
Editorial: Challenges and opportunities for multinational corporations in sustainable development

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Abstract: This editorial paper outlines key concepts in the realm of multinational corporations (MNCs), sustainability and social change. It also highlights possible synergies between the concepts of corporate sustainability and corporate entrepreneurship and introduces the articles included in this special issue. In so doing, patterns in extent research on MNCs' roles in sustainable development are identified, such as a focus on case-study research and the use of theoretical concepts rooted in mainstream business studies. On this basis, the editorial paper draws pathways for future investigations, such as applying a broader understanding of sustainable entrepreneurship to the sustainability activities of MNCs.

Keywords: multinational corporations; MNCs; sustainability; social change; corporate social responsibility; CSR; entrepreneurship; corporate entrepreneurship; sustainable entrepreneurship; corporate sustainability.

Reference to this paper should be made as follows: Blazejewski, S. and Hörisch, J. (2017) 'Editorial: Challenges and opportunities for multinational corporations in sustainable development', *Int. J. Business Environment*, Vol. 9, No. 3, pp.201–209.

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1 Multinational corporations as crucial actors for sustainability: the scope of the special issue

Multinational corporations (MNCs) are known to have a substantial impact on sustainable development. Heede (2014), for example, demonstrates that no more than 90 corporations account for nearly two thirds of all historic industrial greenhouse gas emissions (CO₂ and methane). This example reveals that the successful solution of sustainability challenges necessarily requires the contribution of large corporations (Shrivastava, 1995). As much sustainability challenges, such as climate change, biodiversity loss or forced labour in supply chains do not stop at national boundaries, MNCs seem predestined for addressing these challenges, because their influence goes beyond national boundaries. Besides the substantial direct impact on their subsidiaries' sustainability practices, MNCs also exert indirect impacts on sustainable development in their host countries by obligating suppliers to conform to their standards of sustainability, by serving as a role model for other actors in the industry, by lobbying state agencies in favour of their own social and ecological standards or by creating global framework agreements (GFA) as recently in the textile and the energy industry (ACT, 2017; IndustryALL, 2015) which, in turn, create adaptive pressures for local actors in the industry. Obviously, not only MNCs can influence state agencies and institutional settings, but institutions, such as legal systems, can also impact MNCs sustainability management activities (Hörisch et al., 2017).

While the importance of MNCs for sustainable development has been acknowledged in prior research, MNCs are frequently assumed to be changing only slowly and incrementally. Due to their past investments and respective path-dependencies, MNCs frequently have incentives to not take radical measures or bring about transformative social changes (e.g., Hockerts and Wüstenhagen, 2010). Given that MNCs as central actors in sustainable development take rather incremental changes, it does not come as a surprise that environmental and social problems remain unsolved and mankind already crossed numerous of the planetary boundaries identified by Rockström (2015) and Steffen et al. (2015).

In contrast to incumbent corporations, entrepreneurship is described as a phenomenon that is able to bring about transformative, rapid social changes (Hockerts and Wüstenhagen, 2010). While narrower definitions of entrepreneurship restrict the phenomenon to the creation of new businesses (c.f., Hagedoorn, 1996), Hockerts and Wüstenhagen (2010, p.482) define sustainable entrepreneurship rather broadly as the "discovery and exploitation of economic opportunities through the generation of market disequilibria that initiate the transformation of a sector towards an environmentally and socially more sustainable state". This definition highlights the transformative potential which is connected to sustainable entrepreneurship.

Comparing the above stated characteristics of both sustainable entrepreneurship and MNCs indicates an enormous potential for sustainable development if these two concepts are combined. While corporate entrepreneurship is already experiencing increasing

attention in research (e.g., Guth and Ginsberg, 1990; Sharma and Chrisman, 2007), corporate entrepreneurship for sustainable development is still an underexplored field of study. This research gap motivated this special issue, in which we tried to bring the two concepts of sustainable entrepreneurship and MNCs together in order to show how MNCs can contribute to not only incremental, but more transformative social changes towards sustainable development.

2 Main findings of the papers

Van Woerkom and van Zeijl-Rozema address the challenge of MNCs to contribute to sustainable development. Specifically, the authors investigate the challenge of multinationality in the context of corporate social responsibility (CSR) activities, i.e., how it is possible for an MNC to take CSR activities which show tangible effects at the level of local subsidiaries. Van Woerkom and van Zeijl-Rozema use the interests of stakeholders at various scales as a starting point and centre their paper on the idea of creating value for the particular stakeholders of an MNC by taking into account salience, credibility and legitimacy of CSR activities. For this purpose, a self-assessment tool is developed and tested, using case-study research. This self-assessment tool aims at identifying local CSR activities which create sustainable value for the particular stakeholders at the level of local subsidiaries whilst contributing to an MNC's global CSR strategy. Their findings show that starting with stakeholder needs is a good foundation for MNCs addressing this challenge. Furthermore, the self-assessment tool was evaluated positively by the case company and demonstrates to be a useful tool for MNCs aiming at sustainable value creation at different scales through CSR activities.

The paper by Park et al. deals with the particularity that MNCs are disadvantaged when compared to local companies due to the fact that the identification of consumers with foreign companies is lower. The authors address the general questions how ethnocentrism influences consumer attitudes and how CSR affects these attitudes, such as purchase intention and foreign company identification. Specifically, they investigate whether local consumers value products of foreign companies and their CSR efforts in the same way they do for local companies and their products. These research questions are addressed using regression analyses, building on survey data gathered among US-American consumers. The results demonstrate that consumers' identification with the foreign company mediates the effect of CSR on purchase intention, as consumer ethnocentrism decreases the effect of CSR on purchase intention when it is low, but increases the effect of CSR when it is high.

In his paper, Rocha is concerned with practices of water usage among Brazilian textile and garment companies in the Fortaleza region. His research focuses on the question how local firms in this industry react to pressures for higher standards regarding environmental sustainability. At first sight, this might seem to be a local issue but Rocha demonstrates how local routines of water usage are intertwined with global trends and practices in the industry. First, Brazilian environmental legislation has been considerably reinforced in order to meet international requirements. Second, MNCs in Brazil have continuously adapted their environmental practices to global industry standards, particularly regarding water usage. In fact, Rocha maintains that "there is no indication that the regulatory framework has been downgraded to attract multinational corporations

(MNC) or to help local firms cope with international competition”. Third, global competition in the field as well as recent trade deregulation in Brazil severely impact the cost situation of small and medium sized local firms, thus depleting resources which would be necessary to upgrade environmental practices. Based on case study research on 35 companies of various sizes in the Fortaleza region, Rocha identifies four types of reaction to these changes in the institutional configuration among local companies depending on:

- a their respective resource endowments
- b the de facto pressure of stakeholders to conform to environmental standards.

Although environmental law in Brazil has been strengthened considerably, law enforcement is in fact trailing behind. Findings show that particularly small firms with only little resources are able to bypass environmental legislation by moving into the informal sector. In turn, by mobilising resources through co-operation and inter-organisational networks, Brazilian MNCs are able to adapt to national and international pressure on environmental practices. Rocha’s fine-grained analysis of the Fortaleza textile and garments industry thus witnesses both: a ‘race to the bottom’ among SMEs and the larger firms climbing to the top – at least to ‘the top’ as currently defined by MNCs in the global industry.

In their paper on the formation of the wood-based bioeconomy in Finland, Lilja and Moen are – similarly to Rocha – concerned with the interlinkages between the national business system and MNCs’ corresponding strategies regarding sustainable development. The authors identify underlying mechanisms that have enabled the transformation of the Finnish forest industry to a bioeconomy. This industry is important on a global scale: the three companies investigated are among the world’s largest forest industry companies having substantial business units as well as production capacity on many continents. With respect to the theoretical foundation, the paper draws on comparative institutionalism and actor-centred institutionalism as understood by e.g., Mayntz and Scharf (1995). First, the authors emphasise the need for a renewed ‘fit’ or ‘complementarities’ between corporate practices and the national business system. Secondly, they conceptualise firms and other organisations as active players and drivers of institutional change: their activities form the basis of the new field. Within this theoretical frame, the authors substantiate how players in the field – the three major companies, research institutions and intermediary organisations – have developed new ways of collaborating in open innovation settings and in decentralised experimental approaches to promote new sustainable businesses. These organisations’ ability to change their role and activities is seen as crucial for the formation of the new field. This change pertains to what is called the orchestrator role involving engagement in all phases of the innovation pipeline, in the formation of new value chains, and in new value constellations (Lilja and Moen). At the same time, this role transformation has facilitated the creation of new complementarities across sectoral divides, and thus fostering transformative moves at multiple levels (inside single organisations, in inter-organisational networks, and at transnational epistemic communities). The identification of this key mechanism casts interesting light on other institutional change processes, e.g., in the Finnish and Indian energy sector where organisations with orchestrator roles were found to be missing (Jolly et al., 2016). It also reflects on the theoretical frame underlying the paper: collaborative processes compatible with national business systems may facilitate learning across sectoral divides, and thus

enable radical transformation. Moreover, this perspective contradicts the standard varieties of capitalism's view that close interlinkages in coordinated market economies (are often seen to) hinder institutional change (Hall and Soskice, 2001).

3 Patterns in research on MNCs, sustainability and social change

As documented in the above summary of the contributions in this special issue, the papers included show only little signs of MNCs taking entrepreneurial action for sustainable development. However, even if the intersection between MNCs and sustainable entrepreneurship was smaller than we expected, the single contributions found opportunities for MNCs to play an important role for sustainable development.

The case by Lilja and Moen highlights how MNCs can be instrumental in developing new business models for entire industries. The authors build on the example of Finnish MNCs' collaboration with multiple partners in science, industry and the state, orchestrated by a national research network. In the Brazilian case described by Rocha, MNCs turned out to have a dual, janus-faced influence on the national business system. While Brazilian MNCs emulated international environmental standards, local SMEs were forced by cost pressures in the global value chain to move into informality, thus undermining national efforts to improve water usage standards in the field. Van Woerkom and van Zeijl-Rozema demonstrate how MNCs can directly create value for their stakeholders on the local scale. With regard to the methodology, the papers included in this special issue resemble the general trend in corporate entrepreneurship research towards qualitative case studies. While Lilja and Moen conduct case studies of three major firms, Van Woerkom and van Zeijl-Rozema use a single case study to test a conceptually developed self-assessment tool. Similarly, Rocha conducted a nested single case study on the textile and garment industry in the Brazilian region of Fortaleza. In contrast, Park et al. build on prior qualitative work and use a large dataset to statistically test theory-driven hypotheses. Against the background of the criteria set by Edmondson and McManus (2007), this special issue confirms that the research field of MNCs and sustainable development is in an intermediate state, where both, quantitative and qualitative approaches are abundant and exploratory research is still common and productive.

Besides a focus on case-study research, another pattern of most articles included in this special issue is their common focus on stakeholders. Van Woerkom and van Zeijl-Rozema explicitly use stakeholder interests as a starting point for identifying fruitful local CSR activities which create local value at the subsidiary level. Other papers do mention multiple stakeholders, however without explicitly focussing on their respective interests and the interaction unfolding among them. Rocha, for instance, delineates how stakeholders, such as state agencies or global MNCs, create pressure and changes in the institutional environment regarding water usage for Fortaleza firms. The article then conceptualises change, however, as an adaptive process by SMEs rather than as active negotiation among stakeholders safeguarding their interests.

A focus on stakeholders, therefore, does not imply a prevalence of stakeholder theory as the dominant theoretical framework. Instead, a diverse range of different theories is used in the special issue. Besides stakeholder theory (Van Woerkom and van Zeijl-Rozema), the theoretical backgrounds used in the particular papers range from

institutional approaches and varieties of capitalism (Rocha et al. and Lilja and Moen) to social identity theory (Park et al.). While this is quite a diverse range, it is indicative that all papers use conventional theoretical approaches of mainstream business studies. Theories specifically developed for the context of sustainability management (e.g., Starik and Kanashiro, 2013) or sustainable entrepreneurship (Dean and McMullen, 2007) have not been applied. On the one hand, this can help to anchor the research on MNCs and sustainable development in mainstream business studies. On the other hand, it might hinder the development of a specific discourse which could deliver more specific insights to the particular challenges of MNCs in sustainable development.

With regard to the dimensions of sustainability addressed in the papers included in this special issue, a light tendency towards emphasising environmental issues can be found. While Rocha deals with issues related to water usage and waste disposal, Lilja and Moen emphasise the ecological dimension of the ongoing sustainability transformation of the wood-based industry in Finland. This emphasis on the environmental dimension of sustainability has also been observed in reviews of sustainability research in general (e.g., White, 2013). In contrast, Park et al. as well as Van Woerkom and van Zeijl-Rozema rather focus on CSR than on the concept of sustainability. The operationalisations for CSR used in their articles explicitly include all three dimensions of sustainability.

While all papers deal with the particularities of MNCs in sustainable development, the specific aspects investigated provide a broad range of diverse topics. Park et al. address the structural disadvantage of MNCs due to being perceived as foreign companies by consumers. Similarly, Van Woerkom and van Zeijl-Rozema investigate another specific challenge of MNCs, i.e., creating local value even though the organisation itself is multinational. In Rocha's paper, Brazilian MNCs are investigated as an element of the local business system rather than as important players in the global textile and garments industry. This is different in the paper by Lilja and Moen also because the Finish MNCs in focus here are among the largest companies in the entire global industry. The new sustainable business models developed in the Finish network described in the case are thus likely to diffuse globally through the MNCs own subsidiaries and beyond.

4 Conclusions and future research

The analysis of the articles included in this special issue as well as a review of the broader field of corporate entrepreneurship highlights that explicit connections between MNCs' sustainability endeavours and entrepreneurial activities are still scarce. Similarly, not only in academia but also in practice, it is difficult to find examples of MNCs prominently taking entrepreneurial action towards sustainability. This scarcity of examples in academia and practice might be indicative that taking entrepreneurial action for sustainable development is indeed a huge challenge for MNCs, which most corporations are reluctant to address. The articles included in this special issue document that contributing to sustainable development is itself a demanding challenge for MNCs, as Park et al. outline for the example of consumer attitudes. This might constitute one explanation for the lack of corporate entrepreneurial action towards sustainable development.

However, the key argument that connecting the two concepts of MNCs and sustainable entrepreneurship bears an enormous potential for sustainable development

remains relevant as it connects the substantial impact of MNCs with the ability to create transformative change usually ascribed to entrepreneurship. Such connection might even be required to go beyond the incremental changes towards less unsustainability currently predominant among MNCs, which are likely to be insufficient when dealing with some of the main challenges of sustainable development, such as staying within the planetary boundaries (Rockström, 2015; Steffen et al., 2015).

For the academic debate on corporate entrepreneurship and sustainability, it might be worth taking a broader perspective on sustainable entrepreneurship. In the context of environmental entrepreneurship, Schaltegger (2002, 2010) for instance defines ecopreneurship as the most consequent form of environmental management, combining large market impacts of a company with high priorities of environmental issues, which results in environmental performance becoming part of the company's core business. If evaluated against the background of a narrow definition of entrepreneurship, which focuses exclusively on the foundation of new businesses, this idea does not fall within the boundaries of the concept of entrepreneurship. However, it is in line with broader definitions (e.g., Dean and McMullen, 2007; Hockerts and Wüstenhagen, 2010) and highlights the potentials of MNCs with entrepreneurial ambitions. Such perspective might open up opportunities for MNCs to go beyond incremental changes. Applying such a wider concept of sustainable or environmental entrepreneurship to MNCs even suggests that some of the ambitions observable among MNCs today can be regarded as attempts to take entrepreneurial action. Unilever's (2017) aims to "make sustainable living commonplace" through improving its products and business processes can be interpreted as such an attempt. However, the example of Unilever also highlights another commonality of a broad understanding of corporate sustainable entrepreneurship with narrower conceptualisations of sustainable entrepreneurship, i.e., the risk-taking associated with entrepreneurship. That is, while the aims of Unilever are doubtlessly ambitious and have been awarded for being so, failure to meet these aims would come along with substantial losses in legitimacy and future business opportunities. The example of Unilever thus highlights that applying a broader understanding of sustainable entrepreneurship to the debate on MNCs offers numerous opportunities for future research.

Also, we propose that it is important to look at sustainable entrepreneurship of MNCs as a collaborative and inter-organisational endeavour rather than as initiative of singular firms. The radical transformation of institutions and practices related to sustainability must be considered to be well beyond the scope of single actors. Recent studies demonstrate that well-orchestrated attempts among multiple MNCs can provide important impulses towards sustainable development, e.g., through GFA on labour standards in the textile industry (Helfen et al., 2015). In our view, a better understanding of different forms and processes of 'orchestration' in MNC sustainable entrepreneurship could well be a promising field for further research. Researchers should, however, consider the role of local stakeholders in collaborative sustainable MNC entrepreneurship. They might withdraw into arenas where the agreed standards of sustainability, e.g., in GFAs, are non-enforceable as in the case described by Rocha. Or, in focusing on collaboration with other transnational players, MNCs might lose touch with the practices of local actors on the ground and their contextual constitution and thus create unintended and detrimental consequences for the local population (Khan et al., 2007).

Additionally to these ideas for future research gained from analysing common patterns of the contributions included in the special issues, the single articles also provide useful pathways for future academic endeavours. Park et al.'s paper, for example, raises the question which CSR or corporate sustainability activities can best serve the purpose of improving local consumers' attitudes towards MNCs. For investigating such questions and for verifying their findings in other contexts, they also call for more experimental empirical research. Interestingly, the call for more empirical testing is also raised in the other papers, for instance in the paper by Van Woerkom and van Zeijl-Rozema which calls for empirically testing the self-assessment tools in further contexts.

As guest-editors, we hope that the insights gained and opportunities identified in this special issue, combined with following the lines of future research deduced from these pieces of research will eventually contribute to bringing about activities by MNCs which go beyond incremental improvements.

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