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Master Degree Project in International Business and Trade

Managing Corporate Social Responsibility in  
Relation to a Subsidiary's Charter

A Case Study of Bank Relations at Swedbank AB

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## Abstract

In step with increased pressure on organisations to take responsibility for their impact on the external environment, many multinational corporations (MNCs) have implemented corporate social responsibility (CSR) into their operations. Meanwhile, as a result of the globalisation, organisations are increasingly seen as heterarchical networks of dispersed actors, rather than hierarchical structures with dyadic relationships between the headquarters and subsidiaries. Previous literature has discussed whether CSR policies are implemented on a central level or within local units of the MNC, there is lacking research regarding how CSR responsibilities are managed within a subsidiary and how subsidiaries manage CSR in relation to its other business responsibilities. Hence, the purpose of this study is to bring clarity in how a subsidiary in the network of an MNC manages CSR responsibilities within its operations and in relation to its allocated charter. This thesis was conducted in the form of a single case study, including twelve interviews at Bank Relations, a subsidiary of the Swedish multinational bank Swedbank, and one interview with a manager from the CSR department at the headquarter (HQ). The study contributes with the following findings: first, that a subsidiary's CSR management is not necessarily all imposed by the HQ, but can be influenced by non-business-related entities. Second, the use of a common CSR definition is essential in order for the subsidiary to successfully coordinate its CSR-related responsibilities. Third, a subsidiary can enhance its CSR efforts if they are measured in the subsidiary's business performance objectives. Lastly, this study finds that high levels of subsidiary autonomy may discourage the subsidiary from incorporating CSR responsibilities required by HQ.

**Keywords:** Corporate Social Responsibility, banking industry, financial regulations, organisational network, subsidiary charter, business performance objectives

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## List of Abbreviations

<b>AML</b>	Anti-money laundry
<b>CSR</b>	Corporate Social Responsibility
<b>CFT</b>	Counter-terrorist financing
<b>HQ</b>	Headquarter
<b>IB</b>	International Business
<b>KSAOs</b>	Knowledge, Skill, Ability and Other characteristics
<b>KYC</b>	Know Your Customer
<b>LC&amp;I</b>	Large Corporates and Institutions
<b>MNC</b>	Multinational corporation
<b>OECD</b>	The Organisation for Economic Co-operation and Development
<b>PEP</b>	Politically Exposed Person
<b>SME</b>	Small and medium-sized enterprise



# 1. Introduction

*This chapter is divided into four sections and introduces the reader to the subject of the thesis and the theoretical gap it covers. The first section provides a short background to the studied issue, while the following two sections aim to outline the theoretical context of the study and briefly describe the main aspects that guide this thesis. Thereafter, the reasons for investigating the particular case will be outlined, together with the current gaps found in literature. After having read this first chapter, the reader will have a basic understanding of the main content of the forthcoming chapters, as well as a clear perception of the study's purpose and the research question it aims to answer.*

## 1.1 Background

The scandals in the banking sector, such as the one preceding the late 2008 economic crisis, have brought significant criticism to the industry and the way financial institutions handle morally dubious operations (Graafland & van de Ven, 2011; Pérezts & Picard, 2015). The crises have demonstrated that lack of regulation, transparency and proper risk management within the financial industry could fuel economic instability and cause devastating social consequences (Graafland & van de Ven, 2011; Barclift, 2012). Public anger over incautious and opaque megabanks that are 'too big to fail' has spurred authorities worldwide to emphasise the importance of ethics in the industry and to increase regulations of the financial markets (Wilmarth, 2015). This has resulted in national laws as well as international policy standards, including the anti-money laundering (AML) and counter-terrorist financing (CFT) standards (FATF, 2013). Along with this intensification of regulatory pressure, financial institutions have started to embrace their role in maintaining a sustainable and responsible economic growth, and have implemented self-regulation as well as corporate social responsibility (CSR) policies to keep operations transparent and ethical (Lentner, Szegedi and Tatay, 2015).

Today, many banks highlight their CSR-related efforts, reaching for CSR-related certifications, promoting individual CSR policies and conducting sustainability reports (Scholtens, 2009). Following a tremendous development over the past sixteen years, almost all banks have implemented CSR activities into their operations and four out of five banks provide transparency in their objectives and goals in relation to sustainability. An example of CSR activities engaged in is the incorporation of environmental risk assessments into credit processes, and approximately 40 per cent of the banks exclude borrowers from specific

economic sectors in all credit-related operations. In most cases, the decision of exclusion advocate policies issued by any of the globally reaching agencies, as for instance the World Bank and OECD, or more locally entrenched authorities (Scholtens, 2009). In summary, the concept of CSR is on the rise, as it grows increasingly more significant in banks' business operations (ibid).

Many multinational banks describe themselves as large networks, reaching across their domestic markets as well as international grounds, including both internal branch offices and external bank relationships (BNP Paribas, 2017; Deutsche Bank, 2017; HSBC, 2017; Nordea, 2017; Scotiabank, 2017; Swedbank, 2017a). The organisations of such banks often consist of headquarter, departments and subsidiaries of various functions, together constituting an array of intercorporate actors rather than one sole entity. The banks are regarded as organisational networks also in academic literature, including external relationships (Podolny & Page, 1998) as well as internal networks of geographically dispersed branches (Aguirregabiria, Clark & Wang, 2016) with varying degrees of decentralised decision-making (Holmberg, Sjögren & Hellström (2012). In the light of this, the authors of this thesis have decided to look at the management of CSR within multinational banks through a network perspective and, in particular, within the organisation of individual subsidiaries. In the following sections, previous literature within the field of network theory will be presented, and key organisational aspects of subsidiaries will be outlined.

### 1.1.1 The Internal Network of an MNC

Within previous research on CSR, a significant strain of literature has focused on the global-local debate (Bondy & Starkey, 2014), meaning that management of CSR should be kept on either a central level or a local. However, the organisational structure of MNCs has increasingly been studied as a network of interconnected actors rather than a top-down system (Hedlund, 1986; Kogut, 1989; Ghoshal & Bartlett, 1990). As pointed out by Kogut (1989), Ensign (1999) and more recently by Jakobsson (2015), the academic literature has evolved from outlining a hierarchical and dyadic headquarter-subsidiary relationship, to describing a more complex group of actors, a “*differentiated network*” (Ghoshal & Nohria, 1997, p. 6), where hierarchical structures of power not necessarily are the ultimate control mechanisms (Hedlund, 1986; Ghoshal & Bartlett, 1990; Doz & Prahalad, 1993).

### 1.1.2 Subsidiary Charter, Performance Objectives and Subsidiary Autonomy

Taking the perspective of a multinational bank compiled as a network, and further narrow the perspective by focusing particularly on one of network's subsidiaries, provides for this reports contextual situation. Subsidiaries' individual characteristics determine what business responsibilities, also known as charters (Birkinshaw & Hood, 1998), should be allocated to which subsidiaries (Bartlett & Ghoshal, 1986). To develop or change a charter, the subsidiary first needs the right to do so in accordance with its autonomy within the corporate network (Ghoshal & Nohria, 1989; Bartlett & Ghoshal, 1989). Secondly, it might earn the right to expand or manage the content of its charter by proving its importance or value to the MNC (Porter, 1985) by reaching the performance objectives set up for its operations (Bouquet & Birkinshaw, 2008). This further denotes the implications identifying the subsidiary's position in the corporate network and how interdependent it is towards the HQ and other subsidiaries (Ambos, Andersson & Birkinshaw, 2010).

## 1.2 Problem discussion

Although the subject of CSR is attracting increasing interest within academic research studying multinational corporations (MNCs) (Rodriguez et al., 2006), the field of CSR within MNCs is still in its early stage of development (Rodriguez et al., 2006; Barin Cruz & Boehe, 2010; Kolk & van Tulder, 2010; Campbell, Eden & Miller, 2012). In particular, there is limited amount of research covering the aspects of CSR management in MNCs (Lindgreen, Swaen & Johnston, 2009; Bondy & Starkey, 2014), and even less so regarding how such management is conducted with a network perspective. The authors of this thesis found three studies covering CSR within MNCs that touch upon the network perspective, but none of them focus on how a subsidiary should or does manage CSR in relation to its charter. Bondy and Starkey (2014), provide a relevant model for the development and implementation of MNCs' CSR policies, however, they focus on the mode of policy adoption with regards to home or host country context, rather than on the aspects of management within a subsidiary. Similarly, Hah and Freeman (2013) describe the strategic adoption of global or local CSR strategies and do not cover the process within the subsidiary. Further, Baumann-Pauly et al. (2013) contribute to the field of CSR within MNCs by outlining the differences in CSR implementation in MNCs compared to small- and medium-sized enterprises (SMEs), but like above-mentioned research, their study also lacks the aspect of the role of CSR in a

subsidiary's charter. This clearly points out a gap within the academic literature and indicates a need for empirical research of the matter. Outlining a subsidiary's management of CSR is needed within the academic field of International Business (IB). As previous research has treated subsidiaries as black boxes and thereby omitted the role of management (Aharoni, 2011), this request for more research investigating management within subsidiaries. Ergo, this report contributes in filling this gap within the academic field of IB. We will therefore through this thesis attempt to contribute to this area of research by investigating how a subsidiary manages its CSR responsibilities in relation to its charter.

### 1.3 Purpose and Research Question

The purpose of this report is to get an understanding of how a subsidiary in the network of an MNC manages CSR responsibilities within its operations and how this is handled in relation to its charter.

In order to satisfy this purpose, the following research question and sub-question will lead the report.

- *How does a subsidiary in the banking sector manage CSR responsibilities in relation to its charter?*

In order to understand how CSR responsibilities are managed in relation to a subsidiary's charter, one need to investigate what may influence the charter.

Ghoshal and Nohria (1986) alleged that a subsidiary's autonomy may indicate what power the subsidiary has to influence the charter allocated to them. Furthermore, Porter (1985) asserted that the subsidiary is able to change the context of its charter by demonstrating its value to the MNC. Reaching business performance objectives is one aspect the subsidiary may use in order to prove their value (Bouquet & Birkinshaw, 2008), and may subsequently be used to influence the charter of the subsidiary. Therefore, the two main aspects are found to be affecting a subsidiary's charter: business performance objectives and subsidiary autonomy. In order to answer the first research question, a second one will therefore guide the research:

- *How do business performance objectives and subsidiary autonomy influence a subsidiary's management of CSR in relation to its charter?*

## 2. Methodology

*The ambition of this study is to investigate how a subsidiary manages CSR responsibilities in relation to its charter. To grasp the context of the problem, this thesis is conducted in line with a case study approach. This chapter of the report begins with an explanation of decisive factors for taking such a research approach, and continues with an elaboration regarding the selected case study. Further, the section will follow with an outline of the collection process of empirical data, emphasising the sources used, the data gathered and finally the analysis of collected data, respectively. An evaluation regarding the quality of the research derives from the descriptions of how the research was conducted and may provide an indication of the thesis' potential to develop the academic field of CSR in subsidiary operations. The chapter ends with a presentation of the study's delimitations as well as its limitations.*

### 2.1 Research Approach

Existing literature regarding CSR demonstrates this report's topic as complex and difficult to assess. An issue not sufficiently nor accurately explained by statistics or calculations is preferably approached by a qualitative research method (Ritchie & Lewis, 2003). Furthermore, deriving from a field of study known for its complexity further denotes the qualitative research approaches potential to facilitate comprehension and extensive explanation of the studied issue (ibid). Hence, the qualitative research method was suitably employed when investigating a subsidiary's management of CSR in relation to its charter. Eriksson and Kovalainen (2008) emphasise the need to adapt research along the process of its conduction, to ensure fulfilment of the study's purpose. Accordingly, this study was kept flexible and perceptive to deviances, guided by the research question and purpose, and following the abductive research approach. Altering between research activities, and not linearly execute each section of the process, provided a broader understanding of the subject, as supported by Dubois and Gadde (2002). According to the abductive research approach, the preliminary theoretical framework provides the base upon which the empirical data is gathered. The data subsequently identifies limitations in the framework and recognises if and how the theoretical framework should be amended or expanded (Dubois & Gadde, 2002). This report employed an abductive research approach to maintain flexibility and to achieve a comprehensive understanding of the topic. During the process of conducting the study, the collection of

empirical data was done in line with the theoretical chapter. However, as empirical findings indicated a necessity of additional theoretical material, the theoretical framework was edited accordingly. Subsequently, the expansions resulted in a broader theoretical foundation and comprehensive material for the analysis.

Uncovering a subsidiary's management of CSR activities, including the potential mismatch between its expected performance in business related activities and CSR as well as taking the perspective of the MNC as a network needing to appropriate value towards the MNC, will contribute to the field of International Business. In earlier studies, subsidiaries have been treated as black boxes neglecting its individual internal operations and charters (Aharoni, 2011), underlining the need for further research within the field. Furthermore, as this research encompasses the concept of CSR, today being a relatively new concept taking an increasingly larger role in all industries (Bauman & Skitka, 2012; Farooq et al., 2014; Saeidi et al., 2014), it contributes with a topical subject to the academic field of International Business. Hitherto, this topic has previously not been researched, which points out the need for a qualitative study, in order to engage in theory development (Hunt, 2010).

The case at hand will be related to existing theory, primary linking together the subsidiary charter, level of autonomy in internal network and business performance with literature of CSR. Aiming for a contextual understanding the qualitative research makes it possible to outline the foundation of the research's purpose through an empirical description of a subsidiary's management of CSR matters in relation to its charter and value-adding purpose towards the MNC.

## 2.2 Research Process

The research process was conducted by numeral periods consisting of data collection and theoretical elaborations, during which theoretical and empirical understandings evolved incrementally (see Figure 2.1). Initial time periods, phase one and two in Figure 2.1, was based on the development of a holistic overview of the company and subsidiary chosen as case company, Swedbank, as well as an understanding of theoretical concepts relevant in the context and case at issue. One initial visit to the subsidiary started off the whole research process and a fundamental understanding of Swedbank's CSR work and the subsidiary's operations was gathered.

Several research questions were discussed during the research process, all encompassing similar aspects, but still with some differences. Not until the end of period two the final, yet preliminary, research question of the study emerged. This guided the process of constructing a theoretical framework, which eventually conceded the next step in the research process, phase three in Figure 2.1, in which interviews were conducted in line with the theoretical framework, research question and purpose of the research in mind.

Followingly, field work at Swedbank’s subsidiary Bank Relations was initiated. Worth mentioning may be that the subsidiary already before phase one permitted the study to be conducted based on their operations. The interviewees were selected and the majority of empirical data was derived from the interviews held with the personnel at Bank Relations (see phase three in Figure 2.1). However, some material was gathered from written reports issued by Swedbank. Empirical findings were later on processed and compiled into a synthesis, presenting main empirical and theoretical findings to supplement existing theoretical framework (phase four in Figure 2.1). As for phase five, by identifying and assessing the patterns of the empirical data and compare it to the theoretical framework, an analysis started to take form. During the last phase of the research process, the authors drew the final conclusions, identified this report’s contributions and suggested subjects for future research.

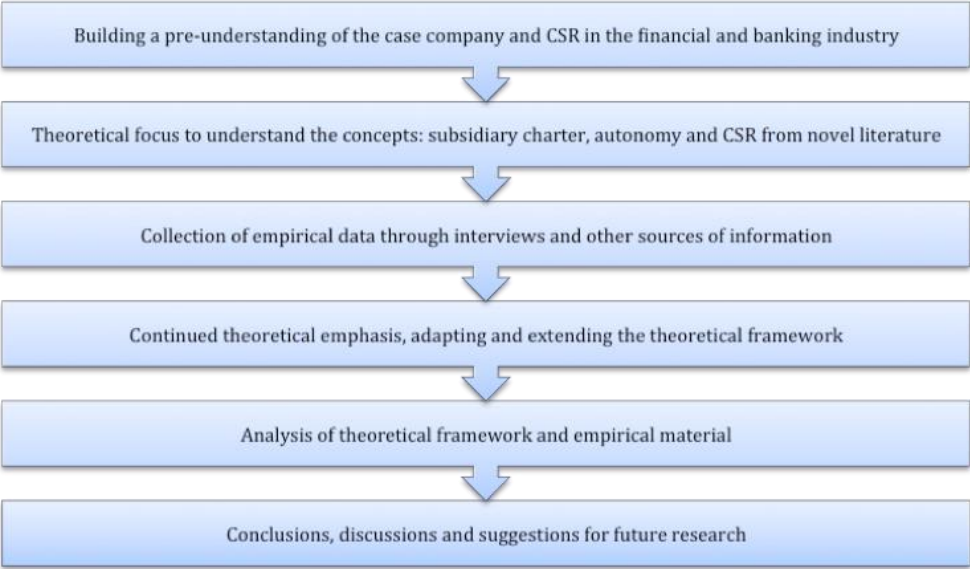


Figure 2.1 Illustration of the Research Process. Compiled by authors

## 2.2 Research Design

### 2.2.1 Single Case Study

Aharoni (2011) argues that IB researchers tend to treat organisations as black boxes by ignoring management in their research, which calls for detailed and unbiased studies that describe how management is actually conducted. Such research is preferably conducted in the form of a case study (ibid). According to Aharoni (2011) and Fletcher and Plakoyiannaki (2011), case studies are preferred when the researcher seeks to obtain depth and richness in their investigation and the subject studied is complex. Moreover, Fletcher and Plakoyiannaki (2011), argue that a single case can provide sufficient data for analytical generalisation, describe various alternatives of causation, find relationships, test previous theories and contribute with new ones. Subsequently, this approach has been adopted in order to enable a detailed understanding of how a subsidiary manages CSR-related responsibilities in relation to its charter.

A known authorial aim is to produce academic work that readers and reviewers find persuasive (Siggelkow, 2007). Studies using the single case research approach are widely criticised for having biased informants and for not taking pertinent precautionary measures in the inferences, for the reason of studying one particular organisation (ibid). However, the single case study approach allows the author to make a conceptual contribution by illustrations, and in accordance with Siggelkow (2007) this being one of the main reasons for using this approach. This study intends to illustrate and provide deeper insights of a subsidiary's management of CSR in relation to its charter, by combining existing theory and empirical material. Due to case study's potential to acknowledge in-depth and multifarious discoveries of complex topics (Crowe et al., 2011) it was sufficiently employed in this study. Moreover, as a case study allows the reader to get a new perspective of the world, and not only the literature (Siggelkow, 2007), it is in line with the purpose of this report, to outline the actual situation of how CSR responsibilities are managed in relation to a subsidiary's charter. Thereon, this case study will be of interest to a larger amount of readers, and not only those understanding the references to prior theory (Yin, 2014).

Merriam (1998) states that a single case study must empirically be descriptive, particularistic and heuristic. In accordance with the first criteria, our study thoroughly describes a subsidiary as a component of an MNC network that constitutes of internal and external actors. In turn, the subsidiary's charter is thoroughly described, including its vital building blocks and factors of influence such as autonomy and performance objectives. Moreover, the role of CSR



management in relation to these described in the report. By focusing on a subsidiary operating in the banking industry, managing CSR responsibilities in relation to its charter and considering internal requirements and external regulatory demands, this study is also particularistic. Lastly, the outline of our report, the description of relevant theoretical areas, the empirical description of the subsidiary's operations and charter, and the following analysis, are meant to provide an explanation of how CSR actually is managed when a subsidiary aims at fulfilling its charter and purpose to the rest of the organisation. Hence, the heuristic quality, referred to as the reader's understanding of the subject of the study, is ensured in this study.

The choice of doing a single case study also relies in the arguments made by Ahroni (no year). When studying a complex subject of how people behave and the internal management of CSR within an organisation a case study is the most suitable choice due to the chance of incorporating such aspects numbers and statistical analyses are unable to. When doing a case study it is of significance to understand that the people under investigation are people, behaving as people. Meaning, that they are not always behaving and thinking as one may predict. The single case study allowed us to study the unique behaviour of a subsidiary and the people within it, instead of the central tendencies in a population (ibid). We aimed at increase the understanding of how CSR was managed inside of the MNC and incorporate the individual perspectives of the people inside of the MNC, most specifically in order to find the unique details and the different perceptions between people, and not to find the similarities of a population. Hence, a case study supported this aim and was argued the most sufficient method when conducting this research.

#### 2.2.1.1 Choosing the Case Study

According to Merriam (1998), cases should be chosen on the premises that it has the potential to generate new insights and knowledge, as the case must fit the purpose of the study and answer the research question. Due to the fact that our research question and purpose call for a study of a subsidiary in an international context, we chose to investigate a subsidiary of an MNC, whose operations are conducted on a global scale. Through professional contacts, we got in contact with Bank Relations, Swedbank's subsidiary responsible for all international relations with banks and financial institutions. Due to good access to potential informants and the ability to study a subsidiary having global reaching operations, Bank Relations was found

suitable as case subsidiary. Moreover, the case can be seen to fall in line with a convenience sampling as described by Merriam (1998), due to the willingness of the subsidiary and the HQ to allow for necessary wide-ranging access.

## 2.4 Data Collection

The primary data refers to the study's empirical data, and the section beneath provides a description of the location from which the primary data was gathered, as well as the methods used in order to collect it. After that, the methods for collecting secondary data will be described, as well as the reasoning for why it was collected.

### 2.4.1 Primary Data

The collection of empirical data mainly derived from primary sources, referring to the conducted interviews. All data was collected before 10th of April 2017, at the office of Bank Relations in Sundbyberg, with the intention to provide an increased understanding of the management of CSR in relation to a bank subsidiary's charter. The collaboration with Bank Relations started with emailing regarding a potential subject for the thesis, and an initial telephone meeting with one client executive and the manager of Bank Relations. During this telephone meeting the client executive and the client executive agreed to assist in gaining access to relevant interviewees and to provide data concerning the topic. Hence, the interviewees were selected in accordance with Bryman and Bell's (2015) concept of snowball sampling, where one informant leads to another.

#### 2.4.1.1 Interviewees

The quality of the group of informants relies on how accurately and precise it depicts the characteristics of a population (Blumberg, Cooper and Schindler, 2008). In order to choose interviewees in the most suitable way, these two criteria were carefully considered in the choice of interviewees: firstly, *accuracy*, if the informants lack bias it can be considered accurate, and secondly, *precision*, measured in how precise the group of informants describes a population. For the possibility to conduct a comprehensive study as little biased as possible, a large amount and width of employees at Bank Relations were chosen. For instance, both managers, a business coordinator and specialised employees were chosen as interviewees. Precision was handled by means of interviewing those more or less directly involved in the

process of establishing and performing the activities included in the subsidiary's charter. An interview held with the informant from the CSR department provided an in-depth understanding of HQ's central CSR strategy, while the employees from Bank Relations explained the subsidiary's charter and business activities, in order to understand whether those encompassed the CSR work promoted by HQ. Various employees at Bank Relations with different hierarchical positions, functions, amount of years of experiences in the position and responsibility over different international markets were purposefully chosen as interviewees, to get access to information comparable from several perspectives. A shorter description of the interviewees, their names, positions, functions and approximate employment time can be found in Table 2.1.

Interviewees	Professional Position	Business Responsibilities	Location of Interview	Type of Interview
A	Currently Business Coordinator, formerly a Client Executive	Responsible for implementing incoming demands and requirement into operations	Sunbyberg, Stockholm	Face-To- Face
B	Client Executive	To find business opportunities, maintain relations and manage operations in South America, Spain and Portugal	Sunbyberg, Stockholm	Face-To- Face and Telephone
C	Head of Bank Relations	Head of Bank Relations. Be able to master all operations conducted internationally and nationally	Sunbyberg, Stockholm	Face-To- Face and Telephone
D	Currently Client Executive and Formerly Client Analyst	To find business opportunities, maintain relations and manage operations in Germany, Switzerland, Italy and Austria	Sunbyberg, Stockholm	Face-To- Face
E	Client Analyst and Deputy Client Executive	Conduct bank analyses, and calculate credit risks in Germany, Italy, France, Switzerland, Austria, Sweden, Denmark, Norway, Japan, Belgium, the Netherlands, Luxembourg, Poland och Czechia	Sunbyberg, Stockholm	Face-To- Face
F	Currently Client Executive and Formerly Head of Bank Relations	To find business opportunities, maintain relations and manage operations in USA, the UK, Australia och Ireland	Sunbyberg, Stockholm	Face-To- Face
G	Client Executive	To find business opportunities, maintain relations and manage operations in Sweden, Denmark, Iceland, Benelux, Czechia, Poland och Japan	Sunbyberg, Stockholm	Face-To- Face
H	Client Executive	To find business opportunities, maintain relations and manage operations in Asia and Eastern Europ	Sunbyberg, Stockholm	Face-To- Face
I	Head of communications at Swedbanks CSR Department	Contribute to the work of conducting Swedbank's sustainable Report as well as establish and promote the banks CSR work	Sunbyberg, Stockholm	Face-To- Face

*Table 2.1 List of Interviewees. Compiled by authors*

#### 2.4.1.2 Interviews

A total of twelve interviews were conducted between the 19th of January and 10th of April, 2017. These included employees from all types of functions at Bank Relations and a manager from the central CSR department at HQ. All interviews were held face-to-face or via telephone, in Swedish and English, and lasted between 40 and 75 minutes. The face-to-face interviews with the informants from Bank Relations were held in the subsidiary's office in Sundbyberg, Stockholm and the interview with the employee from the CSR department was

also held in Sundbyberg, as the department shares building with Bank Relations. The layout and content of the interviews were selected in line with the research question and the purpose of the study, in order to assure that the interviews would generate relevant information for the study. A professional and academic vocabulary was mixed with a non-academic vocabulary in the interviews in order to avoid misunderstandings.

The semi-structured interviews were conducted with open questions, which enabled an unrestricted and conversational communication with the interviewee (Bryman & Bell, 2015). According to Bryman and Bell (2015) semi-structured interviews are suitable when the interviewer wants the informant to respond freely, and thereby allows for follow-up questions. This method was appropriately employed in the study as it allowed us to investigate how CSR-related efforts are managed and how such management is conducted in relation to the subsidiary's business responsibilities in its charter. After gaining the interviewee's approvals, all interviews were recorded, in order to avoid any loss of information. Moreover, with the intention to sufficiently facilitate follow-up questions and enable just interpretations when analysing the material, one of the interviewers took notes during each interview. The risk of misinterpretation, for instance due to translation faults or distance, was always considered. Furthermore, the empirical data gathered during the on-site fieldwork in Sundbyberg, was transcribed and discussed in order to ensure that the researcher kept a fresh insight about the retrieved information. Please see Appendix 1 for the interview questions.

### 2.4.2 Secondary Data

In addition to primary data, secondary sources were used in the process of conducting this thesis. On the official website of Swedbank a great amount of information about its CSR work was found. The material mainly included reports issued by Swedbank, describing what and how it works with CSR in the organisation. This information was usable in order to triangulate and extend the information gathered during the interview with the informant from the CSR department.

## 2.6 Method for Analysis of Empirical Material

In accordance with the employed abductive research approach, the construction of the theoretical framework has evolved throughout the research process. However, in the final

phases of the process, a deductive research approach was employed for the purpose of providing an enhanced understanding of the relation between the theoretical framework and the empirical data. For the possibility to analyse the empirical data collected during the interviews, it was broken down into fragments, conceptualised and reformulated in line with the theoretical chapter, in accordance with Bryman and Bell (2015). A deductive coding process was partly employed, as this process also introduced additional subjects that were then included in the theoretical chapter. The risk of organising the data through categorisations refers to the chance of the researchers missing out on important information as the case may lose its wholeness (Bryman & Bell, 2015). In order to prevent such risk, we kept the categories somewhat flexible for each interview and opened a category for answers and information that did not fit into any category of the conceptual framework. By doing so, we could retain a holistic view and avoid losing information. Conclusively, the abductively composed theoretical framework provided the base upon which we searched the empirical data for patterns and deviations, this in order to compose the final analysis.

## 2.7 Quality of the Study

While the quality of a quantitative research is often measured in terms of validity and reliability, the measurements of qualitative method are hampered by the complex and subjective nature of the method (Bryman & Bell, 2015). Therefore, for the possibility to ensure this report's trustworthiness, four criteria were taken into consideration: credibility, transferability, dependability and confirmability (Guba & Lincoln, 1994).

### 2.7.1 Credibility

Credibility refers to the internal validity of the study, if it can be made certain that the topic was investigated or tested in the study and that the findings of the study correspond to reality (Collis & Hussey, 2009). The thesis credibility was upheld through our extensive considerations and discussion of various research techniques, ensuring that the employed research method was the correct one for the topic of this thesis. Moreover, the credibility has further been established by the use of various types of sources and a wide range of interviewees, in order to triangulate, compare and confirm our findings and thereby provide a more truthful image of reality. Furthermore, another relevant aspect in relation to credibility was the decision to present and discuss the findings from the interviews with the interviewees

after documentation. According to Bryman and Bell (2015), by doing so the researcher ensures that the findings correctly depicts the social world in which they are active.

### 2.7.2 Transferability

Guba and Lincoln (1994) emphasise the importance of transferability in a study, referring to the findings' generalisability, or ability to be applied on cases in other contexts than the one studied. The transferability of this study is ensured by providing a thorough description of the case subsidiary and relevant theoretical framework as outset for the study. These measures provide analytical generalizability to the study and enable a future research of a similar kind, involving the subject of a subsidiary's management of CSR (Collis & Hussey, 2009; Yin, 2014).

### 2.7.3 Dependability

The third criterion, dependability, relates to the degree to which a study can be replicated (Lincoln & Guba, 1985; Bryman & Bell, 2015) and still encounter the same findings (Yin, 2014). In this study, the researchers present a detailed description of the research process as well as field notes, recordings, transcriptions and written information collected from the company, in order to facilitate for other researchers to replicate the study and thereby ensure dependability of the findings (Bryman & Bell, 2015; Yin, 2014).

### 2.7.4 Confirmability

Lastly, confirmability refers to the objectivity within the researchers (Guba & Lincoln, 1994) and thereby relates to the potential of the findings being influenced by bias (Bryman & Bell, 2015). The researcher had some prior knowledge and relationship to Swedbank before composing this study; however, no relationship existed with the case study unit. Therefore, precautionary considerations constantly were taken in order to reduce probable personal influence, and help each other to pay attention to the issue and evade occurrence of subjectivity. Considering the compressed, however intensive, amount of time spent with the subsidiary, only three full days and some telephone and email contact, can also be argued to lower our biases tied to the relationships with Swedbank. Moreover, the objectivity of this research have been kept highest possible through interviewee validation and triangulation of data.

## 2.8 Limitations

There are three main limitations that may affect the quality of this study. First, the demarcation of the research context, limited to the unique situation of Bank Relations, might have an impact on the extent to which the findings can be applicable in other context. Hence, the individual industry and organisational characteristics may have an affect on the transferability of this research. The second limitation relates to the fact that this study ascends from highly unique operations. Bank Relations' autonomy may be higher or lower as they perform a charter which Swedbank depends upon in its international operations, and may thereby be too different from other subsidiaries and subsequently affect the dependability of the study.

Another aspect to keep in mind when reading this thesis is the concept of endogeneity, which denotes the risk that explanatory variable correlates with factors that are not included in the test. Endogeneity is relevant in this case due to our decision to focus on subsidiary autonomy and business performance objectives as variables affecting a subsidiary's charter. Although the risk of endogeneity prevails, the variables included in this research are selections stemming from well recognised literature, verifying the variable's influence on a subsidiary charter.

## 2.9 Ethical Considerations

When conducting a qualitative research, ethical considerations are of utter importance to bear in mind throughout the whole research process (Yin, 2014). Accordingly, this report and researchers have made sure to keep a constant ethical behaviour along the research process. None of the interviewees has been awarded or forced to participate in the study: everyone have participated out of free will. This is an important aspect in terms of ethical behaviour and in order to minimise the risk of bias (Bryman & Bell, 2015; Eriksson & Kovalainen, 2008; Collis & Hussey, 2009). The informants were also offered anonymity in the report, which, according to Eriksson and Kovalainen (2008) and Collis and Hussey (2009), may increase the informant's confidence to answer authentically and thereby enhance the validity of the report. We also made sure to provide the informants with relevant information about the thesis and their role in it, in accordance with Collis and Hussey (2009) and Blumberg, Cooper and Schindler (2011). Furthermore, we ensured the interviewees that the information they provide

will solely be used for the purpose of this research. Drawing on Yin (2014), the informants increase their cooperation and interest to share their perspectives on the subject when they receive such information. Furthermore, as mentioned above we chose to alter our language in relation to the atmosphere and the person interviewed, which allowed us to develop an improved connection to the interviewee and thereby fostered enhanced cooperation (ibid).

Moreover, the ethical considerations considered throughout this research process have been employed in order to keep the study as objective as possible (Yin, 2014). For instance, we made sure that no relevant data, which could have had an impact on the result of the research, have been excluded from the study, nor mutilated data to make it comprehend our individual perceptions of the result (ibid). In summary, this study is considered to have been completed with ethical considerations constantly in mind, and thereby preserved a high level of ethicality of the study.



### 3. Literature Review and Conceptual Framework

*The following section presents theoretical and conceptual concepts that are relevant when outlining the contextual framework of this thesis. It aims to provide an understanding of the foundation of the academic fields on which this study erects. Beneath presented theoretical framework aims to guide the reader through, firstly, some basic contextual explanations and definitions of the MNC and the subsidiary, and secondly through relevant aspects of the subsidiary charter, autonomy, business performance objectives and the concept of CSR. These sections form the basis on which both the empirical section and the analysis derive from.*

#### 3.1 The MNC as a network

The MNC consists, as shortly presented above, of diverse subsidiaries operating in unique environments. These subsidiaries constitute a network of the MNC, compiled by numeral subsidiaries operating inside the borders of the MNC. In addition to this internal network, the subsidiaries also interact with external actors in their individually specific environments (Ghoshal & Bartlett, 1990; Ghoshal & Westney, 1993). Therefore, the organisational structure of the MNC can be regarded as internal and external networks shaped by the relationships with the MNC (Forsgren, 1990; Ghoshal & Westney, 1993).

The external network of an MNC consists of all actors within the MNC's environment but outside its corporate borders, with which it has relationships (Andersson & Forsgren, 1996; Andersson, Forsgren & Holm, 2007). Such actors may include suppliers, customers, competitors and regulators (Ghoshal & Bartlett, 1990) and can be considered the most crucial resources for the MNC's subsidiaries (Andersson & Forsgren, 1996). By engaging in such external relationships, a subsidiary may enhance its possibility to gain knowledge from its external connections and thereby increase its performance in the local environment, as well as with internal actors in the MNC (Andersson, Forsgren & Pedersen, 2001).

In addition to the networks that local subsidiaries establish with external actors, the MNC itself functions as a differentiated network compiled by its subsidiaries and departments (Nohria & Ghoshal, 1994; Rugman & Verbeke, 2003). Rather than being run hierarchically and managing subsidiaries in a uniform manner, the MNC can be regarded as a network of linkages between unique units, i.e. subsidiaries (Nohria & Ghoshal, 1994), in a heterarchical

structure (Hedlund, 1986). Each subsidiary composes its own set of resources, flowing between the MNC's units in complex patterns, and not solely in a one-way direction from the core to the periphery of the organisation (ibid). Depending on access to context-specific advantages and internal competencies, subsidiaries constitute diverse roles within the MNC network and are allocated specific business responsibilities and levels of autonomy (Bartlett, Ghoshal & Birkinshaw, 2003).

## 3.2 Presenting a Comprehensive Understanding of the Subsidiary

The following section starts by providing a definition of the subsidiary, which is relevant in order to apply this theoretical section to our study and signifies the employment of forthcoming presented theories in the case at issue. Afterwards, theories regarding the subsidiary's autonomy, charter and performance objectives are presented, followed by a description of the CSR concept.

### 3.2.1 Defining the subsidiary

A subsidiary is connected to the MNC through shared policies or strategies, and is located in any of the markets in which the MNC operates (Kostova & Zaheer, 1999). It is dominantly or wholly owned by the MNC (Gatignon & Andersson, 1988; Birkinshaw & Hood, 1998), and its importance to the organisation varies in relation to its unique capabilities (Bartlett & Ghoshal, 1986; Andersson, Forsgren & Holm, 2007). Subsidiaries can be seen as value-adding entities (Birkinshaw & Hood, 1998) that, to various degrees, are autonomous with own agendas (Ambos, Andersson & Birkinshaw, 2010; Ambos, Asakawa & Ambos, 2011). Former research has mainly oscillated between the words 'subunit' or 'subsidiary' when referring to an entity having abovementioned characteristics (e.g. Kostova & Zaheer, 1999; Miller & Eden, 2006; Bartlett & Ghoshal, 1986; Birkinshaw & Hood, 1998). Therefore, to keep consistent terminology, such entities will in this study be referred to as 'subsidiary' or 'subsidiaries'.

Headquarters (HQs) are the original establishers of both subsidiaries and their purposes (Ambos, Andersson & Birkinshaw, 2010). They erect what legitimacy a subsidiary's conducted activities have towards the internal network (ibid). The business responsibilities for a subsidiary are somewhat twofold. Firstly, it has to fulfil the purpose of adding value and

respond to financial pressures, in order to contribute to the MNC's overall ability to maintain its potential to conduct business (Bouquet & Birkinshaw, 2008). Secondly, it has to manage uncertainty in the internal network (ibid), relating to the subsidiary's potential to affect its autonomy, ability to develop capabilities and create value (Birkinshaw & Hood, 1998; Monteiro, Andersson & Birkinshaw, 2008; Roth et al., 2009). Accordingly, a subsidiary's business responsibilities (further on referred to as charter) must subsume the interaction of general operations creating value to the MNC and the internal network (cf. Birkinshaw & Hood, 1998).

### 3.3 Subsidiary Charter

As a part of the conducted literature review, the definition of the concept describing a subsidiary's business responsibility has been found to be "*the business, or elements of a business, in which the subsidiary participates and for which it has responsibilities beyond its national markets*" (Birkinshaw, 1996, p. 471). This definition of business responsibilities has been interchanging between the words 'charter' and 'mandate' (Dörrenbächer & Gammelgaard, 2006). To the best of our knowledge, no differences between the two words can be found in existing literature, leading to the assumption that the only difference is terminological. Furthermore, in order to keep consistency within this report, 'charter' will be used when referring to above definition.

Hedlund's (1986) elaborations around the phenomenon 'heterarchy' and Bartlett and Ghoshal's (1986) transnational models insinuated a shift towards a new trend of establishing an understanding of subsidiaries' roles in MNCs (Birkinshaw & Hood, 1998). Subsidiaries have been gradually acknowledged to possess distinctive resources and individual responsibilities in strategic and operational matters (Nohria & Ghoshal, 1997), and an interest for their separate operations in relation to the MNC has evolved over time (e.g. Bartlett & Ghoshal, 1986; Gupta & Govindarajan, 1991, 1994; White & Poynter, 1984). Being individually differentiated, relating to subsidiaries' internal resources and capabilities as well as their relations to the parent company and other subsidiaries, denotes the reason for them to be assigned different strategic responsibilities and tasks (Galunic & Eisenhardt, 1996; Nohria & Ghoshal, 1997), also known as charters. A subsidiary's charter depicts what business elements the subsidiary engages in and has the responsibility for, in relation to the rest of the organisation (Galunic & Eisenhardt, 1996). It describes the mission of its conducted

operations (Thompson, 1967), subsequently reflected in the subsidiary's capabilities (Birkinshaw & Hood, 1998) and what routines performed and engaged in, to enable that mission (cf. Winter, 2000). Accordingly, what charter is assigned to a subsidiary reflects what organisational purpose it is expected to have the capabilities for, by using incumbent resources (Ambos, Andersson & Birkinshaw, 2010) and established routines (cf. Winter, 2003). By creating value-adding resources a subsidiary may potentially increase its value-adding scope towards the MNC (Porter, 1985). Furthermore, according to Birkinshaw (1996), the development of a charter depends on the extent of business responsibilities the subsidiary engages in. Therefore, the level of autonomy a subsidiary has to extend its charter may affect what possibility it has to develop (cf. Williams, 1998).

### 3.3.1 Resources

Resources are the stock of available factors owned and controlled by a subsidiary (Amit & Schoemaker, 1993), that can be used to implement its strategies (Porter, 1981; Barney, 1991). Moreover, the subsidiary's potential to gain new business responsibilities into its charter partly depends on its resources (Prahalad & Doz, 1981; Amit & Schoemaker, 1993). A subsidiary's resources must be acknowledged as superior or unique by other units within the MNC (Prahalad & Doz, 1981), in order for the subsidiary to be able to extend its charter. Noted by Barney and Wright (1998), valuable resources can be considered those that are linked to a strategy and operational targets, either contributing by minimising the costs or maximising the profits of the subsidiary (Ployhart et al., 2014). Consistent with the resource-based view, one may see a subsidiary as a heterogeneous bundle of resources (Barney, 1991), in which human capital resources relate to the individuals working in the organisation. Specifically, it denotes people's experiences, training, ability to make judgements, knowledge, intelligence, relationships et cetera (ibid). Another resource most often discussed in relation to firm resources are the organisational capital resources, referring to the organisation's reporting structures, planning, control, coordination, as well as the relations among internal and external counterparts (Barney, 1991). Although the resource-based view presents additional resources (ibid), these two, and especially human capital resources, are considerably more important in the case at issue.

The aggregate profile of an organisational workforce's knowledge, skills, ability and other characteristics (KSAOs) that contribute to organisational performance, have been defined

defined as human capital resources (Ployhart & Moliterno, 2011; Ployhart et al., 2014). Hence, human capital resources are the KSAOs, relevant for achieving economic results. Drawn from this, 'knowledge' refers to the declarative information needed for performing a task and form the basis on which skills are developed (Noe et al., 2006; Ployhart et al., 2014). The term 'skills' is a person's level of capability to perform a specific task and can be improved by experience. 'Ability' can be seen as a more enduring capability applicable to various job-related tasks, and lastly 'other characteristics' regard personality traits and their dispositional attributes affecting the person's performance in various tasks (ibid). Furthermore, in order to identify a human capital resource one need to investigate the contextual situation of the organisational unit in which the resource might be (Ployhart et al., 2014). If a skill or knowledge is relevant to an organisation's performance, it constitutes a human capital resource. However, in another organisation the same knowledge or skill might not contribute to improved performance of the organisation and thereby not be considered a human capital resource to that particular organisation (ibid). Hence, the definition of human capital resources strongly emphasises accessibility and relevance for a specific organisation's purpose.

### 3.3.2 Capabilities

Another aspect encompassed in a subsidiary's charter relates to its capabilities. Resources, as described above, are to be seen as the building blocks in the creation of capabilities (Kogut & Zander, 1992), which are accumulated and maintained by the organisational routines (Winter, 2003). Due to subsidiaries' having highly individual resources, in turn the capability profile of all subsidiaries differ respectively (Teece, Pisano & Shuen, 1997). In order to define a capability more in detail, this report will refer to the definition presented by Winter (2003, p. 991):

...an organizational capability is a high-level routine (or collection of routines) that, together with its implementing input flows, confers upon an organization's management a set of decision options for producing significant outputs of a particular type.

Hence, the capabilities of a subsidiary reflect what higher-level routines prevail in the subsidiary. Capabilities reflect the routines in which a subsidiary engages to enable a desired output or result (Winter, 2000). A mismatch between a subsidiary's charter and capabilities

occur when the base of resources change, and in turn, the subsidiary's capabilities are less, more or different than what its charter encompasses (Bartlett & Ghoshal, 1986). Capabilities define what the subsidiary can accomplish with incumbent resources and are therefore a determinant factor in the allocation of charters (ibid).

### 3.4 Business Performance Objectives

Due to the fact that the allocation of subsidiaries' resources often is conducted centrally, by the HQ, the possibility for a subsidiary to acquire additional resources cannot be taken for granted (Bouquet & Birkinshaw, 2008). However, by sustaining a positive track record of business performance, a subsidiary can build a positive profile as a "*reliable and committed citizen*" of the MNC, and thereby increase its possibilities to influence the amount of resources allocated to it (Bouquet & Birkinshaw, 2008, p. 491), hence, the subsidiary's ability to alter its charter. Therefore, improving business performance is a central objective for subsidiaries (Hillman & Wan, 2005; Chang et al., 2009; Mahnke et al., 2009), and presumed to be a short-term perspective as organisations attempt to create value along its on-going business activities (Burke & Longsdon, 1996). The financial perspective, referring to financial profitability and capital efficiency, has been found to be the most adopted measurement perspective for HQs measuring the business performance of its subsidiary (Dossi & Patelli, 2010). In addition, subsidiaries' role in the organisational development has in many cases encompassed the MNC's overall ambition to either cost-cut existing operations or improve economies of scale (Dörrenbächer & Gammelgaard, 2006). According to the findings from Boddewyn's extensive research about subsidiary divestment (1979, 1983), poor financial performance was the number one reason for divestments, while the lack of strategic fit and organisational problems, such as poor relationships between subsidiary and parent company, were number two and three.

Regarding non-financial indicators, prior research has acknowledged that such measures are not included in corporate strategy (Dossi & Patelli, 2010). The motivation to include non-financial performance objectives has merely regarded dissatisfaction with financial measurements (ibid). Further, according to Dossi and Patelli (2010), non-financial indicators in a subsidiary's performance objectives have been connected to managerial confusion and evaluation ambiguity.

Performance objectives that include CSR, which has been acknowledged as value-creating (Husted & Allen, 2007), have raised concerns in novel literature regarding whether MNCs truly believe that CSR is a business opportunity creating value for the corporation (ibid). Contributing to this belief, benefits from CSR mainly reap the rewards in the long term (Shank et al., 2005; Kane, 2002), while its costs impact financial performance more or less immediately (Burke & Longsdon, 1996; Kane, 2002). Accordingly, motivating management in CSR considerations demands long-term and market valuation based compensation, as it may be necessary to forgo short-term profits (Kane, 2002). In contrast, short-term incentive structures have been regarded motivating immediate performance, based on retro-perspective financial measurements (Mahoney & Thorne, 2005). For instance, management compensation is solely affiliated to salary and short-term bonuses, omitting CSR-based factors (ibid).

### 3.5 Subsidiary Autonomy and Individual Autonomy

When investigating an MNC as a corporate network, the relations between inter-organisational actors are particularly important to pay attention to. Subsidiary autonomy refers to the bargaining interplay between an organisation's centre and periphery in decision-based processes (Taggart, 1997). Moreover, it is the subsidiary's level of decision-making ability, without external interference from the MNC (Birkinshaw & Morrison, 1995; Taggart & Hood, 1999; Ambos, Andersson & Birkinshaw, 2010). The levels of autonomy assigned a subsidiary do not need to be homogeneously divided and allocated between the subsidiaries, especially since the a vast majority have individual charters, i.e. purposes, in the MNC's organisation (Asmussen et al., 2009; Bartlett & Ghoshal, 1989). Accordingly, some subsidiaries may experience increased levels of flexibility and room for creativity in their operations, while others do not (ibid). This indicates that a subsidiary with a high level of autonomy has a high degree of decision-making power in operational and strategic aspects of its business (Kawai & Strange, 2014), which also identifies a subsidiary's position in the internal network of the MNC (Ambos, Andersson & Birkinshaw, 2010). Hence, subsidiary autonomy and decision-making power have been related to HQ's perspective of the subsidiary, identifying the subsidiary's status and bargaining power in the MNC (Taggart, 1997).

HQ's overall influence on a subsidiary's operations has been argued to decrease over time (Prahalad & Doz, 1981; Andersson & Forsgren, 1996; Birkinshaw & Hood, 1998). It may be the result from a subsidiary's increased collaboration with other subsidiaries and the HQ (Li,

2005), as internal knowledge sharing happens easier internally, than with external actors (Kogut & Zander, 1992). Furthermore, the arguments connecting internal collaborations with improved performance (e.g. Asmussen et al., 2009), referring to how cross-subsidiary activities can increase performance for one or more involved subsidiaries, denotes the importance of interdependencies (e.g. Roth et al., 2009). Interdependence among subsidiaries may also present an opportunity for one or more subsidiaries to increase their bargaining power, since it may support a subsidiary's increased influence on other subsidiaries' operations, and vice versa (Birkinshaw et al., 2005). Another aspect increasing a subsidiary's autonomy and bargaining power derives from the subsidiary's ability to use its resources in a way that creates valuable knowledge to other subsidiaries or the HQ (Mudambi & Navarra, 2004; Ambos et al., 2010). However, although subsidiary autonomy increases, it may never become fully autonomous from the HQ (Birkinshaw & Hood, 1998). It will always be responsible towards its charter and its purpose towards the rest of the organisation (ibid).

Deepening the discussion about autonomy while turning away from the subject's unilateral aspect of encompassing one group of people or one subsidiary, people's individual ability to act autonomously within an organisation comes into focus. Positive aspects of allowing autonomous behaviour in the organisation, include the possibility that it panders the organisation's ability to explore and extend their capabilities, and open up for new business opportunities (Burgelman, 1991). The people engaging in such activities are mostly motivated by potential personal gains and the chance to prove useful (ibid). One example could be a subsidiary manager encouraging its personnel to engage in new initiatives to gain support or rewards from the HQ. Although autonomous initiatives can develop the organisation to creating new resources and capabilities, it is of main organisational importance to constrain autonomous initiatives in line with the organisational strategy (ibid). Otherwise, the risk of potential opportunistic behaviour might impose high costs (Burgelman, 1991) and an incoherent strategic direction for the organisational units in which the initiatives is taken, or for the organisation as a whole (Burgelman, 1991; Bower, 1970). However, induced initiatives, which in this case can be described as the opposite of autonomous initiatives, are not by itself sufficient for organisational progress (Burgelman, 1991). Thereon, as implied by some authors, neither induced strategic intents nor individual autonomous intents are sufficient separately, the organisational performance is most profitable when simultaneously operated (e.g. Hamel & Prahalad, 1989).



## 3.6 Introduction of the concept Corporate Social Responsibility

Corporate Social Responsibility (CSR) is a concept increasingly referred to in academic research (Bauman & Skitka, 2012; Farooq, 2014; Saeidi et al., 2014), and is gradually gaining more attention in society (Capaldi, Zu & Gupta, 2013). Due to a drastic increase in media coverage and consumer awareness, MNCs of today are pressured to take responsibility for maintaining a sustainable environment (McWilliams & Siegel, 2001; Kolk & van Tulder, 2010; Kolk, 2016) and act as a good corporate citizen (Benbou & Tirole, 2009). Given their global impact on social and environmental issues (Cruz & Pedrozo, 2009), the corporations are claimed to play a certain role in the development of a sustainable society (Kolk & van Tulder, 2010). Although CSR activities have been regarded as costly, MNCs have started to see such activities as risk mitigating connected to customer dissatisfaction, negative media attention and governmental intervention, which could impose costs if not avoided (Capaldi, Zu & Gupta, 2016). Therefore, many MNCs conduct some CSR activity to adapt to changes in demand and meet expectations from society (ibid).

### 3.6.1 Defining CSR

Although CSR is, nowadays, well researched, the broad academic field has not yet come to a consensus regarding a precise definition of the concept (Wood, 2010; Bauman & Skitka, 2012; Saeidi et al., 2014). Due to the common view that the idea of CSR is vague, fluid and ambiguous, a wide array of definitions have arisen (Wood, 2010; Bauman & Skitka, 2012; Tuan, 2013; Saeidi et al., 2014), which has resulted in differing views on CSR among corporations (Saeidi et al., 2014). Moreover, the vast amount of definitions has also created difficulties for empirical research (Wood, 2010; Saeidi et al., 2014). Consequently, CSR has by prior scholars been claimed to be a ‘catch-all phrase’ encompassing an array of concepts, denoting the need to establish a definition of CSR applicable for this study (Benabou & Tirole, 2009). Therefore, the following discussion highlights main aspects of the concept derived from prior research, presented with the intention to establish an applicable and suitable definition of CSR for this report.

There seem to be some common ground among the many definitions of CSR (Bauman & Skitka, 2012), and especially one theme seems to recur in a majority of CSR literature: that CSR is the degree of responsibility an organisation takes for its impact on society (Wood, 2010; Bauman & Skitka, 2012; Tuan, 2013; Saeidi et al., 2014). In line with several scholars’

claims, CSR is the inclusion of stakeholders' interests in corporations' business activities (i.e. society being one of those stakeholders), CSR emphasises the responsibility of managing the relationships between a corporation and its stakeholders (Bauman & Skitka, 2012; Tuan, 2013; Saeidi et al., 2014). Some authors specify the organisations' responsibilities further, claiming that CSR is what corporations do for society, that go beyond economic interests and legal requirements (Matten & Crane, 2005). Benabou and Tirole (2009) further support this, stating that often found organisational short-termism and focus on short-term profits reduce stakeholder value. In line with this view, McWilliams and Siegel (2001, p. 117) define CSR as "*...actions that appear to further some social good, beyond the interests of the firm and that which is required by law*". Drawing on the aspect of law in above definition, Tuan (2013) has been regarded as one main researcher emphasising the close relationship between CSR and law. Furthermore, Gaski (1999) presented the view that ethics today might be law in the future, which Tuan (2013, p. 93) referred to by stating that "*... ethical CSR will gradually consolidate into legal CSRs and new ethical CSRs will surface*". Therefore, acting within the law can be regarded as acting ethically and in line with the CSR concept (Carrigan & Attalla, 2001). On the basis of this discussion, we will in this report consider efforts that follow legal requirements to be ethical and therefore included in the definition of CSR. With this addition, McWilliams and Siegel's (2001) definition of CSR will serve as a foundation for our study of the concept, both in this theoretical framework as well as in our empirical study. Our version of the definition is subsequently: actions that appear to further some social good and that abide legal requirements.

### 3.6.2 CSR and its Benefits

It is not only the ambiguous definition of CSR that presents difficulties for MNCs when attempting to incorporate it into existing operations. Novel literature within the subject emphasises that CSR activities create issues as they mainly generates benefits only visible in the long run (Shank et al., 2005), while, as a cost, they impact financial performance more or less immediately (Burke & Logsdon, 1996). As most enterprises mainly focus on the short-term incentives of subsidiaries' operations when evaluating performance, prioritising financial results and profits for the possibility to keep conducting business (Burke & Longsdon, 1996; Benabou & Tirole, 2009), CSR activities are often neglected (Falck & Heblich, 2007). Investments in CSR become even harder to justify as abovementioned financial objectives are imposed into the MNC's subsidiaries' charters, pressuring them to conduct operations

accordingly and may be related to their performance records and negatively impacting its financial results. Thereby, despite that economic and social benefits, generated by CSR activities, are highly connected in the long run (Cochran, 2007), most MNCs centre on short-term objectives and negatively impacts the perspective of CSR activities (Falck & Heblich, 2007).

### 3.7 Conceptual Framework

Developed from the theoretical framework, the following figure (Figure 3.1) has been compiled by the authors. The model will serve as a simplified conceptual framework, which will guide the reader through this report. Figure 3.1 further aims to help the reader understand the theoretical framework and deploy it on the empirical chapter and its findings. Furthermore, the conceptual framework will also be used in order to assist the reader to grasp the analytical findings of this report, which will be the result derived from employing the theoretical framework towards the empirical findings.

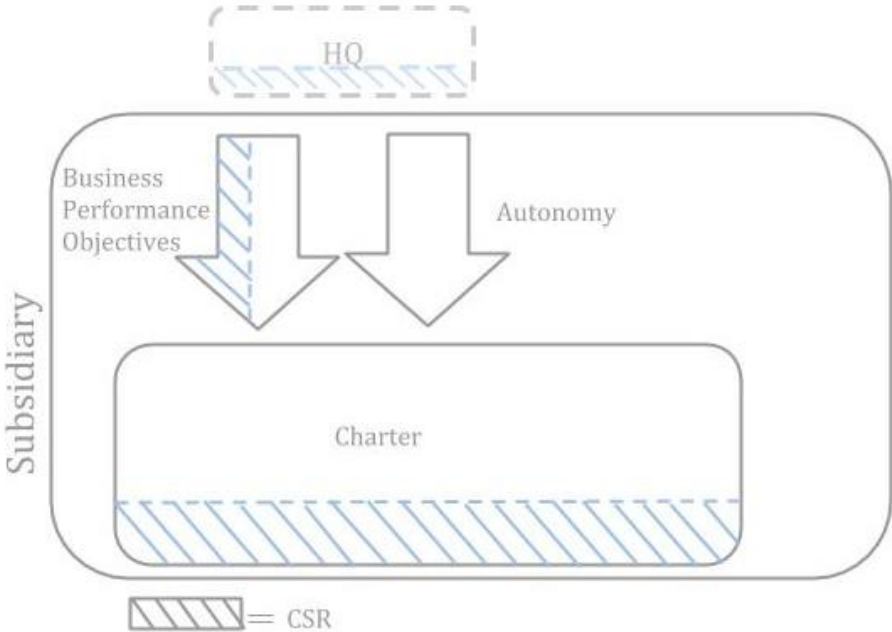


Figure 3.1 Conceptual Framework. Compiled by authors

This framework builds upon the assumption that CSR can be managed within or along a subsidiary’s charter, that both may prevail within a subsidiary simultaneously. As this conceptual framework will recurrently be used in the report, this section is aimed towards providing the reader with the knowledge of how it is constructed, and subsequently how it is

intended to be used. Firstly, illustrating the limits of the research by focusing on the subsidiary and the aspects within the subsidiary, which will be investigated, in relation to how the subsidiary manages CSR. In the bottom left corner 'Performance Objectives' turns towards the subsidiary's charter. One of the subsidiary's main objectives is to keep a good track record and prove itself reliable towards the MNC (Bouquet & Birkinshaw, 2008). The performance objectives are highly related to the subsidiary's ongoing operations, as it constantly aims to improve its business performance (Hillman & Wan, 2005; Chang et al., 2009; Mahnke et al., 2009) and create value perpetually (Burke & Longsdon, 1996). In turn, the subsidiary's charter will be affected by its capacity to reach and exceed the performance objectives set for its particular operations, hence, its charter. As can be seen in the figure, and in accordance with theory, CSR related business performance objectives could in turn influence the level of CSR managed in the subsidiary's charter. This since it indicates that the subsidiary would engage into activities trying to reach or exceed these CSR related objectives set up for its operations.

Drawing on the illustration representing autonomy, this is another aspect, which in previous research have been found to influence a subsidiary's charter (Asmussen et al., 2009; Bartlett & Ghoshal, 1989). Mainly by indicating the subsidiary's degree of decision-making authority of which responsibilities and activities the subsidiary engages in. The subsidiary's charter, is one main aspect of this study. Novel literature has described it as compiled by the business responsibilities and business elements the subsidiary engages in, in its business as usual (Thompson, 1967; Birkinshaw, 1996; Galunic & Eisenhardt, 1996). One may perceive it as the charter encompasses the activities performed in order to fulfil its responsibilities towards the MNC, and reach the performance objectives set for these operations.

The role of HQ is in this report significantly small, however, included as it is one internal actor who might promote CSR and from which the subsidiary's autonomy and charter derives from. Hence, depending on the subsidiary's autonomy and track record HQ may be able to more or less influence the subsidiary's charter.

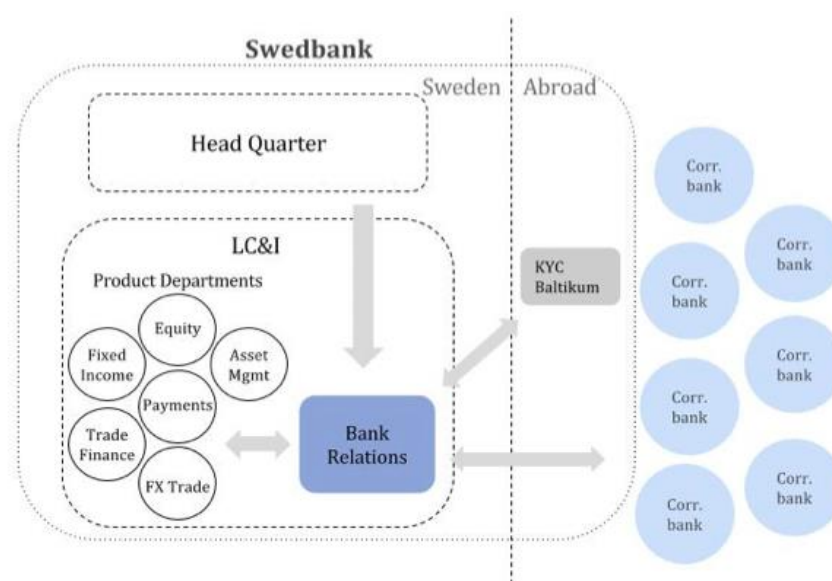
Conclusively, the conceptual framework illustrates what charter-influencing aspects this study will look into in order to investigate how a subsidiary manages CSR responsibilities in relation to its charter. What responsibilities and activities constitute its charter and see how these relate to CSR responsibilities.

## 4. Empirical Findings

*This empirical chapter entails information gained from conducted interviews with the head manager and client executives at the subsidiary at issue and from secondary data provided in internal documentation and official reports issued by Swedbank themselves. The section is structured in line with the theoretical and conceptual framework as well as geared to the research question of this report.*

### 4.1 Portraying the Network of Bank Relations

Bank Relations is, as its name may suggest, the department at Swedbank responsible for managing external relations with other banks, so-called clients or correspondent banks, all over the world. Apart from establishing and maintaining relations with these banks, the employees at Bank Relations also evaluate the risks connected to each of them and, on the basis of such evaluation, decide what credit limits to offer. All correspondent banks are categorised by geographical markets of origin, and then divided into portfolios of banks operating in similar contexts. The responsibility for each portfolio lies in the hands of two employees at Bank Relations, a client executive and a client analyst. There are seven of these two-man teams continuously maintaining good relations with their correspondent banks, and acquiring, assembling and analysing data, in order to evaluate risks and set up the correct credit limits.



*Figure 4.1 The Network of Bank Relations. Compiled by authors*

Bank Relations is, as illustrated by Figure 4.1, not only connected to its correspondent banks, but also to several internal departments at Swedbank. Apart from answering to Swedbank's headquarter (HQ), Bank Relations is also under the authority of the department for large corporates and institutions, LC&I. In addition, the employees at Bank Relations work closely with the various product departments, which are broken down by type of product that Swedbank offers, such as Trade Finance, FX Trade and Treasury. Depending on which markets the correspondent banks operate in, the client executives and client analysts cooperate with the product departments on differing levels of intensity. For example, the relations with correspondent banks in emerging markets are often characterised by close collaborations with the department for Trade Finance, as Swedbank's corporate customers operating in those areas demand, due to insecurity in the markets, financial support and trade insurance in their international business. By receiving securities from its correspondent banks in the local markets, Bank Relations can offer coverage for the risks and facilitate for Trade Finance to provide Letters of Credit. In contrast, the client executives and analysts with portfolios containing correspondent banks from more financially mature markets work more closely with departments that focus their operations on doing profitable business deals on the interbank market. Bank Relations works especially closely with the departments FX Trade and Treasury, for which the responsibility includes trading currencies and investing Swedbank's extra liquidity. In order to facilitate such operations, the employees at Bank Relations make sure to maintain good relations with correspondent banks, keep risk analyses updated and, upon the request from these departments, set credit limits for each correspondent bank and product.

In order for the employees at Bank Relations to accurately evaluate the risks for each market and correspondent bank, they need to follow internal guidelines, as well as national law and international standards. In order to be able to analyse all aspects required by these guidelines, rigorous amounts of data need to be collected and evaluated, which is why a separate department has been set up to assist Bank Relations and other departments of Swedbank in this process. Named after the guidelines for risk evaluation and its location (KYC Baltikum), this outlet of Swedbank serves as an important support function for Bank Relations and the two departments work in close collaboration. KYC Baltikum and the process of KYC evaluation will be further presented in the following section.

## 4.2 KYC as CSR-related operations

Compliance has become a topical subject within the banking industry, regulatory measures demanding banks to set up routines in accordance with ‘Know Your Customer’ (KYC) policies and AML standards (Yurcan, 2016). The aftermath from the financial crisis in 2008 resulted in major changes of the banking industry, where compliance and transparency have come to play an increasingly bigger role (Matsangou, 2015). Policies and guidelines, such as the KYC, derived from the crisis, require that banks collect detailed information about their counterparties, making the bank less likely to unknowingly or knowingly engage in criminal activities (Nemeroff, 2014; Matsangou, 2015). The fact that banks, unless complying with these guidelines, risk immense fines, has made the KYC process an integral part of global banking operations (Matsangou, 2015). According to Swedish law, it is required by all banks to obtain information about their customers and to know how and why their customers use their services (SFS 2009:62). Acquiring such information is essential in order to make sure that the bank and its customers, in terms of individuals and corporates as well as institutions and banks, do not engage in any criminal activity such as money laundering, trafficking, drugs trade, terror financing, illegal weapons trade or tax evasion (ibid). Furthermore, sanctions, ‘Politically Exposed Persons’ (PEP) and identities must be checked, investigated and be in order before any type of business relation is allowed to be started (Matsangou, 2015; Finansinspektionen, 2017). In addition to evaluating risk associated with the nature and behaviour of customers, the geographical market on which they operate also imposes an important aspect of the risk assessment.

The KYC guidelines are established by Swedbank in order for the bank to not only avoid reputational damage, but also to comply with law and decrease the risk of harming societies with its operations (Swedbank, 2017a). As such efforts are in line with our definition of CSR: “*actions that appear to further some social good and that abide legal requirements*” (see chapter ‘3.6.1 Defining CSR’), the KYC guidelines can be seen as CSR-related. This view is also supported by Swedbank’s own definition of CSR, which emphasises the promotion of sound and sustainable societies, by supporting environmental, social and economic factors of society (Swedbank, 2017b).

## 4.2.1 The KYC process

Bank Relations' KYC process delineated in Figure 4.2 outlines a stepwise activity scheme. Each step represents individual analyses, involves different set ups of involved persons and departments and leads innately to the next step of the process.

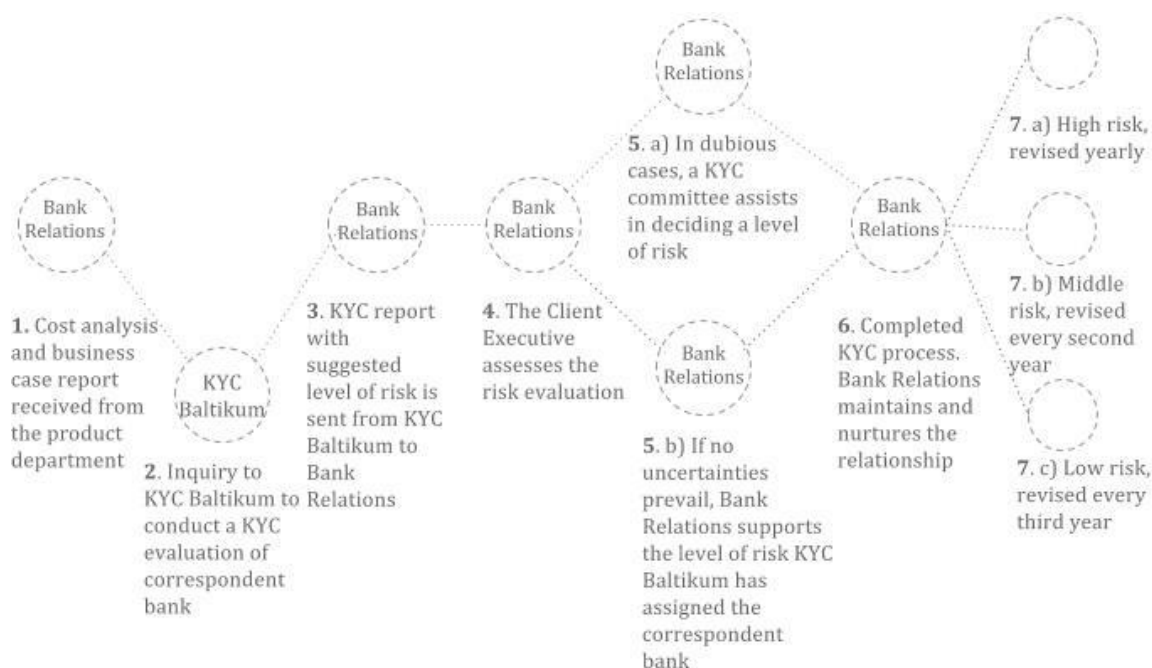


Figure 4.2 Bank Relations' KYC process. Compiled by authors

### 1. Cost analysis and business case report received from a product department

A KYC starts when a product department, such as Treasury or Trade Finance, wishes to engage in a business deal involving another bank. The product department employee approaches Bank Relations with an inquiry of opening up a new relation, after which Bank Relations is required to make sure there exists an updated KYC. If the KYC is out-dated or the other bank is not yet in Bank Relations' portfolios of correspondent banks, they have to commence a new process. Before starting to analyse any characteristics of the correspondent bank, Bank Relations receives a business case report conducted by the enquiring product department. The business case report mainly includes the type of deal, what product it involves, motivation for doing the deal and what financial gains it would generate towards Swedbank. This will be compared to the costs the deal would impose in terms of for example compliance and KYC. If the deal involves a bank that does not exist in Bank Relations' portfolio, the costs increases due to the expensive KYC process in the startup phase of the



relation. The head of Bank Relations specifically emphasised that without potential profit or other benefits from a deal, Bank Relations will most likely avoid engaging in it.

### *2. Inquiry to KYC Baltikum to conduct a KYC evaluation of a correspondent bank*

If decided to continue with the deal involving a new and formerly unknown correspondent bank, Bank Relations sends a request for a KYC report to KYC Baltikum. They start the process of collecting and evaluating an extensive amount of information about the correspondent bank. KYC Baltikum operates objectively from Bank Relations, in order to estimate the level of risk, and what type of risk the new correspondent bank may expose Swedbank to. The employees at KYC Baltikum evaluate numeral aspects related to client risk, geographical risk, transaction risk, supervision risk and channel risk. Assessing these types of risks demands closer investigation of individual characteristics of the correspondent banks, cultural aspects and macro economical factors of the markets, nature of transactions, local supervising authorities and channel of communication. Such information is acquired from secondary sources such as annual reports, statistics databases as well as from the client executives and analysts at Bank Relations. When all data is collected and assessed, reports including detected unusual or suspicious behaviour is sent back to Bank Relations. This process represents the key parts in Bank Relations' operations within the CSR spectrum.

### *3. KYC report with suggested level of risk is sent to Bank Relations*

When all relevant data is gathered and an evaluation is conducted, KYC Baltikum sends a report back to the client executive and analyst at Bank Relations in Stockholm. The report contains analyses of each type of risk, as well as a suggested general level of risk for the correspondent bank in question.

### *4. Bank Relations assesses the risk evaluation*

The client executive and analyst at Bank Relations assesses the KYC report and compares the analyses with their own experiences and judgements, in order to make sure the right level of risk is set.

### *5. Assessing the risk level generated by KYC Baltikum*

In cases where the analyses of the client executive and the KYC Baltikum employee differ and the issue is too complicated to be solved by the employees at Bank Relations, a KYC

committee is gathered in order to assist in the decision. This committee consists of four executives from LC&I, including the head of Bank Relations, who combine their experience and competence to take the decision. When the employees at Bank Relations agree with the analysis generated by KYC Baltikum, the suggested level of risk is supported and accepted.

#### *6. Bank Relations maintains and nurtures the relationship*

When the client executive and analyst have finished the evaluation and decided upon a final risk level, the KYC process is complete. The relation with the correspondent bank is thereafter maintained and nurtured by continuous email connection, phone calls and visits.

#### *7. KYC evaluation is conducted repeatedly*

Depending on which level of risk has been assigned to the correspondent bank, the KYC process is reinitiated with differing regularity. While a low-risk bank is re-evaluated every third year, a middle-risk bank will be updated every second year and a high-risk bank will need a new evaluation on a yearly basis.

### **4.2.2 KYC consumes time and resources**

Given the strict requirements, no one within the department of Bank Relations can avoid the KYC process. The amount of time allocated to the KYC process differs depending on the correspondent banks and geographical markets within a client executive's portfolio. While KYC in a portfolio consisting of banks operating in emerging markets will take up to 80 per cent of the employee's total working time, a portfolio with mature-market banks may require 20 per cent. Furthermore, although KYC is conducted in the beginning of every relationship as well as continuously for all correspondent banks, the frequency differs, as illustrated by Figure 4.2, depending on level of risk assigned. It is the individual characteristics of the correspondent bank that determines how complex and time consuming the KYC process becomes, as the process may introduce increased involvement of other departments assisting in the decision making in cases regarding high risk correspondent banks or other dubious situations.

Due to the immense consumption of working time that the KYC activities entails, this process also becomes very expensive. A KYC process of a correspondent bank ranges between SEK 25.000 and SEK 100.000. In order to stay profitable, Bank Relations need to make sure every

relationship provide business opportunities with potential profits that exceed the cost of conducting the KYC.

### 4.3 Bank Relations' Business Charter

By establishing and maintaining relations with other banks within and outside Swedish borders, Bank Relations sets the framework for all interactions and business within these relations. Although this could be described as the overarching charter of Bank Relations, the department's business responsibilities are divided into more specific tasks needed to accomplish in order to reach set objectives. As presented in the introductory part of this chapter, Bank Relations works closely in collaboration with the product departments, and the nature of its tasks therefore vary according to each product. The following section will present more in detail what business responsibilities are included in the charter, divided into the two kinds of markets Bank Relations operates in. The structure of the conceptual framework is followed, which can be seen in Figure 4.3 below.

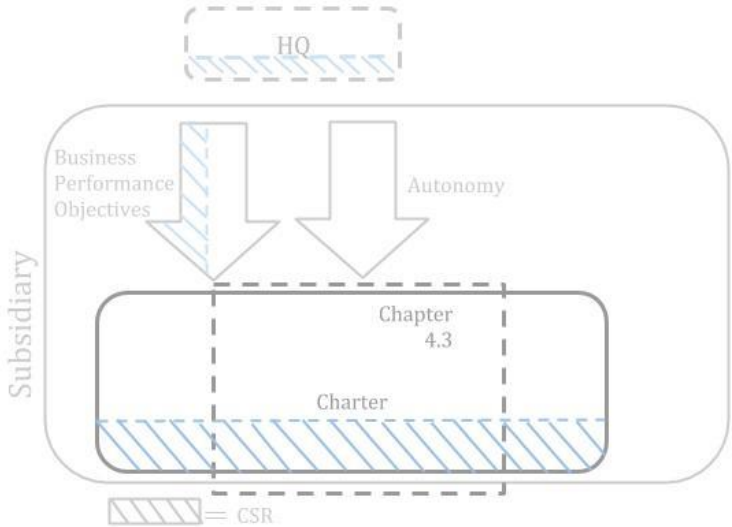


Figure 4.3 Overview of Chapter 4.3. Compiled by author

#### 4.3.1 Charter for Bank Relations' employees within emerging markets

For the employees with portfolios containing correspondent banks in emerging markets, the majority of the tasks are connected to Trade Finance and therefore includes lending, export

credit and insurance. An example of such tasks is the process of conducting letter of credit transactions. When a corporate customer of Swedbank wishes to export goods to a foreign market, the foreign importer asks its local bank to issue a letter of credit in favour of the exporter. The local bank issues the letter of credit and sends it to the department for Trade Finance at Swedbank, who in turn contacts Bank Relations and the client executive responsible for the relation with this bank. The client executive advises the letter to the exporter, who can then start to produce and ship the goods to the importer. As soon as the goods are sent off, the exporter sends the shipping documents to Trade Finance, who forwards them to Bank Relations. The client executive at Bank Relations send them to the local bank of the importer who then honours its payment obligation and transfer the payment to the exporter through Swedbank. This process is one of the main points in the emerging markets part of Bank Relations' charter, together with tasks related to lending, insurance and other services that facilitate international business and trade.

#### 4.3.2 Charter for Bank Relations' employees within mature markets

For the employees at Bank Relations that are responsible for correspondent banks in mature markets, the work tasks look a bit different. Instead of, by using its bank relations, providing financial services for corporate clients, the client executives and analysts are more focused on supporting interbank trading. Working in close collaboration with product departments such as FX Trade and Treasury, the main mission for mature-market employees regard enabling and facilitating business opportunities and maximising Swedbank's profits. The daily activities include tasks related to the management of credit limits for correspondent banks and each type of business they conduct with Swedbank. In order to set the right credit limit, the client executives and analysts keep track of new industry updates and continuously analyse the risk each correspondent bank and its transactions pose towards Swedbank. When the risks are evaluated and credit limits are set, the Bank Relations employees communicate these frameworks to the product departments, who then initiate the deals with the correspondent banks. In the cases where Bank Relations work with the department for FX Trade, transactions regard trade with banks that are interested in Scandinavian currency and can offer a currency Swedbank wants in return. When the deals involve Treasury, the transactions are more focused on trade of bonds and investing Swedbank's extra liquidity.

### 4.3.3 Common Charter for Bank Relations

Despite the differences in daily activities, some main points of Bank Relations' charter apply for all employees. In the interviews, the majority claimed the main purpose to be keeping profitable by facilitating business for the product departments and bringing in money to Swedbank. This was also mirrored in some of the employees' view of the department's overall mind-set as business-driven. In addition to, and interconnected with, the responsibilities connected to the support and delivery to the internal actors of Bank Relations' network, an important part of Bank Relations' charter relates to the maintenance of the relations with the correspondent banks. A client executive summarises this part of the charter as the *“building on relationships and selling more products to our clients (reds: correspondent banks), in order to become more embedded in the infrastructure of banks”*. He also stated that while maximising and coordinating of Swedbank's offer to banks around the world, Bank Relations has the role of a *“gatekeeper”*, making sure that the right things are done with the right counterpart and that relations are kept only when they provide enough income or benefits to be worth keeping. Although it is important that Swedbank has established relations in the markets the company wants to be present in, the cost of maintaining relations and managing high risk profiles forces the employees at Bank Relations to terminate relations rather than establishing new ones. The manager of the department expressed a similar standpoint, describing the purpose of the department as being *“guardians of the franchise”*, meaning *“... that we make sure we are in line with Swedbank's risk profile and that we interpret it for our international operations with other banks in other countries”*. This view is shared by most of the employees, as risk assessment is one of the main sections in Bank Relations' charter and an important part of their work. In order to comply with HQ's wish that Swedbank should have a low-risk profile, the employees at Bank Relations need to make sure that risk exposure is kept low. As explained in relation to the KYC process, this is a constant process, initiated in the first establishment of the contact and then continuously worked on during the relationship. Apart from keeping updated on the events, conditions and levels of supervision on the markets where their correspondent banks operate, the client executives and analysts also need to make sure that their correspondent bank relations act in line with regulations and that high-risk banks mitigate their risks.

#### 4.3.4 The Role of CSR in Bank Relations' Charter

There is a consensual understanding among the employees at Bank Relations that CSR-related aspects are missing in the department's business charter. All of the interviewees stated unisonally that CSR, in its traditional sense, is not emphasised either in the responsibilities communicated from HQ or in their activities. While one employee did not know of Swedbank's CSR department, others acknowledged the importance of CSR policies on HQ level, but could not connect them to the daily agenda and operations at Bank Relations. However, as described in the introducing chapter, some elements of the KYC process that is used when analysing correspondent banks can be seen as including ethical considerations, and therefore related to CSR. Although none of the employees stated that they had seen the KYC process as a compulsory routine for risk analysis rather than CSR, the majority found its function in discouraging unethical behaviour, such as corruption, money laundry and terror financing, to be relatable to CSR efforts.

The employees at Bank Relations spend a lot of time on KYC-related tasks. Depending on the risk levels of their correspondent banks, they allocate between 30 and 80 per cent of their working hours to the gathering of data, filling out forms, discussing cases with KYC Baltikum and writing analyses and reports. Due to stringent requirements from the Swedish Financial Supervisory authority, regular updates of risk profiles need to be done in order to prevent from future penances, which results in endless and comprehensive KYC research. This immense amount of work is expensive and in order to slim down costs, Bank Relations needs to prioritise among its bank clients. The higher risk a correspondent bank may expose Swedbank to and the lower income it can offer, the less is the relation with the bank worth keeping. In cases where the Bank Relations poses too high risk in relation to the generated income, and in cases where correspondent bank has acted in an unacceptable manner, the relations are either limited to fewer business areas, partly cut off, completely terminated or rejected when the relation is not yet established.

The employees at Bank Relations explained that although all correspondent Bank Relations is categorised on the same premises into low, medium and high risk profiles, the decision to terminate, constrain or turn down a relationship is very dependent on the amount of financial benefits the bank can provide. While business opportunities with small banks in immature markets can be turned down on the grounds of KYC, a potential deal with a big, international bank would not be neglected although the bank has received penances for breaching AML

regulations. Two employees called this ‘*double standard*’. However, although the consequences of correspondent banks breaching the law are not always as far-reaching as termination of relationships, there are certain actions Bank Relations always need to take in order to protect Swedbank from future risk exposure. When client executives or analysts learn that a correspondent bank has overstepped regulations or failed in their internal supervision, they immediately start discussions with their contact person at the bank. Apart from seeking an account of the incident itself, the Bank Relations employees also request comprehensive information regarding whether the correspondent bank has taken mitigating actions. If needed, the employees set up a meeting between the compliance departments of both banks, who discuss the matter further. Although the incident might not lead to a complete cut-off of a bank relation, parts of the business that might have been involved can be closed down and these actively conducted discussions may prevent future breaches.

If the employees at Bank Relations decide to retain a relation with a correspondent bank despite high risk, their way of treating it is the same as for medium and low-risk banks. A client executive compare this process to a recycling centre:

*...you put coloured glass there, uncoloured glass there and metal there. But then it all ends up in the same bin on the back. It looks very pretty from the front, that we separate the materials. But we do no separation when it ends up on the other side.*

He explains that although all incidents concerning correspondent banks failing in their obligations are registered and discussed, it is only done for the sake of their own reputational risk. Even though they allocate different risk categories to each correspondent bank that Bank Relations has a relationship with, they conduct the same business with all of them. After being assigned a risk category, the correspondent bank ends up in a group of all banks Swedbank conducts business with, without any adaptations to the risk it may impose on Swedbank. As long as they, when asked by the Financial Supervisory Authority, can show good documents and prove they have discussed the matter, further actions are not required and therefore neither conducted.

In addition to the process of documenting KYC data, there is another, however, very small, strain of CSR-related work in the charter of Bank Relations. In cases where doubts are not about regulation breaches but a correspondent bank’s business model, the employees at Bank Relations turn to the Ethics Committee. According to several employees, this committee is composed by a few employees from several parts of LC&I and is gathered approximately

twice a year when Bank Relations or other departments need assistance in making a decision whether to accept doing business with a client or not. When employees from Bank Relations bring up a case for discussion, it usually concerns a financial institution that has an ethically questionable business model that Swedbank might not prefer being affiliated with. Examples of this are casinos, providers of “SMS loans” and other dubious businesses that could attract negative attention from media and make Swedbank “...*guilty by association*”, as the manager of Bank Relations puts it.

The manager of Bank Relations also supports the argument of his fellow employees: that CSR aspects of a more philanthropic kind are scarcely included in their evaluations of correspondent banks today. He believes that a crucial factor for why such aspects are excluded is the absence of international guidelines and the fact that every bank have their own guidelines and interpret overarching standards in their own way. However, he claimed there has been a small rise in CSR-related concerns on the credit side of the bank. When doing an investment or offering a loan, Swedbank has started to note whether such a transaction is sustainable or not.

*We want to make sure the money is used in a good way by setting requirements for the internal counterparts as well as the external, such as corporates and banks’, the manager stated. ‘We can for example say: we will only set this credit limit or offer this funding if you meet our demands within sustainability.*

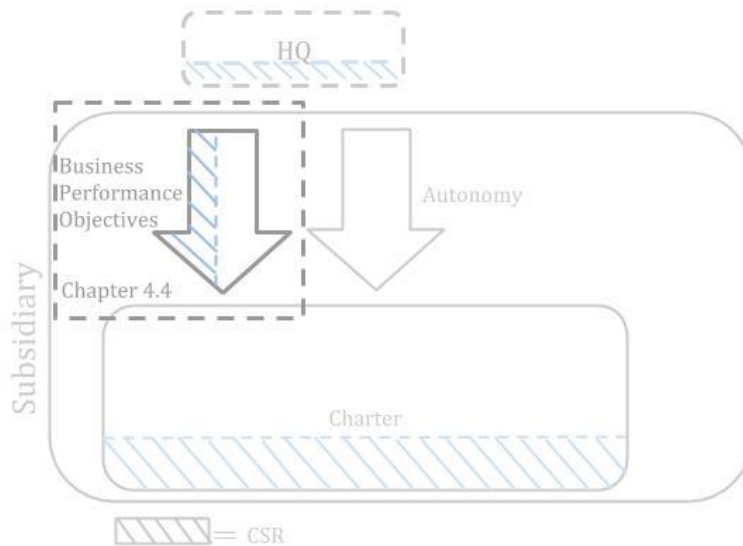
He also explained that the bank is in the initial phase of becoming more sustainably financed itself, especially in terms of environmental aspects, but also social ones. “*When investing money from house loans: how can we use the money to build eco-friendly houses?*”. Although these kinds of efforts for CSR are still small and, according to the manager of Bank Relations, have just started, they indicate a rise of concern and a beginning of a more sustainable mind-set. However, the manager believes that the lack of clear guidelines will make the process develop slowly, and he that it will dealt with on the corporate side and lending.

#### 4.4. Business performance objectives

This section demonstrates the data concerning Bank Relations’ business performance objectives and how the subsidiary uses them to manage CSR-related activities. The section



highlighted in Figure 4.4 below, demonstrates what part of the conceptual framework is discussed in this chapter.



*Figure 4.4 Overview of Chapter 4.4. Compiled by authors*

The internal expectations on Bank Relations is to maintain good business relations potentially providing business opportunities within its network compiled by international correspondent banks, whom Swedbank may need for conducting beneficial operations outside the national borders of Sweden. Accordingly, Bank Relations' performance objectives, established in line with its charter, indicate the business targets of its operations. Its performance in relation to those, subsequently, constitutes the base on which Swedbank assesses Bank Relations' performance. According to information gained during the interviews of Bank Relations' employees, HQ provides a strategy and targets that can be broken down and applied on Bank Relations and their individual operations. These allow the subsidiaries to appreciate HQ demands and expectations, providing guidelines that indicate how the subsidiaries should manage its allocation of resources.

#### 4.4.1 Performance objectives in Bank Relations

A client executive at Bank Relations specifically emphasised HQ's clear statement of Swedbank being a bank that only exposes itself to low levels of risk. Hence, one overarching objective is that all subsidiaries and departments at Swedbank shall have a risk averse mindset when conducting business. This means that Bank Relations is required to

conduct business that is beneficial to Swedbank and in line with all its targets, and simultaneously make sure not to expose the bank to too large risks. Today, the performance objectives of Bank Relations incorporate numeral different aspects, which in combination are meant to signify the overall achievement of the subsidiary.

Albeit the majority of client analysts and client executives expressed the difficulty of measuring Bank Relations' operational performance, considering the difficulty to quantify the profits of relationships, the subsidiary does have individually established objectives comprising both financial and quantitative aspects. After reviewing a document presenting the personnel's' individual and group-based 'Key Performance Indexes' (KPIs), most objectives established for the group are associated with financial targets. Out of the KPIs set for Bank Relations as a group, more than half are financial targets. In addition, other financial measures and tools were discussed during the interviews and will be elaborated around further on in this section. Discussing the performance objectives with a client executive, he described his professional position as

*...twofold. On the one hand you have to make sure that Swedbank does not lose too much money on international markets and maintain a low risk exposure. On the other hand, Bank Relations shall operate with a drive for making deals and engage in business opportunities.*

The same client executive, employee at Bank Relations since almost twenty years, further expressed his opinion that the bank has not focused enough on measuring the financial gains generated from its international relationships with correspondent banks. Furthermore, CSR was not recognised by anyone to be incorporated in the measurement of business performance at all, indicating that CSR is not of main importance in their aim for maximising result with their operations.

The KPIs, established for the purpose of having documented targets for the group and the individuals at Bank Relations, was one of the main subjects during the interviews regarding performance objectives. Exclusively everyone referred to the objectives stated in the KPI when asked about what is demanded and expected from Bank Relations and its employees. When asking the employees which performance objectives they found to be measured upon, and the majority of interviewees initially faltered and emphasised the inconvenience of quantifying Bank Relations' operations. Thereafter, they all confirmed the financial measures they were supposed to contribute to, either by themselves or in collaboration with the other

departments and subsidiaries, for instance by promoting specific financial products. However, the two interviewees who had established the KPIs did not falter in their answers. They explicitly vouched that Bank Relations has measurable objectives and those are stated in the KPIs. Previously, KPIs were decided and communicated from the HQ down to Bank Relations, but in the recent two years they have become the subsidiary's own responsibility to decide upon.

Both employees responsible for developing the KPIs for Bank Relations claimed with certainty that the KPIs are established and translated from the overall strategy for Swedbank and the strategy for LC&I. The reason to coordinate Bank Relations' KPIs with the latter can be explained by the fact that LC&I is in charge of the product departments, in which the financial contribution of Bank Relations' business is mirrored. The two employees further emphasised the importance of keeping a "*...red thread*", ensuring that Bank Relations acts in accordance with Swedbank's aggregate targets and achievements. Therefore, as the KPIs are conducted in line with abovementioned strategies, they can be assumed to present what HQ expects from the operations of Bank Relations.

#### 4.4.2 The role of CSR in the KPIs and the subsidiary's business performance

Incorporated into Swedbank's strategy, are overarching CSR policies formulated by centrally located decision-making units in HQ (Swedbank, 2016a). During the interview with the head of communication for the CSR department, the CSR policies were described as compulsory for all parts of the bank and issued on policy level by Swedbank's board of directors and the CEO. Hence, the policies and values are designed to be general and not adapted to the specific operations of Swedbank's subsidiaries and departments. When asking the head of communication in the CSR department about how well these policies permeate the whole organisation and all its branches, the interviewee had no answer. She explained that the CSR department is not involved in the implementation and monitoring of the policies, nor the CSR performance in general in any of the bank's subsidiaries. Furthermore, reviewing some of the CSR reports conducted by Swedbank, they significantly put emphasis on the incorporation of its CSR work in the overall strategy (Swedbank, 2016b). The board of Directors are responsible for the governance of Swedbank's CSR efforts, which indicates on what organisational level CSR is managed. Furthermore, the CEO is involved when taking decisions and deciding Swedbank's standpoint in dubious questions, such as the decision to

make sure Swedbank does not get involved in any business including mass destructive weapons (Swedbank, 2016b). Further indicating on which organisational level on which CSR is governed, hence, in the HQ and thereby centrally in the organisation.

Returning to Bank Relations' KPIs in order to stress the role of CSR in the objectives Bank Relations' performance is assessed upon. Reviewing the objectives partly based on the overall strategy of Swedbank, only two of the twenty KPIs can be related to CSR aspects. One of these KPIs refers to the requirement of keeping all KYC processes updated within the timeline set for them, having no overdues or deficiencies. This objective was brought up during the interviews by the majority of interviewees, being the first objective they recognised as CSR-related after explaining that the KYC process will be seen as CSR-related activities. However, none of them clearly related the activity of updating the KYCs as CSR-related work, but rather a requirement imposed due to the incumbent legislations of KYC.

The second objective refers to the individual responsibility of ensuring that one's activities comply with all relevant regulations, policies and standards, as well as minimizing all kinds of risk, including credit, KYC, operational and reputational risk. In line with the instructions from HQ that individuals are responsible to incorporate CSR-related efforts into their activities in subsidiaries (Swedbank, 2016a), the latter objective may be assumed to be a translation of this statement. However, none of the interviewees ever mentioned this objective, either when talking about financial targets or when discussing objectives related to CSR. This may have to do with the fact that several of the employees interviewed could not see the connection between KYC and CSR. None of the participants from Bank Relations could recall having any performance objectives that are set specifically for CSR-related reasons, and they did not find the overall performance assessment of Bank Relations to include any aspects of CSR.

#### 4.4.2.1 Financial focus in mind

Important to emphasise is that more or less all interviewed employees focused on financial and quantitative measures during all discussions regarding performance objectives. The objectives including numbers of meetings, numbers of travels, KYC processes et cetera were only briefly mentioned, while the financial measures permeated the discussions. Although the KPIs cover Bank Relations' main objectives, and present financial targets which should be achieved during present year, the KPIs do not cover all financial and quantitative measures

one can use when financially measuring the performance of Bank Relations and international relationships. Numeral additional measurements were mentioned during the interviews, but are not documented in the KPIs. For instance more than three executives mentioned the 'Balance of Trade', which measures Bank Relations' business conducted within the market of bonds. Another client executive emphasised the Debt Capital Market (DCM), a measure based upon the fees Bank Relations has paid for the business conducted with correspondent banks. The same client executive summarised the overall financial target of the subsidiary as "...reach return on equity targets". However, Bank Relations' financial performance is revised and followed up on, but as expressed by all of the interviewees, not as formally as in meetings specifically established for this purpose. Instead, the employees at Bank Relations have bilateral follow-ups on specific actions with specific stakeholders, rather than general group discussions about targets. Moreover, the "deal-hunting atmosphere" prevailing in the subsidiary appeared clearly during the interviews, due to the level of focus the interviewees paid to financially measurable performance. All attempts in trying to make the interviewee recall any internal discussions or statements that could relate targets towards performance related to CSR ended up in discussions regarding financially measurable aspects. Even the KYC process was connected to financial objectives.

Although the KYC process is compulsory according to the law, however, the manager of Bank Relations significantly urges the need to enabling business opportunities and thereby generating financial profit. KYC was described as a regulatory demand conducted in order to make sure Bank Relations "*fulfils regulatory requirements set by Finansinspektionen. It is not conducted in order to make it easier or support Swedbank's operations and potential business opportunities*", as described by one of the employees. Another one explained the significantly resource consuming KYC process as a "... *drag when striving for deals*", and another used the word "*burden*" when describing the use of the KYC in its operations.

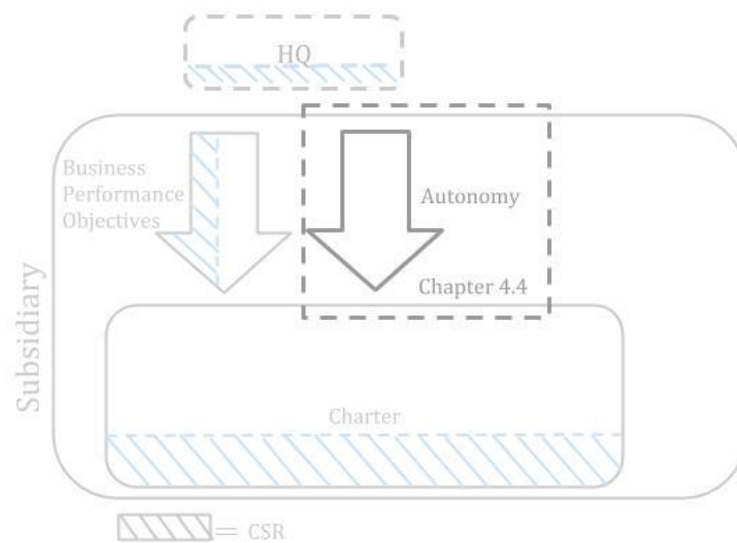
For instance one subject that was significantly described within the case at issue regarded the decisions to maintain, exclude or close a relationship with a correspondent bank. One of the client executives said his answer when asked for opening up a new relationship was by default 'no'. Actually, the trend during the last period of time in has been to close down relationships with correspondent banks. This have been in accordance with the decision that Bank Relations should not have relationships describable as "*nice to have*", only "*need to have*", rephrased by a few of the interviewed client executives using these exact word. The reasons were explained as mainly deriving from the cost amounted the KYC processes. Furthermore,

as the KYC process internally had been described as a process that enables Swedbank to allocate the right amount of risk to the right correspondent banks, the CSR aspect in the KYC process are attracting little amount of attention. For instance, imagine that a globally operating European bank, existing and approved in a KYC process in Bank Relations' network of correspondent banks, fails in their work with AML and receive huge penalties for their failures. This could rise the question 'if Bank Relations should terminate the relationship since such kind of behaviour might go against its CSR policies and considerations'. However, due to the risk of missing out on potential business opportunities from a major bank, Bank Relations does not terminate the relationship. Moreover, being European makes the overall considered risk associated the failing correspondent bank lower, since they are expected to obey under the same regulatory pressure as Swedbank. Thereby, instead of closing the relationship Bank Relations makes sure to document the event in their profile of the correspondent bank, in some cases raise the risk level allocate to it, but explain it in a way that it is too expensive closing the relationship. By documenting the event Swedbank can prove they have acknowledged the failure and taken some measures if questioned by Finansinspektionen. Looking at the same event but happening to another bank, for instance a small Indian bank. Due to the imposed risks and small amount of business opportunities such a bank may generate, the cost of maintaining the relationship, hence, the KYC process, is too expensive in relation to the risk. Therefore, Bank Relations closes those relationships, since it cannot financially motivate that they need the correspondent bank at issue.

Conclusively, deriving from the interviews CSR is not included in the objectives Bank Relations works towards. Although, Bank relations operates in line with clear objectives and targets recorded in the KPIs, in turn stemming from Swedbank group's strategy, no one of the interviewees in Bank Relations recognises any aspects of CSR in them.

## 4.5 Autonomy of Bank Relations and its employees

This section presents collected data regarding how individual and subsidiary autonomy influence the operations of Bank Relations and the way it manages CSR-related activities. In Figure 4.5 below, this section of the conceptual framework is highlighted.



*Figure 4.5 Overview of Chapter 4.5. Compiled by authors*

The employees at Bank Relations claim to have high levels of autonomy in their daily work, both on an individual basis but also as a group. A client executive stated that Bank Relations has the overall responsibility for Swedbank's risk exposure internationally and therefore the mandate to take own initiatives regarding its relations with correspondent banks. As discussed in previous section, the head of the department also has the authority to influence its performance objectives, and thereby adjust the goals to the expected operations and desired results decided by Bank Relations.

On an individual basis, each client executive and client analyst have the utter responsibility to make sure that all aspects regarding KYC, AML and financial risk are analysed and that the correspondent banks are assigned the accurate level of risk. They are allowed and instructed to formulate their own objectives and to take own initiatives in their daily activities. This mandate includes managing their market portfolios independently and building their own personal relationships with their bank contacts. The communication with the correspondent banks is arranged by the employees themselves, and the risk level for each relation is expected to be questioned by the client executive or analyst whenever they find it necessary. Moreover, the client executives and client analysts have the authority to determine whether to retain a relationship with a correspondent bank and when to terminate one that is no longer profitable or in any way beneficial for Swedbank. Although a relation with a correspondent bank is profitable in terms of business deals, and a product department is positive to the

relation, Bank Relations has the final say as the subsidiary is responsible for the risk a correspondent bank exposes Swedbank to. Hence, they can decide to terminate a relation due to, for example, lacking supervision or AML breaches committed by the correspondent bank.

A decision to alter a correspondent bank's risk level or to any extent limit a relation, needs to be confirmed by the credit committee. As Bank Relations' standpoint can be overruled, the mandate of the subsidiary and its employees is somewhat limited. In addition, a client analyst expressed that the operations of Bank Relations can be conducted less autonomously today compared to a year ago, due to increased requirements on information about the deals with the correspondent banks: *"Today, we need to gather more background information regarding why we do the deal, what the purpose is and what the potential for profit is."* Nonetheless, the client analyst also stated, in accordance with the other interviewees, that he has the responsibility and the mandate to interpret the background information gathered. By independently analyse the different aspects found in the KYC evaluation as well as in the financial information, the employees still have autonomy in their daily work and significant influence on Swedbank's international affairs.



# 5. Analysis

This chapter provides an analysis of the empirical data in relation to the theoretical framework, divided into five sections. The first section assesses the role of CSR in Bank Relations' charter, while the second provides an analysis of the business performance objectives and the third discusses the impact of subsidiary autonomy and individual autonomy. The fourth part will combine these aspects and provide a summary of the analysis, followed by the fifth section, which presents a revisited version of the conceptual framework.

## 5.1 Subsidiary Charter

The first part of the analysis entails the main findings regarding CSR management in relation to Bank Relations' business charter. The findings presented include important aspects found in the charter design itself, the resources and capabilities it consists of, and the employees' view of the CSR-related activities in the charter. A revised version of our contextual framework below (Figure 5.1) guides the reader and illustrates the findings.

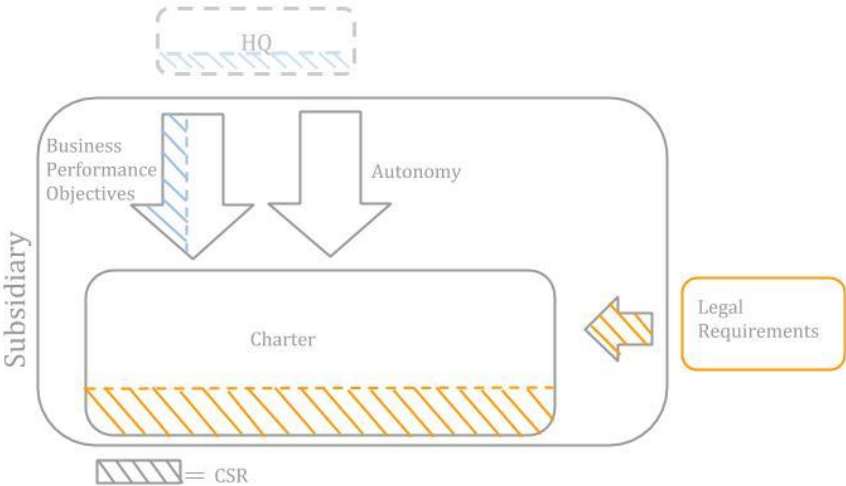


Figure 5.1 Revised Conceptual Framework, Step 1. Compiled by authors

### CSR management in charter as a response to external requirements

The case of Bank Relations showed that a subsidiary's management of CSR responsibilities might not only be a question of HQ-subsubsidiary communication and central versus local approaches to implementation, as described by Bondy and Starkey (2014). Instead, it was

found that more stakeholders might influence a subsidiary's charter and thereby how CSR-related efforts are managed. In the case of Bank Relations, the main strive for implementing CSR-related activities into the charter does not come from the HQ, but from legal requirements. The fact that the only CSR-related activities found in the charter of Bank Relations is those connected to the KYC process, which is required by law, indicates that the HQ of Swedbank does neither require nor expect any additional efforts for CSR beyond those for complying with law. Hence, the entity really pushing for CSR-related efforts, and thereby designing the CSR-related part of Bank Relations' charter, is the legislative framework and the law of anti-money laundering and counter-terrorism financing. One of the main findings of this report is the fact that the CSR responsibilities of Bank Relations are rather managed under the control and directions from an external influencer, which adds a new dimension (see Figure 5.1) to the discourse of CSR management, and differs from Bondy and Starkey's (2014) central-versus-local approach. Moreover, as literature regarding what and who may influence subsidiaries' charters rather refer to HQ, the subsidiary and actors in the external business network as possible factors of impact (.

#### *Human capital resources are vital for labour-intensive CSR efforts*

An important aspect concerning Bank Relations' charter is the fact that its resources can, in terms used by Barney (1991), be classified as organisational capital resources and human capital resources, rather than physical capital resources. In addition to the management, routines and networks that constitute the department's organisational capital resources, the most vital resources of the subsidiary are the skills, knowledge, experience and contacts the employees use in their work to maintain relations with correspondent banks, analyse risks and enable business opportunities. In activities related to CSR, these resources are no less apparent. Due to the labour-intensive nature of the KYC process, the employees' knowledge, experience and ability to make judgements is essential for conducting the activities included. Hence, successful execution of CSR-related efforts at Bank Relations is highly dependent on the human capital resources within the subsidiary. However, despite of the immense amount of time allocated, the employees at Bank Relations' do not perceive the resources connected to the KYC process as either value-adding or making enough difference in terms of battling unethical behaviour of correspondent banks. This indicates that such resources are not considered as human capital resources, or valuable resources at all, but merely an imposed routine that has to be followed. One can argue that this attitude may have severe consequences for the performance of KYC-related efforts, as they are not appreciated nor

valued. However, considering that KYC is regarded as “*necessary evil*” and a mandatory activity needed for the operations of Bank Relations’, these resources fit the description of relevant human capital resources by Ployhart et al. (2014).

#### *CSR capabilities surpassing the charter*

From the above-mentioned bundle of resources found within Bank Relations’ charter, the subsidiary’s routines for maintaining relationships and conducting KYC-related activities are assembled into capabilities. Despite that resources and capabilities related to the KYC process are clearly regulated and followed up by yearly controls, the case did not show any evidence of HQ rewarding the subsidiary with more responsibilities in connection to CSR, as it would according to Prahalad and Doz (1981) and Amit and Schoemaker (1993). Moreover, the purpose of those capabilities is rather to comply with legal requirements than to reach a certain economic result, which is claimed by Winter (2000). However, considering that several employees argued that the KYC process was insufficient and that more could be done in terms of CSR and battling of unethical behaviour, there seems to be a gap between what they can do and what they should do. This is described by Bartlett and Ghoshal (1986) as a so-called mismatch, which in this case refer to the subsidiary’s resources building capabilities that surpass the charter.

#### *Differing views of CSR responsibilities in the subsidiary’s charter*

The CSR-related responsibilities constitute an important part in Bank Relations’ charter, however, in a form that is questioned by the employees whether to be called CSR. While the definition of CSR guiding this report, in accordance with Tuan (2013), includes actions taken in order to conform with law, the majority of the employees interviewed at Bank Relations did not find such efforts to be part of their concept of CSR. They expressed views that rather support a more altruistic view of CSR and appeared to agree more with the definition provided by McWilliams and Siegel (2001), which states that CSR is actions that go “(...) *beyond (...) that which is required by law*” (p.117). Hence, as the employees at Bank Relations do not find KYC to be included in the definition of CSR-related efforts, it can be discussed whether they find the large amount of time spent on KYC-related activities to be valuable in terms of social good and a philanthropic aspects. Due to the fact that the KYC-related activities in Bank Relations’ charter are highly labour-intensive, this perception of KYC, as not CSR-related, likely affects the way it is measured and managed in Bank

Relations’ charter. Moreover, according to Katajajuuri and Forsman-Hugg (2008), the absence of a definition hinders the measurement of CSR activities, as indicators and criteria generated from an obscure definition may lack clarity and accuracy. This obstacle might be a contributing factor to why CSR is not measured in terms of business performance objectives. This will be further elaborated on in the following sections.

### 5.2 Business Performance Objectives

The main empirical finding connected to Bank Relations’ business performance objectives is the discovery that CSR, although taking up as much as 80 per cent of the employees’ working time, is hardly included in any objective measuring the subsidiary’s performance. Academic literature supports this finding, as the majority of all research directly or indirectly emphasise a financial or strategic aspect of subsidiary performance, connecting CSR with the need to forgo short-term benefits.

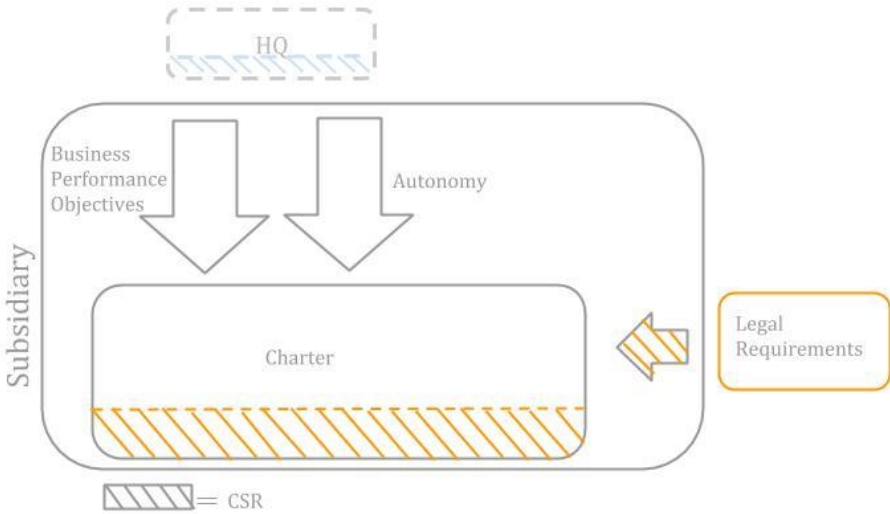


Figure 5.2 Revised Conceptual Framework, Step 2. Compiled by authors

#### *Comply with law or prove valuable to the MNC*

As illustrated by the revised conceptual framework in Figure 5.2, the involvement of CSR in Bank Relations’ business performance objectives ultimately showed to be insignificant. Although two of Bank Relations’ KPIs can be perceived as encompassing CSR-related aspects, this was not acknowledged by the employees at Bank Relations. For instance, the

interviewees considered the CSR-related KPIs as being legal compliance, rather than potentially improvement of their performance or boost of Bank Relations' role in the corporate network. This is in contrast to what is stated by Bouquet and Birkinshaw (2008), who have stated that reaching performance objectives can improve the subsidiary's position in the corporate network and enhance its performance.

Due to the fact that the majority of employees do not see the connection between CSR and KYC, the role of CSR in Bank Relations' KPIs is perceived even more absent. As the only KPI concerning CSR refers to KYC activities, the employees do not find CSR to be part of their business performance objectives. This may reduce Bank Relations' efforts to consciously manage CSR in its charter for the possibility to improve its performance, apart from complying with legal demands and expectations.

#### *Having the financial focus in mind*

Mahoney and Thorne (2005) emphasise the short-term incentive structures based on retrospective financial measures of MNCs, counteracting a subsidiary to incorporate CSR activities into its charter as the cost of it will impose immediate costs (Burke & Longsdon, 1996). When applying Mahoney and Thorne's (2005) conclusions on the case of Bank Relations' performance objectives, the KYC process, reality seems to be in line with theory. Bank Relations is measured on its financial performances, more often than once a year, which indicates the need to keep track of both costs and profits. The KYC process is costly, and has made Bank Relations categorise it as a cost in their balance sheet, rather than a CSR activity contributing with value with the potential to generate benefits. According with Burke and Longsdon's view (1996) that organisations aim for immediate cost-cuts of operations, Bank Relations continuously terminate relationships in order to avoid the costly KYC process. One can therefore argue that Bank Relations is acting in line with Mahoney and Thorne's (2005) theory, in the aspect that retrospective financial measures nurture short-termism. Moreover, Bank Relations is not willing to forgo short-term profits for the chance of experience what these turned down relationships might have reaped long-term rewards and opportunities, as stated by Kane (2002).

In accordance with Dörrenbächer and Gammelgaard (2006) and Dossi and Patelli (2010), financial targets are the most emphasised objectives when Bank Relations aim to ameliorate its business performance, build its profile as reliable and committed towards HQ, as well as

signify its existence to other subsidiaries in Swedbank. Therefore, even if Swedbank ensures incorporation of CSR in the establishment of its strategy, CSR is not a subject on which its subsidiary's performance is measured upon, nor an aspect Bank Relations perceives as important when it intends to conduct valuable operations. Bank Relations rather understands the KPIs potentially regarding CSR to be in line with Dossi and Patelli (2010), who stated that non-financial performance objectives are not in line with organisational strategy. According to Bank Relations, they are merely entrenched to legal requirements and therefore not contributing with value to Swedbank's on-going business activities.

#### *The CSR-related objectives do not motivate Bank Relations to exceed expectations*

Bouquet and Birkinshaw (2008) emphasise that a subsidiary may aim to keep a good track record to prove its importance to the MNC. This means that Bank Relations' ability to be valuable and considered so by HQ is to perform in line with its KPIs, being the measurable aspects on which Swedbank evaluates Bank Relations' performance. Especially since the KPIs are established on the basis of Swedbank's strategy. Looking at the KPIs, the objective regarding updates of all KYCs yearly leaves no room for interpretation or innovative solutions, Bank Relations needs to fulfil this target in order to comply with national law. The target requires that everyone at Bank Relations go through the routine-based process of the KYC with all correspondent banks to ensure that they comply with legal requirements, without the possibility to do less or more. If, however, Bank Relations would like to improve its performance and become more valuable to Swedbank, they would focus on the financial targets in the KPIs, since the abovementioned objective regarding KYC and CSR are to be remained the same.

#### *How to increase others' interdependence of Bank Relations*

The employees' perception of what in their operations create value to Swedbank became specifically visible during the fieldwork, both KPIs and recognition were established in line with and given to financial targets. Furthermore, the identified dissatisfaction of the subsidiary lacking in measuring its financial performance further denotes this perception of being valuable if generating good financial results. An aspect that in accordance with Dossi and Patelli (2010) could be the reason that Bank Relations has non-financially entrenched KPIs, or at least perceived so by the subsidiary and therefore considered even more of no-value for Bank Relations' performance. It became evident that the employees at Bank

Relations wanted to find a more suitable way to measure its profits, and by doing so make sure other subsidiaries and departments could understand its importance for the MNC. Hence, making profit is a central objective for Bank Relations, and in line with Bouquet and Birkinshaw (2008), Hillman and Wan (2005), Chang et al. (2009) and Mahnke et al. (2009). Literature further supports Bank Relations' focus on generating financial results, as it repetitively has been recognised that financial results are the most decisive objectives to counteract divestments (Boddeyn (1979, 1983) and for establishing a subsidiary's role in the MNC (Dörrenbächer & Gammelgaard, 2006).

#### *Perceived unimportance of non-financial targets*

With this information in mind, while turning to Bank Relations' KPIs established on non-financial measures, the question regarding which KPIs are more or less connected to corporate strategy arises. Dossi and Patelli (2010) believe that non-financial measures are less connected to strategy than financial ones. Therefore, Bank Relations' CSR-related KPIs could be non-strategically connected, further indicating that the subsidiary does not have to focus on these objective in its operations. Exceeding expectations in the non-financial targets will not make Bank Relations more valuable to Swedbank; hence, it does not perceive those objectives to be strategically entrenched and in accordance with theory. In the data under investigation CSR was according to Bank Relations, to a significantly high extent, imposed in its business performance objectives, hence, its KPIs, based on legal demands. It is not strategically enshrined or asked for by Swedbank. The chance to increase in importance within Swedbank omits the reason to incorporate more CSR than legally required. Especially since majority of current CSR activities, the KYC process, is by majority of employees not interlinked to CSR and not important in order to generate value to Swedbank.

#### *Motivation for pursuing CSR aspects*

Combining the literature on subsidiaries' aim of fulfilling their purpose, create value and CSR, with Bank Relations' wish to contribute to the accumulated result of Swedbank, CSR play a significantly small role. The result-driven organisation is highly emphasised by Bank Relations' employees, and the internal deal-making atmosphere permeates all discussions about performance and targets. This further motivates Bank Relations to continue to strive for financial profits instead of putting emphasis on CSR. Building on Kane (2002), the chance of Bank Relations to forgo short-term profits for potentially get long-term compensations

generated by increased CSR focus is thereon, today, not a possibility. Furthermore, the KPIs, the objectives on which Bank Relations' performance is measured, CSR is not an area of their operations that are measured nor reported forward in the organization. It denotes the lack of expectations and demands HQ put on Bank Relations' CSR activities, even if HQ might believe in the organisational benefits CSR can generate, since incorporating it into its strategy. Bouquet and Birkinshaw (2008) discussed the phenomena of subsidiaries gaining more resources allocated to it if they keep up good a track record, meaning that a subsidiary aims to perform in line with HQ's demands and expectations to improve their role in the MNC. Relating this to Bank Relations and the non-existing pressure to focus on CSR, since Bank Relations is not measured nor rewarded for it, decreases or totally ignore the motivation to focus on CSR in its operations. Bank Relations believes they would attract more attention if they could financially prove their performance by generating even more profit.

*Unwillingness to forbear immediate financial consequences for potential long-term benefits*

Lastly, a short analysis about the aspect of time, since the time frame of when they are supposed to have fulfilled its business performance objectives might affect whether Bank Relations manages CSR in its charter. Shank et al. (2005) argue that CSR activities mainly reaps long-term benefits, while Burke and Longsdon (1996) and Kane (2002) stated that it impacts costs immediately. Moreover, Kane (2002) says that Bank Relations needs long-term and market valuation-based compensation to increase the role of CSR in its operations. However, as all KPIs are set on a yearly basis, all target should be fulfilled before the end of the year. Hence, Bank Relations' business performance objectives do not imply that Bank Relations should forbear short-term financial impacts imposed due to CSR to potentially gain long-term benefits. Having regular measurements of Bank Relations' performance, makes them, for instance, think about the costs of the KYC process before its relatedness to CSR, and act accordingly. Consequently, neglecting the potential benefits one of the closed relationships could have had in the future, or maybe avoid opening up a closed relationship to an even higher cost than maintaining it, due to new aspects to investigate imposed due to increased regulations. Prioritising the immediate financial consequences CSR activities generate.



### 5.3 Subsidiary Autonomy

The following section regards Bank Relations' ability to individually decide how to manage CSR in its charter. The main empirical finding, the identification of Bank Relations' and the employees' high level of autonomy, will be put in relation to HQ and legally regulated CSR aspects as well as theories about subsidiary and individual autonomy. Figure 5.3 guide the reader by pinpointing that the abstract (see dashed line) phenomena; autonomy, regards the relationship between Bank Relations and HQ, in the middle of the conceptual framework.

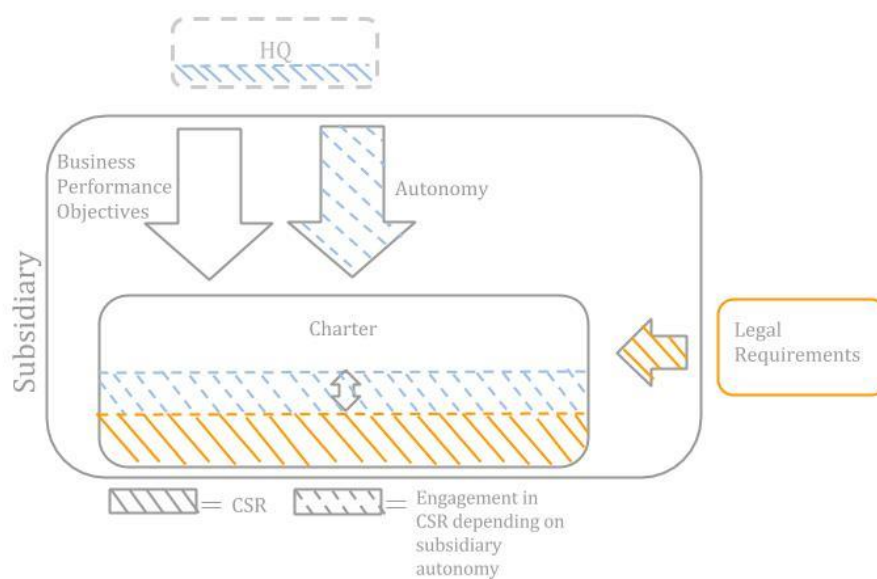


Figure 5.3 Revised Conceptual Framework, Step 3. Compiled by authors

#### *The autonomy arrow*

The 'autonomy arrow' in Figure 5.3 could have been interpreted to be one-ended, i.e. defined as an arrow pointing up to HQ from the subsidiary, as autonomy has been defined as the subsidiary's individual level of decision-making ability, without external interference from the MNC (Birkinshaw & Morrison, 1995; Taggart & Hood, 1999; Ambos, Andersson and Birkinshaw, 2010). However, as the HQ often is the one deciding or allowing a level of autonomy in its subsidiaries and although the subsidiary may have a high level of autonomy, it will never become fully autonomous from the HQ (Birkinshaw & Hood, 1998). It will always be responsible towards its charter and its purpose towards the rest of the organisations. Moreover, in the case at issue, the autonomy of a subsidiary have been investigated in relation to how it influences how a subsidiary manages CSR in relations to its charter. Hence, the

subsidiary's level of autonomy influences how much CSR and what type of CSR the subsidiary will decide to manage in its operations, as well as if CSR is to be incorporated into its charter. Bank Relations has a high level of autonomy, and are able to take a great extent of business-related decisions without interference from others in Swedbank. Bank Relations has gradually increased its autonomy, by being granted increased number of responsibilities. For instance, Bank Relations has been granted the task of establishing its own business performance objectives. Although, one main subject in majority of interviews regarded Bank Relations' capacity to perform in line with others and HQ's expectations, the employees stressed their wish of making sure the internal network realised the value Bank Relations generates to Swedbank's operations. Hence, in line with theory, Bank Relations is not and will not become fully autonomous, as its operations will always aim to contribute to the accumulated achievements of Swedbank.

#### *Bank Relations' level of autonomy*

It became evident during the fieldwork that Bank Relations possesses a high level of autonomy, able to take an extensive amount of business-related decisions without interferences by either HQ or other subsidiaries, being in line with Birkinshaw and Morrison, (1995), Taggart and Hood (1999) and Ambos, Andersson and Birkinshaw (2010). Bank Relations is individually responsible to maintain a low risk exposure internationally, incorporating the decisions of which correspondent banks Swedbank can conduct businesses with, and whom they should not conduct businesses with. Except from going through the internal processes including, for instance, KYC Baltikum and the credit committee, Bank Relations by itself decides if they should terminate a relationship or if it is worth keeping. One example that can be mentioned, taken from the empirical section '*4.5 Autonomy of Bank Relations and its employees*', regards a situation when a product department is positive to a relation with a correspondent bank as it reaps financial gains. However, due to the level of risk the relation exposes Swedbank to, Bank Relations decides to terminate or not to engage in the relation. Hence, Bank Relations' decision triumphs over the product department's. This decision, individually taken by the client executive and/or client analyst in Bank Relations, affecting the product departments operations stems from Bank Relations level of influence on the product department. Hence, according to Birkinshaw et al. (2005) Bank Relations possesses strong bargaining power over other interdependent subsidiaries. Moreover, in accordance with Kawai and Strange (2014) is Bank Relations' level of autonomy supporting its decision making power in operational and strategic aspects, for themselves and Swedbank.

Hence, the latter is verified as Bank Relations is, more or less individually, regulating and maintaining Swedbanks strategically entrenched decision to remain a low risk taking bank in the international market.

#### *High level of autonomy grants increased influence on others*

A subsidiary's level of autonomy, as presented by Mudambi and Navarra (2004) and Ambos et al. (2010), derives from its ability to generate knowledge that is perceived valuable by either the HQ or other subsidiaries. As Bank Relations' level of autonomy has been recognised as high, its generated knowledge may be perceived as valuable by other subsidiaries, or they are allowed a higher level of autonomy by the HQ. Further building on the example from the empirical section '4.5 *Autonomy of Bank Relations and its employees*' proves that Bank Relations' decisions may triumph other subsidiaries' decisions. Therefore, HQ and other subsidiaries regard Bank Relations' knowledge as valuable in line with Mudambi and Navarra (2004) and Ambos et al. (2010). Furthermore, in relation to CSR, being somewhat insignificantly existing in Bank Relations' operations, Bank Relations' high autonomy seems to be one reason for not incorporating it more into operations. Today, Bank Relations' knowledge and decisions are triumphing other subsidiaries', and HQ does not pressure it for engaging into CSR activities, indicating that their current performance is valued by Swedbank. By solely maintaining business as usual and perform in the same direction as today, Bank Relations will according to theory continuingly increase its autonomy towards HQ, in accordance with Prahalad and Doz (1981) Andersson and Forsgren (1996) and Birkinshaw and Hood (1998).

#### *Autonomy, CSR and legal requirements*

Although Bank Relations was found to be highly autonomous, subsequently indicating its important role within the internal network of Swedbank. Further supported by Taggart (1997) and Ambos, Andersson & Birkinshaw (2010). However, the empirical data indicated that the management of CSR is unrelated to the interplay between subsidiaries, and between subsidiaries and the HQ in Swedbank. For some of the employees Bank Relations, the KYC processes takes up to 80 per cent of the total amount of working hours, and are regarded to be burdensome when aiming for engaging in business opportunities. However, since the KYC process is imposed on Bank Relations' operations as a legal requirement the employees need to comply with, no matter how high level of autonomy they possesses. Within this process the

employees at Bank Relations are autonomous and can influence the level of risk allocated a correspondent bank. Bank Relations present their individual recommendations and analyses to the credit committee or to KYC Baltikum and potentially amend the level of risk. In order to explain the link between KYC and Bank Relations level of autonomy, keep in mind that the KYC process is the main and only activity performed by Bank Relations that encompasses clear CSR aspects and considerations. Bank Relations is not measured nor pressured to do more extensive or better KYCs than what is demanded by law. Hence, Bank Relations' KYC-related activities are not regarded valuable by other subsidiaries nor the HQ, and do not contribute to Bank Relations' track record. Analysing and incorporating more CSR aspects in the KYC process will not improve Bank Relations role in the MNC, as supported by Ambos, Andersson and Birkinshaw (2010) nor increase its level of autonomy, in line with the theories by Mudambi and Navarra (2004) and Ambos et al. (2010).

#### *The level of autonomy of Bank Relations' employees*

Burgelman's (1991) studies about autonomy granted individuals, instead of a subsidiary, presents two-folded theoretical findings. Firstly, autonomous initiatives by employees can explore an organisation's capability boundaries, but simultaneously waste time and money on activities not contributing to the chosen strategic path. Secondly, induced activities ensures all employees works in line with the organisational strategy, however, it may hamper the development and potential to gain business opportunities due to employees spurring innovative thinking. In relation to CSR and Bank Relations, autonomous initiatives is not unexpected as the employees are given room and decision-making power to conduct their operations in a way they find suitable for Swedbank. This autonomy is given to the individuals even though most of them are driven by financial objectives, considering them to be able to evaluate the information they have and that they will base their decision on relevant information and knowledge, in line with Ployhart et al.'s (2014) theories about human capital knowledge and Burgelman's (1991) theories about how individual autonomy may be regarded positive for the MNC. Accordingly, Swedbank and the manager at Bank Relations believes that the employees in Bank Relations possesses the best possible characteristics, KSAOs, making all of them valuable human capital resources. In turn, they are perceived as valuable to Swedbank and subsequently allows Bank Relations' employees to gain autonomy in their operations. However, to prevent autonomous activities going against or not in line with strategy, the KPIs are established upon the base of Swedbank's strategy. This makes sure the employees in Bank Relations need to stay in line with the overall aim for the organisation.

Moreover, also in line with the findings derived from Burgelman (1991). Though, as mentioned before, CSR is not emphasised in the KPIs, making it possible that autonomous intents related to CSR may be unheralded by Swedbank or the manager of Bank Relations. CSR is not in a clear manner related to the strategy of Bank Relations, according to themselves. Bank Relations thereby, comply with Burgelman's (1991) findings that autonomous activities should be somewhat restrained towards induced activities established in line with strategy.

#### *CSR as induced activities*

Induced activities are according to Burgelman (1991) easier to manage in line with strategy, and can be compared to the KYC process of Bank Relations. Not the process itself, but the reason to have it and conduct is in the way it is done. Though, as KYC barely is incorporated in the strategy this induced activity mainly complies to external legal demands. Meaning that the induced CSR-related behaviours are not established in order to ensure that Bank Relations act in line with CSR demands, i.e. strategy, but that it act in line with law. Without combining the autonomous and induced activities, for instance to promote innovative and autonomous initiatives within the area of CSR, and thereby gain knowledge and advantages it potentially generates, it is emphasised that those by law regulated CSR aspects in Bank Relations' operations are forced upon them and gives no room for individual initiatives. Counteracting Burgelman's (1991) findings, that induced intentions are strategy related, while autonomous initiative risks not to be. However, as further described in the theoretical framework, induced nor autonomous activities should separately exist (Burgelman, 1991). Most efficiently the two of them are simultaneously promoted, as it may make autonomous activities to be more in line with strategy. Hence, Swedbank could be able to improve its CSR operations by allowing Bank Relations' employees to act innovatively and autonomous within the area of CSR, especially since this would actually make Bank Relations' operations to be more in line with Swedbank's strategy, stated to contain more CSR than Bank Relations' operations.

## 5.4 Combined points of analysis

This section of the analysis aims to combine the reports' analytical findings in order to provide a better understanding of the complexity of the studied phenomena as well as build the ground on which the conclusion and main findings will be based upon. It is important that

the reader has read and understood previous sections in the analysis for the possibility accurately grasp the discussions in the present one, since following discussions refer back to previously mentioned literature and analyses.

### *Incoherent definition of CSR*

Another risk Swedbank is facing by having subsidiaries to which high level of autonomy is allocated when trying to promote CSR, regards the definition of CSR. As discussed, both Bank Relations, as a subsidiary, as well as its employees experience a high level of autonomy. In order for them to keep its operations in line with Swedbank's corporate strategy they have to operate in line with business performance objectives, i.e. the KPIs, and induced demands, established and imposed on the basis of the strategy and law (i.e. the KYC). By doing so, Bank Relations remain useful for the accumulated performance of the bank. However, the degree of autonomy increase the risk of Bank Relations establishing its own, or every individual establishing its own, definition of CSR, and how it is incorporated in its operations. This will create incoherent CSR work in Swedbank, and might already have done so, looking at the differences between HQ's and Bank Relations' promotion of CSR in operations. Benabou and Tirole (2009) emphasised the importance of having a clear definition of CSR. However, as Swedbank do not have such a definition, that is recognised by Bank Relations as CSR, their individual CSR works may be going in different directions. Hence, Bank Relations' CSR efforts may not be in line with the CSR work Swedbank promote in its strategy. Consequently, affecting how Bank Relations apprehends its CSR-related KPIs and in turn its perception of the value Swedbank put into CSR activities.

### *Different perceptions of CSR benefits*

Drawing on the empirically presented information, that Swedbank have CSR incorporated in its strategy, while Bank Relations do not work with it more than required, Bank Relations' autonomy may be the reason for not incorporating it more in its organisation. Bank Relations manages CSR in a way suitable for the people working in the subsidiary and in order to maintain business as usual. Nothing in the empirical data revealed that Bank Relations would consider to re-evaluate if CSR should be allocated a bigger role in its charter. As well as Swedbank, the HQ, is not likely to impose and force it to increase its CSR work as long as it generate the results HQ asks for. However, as long as Bank Relations is complying with laws and legal requirements. In line with the research by Husted and Allen (2006) do HQ believe in

the benefits CSR may generate to its business, while Bank Relations does not. Bank Relations seems to perceive CSR to be more philanthropic and not close to operations, while HQ may see the potential benefits it may contribute with to the organisation.

*To performance within CSR is not improving Bank Relations' performance*

Following, another aspect of the discussion regard Bank relations' business performance objectives, titled KPIs, and its KYC process will be discussed. Firstly, starting with Bank Relations' KPIs and the incumbent objective of individual responsibility within all subsidiaries to make sure its operations comply with relevant laws, regulations and policies. Although this objective exists in the KPIs non at Bank Relations recalled it to be related to CSR. Furthermore, as HQ delegate the responsibility of incorporating HQ's CSR work and decisions into own operations to individual subsidiaries and employees, but non in Bank Relations regards CSR to be an aspect included in its responsibilities, CSR seems to have been forgotten along the way. According to the employees at Bank Relations, they are not asked to improve the subsidiary's management of CSR, and as their operations within the subject is not measured, HQ most likely have a hard time evaluating Bank Relations' CSR work. Hence, Swedbank is unable to measure if and how much Bank Relations contribute to the benefits Swedbank receives due to its CSR work. Therefore, performance in CSR aspects is not contributing to Bank Relations' track record in Swedbank and, although it is highly autonomous, it will not improve its influence or role in the corporate network, which is emphasised as important for subsidiaries by Bouquet and Birkinshaw (2008).

Conclusively, we can draw the inference that Bank Relations' charter is merely somewhat affected by HQ's CSR work and promotions. Its human capital resources, i.e. the employees at Bank Relations, are presumed to have relevant characteristics, i.e. KSAOs, to individually evaluate and incorporate CSR into its operations, subsequently increasing the chance of being able to engage in autonomous initiatives. However, this individual autonomy is not increasing Bank Relations' CSR activities. Moreover, Bank Relations has also been identified with a high level of autonomy, as a subsidiary, giving them high decision-making power and internal bargaining power in Swedbank's organisational network. Therefore, as Bank Relations do not consider CSR to be important for their possibility to generate value towards Swedbank, and with such high autonomy level, they will most likely not change into focusing more on CSR activities. Furthermore, supported by the employees unawareness of the KYC being CSR related and as the KYC process merely is regarded as an evil good or a burden. Even though

CSR is incorporated in Swedbanks corporate strategy, it is almost non-existent in Bank Relations. The lack of CSR in the KPIs and the high level of autonomy hamper that Bank Relations potentially could experience the benefits of CSR.

### 5.5 Revisited Conceptual Framework

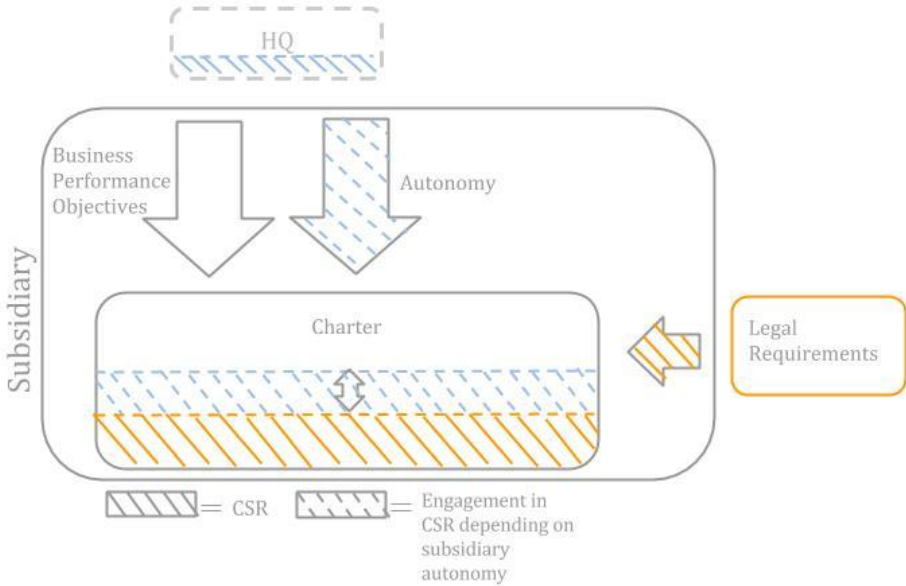


Figure 5.5 Revisited Conceptual Framework. Compiled by authors

In summarisation, Figure 5.5 presents the revised and extended conceptual framework illustrating the analytical findings of this report. Firstly, it denotes that an external legal authority can by law induce a subsidiary to manage CSR. In this particular case it was found that the CSR work governed in HQ were not permeated into the subsidiary’s charter. Subsequently making the subsidiary to merely manage legally required CSR responsibilities in relation to its charter. Furthermore, as can be seen in the bottom left corner of the figure, if a subsidiary business performance objectives do not include measures of CSR it will not increase the subsidiary’s incentives to manage more CSR than utterly required. For instance, as in the case at issue, only do what is needed in order to comply with laws and legislations. Lastly, the level of autonomy prevailing in the subsidiary indicates its ability to take the decision of how and how much CSR the subsidiary should manage. A high level of autonomy allows the subsidiary to take the decision if they are about to increase the amount of CSR managed within its operations. Hence, for instance incorporate more centrally governed CSR



work, and not solely comply with legal requirements. However, at this particular case the subsidiary could, due to its high autonomy level, decide, consciously or unconsciously, to not include HQ's CSR work, more than what also is required by law.

## 6. Conclusion and Outlook

This thesis investigates how a subsidiary manages CSR responsibilities in relation to its charter. The findings of this report demonstrate that a subsidiary's management of CSR depends on the room its charter has allocated to CSR, and what factors are influencing the subsidiary's charter. Moreover, the management of CSR is affected by whether there are incentives for engaging in CSR responsibilities and to what degree the subsidiary has the autonomy to do so. Whereas previous research has addressed MNCs' CSR-related operations and management, this report presents new findings on how a subsidiary's charter, business performance objectives and the level of autonomy leads to differing implications on how CSR is managed within a subsidiary.

### 6.1 Conclusions and Theoretical Contributions

First, this study contributes to existing literature by adding a new dimension to the theory regarding what actors can drive CSR activities in the subsidiary's charter. This case study showed that CSR responsibilities are not only subject to influence from central and local initiatives, as focused upon within previous research, but can also be governed by external actors. This poses significant implications on the subsidiary's management of CSR, as the cause for an external actor requiring CSR-related activities may differ from the strategy of the organisation and thereby also the subsidiary. According to our findings, activities that are not in line with the strategic agenda of the subsidiary are considered less valuable and thereby less motivated to conduct.

The second theoretical contribution from this study arises from the finding that an unclear definition of CSR may hamper the management of CSR. Although earlier research has pointed out the problems in measuring CSR efforts due to definitional concerns, no existing literature discusses the struggle related to manage and coordinate CSR responsibilities in an MNC compiled as a network when the concept is not clearly defined. The empirical data of this report demonstrated that employees' attitude towards CSR-related activities is highly dependent on which definition is used. In turn, such attitude influences the management of CSR, especially when the related activities are labour-intensive.

An additional finding derived from this thesis contributes to incumbent literature on subsidiary's CSR-related business performance objectives. The findings support previous literature in how business performance objectives guide operations, by indicating how a subsidiary should manage its operations to prove valuable for the MNC and ameliorate its performance. Consequently, what a subsidiary focuses on in its operations should be covered in its business performance objectives in order to incentivise the subsidiary to emphasise it in its operations. Moreover, denoting that the extradition of CSR in the business performance objectives incentivises the subsidiary to forgo CSR activities when aiming to contribute to the MNCs aggregate results and achievements. Furthermore, this case could not demonstrate that MNCs would consider refraining from short-term benefits, in order to promote CSR and long-term benefits. However, the study recognises that this parameter potentially bears relevance when an MNC or subsidiary potentially establishes CSR-related business performance objectives to alter how a subsidiary within the MNC manages CSR responsibilities.

The following finding of this study relates to the level of autonomy granted a subsidiary. This case study identifies that a highly autonomous subsidiary can be hampered in its adoption of internally established CSR work into its charter. The empirical data indicated that the management of CSR is not affected by influence from other subsidiaries or the HQ when the subsidiary is sufficiently autonomous to take operational and business-related decisions without interference from other subsidiaries or HQ. Hence, since the subsidiary has the decision-making power to decide what activities it should engage in. This implies that subsidiary management of CSR in relation to its charter is immensely influenced by the level of autonomy granted the subsidiary.

## 6.2 Managerial Implications

Relevant organisational findings outlined in previous sections, which facilitate how a subsidiary manages CSR in relation to its charter, including the aspects of business performance objectives and autonomy, conduces to following managerial implications. First, MNCs should use the factors affecting the subsidiaries' incentives to manage CSR in line with the MNC's wishes. This could imply that measurable CSR-related business performance objectives need to be established to spur subsidiaries focus on its CSR activities. Secondly, the MNC have to master the different levels of autonomy prevailing in its incumbent subsidiaries, respectively. This might otherwise hinder a subsidiary to act in line with the

MNC's induced CSR demands. Lastly, an MNC may promote increased homogenisation of its network's CSR work by establishing one unified definition of CSR, which should permeate the organisation.

### 6.3 Limitations and Future Outlook

This research contributes to a more holistic view of how a subsidiary manages CSR in relation to its charter, and what might influence how it is managed, it has to, however, be looked upon with knowledge about its numeral limitations. However, these limitations do provide some orifices for future research to build upon. Firstly, as this research is among the first to investigate the subsidiary management perspective in relation to CSR, it has only lightly touched upon the subject. As the factors influencing a subsidiary's CSR management are found to be many and complexly entwined into each other's impacts, as well as differing in relation to the subsidiary's individual characteristics, there is a need for more and more comprehensive studies having this subject. Secondly, in order to overcome this study's limitation of time restraints, a more comprehensive study could have incorporated more perspectives and viewpoints, both from other actors within the same MNC and other subsidiaries in other MNCs. Third, this study confirms that the MNC need to master subsidiaries having different levels of autonomy when imposing CSR activities on the organisation. Future research on the organisational challenges this bears is of major interest. Fourth, as a single case study it is limited to solely one subsidiary and one MNC, which is a multinational bank operating in the banking and financial industry. Subsequently, a larger group of informants would be relevant to deploy in order to improve the understanding of how subsidiaries manages CSR in relation to its charter in future research. Fifth, studying a subsidiary operating in the banking and financial industry pose that some industry specific aspects might influence the findings of this study. Therefore, would it be interesting to deploy this study to another contextual setting, involving another subsidiary and another MNC. Lastly, the reader have to keep in mind this study is limited to its informants and mainly focuses upon aspects from within the particular subsidiary. Therefore, it would be of interest if future research attempted to include other informants, which could open up for new aspects influencing how a subsidiary manages CSR in its charter. Moreover, as this report have taken the subsidiary perspective, a larger number implications from HQ could lead to totally different results, indicating that future research could incorporate a group of interviewees including members from the HQ.

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## Appendices

### Appendix I: Interview questions in English:

#### General Questions:

1. Name?
2. Professional Position?
3. Daily responsibilities?

4. Knowledge about CSR? Training? Education?

Specific questions:

1. What kind of measurable business performance objectives do you work towards in your daily operations?
2. Who do you report to?
3. What kind of information do they rely on?
4. How are the business performance objectives communicated?
5. What time horizon would you describe these business performance objectives to be set for?
6. How would you describe your and your department's officially stated responsibilities regarding CSR-related matters?
7. How would you describe your work with CSR-related matters?
8. How would you describe CSR activities to be prioritised in relation to your other tasks?
9. How do you perceive CSR-related activities and goals in relation to financial objectives?
10. In relation to your business responsibilities, how would you describe the communicated overall significance of CSR-related issues?
11. When reviewing previous performance what attracts most attention? CSR or other?
12. How would you describe the time horizon for CSR-related objectives in relation to the one for your business responsibilities?
13. What education or training have you got in CSR? If yes, how was this training conducted?
14. When have you been told to look for additional CSR related matters, than those handles by other departments of the bank?

15. How often do you take cases that are 'CSR-uncertain' to the ethical committee?
16. Can you guide us through two cases and give detailed descriptions of how you perform each step and activity in each case?

## Appendix II: Interview questions in Swedish

### Generella frågor:

1. Namn?
2. Yrkesbefattning?
3. Dagliga ansvarsområden?
4. Kunskap om CSR? Erfarenhet? Utbildning?

### Specifika frågor:

1. Vilken typ av mätbara verksamhetsmål jobbar ni mot i er dagliga verksamhet?
2. Vilka rapporterar ni till?
3. Vilken typ av information bygger målen på?
4. Hur är dessa verksamhetsmål kommunicerade? ex. morgonmöten? konferenser? när återblickar på prestationer?
5. Vilken tidshorisont är vanlig i uppsatta mål?
6. Hur skulle du beskriva dina eller din avdelnings officiellt kommunicerade CSR-åtaganden?
7. Hur skulle du beskriva ditt arbete med CSR-relaterade frågor?
8. Hur skulle du beskriva att CSR är prioriterat i förhållande till era vanliga arbetsuppgifter?
9. Hur uppfattar du att CSR relaterade aktiviteter/målsättningar står gentemot finansiella mål?

10. I relation till dina affärsrelaterade ansvarsområden, hur skulle du beskriva den övergripande kommunicerade signifikansen av CSR-relaterade frågor?
11. När ni går igenom era prestationer, hur mycket fokus läggs på CSR när ni går igenom vad ni har presterat?
12. Hur skulle du beskriva tidshorisonten för era CSR-relaterade mål?
13. Har ni fått någon typ av utbildning inom CSR? Om så är fallet, vad för typ av utbildning? Har den varit speciellt riktad mot er verksamhet?
14. Blir ni ombedda att se efter ytterligare tveksamheter i relation till vissa kunder/aktiviteter? eller förväntas ni veta om det är en känslig fråga som bör tas vidare på egen hand?
15. Tar ni alltid upp case som är osäkra med etikkommittéen?
16. Skulle du kunna guida oss genom två case och ge oss detaljerade förklaringar av hur ni steg för steg går tillväga i casets alla aktiviteter?