Corporate Social Responsibility: The case of East Timor multinationals

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Abstract

This chapter aims to analyze the perceptions of Foreign MNC managers with CSR responsibilities in East Timor companies. Since this country is rather new, and is thus addressing complex social and economic problems, the pertinence of CSR by companies with more resources and knowledge is even greater. This study is based on the results of in-depth interviews conducted with 10 MNC managers who are responsible for CSR issues. The results point to specific social, economic and cultural reasons in the definition of stakeholders and their relative importance to CSR. The shareholders and employees comprise the group of internal stakeholders, who are referred to most often; the external stakeholders consist of the Government and public institutions, NGOs, as well as religious and educational institutions. Society plays an extremely relevant role in the survival/prosperity of Timor-Leste companies. The population's social and economic needs also exercise an influence on the definition of CSR measures. Environmental concerns are less obvious and are only considered when there is a negative environmental impact ensuing from the company's activities. The Government is assessed as being an "external priority" stakeholder due to the roles it accumulates: besides being a regulator, it is also a shareholder and main customer of the companies. Ambiguities in Government regulations, as well as bureaucratic issues, compounded by logistic problems, result in difficult access to the important resources required to respond to stakeholders' requests. These aspects are considered to constitute the main obstacles to the development and implementation of CSR measures in East Timor companies. Future research should focus on CSR practices in developing countries as East Timor to gain a better understanding of the guidelines issued by headquarters and their adjustment to local characteristics.

Keywords: Corporate social responsibility, East Timor, multinationals, stakeholder theory.

1. INTRODUCTION

Before it became popular in the Anglo-Saxonic context, and later in Europe, the concept of *social responsibility* was the object of Howard Bowen's study in 1953. In his book, "*Social Responsibilities of The Businessman*", he highlighted the businessman's responsibilities concerning to society [1]. The concept has taken on different meanings since then, and became popular in the 1990s [2]. Although CSR has been supported by academics and professionals, its process of development has also met with some resistance by several academics such as Milton Friedman and Christina Keinert. Friedman [3] claimed that the company only exists to maximize profits for its shareholders. This author therefore considered the involvement of companies in social activities to be bad management practice. Keinert [4] reinforced the idea that managers have one single duty: that of maximizing profits for the shareholders, since these possess a work contract with the agents who represent the company's proprietors. This view argues that the company has one sole responsibility – profit; the other issues (social and environmental) constitute a responsibility which should be attributed to the Government and social institutions. Despite the criticism presented by these perspectives, CSR has progressed from ideology to reality [5], and has been implemented worldwide.

CSR currently constitutes an important theme and has contributed significantly to the improvement of social, economic and environmental issues. The concept has, however, developed along the lines of different perspectives [6], and has resorted to varied terminologies [7][8]. As such, it is associated to complementary concepts, which are sometimes contradictory [9]. Consequently, it has been difficult to reach an agreement on the paradigm or model to follow when studying this theme [8]. As has been stated by some authors, CSR is perceived differently in different countries or locations [10][11][12][13], at different moments in time and by different authors [14][15][16][17].

Matten and Moon [18] pointed out that not only are there divergences in the meaning of CSR, but its ensuing practice also varies from country to country. Across the globe, companies present differences in the principles, policies and practices of social responsibility [19][20], operating through different means of action in different parts of the world [21][22][22].

These divergent applications of the concept stem from differences in social and cultural contexts, as well as from the distinct values and political history [24][14][25] of the organizational context itself. Examples of these are corporate culture [26][27], financial resources and experience in CSR implementation, policies, strategies, the size of the company [28], as well as the level of relations of the company with headquarters or any other company it may depend on [30][31].

Literature thus provides indications as to the plurality of the comprehension of this concept and its varied implementations worldwide. In this sense, and despite the importance of the issue, there are rather few studies which seek to gain a better understanding of the application of the concept in different contexts [32][33][34][35][36][29][37][38]. Existing studies highlight CSR practices developed in the region of southern Asia, southeast Asia [39], and in small countries, former colonies and emerging economies [40][37]. Greater attention has always been dedicated to developed countries [29][37] [41][40], as well as those which present an advanced economy and a stable political context [42][43]. This is the case of some of the BRIC member states, such as India and China [39].

In spite of the limited number of studies in these countries, some research on CSR practices has been undertaken in China [44][45][46][47], India [48][49][50][51] [52], Malaysia [53] [54][55][56][57], Bangladesh [58][34][59][60], Sri Lanka [61], Pakistan [62], Vietnam [63], and Indonesia [64][65]. Other studies involving various countries in this region have been conducted, namely the study by Welford and Frost [43] which includes China, Malaysia, Cambodia, Thailand, Vietnam and Indonesia, as well as the comparative study by Chamber, Chapple, Moon and Sullivan [22], which involves South Korea, Thailand, Singapore, Malaysia, the Philippines, Indonesia and Japan, comparing these to the United Kingdom.

These studies address specific subject areas, which are presented in Table 1.

Table 1- Studies on CSR in the context of Asia

Subject Area	Studies
The significance of CSR	Rani & Khan [66]; Hossain et al.[58]; Munasinghe & Malkumari [61]; Musdiana et al.[57]; Abdul & Ibrahim [67]
The reasons for CSR	Fauzi [64]; Yin & Zhang [44]; Hossain et al.[58]; Muwazir [36]; Hossain & Rowe [59]; Wang & Chaudhri [47]; Quazi et al. [60]
The obstacles in CSR	Hossain et al.[58]; Arevalo & Arivind [51]; Belal & Cooper [34]; Zabin [56]
CSR policies and strategies	Pradhan & Ranjan [52]
Implementation of CSR	Pradhan & Ranjan [52]
The impact/benefits of CSR	Trang & Yekini, [63]; Chen et al. [68]; Pradhan & Ranjan, [52]
The focus of activities and stakeholders	Kulkarni [48]; Rani & Khan [49]; Yam [55]; Musdiana et al. [57]; Asniwaty [65]; Tang & Li [46]

Although there are already various studies on CSR in developing countries (as described above), there is still a gap in the literature regarding its implementation. This dimension is one of practical interest, but which has been neglected by studies [69].

Aguinis and Glavas [70], Maon et al. [5], and Husted and Allen [71], have underlined this precise need to observe the implementation process in these countries. This chapter seeks to bridge this gap by presenting the way in which CSR has been implemented in large subsidiary companies and/or affiliates in East Timor. It further attempts to identify the difference between the CSR practiced by companies when compared to their headquarters, and/or the organization they depend on, from the perspective of globally mobile expatriate or local managers.

According to Basu & Palazzo [72] and Maon et al. [69], studies in this field have been aligned to address three main questions: (i) "*what*", which focuses on a descriptive analysis; (ii) "*why"*, which explores the reasons for and the driving forces behind CSR; and (iii) "*how*", which essentially deals with the CSR implementation process.

The present study aims to analyze CSR considering the same three domains: perceptions *(thinking)*, implementation (*doing)* and consequences *(consequence)*. In the domain of *thinking*, the objective resides in analyzing the perceptions and reasons why companies have become involved in CSR, while in the domain of *doing*, one seeks to gain an understanding of CSR strategies and their implementation. Finally, in the domain of *consequence* in CSR, and besides assessing the activities and benefits thereof, one has also evaluated the different forms of CSR practiced by companies in East Timor when compared to their parent companies or the organizations they depend on.

Stated briefly, the objectives of this study aim to answer the following questions:

- How is CSR understood by the managers of Foreign MNC affiliates with CSR responsibilities?
- Who are the main *stakeholders* and what are the issues inherent to CSR in East Timor?
- Why do companies become involved in CSR practices and how does this occur?
- What are the benefits/advantages of implementing CSR practices for companies?
- Is the CSR undertaken by the affiliate companies in East Timor different from that of their foreign headquarters?

This study aims to contribute to a greater knowledge of social responsibility in developing countries and emerging economies. The companies in East Timor have been selected as the object of study for several reasons. The first of these is that, at present, there are no CSR studies relating to this country, so that one knows nothing of the nature of CSR in East Timor. Secondly, the country was both greatly influenced by a history of traditional philanthropy before and after external domination, as well as by the introduction of global practices on the part of trans-governmental organizations and global institutions during the United Nations transition and post-transition periods. Consequently, some of the global corporate practices which have been institutionalized in this country include CSR practices.

2. THEORETICAL FRAMEWORK: CORPORATE SOCIAL RESPONSIBILITY THEORIES

2.1 The Stakeholder Theory

The stakeholder theory deals with the relations between companies and society [73], and expands the traditional objective of profitmaking to include a wider scope. Namely, company objectives are no longer considered to reside in the maximization of profits but also in social intervention, thus addressing the interests and demands presented by the different parties involved (shareholders, workers, suppliers, customers, trade unions, NGOs, etc).

Seen from under this theoretical lens, the concept of corporate social responsibility has already been used in several studies [7][74]. The stakeholder theory explains the relationship between the company and its stakeholders [75], addressing the issues of profit redistribution and corporate power [76] with the purpose of balancing business interests with those of the stakeholders' [15].

The sustainability of companies has been interpreted as consisting of the capacity to balance economic objectives with social objectives [77]. The attempt to strike a balance between the business and social dimensions is a theme that has been explained by various authors [78][76][79]. They underline the importance of the role played by companies in generating wealth, value or satisfaction, both for the shareholders involved as well as for the other stakeholders, so that the survival of the business and its development are assured [80][69].

Several authors have defined the "stakeholders" as comprising the person or group who affects or is affected by the decision-making process, as well as by the company's policy and its performance [78][79][76]. Clarkson [81] defines the concept as being the person or group of people who possess ownership rights over or interest in an organization. Öberseder, Schlegelmilch and Murphy [82] suggest that the stakeholders include the persons, groups, organizations and institutions, of society and of the environment. Based on this perspective, companies classify and prioritize the different interests and demands presented by these agents in order to meet their expectations [75][81].

Carroll [83] identifies the stakeholders as: shareholders, employees, consumers, suppliers, the local community, competitors, interest groups (representatives of civil society), the Government, press and general society. Zhao, Zhao, Davidson and Zuo [84] also identify the stakeholders as being employees, consumers, suppliers and partners, the local community, competitors, NGOs, the Government, shareholders, credit providers and environmental groups.

Some authors have differentiated the stakeholders and divided them into two groups: the primary and the secondary [81][69]. The primary group consists of consumers, employees, partners, shareholders and suppliers; this group is essential to the company's survival due to the interdependent and contractual relations established with the company [81]. The secondary group comprises the Government, non-government organizations, the local community, the press and the environment. This group is characterized by the inexistence of a formal or contractual relationship with the company and is, therefore, less dependent on it [81][85]. Maon et al. [69] classify the primary group as being vital to an organization's achievement of the mission to produce goods or a service, and includes consumers, managers and employees, the Government, suppliers and investors. The secondary group is constituted to support the company's mission, thus enabling its legitimacy. It consists, above all, of the press and the local community, competitors and non-profit organizations.

Another classification of the stakeholders is based on the level of proximity. Jones [86] distinguishes two groups of stakeholders: the internal and external. According to the author, the internal stakeholders are the groups or entities which greatly influence the organization, namely the shareholders, managers and employees; the external stakeholders are those groups who have interests and thus influence the company externally, such as customers, suppliers, the Government, commercial associations, the local community and society at large.

Freeman and Liedtka [87] propose another form of stakeholder categorization and base this on the degree of cooperative potential and on threats from the competition. Swing stakeholders are the groups which influence the company positively or negatively through changes in their behavior; defend stakeholders are the groups which already contribute to the company, and their support plays a crucial role in ensuring its performance; opportunity stakeholders are the groups available for the execution of smaller activities to assist the company in reaching specific established objectives; and monitor stakeholders are groups which could be significant; however, when required to make a behavior change, their choices are limited, and so they have little leeway or limited flexibility when influencing the company's performance.

The four stakeholder profiles ensue from the intersection of the degree of cooperative potential and that of competition threats [87], as presented in figure 1

Donaldson and Preston [88] subdivide the stakeholder theory into three distinct perspectives: descriptive, instrumental and normative. The descriptive perspective emphasizes the way in which a company represents and understands the relationship it establishes with the internal and external environments. The instrumental perspective highlights the use of management tools to pursue economic value, focusing on management by the stakeholders. The normative perspective underlines the ways of managing and communicating with all the stakeholders. While the normative perspective explains how the stakeholders should be dealt with, the descriptive approach broaches the ways in which the stakeholders should be managed and communicated with. Finally, the instrumental perspective points to how the stakeholders should be managed in order to meet economic targets.

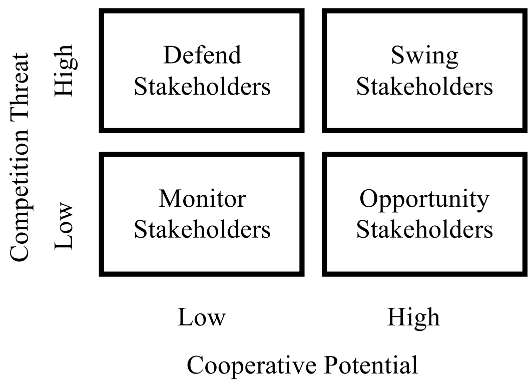

Figure 1. Four Stakeholder Profiles

The three views concerning stakeholder theory are divided into two opposing branches: the moral and the strategic perspectives [88][89][90][91][92]. The stakeholder theory which follows the normative or moral branch is grounded on ethical and moral philosophy. This ethical principle is referred to by Jones [86] as being the moral principles which indicate what is "right" or "wrong", and whose purpose is that of guiding managers in decision-making, especially helping them to solve ethical dilemmas and to treat stakeholders better [86]. The normative dimension of the stakeholder theory emphasizes that the company is a part of society and should thus behave in an ethical manner, paying attention to society's wellbeing [90][93], without considering its contributions to the company [94]. In line with this perspective, managers should treat all the stakeholders equally, without taking into account their power and impact on the company's financial performance. According to the point of view of normative theory, the organization should act as a mechanism which treats all stakeholders fairly, so that managers should follow this maxim when solving dilemmas that involve a diversity of stakeholder interests. This view affects the way the company treats some of its stakeholders, which may produce reactions of dissatisfaction with the company.

On the other hand, and in accordance with the strategic approach, the stakeholder theory explicitly refers to the stakeholder issues and forces which influence the organization in such a way that it will adjust its behavior to meet stakeholders' expectations [92]. The stakeholder theory acknowledges that a company will establish a different relationship with each of its stakeholders during its operation, thus addressing the different expectations at hand. However, it should try to balance the stakeholders' different interests [95] and, above all, clearly explain how managers should balance the various stakeholders' conflicting interests to ensure the company's survival in the long-term [96]. In this situation, and owing to the stakeholders' diverging interests, managers are confronted with ethical dilemmas when making decisions [97], especially when this concerns the company's capacity and impacts on its economic performance. It is in this sense that companies manage their relationship with stakeholders in a pragmatic manner.

Since it is impossible to meet all the stakeholders' demands, companies tend to focus their attention on the most important groups, thus ensuring the company's existence and sustainability. This pragmatic behavior is influenced by both external and internal factors. The external factors include, for example, the complexity and contradictions presented by the stakeholders, while the internal factors are related to the organization's limited resources. With regard to the strategic perspective, and in accordance with Freeman [75], the company only tries to respond to the powerful groups, namely those which can benefit the organization, due to their legitimacy and license to operate, risk management and learning curve. Thus, the company favors the stakeholder group in possession or in control of the resources considered to be the most important for the organization, be they tangible (natural, financial and human resources) or intangible (political power and/or legitimacy). The stakeholders are therefore defined according to how important they are to the company.

Mitchell, Agle and Wood [98] proposed the "salience stakeholder" model, which deals with stakeholder identification and priority. It anchors on the stakeholders' degree of influence, namely their degree of power, legitimacy and urgency. This mechanism may assist managers in dealing with these parties in a more effective and efficient manner. According to the authors, stakeholders can be identified through three distinct features: (1) power – the degree of stakeholders' power can influence the organization; (2) legitimacy – the level of legitimacy granted to an organization when a relationship is established between the company and its stakeholders; and (3) urgency – which relates to the urgency of the stakeholders' claims on the organization.

The typology presented by Mitchell, Agle and Wood [98] advocates seven types of stakeholders: 1) the dormant stakeholder; 2) the discretionary stakeholder; 3) the demanding stakeholder; 4) the dominant stakeholder; 5) the dangerous stakeholder; 6) the dependent stakeholder; and 7) the definitive stakeholder (Figure 2).

Three classification classes ensue from the "salience stakeholder" model: latent, expectant and definitive. The latent stakeholders are subdivided into: (1) Dormant – the stakeholders who only possess power. Although these stakeholders cannot be used, they are worthy of attention because they have the potential to take on other features; (2) Discretionary – those who only possess legitimacy. Companies can satisfy this group by providing philanthropic action; (3) Demanding – the stakeholders characterized by urgency. These stakeholders must be monitored, especially since they can acquire other characteristics. The next group consists of the expectant stakeholders, who are divided into: (4) Dominant – the stakeholders with both power and legitimacy. These stakeholders must be given special attention; (5) Dependent – the stakeholders who possess the features of legitimacy and urgency. This group must be taken into account by the company because they exercise indirect power; namely, they relate with the powerful stakeholders to influence the company, thus ensuring that their claims will be met; (6) Dangerous – urgency and power are the characteristics associated to these stakeholders. Managers must, therefore, consider them to be a priority as they can coercively influence the company. Finally, definitive stakeholders are those which exercise power, legitimacy and urgency. It is to these that the company will direct most of its attention and priority.

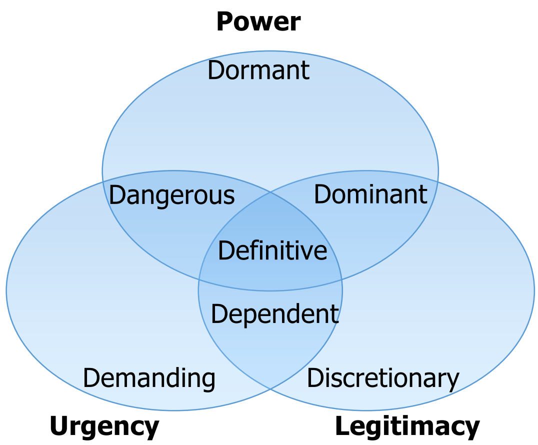

Figure 2 – The "Salience Stakeholder" Typology of Mitchell et al. **Error! Reference source not found.**.

2.2 The Institutional Theory

According to institutional theory, organizations must adapt to the social and cultural expectations imposed by the institutional environment in order to achieve success and survive [99]. This theory emphasizes the issue of context, and its importance when determining CSR policies and practices [92][100][101]. Institutional theory has been harnessed to gain a better understanding of social responsibility and of the issues related to stakeholders [86][103], organizational legitimacy [102] and the wider implementation of CSR [18].

DiMaggio and Powell [104] and Lee [103] agree that organizations adapt to the institutional environment with the purpose of achieving legitimacy and social conformity. Once this legitimacy has been assured, it provides other benefits, such as the possibility of obtaining operation licenses and having access to the resources available in the location where the firm has been installed. Social conformity and legitimacy are achieved in an interconnected and sequential manner; namely, legitimacy can be maintained or improved if the organization conforms socially, especially if it is able to adapt to the values, norms and beliefs of the society in question. On the other hand, if the organization does not adapt to the values and institutional norms at hand, its legitimacy may weaken and it might even place its survival at risk [104].

For Scott [105], the three pillars of institutional order are: regulative, normative and cognitive. The regulative pillar concerns rules, monitoring and sanctions. The normative aspect is related to compliance with ethical duties and social norms. Finally, the cultural-cognitive pillar is based on the perception of symbols, words and signs which produce an effect on the way one builds the meaning of objects [105]. An organization may be legitimized by society if it is able to adjust to the institutional aspects of that society. This process could result in behavioral homogeneity, known as the phenomenon of isomorphism [104][86]. DiMaggio and Powell put forward the three main types of institutional isomorphism: a) coercive isomorphism, when the organization adopts specific values and norms due to the pressure from external factors, namely those which ensue from public organizations (local and global), as well as from the organizations it defends (for example: its business partner, the Government, consumers and NGOs). The parent company or partner thus spurs the adoption of CSR practices by dependent companies, for instance through the establishment of a code of ethics or guidelines directed at managers, so that conflicts with local stakeholders are minimized [106]; b) mimetic isomorphism occurs when an organization imitates the practices of other organizations to increase its legitimacy and thus meet the uncertainty of the organizational environment; and c) normative isomorphism, in which an organization is voluntarily similar to another, as a result of professional demand or as a consequence of its affiliation with another organization. The author further explains that this normative isomorphism occurs through formal education (institutions of higher education) and non-formal education (training).

Various empirical studies have highlighted the influence of institutional mechanisms in the adoption of CSR practices by companies, both in developed countries [100] as well as in developing ones or those with emerging economies [107][44][35]. Other studies have additionally underlined the importance of the influence exercised by institutions on the socially responsible behavior of companies [15][108]. In many cases, adaptation to these practices is influenced by factors which are external to the organization [109], whether in an individual or organizational form, by national or transnational agents [110].

There are two types of pressure which affect the adoption of CSR practices: the macro and micro contexts. At the macro level, the pressure stems from regulating entities and global business partners [44], while the micro level is related to pressures which ensue from the host country. As such, expected behavior must comply with the beliefs and values at hand in order to obtaining and maintain external legitimacy [104][111].

Campbell [15] provides a more detailed explanation of the influence of the local institutional framework on the socially responsible behavior of companies. In order for companies to be socially responsible when operating in conditions of significant regulation, self-regulation must be implemented. This control must be undertaken in associations linked to industry, in employment institutions and in non-profit organizations. A normative institutional environment must be ensured to enable dialogue amongst stakeholders. Jamali and Mirshak [37], and Matten and Moon [18] also point to a greater difficulty in implementing CSR in some countries due to their levels of institutionalization. An example of this is the study by Sánchez-Fernández [100], which was undertaken in the region of the Iberian Peninsula, more specifically in the south of Spain and in the north of Portugal. It concluded that the coercive and normative institutional mechanisms involved determined the existence of CSR practices. This coercive isomorphism includes, for instance, a knowledge of legislation, the application of laws and the existence of agreements. Normative isomorphism pertains to moral duties, adaptation to the context and to the organizational environment, as well as adjustment to social norms.

In their study, Fifka and Pobizhan [107] analyzed CSR from an institutional perspective, involving 50 large Russian companies. The authors categorized CSR practices in Russia and divided these into two institutional models: the first was influenced by the country's political, social and economic environments, while the second was exposed to the influence of a global institutional environment. In order to improve a company's legitimacy, these authors underline the importance of meeting global demands to conform with international norms.

The study carried out in China by Yin and Zhang [44] is also related to institutional perspective of CSR, but places greater focus on the sequential order of the mechanism of isomorphism. During the first phase, the adaptation of CSR is caused by the mechanism of coercive isomorphism exercised by the regulating entities and global business partners. Subsequently, the normative mechanism plays its role in CSR adaptation by means of the association of industry and the dissemination of CSR. This study warns of the phenomenon of the dissemination of CSR from developed countries to developing countries, or emerging economies. In the initial phase, CSR is still not very popular and, as such, companies are coercively guided by global agencies. During a later phase, and after pioneer companies have been institutionalized, CSR begins to extend to other firms through the diffusion and training enabled by industrial associations and educational institutions.

A study undertaken in Kenya by Muthuri and Gilbert [35] demonstrates that in a country where few regulatory pressures are exercised by the Government, the process of CSR adaptation is driven by the need to conform to social norms and global practices to gain legitimacy and a competitive advantage. In this context of economic globalization, and in countries where the regulatory systems are weaker, companies imitate the best global company practices. Simultaneously, they align with their organizational values in order to increase their competitive edge.

2.3 The Theory of Legitimacy

The theory of legitimacy indicates that this aspect represents an important intangible resource for companies, one which is granted by the community [112]. Not only does it legitimize its existence, but it also permits its survival.

For Suchman ([102], p. 574), legitimacy means "a generalized perception or assumption that the actions of an entity are desirable or appropriate within some socially constructed system of norms, values, beliefs, and definitions". Scott [114] highlights four elements that enable legitimacy: regulations, norms, as well as the culture-cognitive and moral aspects. Regulative legitimacy ensues from the regulations, rules, patterns and interests created by governments, regulating agencies, professional associations and influential organizations [113]. This legitimacy possesses formal and coercive characteristics. The legitimacy which derives from norms demands compliance with these norms, as well as with the informal values accepted by society. The organization is welcomed when it behaves in accordance with the society's values, namely, in tune with the social environment in which it operates. Furthermore, legitimacy – which anchors on cultural-cognitive aspects – is related to the compatibility of organizational values with cultural beliefs, which are extensive and are still practiced by the community [114]. Finally, moral legitimacy consists of a choice made in accordance with the behavioral practices of what is considered to be "right" or "wrong" [102].

Legitimacy thus constitutes a key factor for companies [115], and is an important resource to ensure sustainability and development [104][114][115][117]. This is achieved through efforts to align organizational behavior with the society's values and norms [117][92] and by addressing its expectations [118]. An organization is able to achieve legitimacy when there is compatibility between company practice and institutional regulations, norms and social expectations [119] [120][121]. By subsequently using this legitimacy, companies can then gain access to the community's resources, as well as obtain support for their operations.

Suchman [102] also attempted to deal with the subject of legitimacy, stating that it can be achieved indirectly, through intermediate organizations. In this case, the company gains society's legitimacy through other organizations which connect the company with society.

Legitimacy possesses dynamic features. Namely, the company's values may sometimes not conform to those of society and thus trigger a negative public reaction [122], which might represent serious consequences for the company [123]. Therefore, the legitimacy theory advocates that organizations should constantly evaluate the compatibility of their behaviors and values with society's norms [124], especially with regard to policies, decisions and actions. By acting in accordance with society's expectations, this condition will allow for the company's survival [125]. The "*legitimacy gap*" occurs when organizational performance is not compatible with society's expectations and, above all, with that of its stakeholders. [126][127].

The prioritization of stakeholders can be likened to a contract between the community and a company in which, by means of some contributions, the company is able to gain its legitimacy. Namely, it can obtain a license to operate [128], and this can be maintained if the company constantly responds to the demands expressed by the society and stakeholders concerned. These demands chiefly relate to social, ethical and environmental issues [129][130], obviously through adaptation and active involvement in issues related to CSR.

According to Palazzo and Richter [131], the acceptance of the social values at hand motivates companies to carry out various initiatives: philanthropy, collaboration with stakeholders, self-regulation and the dissemination of CSR. A company's legitimacy and reputation can be reinforced by CSR, so that it simultaneously meets the stakeholders' needs and operates lucratively [9]. Along the same lines of thought, Wei, Shen, Zhou and Li [132] point to the fact that those companies which adopt CSR practices in China, especially when these actions are linked to the environment, can enhance their legitimacy and, in turn, see a positive impact on organizational performance. The company's behavior is, however, determined by the legal framework of the countries in question. In their studies concerning the African continent, Amaeshi, Adi, Ogbechie and Amao [133] found that companies in Nigeria use CSR to achieve political legitimacy and to bridge the gap created by the dysfunction of the legal framework. In addition, in a study conducted in 16 Chinese companies, Yin and Zhan [44] concluded that the purpose of CSR practices in this context was identical. In sum, according to this perspective, companies use CSR as a kind of social contract, so as to present themselves as good citizens in the face of society. CSR is not only regarded as a form of obtaining legitimacy; it is also a way of surpassing situations of legitimacy crisis.

2.4 Multiple Approaches

The legitimacy theory explains the existence of the company in society; namely, the company constitutes a part of society, so that it must interact therewith. Nevertheless, this theory views society holistically, as an entity which can legitimize or accept the company's existence when its behavior complies with that society's norms, values and beliefs. In practical terms, these attempts are undertaken through the company's implementation of CSR policies and strategies with a view to ensuring its existence, acceptance and operation licenses. The application of this theory is questionable: "In a society consisting of different groups, is it possible that these have similar interests, and are they fully addressed?" The stakeholder theory aims to establish which groups in society should be considered by the company, according to its capacity. In this theory, companies favor the groups that influence/benefit the company or which are influenced/jeopardized by it.

Although both theories explain the relationship between company and society, especially with regard to stakeholders, they do not describe the mechanisms (means) to establish this relationship. The role of institutional theory is, therefore, that of explaining how a company can maintain its relationship with society, especially with that of its stakeholders. This theory explains that, in order to establish a good relationship with society, and especially with its stakeholders, the company must be in tune with the institutional environment. This must occur in the location itself, through adaptation to the best practices (adaptation to global patterns and local social values), as well as in a wider global context. The company can then subsequently generate economic and social value, both for itself and for the stakeholders as well.

The three theories contribute to an understanding of the relationship between companies and society. While the legitimacy and stakeholder theories focus on this relationship, institutional theory emphasizes the alignment of company behavior with the expectations of the society and institutional environment it operates in. In sum, the company interacts with society by becoming involved in CSR activities. This can be seen as a type of commitment aimed at establishing good relations with society, especially with regard to the stakeholders, by means of an alignment of organizational values with the existing institutional environment, both in the local and global contexts. The company thus ultimately acquires the legitimacy to ensure its existence and sustainability.

3. METHODOLOGY

3.1 Procedure and description of the data collection instrument

Semi-structured in-person interviews were conducted with multinational company managers, especially those in Management positions and dealing with corporate social responsibility or exercising any other position associated with this area in East Timor. The interview guide was drawn up in the Portuguese language and translated into English, Indonesian and Tetum. The English and Portuguese versions were revised by proficient professionals of these languages.

The interview guide was divided in two sections. The first presented questions which aimed to characterize the interviewee. The second section consisted of questions pertaining to CSR practices: 1) description of job position; 2) perception of CSR; 3) CSR policies and strategies; 4) motivation; 5) CSR management; and 6) the relationship between the company and its headquarters.

A preliminary study was carried out, which involved analyzing the company websites as well as some newspapers. One was able to obtain a database for the TradeInvest East Timor companies (the East Timor public investment agency) and identified 16 companies: three agricultural companies, three banking companies, two civil construction firms, three companies involved in the exploration and distribution of petroleum, two logistics and storage companies and three telecommunications companies. These 16 companies were considered to be the analysis unit for the definition of the study's sample. The selection of these companies was grounded on the following criteria: they had to be large and linked to foreign investment, with subsidiary or local companies depending on foreign firms. They also had to have been established in East Timor for a period of over two years, employing more than 50 staff members and showing involvement in CSR practices.

During the next phase, one contacted the companies directly, and initiated fieldwork in East Timor at the beginning of June 2015. This contact process implied traveling to the country to visit the locations of companies, especially those which had no website or, even though they did, they had not provided us with a complete address. In East Timor, it is essential to travel to companies' locations since the Timorese street coding system, as well as the numbering of buildings and houses, is still rather incomplete. Besides this, another reason is that this ensures direct contact with the companies studied; one can then explore information about the type of company involved and establish a relationship of trust, which will enable one to obtain authorization for the study to be undertaken.

The following phase occurred at the end of June 2015 and consisted of the formalization of a request for authorization to carry out the study. This request consisted of a letter addressed to the head manager at each of the companies. The letter provided a detailed description of the research theme, its objectives and the importance of the study in question. This document also explained the method used in the investigation and provided assurance of the confidentiality of information and the anonymity of the companies and participants involved.

A total of 16 companies were contacted. Of these, 9 authorized the study and the remaining 7 were not considered for several reasons: either due to the complexity of the headquarters' authorization procedure, or the managers' availability during the period required for holding the interviews, or the absence of the head manager owing to holiday leave. The nine companies included in the study were: two companies in the area of agricultural business, a banking company, a construction company, two companies associated to the exploration and distribution of petroleum, one logistics and Storage Company, and two telecommunications companies. The managers indicated by companies to participate in the study were from the CSR department or from a similar department, thus ensuring that the participants were responsible for the area of social responsibility at the companies.

The subsequent phase consisted of the moment when we established contact with, or were contacted by, the interviewees to present the study theme more explicitly and to define details pertaining to the study, namely the interview schedule. Some of the interviews could not take place on the appointed day and had to be rescheduled.

The interviews occurred between the 8th of July and the 5th of October 2015. Eight interviews took place in the municipality of Dili and one interview was held in the municipality of Ermera, which is situated at a distance of 30km from Dili. The interviews followed three phases: the introductory, development and final phases. Interviews were initiated with a brief presentation by the interviewer, who also described his/her institution and provided more information about the research theme and its objectives. Further details were also provided for the interview procedure: its approximate time of duration, the guarantee of the interviewee's anonymity and data confidentiality and the interviewee's right not to answer questions. According to some authors, this phase is extremely important, since the relationship built by both parties – the interviewer and interviewee – is essential to the success of the interviews [134]. This resulted in the strict application of this phase of investigation, thus ensuring that the ethical requirements were met. One sought to build an informal relationship with the interviewees with the purpose of generating a relaxed and trustful environment for both parties involved. This procedure would assure both an interactive dialogue as well as a greater reliability of the information provided. After this initial intervention, one requested authorization to record the interview. This was undertaken by means of a signature on a consent form to permit a voice recording, which would also guarantee the confidentiality of the information provided, as well as compliance with the rules established.

The interviews took place at the respective companies, lasted an average time of one hour and were recorded. Five interviews were carried out in the Tetum language (the official Timorese language), two interviews were held in the Indonesian language and the remaining two were carried out in Portuguese and English. During the final interview phase, we gave the interviewee the opportunity to add any information pertaining to what had not been sufficiently explored during the course of the interview.

3.2 Sample Description

The qualitative method was selected due to the fact that it allows one to obtain substantial information about the phenomenon under study [135][136][137], with a greater focus on the semi-structured interview technique. Ten managers from nine Timorese companies were interviewed. The age range of most of the interviewees was between 35 and 54 years (60%). Half of these subjects were of Timorese nationality, while the rest were foreign: 30% were Indonesian, 10% were Portuguese, and 10% were from Singapore. Most of the interviewees were, therefore, from an Asiatic region. Only one of the interviewees was of the female gender. Nine of the subjects possessed Honors degrees, while others also had a Master's degree. Most of the subjects interviewed were intermediate level managers and all of them simultaneously worked in the CSR area. Seven of the ten interviewees had occupied their job position at the time for less than three years.

Table 2 – Summary of interviewees and companies' characteristics

Company	Origin	Activity sector	Interviewee	Characteristics
Company 1	Foreign (France)	Logistics &Shipping	Manager 1	Age: 27 years
				Nationality: Timorese
				Gender: Male
				Education level: Master's degree
				Position: HR Director and quality control
				Position tenure : 3 years
				Interview undertaken on: 8/7/2015

Company	Origin	Activity sector	Interviewee	Characteristics
Company 2	Foreign (Indonesia)	Telecommunications service provider	Manager 2	Age: 54 years Nationality: Indonesian Gender: Male Education level: Honours degree Position: Vice President Corporate Secretary Position tenure: 2 years Interview undertaken on: 14/7/2015
Company 3	Foreign (Indonesia)	Banking	Manager 3	Age: 49 years Nationality Indonesian Gender: Male Education level: Honours' degree Position: Operations Director Position tenure: 1,5 years Interview undertaken on: 16/7/2015
				Age: 41 years

Company	Origin	Activity sector	Interviewee	Characteristics
Company 4	Local affiliate to International Cooperative of USA	Agrobusiness	Manager 4	Nationality: Timorese
				Gender: Female
				Education level: Bachelor’s degree
				Position: Head of Health division
				Position tenure: 12 years
				Interview undertaken on: 4/8/2015
Company 5	Local affiliate to a Brazilian multinational telecommunica-tions company	Telecommuni-cations service provider	Manager 5	Age: 55 years
				Nationality: Timorese
				Gender: Male
				Education level: Master’s degree
				Position: Director of Institutional Relations and Legal Counsel
				Position tenure: 5 years
				Interview undertaken on: 14/9/2015
				Age: 35 years
				Nationality: Timorese

Company	Origin	Activity sector	Interviewee	Characteristics
Company 6	Foreign (Australia)	Petroleum &Energy Distribution	Manager 6	Gender: Male
				Education level: Master's degree
				Position: Local Representative and Community Relations Assessor
				Position tenure: 2 years
				Interview undertaken on: 30/9/2015
Company 7	Foreign (Singapore)	Agrobusiness	Manager 7	Age: 56 years
				Nationality: Timorese
				Gender: Male
				Education level: Honours' degree
				Position: Executive Director
				Position tenure: 10 years
				Interview undertaken on: 14/8/2015
				Age: 51years
				Nationality: Singaporean
				Gender: Male

Company	Origin	Activity sector	Interviewee	Characteristics
			Manager 7a	Education level: Honours' degree
				Position: CEO
				Position tenure: 6 months
				Interview undertaken on: 14/8/2015
Company 8 (Company group)	Foreign (Portugal)	Construction, Wholesales & Distribution	Manager 8	Age: 42 years
				Nationality: Portuguese
				Gender: Male
				Education level: Master's degree
				Position: CEO
				Position tenure: 2 years
				Interview undertaken on: 5/10/2015
Company 9	Foreign (Indonesia)	Petroleum &Energy Distribution	Manager 9	Age: 40 years
				Nationality: Indonesian
				Gender: Male
				Education level: Honours' degree
				Position: Marketing Director East Timor

Company	Origin	Activity sector	Interviewee	Characteristics
				Representative
				Position tenure: 2 years
				Interview undertaken on: 10/9/2015

Note: Manager 7a accompanied the interviewee Manager 7, with the purpose of reinforcing the statements made by the main interviewee (Manager 7).

4. RESULTS

The literature emphasizes the persistent lack of consensus on the general definition of Corporate Social Responsibility (CSR) [9][8]. However, in the specific context of East Timor, and based on the in-depth interviews undertaken with ten managers performing roles in this area for affiliates of foreign Multinational Companies (MNCs), various common denominators clearly emerged with regard to CSR definitions and their implications.

The reference to stakeholders was particularly evident in these managers' discourses. They also revealed the perception that CSR policies and practices benefitted both these groups and/or individuals, as well as the companies themselves, thus pointing to a "win-win" situation [69]. Moral and philanthropic reasons were interspersed and balanced by reasons of a more strategic profile, which were used as a justification for the growing concern and involvement of these companies in CSR initiatives.

These issues are explored in the following sub-chapters.

4.1 Identifying the Stakeholders

The influence of local socio-economic and cultural conditions on the definition of stakeholders has been consistently identified and emphasized in various national contexts [24][14]. The managers interviewed in this study of the Timorese context highlighted several stakeholders, including the Government and public institutions, NGOs, consumers/customers, business partners, shareholders and employees, as well as the community in general. Socio-economic and cultural reasons contribute both to this nomination, as well as to the relative importance of the various stakeholders. For instance, although the Government is often considered by western entities to be a secondary player [138][81], the discourse of the interviewed managers suggests that it is assessed as an "external priority" stakeholder in East Timor or as "dominant", in line with the typology proposed by Mitchell, Angle & Wood [98]. This aspect is also revealed in the study undertaken by Yin & Jamali [139] in China. This fact ensues from the accumulation of roles exercised by the Government of East Timor: besides being a regulator, it is also a shareholder and main customer in companies. The following excerpts underline these idiosyncrasies:

> *Our relation with the government is good because the State has the funds. The Government is our indisputable and indispensable partner. As well as the National Election Board, the Anti-Corruption Commission [...], and several ministries." (Manager 5, Telecommunications service provider-Company 5)*

> *Very important to us, to our activity, are the various ministries: the Ministry of Telecommunications, the Ministry of Foreign Affairs, the Ministry of Justice and the SEPOPE (State Secretary for Professional Training and Employment). (Manager 2, Telecommunications service provider-Company 2)*

Some of the statements also highlight the importance of general society in the company's survival/continuity, so that its needs are reflected significantly in the definition of CSR measures. Regarding this aspect, the interviews undertaken reveal that there is a focus on the response to social problems, which was also found by Fernando, Lawrence, Kelly & Arunachalam [140] in the context of Sri-Lanka. Of these CSR initiatives, several managers emphasized the provision of study grants to young students and occasional collaboration in the training of university students, as reported by the following managers:

> *In 2013, if I'm not mistaken, we sent ten students to UUI [name of the university], in Indonesia, to continue their studies (Manager 2, Telecommunications service provider-Company 2)*

> *We also give lectures to university students. My presence is sometimes requested by university students to present lectures on various areas, in the area of computer technology, on education… (Manager 5, Telecommunications service provider-Company 5)*

Environmental concerns are less evident, and these especially emerge when companies acknowledge the negative environmental impact of their activity. Measures are then referred to address the issues of reforestation, water management, waste treatment and the control of water and soil pollution. The following statement illustrates this point:

> *At the start of our activity, we experienced many problems like landslides, deterioration ... So that, from that moment onwards, we have tried to keep the environment as close as possible to its natural state. In other words, we have tried to minimize our footprint on the natural environment surrounding us. (Manager 7, Agrobusiness-Company 7)*

Other external stakeholders identified by managers can be classified as "swing" stakeholders [87] . This group, which incorporates the key factors required for the sustainability of the respective companies, comprises consumers and clients. It is therefore important to address their expectations of the CSR area. [8]. The comment expressed by Manager 2 (Telecommunications service provider-Company 2) reveals this concern: "We improved our service due to customers' complaints. When they complain, it's a sign that we have to do something so that the relationship between the customers and the company can improve".

Additional external stakeholders were considered: these consist of various non-profit organizations, both local and international, as well as educational and religious institutions. One should point out that the Catholic religion is predominant in East Timor, and, as such, religious institutions benefit from great legitimacy in society. The following comment exemplifies corporate response to the needs of educational institutions:

> *We also cooperate with the UUA (name of the university), more specifically with the teacher training institute. We support it to help its teachers. Due to our*

collaboration, there are currently eight lecturers involved in Master's studies in Education. (Manager 6, Petroleum & Energy Distribution-Company 6)

On the other hand, while literature acknowledges employees to be one of the key internal stakeholders [141][81], the data pertaining to this study suggests that less priority is attributed to the CSR measures directed at this group. Indeed, the statements gathered point to the mere existence of training actions, which are seen to be of benefit to the employee and his future employability; yet their immediate aim lies in the improvement of quality and quantity in production. These results seem to ensue from the weak *bargaining power* of employees in the context of East Timor, which is associated to the low rate of worker unionization and limited employment in the country [142]. In line with the classification proposal suggested by Freeman & Liedtka [87], this group could be assessed as monitor stakeholders.

4.2 Balancing moral and economic motivations in CSR

The managers who participated in this study provided normative, ethical or moral reasons, as well strategic ones, to explain their growing involvement in CSR initiatives, suggesting that both objectives can easily be conciliated.

The wish to contribute to the wellbeing and improvement of life quality in society is often associated to managers' moral values, to their ethical conscience, and to their willingness to do "the right thing" (Manager 7, Agrobusines-Company 7). This is in line with the literature, which associates these aspects to the normative or moral branch of the Stakeholder Theory [86][93][90]. The following comments point to a preoccupation with society and an awareness that companies should develop ethical behavior to benefit social wellbeing:

We have defended for years that we cannot distance ourselves from the community in which we operate. By merely employing workers, the company has already assumed a role concerning the community; namely, it allows people to have jobs. But that is only one of the factors involved and it's not enough. So, we try to support activities related to the social, religious, sports and cultural areas. We always try to focus on actions of a social nature which will produce immediate and visible benefits to the community (...) All this is voluntary and it happens because we feel that we have the duty to respond to the community's needs. […] We want to do something that will address the population's needs. Becoming involved in actions to recover heritage, to provide food, clothing, transport… (Manager 8, Construction, Wholesales & Distribution-Company 8)

The main intention of our projects is social. We call them "social projects" because, for us, our reward lies in the hope that Timorese society will develop in educational terms (Manager 5, Telecommunications service provider-Company 5)

The managers interviewed emphasize that the involvement of the corporate sector in CSR initiatives is particularly relevant in a context like that of East Timor. One should note that this territory has been independent for only 16 years and is dealing with persistent and complex economic difficulties (reduced rates of growth and economic sustainability, low productivity, weak infrastructures) as well as social problems (poor human development, poverty and unemployment), and for which the Government has insufficient response capacity [143][144][145].

As a result of existing CSR initiatives, the participants in this study thus specify various benefits to society, and especially focus on initiatives to promote better access to health (e.g. a mobile clinic for remote villages), as well as more and better education (e.g. awarding study grants) and access to technology. This last objective was highlighted by Manager 5:

> *For example, we have a large project called "Internet Community Centre". Its mission is to contribute to the computerization of Timorese society so that it does, in fact, enter the era of computerization and technology. Through this CSR action, people can use the internet; they can know what is happening in the world. (Manager 5, Telecommunications service provider-Company 5)*

The group of participating managers acknowledges, however, that these affiliates experience restrictions in available resources, including those of time as well as the logistic problems associated to the country. These restrictions impair the response that could be provided by these affiliates to address all the requests presented by the stakeholder. This issue was expressed in the following comment:

> *The obstacles [in the implementation of CSR measures] are the same as those which companies are confronted with during their regular activities. There are no means, there is a lack of resources, and the planning of things has to be done several months ahead of time [to be successful]. Because some activities very often involve making purchases outside Timor and goods take three months to get here. There is often a sense of powerlessness because we could help, we know how to help, but we don't have the necessary equipment or the materials required to do so.* (*Manager 8, Construction, Wholesales & Distribution-Company 8)*

These concerns of contributing to the wellbeing of the host society, which supplies important resources (namely a workforce and natural resources), suggest that there is a moral perspective in place. Besides these, practically all of the managers then chose to refer to economic objectives. In other words, the respective companies expect a return, generally in the long-term, thus following a logic of reciprocity. There is, therefore, evidence of the instrumental perspective mentioned in the Stakeholder Theory [88]. Regarding this aspect, one must emphasize that some of these foreign branches are involved in actions which aim to "improve the population's physical wellbeing so that it is healthy and we can achieve good production" (Manager 4, Agrobusiness-Company 4). Another manager emphasized that the CSR actions undertaken to target environmental protection produced a positive impact on the quality of the main raw materials used by the company, the seeds of the coffee tree, which thus impacted on the quality of the coffee produced. Furthermore, the initiatives launched to train Timorese youngsters are considered to be a good investment; the purpose here is to contribute to a more qualified workforce to future integration in the company.

Several additional benefits for the companies are seen as ensuing from CSR initiatives which target employees. With regard to this aspect, one should highlight the measures taken to prevent risks at work and to minimize anti-ethical behaviors which could potentially jeopardize the company's productivity and image. The managers interviewed also considered that CSR activities benefit the company through the transfer of specific know-how [146][147]. This represents an opportunity for employees to learn and to improve the staff's capacity which, in turn, contributes to good organizational performance [148]. As advocated by literature [149][44][150][41][151], various managers are of the opinion that people prefer to work for, and feel happier at, socially responsible companies; these are considered to offer organizational benefits related to a reduction in turnover, as well as greater loyalty and commitment on the part of employees, thus improving the company's capacity to attract talented workers. The following comment pointed to this perception:

> *The employees are really proud to work for a company which is so frequently involved with the community [through CSR measures]. It is obvious that, by being happier, these workers also do their jobs better because they feel well and they feel proud.* (*Manager 8, Construction, Wholesales & Distribution-Company 8)*

The participating managers generally underlined the importance of the alignment of CSR strategies with those of the company's business. These were believed to conciliate and promote both social well-being and the company's economic objectives, as advocated by literature [37][152] [153]. The discourse of some of the interviewees highlighted this concern:

> *Obviously, we cannot deviate from our general strategy. We should set up social responsibility activities or programs based on the plan of action determined by our general strategy. (Manager 4, Agrobusiness-Company 4)*

> *This company is a Timorese company. Its existence in East Timor is also a service for the Timorese. So it cannot dodge the issue of the people's wellbeing, isn't it? […] But, at the same time, the company also needs to make money through its commercial activities; it also has to invest in that. (Manager 5, Telecommunications service provider-Company 5)*

As an example of this orientation which seeks to balance the various stakeholders' interests [154][95] (namely the shareholders' economic objectives and the host country's social expectations), the company managers from sectors such as those of energy, agriculture and livestock production pointed to the importance of attenuating the risks associated to activities through concrete CSR measures. Their objective is, above all, to minimize the health and safety risks workers may be exposed to (by providing training in safety) as well as reduce potential impact on the environment.

4.3 Pursuing legitimacy and the license to operate

According to Institutional Theory, if an organization wishes to survive and prosper within a specific institutional framework, it must adjust its policies and practices to the social and cultural expectations of the particular context [101] [99]. The managers who participated in this research study explicitly acknowledged the need for the respective company to implement CSR measures which would address the demands of various local organizations and thus promote a good corporate image and reputation. These benefits are, in turn, understood to be promoters of both organizational legitimacy and the license to operate in East Timor as the host country. This aspect was also observed in previous studies undertaken in diverse national contexts [155] [156] [157] [158]. The comments expressed by the following managers point to the perception of a link between the response to local needs and expectations, through CSR measures, and the acquisition of organizational legitimacy:

> *I believe and defend that the main benefit we obtain through our CSR initiatives has to do with our reputation. This has become a commitment for managers: gaining the positive perception of the community. We must ensure our reputation because, given that the organization is a bank, our business is especially about trust. (Manager 3, Banking-Company 3)*
>
> *Obviously we want to work within our community, improve our community, have a good working relationship with the community in which we find ourselves, and then build a harmonious relationship. (Manager 7, Agrobusiness-Company 7)*
>
> *Our behavior in CSR matters is extremely important because we want this company to be known as a reliable company, as a prestigious company. (Manager 8, Construction, Wholesales & Distribution-Company 8)*
>
> *No matter where we are, we always try to create activities that will support the community through our local partners, NGOs…By doing so, we contribute to the company's legitimacy. (Manager 6, Petroleum & Energy Distribution-Company 6)*

Of all the elements in the Timorese institutional environment which significantly influence the CSR decisions made by these foreign branches, the managers interviewed highlighted the role played by the Government. They explained that legislation in East Timor forces companies to redistribute a portion of its wealth to the community by means of CSR measures: "Based on the local law, our social responsibility actions can be summarized as being the profits that the company must withdraw and return to the local community". (Manager 2, Telecommunications service provider-Company 2). This result is similar to that of the study by Abaeian, Yeoh & Khong [159] undertaken in another country in Asia, Malaysia.

Besides this perception that the Government is a promoter of "coercive isomorphism" [104] in CSR issues, it also emerges as a generator of normative isomorphism. As was explained by the managers interviewed, the Government's shortcomings and inability to respond seem to stimulate managers' ethical conscience and compel organizations to act in accordance with their sense of moral duty. Manager 6 emphasized this aspect:

We try to direct our social investment precisely towards the areas which the Government has identified as being the most deprived, and where we feel we can make a greater contribution. (Manager 6, Petroleum & Energy Distribution-Company 6)

However, some managers explained that, despite the close relations and the partnership established with the Government, there are still persistent limitations and ambiguities in its regulations, which are seen as the result of the recent independence of the country. These culminate in barriers for CSR, which were also detected in previous studies undertaken in other developing countries [160] [158][161] [162]. The following statements illustrated this perception:

Our relation with governmental entities is good but when we need to annually renew some certificates, for example, things are very difficult. […] Some documents are rather unclear because they have two or three versions, for example in English and Tetum, and the meaning differs. Therefore, we occasionally experience great difficulties with the laws and bureaucracy involved. (Manager 1, Logistics & Shipping-Company 1)

We want to help the government implement e-government. It's to save money, and not use so much paper. If we implement e-government, we will be more efficient and simultaneously contribute to the protection of the environment. (Manager 5, Telecommunications service provider-Company 5)

On the other hand, it is the pressure exerted by other Timorese institutions, namely those which are associated to education and religion, which seems to constitute another mechanism for the promotion of "coercive isomorphism" in CSR issues. This is indicated by Manager 8 (Construction, Wholesales & Distribution-Company 8): "The community is very active, teachers, nuns… and they are not ashamed of asking us for help, which is very good".

4.4 Adjusting parent-company policies to local needs

According to the managers interviewed, the involvement in CSR measures of companies in East Timor is significantly stimulated by their respective headquarters abroad, namely in the definition of a general strategy. This was also presented in the study by Ruud [163] with regard to the context of India. The influence exercised by the respective headquarters is especially noteworthy. Due to the fact that the parent company of most of these affiliates is located in countries where social and cultural expectations determine CSR policies, these are more expressive than those practiced by local Timorese companies. In addition to the roles played by Timorese legislation and some institutions in the country, foreign headquarters have thus proved to be fundamental mechanisms of "coercive isomorphism" [104] when dealing with CSR issues in this host country.

The managers interviewed guaranteed, however, that the specific nature of the Timorese context is considered by the Boards of Administration and by the local shareholders in order to ensure policies and practices which are more suited to the local culture and the community's needs: "The culture in East Timor is different, different things confront us, as well as specific needs (Manager 2, Telecommunications service provider-Company 2).

In real terms, while the definition of the CSR strategy is decided by the respective foreign headquarters, the managers interviewed confirmed that the parent company's actions are clearly less significant when translated into concrete CSR policies and practices, as well as their respective implementation in Timorese branches. This is especially true when organizations locally define which stakeholders should be prioritized, and decide upon the respective measures and practices that will ensure a better response to local needs. These results – similar to those obtained in the studies undertaken by Jamali [29] and Cruz & Boehe [164], in Lebanon and Brazil respectively – reflect what Yin & Zhan [44] refer to as distinct dimensions of pressure in the development of CSR measures: (i) the macro dimension, which relates to pressures exerted by the global regulating entity, or foreign headquarters; and (ii) the micro dimension, which refers to local social, cultural and legislative pressures.

The following comments expressed by some of the managers interviewed illustrate this exercise of a local adaptation of global guidelines in the case of CSR matters:

> *The shareholders [local] know the country, they know what its needs are…Therefore, all those who work in East Timor, the shareholders themselves, motivate the company to relate to society in a positive way.* (*Manager 8, Construction, Wholesales & Distribution-Company 8)*
>
> *The decision is made at headquarters, but its implementation and action are carried out in a local context. [...] Our targets, as well as assessments, are defined by headquarters, but when it comes to their implementation, action and evaluation, we do it here and then report to headquarters. However, every two years, they come here to do an audit. So, there is great control, but we are free to make decisions. There is, therefore, some flexibility. (Manager 1, Logistics & Shipping-Company 1)*
>
> *Headquarters keeps track, it's like having a technical board. But they don't stay here permanently, and they don't get involved in decision-making. What they do is give us advice, but we then implement it. So we're not highly dependent on them. They always listen to us. (Manager 4, Agrobusiness-Company 4)*

Various managers concluded by explaining that Timorese affiliates are especially free to make decisions regarding occasional and low-budget CSR projects; however, in the case of larger projects, which take place regularly and involve large budgets, headquarters' decisive participation is required. One should point out that this model of combining global and local decisions is acknowledged to be effective in the promotion of legitimacy and the license to operate in host countries, as well as in the important access to resources. [30].

5. CONCLUSIONS

Literature has emphasized the constant lack of consensus in establishing a general definition of Corporate Social Responsibility (CSR) [9][8]; it also points to the unique nature of this concept, as well as to its application and importance in specific national contexts. [18][19]. Although several research studies have focused on diverse countries in Asia, [39], which relate CSR practices with local social, cultural and political characteristics, less attention has been directed to the study of this subject in East Timor. The purpose of the present study was to bridge this gap by presenting the perceptions of ten branch managers working for Foreign MNCs with responsible positions in CSR. This national context is particularly unique: the country in question is still rather young and has been confronted with complex social and economic problems, which the government has not been able to address completely. These issues have heightened the pertinence of CSR initiatives by companies with more resources and knowledge in this domain, namely the affiliates of MNCs based in countries where this area of activity is more developed and involves greater social expectations.

Focusing on the Timorese context, this study is anchored on the results of in-depth interviews with managers in positions which include responsibilities in CSR matters. It points to the existence of specific social, economic and cultural reasons in the definition of stakeholders and their relative importance. The internal stakeholder group mentioned consists of shareholders and employees. However, while literature usually acknowledges employees as key internal stakeholders [141][81], their weak bargaining power in the Timorese context seems to discourage more expressive CSR measures directed at this group. On the other hand, the list of external stakeholders includes the Government and public institutions, NGOs, educational and religious institutions, consumers/customers, business partners, as well as the general community. The relevant role played by general society in a company's survival/prosperity is acknowledged, namely in order to obtain resources; society's needs thus exert a significant impact on the definition of CSR measures. These seek, above all, to contribute to the attenuation of persistent and complex social problems which the Timorese government cannot address adequately, namely in the areas of health, education and access to technology. Environmental concerns are less obvious and emerge mainly when companies acknowledge the negative environmental impact of their activity.

The Government is assessed as being a "priority external" or "dominant" stakeholder due to its accumulated roles in East Timor. Besides being a regulator, the Government is also a shareholder and the companies' main customer. This stakeholder has thus proved to be an important player in the implementation of the coercive isomorphism of CSR issues in this country. At the same time, the Government seems to tend towards a normative type of isomorphism. Due to the fact that it is unable to address certain social and economic domains, nor respond to the needs presented by educational and religious institutions, the Government has fostered managers' ethical conscience, driving companies to act in the most deprived areas of society in accordance with their moral duty.

These reasons of ethical or moral consideration are linked to others of a more strategic nature; this emerges in the justifications provided by managers to explain the growing involvement of the respective affiliates in CSR initiatives, where the existence of the instrumental perspective of the Stakeholder Theory then becomes obvious. The alignment of a CSR strategy with that of the company's business is considered essential to conciliate and promote both the objectives of social wellbeing and economic issues. The positive impact of developing CSR measures to address the community's wellbeing and to ensure the promotion of the companies' good image and reputation is also firmly acknowledged. These results are considered to be fundamental to the development and maintenance of organizational legitimacy and the license to operate in East Timor.

The involvement of the affiliates of foreign-based companies in CSR actions in East Timor appears to be significantly stimulated by their respective headquarters abroad, namely in relation to the definition of the respective general strategy, so that this constitutes another important mechanism of coercive isomorphism regarding this issue. The specific characteristics of the Timorese context are, however, considered by the Administration Boards and by local shareholders, who thus guarantee that the CSR strategy is converted into policies and practices suited to the local culture and needs. One should point out that this model, which combines global and local decisions, is acknowledged to be effective in promoting legitimacy and maintaining a license to operate in host countries [30].

However, there are still some hurdles in the development and implementation of CSR measures in this young Asiatic country, which are associated to the specific features of the Timorese context. These reside chiefly in the ambiguities of Government regulations and issues of a bureaucratic nature, as well as in problems of logistics which complicate access to the resources which are essential to the response given to stakeholders' requests.

Future suggested research should focus on the Timorese context, directing special attention to tangible CSR practices implemented by the affiliates of foreign-based MNCs. The purpose would be to gain a better understanding of the way in which these balance out the directives issued by headquarters with the fundamental adjustment of these to local characteristics, namely with regard to stakeholders' requests and specific needs.

6. REFERENCES

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