ABSTRACT

Research (e.g., Strike, Gao, & Bansal, 2006) has pointed out that international firms diversifying geographically can be both socially responsible and socially irresponsible. However, the research has failed to provide a strong theoretical explanation based on a major theory. I propose to address this gap by testing two competing perspectives based on institutional theory, i.e., the institutional-transfer approach and the institutional-void approach. Based on relevant literature, I propose a contingency model predicting the different effects of geographic diversification (GD) on corporate social performance (CSP) by focusing on the institutional differences between developed and developing countries.

Moreover, arguing that the institutional approaches should also consider the effects of internal firm resources, I also predict the moderating effects of firm slack resources (the slack) on the relationship between the diversification and CSP. Adopting the approach that considers the slack in a continuum of managerial discretion, i.e., low- and high-discretion slack resources (George, 2005), I argue that high-discretion slack can strengthen the relationship between GD and CSP while low-discretion slack can weaken this relationship.

To test the above hypotheses, I analyze the data of multinational enterprises (MNEs) listed on the New York Stock Exchange from 2000 to 2015. The whole sample contains 477 MNEs or 1,560 firm/year observations.

Through analyzing empirical data, I have obtained evidence that there is a positive relationship between GD and corporate social responsibility (CSR) when MNEs diversify into developed countries. On the other hand, the results show a negative relationship between GD and CSR and a positive relationship between GD and corporate social irresponsibility (CSIR) when MNEs diversify into developing countries. Moreover, low-discretion slack can weaken the relationship between GD and CSR in developing countries.

Theoretically, this thesis makes four contributions to the literature. First, it contributes to the GD literature by focusing on CSP. Second, it enriches institutional theory by testing the predictive validity of its two approaches (i.e., institutional-transfer approach and institutional-void approach) on the GD–CSP relationship. Third, it enriches the understanding of CSP research. Finally, it reveals that different types of slack resources could affect the GD–CSP relationship.
In addition to the theoretical contributions, this thesis provides findings with practical implications for managers, governments, and stakeholders. First, managers should be aware of the institutional environments where their firms diversify. Second, managers should maintain an appropriate utility to different kinds of slack resources in their firms. Third, the government should reinforce its supervision on MNEs’ diversification strategies, especially in developing countries. Fourth, stakeholders should stay alert that MNEs from developed countries can also perform CSIR behaviors.

**Keywords**: Geographic diversification, corporate social performance, developed countries, developing countries, high-discretion slack, low-discretion slack, institutional-transfer approach, institutional-void approach
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