

MNE's Sustainability Strategies in Emerging and Developing Markets

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Abstract

Purpose: Nowadays, companies abandon their traditional rent-gaining strategies. They pursue triple bottom-line results by implementing economic, environmental and social sustainability strategies. This paper links the main sustainability strategies of MNEs in emerging and developing markets (EDMs) to the strategic, industrial, market, and institutional antecedents of sustainability development.

Methodology: Positivism and a deductive research approach are used to test propositions through a multiple case study strategy, to identify the sustainability strategies of five MNEs belonging in five different industries, and the antecedents of these strategies.

Findings: Strategic leadership and strategic behaviour/ orientation are among the most important antecedents of sustainability strategies development in EDMs. The sustainability strategies are partially industry-specific. However, all companies had undertaken activities that go beyond the mitigation of their negative impact, acting as regulators of the EDMs.

Originality/ Value: Previous literature has explained sustainability as an attempt of the MNEs to cover institutional voids and the absence/ failings of the state. This paper contributes to the exploration of sustainability strategies of MNEs in EDMs, by identifying the strategic and market influences driving sustainability, and by linking this strategic behaviour to industrial and institutional idiosyncrasies.

Keywords: Sustainability, Antecedents, Emerging and Developing Markets, MNEs, state-replacement

Research Paper

1. Introduction

We stand at a moment in history when the traditional way of doing business is insufficient. Nowadays, companies transform to deal with complex issues, while maintaining sustainable financial, social, and environmental effectiveness (Lawler and Conger, 2015). Sustainability strategies set the foundations of both MNE's (Husted and Allen, 2010) and markets' sustainable development through the improvement of their positive economic, social, and environmental impact (Gonzalez-Perez, 2014). Sustainability combines the elements of economic efficiency, HRM and CSR practices, to improve the company's competitiveness with a focus on the sustainable development of all of its stakeholders (Gallego-Álvarez and Ortas, 2017). Previous research on MNCs' knowledge and strategy spill-overs in ED markets, explored the MNEs HRM (Edwards et al. 2016) and eHRM (Bondarouk and Schilling, 2016) practices' diffusion; the CSR strategies' dissemination (Marano and Kostova, 2016); and the institutional effects of the organizational practices' transfer (Kostova and Roth, 2002). Still, the role MNE's play in market-regulation and self-regulation for sustainable development remains underexplored (Crane et al, 2019). Sustainability research needs to identify meaningful methods and drivers for companies to deliver socially relevant results, while being profitable (Gonzales-Perez, 2015). Addressing this call, this paper examines the role MNEs play towards the regulation of EDMs, through the development of strategies targeting at long-term performance and financial, social and environmental sustainability. We aim to find: *What kind of economic, environmental, and social sustainability strategies MNEs develop in EDMs markets?*, and *What are the main antecedents driving companies to deliver socially and environmentally relevant results in EDMs markets?*

This paper explores sustainable effectiveness initiatives in EDMs due to the idiosyncratic nature of these economies in terms of market and institutional structure. These idiosyncrasies and contextual variations, affecting the practice transfer or development of market and non-market strategies, still require more empirical exploration (Santagelo and Meyer, 2011). Previous research attributed sustainability practices of MNEs in EDMs markets to external influences, such as to the need to cover institutional voids (Khanna and Palepu, 2010), to consumer or environmentalists' pressures (Aguinis & Glavas, 2012), to globalization and market deregulation (Vogel, 2008). This paper contributes to the sustainability research agenda, linking sustainability strategies to their institutional, market, and strategic antecedent. Furthermore, many MNEs developed strategies of industry regulation but there is large differentiation in the strength and nature of it across sectors (Haufler, 2013). Adopting a contingency perspective (Luthans and Stewart, 1977), this paper looks at cases representing various sectors, to identify the industrial idiosyncrasies in the development of these strategies.

To explore MNEs sustainability strategies in EDMs, the multiple case study research methodology (Eisenhardt, 1989; Yin, 2014) is applied to bring more compelling support towards the development of testable propositions, rendering the overall research as more robust (Eisenhardt, 1989, Yin, 2014). Five cases of MNEs developing sustainable strategies in EDMs, representing five industries are analysed.

The rest of the paper is structured as follows: The first part explores the theoretical background of the phenomenon and leads to propositions development. Then, methodology discusses the research method and explains its implementation. Findings and discussion can be found in the last part of the paper, accompanied with an examination of the limitations of the research, and directions for future research.

2. Literature Review

2.1 Theoretical Framework

Previous research has used agency theory and stakeholder theory, resource based view and institutional theory, among others, to explore sustainability as corporate citizenship (eg. Albareda, 2008; Aras and Crowther, 2008), as a strategic activity (eg. Christ et al, 2017), and as a response to institutional failings (eg. Marano and Kostova, 2016) respectively. MNE's may use sustainability as a substitute of regulation to cover institutional voids in ED markets (Khanna & Palepu, 2010, Rathert, 2016). Sustainability has also been described as a self-regulation initiative used to avoid government regulation (Vogel, 2008). Institutional factors such as regulation, standards and certification affect the extent and types of sustainability strategies MNEs implement (Husted and Allen, 2006). These forces regularly drive the development of policies which are there to appease stakeholders (Aguinis & Glavas, 2012). Furthermore, from a contingency theory perspective (Luthans and Stewart, 1977), the type of sustainability strategies MNEs will use will be contingent to the individual characteristics and competition dynamics of the industry they belong.

Most of previous research adopts the institutional or organisational level of analysis (Aguinis & Glavas, 2012). In this paper, borrowing insights from all the above theories, we add to the theoretical understanding of sustainability as a strategy of MNEs in emerging and developing markets, by linking specific sustainability strategies of MNEs in emerging and developing markets to their strategic characteristics, institutions and stakeholders' related antecedents. Moreover, the exploration of industrial effects, through a contingency approach will shed new light on the integrated framework that leads to sustainability adoption in these markets.

2.2 Sustainability Antecedents in EDMs

An emerging market is defined as a market transitioning to “*a free-market-oriented economy, with increasing economic freedom, gradual integration with the Global Marketplace, an expanding middle class, improving standards of living, social stability and tolerance, and an increase in cooperation with multilateral institutions*” (Kvint, 2009:1). A developing country, is “*a country with a less developed industrial base and a low Human Development Index relative to other countries*” (O'Sullivan and Sheffrin, 2003:471). Globalization enabled MNEs to expand in EDMs. These markets are characterised by low wages, cheap energy and minimum regulation (Detomasi, 2007) with positive and negative consequences for themselves and the markets (Bartley, 2007). “*A shift in global business regulation from state-centric forms toward new multilateral, no territorial modes of regulation, with the participation of private and nongovernmental actors*” (Scherer, 2006: 506) was soon noted. Companies go beyond their traditional role by undertaking activities having a positive social and environmental impact, internalizing externalities and focusing on their stakeholders (Crane et al, 2019). The main antecedents of this shift have been related to the local and global socio-economic situation. Government regulations’ failings and institutional voids (Khanna and Palepu, 2010) have increased the sustainability strategies of MNEs (Rathert, 2016) in EDM. Globalization, neo-liberalization, and the lack of state mechanisms have turned MNEs into the main regulators of labour and human rights, environmental policies in EDMs (Vogel, 2008). Often, the local government has withdrawn from market regulation as the view that economic prosperity occurs as a result of privatisation (Rathert, 2016). There is consensus that strict regulation is no longer needed for businesses and markets to achieve sustainable development (Albareda, 2008). Economic underdevelopment is crucial for realising how MNEs in

EDMs operate. Many companies have to build or to improve the local infrastructure to balance the state's inability to provide these assets (Cuervo-Cazurra et al, 2016).

Another recognised sustainability antecedent is the public interest towards business ethics (Weaver et al, 1999). Pressure is applied through impacting the revenue and the reputation of the firm (Aguinis and Glavas, 2012) or through controlling the access to resources (Kassinis and Vafeas, 2006). Sustainability builds a stronger relationship between the company and the society/ consumer (Peloza and Falkenberg, 2009).

However, these external influences cannot adequately explain the development of sustainability strategies. We have to look at the company to understand the rationale of their sustainability initiatives. Promising market investments have resulted in driving these companies to reshape their strategic behaviour towards sustainability to improve their competitiveness (Cuervo-Cazurra et al, 2016). Revisiting Friedman's (1970) belief that "the social responsibility of business is to increase its profits", companies realise that the way forward is towards long-term sustainable development (Lawler and Conger, 2015). Guarantying sustainability for stakeholders serves the long-term goals and the financial interests of the firm (Vogel, 2008), acting as a source of differentiating innovation providing competitive advantage (Husted and Allen, 2006).

Often MNEs use sustainability practices in EDMs to improve their reputation, to decrease the liability of foreignness (Haufler, 2013), to mitigate the risk of entry in EDMs, and to improve the market environment (Haufler, 2013).

Proposition 1. Except for the need to fill institutional voids and to address industrial and market pressures, companies adopt the sustainable business model, as part of their strategic behaviour.

2.3 Sustainability Strategies and Practices in EDMs

Sustainability as a principal is part of the strategic profile of the company, and when so, it is reflected on its values and on the strategies the company develops. Sustainability is also developed as a strategy of achieving competitive advantage (Christ et al, 2017). The implementation of the sustainability strategy of the company is illustrated in its code of governance, which describes the way that the company is implements sustainability in practice (Aras and Crowther, 2008). The code of conduct is a common sustainability practice used by MNEs in EDMs, showing the company's commitment to specific beliefs, actions and values (Crane et al, 2019). The outcomes of sustainability initiatives are usually measured and published. This is a social accounting activity used to assess and communicate the company's impact to interested stakeholders (Crane et al, 2019).

Frequently, MNEs work with the local government and with NGOs to achieve common social and environmental goals (Vogel, 2008), and to develop universal codes to be used as a self-regulatory management system (Levis, 2006). Committing to these networks assists companies to achieve competitive advantage through the development of a greater understanding of the EDMs, the mitigation of their social and political risk, and the enhancement of their human capital (Detomasi, 2007).

Moreover, MNEs promote sustainability through inter-firm collaboration diffusing sustainability practices to the network of companies (Albareda, 2008). Coopetition can also found sustainability across an industry (Christ et al, 2017) providing benefits for all (Peloza, 2009) and solutions to complex social and environmental problems (Peloza and Falkenberg, 2009). Similarly, companies in EDMs implement the "creating shared value" strategy (Nichols, 2016: 11), a profitability boosting strategy through the social framework enhancement of the company (Nichols, 2016).

Research on sustainability practices of MNEs has focused on specific industries, such as oil and gas (Levy and Kolk, 2002; Wiig and Kolstad, 2010), as companies from these industries have a significant environmental footprint that are expected to manage. It would be interesting to see whether the sustainability practices of MNEs differentiate according to the industry, and to identify sustainable practices of MNEs in EDMs per industry. Therefore,

Proposition 2: The sustainability strategies and practices of MNEs in EDMs will be contingent to the industry the MNE belongs to.

3. Methodology

This paper uses the lens of positivism and a deductive research approach to develop and test propositions, to enhance the existing knowledge in the area of sustainability strategies developed by MNEs in EDMs. The multiple case study research strategy (Eisenhardt, 1989; Yin, 2014) is suitable in this context, as it allows us to compare and contrast the strategies of sustainability leaders in multiple industries, and to explore the antecedents of these strategies. Following Eisenhardt's (1989) theorising process through the adoption of a qualitative positivism stance, we used the observation of the sustainability data and information already published for each of our case-companies, as the basis for theory development. Theory induced from data is likely to be more valid as "it closely mirrors reality" (Eisenhardt, 1989: 547). The use of secondary sources can make the process of observation to be more objective, and thus increases the research's validity and reliability through the minimisation of bias (Yin, 2014). The Miles and Huberman (1994) framework of setting, agents, and events and processes is applied to analyse the strategic behaviour of five MNEs that have been characterised as role models and pioneers at implementing sustainability strategies; providing valuable insights towards the investigation of the phenomenon in its actual context.

3.1 Setting

This paper explores and compares sustainability strategies of MNES in EDMs and their antecedents in 5 different industries. The case selection criteria (Eisenhardt, 1989) used are: the company to be a sustainability leader in its industry, publishing sustainability reports, and having received awards for their impact on their employees, the environment, and the society. The selection of five companies are inside the four to eight cases rule of thumb proposed by Eisenhardt (1989). Each company represents a different industry.

3.2 Agents (Cases)

The five cases selected following the above criteria correspond to Unilever, Patagonia, Nintendo, Ikea, and Titan.

MNE	Industry	Country of Origin	Market Presence	Sustainability
<i>Unilever</i>	Consumer Goods	UK-Netherlands	190 countries incl. Brazil, China, India	Economic, HR, Environmental, Social,
<i>Patagonia</i>	Clothing	USA	Worldwide incl. China, Thailand, Colombia and more	Environmental, HR, Social
<i>Nintendo</i>	Gaming	Japan	In over 20 countries incl. Congo, India, China	Economic, HR, Environment
<i>Ikea</i>	Furniture	Sweden	In 41 countries incl. China, Malaysia, Dominican Republic	Mostly Economic and Environmental
<i>Titan</i>	Cement	Greece	>10 countries incl. Albania, Bulgaria, Brazil, Egypt, Turkey	Economic, Social, Environmental, HR

Table 1. The profile of the Cases

Unilever is a British-Dutch MNE in the consumer goods industry, with presence in 190 markets. Unilever's sustainability plan "*decouples the company's growth from their environmental footprint, while increasing their positive social impact. Our goals are spanning social, environmental and economic performance across the value chain*" (Unilever, 2020).

Patagonia is an American MN clothing enterprise. Copying from the company's mission statement "*we are in business to save our home planet*" (Patagonia, 2020).

Nintendo is a Japanese MNE in the video games industry. Nintendo aims to "*Put smiles on the faces of everyone it touches*" (Nintendo, 2020), by implementing sustainability practices related to its supply chain, its employees and its consumers.

Ikea is a Swedish MNE specialising in ready-to-assemble furniture, appliances and home accessories (FAH). Ikea pledges to be "*sustainable everyday*" (Ikea, 2020).

Titan is a Greek MNE in the cement industry. According to the company's sustainability targets: "*In addition to our alignment with the 2030 UN Sustainable Development Goals, TITAN has set its sustainability targets for the year 2020, covering key environmental and social issues, to ensure continuous improvement through measurable results in the three pillars of sustainability*" (Titan, 2020).

3.3 Events and Processes

The exploration of the motivation and of the sustainability strategies and practices of the case companies is based mainly on archival data. These include sustainability reports, information from the companies' websites, press releases, journal articles referring to the activities of the companies, interviews of their managers in the press. Thematic analysis (Braun and Clarke, 2006) is used to analyse the data.

4. Findings and Discussion

The five MNEs explored in this paper represent various industries. Table 2 summarises the most important sustainability strategies of these MNEs in EDMs and their antecedents:

Sustainability Strategy	Sustainability Practices	Sustainability Actions	Company	Industry	Market	Antecedents
Environmental Agency	Sponsorships	Sponsorships to grassroots environmental organizations	Patagonia	Clothing	1	
Mitigation of environmental impact	Waste Reduction	Breakthrough recycling	Unilever	Consumer Goods	worldwide	Profit
		Product repairs to reduce waste	Nintendo	Video Games	worldwide	
		Reduction of waste through encouraging digital sales	Nintendo	Video Games	worldwide	
	Emissions Control	Reduction of emissions	Unilever	Consumer Goods	worldwide	Strategic Behaviour/ Orientation/ Philosophy/ Values
	Sustainable Procurement	Sustainable palm oil sourcing policy	Unilever	Consumer Goods	Indonesia, Malaysia	
		Green procurement	Nintendo	Video Games	India, Vietnam	
		Organic fair farming	IKEA	FAH	Uganda	
		Sustainable forest Management	IKEA	FAH	2	
		Sustainable forest management and cotton farming	IKEA	FAH	India, Pakistan,Turkey	
	Sustainable Production	Sustainable product development and production.	Patagonia	Clothing	India,Bangladesh, Vietnam,Taiwan,Thailand, China, Philippines	Strategic Leadership
Resources Savings	Water, energy savings, no single-use plastic	IKEA	FAH	worldwide		

Sustainability-embracing Employer	Working conditions	Safety, fair pay in weaving centres	IKEA	FAH	India, Bangladesh	Proactive Regulation of the Industry	
	People Development	Leveraging new technology in people development	Titan	Cement	worldwide		
Network Sustainability	Environmental Practices Diffusion	Reduction of emissions throughout the value chain	Unilever	Consumer Goods	worldwide		
		Supply chain grants	Patagonia	Clothing	Taiwan, Mexico, Sri-Lanka		
		Human rights policy affecting outsourcers	Nintendo	Video Games	India, Vietnam		
		Internship program and students contest to improve visual impact	Titan	Cement	North Macedonia		
	Developing a sustainable group	Investing in environmentally and socially minded companies	Patagonia	Clothing	worldwide		
		Suppliers selection model for sustainability	Titan	Cement	worldwide		
Working with/supporting NGOs	Working with NGOs	Employees working with NGOs	Patagonia	Clothing	Markets chosen by the NGO		Consumer Demands
		Clothing donations to environmental groups	Patagonia	Clothing	Congo		
Providing Solutions to Social Problems – Generating Social Change	Women rights	Novel distribution system of female hygiene products	Unilever	Consumer Goods	Rwanda, Kenya		
		Global women safety framework	Unilever	Consumer Goods	South Africa		
		Academy of Shine-women entrepreneurship	Unilever	Consumer Goods	Brazil		
		Product development for water shortages	Unilever	Consumer Goods	South Africa		

	Solutions to social problems	Perception sharing (Lifebuoy adverts to improve hygiene) <i>India</i>	Unilever	Consumer Goods	India
		Transforming prospects through innovation and entrepreneurship and “Frozen Music” youth initiative	Titan	Cement	Kosovo
	Human Rights	Fair compensation	Unilever	Consumer Goods	India
		Employees understanding the value of diversity in the workplace	Nintendo	Video Games	worldwide
	Community Support	Working with social groups to get help to fulfil their mission	Patagonia	Clothing	worldwide
		Protect the rights of whistle-blowers and “partnering with schools” project	Titan	Cement	North Macedonia
		Support the local community and improve its education	Titan	Cement	Egypt
		Community Development, Vocational training, employability centre Egypt	Titan	Cement	Egypt
		Strengthening families and Education program and skills for computer literacy <i>Albania</i>	Titan	Cement	Albania
		Cooperation with the local community to protect the environment and to preserve biodiversity. Leadership Academy.	Titan	Cement	Bulgaria

Table 2. Sustainability Strategies and Practices in Emerging and Developing Markets and their Antecedents

1. *Albania, Bosnia-Herz/na, Chile, Costa Rica, Czech Rep, Indonesia, Kenya, Mexico, Peru, Sri-Lanca, Slovenia*

2. *Bosnia-Herz/na, Bulgaria, Cambodia, China India, Indonesia, Laos, Myanmar, Romania, Russia, Slovakia, Thailand, Ukraine, Vietnam*

4.1 Sustainability Antecedents in EDMs.

Sustainability is developed and implemented as a profit-gaining strategy (Cuervo-Cazurra et al, 2016). Unilever notes: *“It is not about putting purpose ahead of profits, it is purpose that drives profits”* (Unilever, 2018). Sustainability is part of the strategic behaviour of the company (Vogel, 2008). Patagonia’s mission statement declares: *“We’re in business to save our home planet”* (Patagonia, 2020), while *“Today, Unilever’s purpose is to make sustainable living commonplace”* (Unilever, 2020). Sustainability is in IKEA’s philosophy: *“It’s embedded in the IKEA DNA to use resources carefully, to create more from less and to optimise our logistic operations”* (IKEA, 2020). Sustainability being reflected in the strategic goals of the company signifies its importance and shows that this is the strategy the company has chosen to achieve competitive advantage (Husted and Allen, 2006). Sustainability values and principals are linked to the strategic leadership of the MNEs from the time of their establishment. *“The company history shows that there was always the perception that the company is an active member of the society, operates with and for the society, on the basis of reciprocity and efficiency regarding the needs of all its stakeholders”* (Titan, 2020). These companies originated from sustainable leaders *“it is clearly linked to the leaders”* (Titan, sustainability report) (Tideman et al, 2013) embracing sustainability and innovation as the core company values. Titan diffused the company values in a structured way through the *“internal stakeholder engagement program”* (Titan, 2020). Findings illustrate the existence of financial and strategic behaviour antecedents of sustainability in EDMs.

As for the effect of competitive pressures (Christ et al, 2017), we find that instead of being reactively driven from the industry, Unilever has a proactive behaviour towards sustainability, aiming to transform the industry: *“We want this to be the start of a new*

industry-wide movement” (Marc Enger, Unilever, 2020) and *“tackling the complex social and environmental issues in the palm oil supply chain requires more than policy commitments – it requires the transformation of an industry”* (Unilever, 2020). Similar findings are coming from IKEA’s and Titan’s cases: *“We are promoting responsible forestry methods to influence the industry”* (IKEA, 2020). *“We work with partners around the world to protect the environment, develop better products and raise industry standards”* (Titan, 2020). The anticipation of mutual benefits for all (Peloza, 2009) and the provision of solutions to complex social and environmental problems (Peloza and Falkenberg, 2009) drive the coordination of efforts to address social and environmental issues, through a sustainability-based differentiation strategy in EDMs (Ahworegba et al, 2020).

Companies use sustainability in product development to address consumer demands and the increasing public interest towards business ethics (Weaver et al, 1999): *“Connecting with our consumers is not only essential to our business success, it’s also vital to deliver our sustainability ambitions. Our R&D teams search to translate trends and needs into new technologies for incorporation into future products. This is aligned to the instincts of our people and to the expectations of our consumers”* (Unilever, 2020). MNEs perceive sustainability as an essential corporate survival and success component in foreign markets (Husted and Allen, 2010). This is because sustainability can be used to decrease the institutional distance’s costs and risks affecting the organisational outcome (Kostova et al., 2019). The EDMs’ institutional characteristics impact firms’ strategic behaviour (Lazarova et al, 2018).

Evidence supports proposition 1. MNEs develop sustainability strategies in EDMs, not only because they have to fill institutional voids (Khanna and Palepu, 2010) but also to meet consumer demands and to achieve financial gains and guarantee their own

sustainability. Moreover, industry-regulation rather than response to industrial pressures, is an important sustainability antecedent. The firm's strategic behaviour and leadership, are among the most significant antecedents of sustainability.

4.2 Sustainability Strategies and Practices – Industrial effects

MNEs sustainability practices in EDMs are developed having in mind the institutional environment and local stakeholders' demands (Kawai et al. 2018).

Table 2 shows that companies develop sustainability strategies to compensate for the absence or failings of government regulation and for institutional voids (Rathert, 2016). The sustainability actions of the MNEs are customised to fill specific institutional voids (Khanna and Palepu, 2010), eg supporting women rights in India, or solving water shortages related issues in South Africa. Companies regulate areas that traditionally the state would take care of. The lack of state mechanisms have turned MNEs into the main regulators of labour rights, environmental policies, even of human rights in EDMs (Vogel, 2008) while benefiting from cheap labour cost and affordable energy (Scherer et al, 2006). However, major sustainability strategies such as emissions reduction, recycling policy, resources saving are implemented worldwide and they unrelated to the institutional idiosyncrasies of the EDM market.

We don't find much evidence supporting the argument that many companies have to improve the local infrastructure to balance the state's inability to provide these assets (Cuervo-Cazurra et al, 2016). The majority of MNEs' sustainability actions focus around the environment and the society, rather than on infrastructure development.

We see activities undertaken at a voluntary basis aiming to actively improve the companies' business models, and achieve positive outcomes for the company, the

society and the environment, aiming to build a stronger relationship between the company and the society (Peloza and Falkenberg, 2009). Unilever says: *“We need fundamental change to whole systems if we are to make a genuine difference on the issues that matter for our business and the world. We call this transformational change”* (Unilever, 2020). *“We believe that this is a continuous self-improvement process, with positive outcomes for the company, its profitability, and for its stakeholders”* (Titan, sustainability report 2017).

We observe the shift from the philanthropy paradigm to transforming the whole company towards a new sustainable operation model (Lawler and Conger, 2015). As Titan states: *“Our commitment to sustainability and CRS goes beyond compliance and is a voluntary pledge to make a positive impact on the world around us”* (Titan, 2020). Patagonia’s notes: *“We know that our business activity is part of the problem. We work to change our business practices and share what we’ve learned. But we recognize that this is not enough. We seek not only to do less harm, but more good* (Patagonia, 2020). Titan clearly refers to sustainable development in all markets: *“Collaborating with international partners and engaging with key stakeholders at the local level, we contribute to sustainable development that meets present needs without compromising the ability of future generations to meet their own needs”* (Titan, 2020). Furthermore, the 2018 sustainability review of Unilever mentions: *“We know the transformational change we want to see within our business and beyond will take more than 'business as usual' solutions. New technologies, new business models, new ways of thinking and new collaborations – they are all vital to creating the inclusive growth that will ensure a sustainable future for the world, its people, and our business”*.

Stakeholders’ engagement is one of the main goals towards integrative sustainability (Kawai et al, 2018). Companies go beyond their traditional role by undertaking

activities having a positive social and environmental impact, internalizing externalities and focusing on their stakeholders (Crane et al, 2019). As Titan (2020) poses it: *“Stakeholder engagement is an important element of our approach to sustainability. It builds trust, improves understanding of the impacts from our operations and addresses stakeholder concerns, while providing input to our materiality assessment process. At a local level, we engage closely with individuals and groups in the communities where we work to learn from each other, develop skills and address challenges. Globally, we join industry peers, academia and NGOs in raising industry standards, developing better building materials and sharing know-how. Through these collaborative actions we gain feedback on all areas of our operations, so we continue to improve as a business”*. Caring for stakeholders serves the long term goals and the firm’s financial interests (Vogel, 2008). Companies have realised that guarantying sustainability for their stakeholders is vital in achieving financial objectives, acting as a source of differentiating innovation providing competitive advantage (Husted and Allen, 2006). As Unilever (2020) states: *“securing a supply of sustainable palm oil is vital to the future success of our business”*. Except for financial benefits companies also pursue sustainability for their employees, the environment, and the society: *“At the heart of our transformational change agenda are the twin goals of combating climate change and promoting human development”* (Unilever, 2020). Nintendo’s CSR report is built around three pillars: consumers, supply chain and employees (Nintendo, 2020), while Nintendo’s president notes: *“I believe it's essential to make every stakeholder, including everyone in our supply chain and all our employees, smile”*. IKEA is improving weavers’ lives in India and Bangladesh: *“Firstly we provided the weavers with regular work in a safe environment, with legal, regulated wages plus benefits such as holidays and transport. We also set up two schools, where trainees are paid while*

they're learning. Our ambition is to place weaving centres close to where weavers and other workers live, so they don't have to move away from their home and family to find a job. We've also made changes to the weaving process, by developing a new loom that requires less physical strength to operate. The new loom has introduced weaving as a profession for women, getting them into work and the economic stability it brings. We also decided not to patent the new loom, making it available for everyone to use" (Ikea, 2020). Titan also observes: *"Throughout TITAN's 115-year history we have sought to make a positive difference to people, society and the environment through our products and our operations"* (Titan, 2020). We find sustainability spill-overs, since these MNE's focus on their stakeholders' sustainable development (Gallego-Álvarez and Ortas, 2017).

Companies in EDMs also implement the "creating shared value" strategy (Nichols, 2016: 11), boosting profitability through the enhancement of the company's social framework (Nichols, 2016). NGO's are an important part of this network and they have been described as market co-regulators (Vogel, 2008). *"Patagonia employees have the opportunity to work for up to two months each year with an environmental NGO of their choosing while earning full pay and benefits"* (Patagonia, 2017). Patagonia also connects individuals to the environmental organizations they support. NGOs' role is vital for the 5 cases we explore. The collaborations they developed with NGO's evidence the *"shift in global business regulation from state-centric forms toward new multilateral, no territorial modes of regulation, with private and nongovernmental actors' participation"* (Scherer, 2006: 506). IKEA is working together with WWF for responsibly managed forests and cotton farming (IKEA, 2020). Titan works with NGOs to support its neighbouring community in Egypt: *"TITAN Egypt partnered with the non-governmental organization "Sustainability Centre for Development" and other local*

NGOs in Alexandria to clean, disinfect, repair and improve public spaces in the Wadi El Kamar area” (Titan, 2018).

Inter-firm collaboration (Albareda, 2008) is used for sustainability practices’ development and adoption from the whole network, a fact that has significant positive impact towards the sustainable development of the companies themselves, and of the EDMs. Unilever pioneered the Roundtable on sustainable palm oil as *“we realised that no single business can turn the industry around”* (Univeler, 2020). Patagonia established a supply chain grants scheme to encourage their contact factories to develop an environmental sustainability mindset: *“This year the money continued to fund environmental education in Taiwan, helped to expand a tree nursery run in Mexico, and subsidised the launch of a reforestation and farming-education project in Sri Lanka”* (Patagonia, 2017). Sustainable production methods and employment standards are used in the mills and factories of the company’s network in EDMs including Bangladesh, India, China, Vietnam, Taiwan, Philippines and Thailand (Patagonia, 2020). Nintendo established its own global human rights policy in 2018. *“Nintendo employees not only go directly to production partners to conduct thorough on-site checks, but we also carry out investigations through specialized external organizations to ensure objectivity”* (Nintendo, 2020). Also, *“Nintendo maintains strict control over the manufacture of its products and applies Green Procurement standards from the material phase to manufacture products that are free of toxic chemical substances”* (Nintendo, 2020). As for IKEA, *“Improving the way we produce hand-made rugs, with decent working conditions and fair pay, quickly proved to be a win-win situation. For weavers it's meant that orders, work and income are steady, regular and predictable. We've cut out middlemen and agents, and replaced them with official weaving centres fulfilling the IKEA code of conduct and safety conditions”* (IKEA, 2020). Titan takes

the extra step by establishing and developing business-networks that work to integrate the Principles of UNGC in a variety of markets: *“Through our participation and leadership of local networks, we interact with more than 500 local companies, while we support stakeholder dialogue with relevant reports in local languages. Since 2008, we have communicated our progress on implementing the ten Principles within our sphere of influence to more than 10,000 local stakeholders in the countries where we operate”* (Titan, 2020), in line with Fabrizio et al. (2017) who empirically show the positive and robust network effect on sustainability adoption.

These collaborations for sustainability expand to the supply chain (Peloza, 2009). Copying from Titan: *“TITAN is committed to building strong and lasting relationships with customers and suppliers, founded on trust and mutual benefit. We actively look for business partners who share our commitment to UNGC principles, and we aim to support the communities we work in by maximizing the number of local suppliers and contractors we work with. To sustainably manage our supply chain, we have rolled out a Group Procurement Transformation program which aims to optimize the number of suppliers we work with and help us establish long-term, value-added relationships with them, highlighting the “total cost of ownership” concept while maintaining a tight focus on driving sustainability. Across the Group, we promote best practices and specific guidelines that help us choose the most sustainable suppliers”* (Titan, 2020).

Finally, sustainable product development can be the answer to contemporary social and environmental problems. IKEA developed sustainable food containers, wooden cutlery, and sustainable paper straws, water and energy saving showers (IKEA, 2020). Moreover, the company developed “The Lagom Collection”, i.e. *“ideas and tips to give things you already own a new lease of life. Reduce waste, save money, and be more*

sustainable” (IKEA, 2020). Patagonia links product development to sustainability as *“Making the best product matters for saving the planet”* (Patagonia, 2020).

Looking at the sustainability strategies and practices implemented by the 5 MNEs belonging to 5 different industries, we observe that some of them are indeed industry specific, as they relate directly to the company’s operations eg. reduction of the heavy environmental footprint (Titan and IKEA), waste management focused in packaging (Nintendo), sustainable palm-oil sourcing (Unilever). However, all companies undertake sustainability activities that are not directly linked to the industry they operate eg. Community support (Titan), working conditions improvement in EDMs according to IKEA’s and Nintendo’s code of conduct, employees working to NGO’s of their choice (Patagonia), educational activities (Unilever and Titan). This does not fully support proposition two, as we don’t find absolute connections between the industry and the nature of sustainability strategy implemented. We find that MNEs that have embraced sustainability in all industries implement “total sustainability practices” both related and unrelated to the gravity of their footprint.

5. Implications, Limitations, and Further Research

Previous research has used agency theory and stakeholder theory, resource based view and institutional theory, among others, to explore sustainability as corporate citizenship (eg. Albareda, 2008; Aras and Crowther, 2008), as a strategic activity (eg. Christ et al, 2017), and as a response to institutional failings (eg. Marano and Kostova, 2016) respectively. In this paper, borrowing insights from all the above theories, we add to the theoretical understanding of sustainability as a strategy of MNEs in EDMs, by linking specific sustainability strategies of MNEs in EDMs to their strategic

characteristics, institutions and stakeholders' related antecedents. Moreover, the exploration of industrial effects, through a contingency approach will shed new light on the integrated framework that leads to sustainability adoption in these markets. This paper adds to sustainability literature, exploring sustainable effectiveness strategies in EDMs due to the idiosyncratic nature of these economies in terms of market and institutional structure. These idiosyncrasies and contextual variations, affect the practice transfer or development of market and non-market strategies. Previous research attributed sustainability practices of MNEs in EDMs to external influences, such as to the need to cover institutional voids (Khanna and Palepu, 2010), to consumer or environmentalists' pressures (Aguinis & Glavas, 2012), to globalization and market deregulation (Vogel, 2008). This paper contributes to the sustainability research agenda, unravelling the importance of the strategic orientation and behaviour of the company, towards the development of sustainability practices in EDMs, while taking into account the institutional and industrial characteristics and influences on sustainability.

Managers should know that profit-expectations are an important antecedent of sustainability strategies. The company's long-term profitability, the institutional environment of the EDMs, the demands of the local stakeholders, general consumer demands, and the increased public interest towards business ethics, and acting as an industry-regulator drive the adoption of sustainability as a core MNE strategy in EDMs. Strategic leadership and strategic orientation/ behaviour are identified as the main antecedent of sustainability development in EDMs. MNEs develop sustainability practices that directly relate to the industry they belong, but also develop integrative sustainability practices that benefit the society and the environment, not directly linked to their own mode of operation.

MNEs develop environmental, social, employee-related, and network-diffused sustainability strategies in EDMs. Some of the practices they use to implement the sustainability strategies are customised to fill institutional voids of the ED market, while others are directly linked to the strategic profile of the company and they are implemented worldwide. MNEs in EDMs compensate for fair pay and safety, forest management and other areas that traditionally would have been state-regulated. The lack of state mechanisms have turned MNEs into the main regulators of labour rights, environmental policies, even of human rights in EDMs while benefiting from cheap labour cost and affordable energy. Moreover, MNEs in EDMs voluntarily improve their business models to achieve sustainability for the company and its stakeholders. They implement the “shared-value strategy”, working together with NGO’s, with companies of their supply chain and with their wider network, to co-regulate the market and to provide solutions to contemporary social and environmental issues. Finally, sustainability practices are mainly industry specific, aiming to mitigate the company’s footprint, but also they expand further beyond industrial idiosyncrasies.

The findings of this research are limited by the fact that only five MNEs were explored, using specific theoretical and methodological assumptions. An inductive research design could bring more in-depth insights on the sustainability strategies of these SMEs and their antecedents, while the adoption of a strategic management theory (eg Dynamic Capabilities) could more clearly explain how these companies use sustainability to achieve competitive advantage in a dynamic institutional setting. Future research can expand into further primary data collection from a larger number of companies. Moving from isolated paradigms of companies implementing the sustainable effectiveness model, we have to see how this can be turned into common practice for the majority of companies operating in unregulated EDMs. Moreover, this

research explored the antecedents of sustainability development. Future research can focus on the exploration of the antecedents that influence firms to change their sustainability strategies and agendas across different contexts.

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