br>- UNGC practices and symbols are made available for firms to use fostering collaboration<br>- UNGC members have partial autonomy | Firm Level Identity | - Translates to corporate policies and strategies<br>- Motivated by the perceived expectations of different stakeholders of the corporation<br>- Obligations of actors are addressed in individual terms |
| - Corporations do not articulate their own versions of responsibilities | Structured Attention by Members through Value Identification | UNGC service nature guides its principles and practices | Structured Attention by Members through Voluntary Corporate Activities | - Corporations use the language of CSR to communicate practices and stakeholders |

**Figure 5** UN Global Compact: Engaging Implicit and Explicit CSR for Global Governance

**Source:** Brown, J. A., Clark, C., Buono, A. F., 2018. The United Nations Global Compact: Engaging Implicit and Explicit CSR for Global Governance. Journal of Business Ethics, 147(4), 721. https://doi.org/10.1007/s10551-016-3382

Then in 2020, Matten and Moon created an updated table to observe the dynamic changes of CSR from their previous graph in 2008 in Figure 6 below. Corporate Social Responsibility agendas now reflect the specificities of firm, sector, home, and host country contexts. First, many CSR issues are concerned with the wider responsibilities that companies take for some of their potential negative impacts in their supply chains and even their value chains (e.g., unsafe working conditions, slavery-like terms of employment, pollution, resource depletion; (Matten, D., Moon, J., 2020). Second, many companies are increasingly focused on the impacts of their operations on the planet at large (e.g., policies related to climate change, species diversity, natural resource depletion; Bansal, P., DesJardine, M. R., 2014).

Space is left blank on purpose due to the size of the model presented on next page

Explicitization and Implicitization of CSR Compared in Figure 6:

| **Explicit CSR** | **Implicit CSR** |
|---|---|
| Describes explicit adoption by corporations of responsibility for society's interests and concerns that had been regulated by wider formal and informal institutions | Describes adoption by wider formal and informal institutions of CSR policies that had been deployed explicitly by corporations |
| Consists of voluntary corporate policies, strategies, and practices whose underlying norms corporations had previously conformed with implicitly | Consists of new/reinvigorated values, norms, and rules for corporations that are informed by policies, strategies, and practices of explicit CSR |
| Incentives and opportunities are motivated by the perceived expectations of stakeholders, society, and regulators | Requirements for compliance are motivated by integration of expectations of CSR into a new consensus of legitimate expectations of all major groups in society, including corporations |

**Figure 6** The Meaning and Dynamics of Corporate Social Responsibility

**Source:** Matten, D., & Moon, J. (2020). Reflections on the 2018 Decade Award: The Meaning and Dynamics of Corporate Social Responsibility. AMR, 45, 7–28, https://doi.org/10.5465/amr.2019.0348

### 1.5 Corporate Social Responsibility: Carroll's Approach

Archie Carroll in 1979 made the effort of narrowing the differences of social responsibility and economic value presented in his attempt to define Corporate Social Responsibility, "The social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time "(Carroll, 1979). According to Carroll, this definition is designed to bring into the fold those who have argued against social responsibility by presuming an economic emphasis to be separate and apart from a social emphasis. He explained the rationale behind his CSR approach, initiatives and went on to adapt his approach with the advancement of CSR over the past 40 years with a dominant model that has been popular by the academic scholarly community and by corporations.

Carroll in his original first four-dimension role of responsibility included, "(1) Economic Responsibilities: The first and foremost social responsibility of business is economic in nature. Before anything else, the business institution is the basic economic unit in our society. Followed by the (2) Legal Responsibilities: Just as society has sanctioned the economic system by permitting business to assume the productive role, as a partial fulfillment of the *social contract*, it has also laid down the ground rules - the laws and regulations - under which business is expected to operate (Carroll ,1979). These two stated in the latter facilitated the comprehension by the author in his approach to understanding CSR and was used within his conceptual framework as the Essential Responsibility column further analyzed in the next chapter. (3) Ethical responsibilities are ill defined and consequently are among the most difficult for business to deal with. (4) Discretionary responsibilities: Or volitional, responsibilities are those about which society has no clear-cut message for business - even less so than in the case of ethical responsibilities" (Carroll ,1979, numerical numbers added) as described in Figure 7. This model classifies the contrasting responsibilities hierarchically in order of decreasing significance.

Carroll's Total Social Responsibilities in Figure 7:

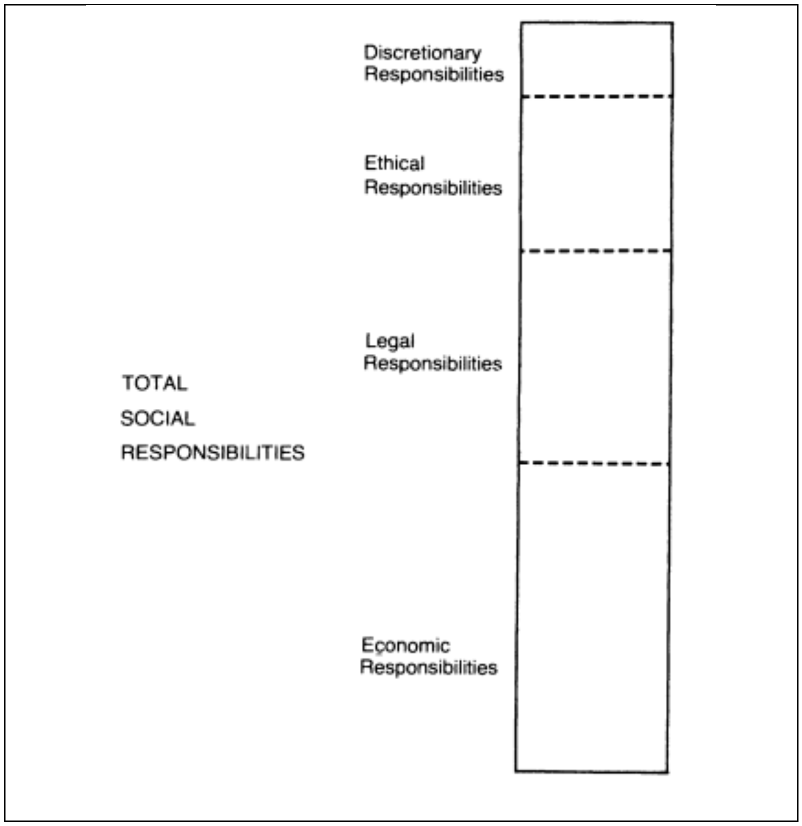


**Figure 7** Three-Dimensional Conceptual Model of Corporate Performance

**Source:** Carroll, A. (1979). A Three-Dimensional Conceptual Model of Corporate Performance. The Academy of Management Review, 4(4), 497-505.

Corporate Social Responsibility involves the conduct of a business so that it is economically profitable, law abiding, ethical and socially supportive. To be socially responsible then means that profitability and obedience to the law are foremost conditions when discussing the firm's ethics and the extent to which it supports the society in which it exists with contributions of money, time and talent (Carroll, 1983). In 1991, Carroll created an illustration to graphically understand his model of CSR. He integrated the four different competencies in a pyramid format, by classifying these responsibilities of Corporate Social Responsibility. Business responsibilities in order of relative importance, with economic responsibilities assumed as primary, followed by legal, ethical and finally philanthropic responsibilities (Baden, D. A., 2016).

Carroll's Pyramid of CSR is presented in Figure 8:

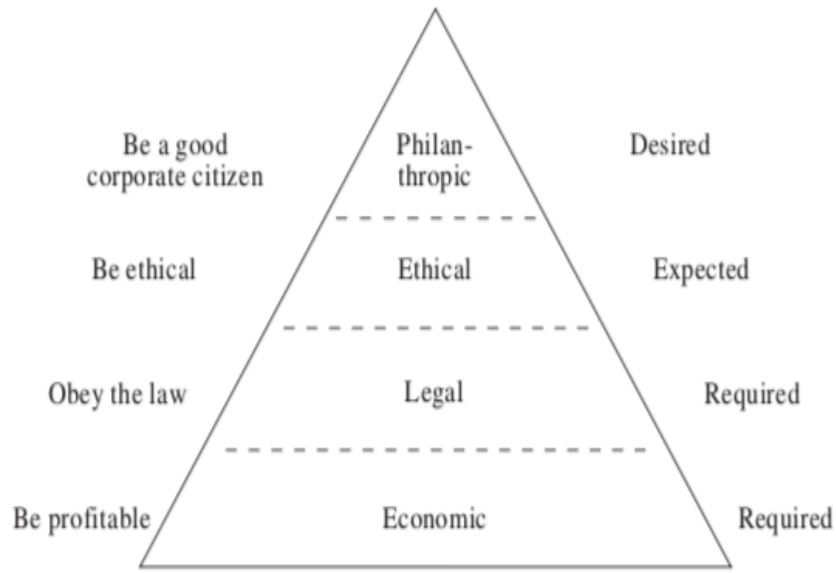


**Figure 8** *The Pyramid of Corporate Social Responsibility*

**Source:** A., Carroll, "The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders," Business Horizons (1991): 39–48

It portrays the four components of CSR, beginning with the basic building block notion that economic performance braces up all others. At the same time, business is expected to obey the law because the law is society's codification of acceptable and unacceptable behavior. Next is business's responsibility to be ethical. At its most fundamental level, this is the obligation to do what is right, just, and fair, and to avoid or minimize harm to stakeholders (employees, consumers, the environment, and others). Finally, businesses then are expected to be a good corporate citizen. This is captured in the philanthropic responsibility, wherein business is expected to contribute financial and human resources to the community and to improve the quality of life (Carroll, 1991).

In 2004, Carroll made some adjustments to his prior pyramid model from 1991. He then added, "The Global Pyramid of CSR." This provides a conceptual framework for thinking through the multitude of expectations that may fall on the MNC or global manager. It is intended to illustrate the total social responsibility of global businesses. Although the component parts have been separated for discussion, they are not mutually exclusive and are not to be filled in this sequence.

The pyramid depicts the full range of responsibilities that global firms and managers are expected to fulfill simultaneously (Carroll, 2004). The amended illustration for the pyramid can be analyzed in Figure 9. Throughout his academic endeavor, he emphasized the CSR can be integrated by corporations by following his orientation.

The Global Pyramid of CSR in Figure 9:

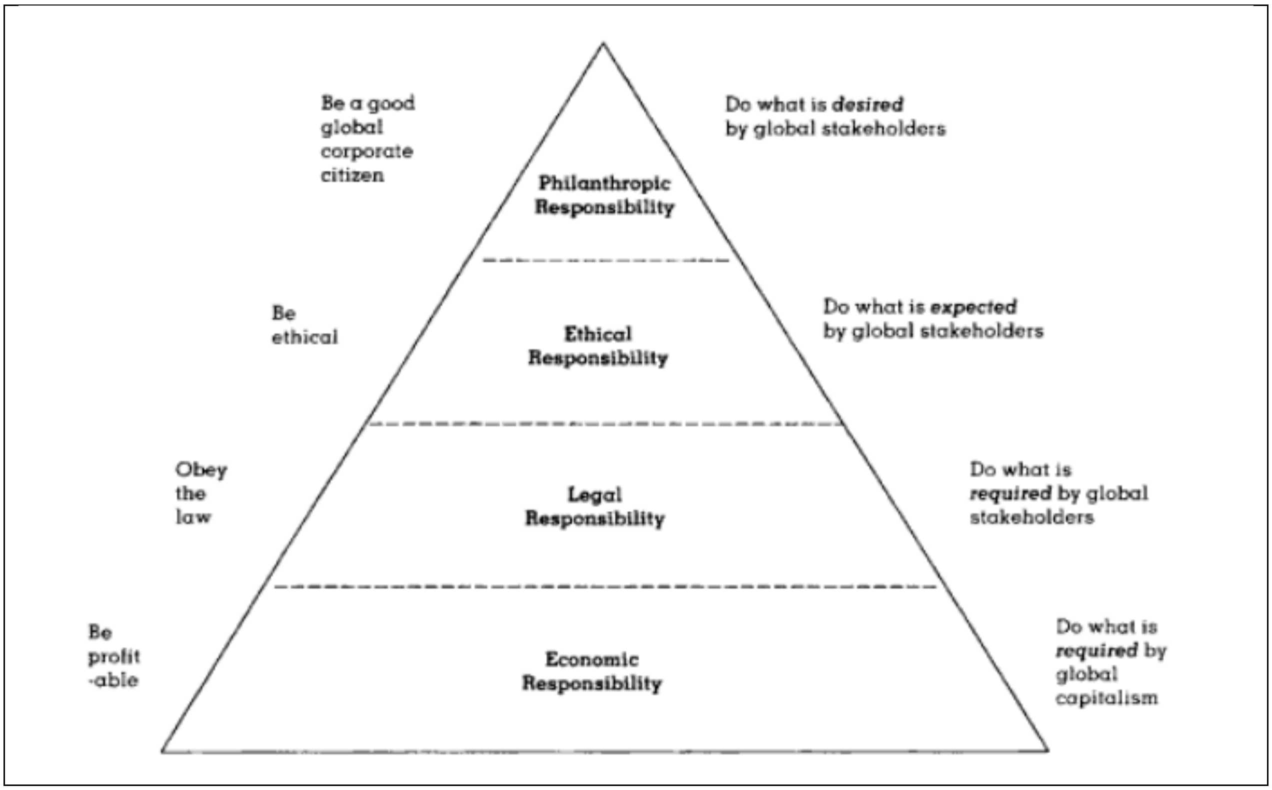


**Figure 9** The Global Pyramid of CSR

**Source:** Carroll, A. B. (2004). Managing ethically with global stakeholders: A present and future challenge. Academy of Management Executive, 18(2), 114–120.

## 1.6 Summary of Literature Review

In this section the literature on the theme will be analyzed in the search for elements that may be composed in a specific framework for comparing the influence of context in companies' CSR implementation cases. The first theory, the Corporate Social Performance Theory does address that a corporation should have the notion of social responsibility, however, the CSP model does not fully merge the economic and CSR commitments as coexistent, synchronized, and coetaneous. Furthermore, the theory does not merely touch upon the environmental responsibility that the corporation is expected to consider as an ethical requirement. The CSP model does a considerable amount to defend humans' conditions in the workplace, however the social expectation from society in the 21st century today is not solely towards the values of society, but it is also connected towards the responsibility that a corporation has towards the environment.

In the second theory, the author used the Shareholder Value Theory and the Stakeholder Theory as one because both are co-dependent of one another. The Shareholder Value Theory and the Stakeholder Theory can be expanded to one in view of the fact that it considers employees, the community, and the legitimate concern of customers which can benefit the shareholders financially in the long run. Given the appropriate circumstances the benefit in partaking in social responsibility further optimizes shareholder value, and it is in the best interest of the corporation to have a closer relationship to Corporate Social Responsibility initiatives to maintain economic profits. Economic achievement is possible for shareholders if CEOs or managers of any given corporation also take into account the concern of employees, customers, and communities in which the company operates in. However, the Shareholder theory is limited to solely creating profit for their cumulative wealth of their shareholders, and they are required to follow the existential law in the country of operation in order to partake in social activities. However, laws can be imperfect, can be changed, and therefore the initiative to partake in social activities shouldn't be based on an external requirement, but solely based on the sole ethical principle of the corporation to act in good faith from an internal motivation.

The Stakeholder Theory does not have a clear objective for the mere purpose of the corporation, or their fundamental objective since it has to consider a variety of actors. Furthermore, it is not

clear to what extent each stakeholder actor has to be considered, if it will be more than or less than other actors. Therefore, creating a framework that is specific in addressing the value attributed to each stakeholder actor is essential. Furthermore, the managers in the Stakeholder Theory should not be solely the ones responsible for the necessary duty of doing what is perceived as doing the correct thing, however it should be treated as the fundamental objective of the corporation so there is no hierarchy of power to advance the order and the progress of CSR, therefore, everyone is accountable.

In the third theory, the Corporate Citizenship Theory (CC) the corporation should partake in contributing to their community of operation, but not beyond that notion. This has a limited focus and therefore creating a theory that a corporation should contribute, volunteer, or practice ethical practices exceeding the scope of the community is more suitable. The theory of CC also does not address from where the set benchmark of CC is coming from, or who is in charge of creating the standards of the mere idea of global citizenship. Furthermore, there is no set notion that a corporation should be obliged to engage in CC. In the first approach, the Implicit vs. Explicit Approach the corporation must either be in one of the two existing national settings, however they are not coexisting. This has a limited approach because in certain governments there is a possibility of where the national settings are coinciding, accompany, and are dependent on one another. That is to say that the state is neither "interventionist" or "liberal" and do not find their governments in either because within the government there are both national contexts. Therefore, a Framework could be created to understand the in between category of both Implicit and Explicit national settings.

In the second approach, with Carroll's Approach, on account of Carroll recommending his authentic quadruple levels of responsibility in 1979, and after in 1991, then aligning them into a pyramid, then re-aligning the pyramid with global determinants, corporations have progressed to operate in international globalized standards in ways which are beyond the pyramid. Though Carroll's approach is still dominant in the issues of social leadership in a variety of different industries today, it may be considerable to think outside of these four parameters to possibility re-assess Carroll's Pyramid Model to analyze if it can be partially changed or adjusted to meet the expectation of the issues corporations are facing today. Furthermore, the pyramids might look

fairly similar, that is because Carroll added the wording of responsibilities to the *Global* perspective. Respectfully, the responsibility of a business to consider the circumstances in which Multi-National Corporations are utilizing their resources, the environment, their employees, and the institutional circumstances were not addressed.

The conceptual framework proposed by this thesis aims to combine major contributions made by past researches while acknowledging the new challenges by an ever-evolving environment. This framework will be presented on the next chapter, as it will also be shown later how it can be employed as a useful tool to compare the two corporations' CSR implementation strategies. Furthermore, the CESI Framework has facilitated the organization, examination, and has assisted if, through the theory there were differences in terms of the national institutional governments of the United States and Germany, and if it has had an effect on the two corporations.

# 2 Corporate Social Responsibility: CESI Framework

## 2.1 Introduction

The proposed alternative approach of conceptualizing Corporate Social Responsibility is proposed by the author with a framework to tackle the challenges that corporations will face in the 2020s and beyond. To put it more concretely, *Corporate Environmental Societal Initiatives* or CESI is focused on transitioning the core competence of a corporation that *CARES (Corporations that Accommodatively Reassure Environmental and Societal issues)* for the Environmental and Societal issues of the world today with the objective of using three parameters which include; Creativity, Circularity, and Glocality.

With these three parameters, corporations can directly focus on urgently solving social and environmental problems with immediate impact, long term potential, and scalable incremental solutions. Many theories suggest that it is no longer an option but an obligation for corporations to address the critical challenges such as economic inclusion and climate change or else corporations that fail to meet the demands of our generation will face critical financial repercussions. Yes, this is accurate, however, this will leave corporations with a mandated obligation to meet those specific requirements set by society, governments, and policy regulators and not because it was their own corporate governance decision to partake in CSR issues. A corporation that is obliged by a strict embedded economy where there are Federal Legal regulations may not want to voluntary take initiative to engage further in issues related to Corporate Responsibility. Whereas a corporation in a market-liberal economy where there is no set Federal Legal regulation may therefore not want to partake at all in Corporate Social Responsibility.

The CESI Framework suggests that a corporation can develop, lead, and implement a system of environmental and social initiatives that could have the same effect regardless of government influence on a global scale. Therefore, corporations are not limited to following the regulations and can overachieve for the reason being that a corporation decided to care first. This is done by adjusting their business model to change its core competence to care for the environmental and societal global issues. The change of action from the corporation should come from the very core of the business model and be set in the fundamental objective in order to have these values

instituted and prescribed from within their corporation; first with their employees/ society and flourish with their resources/ environment in order to have an impact on a global scale with products/ services that are functional, affordable and innovative. Milton Friedman stated that corporate CEOs aren't paid to solve the worlds' problems, protect communities, or look out for the long-term well-being of employees or suppliers (Friedman, M. 1970). The CESI Framework respects, but disagrees with the latter statement, and was inspired by Jamsetji Tata who famously said, "In a free enterprise, the community is not just another stakeholder in business, but is in fact the very purpose of its existence" (Tata Motors; Jamsetji Tata, 2008). Further, the Framework is motivated by the author by analyzing the details from Visser, W., who in 2010 wrote "The Age of Responsibility: CSR 2.0 and the New DNA of Business" which is an optimistic perspective that corporations are able to combine profit and purpose. The author states that there are three parameters; Creativity, Circularity, and Glocality are ideal for corporations to analyze in the 21$^{st}$ century. As mentioned, the framework suggests that these are the winning solutions for a corporation to change their entire business model, fundamental objective, and values that *CARES* for the environmental/ societal issues as the core competence of the corporation.

## 2.2 Use of CESI Framework

The main reason for this update is because other theories and approaches don't completely address the current issues of the 21$^{st}$ century. First, past theories don't address CSR as a transition from changing its core business model, mission, fundamental objective, and value for a corporation to care for the environmental and societal issues. However, the CESI Framework addresses the issue differently with the incentivization from corporations to understand their core competence with an outside-in approach by asking three key questions;

**I.** What is the role of the industry in causing the issue (?)
**II.** Which internal actors are driving the issue within their corporation (?)
**III.** What are the solutions to resolve the issues (?)

Past theories do an exceptional job focusing on the societal characteristics of a corporation; however, it merely addresses the environment. Second, past theories or approaches do not address the importance of new stakeholders such as the customer, community, and employees. Furthermore, other theories do not have a way of incorporating economic achievement that are parallel to issues related to the society and the environment. The CESI Framework with its three parameters focuses on the possibility that cumulative economic achievement is feasible for shareholders if CEOs or managers of any given corporation also take into account the concern of employees, customers, and communities in which the company operates in, and beyond that to address global issues. Third, the CESI Framework addresses that the corporation is not bound by the sovereign existential laws that can be regulated or changed depending on the country of operation, nevertheless, by their CSR approach. This approach should come from their core competence to partake in additional activities beyond the law not because of an obligation, but because the corporation has made the decision to care first. Fourth, the benchmark has been set where data has become more available through several organizations, such as the Climate Disclosure Standards Board, Global Reporting Initiative (GRI), and the Sustainability Accounting Standards Board (or SASB). Therefore, Corporations should consider them in their best interest for the reason being that the customers have direct access to this information. Fifth, the CESI Framework can reinforce the brand green image with products, operations, activities, and services

that can benefit the companies' core focus points to also benefit wider society and environmental issues to develop a plan of success with functional, affordable and innovative products/ services.

Sixth, according to the CESI Framework the set benchmark is coming from the United Nations/OECD guidelines due to the fact they are not a democratic state; therefore, the standard of global citizenship comes from those organizations. Seventh, the CESI Framework is not limited to the national setting of the government, or the following legal regulations, however, can overachieve for the reason being that a corporation can use the Co-Existing Logics of The United Nations Global Compact that is a structural, and normative principle with a great deal of autonomy. Therefore, a corporation has neither an Implicit nor Explicit approach, they are not limited, however, they co-exist effectively. Corporations then will understand that their CSR motive is intrigued due to the reason that the corporation cared first, therefore their view or perspective of the government setting is neither interventionalist, nor liberal. Eighth, in order to meet the United Nation's Sustainable Development Goals, it is important to have the private sector's collaboration. Other theories and approaches are not in correlation or working closely to address the issues related to the UN SDG's goals. Therefore, if implemented correctly, the CESI Framework can accomplish success with short and long-term positive contributions.

CESI Table Chart Framework presented in Figure 10:

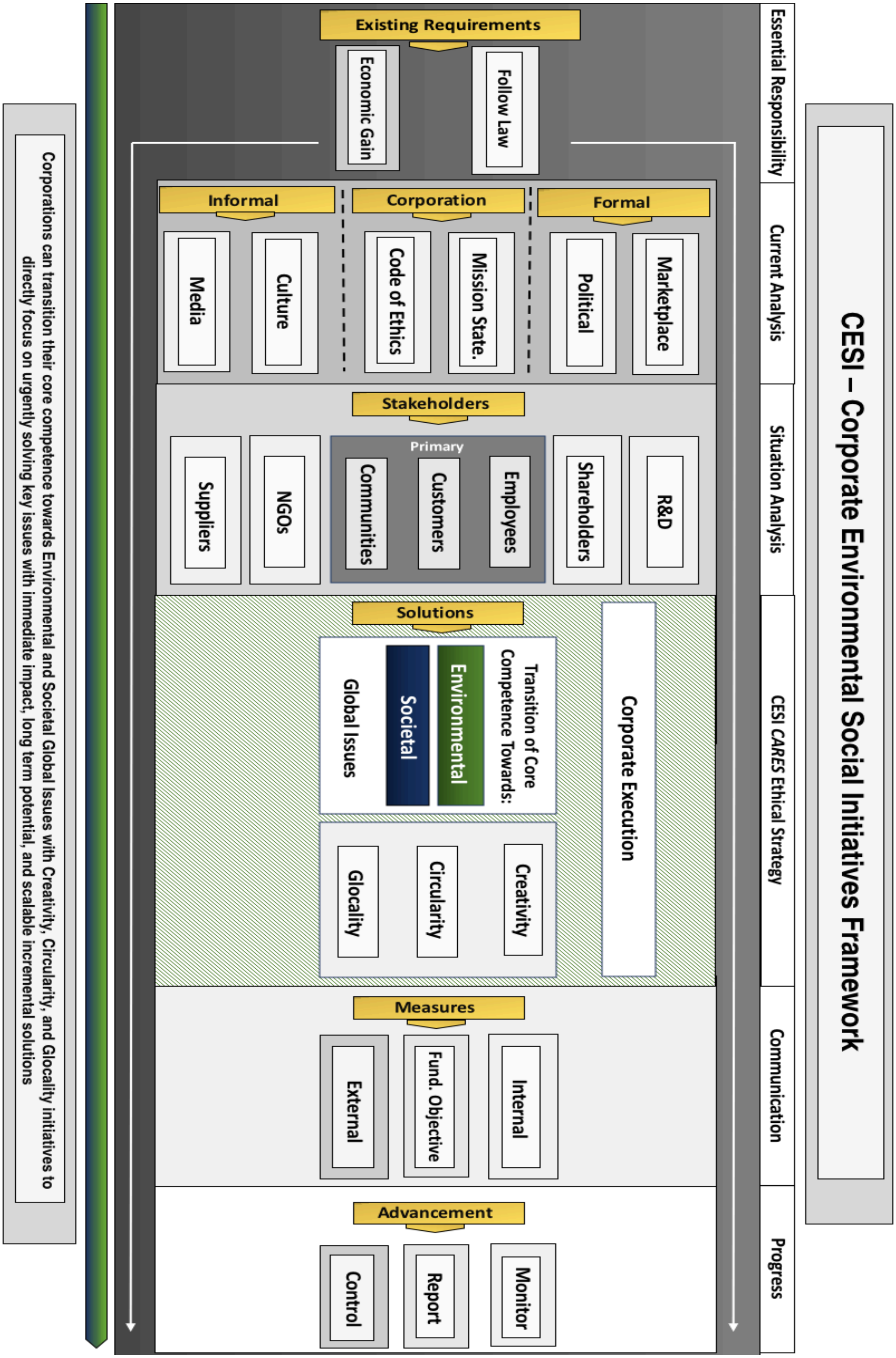
CESI – Corporate Environmental Social Initiatives Framework
Essential Responsibility
Current Analysis
Situation Analysis
CESI CARES Ethical Strategy
Communication
Progress
Existing Requirements
Follow Law
Economic Gain
Formal
Marketplace
Political
Corporation
Mission State.
Code of Ethics
Informal
Culture
Media
Stakeholders
R&D
Shareholders
Primary
Employees
Customers
Communities
NGOs
Suppliers
Solutions
Corporate Execution
Transition of Core Competence Towards:
Environmental
Societal
Global Issues
Creativity
Circularity
Glocality
Measures
Internal
Fund. Objective
External
Advancement
Monitor
Report
Control
Corporations can transition their core competence towards Environmental and Societal Global Issues with Creativity, Circularity, and Glocality initiatives to directly focus on urgently solving key issues with immediate impact, long term potential, and scalable incremental solutions

**Figure 10** CESI Table Chart Framework

**Source:** Author's Creation

## 2.3 Essential Responsibility

Starting with the first column, the CESI Framework dives into the *Essential Responsibilities* of a corporation which will be the backbone and commitment throughout the framework in order for the additional steps to follow. The first *Existing Requirement* is to *Follow (the) Law* of the country or region that the company is operating in. It is essential that the corporation partakes in legal activities and does not have any corrupt unethical business in the process. The second *Existing Requirement* is to maintain *Economic Gain* by generating positive financial returns. It is possible to maintain Corporate Environmental Social Initiatives as the core of the business model without profit; however, a firm should not have negative repercussions in the scenario of negative financial returns. In retrospect, in order for a corporation to be able to use its core business to make affirmative contributions to environmental and societal issues within their corporation/community and address the issues globally it must be ethical throughout its lifecycle by following existing laws and have positive financial returns. The main value proposition of a corporation should be changed from solely making profits, but to find alternative solutions to create products or services to best help the planet and the vast population. Therefore, corporations can take the opportunity to create products and services in order to have lucrative financial returns if it is to be functional, affordable and innovative.

## 2.4 Current Analysis

The second column is for the corporation to understand the *Current Analysis* of Formal Actors, the Corporation, and the Informal Actors. Starting first with the Formal Actors it includes: The *Marketplace* and the *Political* context of where the corporation is operating their business. In reference to the *Marketplace* it includes: Sub-Contractors, Competitors, Associations, Union, and Partnerships. In reference to the *Politica*l it includes: Leader's Agenda, Government Regulators, and Policymakers. The CESI Framework is not limited to the national setting of the government, or by solely following the legal regulations. Corporations can overachieve by participating and

using the Co-Existing Logics of the United Nations Global Compact. The UNGC, in fact, spans multiple logics: markets/community, collective/ firm-level identity, institutional values identification, and firm level voluntary corporate activities as methods by which members are attentive to its policies and programs (Brown, J. A., Clark, C., Buono, A. F., 2018, edited by author).

Therefore, a corporation has neither an Implicit or Explicit approach, they are not limited, however, they co-exist effectively. Corporations then will understand that their CSR motive is first because the corporation cared first, therefore their view or perspective of the government setting is neither interventionist, nor liberal. The main goal of the Formal Analysis is to do a thorough research in the country of operation to understand if whether CSR is encouraged through voluntarily initiatives, or whether is a requirement within the law. The Marketplace factors and the Political State of where the corporation is operating plays a vigorous role in molding, determining, and directing of CSR initiatives. By doing an analysis of leaders in control of the government corporations can adjust accordingly.

Secondly, within the *Current Analysis* a Corporation should do an *Internal* analysis of the *Mission Statement,* and the *Code of Ethics*. Starting first with the *Mission Statement*, the Corporation should understand their fundamental objective, their values, and most importantly if it should be adjusted. The Corporation should bring their internal values to systemize their Sustainability/ CSR Management, Compliance Management, and their Human Resources departments. Second through the *Code of Ethics*, the corporation should concretely understand their Code of Conduct, Employment Contracts, Work Instructions, and Compensation Packages. The main goal of the Current Analysis of the Corporation is to Codify a new Fundamental Objective that is aligned with the Environmental and Societal Sustainable Ethical policies, procedures, and statement of the corporation.

Third, within the *Current Analysis* a Corporation should perform an *Informal Analysis* of the *Culture* and the *Media.* Starting first with the *Culture*, the corporation should understand the intrinsic motivation of the Society; Values, Religion, Norms, and the Environmental/Societal Standards. The Corporation should adjust, adapt, and implement norms in order to respect, be

responsible, and be fair to the culture of their operation. Second with the *Media*, the corporation should do an analysis of the influence of the media; Public Relations, Marketing, Television, Magazines, and Social Media. The corporation should be able to answer whether, "Is society influenced by the media related to environmental and societal global issues?" This could be beneficial if society is highly influenced by media outlets or a disadvantage if the media is against meeting the standards of environmental and societal global issues. Regardless of whether a democratic state has socially embedded regulations or if its liberal. The main objective of column two is for a Corporation to do an in-depth analysis of the current situation formally, internally, and informally to be influenced to do more than the bare minimum imposed by the regulators or the cultural needs with the focus on environmental and societal issues.

## 2.5 Situation Analysis

The third column suggests that a corporation should understand the *Situation Analysis* of their *Stakeholders.* The Corporation should adjust or create a *Stakeholder* analysis by focusing on three questions, "What are the needs of each stakeholder and where do they position themselves relating to the corporation, and how does each contribute to the business?" This could be done through a variety of different instruments such as doing a simple brainstorm between top senior executives, questionnaires, interviews, or in more serious scenarios the corporation can hire a consulting company to assess the responsibility of each actor. The three main or primary Stakeholders that a corporation should consider are the *Employees, Customers, and the Communities.* Starting first with the *Employees*, the corporation should understand the intrinsic motivation of the Employees, such as wanting to be part of a corporation that is meaningful, has purpose, and is paid fairly.

Furthermore, corporations should consider promoting better work-life balance, greater responsibility, and a more inclusive work culture. Second, the corporation should consider the *Customers*/ Consumers/ or Clients. Corporations should consider that customers are more aware of the current events through the internet through social media platforms about the role of a corporation in activities related to the environment and the society. Corporations should consider that customers have access to sustainability reports, giving them the purchasing power that can re-structure an entire corporation. Sustainability reporting's from institutions that measure carbon

dioxide footprints, recycling efforts from corporations, and workers satisfaction play a vital role in the decision made by a customer. Third, a corporation should focus on the *Community* because it can increase business reputation, therefore increasing trust, thereby facilitating the process to recruit future talent. Furthermore, benefitting the community can loosen the negative conjugations associated with corporations not caring about the development of the local areas. Through the framework the corporation can transfer resources or technology between the private sector and the government.

After analyzing their three main primary Stakeholders: *Employees, Customers, and the Communities* the corporation should identify all of their related stakeholders that influence or are affected by the corporations' engagement. These other secondary Stakeholders presented here could be modified depending on the specific corporation. In the CESI Framework there is room for flexibility as well as maintaining structure by giving the opportunity for the corporation to understand their stakeholders power, motivation, and their opinion on key issues related to Sustainability. Therefore, the second part of the *Situation Analysis* includes as examples the *Shareholders, Research & Development, NGO's, and Suppliers* as important stakeholders; however, this could be changed and modified depending on the corporation's assessment.

At first, corporations that engage in Environmental and Societal issues should consider the *Shareholders* as an important actor. By default, corporations should consider the role of the shareholders because they can make impact investments that are constructive with the focus on Environmental and Societal needs, while still making a return on investment. Furthermore, corporations should consider that shareholders are more aware of selecting corporations with strong ties to ESG positive performances. Shareholders are demanding accurate reports in order to measure the effects of environmental and societal engagement. Corporations should then use precise reporting mechanism to measure Sustainability efforts. The Corporation should address the shareholders in order to allocate more financial capital to actively benefit the environment and society. Secondly, with *Research & Development, or (Science Education)* as their work may include technology, planning, and testing that could be useful to benefit the corporation (depending on the industry) due to permits, regulations, and can be crucial for their allies or can be used to threaten competition. Third, with *NGO's*, corporations are independent, in most cases have

political neutrality and serve the purpose of playing an important role in addressing corporations' internal operations issues and external impacts. Therefore, corporations should partner with Sustainable NGO's in order to help corporations establish environmental best practices that are in their best interest. Lastly, the *Suppliers* in most cases provide the raw material or sub-parts that a corporation needs in order to create their products and services. Although, corporations in most cases do not have only one supplier, they shall strive to develop long-lasting sustainable relationships with all of their suppliers, therefore heightening the importance in the supply chain of their finished product and service. Other important secondary stakeholders to consider are the ones directly involved such as family members that can be affected, primary care providers, and influential institutions or individuals with research interest in related corporations.

## 2.6 CESI *CARES* Ethical Strategy

The fourth column of the framework is the "CESI *CARES* Ethical Strategy" that is an underlying principle for Corporations to nourish throughout its series of stages or functional activities that it proceeds. The main idea is for a corporation to not have CSR as a branch of their business model, but rather the core of their business in its entire Supply Chain. The motivation is to solve the world's Environmental and Societal problems with the objective of using Creativity, Circularity, and Glocality as winning solutions. As mentioned, there are three key questions in order for the corporation to initially start using the Framework for their corporation:

**I.** What is the role of the industry in causing the issue (?)
**II.** Which internal actors are driving the issue within their corporation (?)
**III.** What are the solutions to resolve the issues (?)

First, the corporation can start by doing an analysis of its entire industry and if it is causing any environmental or societal global issues. A corporation can use as a guideline the Sustainable Development Goals from the United Nations in order to understand the different issues concerning the world and how to address them. Corporations should analyze the industry from all sectors including Upstream with Sourcing and Manufacturing or Downstream with Distribution/ Sales and After Sales Services. Followed by other Supporting Activities such as Research/ Development,

Firms Infrastructure, Human Resources, IT and Financial Departments. Every sector of the industry must be analyzed in order to understand what is causing the issue or issues in their industry sector. For example, in the automotive industry a corporation has understood that the industry wide issue is related to the amount of carbon dioxide emissions.

Secondly, the corporation should understand what are the internal actors that are driving the issues. In order for a corporation to successfully contribute on a larger scale to the environment and society it should change from the inside out. As an example, in the automotive industry a corporation has understood that their internal issue is also related to carbon dioxide emission from their vehicle. The easy solution is trying to decrease the percentage of carbon dioxide emissions from their vehicles, but not the best solution according to the Framework. The corporation once understood what are their internal actors that are causing the issue should transition to the third question.

Third, the corporation should try to find solutions in order to resolve that issue internally in their corporation. For example, in the automotive industry a corporation has understood that their internal issue is the amount of carbon dioxide emissions, should then try to resolve the issue by developing a successful plan in order to create an affordable, electric vehicle that could be produced on a large scale. The most important criteria is to try to have a solution that is tangible by having a product or service that has a functional use that can benefit the planet and the society. This by default, will reinforce the brand green image with products, operations, activities, and services that can benefit the companies' core focus points to also benefit wider society and environmental issues.

Another way of understanding the CESI Framework is by analyzing it from a different perspective with the pyramid approach as described in Figure 11.

CESI Pyramid in Figure 11:

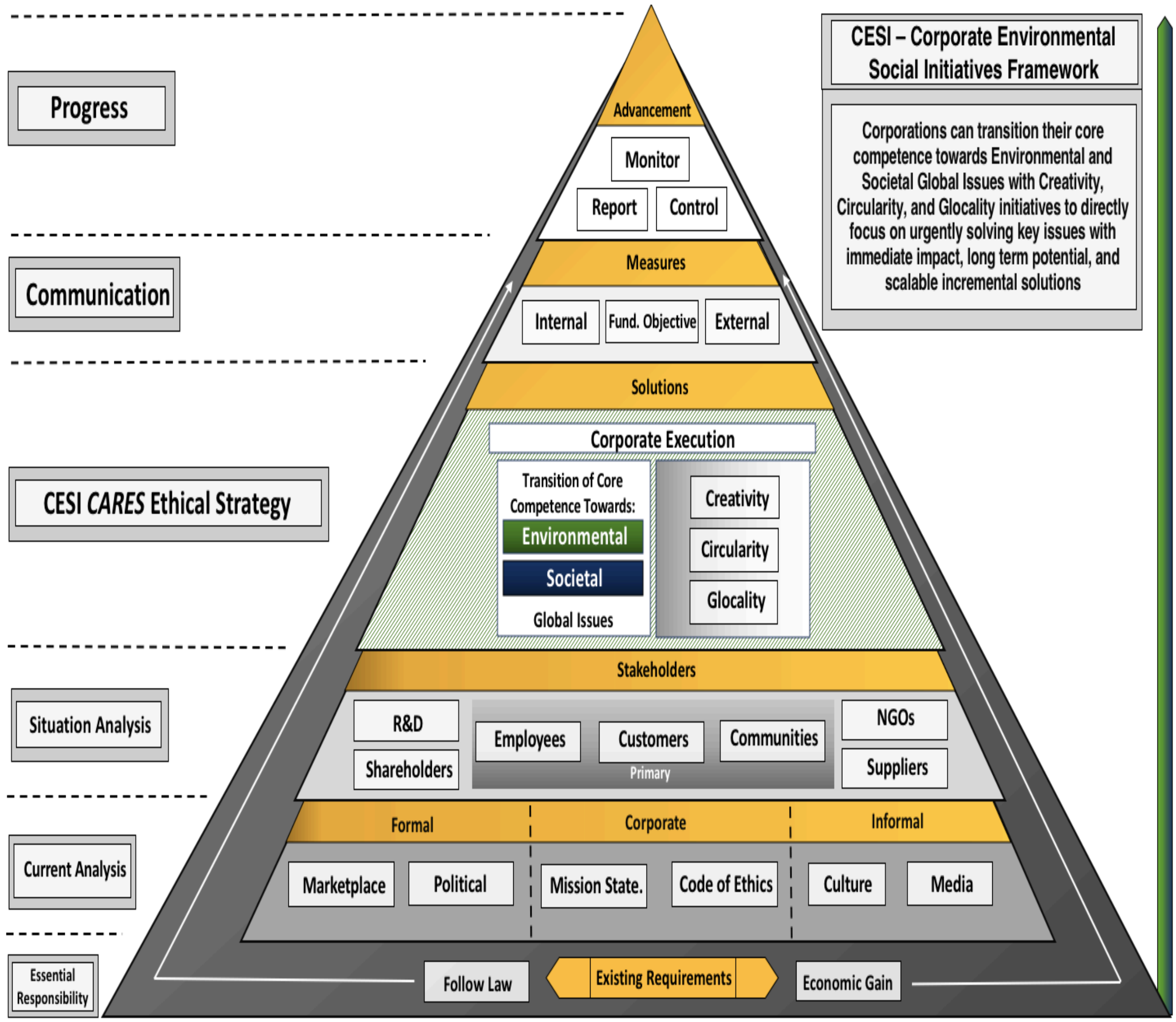


**Figure 11** CESI Pyramid Framework

**Source:** Author's Creation

The *Solutions* of the CESI Framework is for a corporation to focus on the three key parameters; *Creativity, Circularity, and Glocality*. With *Creativity*, corporations as if they were to be citizens need to re-structure their pattern of thinking or re-address their business models to solve the major issues concerning environmental and societal issues with attainable goals. Corporations should solve current problems and the problems of future generations with a drastic switch in the business core values by having innovative ideas. The main value proposition of a corporation should be changed from solely making profits, but to find alternative solutions to create products or services

that best serves the environment and society. A product can bring a corporation a massive financial return if it is to be imaginative, but if it does little to address the needs of our generation then the corporation will inevitably lose credibility from a customer standpoint. A Creative product in the CESI Framework will not only bring substantial financial returns to corporations but also have a functional use that incorporates environmental and societal issues, bring technology to a region where it has limited capabilities, and be affordable enough for developing countries. One major issue concerning innovation or creation is that once developed it is mostly for a selected social class that can afford such products or services. The Creative Corporation will address to the mass population and produce incremental products that benefit the environment and society at a large scale to have immediate impact and long-term benefits. The Creative corporation will not only focus predominately in the market in which they currently operate but also open up in new markets to consider new locations, customers segments, and to address that region's necessities.

The second parameter is *Circularity*, where the main objective is to take less and make more out of resources to help the environment and their current employees to assist the society with financial viability. In order for a corporation to produce more than it takes there are such examples, as generating energy from solar panels, or by purifying its own water waste. The act of donating or selling what certain companies consider waste could benefit another corporation because it may potentially be a valuable material that could be used in their supply chain for new products. Depending on the industry that the corporation is currently operating in, there are endless possibilities to make more out of what is currently in place. A corporation should re-assess their resources to make the best out of their durable components. Circularity can be used to make the most of its resources by being ecologically sustainable and also make lucrative returns on the initial investments by prioritizing on a particular niche of their supply chain, or business model where the corporation may benefit financially. Furthermore, a corporation should assess Circularity with their current employees by providing adequate training, comprehensive benefits, wages, and education. Corporations can be avarice by being focused on acquiring more capital and may not give back to the very dedicated individuals who work for years in the same position without a raise in salary or promotion. Corporations should provide for their employees that are facing depression, became injured on the job, and that are facing a major personal issue. Corporations that will survive in the future are also the ones that are inclusive of communities such as LGBT. Furthermore,

corporations should hire higher percentages of women and also have a higher percentage of women in senior positions. This way the corporation is constantly nourishing its own employees and the well-being of the entire community of where it operates. Circularity in CESI Framework focuses on the significance of having a work life balance parallel to producing positive returns on investment by operating a business that is environmentally coherent and has social integrity.

Last but not least of the three parameters is *Glocality*, the main objective is for Corporations to adapt a business model where it has global principles with local applications. It is not an “either/ or” approach but a “yes we can do both” approach by having a positive impact in the world with environmentally friendly solutions, socially acceptable conditions, and financial economic positive returns with an elaborate understanding of the local contexts. With Glocality a corporation can focus on one individual culture, region, and demographic population of operation by bridging the gap between different people and cultures. For example, before a corporation considers the financial risks involved in operating in a foreign country it should ensure that the research & development team has a clear understanding of the local contexts and the cultural differences. The corporation should be Glocal by purchasing from local stakeholders and hiring individuals that are from that specific location to benefit the existing local population or community. Furthermore, the corporation can compensate for using non-renewable energy sources through a variety of different means.

The corporation should also consider local practices or religions that can benefit the company in their entry strategy. The benefit of Glocality is to collaborate with existing players in the local context by integrating a global performance-driven, diversified, and reward-based system. Therefore, the corporation is not perceived as global imperialists but as a pacifist corporation that cares about the well-being of the community and their geographical situation. The corporation should be flexible in regions by not having a one size fits all approach, however, be open to adapt to local practices, traditions, and expressions. The corporation has to take their international consumers into account by having a mission statement that translates to the global brand but most importantly without losing its human local appeal. Corporations that can find the combination between unique experiences that are new, intriguing, and diverse while at the same time adapting

the brand to let consumers know what they have been understood is the combination where Glocality can succeed in either domestic or international markets.

## 2.7 Communication

The fourth column of the CESI Framework is *Communication* by which the Corporation should assess the different *Measures* to communicate their *Fundamental Objective* to their *Internal* stakeholders, and their *External* stakeholders. First, by Fundamental Objective or Mission Statement/ Vision the Corporation should transition their core competence towards the Environmental/ Societal issues and make it an integral part to every decision-making process of the business lifecycle. The Corporation should analyze the assessment of all their business activities by making sure that every Upstream and Downstream cycle meet the ethical standards in order themselves, and their stakeholders. The Corporation should consider transitioning their values that *CARES* about sustainable products and services, top & bottom-line responsible growth, and improved health of their employees and communities to create a *Fundamental Objective* that is sustainable to manufacturing sites, intellectual property, social capital, and natural capital. Second, the Corporation should assess how they will communicate to their internal stakeholders; employees. The Corporation should analyze by which instrument they will communicate their adjusted Fundamental Objective. Internally, this could be done through the Human Resources Department, Managers, and Directors via an employee app, website, in person, and through on-going workshops. Third, the Corporation should assess how they will communicate to external stakeholders; customers, communities, suppliers, NGO's, and shareholders. Externally, this could be done through a variety of different channels such as a press release, a trade fair, sustainability reports, or a combination of all of these in order to enhance the connection between the corporation and the investor relation.

## 2.8 Progress

The fifth and last column of the CESI framework is *Progress* by which the Corporation will need to *Monitor, Report,* and *Control.* The Corporate Governance board members should set targets to address environmental and societal issues with clarity by using the core business to empower their actions towards a more sustainable economy. The CESI Framework does enhance the capability for board members to establish a new purpose for the corporation by having CSR as not a branch, but rather the core of their business model to solve the environmental and societal problems. First, the Sustainability Department should cooperate with the CEO, senior management, and department directors in order to Monitor the proposed plan. Second, the corporation should be influenced to Report by aligning with auditing organizations such as the Global Reporting Initiative, ISO 26000 on Social Responsibility, or the International Integrated Reporting Council to disclose information on Sustainability. Furthermore, smaller SME's can get certified with a private certificate issued for corporations, such as Certified B Corporation that voluntarily meet higher standards of transparency, accountability, and performance of their products. Third, the Corporation should *Control* its progress by analyzing the data reported from external auditing organizations, focus on improving given the feedback from these reporting organizations, execute an internal assessment of the monitoring on all levels of management, and set new goals for the corporation.

Furthermore, the benchmark for the CESI Framework is proceeding from the United Nations Guiding Principles on Business and Human Rights, (2011) that was revised by the OECD with their Guidelines for Multinational Enterprises (2011) as recommendations for responsible business conduct in a global context, therefore, the standard of good practice for global corporations is attained from these institutions. The CESI Framework is working to essentially meet the UN's Sustainable Development Goals, which will be of necessity to have the private sector's collaboration. Therefore, if implemented correctly, the framework can accomplish immediate success with long term positive contributions that will allow a corporation to outlast its competitors and prosper economically, environmentally, and socially.

## 2.9 CESI Framework: Summary

Through the CESI Framework, corporations can constructively engage by not only being responsive to meet the requirements of the law, but on their own terms. With the Framework corporations and international managers are capable of having a new perspective of the challenges of the 2020s and beyond. The Framework may organize the process of which corporations can observe their national context, but not be limited by their governments CSR policies, however, go beyond that by striving to care for the environmental and societal issues. The global demand for corporations to go further with actions puts a corporation on either one of two sides, "Is the Corporate business model part of the proposed plan to benefit the environment and society or part of the problematic difficulty that the planet and people are currently facing in the 21st century?"

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# 3 Methodology

## 3.1 Research Approach

This thesis takes a qualitative approach by examining first, whether Government Institutions influence roles of either mandating, facilitating, and partnering the CSR strategy of the automotive industry, by taking into account national context of the United States and Germany. The methodology of the first part is influenced by other scholars that have made comparisons between CSR policies of different countries by using the national context as a baseline in order to understand institutional differences (Fox, T., Ward, H., Howard, B., 2002; Garriga, E., Melé, D., 2004; DeMasi, E., 2011.)

Second, the author used an ESG rating system in order to further understand if the institutional government has any influence on the performance mechanism related to the environmental, social and governance performance of the two corporations; Ford and BMW.

Third, the conceptual model for this research is the CESI Framework described by the author in order to further compare the two corporations. According to the framework, a corporation regardless of their country of origin, has the capacity to develop, lead, and implement a CSR system of environmental social initiatives that could have the same effect regardless of government influence on a global scale.

## 3.2 Research Design

First, comparisons will be made using the National Context of both countries, then by the MSCI ESG Ratings, followed by the CESI Framework Analysis. In the first analysis comparisons will be made between the case studies of one automotive brand from the United States, namely Ford and one for Germany, namely BMW by comparing their National Context, Political, Social, Economic, and CSR Institutions on its own terms. The United States Government Accountability Office's classification of government roles of CSR (US GAO, 2005) is based on Fox et. al.'s World Bank report which identified four principle roles that reflect the overall range of government CSR initiatives; mandating, facilitating, partnering, and endorsing (World Bank, 2002) which will be

used to evaluate the national context of both countries in the first section; the Political, Social, and Economic national systems (Fox, T., Ward, H., Howard, B., 2002).

These working definitions are in line with the World Bank:

**Endorsing CSR**: These are activities that either provide awards for CSR activities or discuss CSR in public speeches (World Bank, 2002).

**Facilitating CSR:** These are activities that provide CSR information or grants to address CSR issues (World Bank, 2002).

**Partnering for CSR:** These are activities that facilitate public-private partnerships and convening stakeholders. For clarity here public-private partnerships are defined as relationships among governments, businesses and civil society in order to address CSR issues and stakeholders are defined as investors, employees, customers, suppliers and/or the local communities within which corporations operate (World Bank, 2002).

**Mandating CSR:** These are activities that mandate CSR for participating companies and regulate CSR activities (World Bank, 2002).

Second, information will be collected from MSCI Global Socrates comprehensive database, which will measure the environmental, social and governance (ESG) performance of the two corporations.

The MSCI ESG Ratings helps investors identify environmental, social and governance (ESG) risks and opportunities within their portfolio. There are a great number of corporations around the world that are being evaluated by institutional investors, stakeholders, and asset managers because they want to be well informed of these reports to compare it with other corporations. Sustainability measures, assessments, and forms can be directly associated to a countries Governmental Departments and Policies Pertaining to Corporate Social Responsibility. According to a Harvard Law School Forum on Corporate Governance, MSCI ESG Research Global Socrates was ranked

number 5 overall as an ESG Report and Rating third party provider based on their rating scale, methodology, scope and coverage (Harvard Law, 2017).

Third, each corporation will be compared across the three parameters from the CESI Framework which include Creativity, Circularity, and Glocality.

The Three Parameters from CESI *CARES* Ethical Strategy Framework:

**Creativity:**

I. Corporations that are innovating to address the mass population and are producing incremental products/services that benefit the environment and society at a large scale to have immediate impact/ long-term benefits
II. Corporations that have re-structured their business models to solve the major issues concerning environmental and societal issues with functional, affordable, and innovative products

**Circularity:**

I. Corporations that take less, and make more out of resources that are currently available by making the best out of their energy, waste, and durable components that can be recycled, donated, or sold to a third party
II. Corporations that focuses on the significance of having a work life balance, education to their employees, with fair wages, inclusive culture of minorities, and dedicate to well-being of the entire community of where it operates

**Glocality:**

I. Corporations should hire local people, professionals, and make use of renewable resources if possible and can compensate for using non-renewable energy sources

II. Corporations that are flexible in regions by not having a one size fits all approach, but are open to adapting to local practices, traditions, and expressions by finding the mix

between unique experiences that are new, intriguing, and diverse while at the same time adapting the local content to let consumers know that they have been understood

## 3.3 Research Selection Process

### Automotive

The author will analyze the reasons for selecting the automotive industry and then the reasons for selecting in particular the two corporations. The automotive industry was chosen for the following reasons. First, the automotive industry is the subject of this research because of their global importance and pressure to reduce its environmental impact. The author understands that if the automotive industry can make the transition to produce less waste, make use of less natural resources, and produce more energy than they consume than any industry can make the transition to be environmentally and socially capable. The automotive industry can truly change its core business model, fundamental objective, and values that *CARES* about the environmental needs that the planet is facing. Secondly, from the economic perspective, it is clear that large car manufactures are not generating the same expected results as 20 years ago, which indeed gives a profound reason to analyze a possible restructure from its core business model.

Third, the automotive industry has an elevated extent of competition and consumers are requesting vehicles that are more affordable with models that are environmentally friendly. This market segmentation puts a load of anxiety on CEOs, stakeholders, and manufacturing facilities to produce vehicles in a large scale, lowering the price of production, and being innovative to produce vehicles that reduce environmental impact. The complexity to do all of the above is intimidating and puts the automotive industry into an obliged position to change. With the CESI Framework, it does not have to be an obligation, but an actual decision from the corporation to focus its core competence on the environment to produce less GHG and the social aspects to raise living standards. Therefore, the research is focused on the automotive industry, which tends to be a high-impacted industry in terms of activities related to CSR.

**Ford Motor Company and the BMW Group**

The automotive corporation of Ford and BMW were chosen for the following reasons. First, the choice of Ford and BMW was chosen because of the total asset size worldwide that are relatively the same for the year 2019; Ford Motor Company at $258,537 in Millions of USD, and BMW Group at $228,034 in Millions of USD (Statista Total Assets, 2020). Second, Although Ford and BMW are operating in the same industry there could be possible similarities and differences because of CSR values, and regulations in the United States and Germany. Third, this selection of corporations also takes into consideration other firm-level variables known to influence CSR, such as revenue from the years 2016-2018, governance, facility, corporation size, the number of employees, internationalization, brand awareness, the performance and vehicle quality.

Fourth, both corporations being larger parent holding organizations will in most cases receive significant amount of pressure from the government, society, and other institutions which will influence these corporations in their respected national governments to have more of an uncensored, direct, and clear Corporate Social Responsibility approach. Furthermore, although some may argue that these vehicles brands are in different premium categories, however the research is looking at the entire parent holding organization and not only the specific brand. This is important as it mitigates against external variables that may otherwise affect the outcome of the research. This research hopes to identify trends in CSR Institutions that may be attributed to the German model because of BMW, and the American model because of Ford to identify which Government Implementation model is the most prominent in its influence towards corporations.

## 3.4 Research Data and Collection

The national context was established with the help of the Bertelsmann Stiftung by investigating CSR-relevant contexts in the following areas: political, social and economic system and institutional CSR department in both the United States and Germany.

Second, the Environmental Social Governance data was collected from the MSCI Socrates Global Research Database with quantitative measures on my two research corporations; Ford and BMW.

Third, the examination of categorizing the parameters of the Creativity, Circularity, and Glocality was done on the own terms of the author in relativeness to the CESI Framework.

### 3.5 Research Data Analysis

The analysis of the data collected consisted of examining:

I. The qualitative Political, Social, Economic systems, and Institutions Related to CSR
II. Categorizing the quantitative components of the ESG ratings from the MSCI Socrates Global Research Database with a descriptive summary analysis
III. Assessing the qualitative parameters from the CESI Framework based on the corporations Sustainability report for the year 2019

The data analyses are focused on answering the research question which is "How do major institutional differences between the USA and Germany explain the dissimilarities in the way Ford and BMW implement their CSR strategies?"

## 4 Results

The results of the research are presented below and will be organized as follows. First, the author will analyze the national context, that is, the political, social and economic systems of each county, how it labels CSR, and followed by an overall analysis of each part. The main objective of this part is to distinguish whether the current government is mandating, facilitating, partnering, and endorsing the CSR strategy of the automotive industry in the United States and Germany.

Then, the author will summarize the main points from the MSCI ESG Global Socrates Rankings for each automotive brand in the selected database to call attention to the methodology of the rankings. Then, I will present the overall ranking from the two automotive brands; Ford and BMW.

Next, I will look at the CESI Framework, that is the parameters; Creativity, Circularity, and Glocality by doing a qualitative analysis of the two corporations. The main objective of this part is to analyze whether "Corporations regardless of their country/government, have the capacity to develop, lead, and implement a CSR system of environmental social initiatives that could have the

same effect regardless of government influence on a global scale because the corporation has changed its core values that *CARES* for environmental and societal issues." Lastly, all the qualitative results are to be compared between the countries to answer main research question:

"How do major institutional differences between the USA and Germany explain the dissimilarities in the way Ford and BMW implement their CSR strategies?"

### 4.1 Introduction

On the one hand, scholars found that U.S. corporations offered more CSR-related issues than their European counterparts. The authors understanding is that there is higher CSR cooperation by the American corporations because this is associated to the historical, cultural and the developmental aspects of the American urban communities. It seems thus "quite logical", they argue, "that U.S. firms depicted CSR processes first and foremost in terms of philanthropic programs and volunteerism" (Maignan, I., & Ralston D.A., 2002). On the other hand, scholars stated that European (German) corporations propose a considerable higher care for CSR issues. For example, this may be due to a considerable longer-term orientation of institutional investors in Europe than in the U.S. (Aguilera, R., 2007). The following section discusses the Political, Social, Economic systems and CSR related institutions that fortifies the exploration of the differences between the United States and Germany.

### 4.2 Results: National Context – Germany

#### 4.2.1 Political

The political system of Germany, with its 83 million inhabitants makes it the most heavily populated country in the European Union. Germany is a federal parliamentary democracy consisting of 16 federal states, or Länder. The Federal Chancellor, the head of government, is the main political leader of the country and is the one that regulates the course of the federal policy of the administration. The government at federal level is carried out by the federal ministries, currently numbering 14 (German Federal Government, 2020). The German legislature consists of the Bundestag (lower house of parliament) and the Bundesrat, the upper house of parliament which

is made up of representatives of the Länder. Throughout Germany's history, the government, irrespective of the different forms (monarchy, dictatorship, or democracy) has traditionally had a strong influence on social and economic affairs and attempted to steer and later correct developments in both areas, also including civic participation (Matthias S. Fifka. 2013). The historical aspects of the country have been greatly impacted due to the reunification of East and West Germany in 1990 with consequences in all distinctive parts of the government; society, economy, and politics.

The German approach to private sector engagement is grounded in the strengths of the German economy (OECD, 2016). Politically, in order to finance the extensive social security structure of Germany, corporations were progressively required over time by the Government to contribute in the arrangement of supplying social services to employees, and the community through taxation. These set of legally binding regulations are important for the redistribution of wealth. As of today, the social and economic policy approaches are negotiated by the unions, employer association, and the government due to historically enforced Social Responsibility measures of corporations. According to latest figures from the OECD in 2018, the government of Germany spent 25% of its GDP in public social spending. The German government has a mature social and economic role and has increased over time the share of social expenditures in GDP that is relevant to research, education, and healthcare. Germany has a corporate tax rate of 30% (Trading Economics Access). According to the German Federal Ministry of Education and Research, almost 30% of spending is done on Research & Development that is provided by the Bundestag (the parliament of Germany), and the Bundesrat (the representative body of the Länder, Germany's regional states), thus the government is the main sponsor of research in Germany (German Federal Ministry of Education and Research, 2020).

### 4.2.2 Social

Concerning the social system, in Germany there is a strong emphasis in relying on the government when there are social problems such as pandemics, high unemployment rates, and high rates of poverty. Social welfare services such as unemployment compensation, housing assistance or childcare and family support programs are one of the most elaborated social security systems in

the world provided by the federal government (Sozialgesetzbuch (SGB) Access). Therefore, the engagement from the civil society in organizations is rather limited in comparison to the strong role of the government in helping societal issues. Nonetheless, according to the OECD Civil Society Organizations are crucial for sustainable growth as “they play a crucial role in reducing poverty, upholding democratic development and the fulfilment of human rights. They stand out amongst development co-operation partners for their capacity to reach out to, empower, represent, and defend people living in vulnerable situations, and to trigger social innovation. They are therefore essential partners of public and private actors in their pursuit of the 2030 Agenda” (OECD Civil Society Organizations.) One of Germany’s attributes is that it puts too much pressure on the government to supply to their adequate social requirements. In comparison to the percentage spent in Germany for public spending (25%) in the latter, private donations in Germany are low according to CAF World Giving Index which placed Germany (where ranked number 1 is perceived as the best) ranked 22nd overall in the world; in *Donating Money* category in 19th place, in *Helping a Stranger* category it places Germany in 42nd place, and in the *Volunteering Time* category in 46th place (CAF, 2018).

### 4.2.3 Economical

German corporations are primarily in the manufacturing, industrial, and service sectors. The country has had higher economic growth with a 1.5% annual growth in 2018, and the economy in Germany remains the largest economy in Europe with a GDP approx. 3.948 USD trillion (World Bank, n.d.) According to the Global Economy, there is a noticeable positive reduction in unemployment rate from 11% in 2005 to 3.2% in 2019. The automotive, commercial vehicle, electrotechnology, mechanical engineering and chemicals industries are of particular international significance and account for Germany’s reputation as a “world champion” in exports (Matthias S. Fifka., 2013). According to a report from Germany’s Anti-Trust Commission in 1978 (Monopolkommisson Access), the report revealed that Germany’s three largest private banks, Deutsche Bank, Dresdner Bank and Commerzbank, accounted for 68% of the supervisory board chairpersons who were bank representatives of Germany’s 100 largest corporations. Today, this figure mostly remains the same as the ownership of corporations is often concentrated in the hands of large investors; such as banks, insurance companies, governments, and family partnerships.

Therefore, in the current German economic/ financial system the transparency to external shareholders is not needed because majority of the investors are already individuals who have access to relevant information, such as the sustainability reports, or financial expenditures of a specific corporation.

### 4.3 German Institutions Related to CSR

Matten and Moon explains that Corporate Social Responsibility is assigned by the "entirety of a country's formal and informal institutions' and it is expressed simply through the compliance with values, norms, and legal requirements (Matten, D., Moon, J. 2008). The most important institution in Germany that advises the government on CSR is the German Council for Sustainable Development (RNE), however the Federal Ministry of Labour and Social Affairs (BMAS) is officially responsible for CSR issues. In January 2009, the Federal Ministry of Labour and Social Affairs (BMAS) launched the "CSR National Forum" (Bundesagentur Für Arbeit) (German Federal Government, BMAS, 2010). The requirements of the German CSR Directive Implementation Act (CSR RUG) obligate corporations to publish a non-financial report for their corporations and Group level (Sustainability Code, 2017).

In Germany, environmental protection, social security, and labor laws have long been subject to the regulations that are legally binding. Therefore, there is less ability by Corporations to have its own accord, self-imposed freewill in order to successfully practice the act of CSR since it is already an obligation. All in all, in Germany the practice of Corporate Social Responsibility has begun to gain more momentum due to Corporations that operate in the international arena. The transition from CSR being simply a management strategy to a creative characteristic in order to solve the current problems in the world today concerning the environmental and societal issues has been seen in Germany in the beginning of the $21^{st}$ century.

There are many German Non-Governmental Organizations due to the Environmental Movement that took place in Germany between the 1970s and the 1980s. The Federal Environment Agency (1974), and the Ministry of the Environment (1986) were founded during this time. Followed by the political Green Party/Alliance 90 (1993). According to the Germany's Federal Government Sustainable Strategy, (updated in 2018) the policy is based on the 2030 Agenda for Sustainable

Development, which is entitled “Transforming our World” focusing on the national challenges of Germany. The Social sector focuses on “leaving no one behind” which according to the Federal Strategy signifies “that even those who cannot achieve the minimum sociocultural subsistence level by themselves must be able to share in the wealth generated in society as a whole. This requires society to provide security against particular risks in the welfare state.” (German Sustainable Development Strategy, 2018). Although, there is emphasis on the social aspect on the Federal Strategy due to the pressure of globalization, there is hesitation because in Germany there is relatively a weak role of civil society initiatives because of social unions, and organizations that take up the theme carefully. However, environmental protection has been defined as a state objective (Staatsziel) in the German Constitution (Grundgesetz) since 1994 (Wölfl, T., 2018). The German Federal Government Legislative branch does an exceptional job in setting the agenda for Environmental Regulations for Corporations to follow. With that being said, the German NGO scene is taking a reserved attitude towards CSR and has only a limited role in its promotion (Bertelsmann Stiftung).

There are environmental laws concerning; water pollution, air pollution, waste, resources, asbestos, contaminated land, and most importantly laws to report by the Corporations followed by regulatory enforcement (German Federal Government). The German penal code does not provide for corporate prosecution but allocates criminal liability to the individuals in management positions. Therefore, CEOs, senior corporate executives, and middle management subordinates are extremely cautious in participating in any environmental wrongdoing concerning negligence to operational safety of employees, or environmental wrongdoing in any specific industry sector. To reiterate, the CSR method in Germany is not of voluntary nature, but of imposed strict enforcement from the Federal and State level concerning labor laws and particularly more towards legally binding laws that Corporations must follow towards the Environment which leaves less room for optional action.

## 4.4 National Context – United States

### 4.4.1 Political

The political system of the United States, with its 330 million inhabitants makes it the most heavily populated country in the Western Hemisphere (US Census Bureau, 2020). The United States has a political system with the Legislative branch; where Congress comprised of the House of Representatives and Senate make the laws. Secondly the Executive branch, where the President is the head of state, and where the laws are carried out with the Vice President and Cabinet members. Thirdly, the Judicial branch, where the Supreme Court evaluates and interpret laws (USA GOV). The United States is a representative democracy consisting of 50 states and the President, who is the main political leader as the Chief of State, Chief Executive, and Commander in Chief. The United States is known to be a country of freedom with a limited role of the government in corporate affairs, and citizen interactions (United States Government, n.d.). To the best of the authors knowledge and as an American, the word "freedom" is not the idea that we have the capability to do anything as we would like, nevertheless it's the opposite, it's the fact that every single day (Americans) voluntarily have the choice or freewill to act in good conscience, behave ethically, and do what is morally correct.

Throughout the history of the United States, the political role of the government has been influencing its citizens to have economic freedom, and by not intervening in their business or social affairs in their pursuit of prosperity. The United States has a long history of private sector engagement in development co-operation. Generally, the country seeks to harness the power of the private sector's expertise, supply chains, technologies and investment flows to drive economic growth and increase the reach and sustainability of development impacts. Private sector development of local economies is the foundation of the United States' private sector engagement. Interventions have included reducing costs of doing business for the private sector in developing countries, enhancing skills and workforce development, addressing trade barriers, privatizing state-owned enterprises, expanding access to sustainable capital and building local private sector systems (OECD, 2016). The United States has a corporate tax rate of 21% (Trading Economics Access). According to the latest figures from the OECD in 2018, the government of the United States spent 18% of its entire GDP in public social spending.

### 4.4.2 Social

Concerning the social system, in the United States there is strong emphasis from the population in relying on the "partners" of the government which are the Private Sector and Organizations when there are societal issues. Therefore, the US government seeks to partner with corporations and NGO's in order to develop or fix social problems such as pandemics, high unemployment rates, and high rates of poverty. Therefore, the engagement from the civil society in organizations is rather strong in comparison to the limited role of government in helping societal issues. In rare occasions, the US government will directly give financial relief to its citizens. Only in extreme important scenarios such as a natural disaster, an economic crash, and even in more rare occasions related to life threatening mass health issues the latter will happen.

One of the attributes of the United States is that there is an extreme amount of pressure on the Corporations/ Organizations to supply the adequate social requirements of the American citizen. In comparison to the percentage spent in the United States in public spending (18%) in the latter, private donations in the United States were higher according to CAF World Giving Index which placed the United States (where ranked number 1 is perceived as the best) ranked 4$^{th}$ overall in the world; in *Donating Money* category in 12$^{th}$ place, in *Helping a Stranger* category places the United States in 10$^{th}$ place, and in the *Volunteering Time* category in 8$^{h}$ place (CAF, 2018). In the US, social welfare services such as unemployment compensation, housing assistance or childcare and family support programs are provided partly by the federal government and partly by the states (U.S Government Publishing Office Access). Yet their scope is limited in comparison to many European countries. This is partly due to the dominant value of individual responsibility as well as the significant influence and impact of corporates' philanthropic activities, which address a range of issues (Bertelsmann Stiftung).

### 4.4.3 Economic

American corporations are primarily in the electronic technology, retail, and oil/gas sectors. Economic growth with a 3.0% annual growth in 2018, and the economy in the United States remains the largest economy in the world with a GDP approx. 20.54 USD trillion (World Bank, n.d.) According to the Global Economy, there is a noticeable positive reduction in unemployment

rate from 10% in 2009 to 3.5% in 2019. For corporations from the United States, one of the most important activity is to obtain capital from individual shareholders who demand a high degree of transparency and accountability (Matten & Moon) as it guarantees for their investment (Matten, D., Moon, J. 2008). Shared ownership in the United States is very common, whereas blocked ownership or “blockholders” by a bank, an insurance company, the government, and family partnership are not commonly seen. The US economy is market-oriented with low interventions on the part of the federal government. The business landscape includes some of the most powerful corporations in the world, but also a high number of small and midsized enterprises (Bertelsmann Stiftung). Therefore, in the current American economic/ financial system the Corporations are not obliged but are encouraged to consider the interests of non-shareholders, stakeholders, in board decision-making.

### 4.5 United States Institutions Related to CSR

In the United states there are no federal laws directly addressing Corporate Social Responsibility, however, there is an encouragement to address the requirements of stakeholders from a corporate governance perspective. Socially Responsible Investment (SRI) is the practice of incorporating social and environmental goals into investment decisions (Sparkes, R. Cowton, C. J., 2003). In the United States there are initiatives that motivate corporations to partake in impact investments employee programs/ community advocacy, however it is not an obligation or regulation at the federal level. Nonetheless, the government has established soft laws that are relevant to CSR, for example the Sarbanes Oxley Act of 2002, as it establishes standards on issues such as auditor independence and financial disclosure (National Archives US Gov Access). Also, a 2003 initiative by the Securities and Exchange Commission (SEC), a US government agency that oversees and regulates the stock market, obligates all managers of investment funds to report on the voting at general meetings (Securities and Exchange Commission, n.d). It is hoped that this will encourage critical shareholders to bring up issues related to SRI (Bertelsmann Stiftung).

There are state level environmental laws that are relevant to CSR. States such as Vermont, California, and Washington are the so-called progressive states that are leading in legislative initiatives such as reduction of greenhouse gas emissions, small-scale energy sustainable produced

electricity grids, and to meet statewide pollution standards. In the 1970s, there was a rise in social movements which focused on issues related to the environment and the federal government of the United States responded partially with the creation of the US Environmental Protection Agency or EPA. However, the role of the EPA in the United States is limited because it is not in the interest of the Federal Government to oblige Corporations to regulate, monitor, or mandate a sustainable report. This would provide a new set of national regulations that could potentially change or financially harm the current "playing field" of American Corporate businesses. Therefore, the encouragement of CSR comes from private businesses, nonprofit organizations, and the media sectors. In most cases, CSR is advocated in American Corporations in order to gain a competitive advantage to demonstrate to the targeted consumer that their company is partaking in environmental and social initiatives. There is a limited amount of ongoing companies or startups that have transformed their entire business model to completely stand out because the company either cares about CSR issues, is responding to civil society pressure, or is trying to get ahead of the competition by having an economic advantage. Although the Federal Government is not active, there are many NGO's in the United States that run campaigns such as the Rainforest Action Network (RAN), Social Accountability International (SAI), and Global Witness initiative that directly focus on issues related to environment accountability, workplace standard, and human rights.

Therefore, the responsibility of CSR related issues in the United States is with the civil society, and corporations to engage in activities that benefit the environment or the society. To reiterate, the CSR method in the United States is of voluntary nature, with no Federal law, and very limited State level laws related to CSR which leaves an enormous capacity for Corporations to engage in optional voluntary CSR initiatives. This causes the United States to be perceived as a nation of "giving back" to society because of the limited role of the government. This freedom in the United States leads to greater need for citizen participation, greater capacity to engage in business philanthropic actions, and to ethically make the correct decision. This American stewardship is epitomized in early American philanthropist Andrew Carnegie's view that "the duty of the man of Wealth is to consider all surplus revenues which come to him simply as trust funds, which he is called upon to administer in a manner is best calculated to produce the most beneficial results for the community" (Matten, D., Moon, J. 2008).

### 4.6 Analysis of the National Context

As it is evident from the above Political, Social, Economic, and Institutions pertaining to CSR that there are differences in the National implementation between the United States and Germany. In Germany, environmental protection, social security, and labor laws have long been subject to the regulations that are legally binding at the Federal Laws. In the United States there are no federal laws directly addressing Corporate Social Responsibility, however, there is an encouragement to address the requirements of stakeholders from a corporate governance perspective. Therefore, one could make the analysis based on the information above that the BMW Group from Germany will have a better rating (MSCI ESG) in relation to CSR, a better strategy in place, and better performance measures in comparison to the Ford Motor Company due to their obliged practice.

As an alternative, one could make another analysis based on the information above that the Ford Motor Company will have a better rating (MSCI ESG) in relation to CSR, a better strategy in place, and better performance measures in comparison to the BMW Group since it is in their voluntary nature as a nation and corporation in order to make the ethical decision that is beneficial to the environment and to society. The main objective section was to distinguish whether the current government is mandating, facilitating, partnering, and endorsing the CSR strategy of the automotive industry in the United States and Germany. In Germany, the author has come to the conclusion that the Government is mandating CSR at the federal level. In the United States, the author has come to the conclusion that the Government is endorsing the encouragement of CSR activities but not mandating them at the federal level.

## 5 Results: MSCI ESG Ratings

Generally, socially and environmentally alert investors strive to try to possess successful corporations that could potentially make a positive contribution to society. Therefore, ESG's require investment managers to assist in analyzing their corporations' methods, strategies, operations, outlook and influence on the traditional quantitative determination of profit possibility. Therefore, evaluating the two corporations will benefit the thesis by addressing their quantitative data points that will be useful in order to analyze the effects of national institutions. The MSCI

ESG Rating leverages Artificial Intelligence (AI), machine learning and natural language processing augmented with over 200 analysts. The rating of companies is from an 'AAA' to 'CCC' scale (Figure 12) according to their exposure to industry specific ESG risks and their ability to manage those risks relative to peers (MSCI ESG Rating).

The MSCI ESG Rating is a respectable rating database institution that rates 7,500 companies and collects thousands of data points and has 37 key issues within their Environmental, Social, and Governance ratings divided into three pillars which include; *Leader, Average, and Laggard*. Other institutional investors who chose to use MSCI ESG data to further ESG integration objectives include: Allianz Group, BMO Global Asset Management, Environment Agency Pension Fund, Kempen Capital Management, Legal and General Investment Management, M&G Investments' Equities business, Manulife Asset Management, Mercer Investments, Merrill Lynch, Metzler Asset Management, Morgan Stanley, Nomura Asset Management, Northern Trust Asset Management, PIMCO, Privatbank Berenberg (Joh. Berenberg, Gossler & Co. KG), Queensland Investment Corporation, RBC Global Asset Management, and Sun Life Investment Manage (MSCI, 2015).

MSCI Rating Scale in Figure 12:

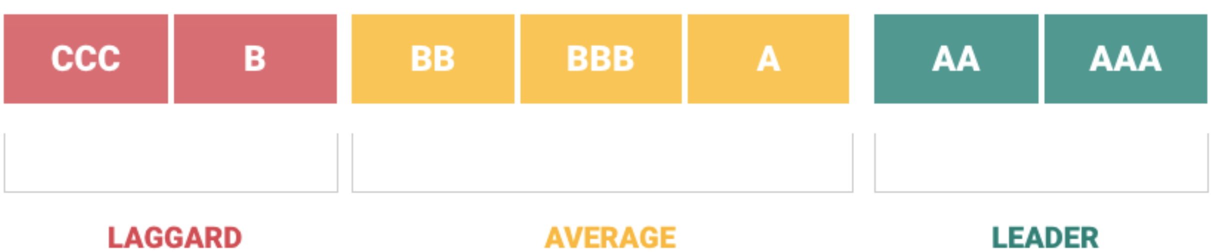


***Figure 12*** MSCI Rating Scale

**Source:** MSCI ESG Research Global Socrates Methodology Access, 2020

### 5.1 MSCI ESG Ratings: BMW

BMW rates highest or is a *Leader* in four different categories; *Product Safety & Quality, Labor Management, Product Carbon Footprint*, and in *Opportunities in Clean Technology*. The BMW

Group is *Average* in the *Corporate Governance* category. Furthermore, the BMW is not a *Laggard* on any of the key issues that the database evaluated for its entire industry. (MSCI ESG Research Global, 2020). The BMW industry comparison on ESG issues is presented in the table below.

MSCI ESG Rating Distribution for BMW in Figure 13:

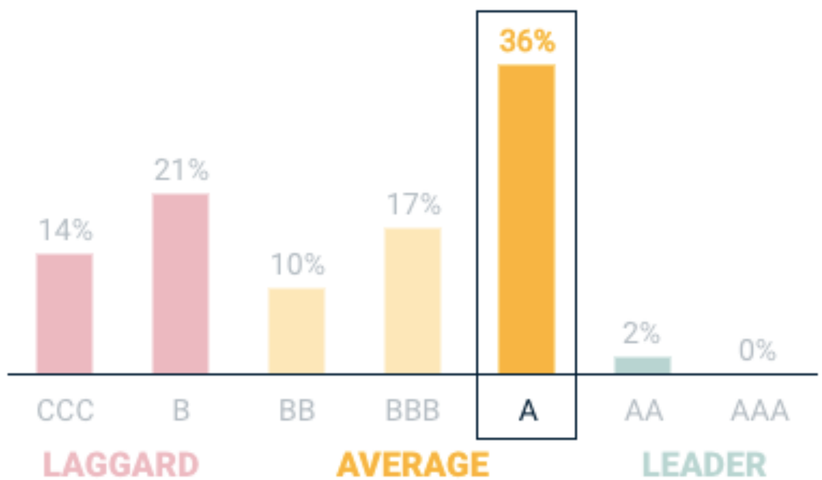


**Figure 13** MSCI ESG Rating Distribution for BMW

**Source:** MSCI ESG Research Global Socrates, 2020

As the graph shows, BMW rates higher than most at the "Average" position with the best score within the average category with an "A". The BMW Corporation is within the 36% category of the amongst 41 different companies that MSCI does rating in the automotive industry. As mentioned, BMW rates highest or is a leader in four different categories. First, BMW is a *Leader* in *Product Safety & Quality*; this issue evaluates the potential for product recalls or lost customer trust due to product quality concerns (MSCI ESG Research Global Socrates, 2020). According to the BMW Sustainable report, in over 30 countries, the BMW Group offers training for BMW cars, Mini Cars and BMW motorcycles to raise awareness of dangerous situations, helping to improve road safety. Furthermore, the quality management team from BMW monitors their products on the market and follows up on any reports related to safety and does voluntary technical campaigns to inspect, and if necessary, replace the faulty components of the vehicle (BMW Sustainable Value

Report, 2019). Second, BMW is a *Leader* in *Labor Management*; this issue evaluates the potential for workflow disruptions due to labor unrest or reduced productivity due to poor job satisfaction (MSCI ESG Research Global Socrates, 2020). According to the BMW Sustainable report, from 0% being the worst and 100% the best, overall Employee Satisfaction was at 87% in 2017 out of an average 130,000 employees for the same year (BMW Sustainable Value Report, 2019).

Third, BMW is a *Leader* in *Product Carbon Footprint*; this issue evaluates the potential for higher production costs for carbon-intensive products and their ability to reduce the carbon footprint in their supply chain (MSCI ESG Research Global Socrates, 2020). According to the BMW Sustainable report, the total CO2 emissions from vehicle production per vehicle produced decreased to 0.30 *t* in 2019 compared to the previous year in 2018: 0.40 *t* CO2 per vehicle (BMW Sustainable Value Report, 2019). Fourth, BMW is a *Leader* in *Opportunities in Clean Technology*; this issue evaluates a company's clean tech innovation capacity, strategic development initiatives, and revenue generation (MSCI ESG Research Global Socrates, 2020). According to the BMW Sustainable report, Sustainability is an integral part of their corporate strategy, namely: Strategy Number One > Next where the Group is committed to the lead role as drivers of innovation within the automotive industry (BMW Sustainable Value Report, 2019).

ESG Rating History for BMW in Figure 14:

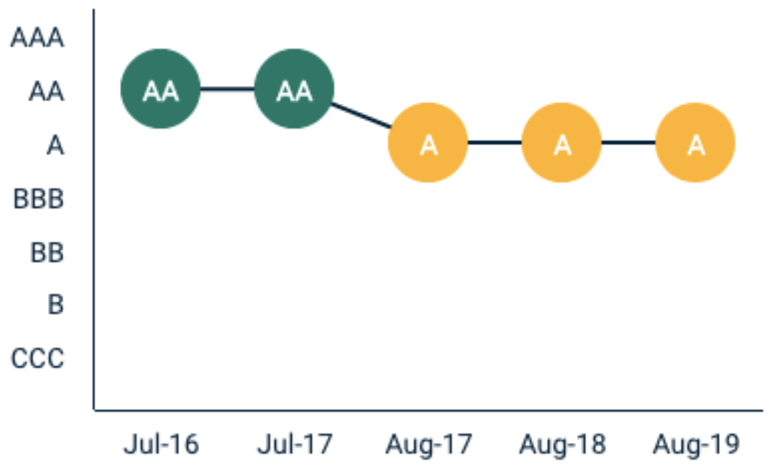


**Figure 14** ESG Rating History for BMW

**Source:** MSCI ESG Research Global Socrates, 2020

As the graph shows, although the BWW Group is a leader in four categories, since 2017 it has lost a rating from July 2017, as an “AA” to August 2017 as an “A” corporation which has remained constant since this time period. This could be because the BMW Group’s total CO2 emissions along the entire value chain have increased over the years. This is due to growing production and sales volumes, from 70,818,970 in *t* CO2 in 2016 to 75,987,119 in *t* CO2 in 2019 (BMW Sustainable Value Report, 2019). Furthermore, the group has not made an advancement in their *Average* rating in *Corporate Governance*; this theme evaluates the extent to which companies’ corporate governance practices may pose risk to investors (MSCI ESG Research Global Socrates, 2020). The BMW Group has three organs: The Annual General Meeting, the Supervisory Board, and the Board of Management. The Board of Management manages the Company under its own responsibility. As part of a dual leadership system, the Board of Management is advised and supervised by the Supervisory Board. The Supervisory Board appoints the members of the Board of Management and, if there is good cause, can remove them from office at any time (BMW Group Corporate Governance Code, 2017). Since Kruger’s retirement, BMW has changed the board of management in several positions. Milan Nelkovic was appointed as successor to new CEO Zipse as Board Member for Production, and there was also a change in the head of the Human Resources department in November (Electrive, 2020). Currently, Harald Krüger is the CEO of the BMW

Group and was replaced by Zipse in 2019, this constant insecurity within the past few years have possibly posed a risk to investors which have kept the *Corporate Governance* indicator by MSCI ESG constant.

### 5.2 MSCI ESG Ratings: Ford

The Ford Company rates highest or is a Leader in one category*; Opportunities in Clean Tech*. The Ford Company is Average in two categories*; Corporate Governance*, and *Labor Management*. Furthermore, the Ford Company is a *Laggard* on two categories; *Product Safety & Quality*, and *Product Carbon Footprint* (MSCI ESG Research Global, 2020). The Ford Company industry comparison on ESG issues is presented in the table below.

MSCI ESG Rating Distribution for Ford in Figure 15:

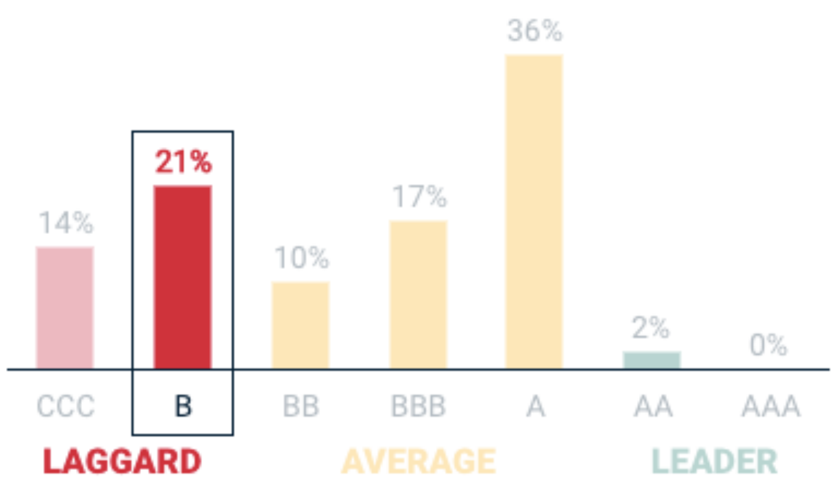


**Figure 15** MSCI ESG Rating Distribution for Ford

**Source:** MSCI ESG Research Global Socrates, 2020

As the graph shows, Ford rates lower than most with "Laggard" position with the score of a "B". The Ford Company is within the 21% category of the amongst 41 different companies that MSCI

does rating in the automotive industry (MSCI ESG Research Global Socrates, 2020). As mentioned, Ford rates highest or is a leader in *Opportunities in Clean Technology*; this issue evaluates a company's clean tech innovation capacity, strategic development initiatives, and revenue generation (MSCI ESG Research Global Socrates, 2020). According to Ford Company's Sustainability Report, Ford desires to become the world's most trusted company, designing smart vehicles for a smart world. Furthermore, Ford's Sustainability & Vehicle Environmental Matters group and regional stakeholders of the company has made a priority of the key issues in numerical order that it wants to make an impact on (Ford Sustainability Report, 2019).

First, the most important issue of Ford to make an impact is the 1) Electrification and Alternative Fuels where the company has invested $11 billion in electrification over five years with a focus on emerging opportunities in mobility. Second, it is 2) Customer Satisfaction, Vehicle Quality and Safety where according to Global Safety Domain Organizations such as Euro NCAP seven Ford models have 5-star ratings by Euro NCAP and Ford received seven Euro NCAP Advanced Awards for innovative technologies (Euro NCAP, 2018). Third, it is 3) Vehicle Carbon Footprint and Fuel Economy where Ford is achieving lower carbon options with; electrified vehicles, electrical system improvements, and new engine transmission technologies. By introducing vehicles that that use lower-carbon fuels with; electricity, biofuels, compressed natural gas (CNG). Furthermore, Ford is enabling customers to choose different vehicles and fuels, moreover how those vehicles will be driven and maintained promoting "eco-driving" through training, information, and vehicle technology (Ford Sustainability Report, 2019).

ESG Rating History for Ford in Figure 16:

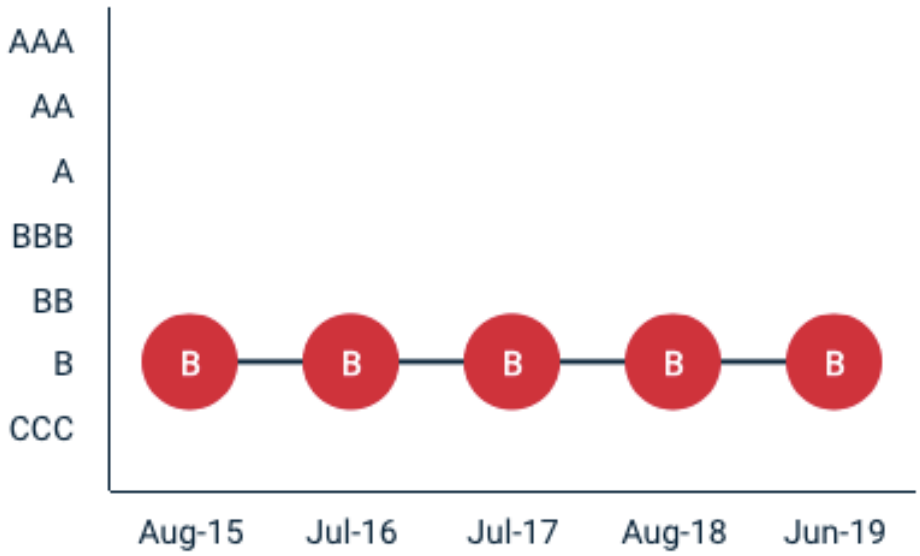


**Figure 16** ESG Rating History for Ford

**Source:** MSCI ESG Research Global Socrates, 2020

As the graph shows, the Ford Company is rated as a "B" by MSCI ESG Rating history data over the last five years or since records began (MSCI ESG Research Global Socrates, 2020). Although, it has maintained this rating for a consecutive number of years it is striving to do better by taking positive sustainable initiatives which is currently in progress and can only be analyzed after a certain period of time. Furthermore, Ford has an *Average* rating in Labor Management; this issue evaluates the potential for workflow disruptions due to labor unrest or reduced productivity due to poor job satisfaction. According to the Ford Sustainability Report, from 0% being the worst and 100% the best, overall Employee Satisfaction was at 71% in 2018 out of an average 200,000 employees for the same year (Ford Sustainability Report, 2019). Although, this is average, Ford was included in the 2019 Bloomberg Gender Equality Index for their commitment to transparent gender reporting and workplace equality (Bloomberg Gender Equality Index, 2019). Ford also has an *Average* Corporate Governance; this theme evaluates the extent to which companies' corporate governance practices may pose risk to investors (MSCI ESG Research Global Socrates, 2020). As mentioned before Ford has a Sustainability & Vehicle Environmental Matters group with regional stakeholders of the company that has made a priority of key issues where in sixth place is 6th)

Accountable and Inclusive Governance. In order to possibly have the Corporate Governance from an average score to a lead score the transition in priority should be made internally within the company.

In addition, the Ford Company is a *Laggard* on the category of *Product Safety & Quality*; this issue evaluates the potential for product recalls or lost customer trust due to product quality concerns (MSCI ESG Research Global Socrates, 2020). According to Ford Sustainability Report, in 2018, they had a service contractor fatality at a North America Stamping Plant (Ford Sustainability Report, 2019). Moreover, the Ford Company is a *Laggard* on the category of *Product Carbon Footprint;* this issue evaluates the potential for higher production costs for carbon-intensive products and their ability to reduce the carbon footprint in their supply chain (MSCI ESG Research Global Socrates, 2020). According to the Ford Sustainable Report, the total CO2 emissions per vehicle is at 0.73 in metric tons. The Ford Company is making slow progress in product safety & quality, and product carbon footprint and should making stronger initiatives as it is an urgency not only for Ford, but for the entire automotive industry.

### 5.3 MSCI Analysis

As is evident from the above ratings, the German automotive corporation, respectfully the BMW Group rates higher with an "A" score in comparison the US automotive corporation, respectfully the Ford Motor Company rates a "B" score. The two corporations are not broadly similar since the BMW Group is three grades or classifications better than the Ford Motor Company as seen on Figure 17. However, this is not the overall final conclusion that Germany's institution is more effective in their CSR implementation than the United States.

MSCI ESG Rating Distribution for Comparison in Figure 17:

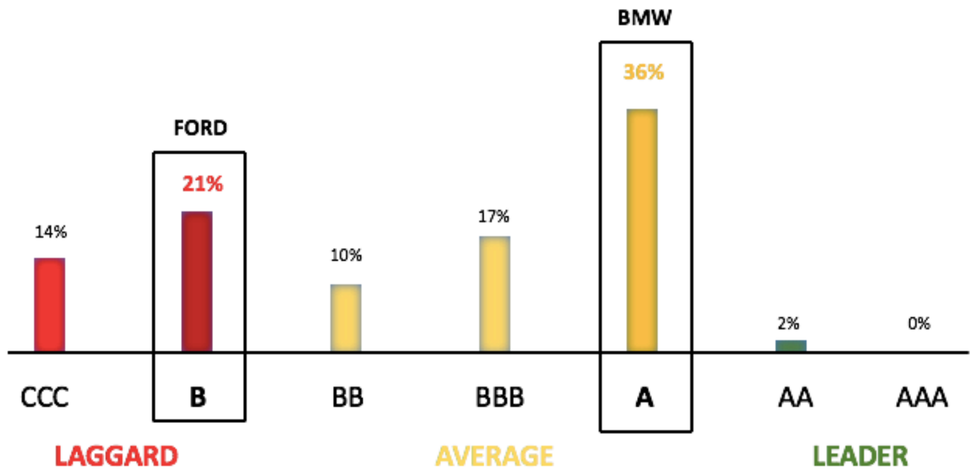


**Figure 17** MSCI ESG Rating Distribution for Comparison

**Source:** MSCI ESG Research Global Socrates, 2020, edited by author

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# 6 Results: CESI Framework

## 6.1 Overview

The two corporations will be compared across three parameters from the CESI Framework which include Creativity, Circularity, and Glocality by doing an in-depth analysis from the Sustainability Report from the two automotive corporations for the year 2019. The data is from the auditing organizations that performed the integrated, separate nonfinancial report; namely PricewaterhouseCoopers *GmbH Wirtschaftsprüfungsgesellschaft*, with limited assurance in accordance with ISAE 3000 for the BMW Group, and Ceres non-profit organization for the Ford Motor Company. The framework may be helpful in organizing the literature conceptus to better manage the Ford and BMW cases, and examine if, through them there are differences due to the national institutional environments between the United States and Germany by analyzing each specific parameter and how they contribute towards fulfilling the UN Sustainable Development Goals. As mentioned, the main objective of this part is to understand whether "Corporations regardless of their country/ government, have the capacity to develop, lead, and implement a CSR system of environmental social initiatives that could have the same effect regardless of government influence on a global scale because the corporation has changed its core values that *CARES* for environmental and societal issues."

**Creativity: Analysis**

Creativity in the CESI Framework is when the Corporation has the main value proposition of a corporation changed from solely making profits, but to also finding alternative solutions to create products or services to best help the planet and society. A Creative product in CESI will not only bring substantial financial returns to corporations but also have a functional use that incorporates environmental/ societal issues, bring technology to a region where it has limited capabilities, and be affordable enough for developing countries. Corporations should innovate to address the mass population and produce incremental products/services that benefit the environment/ society at a large scale to have immediate impact/ long-term benefits. Creativity in the CESI Framework should have a goal to re-structure their business models to solve the major issues concerning environmental and societal issues with Creative; functional, affordable, and innovative products and services.

**Circularity: Analysis**

Circularity in the CESI Framework is when the Corporation takes less and makes more out of resources that are currently available by making the best out of their energy, waste, and durable components that can be recycled, donated or sold to a third party. The act of donating or selling what certain companies consider waste could benefit another corporation because it may potentially be a valuable material that could be used in their supply chain for new products. A corporation can at the same time use Circularity to make the most of its resources by being ecologically sustainable as well as make lucrative returns on the initial investments by prioritizing on a particular niche of their supply chain or business model where the corporation may benefit. Furthermore, corporations should focus on the significance of the well-being of their employees by encouraging work life balance, fair wages, diversity & inclusion, an inclusive culture for minorities, and dedication to caring for the community of where it operates. This way the corporation should constantly nourish its own employees and the well-being of the entire community.

**Glocality: Analysis**

Glocality in the CESI Framework is when the Corporation adapts their business with a winning global principle, by collaborating with existing players in the local context by integrating a global performance-driven, diversified, and reward-based system. Corporations should be flexible in regions by not having a one size fits all approach, but by being open to adapting to local practices, traditions, and expressions. It is not an “either/ or” approach but a “yes we can do both” approach by having a positive impact with environmentally friendly solutions, socially acceptable conditions, and financial economic positive return on investment by understanding local contexts. The corporation has to take their international consumers into account by having a mission statement that translates to the global brand but without losing its human local appeal. With Glocality a corporation can change by focusing on one individual culture, region, and demographic population of operation by bridging the gap between different people and cultures. In this context a corporation should hire local people, professionals, and renewable sources if possible.

## 6.2 BMW Group

### 6.2.1 Creativity: BMW Group

The author concluded that the BMW Group has three main goals in their Creativity parameter by which they strive to do better in their *Electromobility, Mobility Patterns, and Emissions of CO2 and Pollutants* programs. With Electromobility, the BMW Group is contributing to five UN Sustainable Development Goals; 7 Affordable and clean energy, 9 Industry, innovation and infrastructure, 11 Sustainable cities and communities, 12 Responsible consumption and production and 13 Climate action. The Group is producing products/ services that have an impactful/ long-term benefit with creative attributes. In total, BMW sold around 504,000 vehicles with electric and plug-in hybrid drives by the end of 2019, the initial goal was selling 500,000 vehicles. In 2019, the BMW Group delivered 146,1601 electrified vehicles (2018: 142.385), making it once again a leading provider in the electromobility sector in the world. However, if you compare the number of electrified vehicles of the BMW Group in Europe with the company's market volume in each country, it is apparent that their share of electric vehicles is relatively low, particularly in the high-volume markets (BMW Sustainable Value Report, 2019).

With Mobility Patterns, the BMW group is contributing to three UN Sustainable Development Goals; 9 Industry, innovation and infrastructure, 11 Sustainable cities and communities, and 13 Climate action. The BMW Group intends on bringing an automated vehicle, the BMWiNext, onto the market. The driver can delegate driving to the car during longer periods on open motorways and roads similar to motorways and carry out other activities depending on regulatory requirements (BMW Sustainable Value Report, 2019). At present, the first highly automated research vehicles not only drive on motorways but are also being used for testing purposes in city traffic in Munich, Germany as well as in selected cities in China and the USA. With Emissions of CO2 and Pollutants, the BMW Group is in line with four UN Sustainable Development Goals; 3 Good health and well-being, 9 Industry, innovation and infrastructure, 12 Responsible consumption and production, and 13 Climate action. With innovations such as reducing local emissions of nitrogen oxide (NOx) in particular to improve urban air quality for all diesel models of the BMW Group. Furthermore, BMW uses a mild hybrid technology with a 48-volt electrical system that gradually rolls out diesel and petrol engines in all series (BMW Sustainable Value Report, 2019).

### 6.2.2 Circularity: BMW Group

The author concluded that the BMW Group has four main goals in their Circularity parameter by which they strive to do better in their *Consumption of Resources, Renewable Energy, Supplier Network, and Diversity* programs. With Consumption of Resources, the BMW Group is contributing in particular towards achieving three UN Sustainable Development Goals; 9 Industry, innovation and infrastructure, 12 Responsible consumption and production, and 13 Climate action. The BMW Group has created processes and state-of-the-art technology to reduce water consumption and wastewater. In this context, key measures are introducing waterless processes in their foundries, repeatedly using treated process wastewater as well as further optimizing processes in their paint shops and wastewater treatment plants. Furthermore, in order to minimize waste, BMW is developing recycling and reprocessing concepts that are customized for waste streams in the different plants, varying legal requirements and existing disposal structures (BMW Sustainable Value Report, 2019).

With Renewable Energy, the BMW group is contributing towards achieving three UN Sustainable Development Goals; 9 Industry, innovation and infrastructure, 12 Responsible consumption and production and 13 Climate action. A 70 ,000 m 2 solar farm with a capacity of 5 MW was installed at the newly opened San Luis Potosí/MX plant. During its ramp-up phase, the photovoltaic system already supplied almost half of the electricity required for installing the production facilities. The BMW Group purchased the remaining electricity from other suppliers of renewable energy and made up any shortfalls by acquiring certificates, thus achieving a 100% carbon-free electricity supply at this site for the reporting period (BMW Sustainable Value Report, 2019). With Supplier Network, along the supply chain the BMW Group wants to contribute towards fulfilling four UN Sustainable Development Goals; 8 Decent work and economic growth, 10 Reduced inequalities, 12 Responsible consumption and production and 13 Climate action. The BMW Group seeks close collaboration with their suppliers and are committed to their further development in all aspects of sustainability. To this end, they deliver training, information events and various other activities as part of their development program (BMW Sustainable Value Report, 2019).

With Diversity, the BMW Group measures to foster diversity and equal opportunities is contributing towards two UN Sustainable Development Goals; 5 Gender equality und 10 Reduced inequalities. At the BMW Group, diversity-promoting concepts were introduced not only to subordinated, but also developed for the management boards: Board of Management and Supervisory Board. In 2019, special focus was placed on the events taking place as part of Diversity Week. These were carried out at 39 BMW Group locations under the banner “Diversity is our strength”. Moreover, the BMW group ensure that they have a high share of women in the young talent programs in order to secure tomorrow’s talents at an early stage. In the area of HR development, the BMW Group has improved their methods of identifying and developing female talent (BMW Sustainable Value Report, 2019).

### 6.2.3 Glocality: BMW Group

The author concluded that the BMW Group has one main goal in their Glocality parameter by which they strive to do better in their *Corporate Citizenship* program. The BMW group is contributing towards achieving seven UN Sustainable Development Goals; 4 Quality education, 5 Gender equality, 8 Decent work and economic growth, 10 Reduced inequalities as well as 17 Partnerships for the goals, 6 Clean Water and Sanitation and 11 Sustainable cities and communities. Since 2015, the BMW Group has been partnering with the Waves 4Water organization. The aim of this project is to supply families living close to BMW Group locations in Mexico, India and Thailand with water filters to have better access to clean drinking water. By the end of 2019, the project had resulted in 4,620 filter systems being distributed, from which 462,000 people living in the direct proximity of BMW Group locations benefited. Over 300 employees helped to distribute water filters in their communities. In addition, between 2017 and 2025 the BMW Group intends to provide good quality education to one million young people - particularly in technical areas. Their education and training programs have reached over 400,000 children and young people at international BMW Group locations by the end of 2019 (2018: 316,000), meaning that they have reached 40% of their target. Furthermore, between 2011 and 2025, the BMW Group wants to reach six million people through the diverse projects recognized by the Intercultural Innovation Award. Between 2011 and the end of 2019, the winning projects supported over 3.6

million people, meaning BMW Group has already reached 60% of the target (BMW Sustainable Value Report, 2019).

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### 6.2.4 Sustainability Report: BMW

| Environmental Analysis for BMW | | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| Access | Thomson Reuters | Thomson Reuters | Thomson Reuters |
| ESG Report Auditor Name | PWC GMBH WPG | PWC AG | PWC GMBH WPG |
| Period End Date | 31-12-2018 | 31-12-2017 | 31-12-2016 |
| Period Status | Complete | Complete | Complete |
| Energy Produced Direct | 1,091 | 224,819 | 3,698 |
| Electricity Purchased | 2,513,308 | 2,588,409 | 2,584,570 |
| Renewable Energy Produced | 5,788,965 | 5,852,666 | 394 |
| Water Withdrawal Total | 5,425 073 | 5,073,220 | 5,017,816 |
| Fresh Water Withdrawal Total | 5,425 073 | 5,073,220 | 5,017,816 |
| CO2 Equivalent Emissions Direct, Scope 1 | 581,703 | 625,072 | 562,146 |
| CO2 Equivalent Emissions Indirect, Scope 2 | 538,622 | 510,911 | 868,089 |
| CO2 Equivalent Emissions Indirect, Scope 3 | 73,093,077 | 71,714,741 | 69,388,735 |
| Waste Total | 789,817 | 785,209 | 762,924 |
| Non-Hazardous Waste | 742,652 | 4,039 | 723,632 |

| | | | |
|---|---|---|---|
| | | | |
| Waste Recycled Total | 779,911 | 776,179 | 754,486 |
| Hazardous Waste | 37,259 | 4,992 | 4,219 |
| Water Discharged | 3,432,982 | 3,633,306 | 3,312,562 |
| Emission Reduction Target Percentage | 50% | 50% | - |
| Emission Reduction Target Year | 2020 | 2020 | 2020 |

**Societal Analysis for BMW**

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| Employee Satisfaction | - | 87% | - |
| Numbers of Employees from CSR Reporting | 134,682 | 129,932 | 124,729 |
| Women Employees | 19,9% | 19,3% | 18,7% |
| Women Managers | 17,2% | 16% | 15,3% |
| Employee Fatalities | 1 | -- | -- |
| Turnover of Employees | 2,78% | 2,64% | 2,7% |
| Lost Time Injury Rate Employees | 3,5 | 3,6 | 4 |

**Table 1** BMW Environmental and Societal Analysis

**Source:** Thomson Reuters Refinitiv Eikon. (2020). Bayerische Motoren Werke AG. General Information. ESG Score. Income Statement. General Information. Retrieved March 3rd From https://eikon.thomsonreuters.com/index.html

## 6.3 Ford Motor Company

### 6.3.1 Creativity: Ford Motor Company

The author concluded that the Ford Motor Company has three main goals in their Creativity parameter by which they strive to do better in their *Electrification, Self-Driving Vehicles, and Mobility Solutions.* With Electrification, the Ford Motor Company is contributing to four UN Sustainable Development Goals; 9 Industry, innovation and infrastructure, 7 Affordable and clean energy, 12 Responsible consumption and production and 13 Climate action. The Ford Company has been putting effort to "electrify" their most popular nameplates which include the Explorer, Mustang, and F-150 pickup truck. The company is open to collaborating with other corporations such as Mahindra from India to develop an EV and is potentially exploring a collaboration on electric vehicles with Volkswagen from Germany. Furthermore, the Ford Company will open a new energy vehicle center of competence in China to deliver and accelerate their commitment to introducing a broad range of electric vehicles to the world's largest auto market. This will include plug-in hybrids and all-electric vehicles, leveraging their global and local relationships and resources. By 2021, Ford will launch more than 10 new electrified vehicles from Ford and Lincoln (Ford Sustainability Report, 2019). In Europe, the Ford Company is a founding member of the IONITY consortium that aims to build 400 fast-charging stations across the continent locations by 2020 (Ford Motor Company Access, 2020).

With Self-Driving Vehicles, the Ford Motor Company is contributing to three UN Sustainable Development Goals; 9 Industry, innovation and infrastructure, 11 Sustainable cities and communities, and 13 Climate action. Ford Motor Company has partnered with Argo AI to map cities in 2018 and became one of the first companies to test self-driving vehicles. Ford Motor Company plans to launch their commercial operation of self-driving vehicles in 2021 (Ford Sustainability Report, 2019). With Mobility, the Ford Motor Company is contributing to four UN Sustainable Development Goals; 3 Good health and well-being, 9 Industry, innovation and infrastructure, 12 Responsible consumption and production, 13 Climate action, and 11 Sustainable cities. Ford is committing to deploy cellular vehicle-to-everything technology (C-V2X) in all new U.S. vehicle models beginning in 2022, pending a technology neutral regulatory environment. Also, the company will begin deploying C-V2X technology in Ford vehicles in China in 2021. C-

V2X is a wireless communication technology that can “talk” and “listen” to similarly equipped vehicles, people and traffic management infrastructure such as traffic lights to relay important information. Enabled through the rapidly developing, powerful 5G cellular network, C-V2X enables direct communication between the connected devices, meaning a signal doesn’t need to first travel to a cellular tower, allowing vehicles to quickly send and receive information (Ford Sustainability Report, 2019).

### 6.3.2 Circularity: Ford Motor Company

The author concluded that the Ford Motor Company has four main goals in their Circularity parameter by which they strive to do better in their *Sustainable Operations, Supply Chain Impact, and Empowering their Employees, and their Circular Economy* programs. With Sustainable Operations, the Ford Motor Company is contributing in particular towards achieving three UN Sustainable Development Goals; 9 Industry, innovation and infrastructure, 12 Responsible consumption and production, and 13 Climate action. The Ford Motor Company has a goal to reach 100% Renewable energy for all their manufacturing sites by the year 2035.
Furthermore, Ford is a member of the U.S. Green Building Council and supports its industry standard LEED (Leadership in Energy and Environmental Design) rating system and has 26 LEED-certified buildings around the world, thereby committing to green buildings in our operations (Ford Sustainability Report, 2019).

In their Supply Chain, the Ford Motor Company is contributing in particular towards achieving four UN Sustainable Development Goals; 8 Decent work and economic growth, 10 Reduced inequalities, 12 Responsible consumption and production, and 13 Climate action. The Flat Rock Assembly Plant in Michigan has installed a system that allows the plant to reuse their wastewater treatment plant effluent in the paint shop. At full production, this system has the potential to save approximately 60 million gallons of water per year. By Collaborating with their suppliers, Ford has been able to reduce 14.5% of their absolute water use since 2010. Ford has also implemented a sustainable initiative, PACE, where it was developed to reduce the overall environmental impact of Ford and their supply chain partners by encouraging their 50 strategic suppliers or Tier 1 suppliers to extend the reach of the program (Ford Sustainability Report, 2019).

By Empowering their Employees, this program is contributing towards to four UN Sustainable Development Goals; 5 Gender equality und 10 Reduced inequalities; 4 Quality education, 3 Good health and well-being. In 2018, Ford joined the “I Act On” pledge, which aims to rally the business community and outlines actions that participating companies can take to cultivate working environments where diverse perspectives and experiences are welcomed and respected. The Ford Motor Company has 13 members in their Board of Directors, by which two are women, and two identify themselves as a minority. Furthermore, of their 45 corporate officers, nine were women, and eight identify as members of a minority group. Since 2012, the Ford Driving Dreams or FDD has fueled the academic and career journeys of more than 200,000 students across the United States, Puerto Rico and Latin America (Ford Sustainability Report, 2019).

With their Circular Economy initiative, the Ford Motor Company is contributing towards achieving four UN Sustainable Development Goals; 8 Decent work and economic growth, 10 Reduced inequalities, 12 Responsible consumption and production, and 13 Climate action. Across Europe, Ford owners can access a free take-back network, with sites ensuring that the vehicles are treated responsibly at the end of their useful life. Other industries also recycle and reuse a range of parts, from tires to batteries, from the automotive industry. Furthermore, Ford uses many bio-based materials and agricultural by-products in their vehicles, including rice hulls, soy, coconut fibers, wheat straw and jute, as well as recycled materials such as nylon carpeting, cotton scraps and plastic bottles. In addition, and Ford has 88 facilities around the world that send zero waste to landfills with packaging that is recycled, with materials renewable or recyclable (Ford Sustainability Report, 2019).

### 6.3.3 Glocality: Ford Motor Company

The author concluded that the Ford Motor Company has two programs in their Glocality parameter by which they strive to do better in their *Building Sustainable Communities, and the Ford Fund* program. With these two programs, the Ford Motor Company is contributing towards achieving seven UN Sustainable Development Goals; 4 Quality education, 5 Gender equality, 8 Decent work and economic growth, 10 Reduced inequalities as well as 17 Partnerships for the goals, 6 Clean

Water and Sanitation and 11 Sustainable cities and communities. The programs focus on community life by advancing sustainable communities, furthering education by building a talent pipeline for tomorrow, and driver safety to encourage safe driving. With the Ford Fund, $67.7 million total charitable contributions were made in 2018 (Community life: $43.2 million, Education: $16.5 million, Driver safety: $8 million) and more than $2 billion donated to date to civic organizations to strengthen communities around the world (Ford Sustainability Report, 2019). To strengthen their pipeline of potential future talent, their global strategy team focuses on developing and delivering STEAM (science, technology, engineering, arts and math) programs. The Ford Fund awarded 250 grants, worth more than $12 million, to nonprofits in more than 60 countries such as Argentina, Brazil, China, South Africa, and Romania. Moreover, Ford purchased 500,000 Megawatt Hours of locally sourced wind power purchased in Detroit, USA in partnership with DTE Energy's MIGreenPower program which was Ford's largest renewable energy procurement in history (Ford Sustainability Report, 2019).

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### 6.3.4 Sustainability Report: Ford

**Environmental Analysis for Ford**

| | **2018** | **2017** | **2016** |
|---|---|---|---|
| Access | Thomson Reuters | Thomson Reuters | Thomson Reuters |
| ESG Report Auditor Name | Ceres | Ceres | Ceres |
| Period End Date | 31-12-2018 | 31-12-2017 | 31-12-2016 |
| Period Status | Complete | Complete | Complete |
| Energy Produced Direct | 123,190 | 143,895 | -- |
| Electricity Purchased | 141,597 | 143,895 | -- |
| Renewable Energy Produced | 289,857 | -- | -- |
| Water Recycled | -- | 1,600,000 | 1,400,000 |
| Fresh Water Withdrawal Total | -- | -- | -- |
| CO2 Equivalent Emissions Direct, Scope 1 | 1,442,963 | 1391,127 | 1,300,000 |
| CO2 Equivalent Emissions Indirect, Scope 2 | 3,349,808 | 3,482,444 | 3,300,000 |
| CO2 Equivalent Emissions Indirect, Scope 3 | 818,534 | 127.979 | 130,920,000 |
| Waste Total | -- | -- | -- |
| Non-Hazardous Waste | 1,7 | 1 378 | 1,9 |
| Waste Recycled Total | 10 | 1 270 | -- |

| | | | |
|---|---|---|---|
| Hazardous Waste | 14,1 | 2,5 | -- |
| Water Discharged | 10,300,000 | 11,200,000 | 11,000,000 |
| Emission Reduction Target Percentage | 18% | 30% | -- |
| Emission Reduction Target Year | 2023 | 2025 | -- |

**Societal Analysis for Ford**

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| Employee Satisfaction | 71% | 72% | 77% |
| Numbers of Employees from CSR Reporting | 198,964 | 202,275 | 201,287 |
| Women Employees | 28,2% | 26,9% | 27% |
| Women Managers | 20,4% | 19,1% | 18,8% |
| Employee Fatalities | -- | 1 | -- |

**Table 2** Ford Environmental and Societal Analysis

Source: Thomson Reuters Refinitiv Eikon. (2020). Ford Motor Company. General Information. ESG Score.Income Statement. General Information. Retrieved March 3rd: from https://eikon.thomsonreuters.com/index.html

## 7 CESI Comparative Article

According to the CESI Framework, "Corporations regardless of their country/ government, have the capacity to develop, lead, and implement a CSR system of environmental social initiatives that could have the same effect regardless of government influence on a global scale since the corporation has changed its core values that *CARES* for the environmental and societal issues." It is evident that both corporations are focused in achieving as many UN SDG's as possible in all three parameters of the CESI Framework. In this comparative article the parameters of the CESI Framework; Creativity, Circularity, and Glocality will be compared between the BMW Group and the Ford Motor Company.

The BMW Group is using Creativity by producing products and services that have an impactful and long-term benefit by reducing Global CO2 Emissions that is imperative when it comes to protecting the climate. The Corporation has re-structured their business model to incorporate Sustainability into their business strategy with the Strategy NEXT Number One. However, the BMW Group is not producing products and services that have a functional use to the large scale of the population. Furthermore, vehicles are being sold at a premium price that is not affordable to the large scale of the population, nonetheless, BMW is by far the more innovative corporation. The Ford Motor Company is using Creativity by producing products and services that have an impactful, long-term benefit with electric vehicles, self-driving vehicles, and mobility solutions that are fundamental technologies that will help the environment and the society. The Corporation has re-structured their business model to incorporate Sustainability into their business strategy. The Ford Motor Company is not producing products and services that have a functional use to the large scale of the population. The price is better in comparison to BMW and other entry level brands with the latest technologies, electric features, and hybrid options but it is still far too expensive for the average consumer in developing countries to purchase.

The BMW Group is using Circularity to its advantage by producing high quality vehicles that are made with a cautious thought process of their Consumption of Resources, Renewable Energy, Supplier Network, and Diversity programs. The BMW Group cares about their scarce resources, the effects of climate change, and the impact a growing global population increasing. Furthermore, the BMW Group makes an effort to recruit the best employees by offering attractive and secure

jobs, comprehensive development and training opportunities, as well as a range of options for achieving a better work-life balance. However, the BMW Group does not take less and make more out of resources that are currently available but are mostly dependent on their suppliers in order to retract certain resources. Moreover, their Board of Management currently has seven people, with 6 men, and 1 woman by which all of them are from white Europeans decent, therefore, a lack of diversity. Their Supervisory Board has twenty people, with 13 men, and 7 women by which out of the 20 individuals, a total of one person is not from white European decent (BMW Sustainable Value Report, 2019). The Ford Motor Company is making positive use of their Circularity approach by partnering with organizations that support initiatives for Sustainability across a variety of sectors such as LEED, Go Green program, and the AIAG program. Ford is doing a good job in with their Sustainable Operations, Supply Chain Impact, and Empowering their Employees, and their Circular Economy programs. Ford is leveraging their resources more effectively on priority environmental and societal issues. Ford is also working with numerous external partners through a broad range of partnerships, coalitions, industry groups and trade associations. This has helped Ford develop and promote policies that are benefiting their company, their industry and the society as a whole. However, in an effort to empower their vulnerable employees, woman, and minorities there should be more representation in their Board of Directors, and their Corporate Officers.

The BMW Group is using Glocality to its advantage by making an impact in communities both internally in factories and externally on society. An impact assessment study by the University of South Carolina in 2018 shows that the BMW Group made an appreciable economic impact on the prosperity of the US state of South Carolina. The overall contribution to economic output by the BMW Group and its suppliers was estimated at US$ 21 billion, which was achieved by the generation of jobs, contributions to local household incomes and the impact on the gross domestic product of the state (University of South Carolina, 2014). As a result, the BMW Group creates considerable economic multiplier effects in South Carolina. A similar study in San Luis Potosí, Mexico, also yielded positive results. In addition, while the share of local employees in leadership positions in Germany is very high, in other locations it ranges between 48 and 88%, between the lowest at 57% in Thailand and the highest at 88% the United States (BMW Sustainable Value Report, 2019). Nonetheless, the BMW Group contributes less in areas of where no operation takes

place in comparison to Ford. The Ford Motor Company is using Glocality to its advantage by making an impact in societies from around the world, both internally and externally. Every year at Ford, September is Ford Global Caring Month. In 2018, more than 13,000 members of the Ford Volunteer Corps participated in 575 projects in 41 countries and the Ford Fund also contributed more than $750,000 USD for tools and supplies. In Brazil, Ford helped build a new kitchen in a cancer center for children. In China, Ford helped by harvesting fruit at a charity farm and distributing the produce to local people in need. In India, Ford helped by restoring ponds and improving water access for 3,500 households in two villages. In the Philippines, Ford helped construct community water facilities to serve 240 families. In South Africa, Ford helped by transforming shipping containers into a classroom and daycare center. In the U.K., Ford helped by improving the grounds and renovating facilities at a hospice. The Company is contributing in areas around the world where it does not operate. Therefore, both corporations are developing in different region without killing or destroying the local culture, which is the ideal solution to Glocality.

Overall, the German Company, the BMW Group is obliged by a strict embedded economy where there are Federal legal regulations and does take initiative to engage further in issues related to Corporate Social Responsibility. Overall, the American Company, Ford Motor Company in a market-liberal economy where there is not a set of CSR Federal legal regulation does take part to engage in voluntary Corporate Social Responsibility. After an in-depth analysis using the parameters of the CESI Framework it is clear that both corporations have changed their business strategy to consider sustainability within their corporation. It is not clear however, to what extent does each corporation care for the environment and the society. Furthermore, it is not clear as to the main reason CSR has been embedded as part of the core principle of the business for the BMW Group and for the Ford Motor Company. There is no clear analysis as to the reason for both corporations' initiative to emphasize CSR in their corporate strategy. The initiative in CSR by both could be to have a competitive advantage, address civil pressure, retain workforce, meet stakeholder expectations, or to solely respond to legal entities, or to meet environmental and societal ethical standards from within the corporation.

## 8 Limits of the Study

The CSR-affiliated undertaking in this research was analyzed from the MSCI ESG rating criteria of the two companies, and consequently, the 37 key measures do not include all the possible CSR-affiliated aggregate measures by which the automotive industry is standardly not subjected limited towards. Nonetheless, the Sustainable Report from the auditing companies, namely PWC for BMW, and Ceres for Ford with access by Thomson Reuters tried to fill in the gap of the missing key indicator measures that were limited in the MSCI ESG Rating (Neither Thomson Reuters nor its third party suppliers shall be liable for any errors, omissions or delays in content, or for any actions taken in reliance thereon).

Furthermore, the analysis of the CESI Framework is qualitative by which the author used limited personal experience and knowledge to create a CSR updated framework to meet the challenges of the 21$^{st}$ century. The observation and the conclusions of the three parameters, namely; Creativity, Circularity, and Glocality involved a deep dive and thorough understanding of the quantitative data and inferring qualitative analysis from the Sustainability Reports from both Corporations in the automotive industry.

The research is limited by the sample size of the corporations involved in the study. An elaborate study with more corporations would be ideal Furthermore, the contrast between corporations that are in developed and underdeveloped countries would extend the research pool. The CESI Framework is not limited to the automotive industry, therefore, analyzing the Framework within other industries would create more credibility.

## 9 Conclusion

To reiterate, the research question stated in this thesis is “How do major institutional differences between the USA and Germany explain the dissimilarities in the way Ford and BMW implement their CSR strategies?" It is visible from the results that the National Context does affect the CSR policies of the automotive industry in the United States and Germany. The implementation of Corporate Social Responsibility is influenced by the Political, Social, Economic, and Institutions Related to CSR. Both governments use a variety of public sector tools to influence roles of either mandating, facilitating, partnering, or endorsing CSR on the management strategy of the automotive industry. The main objective of the National Context section is to distinguish whether the current government is mandating, facilitating, partnering, or endorsing the CSR strategy of the automotive industry in the United States and Germany. In the United States there are numerous related departments, policies, and programs toward the automotive industry such as the Environmental Protection Agency (EPA) at the national level as well as the California Air Resources Board at the state level. Therefore, at the national level it is difficult to generalize because the individual states could potentially have their own sustainability regulations. Therefore, in the United States, the Government is endorsing the encouragement of CSR activities at the Federal level. In Germany, the Government is mandating CSR at the Federal level.

The rating of the US company; namely Ford in their MSCI ESG Rating was a “B” score in 2, and the rating of the German automotive company, respectfully BMW Group rated higher with an “A” score. The laggard position from the US Company in their MSCI ESG Rating, might possibly be associated to the result of the Federal government endorsing the encouragement of CSR activities, but not mandating it. The leader position from the German Company in their MSCI ESG Rating, might possibly be associated to the result of the federal government mandating CSR activities. Another autonomous analysis should be managed in order to recognize that the findings in this context with the assistance with the MSCI ESG Rating (or another third party ESG Rating) is correspondent to other industries in the United States, or Germany.

The CESI Framework was helpful in organizing the literature conceptus to better manage the Ford and BMW cases, and examine if, through them there were differences due to the national institutional environments between the United States and Germany. The Framework could be used

by Corporations to modify their core strategy towards Environmental and Societal issues. Used effectively, the CESI Framework is a systematic and flexible approach to analyze the Corporate Social Responsibility business strategies from existing corporations in different industries. With reference to the analysis based on the similarities and differences of the two corporations, there are more similarities than differences through the CESI Framework when considering the three parameters; Creativity, Circularity, and Glocality.

The main objective was to analyze whether the CESI Framework can be used by "Corporations regardless of their country/ government, have the capacity to develop, lead, and implement a CSR system of environmental societal initiatives that could have the same effect regardless of government influence on a global scale because the corporation has changed its core values that *CARES* for the environmental and societal issues.*"* It is clear that both corporations have developed, led, and implemented a CSR system of environmental social initiatives regardless of a market-liberal economy, or in a strictly embedded economy, and are contributing to UN Sustainable Development Goals. Therefore, it is concurrent that both Corporations have developed, are leading, and implementing a CSR system of environmental and societal initiatives that have a positive effect regardless of the governments influence.

Through the CESI Framework the author recommends that the overall impact on the environment and societal issues can be decreased by mandating further laws and regulations that are stricter at the Federal level. Furthermore, for countries that currently do not have a Federal law regarding CSR policies, these nation- states should make the effort to develop existing laws in order to have greater clarity, coordination, and implementation that can benefit the environmental and societal issues going forward in the 21$^{st}$ century. Moreover, there are different reasons for applying Corporate Social Responsibility in a corporation, however, more businesses have come to a clear understanding that going forward it will be of extreme importance for their brand equity to have CSR Management approaches in place in order to have a competitive advantage, to address civil pressure, attract workforce, and to meet shareholder/ stakeholder expectations.

Further research can identify the gap as to why the automotive industry does exhibit similarities regardless of the different Institutions Related to CSR in contrasting countries with a larger scale

of cases. Additionally, further research can recognize differences in National Institutions Related to CSR across developed and underdeveloped countries. Moreover, research can build upon this study to compile an exhaustive list of CSR-affiliated measures that may influence the automotive industry and could be adaptable to other industries. Future research could measure the comparability of CSR policy frameworks between US states, and check, if a US state has similar regulations or laws that are compatible with CSR laws of a European country. Lastly, further research can identify how Creativity, Circularity, and Glocality can be translated towards other industries or in Corporations that are small-medium enterprises, and not solely international corporations.

The main objective of this thesis was to analyze the implementation of CSR in the USA and Germany by doing a qualitative comparative analysis of the Ford Motor Company, and the BMW Group and examine if, through them there are effects in management practices due to their national institutions. There are differences in the National Context Related to CSR that result in dissimilarities between the two corporations' MSCI ESG Rating, and in their CESI Comparative Analysis. Nonetheless, due to the limited sample size, the research is inconclusive in regard to the major CSR Institutional differences between the USA and Germany and their effects in management practices of the Ford Motor Company and BMW Group. A larger scale of automotive companies would be compulsory to draw a secure, established, and robust conclusion. Nevertheless, the CESI Framework did facilitate in the organization to better manage the Ford and BMW cases. The CESI Framework assisted in examining the differences of the national institutional environments between the United States and Germany, and how the corporations' have adapted to address a compelling CSR Management Strategy by elaborating their fine distinctive nuances.

## 10 Resources


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