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Guest editors' introduction to the special issue: the contribution of multinational enterprises to the Sustainable Development Goals

Caroline Witte and John Dilyard*

1. Introduction

In December 2015 the United Nations (UN) General Assembly accepted a set of 17 Sustainable Development Goals (SDGs) to succeed the Millennium Development Goals (MDGs). The goals encompass interconnected and actionable targets that address a broad range of development issues and represent the 5 Ps: people, planet, prosperity, peace and partnership (see table 1) that were delineated in the 25 September 2015 UN resolution in which the SDGs were adopted. In contrast to the MDGs, the SDGs explicitly call for a wide range of actors, including the private sector, to be involved, and progress on many of the 17 SDGs will strongly depend on private sector contributions. For example, SDG 12, responsible consumption and production, urges MNEs to adopt sustainable practices and to integrate sustainability information into their reporting cycle. In addition, Goal 17 emphasizes partnerships for the goals, recognizing the need for cooperation between the private sector, public organizations and civil society for the achievement of all the SDGs.

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Table 1. The Sustainable Development Goals

1. No poverty
2. Zero hunger
3. Good health and well-being
4. Quality education
5. Gender equality
6. Clean water and sanitation
7. Affordable and clean energy
8. Decent work and economic growth
9. Industry, innovation and infrastructure
10. Reduced inequalities
11. Sustainable cities and communities
12. Responsible production and consumption
13. Climate action
14. Life below water
15. Life on land
16. Peace, justice and strong institutions
17. Partnerships for the goals

Whereas the mobilization of the private sector is repeatedly emphasized as a prerequisite for successful implementation of the SDGs – including in the UN resolution – academic work specifically linking the private sector to the SDGs or the MDGs is sparse. Even though much has been researched and written over the last decade or so on multinational enterprises' (MNEs') corporate social responsibility (CSR), how they conduct business in unstable nations, their (un)ethical practices, and private sector responses to public policy, little is known about how an MNE's practices affect development goals set by the international community, or about how firms incorporate international initiatives such as the MDGs or the SDGs in their strategies. Yet, as a consequence of MNEs' large pool of resources, global presence and ability to share best practices across borders, the contribution of MNEs to the SDGs can be particularly large. This creates an opportunity for international business (IB) research to systematically analyze the relationships between the private sector – and in particular MNEs – and sustainability, and to serve as an advocate for both the promotion of the SDGs within MNE strategy and the design of policies to support them. This special issue aims to start filling the gap in the literature by asking, how do MNEs contribute to the SDGs?

Because IB research has devoted little attention to these issues, one important goal of this special issue is to set a research agenda. In our call for papers, we

invited authors to submit lightly referenced op-ed and essay-style contributions (5,000 words or less), rather than heavy quantitative or theoretical analysis, or short empirical or theoretical papers for which the criteria for robustness, thoroughness or completeness were reduced. We were interested in research agendas and perspectives that presented new yet concrete ideas that could generate ongoing research and policy discussions. We received a rich array of papers covering a wide range of topics from CSR to microfinance to the SDGs, from which we chose those papers that focused more closely on the relationship between MNEs and the SDGs.

2. Contributions in this special issue

Table 2 lists the articles included in this special issue. The articles are arranged from those that focus on the SDGs in general to those that focus on the contribution of MNEs to a specific goal or its implementation. Many of the contributions build directly on the literature on CSR, including the legitimacy framework and stakeholder management perspectives. Although the actions taken with respect to CSR are clearly related to actions taken to support the SDGs, an MNE's contribution to the SDGs does not have to be through CSR programs, nor do CSR efforts necessarily lead to improvements in the areas set out in the SDGs. For example, when an MNE claims in its CSR reports that it is 'supporting local employment initiatives' it does not mean that it actually is providing employment opportunities.

Kolk, Kourula and Pisani provide an extensive review of the literature on the relationship between MNEs and sustainability, focusing on 6 of the 17 SDGs: No poverty (SDG 1); affordable and clean energy (SDG 7); reduced inequality (SDG 10); climate action (SDG 13); justice, peace and strong institutions (SDG 16); and partnerships for the goals (SDG 17). A keyword search for articles published in six major IB journals from 1985 to 2016 yielded only 61 articles directly related to these goals, reconfirming that within the field there has been little focus on these specific areas of sustainable development. Most of the reviewed articles dealt with the effect that MNEs have on poverty and inequality, the dimension of the SDGs where MNEs might have the most direct effect. Strategies for reducing poverty and inequality include reaching out to the bottom of the pyramid through, for example, the provision of microfinance (echoed in the Arp, Ardisa and Ardisa paper). In contrast, the use of partnerships for progress on the SDGs has received very little attention. Because it is likely that in the coming decades many public-private partnerships will be created under the umbrella of the SDGs, analyzing such partnerships should be a fruitful area for future research.

Schönherr, Findler and Martinuzzi consider the interface between CSR and the SDGs, emphasizing how the SDGs can function as a framework for CSR activities so as to ensure their impact on the most salient issues for sustainable development. In addition to creating direct shareholder value by contributing to SDGs – for example,

Table 2. Articles included in this special issue

Title	Author(s)	SDGs	Conclusion
Multinational enterprises and the Sustainable Development Goals: what do we know and how to proceed?	Ans Kolk, Arno Kourula and Niccolò Pisani	1, 7, 10, 16, 17	Research on MNEs and SDGs thus far is relatively limited. Several directions for future research are identified.
Exploring the Interface of CSR and the Sustainable Development Goals	Norma Schönherr, Florian Findler, and André Martinuzzi	All	MNEs have a unique opportunity to use the SDGs as a framework for improving their CSR engagement in line with changing societal expectations.
The multinational and the legitimization of sustainable development	William J. Donohoe	1, 4, 8, 9, 12, 13	The desire by MNEs to enhance their legitimacy is tied to actions taken to achieve the SDGs, providing an analytical framework to assess how MNEs balance these two interests.
Corporate sustainability assessments: MNE engagement with sustainable development and the SDGs	Cheree Toppo, Jerome D Donovan, Eryadi K. Masli and Thomas Borgert	All	Examination of 112 MNEs operating in the ASEAN region suggests that standardized sustainability reporting positively affects MNEs' consideration and adoption of SDGs.
MNE subsidiaries' adoption of gender equality and women empowerment goal: A conceptual framework	Jane Lai Yee Terpstra-Tong	5	The extent to which the pursuit of gender equality (or the other SDGs) adds strategic value or legitimacy determines the effort put into achieving the SDG.
The sustainable development effects of investment by emerging market multinationals: Shaping beneficial outcomes for home and host country	Guus Hendriks	1, 8, 9, 16	Five proposed areas for policy action support progress towards the SDGs for both the home country of an emerging-country MNE and the host country receiving its investment.
Microfinance for poverty alleviation: Do transnational initiatives overlook fundamental questions of competition and intermediation?	Frithjof Arp, Alvin Ardisa and Alviani Ardisa	1	Poor human resource management at local microfinance offices and the existence of intermediaries limits the effectiveness of microfinance lending.
Under African skies: mining TNCs in Africa and the Sustainable Development Goals	W. Travis Selmier II and Aloysius Newenham-Kahindi	5, 8, 16	Mining codes are important vehicles that move the mining industry toward achieving the SDGs, yet codes need to more explicitly incorporate (part of) the SDGs.

by developing infrastructure or clean technologies – engagement with the SDGs can also indirectly benefit MNEs by restoring trust in the private sector and creating legitimacy. Similarly to Kolk et al., the authors point out the relevance of the SDGs for the creation of partnerships, as the SDGs support the identification of common interests for sustainable development issues beyond the control of an individual MNE. In addition, impact measurement and management are paramount in order for MNEs to set and monitor management goals in those areas in which they have the most influence on the SDGs. For Schönherr et al., the best way to measure and manage sustainability impacts is through the use of materiality assessments (also covered by Tople et al.), a fairly new but already widely used method to evaluate the interests of different stakeholders.

Donoher, similarly to Schönherr et al., argues that MNEs can gain legitimacy by engaging directly with stakeholders to realize progress on the SDGs. The author explains how MNE legitimacy is related to a balance in shareholder interests, though further research is needed to explain firm heterogeneity in the importance attached to certain stakeholders. Donoher also sketches possible MNE strategies that support the SDGs and can simultaneously help MNEs maintain legitimacy. In this context, he discusses “bottom of the pyramid” initiatives, including MNE-sponsored microfinance schemes, as legitimate market-seeking business activities, reconfirming the observation by Kolk et al. that considerable business opportunities are connected to SDG 1. Donoher also argues that MNEs might make significant contributions to education (SDG 4) and climate change (SDG 13), two areas traditionally seen as the responsibility of policymakers. Future research could analyze how tensions might arise when MNEs assume responsibility in areas where public institutions are traditionally accountable and how this could influence MNEs to collaborate with public partners.

Tople et al. focus on sustainability reporting as a method to incorporate the MDGs – and eventually the SDGs – in MNE strategy. Accordingly, this study is strongly linked to the article by Schönherr et al. and its emphasis on the importance of improved sustainability reporting. Tople et al., like Schönherr, et al., identify materiality assessment as a leading method for determining, refining, defining and prioritizing sustainability issues. Interestingly, they find that MNE headquarters often impose internationally recognized sustainability reporting standards on their subsidiaries without translating these into systematic practices at the affiliate level. The authors argue that the SDGs can function as a guideline for MNEs for reporting sustainability issues and possible actions to address these at the local and affiliate level, perhaps learning from public efforts to measure progress on the SDGs.

Hendriks discusses the effect of emerging-market multinationals (EMNEs) on sustainability, focusing particularly on the effects on poverty alleviation (SDG 1) and the creation of decent work opportunities through inclusive economic growth (SDG 8).

Although investment by EMNEs into developing countries is often regarded as less effective than FDI by MNEs from developed economies, Hendriks presents a line of reasoning suggesting that FDI from EMNEs has considerable potential for reducing poverty and creating decent work because employees in both the host and home countries can benefit from the investment. The five suggestions he makes for policymakers to maximize the benefits from EMNE investment are enlightening, although empirical research is needed to verify the contribution of subsidiaries from emerging markets to the SDGs and to resolve how these policy directions could be implemented in terms of incentives, regulation, and enforcement mechanisms.

Terpstra-Tong focuses specifically on MNEs' contributions to gender equality (SDG 5), and provides a two-dimensional framework for MNEs' adoption of sustainable practices that could be used to explain MNEs' willingness to take actions on the other SDGs, too. She argues that legitimacy – linking directly to Donohoe – and strategic value are the two key concerns of an MNE in its decision to pursue gender initiatives and that the combination of these two factors leads to a typology of actions that MNEs pursue to support gender equality. Questions that arise out of Terpstra-Tong's work are to what extent local initiatives supporting the SDGs can be exported to subsidiaries in other destinations and whether these initiatives are coordinated from the top down or the bottom up. In addition, the extent to which her typology of actions should be considered at the firm level, subsidiary level, or an even lower organizational level is a topic for further research.

As noted, microfinance appears frequently in the above-mentioned studies. Motivated by the observation that informal moneylenders remain active in markets where microfinance is widely available, Arp, Ardisa and Ardisa analyze the effectiveness of microfinance initiatives in Indonesia. They find that despite the mission of microfinance organizations being to serve the bottom of the pyramid, formal microfinance credit is often not directly available to the poorest borrowers, limiting the effectiveness of these initiatives. Instead, formal microfinance can create informal intermediation opportunities for less poor borrowers. Hence, MNEs that aspire to decrease poverty through providing microfinance to (potential) consumers or suppliers should take into account the challenges associated with reaching out to the bottom of the pyramid. In particular, Arp, Ardisa and Ardisa draw attention to the importance of providing appropriate performance incentives to local employees who sell microfinance credit. Future research on microfinance initiatives could shed more light on how exactly an MNE could set up these microfinance schemes and under which circumstances they create value for the MNE in terms of better market penetration or greater access to suppliers, while at the same time helping to alleviate poverty.

Selmier and Newenham-Kahindi study the contribution of mining MNEs to the SDGs. Although mining MNEs are often criticized for not supporting or in some cases even holding back sustainable development, the authors find that – partly due to the

strict codes of conduct in the sector – mining companies are on average extensively involved in stakeholder management initiatives to foster sustainable development. The discussion of two case studies of mining companies active in Sub-Saharan Africa emphasizes the importance of appropriate stakeholder engagement for the success of sustainability initiatives. This clearly corresponds to the arguments presented by the other articles in this special issue, especially with the views presented by Schönherr et al., by Donohoe and by Topple et al., which strongly emphasize the importance of stakeholder management. A question remains, however: How to create incentives for MNEs that are insufficiently engaged with their stakeholders to adjust their decision-making process? The authors suggest adding teeth to the SDGs by establishing meaningful measurement and enforcement mechanisms. Yet it is not certain whether low-income countries have the capacity to implement such mechanisms, nor whether they can be implemented without deterring investment completely.

3. Suggestions for future research

This special issue intends to set a research agenda on the contribution of MNEs to the SDGs, and we are confident that the articles included in it can inspire future research on this topic. All contributions provide various suggestions for future research, although these offer only a small fraction of the total possible research directions that can be taken. The review article by Kolk et al. demonstrates that of the 5 Ps, IB research on the planet and on partnerships for implementation of the goals is particularly lagging, although research on the other Ps – people, prosperity and peace – is also still in its infancy. We list here several areas of research that we think are promising, as they can inform academia in terms of theory development and empirical research, can guide policymakers in designing policies that maximize MNEs' contributions to the SDGs, and – most important – can aid MNEs with the implementation of the SDGs in their strategies and actions.

- To what extent can the SDGs drive firm-level innovation? Which firms are most likely to innovate in light of the SDGs? And what types of policies could support such innovation efforts?
- How do government policies that aim to implement the SDGs affect the strategy of MNEs?
- How will the SDGs be included in MNE sustainability reporting, and how will these new reporting standards come about?
- How are initiatives supporting the SDGs managed within a firm? Are these strategies for the SDGs initiated from the top down or the bottom up? Are suppliers expected to also implement the MNE's SDG strategies?

- Which firms directly engage with the SDGs? Do they equally divide their efforts between all 17 SDGs, or do they choose to focus on those SDGs to which their contribution can be largest?
- How does firm heterogeneity affect the implementation of the SDGs?
- How does informal intermediation influence poverty alleviation initiatives in contexts other than microfinance, and other SDGs?
- Do MNE actions have an effect on specific SDGs, and how can the effect be measured?
- What are the characteristics of successful public-private partnerships that address SDGs?
- What is the role of MNE value and supply chains with respect to supporting specific types of SDGs?

We sincerely hope that this special issue will promote a surge in research on the crucial relationship between the private sector in general – and MNEs in particular – and the achievement of the SDGs, as well as prompt additional special issues on the topic in this and other IB-related journals.

Caroline Witte and John Dilyard

Multinational enterprises and the Sustainable Development Goals: what do we know and how to proceed?

Ans Kolk, Arno Kourula and Niccolò Pisani*

Multinational enterprises (MNEs) can play an important role in the implementation of the Sustainable Development Goals (SDGs). This article examines what we know about their participation in implementing the SDGs and their impact, both positive and negative, on people, the planet, prosperity and peace as identified in the United Nations (UN) 2030 Agenda. To this end, we review the research published in the main international business journals on five key SDGs that represent these “four Ps”, grouped into three categories: (1) poverty and inequality, (2) energy and climate change, and (3) peace. We summarize the findings of the 61 relevant studies and subsequently explore the UN’s “fifth P”, partnership, both in terms of published research on MNEs and the SDGs, and in terms of a collaborative agenda to help address the large challenges of the 2030 Agenda. In view of the relatively limited research on MNEs and SDGs thus far, academic institutions and international business scholars in particular are well-positioned to offer important insights about the role of business in supporting the SDGs, for which we offer suggestions, also in relation with other key actors.

1. Introduction

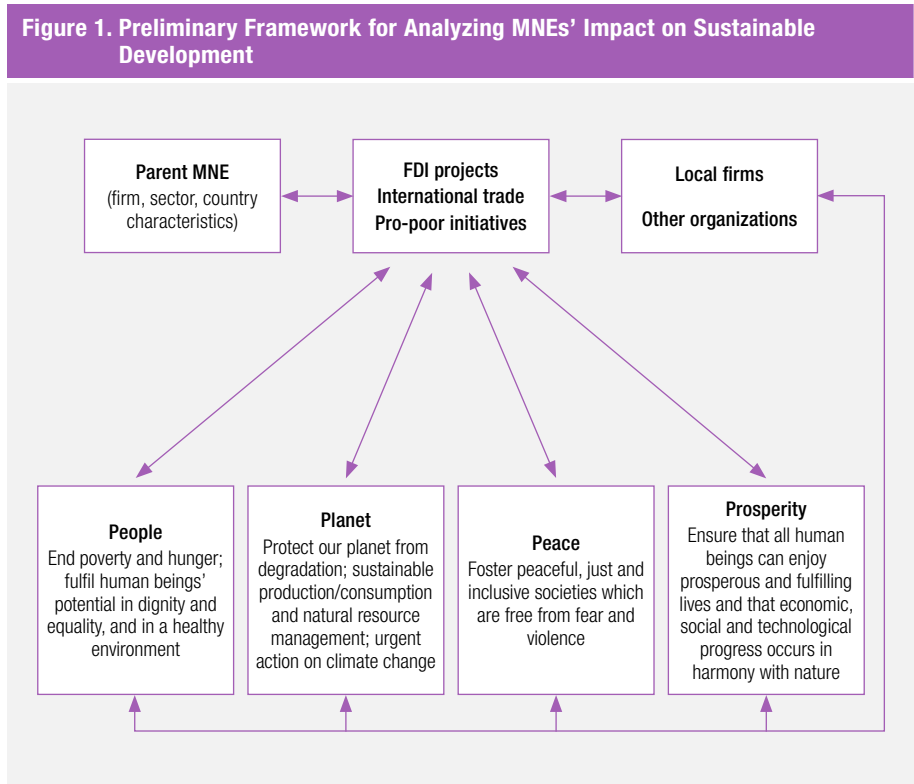
The Sustainable Development Goals (SDGs) are a set of 17 goals with 169 accompanying targets that set out quantitative and qualitative objectives across the social, economic and environmental dimensions of sustainable development to be achieved by 2030. As “Transforming our world: The 2030 agenda for sustainable

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development”, the resolution adopted by the UN General Assembly (UN, 2015, p. 1), put it: “This agenda is a plan of action for people, planet and prosperity. It also seeks to strengthen universal peace in larger freedom.... All countries and all stakeholders, acting in collaborative partnership, will implement this plan.” The SDGs have already resonated strongly in the international policy debate and attracted considerable academic attention, especially in the realm of development studies and sustainability science (see e.g. Oldekop et al., 2016, and the thematic issues of *Current Opinion in Environmental Sustainability*, February 2017, and *International Environmental Agreements*, June 2016). However, the SDGs’ impact on multinational enterprises (MNEs) is still unclear and they have been relatively underexposed in international business (IB) research. In this article, we examine what we do know about MNEs and the SDGs to explore possible next steps and help set a collaborative research agenda, involving IB scholars, on these crucial policy goals.

Our analysis is based on a focused review of how IB research has explored key themes within the SDGs. We follow the main “Ps” identified in the preamble of the UN document (UN, 2015, p. 2). Their relevance for the study of MNEs was underlined by Kolk (2016), who developed a preliminary framework linking key IB concepts to the SDGs and firms’ activities.¹ As shown in figure 1, sustainable development encompasses a focus on people, the planet, peace and prosperity as an even broader composite, all to be realized through partnership. Following this approach, we have selected key goals: poverty and inequality (SDGs 1 and 10, broadly about people and prosperity), energy and climate change (SDGs 7 and 13, broadly about the planet), and peace (SDG 16, specifically about peace). This analysis is presented in the next section, which starts with an explanation of the methodology followed for our focused review. The last section offers perspectives on a collaborative agenda, in which we also reflect on SDG 17, creating partnerships for realizing the goals.

¹ Kolk’s (2016) framework drew on the original essential elements from UN (2014, p. 16), which distinguished people, planet, prosperity, justice and dignity as well as partnership, which can be seen as a key enabling mechanism to realize the goals. In the preamble of the 2015 document (UN, 2015, p. 2), peace replaced justice and dignity, as part of a broader rephrasing and repositioning of the components, which is the approach we also adopted in this article.



Source: Adapted from Kolk (2016, p. 31); as in the original, the upper part was inspired by Meyer (2004, p. 261) and the lower part derived from UN (2015, p. 2).

2. International business and the Sustainable Development Goals

To assess what we know so far about the above-mentioned SDGs from an IB scholarship perspective, we conducted a systematic search of relevant articles in key IB academic journals. To undertake such search, we considered articles that were published in peer-reviewed academic journals, excluding other types of publications such as book reviews or conference proceedings. We restricted our selection of journals to six main journals in the IB field, considered as most relevant for the topic of our article and identified in previous literature reviews precisely focused on IB topics: the *Journal of International Business Studies*, *Journal of World Business*, *Global Strategy Journal*, *Management International Review*, *Journal of International*

Management, and *International Business Review*.² We made use of the Thomson Reuters Web of Knowledge and EBSCOhost Business Source Premier databases to search for articles from the selected journals. In our search, we considered the period ranging from January 1985 up to and including December 2016, in keeping with our intention to cover all of the literature on the topic; in total this encompassed more than 6,000 articles.

As generally is done in literature reviews (Aguinis and Glavas, 2012; Doh and Lucea, 2013; Pisani, 2009; Pisani et al., 2017), we ran a keyword search on the titles, abstracts and keywords provided by authors. The possibility of using standard Boolean operators enabled us to create the following unique search algorithm that we used to identify relevant articles: “inequality” OR “poverty” OR “poor” OR “base of the pyramid” OR “bottom of the pyramid” OR “BOP” OR “energy” OR “climate change” OR “global warming” OR “peace” OR “war” OR “political conflict” OR “armed conflict” OR “violent conflict” OR “terrorism”. The keyword search yielded 127 articles that we read to determine whether they ought to be included in our final sample of articles. This led us to identify 61 articles that we considered relevant contributions for the purposes of our review. In the following subsections we review all of them, grouped according to the selected SDGs and themes.

Poverty and Inequality

IB research on poverty and inequality can be categorized into four broad themes: trade and inequality, MNE operations in developing countries, business at the base of the pyramid and microfinance. The two former themes deal with international trade and foreign direct investment, while the latter two are forms of pro-poor initiatives (see figure 1). Table 1 summarizes the key findings in IB research on poverty and inequality, and references all 27 articles pertaining to this stream of research.

Within the broad theme of trade and inequality, early descriptive and conceptual papers from the 1980s and 1990s laid the foundation for a discussion about the social impacts of international trade (see Behrman, 1985; Nalen, 1985; and Schmidheiny, 1992). More recently, Judge et al. (2014) explored the relationship

² IB review articles usually include the *Journal of International Business Studies*, *Journal of World Business and Management International Review* and often also the *International Business Review* (e.g. Chan, Fung and Leung, 2006; Kolk and Van Tulder, 2010; Kumar and Kundu, 2004). We also considered the *Journal of International Management* (e.g. Treviño, Mixon, Funk and Inkpen, 2010) and the most recent addition to the field, the *Global Strategy Journal* (e.g. Tüselmann, Sinkovics and Pishchulov, 2016). We did not include the marketing-oriented journals *International Marketing Review* and *Journal of International Marketing* (as done by e.g. Xu, Yalcikaya and Seggie, 2008) as our experience, corroborated by a preliminary keyword search on these journals, shows that they pay less attention to the SDG-type of research that is key to this article (Kolk and Rivera-Santos, 2016).

Table 1. Summary of Key Themes and IB Studies on Poverty and Inequality

POVERTY AND INEQUALITY

Key themes	References	Key findings
Trade and inequality (No. articles: 7)	Behrman (1985) De Lange (2013) Judge, Fainshmidt and Brown (2014) Nalen (1985) Roy and Goll (2014) Schmidheiny (1992) Seyoum (2006)	<ul style="list-style-type: none"> - Cross-national direct investment supports the development of economic ties and a growing community of interests, making it possible to address critical global problems and potentially leading to a one-world economy (Behrman, 1985). - Diasporas can support the rebalancing of global inequalities (De Lange, 2013). - Specific configurations of national business systems (including lower power distance, better training systems and higher state expenditures) are associated with relatively high levels of equitable wealth creation, while others are not (Judge et al., 2014). - In the mid-1980s, private investment in third world development was described both as a market opportunity and as a project to improve quality of lives and develop a prosperous and peaceful world (Nalen, 1985). - Cultural practices predict national-level sustainability; specifically, a gender-egalitarian culture positively influences human development, as does GDP and the economic growth rate (Roy and Goll, 2014). - Since its foundation, the Business Council for Sustainable Development (BCSD) promoted liberal trade and international agreements as ways to achieve economic growth and address environmental issues (Schmidheiny, 1992). - The Generalized System of Preferences has a significant and positive effect on beneficiary exports from developing countries to the United States (Seyoum, 2006).

Table 1. Summary of Key Themes and IB Studies on Poverty and Inequality
(continued)

POVERTY AND INEQUALITY

Key themes	References	Key findings
<p>MNE operations in developing countries</p> <p>(No. articles: 10)</p>	<p>Chelekis and Mudambi (2010)</p> <p>Fortanier and Van Wijk (2010)</p> <p>Ghauri and Rao (2009)</p> <p>Guth (2009)</p> <p>Hill and Mudambi (2010)</p> <p>Husted (2013)</p> <p>Levy (2007)</p> <p>Musteen, Rhyne and Zheng (2013)</p> <p>Van de Vliert (2003)</p> <p>Yamin and Sinkovics (2009)</p>	<ul style="list-style-type: none"> - By leveraging local micro-entrepreneurship to compete with local firms, MNEs can develop direct sales channels to remote areas with positive local economic and social outcomes (Chelekis and Mudambi, 2010). - Although MNEs' entry into developing countries can have a positive employment impact, it may also have a negative impact through the poaching of talented employees of local firms (Fortanier and Van Wijk, 2010). - Several policy options and increased partnerships can mitigate pharmaceutical companies' trade-off between preserving incentives for innovation while making drugs accessible at affordable prices to the poor (Ghauri and Rao, 2009). - Five key trends are impacting MNEs: growth between and within regions, increasing consumer demand among the very poor in emerging markets, technological innovation, globalization of labor markets, and increasing access to information and knowledge (Guth, 2009). - Entrepreneurship in emerging economies faces three specific processes of spillover and catch up, brokering and bottom up (Hill and Mudambi, 2010). - Nonmarket research in global strategy should aim to first normatively determine what MNE responsibilities should be and then strive to understand how MNEs can better manage their social and environmental impacts (Husted, 2013). - International business scholarship and constructs can help to make global trade and MNEs' strategies supportive of development, especially when orienting towards Millennium Development Goals (Levy, 2007). - A firm's reputation can constrain its actions in uncertain environments such as least developed countries (Musteen et al., 2013). - Overpaying employees is more prevalent in developing countries that have a more temperate climate or a more mastery-oriented culture, or both (Van de Vliert, 2003). - MNE strategies can have a negative impact on the development of infrastructure in developing countries by aggravating local governments' financial constraints on developing basic infrastructure (Yamin and Sinkovics, 2009).

Table 1. Summary of Key Themes and IB Studies on Poverty and Inequality
(concluded)

POVERTY AND INEQUALITY		
Key themes	References	Key findings
<p>Business at the base of the pyramid (BOP)</p> <p>(No. articles: 6)</p>	<p>Acosta, Kim, Melzer, Mendoza and Thelen (2011)</p> <p>Gold, Hahn and Seuring (2013)</p> <p>London and Hart (2004)</p> <p>Rivera-Santos and Rufin (2010)</p> <p>Schuster and Holtbrügge (2012)</p> <p>Sinkovics, Sinkovics and Yamin (2014)</p>	<ul style="list-style-type: none"> - Geographical market heat maps can determine where the greatest challenges and opportunities lie at the BOP (Acosta et al., 2011). - Applying sustainable supply chain management to BOP projects can complement economic, social and environmental dimensions of sustainability (Gold et al., 2013). - BOP strategies that focus on leveraging the strengths of local market conditions (using non-traditional partners, co-inventing custom solutions and building local capacity) outperform strategies that rely on overcoming weaknesses (London and Hart, 2004). - BOP and top of the pyramid interorganizational networks differ significantly, having important implications for MNEs active in BOP environments (Rivera-Santos and Rufin, 2010). - To develop knowledge of the BOP, MNEs need to go beyond local manufacturing and production facilities (Schuster and Holtbrügge, 2012). - Social value creation forms an integral part of entrepreneurship at the BOP, despite several constraints (Sinkovics et al., 2014).
<p>Microfinance</p> <p>(No. articles: 4)</p>	<p>Ault (2016)</p> <p>Bruton, Khavul and Chavez (2011)</p> <p>Mersland, Randoy and Strom (2011)</p> <p>Serrano-Cinca and Gutierrez-Nieto (2014)</p>	<ul style="list-style-type: none"> - The commercialization of microfinance contributes to less inclusivity (i.e. microfinance institutions increasingly targeting wealthier clients at the detriment of the poor), but lower levels of state fragility decrease the pressure to switch to wealthier clients (Ault, 2016). - Microloan borrowers who are future oriented, have decision-making power and actively manage their relationships tend to be able to create high-performing ventures that generate employment for those outside their immediate family (Bruton et al., 2011). - International influence (initiator, directorship, debt and networks) has a strong impact on the performance of microfinance institutions (Mersland et al., 2011). - Microfinance institutions face mission drift, i.e. pressure to change from a non-profit to a commercial venture (Serrano-Cinca and Gutierrez-Nieto, 2014).

between national business systems and inequality. Specifically, they show that lower power distance, better training systems and higher state expenditures are associated with relatively high levels of equitable wealth creation. In a broad analysis of the relationship between cultural practices and sustainability, Roy and Goll (2014) find that a culture of gender egalitarianism supports human development, understood as a combination of income, health and education. Finally, De Lange (2013) argues that diasporas can play an important role in the rebalancing of global inequalities, and Seyoum (2006) claims that trade policies such as the generalized system of preferences have benefited exports from developing countries to the United States.

Whereas trade and inequality studies take an institutional approach, using the national level of analysis, several studies have explored MNE operations in developing countries specifically. IB scholars have examined a broad array of topics, including the role and impact of a good reputation for MNEs when operating in developing countries (Musteen, Rhyne and Zheng, 2013), employee compensation (Van de Vliert, 2003), recruitment of local talent (Fortanier and Van Wijk, 2010), the development of basic infrastructure (Yamin and Sinkovics, 2009), access to drugs (Ghauri and Rao, 2009), and the utilization of micro-entrepreneurs as partners (Chelekis and Mudambi, 2010). Introductory essays (Husted, 2013) and more general reviews of entrepreneurship in emerging economies (Hill and Mudambi, 2010) and broader trends in MNE participation in developing countries in the context of globalization (Guth, 2009; Levy, 2007) have also appeared. Although IB as a field can generally be seen as promoting international trade, it is interesting to note that studies have also explored the negative consequences of MNE activities in developing countries, both for firms and for society. For instance, Musteen et al. (2013) argue that a high reputation can become a burden for a firm when operating in least developed countries; Yamin and Sinkovics (2009) demonstrate how MNE strategies can have a negative impact on basic infrastructure in developing countries; and Fortanier and Van Wijk (2010) show that while MNEs tend to bring jobs to developing countries, they also can simultaneously poach talent from local companies. All of these studies have been published fairly recently and within a period of a few years. Thus, we argue that the impacts of MNEs in developing countries need much more scholarly attention.

Continuing with the theme of MNE operations in developing countries, several recent studies have been framed specifically as examining business at the base of the pyramid (BOP) and/or microfinance. The abbreviation “BOP” has become a popular label to describe business development in the base of the global income pyramid, i.e. very-low-income environments (see Kolk, Rivera-Santos and Rufin, 2014). One of the early articles on the BOP in IB was London and Hart’s (2004) description of strategies in low-income markets. The authors suggest that strategies focusing on leveraging the strengths of local market conditions (using non-traditional partners, co-inventing custom solutions and building local capacity) outperform strategies relying on overcoming weaknesses. Since then, contributions to the broader BOP

literature in IB journals include studies on MNEs' adaptation strategies (Schuster and Holtbrügge, 2012), development of networks (Rivera-Santos and Rufin, 2010), implementation of sustainable supply chain measures (Gold, Hahn and Seuring, 2013) and overall value creation in BOP environments (Sinkovics, Sinkovics and Yamin, 2014). Acosta et al. (2011) also provide the tool of market heat maps to pinpoint opportunities for business in developing so-called inclusive markets.

Finally, the microfinance theme has also received some attention in IB, including more specific topics of mission drift (i.e. struggling between for-profit and not-for-profit) of microfinance institutions (Serrano-Cinca and Gutierrez-Nieto, 2014), the negative societal impacts of commercialization (Ault, 2016), the impact of international influence including international initiators, directorship, debt and affiliations and networks (Mersland, Randoy and Strom, 2011), as well as the behaviour of microloan borrowers (Bruton, Khavul and Chavez, 2011). Especially impressive are studies using extensive data sets, such as Ault's (2016) data on lending practices of almost 2,700 microfinance institutions in 123 countries over a long period of time. We can clearly see that microfinance has become interesting to IB scholars only recently and hope that the practices related to this type of poverty reduction approach are further studied and critically evaluated in the future, although pro-poor initiatives entail much more than microfinance alone.

Energy and Climate Change

In terms of energy and climate change, we see only moderate research interest in IB journals, which is quite surprising given the importance of the topic and the much larger literature outside IB. The relevant IB studies identified using our methodology have been published fairly recently and deal with four key themes. We categorize literature based on particular stakeholder groups: MNEs, governments, entrepreneurs and consumers (see table 2, which offers an overview of the key findings in IB research on energy and climate change and includes the references to all 16 articles we identified as relevant contributions to this area of research).

An early study on MNEs, climate change and energy (Poduska, Forbes and Bober, 1992) indicates that environmental considerations were already viewed as central to business strategy at the beginning of the 1990s. We currently see that MNEs deal with many tensions (e.g. home versus host country requirements) as well as global isomorphic forces (Pinkse and Kolk, 2012a), yet IB research has given only limited attention to the tension associated with the standardization versus local adaptation of strategies on energy and climate change. Kolk and Pinkse (2008) show how firms can tackle issues such as climate change and develop advantages specific to "green" firms. Finally, when describing corporate citizenship initiatives to tackle climate change, Shinkle and Spencer (2012) show how automobile industry firms use similar themes across an industry with differences in implementation.

Table 2. Summary of Key Themes and IB Studies on Energy and Climate Change

ENERGY AND CLIMATE CHANGE		
Key themes	References	Key findings
MNEs (No. articles: 4)	Kolk and Pinkse (2008) Pinkse and Kolk (2012a) Poduska, Forbes and Bober (1992) Shinkle and Spencer (2012)	<ul style="list-style-type: none"> - Important environmental issues can give MNEs the opportunity to develop “green” firm-specific advantages and reconfigure them for profit, growth and survival (Kolk and Pinkse, 2008). - MNEs need to find a balance between their institutional embeddedness in home, host and supranational contexts (Pinkse and Kolk, 2012a). - Environmental considerations have become a central part of business planning (Poduska et al., 1992). - When describing their corporate citizenship initiatives to tackle climate change, MNEs use similar themes across an industry with differences in implementation (Shinkle and Spencer, 2012).
Governments (No. articles: 6)	Bucheli and Aguilera (2010) Duncan (1992) Foell (1992) French (1990) Romilly (2007) Westin (1992)	<ul style="list-style-type: none"> - A government depending on a small political coalition will use oil rents as a private good to be distributed to those close to the ruler, whereas a government relying on broad coalitions will use oil rents as public goods to be distributed among the population (Bucheli and Aguilera, 2010). - In the early 1990s, limiting carbon emissions by strict regulation and tax was not seen as realistic, as 80% of the world was living in poverty and seen to need economic development (Duncan, 1992). - Former centrally planned economies’ energy systems were in need of transition as a consequence of devastating environmental impacts (Foell, 1992). - Governments can implement various measures to curb air pollution, including transportation policies to lessen dependence on automobiles (French, 1990). - Regional temperature-risk profiles can help companies adapt to climate change (Romilly, 2007). - In the early 1990s, the United States government was lagging behind in addressing climate change (Westin, 1992).
Entrepreneurs (No. articles: 1)	De Lange (2016)	<ul style="list-style-type: none"> - Entrepreneurs can overcome institutional voids with strategies that support the development of an institutional field (De Lange, 2016).
Consumers (No. articles: 1)	Grinstein and Riefler (2015)	<ul style="list-style-type: none"> - Cosmopolitan consumers demonstrate environmental concerns and can be targeted by either highlighting global benefits or activating a local identity (Grinstein and Riefler, 2015).
Overviews/ reviews (No. articles: 4)	Guest (2010) Kolk (2016) Kolk and Van Tulder (2010) Macharzina (2000)	<ul style="list-style-type: none"> - Four essential elements are included in the economics of sustainability in the context of climate change: valuing the distant future, the uncertainty and irreversibility of climate change, the difference between natural and reproducible capital; management of the global ‘commons’ (Guest, 2010). - Fifty years of IB research on social responsibility has addressed three key themes: (green) environment; ethics, rights and responsibilities; poverty and (sustainable) development (Kolk, 2016). - MNEs are seen more and more as part of the solution – and not just the problem – in IB research on corporate social responsibility (Kolk and Van Tulder, 2010). - MNEs can decrease turbulence in European energy markets by supporting global and national reduction of energy consumption (Macharzina, 2000).

Early work by French (1990) describes how governments started putting in measures to curb air pollution. Foell (1992) described the devastating effects of former centrally planned economies and called for energy transitions. Similarly, Westin (1992) was calling on the United States government to accept the existence of global warming and implement measures to address the challenge. In contrast, Duncan (1992) argued that extensive environmental maintenance measures needed to be balanced with the appropriate allocation of resources to consumption and investment. More recent work has developed regional risk profiles (Romilly, 2007) and the outcomes of governments' use of coalitions (Bucheli and Aguilera, 2010). The latter study finds that relying on broader political coalitions of individuals and organizations leads to governments using oil rents to distribute wealth among the population instead of privately gaining from them. A study on entrepreneurship by De Lange (2016) provides insights on how they can overcome institutional voids by developing their own institutional fields. Finally, Grinstein and Riefler (2015) focus on a particular customer segment: the cosmopolitan consumer. The authors argue that they can be targeted by either highlighting global benefits or activating a local identity.

In addition to examining key stakeholders, several reviews have also appeared that deal, at least partially, with topic areas such as climate change and energy (e.g. Guest, 2010; Kolk, 2016). We underline the importance of more research on these themes (and the SDGs), which are crucial both for the future of so many MNEs as well as for the fate of developing countries and the poor (for further studies cf. Kolk, 2015; Kolk and Van den Buuse, 2012).

Peace

The articles focused on peace can be further clustered into four broad themes based on the specific foci examined: relation between business and conflict, MNEs' responses to conflict, employees' reactions to conflict, and MNEs and terrorism. Table 3 summarizes the key findings in IB research on peace and contains the references to all 18 articles pertaining to this stream of research.

The first cluster, relation between business and conflict, focuses on the very relationship between economic variables and political conflict. Studies on this relationship started to appear in economics and political science in the 1980s and led to the formation of an entire segment of literature on this topic (see for instance the seminal article by Polachek (1980), who showed that trade and conflict are inversely related). Yet, the volume of IB research that has focused on this issue has been rather limited until now (Henisz, Mansfield and Von Glinow, 2010). The first contribution in the 61 articles is Lee (1993), who investigated the relative importance of political instability and economic variables on perceived country creditworthiness and showed that both variables explain variation in credit ratings. Specifically, the frequency of regime changes and armed conflict significantly affect the creditworthiness of – especially –

Table 3. Summary of Key Themes and IB Studies on Peace

PEACE		
Key themes	References	Key findings
Relation between business and conflict (No. articles: 6)	Dai, Eden and Beamish (2013) Henisz, Mansfield and Von Glinow (2010) Lee (1993) Li and Vashchilko (2010) Ramos and Ashby (2013) Retzky (1995)	<ul style="list-style-type: none"> - Greater exposure to geographically defined threats reduces the likelihood of MNEs' foreign subsidiary survival in host countries afflicted by political conflict. In addition, both the concentration and the dispersion of other firms affect survival, and the effects are dependent not only on where the firm is geographically located but also on the type of other firms located in the geographic proximity (Dai et al., 2013). - Greater international commerce fosters cooperation, at least as a mean tendency. Country-level, sector-level and firm-level contingencies affect the strength and nature of the relation between conflict and economic exchange (Henisz et al., 2010). - Both political instability and economic variables are taken into account in evaluating country creditworthiness; the frequency of regime changes and armed conflict, both proxies for political instability, affect credit ratings (Lee, 1993). - Interstate alliances and political-military conflict influence bilateral investment flows by changing both government policies towards international business and investor expectations of political risk. Whereas military conflict reduces bilateral investment, security alliances increase it (Li and Vashchilko, 2010). - Investor home-country experience with organized crime does not ameliorate the negative effect that organized crime has on foreign direct investment. Crime in host locations is positively associated with investment from high-crime countries (Ramos and Ashby, 2013). - The trader's axiom: with stability, spreads narrow. Unforeseen external forces create uncertainty and widen spreads, which is why business takes the absence of these events into consideration when judging whether to trade or invest. This concept has even greater significance when applied to the Middle East (Retzky, 1995).
MNEs' responses to conflict (No. articles: 3)	Barnes and Oloruntoba (2015) Jallat and Shultz (2011) Oetzel and Getz (2012)	<ul style="list-style-type: none"> - Cross-sector partnerships between government and firms can be a useful response to mitigate the terrorist threats in global maritime supply chains (Barnes and Oloruntoba, 2015). - In order to manage a crisis properly, MNEs should be systematically prepared before the crisis occurs through, for instance, the establishment of a standardized crisis response plan; during the crisis, subsidiaries should also try to take advantage of their being part of a MNE network, for example, by leveraging the relevant knowledge accumulated in headquarters or by taking advantage of a corporate culture that can supersede crisis conditions in some contexts (Jallat and Shultz, 2011). - Stakeholder pressures influence the likelihood that firms will respond to violent conflict. Local stakeholder pressure tends to trigger a direct response; international stakeholder pressure an indirect one (Oetzel and Getz, 2012).

Table 3. Summary of Key Themes and IB Studies on Peace (concluded)

PEACE		
Key themes	References	Key findings
<p>Employees' reactions to conflict</p> <p>(No. articles: 4)</p>	<p>Bader and Berg (2013)</p> <p>Bader, Berg and Holtbrügge (2015)</p> <p>Bader and Schuster (2015)</p> <p>Reade and Lee (2012)</p>	<ul style="list-style-type: none"> - Several terrorism-related stressors create a significant stress level for the individual, causing negative work attitudes and attitudes towards host-country nationals (disaffection) (Bader and Berg, 2013). - In terrorism-endangered countries, safety-related intrafamily tension significantly impedes expatriates' work performance (Bader et al., 2015). - Large and diversified networks positively affect the psychological well-being of expatriates. Moreover, a higher terrorism level per se does not necessarily negatively affect the psychological well-being of expatriates; however, the impact of expatriate social network characteristics on psychological well-being is amplified (Bader and Schuster, 2015). - Employee sensitivity to ethno-political conflict is inversely related to organizational commitment and has explanatory power beyond the traditional predictors of organizational commitment (Reade and Lee, 2012).
<p>MNEs and terrorism</p> <p>(No. articles: 5)</p>	<p>Branzei and Abdelnour (2010)</p> <p>Czinkota, Knight, Liesch and Steen (2005)</p> <p>Czinkota, Knight, Liesch and Steen (2010)</p> <p>Czinkota and Ronkainen (2009)</p> <p>Harvey (1993)</p>	<ul style="list-style-type: none"> - Terrorism conditions may create psychological incentives for enterprise resilience, which may even yield more favourable economic payoffs at higher levels of terrorism, especially for informal entrepreneurs (Branzei and Abdelnour, 2010). - Terrorism poses both direct and indirect threats to the operations of the firm. It represents a market imperfection that increases transaction costs and creates barriers to the free flow of goods, affecting potential gains that would occur in the presence of unhindered exchange (Czinkota et al., 2005). - Terrorism threatens international business through its direct and indirect effects. Although the scholarly literature on terrorism in domains outside business is extensive, research within IB is still limited (Czinkota et al., 2010). - Firms and policymakers have a clear understanding that terrorism is an ongoing phenomenon to be confronted. As such, it is one of the issues that have significantly risen in importance in international business (Czinkota and Ronkainen, 2009). - Many companies do not have formal programs to deal with a terrorist attack. Most of the firms that do have programs spend their programs on security equipment and not on training executives and their families (Harvey, 1993).

less developed countries, which are then found to face difficulties in respecting their debt obligations. Conflict harms the ability to attract funds and respect international obligations and thus negatively influences the ability of firms to grow and flourish. This is because the resulting low creditworthiness of the government negatively affects the creditworthiness of firms in that country. This notion is corroborated by the case of Israeli business and the benefits that it would be able to enjoy from peace in the Middle East as discussed by Retzky (1995).

More recently, Ramos and Ashby (2013) have examined the notion that conflict generated by organized crime has also a negative effect on foreign direct investment that is not weakened by foreign investors' home-country experience. The authors show that higher levels of organized crime in host environments are positively related with investments from high-crime countries, thus suggesting a heterogeneous firm response to organized crime. In addition, Dai et al. (2013) have recently contributed to this stream of research by examining the specific role of geography in the survival of MNEs' foreign subsidiaries in host environments afflicted by political conflict. Their study shows that greater exposure of the foreign subsidiary to geographically defined threats reduces the likelihood of its survival. Furthermore, the authors show that both concentration and dispersion with other firms affect the survival of firms, with the effect being dependent on not only where the firm is located (i.e. whether the zone is afflicted by a conflict) but also what other firms are nearby (i.e. with home-country peers or sister subsidiaries).

The second theme we identified is MNEs' responses to conflict. Jallat and Schults (2011) examine the case study of the Phoenicia hotel in Beirut, a member of the MNE InterContinental Hotels Group, and how it responded to the 2005 bombing that disrupted the tourism industry in Lebanon. The authors examine how this hotel, despite being directly affected by the bombings, managed to thrive in the face of this extreme crisis. Among the key factors that made this possible was the fact that the hotel managers had devoted time and resources to complete a crisis management plan before they experienced the event. The preparation of an ex-ante contingency plan had ensured that the firm was suitably prepared. Oetzel and Getz (2012) investigate over 450 MNEs operating in 80 countries to understand the factors that affect the likelihood of firms to respond to violent conflict. They show that whereas local stakeholder pressures are more likely to trigger a direct response to this type of conflict, international stakeholder pressures tend to incentivize a more indirect response.

The third theme entails studies on employees' reactions to conflict. Bader and Berg (2013) corroborate the notion that the presence of conflict heightens the stress levels of employees in general and, more specifically, of expatriates. Moreover, Bader et al. (2015) confirm that expatriates do not perform well when they face safety-related tensions that affect their own families; however, Bader and Schuster (2015) looked at expatriates' social networks and show that large and diversified networks contribute to the improved psychological well-being of expatriates who are relocated

to terrorism-endangered countries. Reade and Lee (2012) examine organizational commitment in foreign-invested and local firms situated in an operating environment characterized by ethnopolitical conflict and its violent manifestations of civil war and terrorism. The authors show that employees' sensitivity to the conflict is inversely related to their firm's organizational commitment, thus suggesting the presence of an additional indirect cost faced by firms operating in such environments. Their analysis also shows that foreign-invested firms are relatively better equipped to manage this potential cost by maintaining a high level of perceived organizational support among their employees.

The fourth and final theme, MNEs and terrorism, focuses on the specific issue of terrorism, defined as "the premeditated, systematic threat or use of violence by subnational groups to attain a political, religious, or ideological objective through intimidation of a large audience" (Czinkota et al., 2010, p. 828) – and its impact on the operations of firms. The first contribution to this theme in our sample dates back to 1993, when Harvey examined United States-based MNEs' programs for managing terrorist attacks and found that less than 50% of the surveyed firms had formal procedures to deal with one and that those which did invested exclusively in security equipment rather than in training for employees. Nearly a decade later, Czinkota et al. (2005) offered a broader discussion on the direct and indirect threats of terrorism to the operations of firms and developed a series of general propositions on terrorism's link to management and marketing. In a 2010 Perspective article published in *Journal of International Business Studies*, Czinkota et al. further elaborated on this discussion and specifically examined the relation of terrorism and IB, developing a nuanced theoretical grounding for terrorism research in the IB field. The authors built on the extensive research done on political risk and argued that the approaches developed in the IB literature in relation to political risk hold relevance for firms in dealing with terrorism as well. Having said this, even though political risk and terrorism share some characteristics, they differ in various ways that make research focused on the specificities of terrorism necessary. Czinkota et al. (2010) thus offered a comprehensive agenda for future research. In the same issue focused on conflict, security and political risk, Branzei and Abdelnour (2010) and Li and Vashchilko (2010) also offered interesting insights on this topic – respectively on the paradox of enterprise emergence and persistence under extreme adversity, and on the role of interstate military conflict and security alliances on investor expectations of political risk.

Assessing the stream of studies linking terrorism to IB, we note that, despite the several fruitful directions offered in the perspective article by Czinkota et al. (2010), as of 28 April 2017, their work was cited by 27 articles in the Web of Science database, with many of these articles falling outside the specific realm of IB research. Therefore, we call explicit attention to this dearth of studies. As Czinkota et al. (2010, p. 826) appropriately put it "IB scholars are encouraged to offer useful perspectives

and effective solutions that shed needed light on terrorism and help reduce its destructive effects for international business and multinational firms.” We concur with the authors that the role of terrorism in IB must be better understood. To this end, additional scholarly research focused on terrorism and the IB landscape is much needed. Furthermore, it is highly salient that the very topic of peace has not become a stream of research within IB yet (and did not show up in any significant way in our search). This is all the more remarkable as “business for peace” and “peace through commerce” (terms often used interchangeably) have given risen to a multidisciplinary body of work (for a good overview, see Lenfant, 2016, and the symposium in the *Academy of Management Perspectives*, November 2015). This is thus another area that deserves further research attention.

3. Collaborative agenda for the future

Given the state of the art as reported in this article, this final section discusses possible next steps and what different parties may do, individually but especially jointly, in view of the huge challenges ahead. Interestingly, while partnership is a crucial component of the SDGs and has received ample academic and practitioner attention in a still growing stream of literature related to sustainability and corporate social responsibility (CSR), in our sample only a few studies focus on this fifth P (and thus SDG 17). Of the 127 articles that we derived from the original keyword search (see section 2) focused on themes within the other four Ps (people, planet, prosperity, peace), only 2 also contained the keyword “partnership” in the title, abstract or keywords provided by the authors. These two focused on the importance of respectively generating new partnerships between government and business at both the national and the international levels in an effort to mitigate terrorist threats in global maritime supply chains (Barnes and Oloruntoba, 2015), and establishing non-market partnerships with well-known organizations such as universities and research institutes as a way to achieve legitimacy for clean technology entrepreneurs (De Lange, 2016).

In the original full set of over 6,000 articles from the six journals over the 1985–2016 period, 58 came out when searching for the term partnership, but only 5 could be clearly associated with the notion of partnership intended as the fifth P (most of the retrieved articles mentioned the word “partnerships” when referring to firms’ strategic alliances and joint ventures). The five articles that we identified as relevant covered different facets of the notion of partnership. Specifically, Ritvala et al. (2014) focus on three types of integration mechanisms (resource mechanisms, ideational and social mechanisms, and organizational mechanisms) that increase the likelihood of a successful creation of cross-sector partnerships between multinationals, governments and non-profit organizations. Bhanji and Oxley (2015) also centre their attention on cross-sector partnerships and their specific use to facilitate firms’ implementation of corporate citizenship programs. In a similar vein

to the work by De Lange (2016), Marano and Tashman (2012) and Kourula (2010) investigate multinationals' creation of partnerships with NGOs in their quest for social legitimacy. Finally, Mair and Martí (2006) assess social entrepreneurship research and only tangentially focus on the notion of partnership insofar as a stream of studies has framed the socially responsible practices of firms precisely in relation to their engagement in cross-sector partnerships.

Although our journal sample and keyword selection obviously suffer from the usual limitations, the fact that we found only a few articles on partnerships underscores how little the IB academic literature has addressed this topic thus far, because a broader search that includes management and CSR or sustainability journals would have yielded some more studies (Kourula, Pisani and Kolk, 2017). For example, Kolk and Lenfant (2015) provide insight into the literature on cross-sector collaboration in the business and the policy and development fields, to subsequently focus on partnerships for peace and development and thus set the stage for further research concerning fragile areas in particular. Their study and framework suggest ample opportunities for further investigation, focused on MNEs, not only regarding peace but also other SDGs. Partnerships for climate change have been studied empirically by, for example, Bulkeley et al. (2012) and Pinkse and Kolk (2012b). Here too, the dynamics of international business are not specifically investigated, and the explicit positioning within the whole SDG debate has been missing as well. Thus, from the partnership perspective, which emphasizes the added value of cross-sector collaboration to further the greater societal good, these examples show how some existing studies can provide a starting point for more in-depth research on MNEs and the SDGs. Likewise, discussions about the need for collaborative, sustainable business models has entered the management and environmental literature, but how these can be translated or transformed for firms that operate across borders, and especially in least developed countries, has hardly received attention.

All this means that there is a huge task ahead for IB scholars because they have specific foci and competences to help shed light on how to advance sustainable development involving international firms as key actors operating, and thus with the potential to play a role, in different geographical locations. Figure 1 provides a possible framework to help direct future research efforts, with the key IB elements summarized in the upper part. Although some of the components have been investigated already (especially the economic impact of foreign direct investment in developing countries), a coherent approach is needed involving the broad implications for sustainable development of MNEs' investments, trade and pro-poor (CSR) initiatives. Such research can be done for individual SDGs or for (parts of) the people, planet, peace and prosperity clusters. Our analysis here suggests that poverty and inequality as well as peace have been underexamined, despite their tremendous societal salience. Findings offered by future IB studies in these realms can be vital input for policymaking related to the SDGs.

At the same time, IB scholars will need to partner to get their voices heard, as all too often the vast valley between academic knowledge and practical relevance remains uncrossed. This has to do with, *inter alia*, the nature of academia nowadays and the complex web of (especially UN) policymaking, which is very difficult to unravel for scholars working at universities and business schools. All actors have (over) loaded day-to-day schedules, which show huge differences in content and activities as well; thus, it is crucial to find targeted avenues for truly effective exchange of knowledge, i.e. without involving large numbers of meetings. We see this effort as one that should be initiated or developed by those in charge of furthering the SDG 2030 agenda, but it will require active participation by and willingness from researchers to translate and communicate their findings in the most appropriate way at such occasions when given the opportunity. This means not only personal but also institutional commitment to make a real and substantial contribution. For example, individuals must be brave enough to take partly uncharted and sometimes risky research routes, which may often involve reaching out to other (sub)disciplines. It is necessary that their institutions recognize the value of such efforts, even if (perceived) “high-quality journal” output cannot be realized immediately, and that they provide time and funding if needed. Such recognition would be easier to achieve if work on MNEs and the SDGs becomes more widespread and common in reputable IB journals. That also implies that interested researchers would not be burdened with browsing non-field journals to learn about the most relevant debates and the state of the art, a task that is in fact hard to achieve, given the growing specialization and rapid expansion of the number of outlets across the board.

As shown in this article, we have still quite a way to go in IB to make this happen, despite all the interesting studies done so far. Although our analysis of 61 articles published in IB journals has offered only a partial overview of how the field has addressed the four “Ps” (people, planet, prosperity and peace), the studies themselves reveal that IB scholarship is particularly well positioned to support our understanding of and action towards sustainable development. Earlier work from the 1980s and 1990s related to the themes of the SDGs emphasized macro-level developments, but later IB research has focused more on the organizational level. The key insights from IB on sustainable development have come and will continue to come from an in-depth examination of the roles of firms, which other disciplines cannot do to the same extent although they can help focus attention on notions such as inclusive development and human well-being (Kourula et al., 2017). Although lack of data has often been mentioned as a key barrier to further research, a recent review article on IB and international CSR (Pisani et al., 2017) gives a helpful overview of a range of sources and notes that they are often used in only a few articles and that more frequent use, preferably in a pooled manner, might be an effective way to address this problem. Perhaps international organizations such as UNCTAD could play a role in merging existing databases or could provide comprehensive overviews of (new) data collection efforts relevant to MNEs and the SDGs.

Overall, MNEs can clearly have an important impact on sustainable development, both through their negative social and environmental externalities and, as they are increasingly portrayed, as a provider of solutions. We should acknowledge that MNEs have had a central role in creating the challenges we now face and that sustainable transitions are unlikely to take place in a smooth manner. IB studies have dealt with the selected SDGs in a fairly broad way, with the requisite focus on trade and multinational firms. Nonetheless, it is obvious that MNEs will not aim to achieve the SDGs alone but in partnerships – hence, the fifth P. While IB has a tendency to examine multinationals, a variety of other actors – such as intergovernmental organizations, national governments, cities, the whole range of nongovernmental organizations including grassroots organizations and trade unions, the media, small and medium-sized local firms, and sustainable entrepreneurs – are central to dealing with the SDGs. Thus, various forms of partnerships and dialogue are necessary, as well as a critical assessment of the possibility of all actors to get their voices heard. Despite all the complexities and challenges involved, we look forward to this exciting journey for research, teaching, business practice and policymaking and to making a further contribution.

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Exploring the Interface of CSR and the Sustainable Development Goals

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Transnational corporations (TNCs) today are facing rising expectations that they will engage with societal stakeholders and get involved with sustainable development, even in light of an increasingly uncertain international business environment. This article explores how the Sustainable Development Goals (SDGs) as a global agenda may serve as a reference framework that can support TNCs in improving their corporate social responsibility (CSR) engagement in a way that contributes to sustainable development. The authors specifically consider the role of systematically measuring and managing corporate impacts on sustainable development as a prerequisite for demonstrating a net contribution to the SDGs. In order to capture these impacts, existing corporate measurement and evaluation systems need to be adapted and new management instruments have to be developed. We conclude by proposing a research agenda for this purpose.

Key words: transnational corporations, sustainable development, corporate social responsibility, Sustainable Development Goals, impact measurement

1. Introduction

It has long been assumed in the discourse on corporate social responsibility (CSR) that in order to be considered responsible, a transnational corporation (TNC) must “do well and do good” (Falck and Heblich, 2007). Indeed, this idea is at the core of the most widely accepted CSR concepts, such as the triple bottom line or integrated reporting. What these concepts have in common is their focus on integrating traditional business concerns, such as the generation of shareholder profits, with sustainable development concerns, such as a TNC’s impacts on societal and environmental issues. It also resonates with the academic discourse on CSR, which has expended significant effort on establishing a business case for CSR by linking financial performance with CSR engagement.

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We understand CSR as an approach that simultaneously strives to satisfy environmental, economic and social standards (Montiel, 2008). This encompasses several key ideas: First, CSR is the obligation of a business to act in accordance with the overarching goals of society, thus directly linking the concept to sustainable development (Martinuzzi and Krumay, 2013). Second, CSR reaches beyond the borders of the corporation to include systemic linkages and interdependencies with stakeholders along the value chain (Seuring and Gold, 2013) and with the biophysical environment in which businesses are embedded (Searcy, 2014; Starik and Kanashiro, 2013). Third, CSR may be implemented in different ways or phases, gradually building up to improving the social, environmental and economic performance of a business (Keijzers, 2005). These phases include compliance and due diligence (to optimize operations and avoid negative impacts); optimization and control (involving the application of quality and sustainability management systems), and, finally, integration of environmental and social issues into the business model and value creation (Keijzers, 2005; Porter and Kramer, 2011; Martinuzzi and Krumay, 2013). Many TNCs have taken strides toward implementing CSR in their internal business operations through sustainability management systems (Martinuzzi and Krumay, 2013). Adherence to international accountability standards and sustainability reporting has become a common practice, enhancing disclosure and transparency related to these activities (Perego and Kolk, 2012). For instance, 323 of the Fortune 500 companies have set sustainability-related management targets on which they report regularly (Pivot Goals, 2017).

However, the assumption that CSR engagement equals a corporate contribution to sustainable development is currently being challenged. For instance, Milne and Gray (2013), argue that current corporate CSR practice hardly ever addresses systemwide sustainability challenges, such as ecosystem degradation, poverty and social justice. Instead, “businesses and their associations have limited their ideas to issues about themselves” (p. 24). Because trust in the private sector’s ability to self-regulate and drive positive social change is waning, TNCs need to find new ways to demonstrate how they are engaging in CSR in a way that contributes to sustainable development (Giannarakis and Theotokas, 2011); just doing good is no longer enough. Many TNCs still struggle to demonstrate what they achieve through their CSR activities across the value chain and the value they create for both the broader society and the environment, i.e. their impacts on sustainable development (Searcy, 2014). In the same vein, management research has so far not produced coherent theoretical frameworks to engage with CSR in a way that captures systemic linkages and interdependencies along the value chain (Searcy, 2014; Starik and Kanashiro, 2013), leading some scholars to question whether CSR contributes to sustainable development at all (Banerjee, 2003; Milne and Gray, 2013).

The purpose of this paper is to explore whether and how the Sustainable Development Goals (SDGs) can be a reference framework that may help TNCs better link core

business operations and CSR engagement with sustainable development. We therefore review some of the scholarship that has provided new impetus into the discussion on CSR and juxtapose it with the evolving discourse on the contribution of businesses to the SDGs. We specifically highlight the importance of measuring the corporate contribution to sustainable development as a prerequisite for strategically engaging with the SDGs and outline avenues for future research that may inform both scholarly discourse and managerial practice.

2. Exploring expectations towards TNCs in the post-crisis business landscape

Doing well, in the sense of maintaining economic and financial performance, has become harder for many TNCs. Since the global economic, financial and social crises of 2008–2009, a new business landscape has emerged that is much more prone to uncertainty than ever before (Szalavetz, 2016). It has become increasingly clear that the ongoing restructuring of the economic order has particularly affected TNCs (The Economist, 2017). TNCs operate in the context of global value chains that encompass hundreds of locations for various corporate activities. In addition, many TNCs had moved or were moving towards globally integrated structures before the crises (The Economist, 2017). But the notion that the constituent parts of the value chain can be unbundled and distributed almost anywhere at will has been challenged by economic volatility, and changing political sentiments regarding borders and trade. The post-crisis economy seems to have entered a new equilibrium, which is characterized by higher risk, low growth and diminished capital flows (El-Erian, 2016). For instance, capital flows between countries and trade in goods and services have retreated significantly (Sharma, 2016). Foreign direct investment has fallen from its pre-crisis high of over \$3 trillion to about \$2 trillion in 2015 (World Bank, 2017).

Concurrently, trust in the private sector's ability to self-regulate and drive positive social change has been waning. Negative consequences of trade and globalization, including rising inequality and stagnant wage levels, have increased opposition to TNCs, in particular, and globalization, more generally (Gardels and Berggruen, 2017). In response, governments, market regulators and stock exchanges have increasingly adopted regulations or listing requirements mandating CSR disclosures (Hörisch et al., 2014; Schneider, 2015), including the European Union's Non-Financial Disclosure Directive (EC, 2017). According to the Global Reporting Initiative's (GRI) Sustainability Disclosure Database, the total number of instruments requiring or encouraging CSR disclosures reached 400 across 71 countries in 2016, up from 180 instruments across 44 countries in 2014 (Bartels and Fogelberg, 2016). This indicates an emerging consensus that TNCs can and ought to contribute to sustainable development by enhancing positive impacts (e.g. on livelihoods, health and education) and reducing

negative ones (e.g. resource consumption, pollution, human rights violations) (Milne and Gray, 2013; Scherer et al., 2014; Vigneau et al., 2015). This also means that doing good, in the sense of giving back to society some of the proceeds of commercial activity and engaging in voluntary, philanthropic activities, is increasingly considered insufficient by stakeholders, including governments, consumers and civil society (see Martinuzzi and Krumay, 2013).

Consequently, expectations are rising for TNCs to address societal needs in everyday business and to effect positive impacts for local communities (Edelman, 2017). For example, the Edelman Trust Barometer, a global online survey investigating trust in institutions across 28 countries, found that more than half of the over 33,000 respondents did not consider business a trustworthy institution and that only 37% considered global business leaders to be trustworthy individuals. Concurrently, 75% of respondents agreed that a company can and ought to take specific actions that both increase profits and improve the economic and social conditions in the community where it operates (Edelman, 2017).

The way in which trust from citizens, investors and policymakers can positively affect the performance of TNCs that credibly engage with CSR has become manifest in the context of the financial and economic crises in 2008–2009. Empirical research finds that TNCs with high CSR intensity had higher stock returns and performed better in terms of profitability, growth, and sales than their peers during the crisis (Lins et al., 2016). Firms that were viewed to perform well on CSR also enjoyed greater trust from bondholders during the financial crisis, which was mirrored in better initial credit ratings (Amiraslani et al. 2017). Evidence also suggests that TNCs that have managed to established relationships of trust within the communities in which they operate are more likely to successfully engage in public policy deliberations (Liedong et al., 2014). These developments have inspired changing notions of CSR, which we explore in the following section.

3. Edging closer to sustainable development – the evolution of CSR

Until the turn of the millennium, CSR was mainly understood to be a voluntary type of social engagement of corporations, built on principles of charity and stewardship (Van Marrewijk, 2003). One of the most widely accepted conceptualizations remains Carroll's Pyramid of Corporate Social Responsibility (Carroll, 1991), which views philanthropy as the pinnacle of a pyramid of economic, legal and ethical responsibilities. We perceive four significant expansions on this original idea of CSR that have gained prominence over the last decade and jive with the context of a changed post-crisis business landscape presented above.

First, Porter and Kramer (2011) have posited that focusing on the generation of shared value for shareholders as well as broader societal groups may result in both long-term success and the creation of a tangible contribution to sustainable development. In stressing the integration of core business concerns with the creation of wider societal value, the concept thus emphasizes the mutual interdependence between business and society. More specifically, Porter and Kramer (2011) argue that corporations may enhance both societal impact and competitiveness by (a) reconceiving products and markets to meet unmet societal needs; (b) focusing on the productivity of the whole value chain to eliminate inefficiencies and mitigate risks; and (c) focusing on developing mutually beneficial relationships, for instance by developing the skills of suppliers. Although the concept still focuses on what companies do, rather than on what they achieve in terms of sustainable development, the shared value approach has drawn renewed attention to a fundamental debate on the purpose of corporations in society that goes beyond philanthropic or ethical considerations and considers impacts on others outside the boundaries of the corporation. This discourse has also been significantly shaped by Freeman's stakeholder theory (Arjaliès et al., 2013). Both Porter and Kramer (2011) and Freeman (in Hörisch et al., 2014) stress that an orientation towards stakeholders and shared-value creation is to be seen as an expansion of the purpose of corporations rather than an alternative to creating shareholder value. The responsibility of corporations in this view is thus to carefully negotiate relationships with broader stakeholder groups, including shareholders.

Second, this view is complemented by the planetary boundaries framework of Whiteman et al. (2013). Whiteman and colleagues argue that CSR need not only consider impacts on societal groups but in addition "link business processes to macro ecological processes and boundary conditions" (p. 2). The authors identify looking beyond the boundaries of the corporation towards its role in the larger ecological system as one of the main challenges for future management research on CSR (also see Montiel and Delgado-Ceballos, 2014). Increasingly, this view is adopted in management research and has spawned attempts to better anchor linkages between business and the environment in management theory. However, these attempts are still in their infancy. Starik and Kanashiro (2013), for instance, note that "most organization/management theories that have been used in sustainability research do not either explicitly or implicitly recognize the obvious (or near-obvious) fact that all human organizations are embedded within the natural environment." (2013, p. 9). However, this seems to be a necessary precondition for truly capturing the contribution of TNCs to sustainable development.

Third, a recent review of the international business literature (Kolk, 2016) notes that research in this field "has tended to mostly focus on economic issues, often spillovers, in relation to foreign direct investment" (p.30) at the expense of other issues relevant to sustainable development. A broadening of sustainable development issues

considered in CSR research, including poverty, peace and conflict or human rights, the author argues, is desirable but requires a nuanced consideration of their specific characteristics and relevance across locations, sectors and corporations. This links up with the observation that local expressions of CSR, relevant issues and the varied impacts of addressing them are highly context specific (see for instance, Jamali and Karam, 2016). Consequently, some authors argue that TNCs increasingly have to engage with the claims of nation states and a growing number of heterogeneous stakeholder groups (see Mason and Simmons 2014) and learn to deal with the implications of shared responsibility for impacts on sustainable development that are beyond the direct control of individual TNCs (see Font et al., 2016, Hemphill and Kelley, 2016).

In summary, we thus arrive at a conceptualization of CSR that directly links the CSR activities of TNCs with what they achieve for the broader society and the environment. Such a conceptualization of CSR requires managers to engage with a much more complex system of relationships and responsibilities, many of them not under the exclusive control of any one TNC. This means that TNCs will be increasingly benchmarked against the degree to which they manage to integrate CSR into their business models, their impacts on sustainable development and the degree to which they create tangible value for both themselves and their stakeholders.

4. Linking CSR and the Sustainable Development Goals

The expanded understanding of CSR elaborated above sets a high standard for a TNC's capability to identify societal needs, understand the complex dynamics of the social and biophysical systems in which they are embedded, and engage with a multitude of stakeholders to address sustainable development issues beyond their direct and exclusive control. Measuring up to this ambition is a challenging task in the absence of integrated theoretical or managerial frameworks that guide TNCs through the process of measuring and managing their impacts on sustainable development (Starik and Kanashiro, 2013; Searcy, 2014).

We posit that the SDGs may fill this gap and provide such an integrated framework for future-oriented CSR engagement. The 17 SDGs with their 169 targets present a universally agreed upon sustainable development vision for 2030. They recognize the interrelated nature of issues such as poverty, inequality, decent work, gender equality and ecosystem conservation, as well as the necessity for all societal actors to jointly tackle them (Le Blanc, 2015). For the first time, the private sector was represented at the negotiation table and involved in designing a global sustainable development agenda alongside political and civil society actors (Scheyvens et al., 2016). TNCs are explicitly encouraged to adopt responsible practices and report on sustainability impacts (Goal 12.6) and to partner with governments and civil society for the achievement of the SDGs (Goal 17).

Awareness of the SDGs among TNCs high, with 92% of respondents from international businesses surveyed by PwC in 2015 reporting awareness of the goals (PwC, 2015). The SDGs are frequently perceived by TNCs as an opportunity for reviving growth and technological innovation, which create win-win situations for them, society and the environment (Scheyvens et al., 2016; also see Porter and Kramer, 2011). This perception is echoed by a recent report by the Business and Sustainable Development Commission, a high-level forum of business leaders from TNCs, as well as from other private sector and civil society organizations. The business case for engaging with the SDGs, they posit, is strong: rewards are estimated to amount to at least US\$12 trillion in new business opportunities (BSDC, 2017). This jives with management literature, which has expended much effort on establishing a business case for CSR and identifying win-win opportunities for corporations, society and the environment over the past 25 years (Carroll and Shabana, 2010; Dyllick and Hockerts, 2002).

Beyond the business case for TNC engagement with the SDGs, the global goals may also entail an opportunity for them to tackle the broader systemic challenges of better meeting societal expectations and contributing to sustainable development across the value chain. Indeed, the Business and Sustainable Development Commission specifically highlights the need for demonstrating substantial contributions to achieving the SDGs. Furthermore, it strongly recommends integrating them into corporate values, governance and strategy, and pursuing CSR at a sectorial level (BSDC, 2017).

In light of the expanded understanding of CSR presented above, the SDGs may prove beneficial in three distinct ways. First, they contain a universally agreed-upon and delimited set of sustainable development issues, many of them broken down into targets that are directly relevant to business. They thus delimit the potential plethora of sustainable development issues that TNCs might engage with. Second, the SDGs provide a common set of goals around which multiple sets of stakeholders, including TNCs, may rally and build partnerships. This may be helpful in identifying common interests, where it is necessary to jointly tackle sustainable development issues beyond the control of an individual TNC. Indeed, such partnerships are promoted as one of the major levers of business involvement into the SDGs. Third, the SDGs fully acknowledge the integrated and systemic nature of sustainable development issues. They may consequently provide a framework against which TNCs may start to map their CSR activities in order to identify leverage points for enhancing positive impacts and mitigating negative ones.

However, finding ways to address the SDGs is related to a fundamental difficulty: we know very little of the actual impacts of CSR engagement on sustainable development. Existing evidence is frequently inconclusive (Oetzel and Doh, 2009) and mainly restricted to the economic dimension of sustainable development (Kolk, 2016). Much of the existing evidence suggests that TNCs, especially when operating

in developing countries, have tended to be guided by narrow economic interests at the expense of adequate safety standards, human rights and the environment (Banerjee, 2008). It is thus not surprising that only 13% of respondents in the above-mentioned survey report having identified the tools necessary to assess their impacts against the SDGs (PwC, 2015).

5. The importance of impact measurement and management

In order to formulate management responses, TNCs need to better understand their impacts on sustainable development, including both direct and indirect impacts. The business expression, “if you can measure it, you can manage it” – and its converse – is an apt illustration. It thus seems particularly necessary to explore how TNCs can expand existing sustainability measurement and management systems to capture impacts on sustainable development that occur along the value chain and accrue at the level of the broader society and the environment. This requires timely access to data and, more importantly, a framework to indicate which data are important and relevant, i.e. material (Hardi et al., forthcoming).

The SDGs and related targets cover wide-ranging areas of a diversified nature. Different sustainable development issues possess varying degrees of relevance to different industries and different contexts. TNCs need to be able to set and monitor management goals in those areas where they have the most significant impacts, a notion that has recently been discussed under the term materiality assessment (Calabrese et al., 2016). The SDGs now provide a comprehensive reference framework for which of the many sustainable development issues should be deemed essential and can thus help businesses broaden the scope of their measurement efforts while simultaneously limiting the number of material issues to be considered.

Materiality assessment is considered a necessary tool to measure and manage sustainable development impacts because it limits the complexity of such an endeavour by prioritizing those issues where the most significant impacts occur (Calabrese et al., 2016). While materiality assessment is now a central component of pertinent sustainability reporting standards, such as the GRI Standards (GRI, 2016) and dedicated guidelines for corporate engagement with the SDGs, such as the SDG Compass¹, there is as of yet no accepted process for carrying out materiality assessments in a CSR context. Most authors on this topic currently agree that stakeholders should have a say in identifying what counts as material impacts (Manetti and Becatti, 2009;

¹ SDG Compass (2016). Available at: <https://sdgcompass.org/>. Accessed on June 7 2017.

Calabrese et al., 2016). Regarding the process, methodology and evaluation criteria to be employed, the discourse is still in its infancy, thus providing opportunities for future research. Questions to be explored might include the following: How should materiality assessment deal with potential trade-offs between different sustainability impacts, for example when environmentally oriented sourcing excludes suppliers from contracts and may entail job losses among particularly vulnerable people along the value chain? How should it consider the value and interests of stakeholders that have no voice and of the environment? How should it balance competing stakeholder interests and potential conflicts between stakeholder and management goals?

Beyond the challenge of identifying material issues related to sustainable development, approaches and tools for measuring the impacts of corporate activities on sustainable development also need to consider a TNC's entire value chain, a broad set of sustainability issues as delimited by the SDGs, within a specific sustainability context. Although many TNCs have gained experience with sustainability reporting (Milne and Gray, 2013), environmental and social accounting (Bebbington and Larrinaga, 2014) and the implementation of international accountability standards (Vigneau et al., 2015) in the past decade, they have struggled to develop measurement systems that deliver reliable, synthesized and actionable information on impacts materializing beyond their organizational boundaries (Searcy, 2014).

We can identify three major challenges discussed in management literature in this regard. First, within corporations, Maas et al. (2016) find a disconnect between measurement efforts for the purpose of creating transparency and decision support. For both purposes, corporate measurement systems are seen to be fragmented and only insufficiently linked to core management functions. Second, Milne and Gray (2013) posit that existing measurement approaches frequently fail to look "beyond physical transactions towards relational aspects of sustainability" (p.18). If accepted, this implies a need to include a careful analysis of stakeholders and collaboration opportunities within the focal firm, its value chain and beyond the value chain (Schneider and Wallenburg, 2012, cited in Searcy, 2014). With regard to the role of TNCs in multi-actor governance arrangements for the SDGs, future research may also provide important insights into how businesses are embedded into larger societal arrangements and collaborate with other actors to enhance positive and mitigating negative impacts (Scheyvens et al., 2016; Vigneau et al., 2015).

Finally, Milne and Gray (2013) posit that extant measurement efforts of TNCs tend to disregard the growing body of data concerning sustainable development. They formulate the need to extend the scope of measurement beyond companies' internal performance indicators towards companies' external data on sustainable development trends, risks and opportunities, while respecting "basic standards of information reliability and completeness that we assume for financial information" (p.21). This is arguably the biggest challenge facing TNCs wishing to tackle the SDGs, because it entails breaking down societal-level indicators of sustainable development

and operationalizing them for a corporate context. Various organizations and consultants have attempted to adapt societal-level indicators to business realities in order to make them operational for corporations.² Efforts have also been made by the United Nations to specifically operationalize business indicators that address human rights (Addo, 2014). Searcy (2014) notes that these efforts have been successful to a very limited extent so far because research on how to set social and environmental boundaries in a corporate context and how to translate this into contextually based measures of sustainable development are still in an embryonic stage (see, for instance McElroy et al., 2008). This means that quantifiable information linking corporate activities along causal pathways to changes in societal-level sustainability indicators may still be a long way off.

One way of dealing with this difficulty is to be transparent about the (e)valuation criteria that are employed to assess available data, identify potential win-win situations and trade-offs, and translate results into action (Hörisch et al., 2014). Notwithstanding efforts to improve the measurement of impacts on the SDGs, it will also be essential for TNCs to be included into the ongoing efforts to develop a multi-level monitoring and evaluation system for the SDGs across countries, sectors and societal groups. While some initiatives, like the GRI, are starting to explore potential linkages between corporate sustainability disclosures and higher-level data on sustainability trends, for example from statistical offices, this space is still largely unexplored.

6. Outlook

The SDGs provide a new and comprehensive vision for sustainable development until 2030. For the first time, the private sector has been actively involved in shaping a global sustainable development agenda and is explicitly recognized as both an addressee and an important partner in its achievement. In this context, we have argued, TNCs have a unique opportunity to use the SDGs as a framework for improving CSR engagement of TNCs in line with changing societal expectations. Through impact assessment and a strategic sensitivity to global sustainable development challenges, TNCs may contribute to shared value creation, enhance positive impacts (e.g. poverty alleviation, livelihoods, health and education) and reduce negative ones (e.g. resource consumption, pollution, human rights violations) across bottom lines.

² e.g., PwC Total Impact Measurement and Management builds on the Human Development Index (PwC, 2013); the GRI Standards explicitly highlight the importance of considering the sustainability context (GRI, 2016).

Effectively measuring and managing business impacts is no easy task. Socio-ecological effects of business activities materialize along complex pathways. They span global value chains, affect diverse stakeholder groups and involve trade-offs that can be daunting to deal with. As business moves towards a new and expanded understanding of CSR, sound instruments for systematically mapping, measuring, evaluating and managing impacts are needed (Searcy, 2014). To truly capture impacts in the context of the SDGs, corporate measurement and evaluation systems will need to (a) carefully delimit the purpose and ambition of measurement (Maas et al., 2016); (b) take explicit account of environmental and social system boundaries (Milne and Gray, 2013; Whiteman et al., 2013); (c) develop new indicators apt to capture multidimensional and systemic effects of corporate activities on society and fill corresponding data gaps (Searcy, 2014), and (d) develop and openly discuss with stakeholders the (e)valuation factors that determine how results are translated into action (Hörisch et al., 2014).

This opens a range of potential areas for new research in international business, CSR, sustainability accounting and other management disciplines. Our review of contemporary thinking and the expanded scope of CSR suggests a need to discuss the contribution of business to sustainable development from various disciplinary and thematic perspectives (also see Bebbington and Larrinaga, 2014), thus identifying remaining knowledge gaps and exploring the future role that TNCs can play in the context of the SDGs.

Given that evidence on the (positive) impacts of corporate activities on sustainable development is still scarce or inconclusive (Oetzel and Doh, 2009; Kolk, 2016), it might be useful to further explore the normative, conceptual and methodological challenges of sound corporate impact measurement and management in the context of the SDGs, especially in underresearched environmental and social areas covered by the goals (Searcy, 2014; Bebbington and Larrinaga, 2014). As Milne and Gray's (2013) work suggests, there is also ample room for well-founded and constructive critiques of existing tools and methods for measuring the corporate contribution to sustainable development in general and the SDGs, in particular. Measuring, monitoring and evaluating progress towards the achievement of the SDGs will play a key role in the years to come in order to enable effective implementation of the goals (Lu et al., 2015). In this regard, the SDGs offer a real opportunity to shift the focus from what TNCs do (activities for sustainable development) towards what they achieve (impacts on sustainable development) through their core business and philanthropic engagement. However, this requires a rethinking of the purpose and scope of measurement, filling important data gaps, and establishing evaluation criteria and procedures that consider the value, worth and merit of impacts on sustainable development. It also requires that due consideration be given to the perspectives of both the TNC and its stakeholders, as well as global environmental carrying capacities (Bebbington and Larrinaga, 2014; Searcy, 2014).

Although this is an ambitious agenda, improved impact measurement and evaluation provides a real opportunity for TNCs to glean more substantial and valuable information for addressing the SDGs in a business landscape marked by uncertainty. At the same time, a deeper understanding, better data on concrete contributions to the SDGs and a more transparent, participatory approach to evaluation can help TNCs regain public trust and fulfil their role as an important partner in their achievement.

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The multinational and the legitimation of sustainable development

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The Sustainable Development Goals (SDGs) recently promulgated by the United Nations General Assembly provide an opportunity to assess the potential contributions of multinational enterprises to sustainability initiatives. This article seeks to promote understanding of the context within which multinationals will or can decide to participate in such initiatives by adopting a legitimacy perspective. When viewed from the perspective of organizational legitimacy, the extent to which a multinational adopts a sustainability agenda is likely to depend on its stakeholder network and the balance of the network's variety of interests and beliefs. The article discusses current and prospective multinational activities that support the SDGs while also bolstering organizational legitimacy, and concludes with questions for future research.

1. Introduction

The United Nations General Assembly promulgated 17 Sustainable Development Goals (SDGs) in September 2015 (General Assembly, 2015) that aim to facilitate the improvement of living conditions, social stability, environmental protection and economic growth across the globe. Given the complexity of the issues with which the SDGs are concerned, the United Nations assumed that successful implementation would require the participation of a variety of contributors, not only states but also non-governmental organizations, civil society representatives and the private sector as well. Owing to the size and scope of their operations, multinationals, which by one estimate account for as much as 25% of global gross domestic product (Patchell and Hayter, 2013), are in the best position among private sector entities to significantly contribute to the success of global sustainability initiatives. The question is whether and how multinationals will do so.

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This article adopts a legitimacy perspective to assess the question of multinational involvement in endeavours such as the SDGs. When viewed from the perspective of organizational legitimacy, the actions taken by a multinational can be viewed as a reflection of its stakeholder network and the extent to which those actions balance its network's variety of interests and beliefs. In other words, the context within which decisions are made matters, either because the decisions are constrained by context or because context will determine the consequences of decisions. This article attempts to identify the key constructs underpinning organizational legitimacy and to place the SDGs in context accordingly in order to provide an agenda for future research and to aid in understanding and planning for active participation by multinational enterprises in organized, worldwide sustainability efforts.

The balance of this article considers these issues and is organized as follows. First, the concept of legitimacy and the dynamics of stakeholder interactions will be outlined to provide an appreciation of the impact of an organization's context and, consequently, the priorities it chooses to implement. Next, the SDGs are considered from the perspective of Dunning's (1993) taxonomy of foreign direct investment motivations in order to understand how multinationals might implement organizational policies and strategies that would be consistent with both SDG attainment and organizational legitimacy. Finally, questions for future research that follow from the preceding sections are identified and discussed.

2. Stakeholders and Legitimacy

The concept of organizational legitimacy derives from institutional theory (DiMaggio and Powell, 1983; Scott, 2008), the study of how organizations respond to the set of social structures within which they operate and interact. Organizational legitimacy exists to the extent the organization's actions align with normative expectations. Note that this conceptualization implies that not all social structures will be relevant to all organizations at all times; rather, the organization responds to those that are applicable to its specific operational footprint. Within institutional theory, this limitation represents the idea of the organizational field (Fligstein and McAdam, 2012), which generally relates to the organization's industry but also includes its broader network of partners, suppliers, customers and other stakeholders.

Within its field, then, the organization interacts with many different actors and is subject to norms, laws and regulations that are applicable to the field. Norms, laws and regulations derive from social conditions and interactions within the field, including patterns of behaviour that develop over time and become standard and accepted practice. Although laws and regulations certainly convey mandatory behavioural expectations, from the theory's perspective it is important to understand that behavioural norms also can acquire a mandatory character. If certain practices, structures, and strategies are well established within the field, organizations pursuing

alternative strategies that differ from prevailing practice will, at the very least, need to do more to explain and justify their actions than would other, conforming organizations.

As can be surmised, the issue of variance from or conformity with accepted practice lies at the heart of organizational legitimacy. When practices become embedded in the field, it is harder for constituent organizations to justify actions that do not conform to accepted norms, and the failure to conform then contributes to a lack of organizational legitimacy. Legitimacy is critical to organizations because, the theory argues, organizations lacking legitimacy will find it harder to attract support and resources than those organizations widely viewed as adhering to legitimate practice. In extreme cases, this challenge to resource flows can give rise to organizational failure (Zimmerman and Zeitz, 2002). Therefore, organizations are subject to significant pressure to conform, and over time this pressure is expected to yield broadly consistent practices, structures and strategies within the field.

The basic structure of organizational theory just outlined leads to several insights that are relevant to consideration of how organizations generally, and multinationals in particular, might view actions that support SDG fulfilment. Initially, it is important to understand that in many instances, what is or is not legitimate can be a matter of perception among members of the firm's stakeholder network. In the case of sustainability initiatives undertaken by corporations, opinion can be split between those who prioritize "doing well by doing good" and those who adopt the more traditional view that shareholder value is the primary objective of the firm. Relatively recent trends in public opinion seeming to favour sustainability and "green" initiatives bode well for SDG participation from the perspective of organizational legitimacy. But it is important to understand that whether the firm adopts a "green" agenda, and to what extent, may depend upon the balance of opinion among stakeholders and the nature of their relationship with the firm.

The potential for conflicting stakeholder perceptions may or may not be consequential to a given firm in a given context. For example, Unilever has unabashedly pursued a "green" agenda as part of its business model. At the same time, the company's stock price has dramatically underperformed relative to the S&P 500, and it is becoming unclear whether investors will continue to support management if returns do not improve (Walt, 2017). If we assume that at least some investors perceive a trade-off between sustainability and performance, Unilever's stance demonstrates that organizations, at least in the short term, are not always subject to apparent investor preferences or required to immediately conform. Firms can be more or less pressure sensitive, and variations in the clarity or subjectivity of norms can magnify that effect. But we would also expect that pressure could increase over time, as might be expected in Unilever's case if earnings do not improve.

Another context in which the subjectivity of legitimacy arises concerns the extent to which existing institutional norms relate to developments in the field. Particularly if a

given strategy or action is fairly new or novel, the interpretation of how that strategy or action fits within existing standards can be highly subjective, and again can vary from stakeholder to stakeholder. Thus, while the idea of novelty itself may not fit within standard conceptions of legitimate action, without clear precedent there is room for manoeuvre and the possibility of negotiated settlement with at least some stakeholders who are open to new approaches.

Conversely, without clarity a new development or analytical framework that reflects a developing norm may not be “read” by managers. Sustainability has been used as an example of a complex decision scenario that incorporates many interrelated and simultaneously conflicting components, with the result that cognitive processes forestall significant change from existing activities (Hahn et al., 2014). The implication is that developing norms based on sustainable practices may or may not in itself generate normative pressure.

For multinationals, the issue of normative clarity or subjectivity is both an opportunity and a threat. Because of their operational scope, multinationals commonly encounter extensive stakeholder networks, not all of which overlap. This means that, from a legitimacy perspective, no single set of strategies may permit the multinational to satisfy all stakeholders. Consequently, the normal balancing of interests undertaken by any corporation is magnified among multinationals operating in a variety of national contexts, serving multiple cultures and interacting with potentially unique partners in each case. The fact that a given approach is legitimate in one context and may, by definition, be illegitimate in another means that multinationals can be expected to alter approaches to legitimacy only when doing so will not materially alter the existing pattern of relationships across the various networks with which they engage.

By contrast, such conditions also give rise to opportunities to craft or enhance legitimacy. The nature of fields is such that corporations in general may be able to realign operations, structures and strategies to achieve a favourable balance between normative pressures and operating necessity or priorities. This may be especially true of multinationals, given the breadth of their operations. Some scholars have argued that this condition renders the concept of the field inapplicable to the multinational (Kostova, Roth and Dacin, 2008), which, if true, also suggests that normative pressures normally found in the field would be inoperable. But to the extent that pressure does exist in a given field, multinationals may be particularly well placed to shift operational emphasis from one geographic locale to others that are viewed as more congenial. In other words, if legitimacy is compromised or threatened in one locale, a shift in resource allocation patterns or physical proximity may result in enhanced overall legitimacy.

In sum, this section has presented the concept of legitimacy as a critical determinant of stakeholder support. The loss of legitimacy can have dramatic repercussions for resource availability, market presence and competitive stature. Thus, the increasing

popularity of sustainability may indicate convergence towards a norm that should result in more participation by corporations as they work to maintain legitimacy. But contingency factors such as the nature of a firm's stakeholder network and the balance of interests represented therein, the relative pressure sensitivity of the organization, given its network, and normative clarity may affect how a firm interprets market signals and the strategies it enacts in response. These issues are discussed in the final section of this article as questions for additional research. The following section considers how the SDGs relate to organizational legitimacy and the practices that multinationals might implement, and indeed are implementing in some cases, as active participants in the SDG process.

3. How the SDGs Relate to Organizational Legitimacy

The SDGs cover a broad range of target outcomes and therefore may involve a variety of public and private responses. Therefore, the discussion that follows is not intended to be exhaustive, but rather proceeds from the assumption that SDG participation by multinationals will increase to the extent an underlying operating rationale exists that can justify and legitimize their participation. Specific contexts and circumstances may lead to different responses and possible categorizations than those envisioned here, and different organizations may enact different strategies in furtherance of the same broad goal. But the intent of this section is to begin the process of defining a generalized conceptual framework that ties SDG participation to specific actions that are consistent with organizational legitimacy. At the same time, such an approach helps us understand why multinationals are in a good position to support the SDGs and to identify which SDGs are most likely to be supported.

As we consider multinational operations and the kinds of practices likely to secure legitimacy, a useful starting point can be found in Dunning's (1993) taxonomy of investment motivations. Briefly stated, they include resource seeking (acquiring resources otherwise unavailable or at a lower price than possible in other markets), market seeking (investing to provide a platform to tap a new and/or larger market), efficiency seeking (gaining the benefits of scale and scope, as well as benefits associated with differences in the availability and cost of inputs) and strategic asset seeking (acquiring knowledge or resources not available within the organization or in other markets). These broadly accepted motivations can be used to legitimize a firm's investments in support of the SDGs.

We should note an important distinction between legitimacy based on the taxonomy in Dunning (1993) and the benefits that accrue from an enhanced reputation. Research has established that firms engaging in socially responsible activities are viewed more favourably and, as a consequence, can realize other important business-related benefits (Greening and Turban, 2000; Turban and Greening, 1997).

But the case for legitimacy will be stronger if core business purposes in fact are advanced at the same time; an improved reputation alone may not be sufficient to sustain the organization's long-term legitimacy. Consider the Unilever example once more: the company's reputation is undoubtedly enhanced by its various charitable endeavours, yet without bottom-line improvements one can envision a point at which philanthropy might be viewed by a majority of the company's stakeholders as an unnecessary diversion. Unilever would be in a stronger position if actual benefits consistent with Dunning's (1993) taxonomy could be cited in defence of a long-term strategy including sustainability initiatives.

The discussion to follow is organized around the SDGs that would be most likely to lie at the intersection between sustainable development and legitimacy for a broad range of organizations, and in each case the various investment motivations identified by Dunning (1993) are applied to the SDG in question. Other SDGs might be appropriate targets of involvement for specific kinds of businesses, for example, based on the nature of their individual product lines or simply because of their competitive and stakeholder contexts. Again, the purpose of this article is not to be exhaustive and comprehensive, but rather to sketch the general terms of engagement by multinationals in sustainability efforts that can simultaneously help the organization maintain legitimacy. What is also striking about all of the examples below is that the requirement of legitimacy does not appear to reduce or limit multinational participation. Indeed, when these organizations do participate, they are almost uniquely suited to make an impact within the sphere of their influence, given the size and scope of their operations.

3.1. Goal 1 (Ending Poverty)

Multinationals can significantly impact local efforts at alleviating poverty. One approach that gained popularity within the academy as well as in business circles was the "bottom of the pyramid" approach introduced by Prahalad (2004), which argued that businesses could profitably serve the unmet needs of the world's poorest citizens, enriching their lives and providing a significant return through volume at the same time. Clearly, any such efforts fall within the realm of standard business practice for a variety of firms, and represent legitimacy-enhancing means of market seeking.

But less directly market-focused efforts are possible also, and can be justified as legitimate forms of market seeking or resource seeking. TetraPak partnered with CARE International and a local company to help small dairy farmers in Bangladesh gain broader access to markets, doubling the farmers' incomes (Svarer, 2012). Alternatively, efficiency gains were realized by Anglo American when it implemented a program to diagnose and treat HIV, which had the effect of protecting its workforce and reducing turnover (Kramer & Pfitzer, 2016). Finally, we should note that many firms, including but not limited to banks, have been involved in providing

microfinance, small loans not ordinarily made by large financial institutions through normal lending channels. Most such efforts represent market seeking approaches, as the recipients of the loans are thereby able to start small business and become consumers themselves. Thus, a variety of different approaches that address various forms of poverty can be supported by multinationals without sacrificing legitimacy.

3.2. Goal 4 (Education)

Multinationals increasingly are providing support for education in the developing world (Amadi and Abdullah, 2012; van Fleet, 2011), typically in markets they serve or in locations where production occurs. Support for education has the effect of improving the quality of a firm's future workforce, and therefore can be justified as a means of resource acquisition. A more educated populace might also open new market opportunities as a result of improved earning potential.

3.3. Goal 8 (Economic Growth and Employment)

Perhaps the most basic function of a multinational's involvement with various localities occurs as an employer. Although a common criticism of multinational employment practices relates to the wage scales applicable in low-wage locales, evidence suggests that multinationals nevertheless tend to pay a wage premium over prevailing local levels (Bhagwati, 2007). That these wage rates are below those of other locales is the justification for the multinationals' investments, specifically the efficiency gains realized by expanding employment in lower-wage regions. It is important to note as well that these multinational commitments will also result in indirect support for poverty reduction (Goal 1), with the accompanying benefits discussed above. Moreover, activities such as Anglo American's health initiatives (Kramer and Pfitzer, 2016), discussed in section 3.1, provide additional benefits to workers beyond the job while also providing efficiency gains to the organization. Thus, support of Goal 8 commonly can be justified on the grounds of efficiency, resources and even markets, and can be combined with other efforts that are consistent with other goals.

3.4. Goals 9 (Sustainable Industrialization and Innovation) and 12 (Sustainable Consumption and Production)

Goals 9 and 12 are considered together for our purposes because of the extent to which actions by multinationals in furtherance of one will likely produce spillover effects in the other. In particular, we are now observing many cases of sustainable innovation resulting in supply chain efficiencies. Veolia, a French conglomerate, has created technology that allows the extraction of resources from street sweepings,

while Nike's Flyknit process weaves its footwear, rather than stitching separate pieces together, thereby reducing waste dramatically (Economist, 2016). These kinds of efficiency gains can easily be justified in terms of organizational legitimacy, and again, multinationals have the size and knowledge base to make a significant contribution to efforts in these areas; by one estimate, the largest 700 multinationals account for two thirds of private sector research and development expenditures (Patchell and Hayter, 2013). If even a small proportion of this total is redirected to sustainable technologies, the global impact will be significant.

3.5. Goal 13 (Combat Climate Change)

Partially as a result of their efforts with regard to Goals 9 and 12, multinationals may be able to make a significant contribution to efforts to combat global climate change. For example, as chlorofluorocarbon (CFC) production was being targeted for reduction, DuPont began developing alternatives that ultimately forced competitive reactions, which collectively reduced CFC production industry-wide (Patchell and Hayter, 2013). Similar efforts might be forthcoming in the future with respect to greenhouse-gas-related emissions or other polluting or contaminating substances that have climate-altering potential. Efforts such as these can be couched in terms of resource acquisition, and possibly even strategic resource acquisition if a first mover implements changes that give it a significant competitive advantage in production; this is a close approximation of the outcome of DuPont's investments. Efficiency also is a potential justification for the legitimation of multinational investments in "green" technologies with climate change implications, as some of the new technologies result in lower costs for resource acquisition or use.

As stated at the outset of this section, these are but some examples of actions already taken and potential legitimizing justifications for future actions. What is important for both research and practice is the appreciation of the underlying linkage between multinational sustainability efforts and organizational legitimacy. In each case above, it is possible to sketch this relationship in terms of concrete benefits that can be realized by the multinational because of its specific actions. Apart from reputational gains, these benefits provide a basis for the justification of a multinational's sustainability agenda that can be understood and accepted by a broad range of stakeholders.

What remains to be determined is the extent to which such efforts are successful. The following section identifies and briefly discusses questions that future research may address in order to advance our understanding of multinationals and their involvement in sustainability initiatives.

4. Questions for Future Research

Although multinationals have received a significant amount of attention in the research literature, studies of multinational sustainability activities have not yet reached critical mass. Indeed, much remains unknown in this area. Part of the purpose of this article is to highlight questions that future research might ask and begin to answer. As was true of possible actions supporting the SDGs discussed earlier, this section does not attempt to be exhaustive, but rather to introduce broad themes that can be examined in greater detail as future developments and experience warrant.

4.1. *Legitimacy and Contingencies*

Section 2 discussed a number of contingencies that can affect the degree of legitimacy realized by an organization. These included factors such as the nature of a firm's stakeholder network and the balance of interests represented therein, the relative pressure sensitivity of the organization given its network, and normative clarity. When considering multinational involvement in sustainability initiatives, one interesting set of questions that can be asked centres on the balance of stakeholder interests with which a firm must deal. Research theorizing or investigating not only the effects of different kinds of stakeholders but also their relative power would be particularly useful in this regard. We can imagine certain kinds of stakeholders being pro-sustainability while others remain sceptical of the benefits of sustainability. At what levels does one or the other prevail? Are there differences within each camp that may affect the decision to engage in sustainable practices? How do the different national environments within which multinationals operate affect the balance of interests?

Independent of these questions, work in institutional theory has established that some organizations are more pressure-resistant than others. In the context of sustainability, does this same observation hold? Is it enhanced or reduced, or is pressure-resistance perhaps an attribute of some types of multinationals but not others? What role does country of origin play in these dynamics?

4.2. *SDGs and Priorities*

A practical question relating to the SDGs themselves is whether there is any reason to expect multinationals to prioritize one or more on a systematic basis. Section 3 presented a series of examples and scenarios, any and all of which could result in legitimacy for the participating multinational. The question here concerns whether, considering multinationals as a class, certain SDG-related activities generally have

greater impacts on legitimacy. If so, would we expect to see multinationals prioritize their involvement? Do any such effects depend on the size of the project in question, its origin or focus, or the company's reputation?

Sequencing of activities also may be a fruitful topic for future research. That is, if a multinational begins to engage with the SDGs, is there some additional benefit that accrues from subsequent supportive activities? Or is subsequent activity subject to diminishing marginal returns to legitimacy? Does this depend on the nature of the activities in question, borrowing again from the issue of possible SDG prioritization? And what role do the stakeholders themselves play?

4.3. Regaining Legitimacy

Another set of questions that would be useful to investigate relates to the loss of organizational legitimacy and any subsequent participation in sustainability endeavours. Here, it would be useful to know the extent to which an organization could regain legitimacy by participating in and supporting the SDGs, and whether there was any differential impact based upon the specific SDGs involved. Perhaps more specifically, is there a difference in the answer to this question based upon the reason for the organization's lack of legitimacy? In other words, does it matter why the organization lacks legitimacy, or are there differences based upon the loss of legitimacy that are due to reasons other than the organization's sustainability agenda? Can an organization regain legitimacy by supporting the SDGs, having once lost legitimacy because of, for example, scandals or strategic failures unrelated to sustainability? Similarly, can multinationals lose legitimacy if their SDG participation yields disappointing results, and if so, what can they do in response? Is there a difference between a lack of results and a series of errors or omissions in the process of SDG participation?

These are some of many possible questions that could be asked and that future research could usefully investigate. As multinationals engage more and more in sustainable practices, perhaps explicitly becoming involved in the attainment of the SDGs as well, the body of results that accumulates will raise other questions or direct subsequent research efforts. But one of the purposes of this article is to draw attention to the basics in order highlight questions that deserve attention. Even preliminary answers can provide support for successful practice.

5. Conclusion

This article relies upon the idea of legitimacy to argue that participation by multinationals in the United Nations' efforts to expand sustainability and economic development through the SDGs can be achieved if the organizations' benefits from participation are recognized. Doing so allows the multinational to justify its involvement to critical stakeholders and thereby maintain or increase legitimacy. The intent of the article thus is to illustrate an analytical framework and process that helps us better understand the need for multinationals to balance competing interests as they decide when and how to participate in sustainability initiatives and what form that participation might take.

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Corporate Sustainability Assessments: MNE engagement with sustainable development and the SDGs

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The recent introduction of the Sustainable Development Goals (SDGs) calls for an understanding of how multinational enterprises (MNEs) engage with sustainable business practices and how the SDGs may be better implemented by the private sector. Through an examination of 112 MNEs operating in the region of the Association of South-East Asian Nations, this study focuses on evaluating sustainable business practices through the lens of a corporate sustainability assessment framework. The results show that headquarters commitments of MNEs to international sustainability standards and guidelines had a key influence on their sustainability practices. These commitments included the use of tools such as the materiality analysis to identify and prioritize sustainability issues of importance to the MNE and its stakeholders and reflects a focus at the local level of the subsidiary that was in alignment with the corporate strategies of company headquarters. The results of this exploratory study suggest that it is through the use of these international sustainability standards and guidelines (such as the Global Reporting Initiative standards) that a greater consideration and incorporation of SDGs within MNE practices can be achieved. These standards and guidelines are both well accepted and already adopted by MNEs, and have an important influence on what sustainability issues and goals they consider within their operations.

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1. Introduction

Sustainable development has long been recognized internationally as an objective for governments, businesses and civil society (Donovan et al., 2016; UN, 2012; UNCTAD, 2012). The recent introduction of the 2030 Agenda for Sustainable Development by the United Nations (UN), along with the 17 Sustainable Development Goals (SDGs), has served to reinforce a call to action by the global community to work for the collective benefit of people, planet and prosperity. Yet despite the emergence of the SDGs, the focus on sustainable development is not a new pursuit.

Recent global actions and initiatives illustrate a focus on sustainable development through government regulations, intergovernmental and non-government initiatives, and voluntary action from the private sector. Regulatory and civil society initiatives range from the European Commission's Directive 2014/95/EU, which requires the private sector to better report on their sustainability (non-financial) performance, to international frameworks from the United Nations Global Compact (UNGC) to the Global Reporting Initiative (GRI) and the OECD Guidelines for Multinational Enterprises, which seek to engage the private sector in the pursuit of sustainable development and more ethical practices.

These initiatives have not been without outcomes, with evidence suggesting that the private sector is increasing engagement with and reporting on their activities to address sustainable development and sustainability. KPMG (2015) reported that in 2015 approximately 71 per cent of 4,100 companies across 41 countries were undertaking corporate responsibility reporting. Of the largest 250 companies in the world, more than 90 per cent release sustainability reports, with the majority (over 80 per cent) having adopted GRI guidelines.

These government initiatives and a growing private sector engagement no doubt reflect a global move towards business practice that engages with sustainable development; however, little remains known about how organizations translate SDGs into their sustainability practices, particularly in developing countries, or how these businesses go about identifying and addressing different sustainability issues. This is highly problematic given the significance of the private sector contribution towards sustainable development within these countries and can often have a profound impact on development progress.

With the adoption of the SDGs having occurred only in 2016, we have yet to see how MNEs specifically address them. The private sector is a critical actor in achieving the SDGs, so therefore learning more about the dynamics between MNEs and host countries with respect to sustainability is important. This paper will specifically engage in this pursuit, presenting the results from an exploratory study on how MNEs are engaging with sustainable business practices through the lens of a corporate sustainability assessment framework.

2. Background context

2.1. *The role of FDI in sustainable development*

Broadly speaking, growing evidence suggests that MNEs are making efforts to contribute to the achievement of sustainable development through their commercial endeavours, including foreign direct investment (FDI) into developing countries. The mobilization of trade and FDI are key activities contributing to broader economic growth and the sustainable development agenda (Cadeddu, Donovan and Masli, 2013; Donovan et al., 2016). The relationship between FDI and MNEs with respect to sustainable development is critical to understanding the impact that they have on sustainable development outcomes and whether it is positive or negative (OECD, 2002; UNCTAD, 2015).

Of the most commonly cited studies on FDI effects in ASEAN countries, Donovan et al. (2016) point out that although FDI tends to be described as a driver of economic growth and development, the extant literature shows that the relationship between FDI and development is dubious. “There is the assumption that FDI will benefit a nation’s economic prosperity and its people’s quality of life, and its overall sustainable development; yet, there remains a significant gap in determining the positive benefits of FDI for developing economies without sufficient evidence to support this relationship” (Donovan et al., 2016, p. 6).

The contestable relationship between FDI and sustainable development presents significant challenges in the achievement of the latter, not just from the perspective of investment management and government policies but also for increasing public sector engagement. A clear priority for policymakers is a focus on enhancing the positive effects from the investment and reducing or minimizing the negative effects. There is no doubt, though, that it is difficult to determine the effects from FDI and, therefore, how to manage the relationship between FDI and sustainable development to ensure positive outcomes for the community and the MNEs involved.

2.2. *Corporate sustainability assessments: A lens to examine MNE engagement with sustainable development and the SDGs*

One key method gaining momentum for addressing the private sector sustainability challenge is the use of impact assessments. Impact assessments are “a planning tool that enables the assessment and adjustment of business activities to address associated issues and impacts across environmental, social and economic dimensions (for example, see Lion, Donovan and Bedggood, 2013; Arce-Gomez, Donovan and Bedggood, 2015)” (Donovan et al., 2016, p. 7). Impact assessments have gained prominence since the emergence of environmental impact assessments (EIAs) in the 1970s. With EIAs now mandated in over 191 countries, there is increasing

use of social, health and cultural impact assessments across the globe (Morgan, 2012; Pope et al., 2013).

Sustainability assessments build upon the common feature of impact assessments but extend it to having a broader focus on all three aspects of sustainable development – environmental (planet), social (people) and economic (prosperity) (Donovan et al., 2016). Sustainability assessments are driven by the private sector and are commonly conducted on a voluntary basis as opposed to the regulatory context that exists for other impact assessments such as EIAs and social impact assessments (Donovan et al., 2016). Thus, sustainability assessments are reported to offer a range of sustainability benefits; however, according to international experts (Bond, Morrison-Saunders and Howitt 2012; Pope et al., 2013), they also have their shortcomings.

In particular, the voluntary nature of conducting sustainability assessments, as with other sustainability-based activities by the private sector, can potentially lead to selective interpretation and reporting of sustainability performance outcomes, including enabling the potential of greenwashing (Hahn and Lüf, 2014). This potential weakness has been particularly linked with the reporting of outcomes from performance that may be less than ideal. Although we recognize the shortfalls that can be evident in organizations that may use these tools selectively to portray an acceptable corporate image, our focus is on the general management practices that are associated with these tools, which enable a greater move towards actively considering sustainable development through a business perspective.

Using a corporate sustainability assessment framework of MNEs in the ASEAN region, we gained unique insight into the sustainable business practices of the private sector. This exploratory research provides an opportunity to better understand the systematic efforts of the private sector, and specifically MNEs, in engaging in FDI, and how they address sustainability and sustainable development as part of their business activities.

3. The sustainability practices of MNEs across ASEAN

3.1. Methods

Building from a project in which we investigated the sustainability practices of MNEs across six countries in ASEAN, including Myanmar, the Lao People's Democratic Republic, Indonesia, the Philippines, Indonesia and Viet Nam, here we briefly investigate the sustainability practices of 112 MNEs that had undertaken investment in the region. The data collection for this research was undertaken from 2013 to 2016. Almost 45 per cent of the MNEs within the sample are from the manufacturing sector, followed by 16 per cent in the finite (non-renewable) resources sector and another 15 per cent in the services sector. The remaining MNEs were from three sectors: development and construction (5 per cent), utilities (9 per cent) and renewable resources (10 per cent).

Within the broader context of investment entering the region, approximately 58 per cent of the MNE affiliates in this sample were classified as large; that is, with more than US\$100 million investment. Thirty-three per cent were considered to fall within the small-to-medium enterprise category (US\$10–99 million), and 9 per cent were small (below US\$10 million) investment. Thirty-eight per cent of MNEs were from North East Asia, followed by 19 per cent from ASEAN, 15 per cent from Europe, 13 per cent from North America, 11 per cent from Australasia and 3 per cent from South Asia and other regions.

MNE affiliates within the sample were selected to provide insights into the key sectors of each country participating. This effort included looking at the key investment areas in each country and selecting the top three sectors. MNE affiliates were selected on the basis that they were considered as forms of FDI, with a parent organization possessing a controlling stake in the operations of the organization in each country. For all six countries involved, the potential participants were first identified from government-registered lists of FDI, before being refined to reflect the consideration of sector and size. Preference was given to the selection of large MNE affiliates, to reflect the composition of investment size in each country and the likelihood that more detailed sustainability practices would be evident to allow in-depth insights to be garnered on their practices.

A majority of participating MNEs had at least four interviews with key personnel from the parent company and affiliate operations, although 29 per cent (33 organizations) refused to participate at the parent-company level. Respondents from parent-company operations were principally at the executive level in either corporate governance or sustainability roles. Respondents from MNE affiliates were selected from three levels within each organization, including one from the senior executive level (i.e. C-level officers), one from the operational level (e.g. factory manager) and one from a sustainability-related function (i.e. community relations officer or manager, corporate communications manager or health, safety and environment officer).

Given the exploratory nature of the research, semi-structured interviews were conducted with these respondents. The interview schedule was organized around open-ended questions related to a corporate sustainability assessment framework (see for example, Donovan et al., 2016). Topics related to how organizations (both parent company and affiliate) selected sustainability issues to address, impact analysis approaches, monitoring and evaluation techniques, and alternative selection strategies to address impacts. Documentary analysis was also conducted on internal (including company reports) and external (including government reports and news reports) mediums, to triangulate the interview data. Interviews were transcribed verbatim and were entered with other data sources into the qualitative data analysis software package NVivo. All document sources were coded in NVivo using open codes linked with the corporate sustainability assessment framework.

3.2. The sustainable business practices

Across the 112 MNEs (parent company and affiliate), many expressed substantial commitments towards addressing sustainable development. These efforts were often directly related to addressing the broad objectives established by the Millennium Development Goals (MDGs), the precursor to the SDGs. Although this investigation does not capture the emergence of the SDGs as the new international development objectives, the responsiveness of these MNEs to international objectives such as the MDGs suggests the likelihood that, with the introduction of the SDGs, a shift will occur within these MNEs to address these new objectives.

International conventions, principles or standards played a significant role in influencing MNEs within our study to adopt sustainability practices. Overall, approximately 56 per cent of the 112 MNEs (parent company) within our study identified a key international guideline or standard (or a combination) as the guiding point of reference for their sustainability policies. These policies were primarily developed and established at the parent company level, and filtered down in various forms into the divisions and across their affiliate operations in ASEAN (as well as their other global affiliates). The international standards or guidelines were predominantly linked with four key sources: the GRI standard, the UNGC principles, the Carbon Disclosure Project (CDP) and ISO26000.

The use of GRI standards in directing sustainability practices was clearly apparent, with 45 per cent of the sample adopting them. Despite the prevalence of this standard, MNEs often adopted it in parallel with other sustainability standards or guidelines such as the UNGC Principles (22 per cent) and the CDP (23 per cent). Beyond these four broad categories, 44 per cent of MNEs also utilized some other type of standard to direct their practices, including various ISOs, and industry-specific standards such as the International Council on Mining and Metals, the Electronic Industry Citizenship Coalition and the London Benchmarking Group and Forestry Alliance.

Although it was apparent that at the parent-company level a prevalence of standards and guidelines were being utilized, this was not the case when looking at the affiliate level and how parent-company use directed the practices within each country. Less than 24 per cent of all MNEs were comprehensively translating sustainability policies and reporting practices from parent-company operations into systematic practices at the affiliate level within ASEAN. This was particularly the case when looking at the practices of identifying pertinent and locally relevant sustainability issues. These data suggests further work needs to be done to ensure the translation of international standards and guidelines into local subsidiary sustainability practices – a process that could be enhanced with the introduction of the SDGs. The review of SDGs that is expected to be performed at national and regional levels will provide MNEs with clarity about what critical sustainability issues exist at the local level and how they might address them.

Of particular interest with the adoption of some of these standards or guidelines were the methods used to address sustainable business practices. Although there was a dominance of quantitative and technical (scientific methods implemented by discipline experts) methods, there was also evidence of qualitative and participatory (stakeholder engagement and input) methods for the identification, refinement and engagement of key sustainability issues. Participatory, external engagement with government authorities, supply-chain actors, communities and third-party organizations were all helping to feed information into decision-making and planning processes to better focus MNEs on important sustainability issues.

Materiality analysis emerged as a key method to aid in the process of determining, refining, defining and prioritizing sustainability issues. Materiality analysis aims to identify and prioritize the most material or most important sustainability issues across key stakeholder groups (internal and external) linked with the MNE's business operations (at both parent and affiliate levels). These issues can be captured through both quantitative and qualitative data – from technical and participatory collection methods, across various internal and external sources – into a single, structured, easily digestible outcome. Within our analysis, we found a strong emphasis on the qualitative stream, with stakeholders – both internal and external¹ – consistently highlighted as the centrepiece of this method. This approach assigns significance to the sustainability issues identified by the stakeholders.

In order to conduct a materiality analysis, a number of different structures were identified across the sample. Most highlighted that the process involved external consultants, non-governmental organizations and auditors. These parties were seen to participate in varying capacities, from aiding internal teams in stakeholder identification to more large-scale contributions such as design, implementation and oversight of the entire process. The most frequently identified approach involved a mixture of internal and external personnel forming a team to conduct the materiality analysis. Also noted was auditing by external firms for checks and validation of whether the MNEs (at both the parent and affiliate levels) actually adopted and addressed these sustainability issues, identified from both the materiality analysis and their international commitments to sustainability standards and guidelines.

Of further interest was the finding that approximately 57 per cent of MNEs (at parent and affiliate levels) across the sample had extended the scope of their sustainability practices beyond their internal operations to focus on their value chain. In some cases, the suppliers of the MNEs were externally audited regularly in an effort to

¹ Stakeholders are more commonly cited as external, including local communities, non-governmental and not-for-profit organizations, and actors in the supply chain (such as farmers and growers). Involved internal stakeholders include employees.

ensure a maintained and continued level of compliance. A closer examination of the MNEs who initiated this practice (57 per cent of the sample) showed that several key approaches were adopted when directing sustainability activities in their value chain. About 82 per cent of them adopted some type of policy within their supply chain related to human and workplace rights to address major social and health considerations of their workforces. Furthermore, about 70 per cent of MNEs who focused on their supply chain had some form of environmental policy in place. Of these, about one third had a policy linked with determining carbon emissions, including the adoption of guidelines related to CO₂, greenhouse gas protocols or more comprehensive policies that were targeted towards conformity with the GDP. Despite the relatively high number of MNEs that were concerned about the broader social and environmental practices of their supply chain, fewer (about 16 per cent) had a comprehensive sustainability policy in place for their value chain.

Of particular interest here was the growing trend identified by parent companies to focus on the sustainable development issues of their value chain, including upstream suppliers and downstream distributors. These value chains can extend across international borders and can involve numerous individual actors from smallholder farmers and growers, buyers and traders, and processors, through to exporters, distributors and further production organizations in foreign markets. A growing literature base demonstrates the benefits of organizations engaging with sustainable development issues that generate positive impacts in their supply chain, society and the environment. This is often shown to occur through changes in the conventional culture of practice (for instance, through education on better management processes and more productive techniques) and through access to advances in technologies.

4. Conclusion

The 2030 Agenda for Sustainable Development is “a plan for people, planet and prosperity” (UN, 2015, p.1). Achieving sustainable development across the integrated and indivisible economic, social and environmental dimensions requires the efforts of all – it is a global issue that concerns developing and developed nations (UN, 2015). The global nature of this issue affects the international community and although it is firmly on the agenda of governments, non-governmental organizations and the private sector, there is no doubt that the role of MNEs is critical for moving the transformational vision of the United Nations forward.

How do MNEs contribute to achieving the SDGs? With the 2030 Agenda for Sustainable Development just having come into effect at the beginning of 2016, it is too early to demonstrate; however, our research on 112 MNEs investing in the ASEAN region shows a discerning effort to achieve sustainability through corporate sustainability practices. From our research, the parent company experience and commitments of MNEs had a key influence on local sustainability practices. MNEs

were engaging with international sustainability objectives, standards and guidelines, and although it was not possible to see the engagement of MNEs with SDGs because of the latter's recent introduction, we expect to see the SDGs slowly permeating through the broader sustainability objectives of MNEs and funnelling into their global operations through affiliate operations. This will be particularly the case where global sustainability platforms regularly utilized by the private sector, including MNEs, see further integration of the SDGs within their broader frameworks.

While some of the MNEs (at both the parent and affiliate levels) we investigated in our research were displaying best practices in relation to sustainable development, the SDGs will not only provide breadth of focus but also a clearer pathway for sustainable development. With the review process of goals and targets likely to draw on consultation with multiple stakeholders – from indigenous people, civil society, government and others – it will be clearer to MNEs what critical sustainability issues exist at the local level and how they might address them through their affiliates. The true value of corporate sustainability assessment as a measure of sustainable development is its common adoption on a voluntary basis. Here, we see the private sector increasingly making a decision to conduct an open, participatory approach in which multiple stakeholder groups are engaged to help set sustainability goals and outcomes for a project from the multiple perspectives of its stakeholders.

Our research shows that international standards and guidelines are frequently used to help inform the sustainability goals of the project. What is refreshing to see from our research on these MNEs is that the good ones are taking it one step further and extending the assessment practice to their value chains. There is a clear role for MNEs to move forward with the transformational vision of the United Nations and to achieve sustainable development on a global scale. Evidence shows that at the parent-company level MNEs are passing on their sustainable business practices to affiliate companies in developing countries. This is a pivotal practice to bridge the divide between the developed and developing countries and provide a pathway for more sustainable practices.

Although this research is only exploratory, it opens up a key avenue for further research. Specifically, future research would be well served in exploring how the SDGs are considered in the context of global sustainability platforms or international standards being utilized by MNEs. This suggests a focus not necessarily targeted at further exploration of MNE practices, but more so at the key influencing bodies that produce the instruments for which MNEs are increasingly reporting on and managing their operations. These platforms, such as the GRI standards, are being widely accepted and utilized by MNEs, and have become a key instrument for effecting change in their operations.

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The sustainable development effects of investment by emerging-market multinationals: shaping beneficial outcomes for home and host country

Guus Hendriks*

Emerging-market multinational enterprises (EMNEs) play an increasingly important role as investors in developing economies. When certain conditions are met, their foreign investment can contribute to host-country progress towards the Sustainable Development Goals (SDGs). Moreover, foreign investment by EMNEs could also bring positive development effects for the home economies from which they internationalize. However, some concern exists about the possibility that gains will not be equitably shared or that potential will be not realized in one or the other. This article aims to shed light on the conditions that will allow both the home country of an EMNE and the host country receiving its investment to make progress towards the SDGs. Five areas for policy action are presented, together with a research agenda. It is argued that the most promising measures encourage foreign investment to be long-term, stimulate linkages between EMNEs' home-country partners and host-economy firms, incentivize home- and host-country firms to take on new roles within global value chains, capitalize on institutional upgrading potential and tie certain conditions to the right to access natural resources. Both home and host countries could then potentially benefit from EMNEs' outward investment and make progress on goals related to poverty alleviation (SDG 1), economic growth and the creation of decent work (SDG 8), infrastructure development (SDG 9) and institutional upgrading (SDG 16).

1. Introduction

Foreign direct investment (FDI) is often considered as a powerful means for supplying developing economies with much-needed funds and expertise, setting processes in motion that will allow such countries to make progress in terms of development. Indeed, research has shown that developing economies may benefit from inward investment when conditions are right, fuelling belief in an FDI-assisted development

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strategy (Narula and Dunning, 2010). Foreign investment could thus potentially be an instrument with which multinational enterprises (MNEs) contribute to the Sustainable Development Goals (SDGs) (Kolk, 2016). The most promising areas in which progress can be made include poverty alleviation (SDG 1) and the creation of decent work opportunities through inclusive economic growth (SDG 8). That is, foreign investment has the potential to spur economic activity either directly or indirectly through realized spillover effects (Blomström and Kokko, 1998).

Whereas such thinking is shaped primarily by the investment behaviour of firms from developed countries, recent decades reflect a reality in which MNEs from emerging markets (EMNEs) have become increasingly important investors worldwide (Chen and Johnson, 2013). Although classification systems vary, EMNEs are generally considered to be firms from countries that share certain characteristics with developed markets but cannot be fully considered as such (CCSI, 2016). Hence, internationally active firms from countries such as China, India, Mexico and Argentina would typically be classified as EMNEs. As a sign of their growing importance, such firms possessed almost a quarter of the world's total outward FDI stock in 2015 (UNCTAD, 2016). Corresponding with that changing landscape is a different composition of firms that invest in less-developed countries. Increasingly frequently, EMNEs undertake large investment projects in countries that are less developed than their respective home countries, whereby their investment behaviour is often judged to differ from that of their developed-economy counterparts. Specifically, EMNEs' international investment patterns are strongly influenced by their home environments, which may relate to government involvement, but also to the way they navigate challenging institutional settings. Their experience with environments in which institutions are absent or inferior and with ways to cope with such situations gives them an advantage over developed-economy MNEs when they invest in other developing countries that are similarly characterized by a lack of institutional quality (Cuervo-Cazurra and Genc, 2008).

From a sustainable development perspective, such investment is particularly interesting, as not only could the host country potentially benefit, but also the home economy. Although substantial progress has already been made in countries such as China and India, much potential remains to lift even more people above the poverty threshold and have growth become more inclusive. However, the literature on the development effects of foreign investment, in relation to both the home and host country, is far from conclusive (e.g., Narula, 2014; Blomström and Kokko, 1998). Unless certain conditions are met, development effects may not materialize, raising concerns that gains from EMNEs' foreign investment may not be equitably shared between countries or that potential may be left unrealized. This article aims to shed light on the conditions that will allow both the home country of an EMNE and the host country receiving its investment to make progress on SDGs. After discussing what is known about the development effects of foreign investment and suggesting what

is required in both countries for that investment to support SDGs, I derive five areas of policy action that are most promising in light of those goals. As the effects of such conditions remain largely unstudied, I present a research agenda in connection with each of the five areas.

2. Foreign investment and development

Although frequently heralded as a panacea for feeble economic development, conditions need to be right for foreign investment to have *sustainable* effects on host economies (Narula and Driffield, 2012). Such effects can be direct, for example in terms of creating employment, but also indirect when benefits from investment spill over to other firms in the host country, enabling them to upgrade their asset bundles owing to the improved access to superior technology and (managerial) skills (Blomström and Kokko, 1998). In turn, the extent to which spillover effects are realized relates to the ability of host-country firms to capitalize on the technology and knowledge that investors bring with them when they internationalize (Bell and Marin, 2004). A review of the FDI-development literature reveals five important factors that make it more likely that foreign investment will have a lasting effect on the host economy (Narula and Dunning, 2010).

First, developing countries need to attract the “right kind” of foreign investment in line with their short- and long-term goals. That is, not all types of investment have the potential to bring about long-term development effects. For example, FDI in low-skilled sectors of the economy may create jobs and help alleviate poverty in the short run, but long-term development goals are best achieved when there are opportunities for host-country firms to learn and upgrade (Narula and Dunning, 2000; Narula, 2014).

Second, the recipient country should have sufficient absorptive capacity to internalize potential gains from investment (Lorentzen, 2005). Although investing firms may have superior skills, knowledge and technology, the opportunity to benefit from such resource bundles will go to waste when host-economy firms are unable to connect them with their existing resource base (e.g., Konara and Wei, 2016).

Third, sustainable development gains can be realized when a group of firms in an industry is able to successfully carve out an important role within a global value chain (GVC) (Giuliani, Pietrobelli and Rabellotti, 2005). For example, South Africa’s automotive industry managed to link into the global automotive value chain through the government’s use of active industrial policy, fostering substantial upgrading (Barnes and Morris, 2008).

Fourth, linkages are seen as the key mechanism through which local firms in the host country can access the investor’s superior knowledge and technology (Giroud, 2012;

Castellani and Zanfei, 2012). For example, linkages are established when investor firms seek partners that help them navigate unfamiliar environments or when they cooperate with local suppliers. Backward linkages, which involve partners supplying inputs to investor firms, likely are more effective in generating spillovers than forward linkages, whereby the investor firm supplies intermediate inputs to domestic customers (Javorcik, 2004). Yet, investments that are not firmly rooted in the host environment, whereby the investing firm mainly relies on a supplier network back home, will generate few chances for local firms to upgrade and expand (Javorcik, 2004).

Fifth, even though host-country governments predominantly put measures in place to attract foreign investment, it is unlikely that such an influx of capital in the economy will have lasting effects unless it stays in the country for a prolonged period of time (Lall and Narula, 2004). The longevity of inward investment, therefore, determines to an important extent whether a host country is able to make progress on the SDGs. That is, it leads investing firms to become more embedded in host environments, and it allows local firms more time to climb the learning curve of upgrading. Although each of these factors can individually improve the chance that investment will have a sustainable impact on development in the host economy, simultaneous fulfilment of two or more such conditions is likely to have the strongest effect (Narula and Driffield, 2012).

3. International investment by EMNEs

Although knowledge about the relationship between foreign investment and development has been built up over an extended period of time, much of the evidence relates to developing countries that attract investment from western MNEs (Narula, 2014). However, EMNEs are increasingly important investors in developing economies, too (Chen and Johnson, 2013). For example, 75% of China's FDI stock, which totalled US\$789 billion in 2014, is invested in Asian developing economies (UNCTAD, 2016). Firms from emerging economies may more readily invest in developing countries as it allows entry into an environment in which they hold an advantage over developed-economy rivals. That is, emerging as well as developing economies are often characterized by institutions that are comparatively underdeveloped, presenting firms with difficulties ranging from dense bureaucracy to an imperfect contracting environment (Cuervo-Cazurra and Genc, 2008). Experience navigating such environments can then be of use in other developing economies and give EMNEs a competitive edge (Khanna and Palepu, 2006; Cuervo-Cazurra and Genc, 2008).

When comparing EMNEs and their developed-economy counterparts, it becomes clear that investment patterns differ in many other ways (Guillén and Garcia-Canal, 2009). For example, home-country governments typically play a more important role for the internationalization trajectories of the former type of firms (Wang, Hong,

Kafourous and Wright, 2012; Luo and Tung, 2007). Such influence may be more direct in the form of ownership stakes, but also include approval procedures, insurance schemes, loans and subsidies (Luo, Xue and Han, 2010). Governments are often seen to actively use such instruments as they “pick winners” and stimulate outward investment (Hemphill and White, 2013). In line with that observation is the notion that EMNEs often internationalize to strengthen their position back home (Williamson and Raman, 2011). Governments may motivate firms to secure natural resources not available in the home economy and further fuel such a strategy (Wang et al., 2012).

If EMNEs are indeed more concerned with their home market, perhaps as the result of home government involvement, outward investment may be followed by quick withdrawal upon the acquisition of natural resources or strategic assets. Yet, some EMNEs are also seen to take over roles otherwise played by transaction-facilitating institutions and even invest in infrastructure, such as roads and ports, with the long-term aim of securing access to resources (Doh, Rodrigues, Saka-Helmhout and Makhija, 2017). The experience that such firms have with taking over market-supporting functions at home may thus be brought to the host economy, allowing them to navigate challenging environments and fill institutional voids, potentially with a positive impact on both home and host country (Cuervo-Cazurra and Genc, 2011). That is, from a sustainable development perspective, the key distinguishing factor of EMNE investment is the potential that progress on SDGs can be made in both the home *and* host country.

4. Home- and host-country development: the SDGs

Although most studies focus on the impact of foreign investment on the recipient country, it can also have a positive effect on the MNE’s home country. Despite considerable progress in many emerging countries over recent years, much remains to be done. That is, sizeable gaps remain when we compare current indicators with targets embodied in the SDGs. For example, even in the rapidly growing economy of India, 21.3% of people lived on less than US\$1.90 a day in 2011. SDG 1, which reflects the aim to eradicate all forms of extreme poverty by 2030, is therefore particularly relevant, also considering the potentially promising role that outward investment can play in attaining such goals (Narula and Dunning, 2000). China, for example, has made remarkable gains by lifting more than 500 million of its citizens out of extreme poverty over the last three decades (UNDP, 2016).

Yet, similar to the situation of inward investment as outlined in section 2, conditions need to be right for lasting gains to materialize (for a review, see Blomström and Kokko, 1998). That is, not all home countries necessarily benefit from FDI outflows, as evidenced by Taiwan Province of China, where outward FDI seems to have negatively affected the poorest 20% of the population (Tsai and Huang, 2007).

For outward FDI to have a positive effect on the home economy, MNEs should not relocate value-adding activities away from their home base upon the acquisition of new technologies or strategic assets, nor fully appropriate productivity spillovers themselves (Blomström and Kokko, 1998). Positive effects are more likely to materialize when the investment allows MNEs to specialize in the production of high-value or high-tech intermediates, expand research and development activities at home, or when it gives room for the establishment of training institutes or specialized business service firms that would otherwise not have a reason to exist (Blomström and Kokko, 1998). Thus, when conditions are right, outward foreign investment can alleviate poverty, spur economic growth and create decent work opportunities both at home and abroad, in line with subgoals laid out under SDG 1 and SDG 8. As the discussion below indicates, other promising areas include infrastructure development and the improvement of market-supporting institutions, thereby bringing into focus SDG 9 and SDG 16, respectively. Whereas it is likely that host countries are the main benefactors in terms of infrastructure development, foreign investment might bring about gains for both countries with respect to the upgrading of institutions.

However, considering the inconclusive nature of the FDI-development literature, it may be difficult to find situations in which the conditions for development are met in both the home and host country at the same time (for a review, see Narula, 2014). Concerns may thus arise about the possibility that gains will not be equitably shared or that potential is left unrealized in one of the countries. Such worries are fuelled by active home governments that seek to encourage the type of investment that supplies natural resources to the home economy (Luo, Xue, and Han, 2010). Indeed, it is difficult to erase the popular perception that Chinese investment in Africa is rather short-lived, aimed at extracting natural resources, relatively low-tech and not deeply embedded, thereby mainly benefiting the investor country (Shen, 2015). Contrary to such a belief is the tentative evidence drawn from case studies, which highlight the often positive role that Chinese MNEs take as infrastructure financiers (e.g., Van Dijk, 2009; Shen, 2015). Thus, rather than observing that benefits are skewed in one direction, it may be the case that EMNEs' foreign investment serves the development of both the home and host country, although often subject to certain conditions (cf. Kaplinsky and Morris, 2009).

5. Five areas of policy action: a research agenda

Reflecting on the presented streams of literature as well as tentative evidence, I derive five conditions that are potentially important in allowing home and host countries to make simultaneous progress on SDGs, even though the effects of such conditions remain largely unstudied. These factors are presented in this section, together with a research agenda, which aims to verify anecdotal evidence and suggest areas of policy action that require further research.

5.1. Long-term investment projects

Measures implemented with the aim of encouraging investments to be long-term may have potential benefits not only for the developing countries that receive such investment but also for the home countries from which firms internationalize. That is, when a firm undergoes a process of international expansion, more staff will typically be needed to coordinate a larger and more complex network of international operations (Meyer, Mudambi and Narula, 2011). Considering that the majority of such jobs are in support of functions under the control of a firm's headquarters, they are likely to be based in its home country.

Huawei, a Chinese manufacturer of networking and telecommunications equipment, initiated a growth strategy that was focused on expansion into developing countries first, followed by entry into developed economies (Accenture, 2008). As a sign of its remarkable success, the company grew its employee base from 24,000 by the end of 2005 to over 180,000 in 2016, of which more than 70% are located at home. The additional employment that is created through the processes of internationalization will likely involve activities for which relatively skilled employees are needed, such as IT professionals, analysts and mid-tier managers. Currently, 80,000 of Huawei's employees are engaged in R&D, many of which at research centres in China (Huawei, 2017). Moreover, middle management is developed through elaborate schemes of expatriation, as evidenced by the large number of Chinese expatriates at Huawei's foreign subsidiaries. At Huawei's Turkish and Indian subsidiary, for example, 20% to 30% of the workforce is Chinese (Smith and Zheng, 2016). Therefore, outward investment could bring about progress on SDG 8 in particular, which seeks to stimulate the creation of decent work.

However, firms are known to expand their headquarters operations primarily under conditions of stability (Sirmon, Hitt and Ireland, 2007). The type of foreign investment that is followed by rapid divestment is unlikely to have a lasting effect on a firm's home base. Yet, most governments have measures in place that aim to attract FDI rather than encourage it to stay in the country for a prolonged period of time (Zhan and Karl, 2016). Frequently used measures such as tax breaks could also be made conditional on the time that a firm stays in a country, thereby giving it an incentive to become more embedded and grow operations both at home and abroad. Scholars should aim to address what effect the longevity of investment projects can have on the creation of decent work opportunities both at home and abroad. If a positive relationship indeed does exist, additional research can be directed at finding out what time period would be long enough for mutual benefits to materialize, as well as verifying if the relationship is potentially non-linear. From a policy standpoint, research can address what measure would be most effective in stimulating investments to be more long-term, thereby considering such measures as tax breaks, the development of infrastructure and education schemes.

5.2. Partnerships between home- and host-country firms

The involvement of home-country suppliers or partners in the outward foreign investment projects of EMNEs, combined with the creation of partnerships with local firms, could improve the likelihood that both home and host countries benefit in terms of development. As firms typically do not operate in isolation, important events such as foreign investment will likely have significant consequences for the partner companies with which a firm cooperates in the home country, potentially causing sizeable spillover effects (Blomström and Kokko, 1998). Suppliers may benefit from an increase in orders from abroad, and, subsequently, experience with exporting. Partner distributors in the home country may seek to exploit connections with the investing firm by expanding abroad themselves.

However, such episodes of simultaneous internationalization could crowd out local suppliers and distributors, as they would be in direct competition and often possess fewer skills and firm-specific resources (Javorcik and Spatareanu, 2011). Rather than allowing unrestricted entry of home-country partners, governments in host countries could set as a requirement that joint ventures are created with local firms and stimulate the creation of linkages through this form of shared ownership (Lauridsen, 2004; Javorcik, 2004). For example, home-country distributors could partner up with local distributors to both serve the investing EMNE, whereby the former set of firms gains valuable market and internationalization knowledge. Moreover, such firms may be exposed to new opportunities otherwise left unexploited, learn from experiences and benefit from the pooling of resources in joint venture partnerships (cf. Chetty and Blankenburg Holm, 2000). In turn, local distributors may benefit from the knowledge and skill sets that both foreign firms bring to the host economy (Javorcik and Spatareanu, 2009). Such spillovers are likely to have the largest impact on SDG 1 and SDG 8 in particular, as the resulting increase in organizational efficiency will allow these small and medium enterprises to pay higher wages (Maksimov, Wang and Luo, 2017).

The beneficial impact of supplier partnerships is illustrated by the example of Hyundai. In 1997, the Korean car manufacturer set up its largest overseas assembly factory in India by means of a greenfield investment. Soon after, many of the major suppliers that were also based in the Ulsan automobile cluster in Korea followed Hyundai to India. Oftentimes they partnered with local Indian firms in joint ventures, which contributed to Hyundai Motors India becoming the company's first self-sufficient manufacturing unit, with 85% of the content produced in India (Park, 2004; Akyut and Goldstein, 2007).

Future research should address whether such experiences are more common and under what conditions both home and host countries can benefit from supplier partnerships. In Belarus, for example, a car assembly factory is being completed by BelGee, a Belarusian-Chinese joint venture. The owners of BelGee include Belarusian

manufacturer BelAZ, Chinese automotive company Geely and another Belarusian-Chinese joint venture specialized in the production of automobile parts. With the use of Chinese technology, 120,000 passenger cars of the Geely brand are projected to be produced annually. By mid-2018, 50% of the parts used in the assembly process will need to be produced locally in Belarus, with the remainder likely supplied by Geely's partners in China (CTV, 2017).

In addition to studying such cases in greater detail, future research should aim to uncover the main source of benefits to home-country partners. With potential advantages ranging from better opportunity recognition to internationalization knowledge, such benefits may be more intangible than the expected efficiency gains for host-country firms. Moreover, it can be studied whether benefits also materialize if host-country governments adopt a more lenient stance and stimulate the formation of shared ownership ventures, rather than set binding requirements – for example, with the use of tax breaks.

5.3. Mutually supporting GVC roles

The home and host country could each potentially benefit from the outward investment of EMNEs when they move towards a new GVC structure in which each of the newly assumed roles are in mutual support of one another. That is, industrial policy aimed at creating a role for firms in GVCs may not only benefit companies in the specific host economy, but also the EMNEs that invest there. Both sets of firms could benefit when a mutually reinforcing dynamic can be brought about that will stimulate investors to become GVC leaders and developing-economy firms to be vital partners within that chain. When the investment project also involves home-country suppliers, in line with suggestions made previously, it is likely that the proposed shared-ownership ventures with local firms will be in the best position to take on the latter role. That is, they can likely draw on synergistic advantages in the form of superior network knowledge. Although MNEs from developed economies control most GVCs, EMNEs are increasingly on their way to take on GVC leadership (Altenburg, Schmitz and Stamm, 2008; Gereffi, 2014). For developing-economy firms, it may prove to be easier to carve out their place in value chains that are subject to change, as opposed to other chains in which firms already take on clearly defined roles for a prolonged period of time.

Both home- and host-country governments could recognize the changing competitive landscape as an opportunity to coordinate policy and help firms in each of the countries assume new roles in GVCs. Home-country governments of emerging economies could, for example, enhance national innovative capacity through high-tech international trade and inward FDI (Wu, Ma and Zhuo, 2017). Host-country governments can prioritize the cultivation of industries that best support these new centres of innovative capacity (Narula and Dunning, 2010). Whereas home countries

of EMNEs can benefit from the stability and innovation that is associated with a coordinating role, developing economies have an opportunity to upgrade in both social and economic terms by linking into global value chains (Lee and Gereffi, 2015).

Although the use of industrial policy in relation to development has been studied, as well as advocated (e.g., Narula, 2014), more research is needed to assess the dynamic aspects of two countries undergoing changes simultaneously. Future studies should aim to establish if both developing and emerging economies can benefit equally when firms in certain industries assume new roles. Moreover, additional research could study the process of opportunity recognition in host countries when governments pick industries that best support fledgling innovation centres in emerging economies.

5.4. Simultaneous upgrading of institutions

EMNEs' foreign investment could also set in motion a process of institutional upgrading in both the home and host country when the experience that such firms have with overcoming institutional voids is transferred to the host environment. Both countries could then potentially make progress on SDG 16, which aims to promote peace, justice and strong institutions. Such potential relates to EMNEs' better-developed capability to cope with challenging institutional environments through the internalization of transaction-supporting functions, as described above.

Not only do EMNEs face the challenge of performing well in their home country despite these difficulties, they also need to cope with the oftentimes poor reputation that firms from emerging economies have regarding their environmental, ethical and business standards (Marano, Tashman and Kostova, 2017). In response, EMNEs increasingly attempt to align themselves with global meta-norms and expectations about MNE behaviour (Kostova, Roth and Dacin, 2008). The adoption of corporate social responsibility (CSR) measures is one way in which EMNEs signal their intent to conform to global expectations (Marano et al., 2017). In a similar vein, EMNEs need to internalize behaviour that conforms to globally accepted business standards, and to signal transparency, accountability and reliability as they aim to become important players on the world stage. To that end, such firms can partially rely on their experience with superior institutions from prior ventures to developed economies. This, in turn, has already contributed to the upgrading of institutions in their respective home countries (Hoskisson et al., 2013).

In an ever more closely knit and transparent world economy, EMNEs also need to be consistent in maintaining standards when they invest in developing economies. For example, the Brazilian firm Rio Tinto faced serious backlash when accused of bribery and corruption in connection with the acquisition of mining rights in Guinea, leading to the sacking of two top executives (Economist, 2017). By contrast, exemplary behaviour in developing countries may be beneficial for a firm in overcoming

legitimacy challenges, as evidenced by the case of Odebrecht, a Brazilian MNE (Doh, Littell and Quigley, 2015). Indeed, especially in countries characterized by weaker institutions, CSR can be used as a strategic tool to generate goodwill and forge strong relationships (El-Ghoul, Guedhami and Kim, 2017; Doh et al., 2017). For example, Odebrecht, the largest construction and engineering conglomerate in South America, has valued sustainability policies since its inception, applying them in over 35 countries, many of which are developing economies. Its policies aimed at, for example, waste reduction and the provision of basic health care and education, not only help develop local communities, but also increase growth opportunities for the company itself (Doh et al., 2015: 116).

Methods that EMNEs adopt to conform to global meta-standards could be transferred, either directly or indirectly, to firms in the developing country in which they invest. That is, such host-country firms may learn from the skill sets that EMNEs have in navigating challenging institutional environments and internalizing expectation-conforming behaviour. As there is potential to learn from experiences developed in a more similar context, recipient countries may undergo a smoother upgrade of those institutions through interactions with EMNEs and their governments, as opposed to developed-economy representatives. Whereas the host country can become a more attractive destination for future FDI projects, the home country of EMNEs may also benefit from having firms in their economy that are more resilient as a result of their experience with varying degrees of institutional quality as well as institutional change.

As both institutional change and the way in which EMNEs engage in signaling behaviour are relatively recent phenomena, research is at an early stage. Scholars may, however, be guided both by this discussion and by the pioneering work by Marano et al. (2017), as they aim to uncover if and to what extent the home and host country can mutually upgrade their institutions. Specifically, future efforts could be aimed at the progress that is made on SDG 16 and thereby establish whether institutions have become more effective and inclusive. In addition, scholars are advised to study what experiences are more easily transferable to host-country settings. Moreover, the interaction between recent policy changes and EMNEs' adoption of signaling behaviour is relevant when considering such a transfer of experiences, now that governments of emerging countries gradually pay more attention to environmental as well as business standards at home (cf. May, 2013).

5.5. Conditional policy and infrastructure development

Policy that ties incoming FDI projects to certain conditions could be shaped to serve the interests of both home and host countries. If formulated sensibly, thereby not deterring potential investors, such measures could connect the right to access host-country (natural) resources with requirements that need to be met by EMNEs in return. For example, investment in local infrastructure such as roads and railways

could be made an explicit condition that needs to be fulfilled in order to receive approval for a specific foreign investment project. Home-country governments thereby benefit by obtaining natural resources not available in the home economy, while host developing countries could make substantial progress on SDGs related to infrastructure development, particularly SDG 9.

In this fashion, host countries can take advantage of the expertise that EMNEs bring with them in terms of organizing infrastructure projects. That is, such firms are often seen to absorb the costs of absent institutions in their home countries by substituting for the state in building infrastructure (Banerjee, Oetzel and Ranganathan, 2006; Boddewyn and Doh, 2011; Doh et al., 2017). The investing firm, in turn, also has an interest in the organization of such projects, as it can make sure that good infrastructure is built in line with its own needs. For instance, countries in Sub-Saharan Africa already benefit considerably from China's growing role as infrastructure financier but could channel efforts to construct more innovative deals and improve on that potential (Foster et al., 2009). For example, Chinese and Zambian officials have worked together to establish the Economic and Trade Cooperation Zone, providing Chinese investors with favourable tax conditions and opportunities to develop good infrastructure. CNMC, a large Chinese mining firm, has subsequently purchased the Chambishi mine in that area, a move it would probably not have made otherwise (Bastholm and Kragelund, 2009).

More research is needed to study the effect of conditional policy measures on home countries' ability to make progress on SDG 9. Specifically, what is defined as the "right" balance between setting conditions and not deterring potential investors needs to be studied. Moreover, even though home countries can potentially benefit from stable access to resources through tailored infrastructure development, research needs to address to what extent *both* countries are able to make sustainable development gains.

6. Concluding remarks

There is considerable potential for foreign investment to positively affect both the home country from which an EMNE internationalizes and the host country that receives its investment. Such investment may potentially leave a lasting effect on economic growth, create decent work opportunities, alleviate poverty and contribute to the upgrading of institutions and infrastructure. Rather than accepting that development gains are unequally distributed or remain unrealized, governments and firms have an opportunity to coordinate policy that will create a mutually beneficial environment conducive to sustainable development. Five promising areas were highlighted where the interests of home and host countries possibly collide, in most cases guided by supporting policy measures. However, more research is needed to

study these measures and the effect they can have on the progress that both home and host countries can make on the SDGs. In addition to the suggestions made for each separate area of policy action, scholars are also advised to pay attention to the interaction between the various measures and their combined effect on sustainable development.

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MNE subsidiaries' adoption of gender equality and women empowerment goal: a conceptual framework

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This article explores the possible response types of multinational enterprise (MNE) subsidiaries in adopting the gender equality and women empowerment goal, number 5 of the 17 United Nations Sustainable Development Goals (SDGs). MNE headquarters' commitment to gender equality does not necessarily get translated to their subsidiaries' priority because of the strategic value the subsidiaries see and the legitimacy pressure they experience. Drawing on institutional theories and the literature on the transfer of organizational practices in MNEs, we propose a two-dimensional (value added to strategy and legitimacy pressure) framework describing four major types of subsidiary response – resistance, compliance, conformity and commitment. Understanding these response categories would help global agencies and host-country governments adjust their efforts to enhance local legitimacy for SDG adoption. Our simple typology could also facilitate scholarly and practical discussion. We end our discussion with some suggestions for future research.

Key words: institutional theory, gender equality, women's empowerment, sustainable development goals, SDG, MNE subsidiary

1. Introduction

The stockholder perspective (Friedman, 1970) of the social responsibility of business is no longer acceptable in today's globalized world. Businesses have to meet the expectations not only of their stockholders but also of other internal and external stakeholders whose interests may affect the firms' objectives, activities and performance (Parmar et al., 2010). Multinational enterprises with businesses spreading across oceans are expected to move beyond meeting their legal, economic and ethical responsibilities (Carroll, 1999) in the country where they are headquartered.

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They also are expected to become global citizens helping the world become an inclusive habitat for all, in particular, for those who are severely underprivileged (UN, 2014; World Economic Forum, 2015). The recent call by the United Nations (UN) for private sector participation in contributing to the Sustainable Development Goals (SDGs) is one of such initiatives (Hopkins, 2016; UN Global Compact, 2017).

This article aims to explore the possible responses of MNEs with respect to adopting sustainability initiatives. To do so, we focus on Goal 5, which addresses gender equality and women's empowerment, and frame the pursuit of the gender goal as an issue of cross-national transfer of organizational practice within an MNE. We take this approach because MNEs' sustainability initiatives would likely be driven by their headquarters and subsequently transferred to their subsidiaries, similar to transferring the practice of corporate social responsibility (CSR) (Yang and Rivers, 2009). The literature on the cross-national transfer of organizational practices has suggested that the transfer process is often complicated and may involve resistance and barriers (Ferner, Edwards and Tempel, 2012). Reviewing the transfer literature, Edwards, Colling and Ferner (2007) identify three major influences on headquarter-subsidiary transfers: (1) The transfer is essentially driven by managers who see a clear competitive advantage from transferring the practice; (2) the transfer is associated with cross-national differences in institutions and business systems; and (3) the transfer is often shaped by the interests of different groups and the resulting political activities of the MNE. The first factor is market-based, while the second and third are related to neo-institutionalism and (old) institutionalism, respectively. Taken together, successful transfers depend on a multitude of internal (micro) and external (macro) factors (Bjoerkman and Lervik, 2007; Ferner et al., 2011; Kostova and Roth, 2002). Despite the important role of MNEs in promoting sustainability and social responsibility values and practices (Strike, Gao and Bansal, 2006), studies devoted to the transfer process within MNEs are still scant. Moreover, only a small share of the articles published in the main international business journals are related to CSR and even fewer to sustainable development¹ (Kolk, 2016). Addressing this void, this article aims to stimulate more scholarly discussion on sustainability issues involving MNEs.

The SDGs encompass three major pillars of sustainable development: economic development, environmental sustainability and social inclusion, together with 17 specific goals (Saches, 2015). Among the goals, the one that potentially involves all MNEs is SDG 5, gender equality and women empowerment. Combining institutional theories and the literature on cross-national practice transfer, we propose a two-

¹ Between 2001 and 2011, articles on sustainability appeared once in the *Journal of International Business Studies*, and nine times in the *Journal of World Business*, two main academic journals in international business (Kolk, 2016).

by-two matrix to highlight the two primary drivers for an MNE's pursuit of the cause of gender equality. We argue that legitimacy and strategic value are the two key concerns of an MNE in its decision to pursue gender initiatives. Furthermore, the strategic value concern has been undermined in the transfer literature. Our framework contributes to the MNE management literature by adding a simple analytical tool for diagnosing the potential response of MNE subsidiaries in adopting gender equality practices. It also provides a typology to facilitate scholarly discussion and some insights for governments and international agencies in promoting the gender equality goal in particular, and the SDGs in general.

In the following sections, we first present SDG 5 and the theoretical perspectives. We use Unilever, one of the MNEs that pioneered gender equality and women's empowerment initiatives, as a case to explain the dynamics within our framework. Last, we identify the implications and limitations of this article, as well as some suggestions for future research.

2. Gender equality and empowerment of women goal

The fifth SDG aims to achieve gender equality and empower all women and girls. Its targets of gender equality extend beyond what most MNEs are familiar with – equal employment opportunity – and cover a range of social development issues that were previously considered as the responsibilities of national governments. Broadly categorized, the issues range from ending discrimination, violence and harmful practices against women and girls to promoting complete and authentic participation in leadership roles in all sectors (including economic, political, private and public), universal access to sexual and reproductive health and rights, equal access to economic and financial services resources, and ownership and control over all forms of property (UN, 2014). Among these targets, the one that arguably is most directly related to MNEs is equal opportunity to perform decision-making roles in all leadership positions. In developing countries, including those that are relatively rich, there is still a long way to go to reach that target. Using Malaysia as an example, despite its middle-income status and economic achievement as the second richest country in the ASEAN region, its record of having women in senior management positions is lower than its peers. Across all sectors, women make up only about 26% of senior management and 7.7% of boards of directors (Carrasco et al., 2015; Grant Thornton, 2015). To promote women to leadership, MNEs could take the lead and serve as a role model to other small and medium-sized enterprises in the local economy. In developing countries, it is likely that MNEs are present as a subsidiary of their foreign parents. To understand what drives MNEs' participation to undertake gender equality initiatives, we need to understand what drives their overseas subsidiaries in adopting a social agenda. To do so, we begin by applying institutional theories.

3. The institutional perspective

The institutional perspective, under either the neo-institutionalism or (old) institutionalism stream, is a powerful tool for analysing the adoption and diffusion of organizational practices among organizations (Ferner, Almond and Colling, 2005; Kostova and Roth, 2002). New institutional theory and old institutional theory share largely the same core concepts, with the former emphasizing legitimacy and the latter power and interests (DiMaggio and Powell, 1983, pp.1-38). According to new institutional theory, organizations, in their pursuit of legitimacy, conform to institutional pressures that impose demands on them. That explains why organizations that operate in the same environment – or in institutional terms, in the same organizational field – tend to share similar practices, displaying a phenomenon called isomorphism.

Central to institutional theories is the concept of organizational field – “those organizations that, in the aggregate, constitute a recognized area of institutional life: key suppliers, resource and product consumer, regulatory agencies and other organizations that produce similar services or products” (DiMaggio and Powell, 1983, p.148). The interaction of the actors in the organizational field constrains and shapes an organization’s decisions and behaviour.

Three forms of institutions have influence on organizations’ preferences – regulatory, cognitive and normative (Scott, 1995). Regulatory institutions, in the form of laws and rules, either promote or restrict certain behaviours of organizations. Violation of them results in punishment, such as loss of a license or an opportunity. As laws and regulations are likely associated with an authority, a host government or its regulatory agency has coercive power on a foreign subsidiary. Cognitive institutions are related to how the relevant actors think in the institutional environment. They are related to the shared knowledge and mental image (schema or stereotypes), and how phenomena are categorized and interpreted. “Leaders are men” is a common stereotype possessed by people in many societies, which affects people’s thinking and preferences at the non-conscious level, thereby making them biased in their decisions (Heilmann, 2012; Malmstrom, Johansson and Wincent, 2017). Furthermore, institutional theory suggests that in their strategic or operations preferences, organizations tend to follow the best and proven practices – in other words, the leader in their industry. This is called mimetic pressure. Last, normative institutions refer to the norms, beliefs, assumptions and values in a country or industry, and they impose normative pressure on an organization to conform. In sum, regulatory, cognitive and normative institutions, whether together or separately, impose legitimacy pressure on organizations to conform, thus leading to organizations in the same field sharing similar practices.

Isomorphism is relatively easy to achieve when the boundary of a firm’s organizational field is clear and stable (Kostova, Roth and Dacin, 2008). For MNE subsidiaries, the

boundary of their organizational field is less clear and more complex as they face an institutional-duality situation (Kostova and Roth, 2002). As Kostova and Roth put it (2002, p.216), "each foreign subsidiary is confronted with two distinct sets of isomorphic pressures and a need to maintain legitimacy within both the host country and the MNC." The institutional-duality situation could lead to conflicts, particularly on contentious issues on which multiple stakeholders want to exert influence.

Yang and Rivers (2009), in their conceptual paper on the antecedents of CSR practices in MNEs' subsidiaries, propose various situations in which subsidiaries would conform and adapt to local practices instead of following the headquarters' policies. Specifically, they refer to MNEs from developed countries with subsidiaries operating in emerging markets. The situations that favour local adaptation include strong local stakeholders' demand, higher distance (difference) between the home- and host-country's institutions, stronger legal and enforcement systems in the host country, stronger and more effective influence of NGOs, closer connection with local industry associations, stronger local community voice, powerful consumers, lower coercive or withholding power from the parent, stronger voice from employees and lower withholding power from shareholders from the home country. Accordingly, MNE subsidiaries could depart from their parents on CSR practices owing to stronger aggregate isomorphic pressure towards the local practice in their organizational field.

In sum, the legitimacy pressure that an MNE subsidiary experiences in its organizational field determines the extent to which it would adopt and implement a headquarters practice and how willing it would be to do so. When the aggregate legitimacy pressure experienced from a headquarters practice is high, a subsidiary would be more likely to adopt and implement it, and the willingness would be higher than when the legitimacy pressure is low.

4. Alternative perspective: value added to the competitive strategy

Transfer of organizational practice from headquarters to subsidiaries is not a straightforward or top-down process. It is more appropriately described as a negotiated process between headquarters and subsidiaries (Ferner et al., 2005). This description reflects the emphasis of power, interests and competing values in the old institutional theory (Ferner et al., 2011; Lawrence, 2008) and the phenomenon of inherent tension and conflicts between headquarters and subsidiaries (Bartlett and Ghoshal, 2002). One major source of tension between headquarters and subsidiaries is the different views of the strategic fit of a transferred practice. As organizational practices have to be aligned with each other to produce synergistic effect (Delaney and Huselid, 1996), it is important for managers in a foreign affiliate to question if a headquarters practice would add value to the subsidiary's competitive strategy.

The headquarters-subsidiary tension could be complicated by the different ownership structures that are adopted to form the subsidiaries. In terms of entry modes for emerging economies, joint venture is probably one of the most frequently used methods for MNEs (Meyer et al., 2008). Although the presence of a joint venture partner could reduce various risks and add to MNEs' resources, it also brings about complexity in decision-making. In fact, joint venture partners are known for having divergent objectives. The host-country partner could take a shorter-term view, caring more about the subsidiary's bottom line and less about the social impact wanted by the headquarters. Therefore, if the strategic fit of a headquarters practice is viewed as negative, a subsidiary may be reluctant to adopt it or even resist doing so. Furthermore, subsidiaries of the same MNE in different organizational fields may have different assessments of the strategic fit of a practice at a point in time, resulting in different practices. Unilever is one such example.

Unilever is an MNE producing and selling personal care and food products to almost all countries in the world. In Unilever Viet Nam (UVN), gender equality and women's empowerment policies have been in the core of its strategy for quite some time. Its programs for empowering women are taken as part of its integrated marketing and supply-chain development strategy. Making women's empowerment as one of its four CSR platforms, UVN targets disadvantaged women, especially those who live in rural and remote areas. It provides them with microloans to set up their own micro-enterprises. As a result, these poor women have jobs and generate income for themselves and others. Working with local women's associations, UVN also improves women's capacities through business and leadership development, and health care programs. Its doing so is probably in part due to its genuine support for sustainable development, and certainly in part to the fact that women are key to their business success. A government agency's report points this out very clearly (Ministry of Planning and Development, Viet Nam, 2009, p.87):

The rationale behind choosing these CSR platforms are linked to what UVN does as a business. Most consumers of UVN products are women; and according to international research, if money is placed into the hands of women, the economic impacts will be more than if it is given to men. UVN has designed and implemented programs specifically aimed at the development of women, including professional training and the encouragement of women in small business, family organisation, household expense management, health, and nutritional education.

Through these women's empowerment efforts, UVN helps alleviate poverty and raise the standard of health at the same time. From a risk perspective, UVN forms a close and high-quality connection to the local community by being involved in community development programs, thereby reducing its foreignness (Zaheer, 1995). Therefore, promoting gender equality and empowering women provides strategic value to UVN's business. It makes business sense for it to integrate development goals in

its strategies. However, at the same time, empowering women did not appear to be an adopted strategy throughout Unilever. In an earlier CSR report on Unilever Indonesia by Oxfam, women were mentioned only sparingly (Clay, 2005); women's empowerment was not a theme of Unilever's CSR practice in Indonesia.

Today's Unilever appears to have adopted a global strategy of integrating equality and women's empowerment into its supply chain strategy, and is expanding what it did in Viet Nam to other developing markets, including India, Nigeria, Pakistan, and the Philippines (Unilever, 2017). From publicly available information, however, we cannot identify precisely if there was a clear shift or when the shift took place. That said, as a profit-making company, Unilever continues to highlight on its website the centrality of equality and women's empowerment programs to both its social impact and its business growth. The value added to its competitive strategy remains a major reason for its gender policies.

5. A typology capturing four major types of response

Based on the perspectives above, we construct a two-by-two matrix with legitimacy pressure on the vertical axis and value added to strategy on the horizontal axis (figure 1). This matrix suggests four possible response types of MNEs' subsidiaries towards promoting gender equality and women's empowerment practices. From the bottom left, if a subsidiary sees no legitimacy pressure or any added value to its strategy, it would not likely commit resources to activities related to the gender equality goal. Its response would likely be "resistance".² The upper left quadrant indicates high legitimacy pressure and low strategic value: A foreign subsidiary would still be willing to pursue the cause of gender equality because of legitimacy pressure. We label the response in this condition as "compliance" because of the absence of strategic value as motivation. Compliance firms, subject to mostly coercive forces (by law or regulations) to perform, would likely do the minimum. Moving towards the lower right quadrant is where firms see the strategic value while subject to low or no legitimacy pressure. Firms in that category are likely committed to gender equality out of internalized business interest. They have a profit-making motive in adopting gender-related programs. We label that type of response as "conformity". Firms in

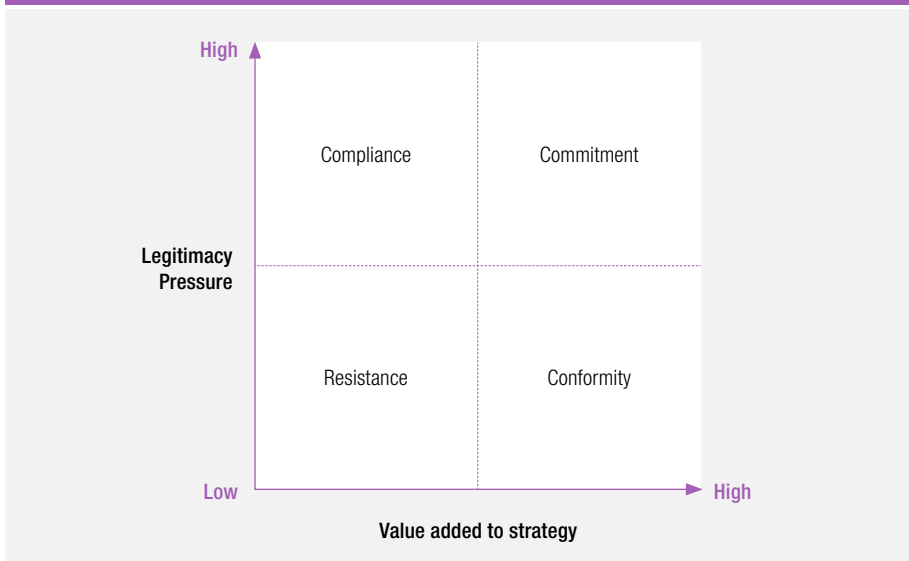
² The labels of the typology are primarily borrowed from social influence literature (See Cialdini, 2003; Cialdini and Goldstein, 2004). The typical response of a target in an influence attempt includes four types: resistance, compliance, conformity and commitment. Compliance is different from conformity in that the former involves being urged to do something, while the latter does not involve any form of coercion. Conformity could be a result of two factors, information and norms. Informational conformity motivation is driven by the desire to form a precise interpretation of reality and behave appropriately, while normative motivation is driven by the goal to obtain social approval from others. Though these two types of conformity are conceptually independent, they are empirically interrelated.

this category are more likely to be creative in identifying initiatives to support gender goals. At the upper right quadrant is the scenario in which firms see both instrumental value and other legitimate reasons to perform gender equality practices. Firms in this category incorporate gender goals in their operations and internalize the goals as necessary in achieving their profit-making objectives. They also continuously receive positive reinforcement from their operating environment; for example, government, industry or international recognitions. We categorize that type of response as “commitment”.

Firms in the compliance category could shift to the conformity quadrant when the market leaders start taking the lead to integrate gender goals in their CSR initiatives. The mimetic pressure would push compliance firms to rethink their strategy. As time goes by, and as the industry takes gender initiatives as a norm, the normative pressure would add to the push for more social performance. Compliance firms would then turn into commitment firms, sharing the same strategic and legitimacy concerns.

Commitment appears to fit Unilever’s current profile of its gender equality and women’s empowerment initiatives. In the quotes above, Unilever frankly admits that there are business benefits from empowering women. As for the legitimacy pressure, in addition to the call by the United Nations, Unilever’s competitors, such as P&G (2015), have also adopted women’s empowerment initiatives in less developed

Figure 1. Possible Responses of MNEs’ Subsidiaries to the Gender Equality and Women’s Empowerment Goal



countries. These indicate the growth of an industry norm, and a positive reinforcing organizational field for continued gender equality initiatives.

Having this typology of response facilitates our analysis of what motivates MNEs to promote gender equality. It directs our attention to the two primary factors that affect firms' decisions about cross-national practice transfer – value added to strategy and legitimacy pressure. Our model is therefore different from the analytical framework derived purely from institutional theories, in which the strategic fit of a transfer, if included in an analysis, is taken as one of the many institutional forces that shape firm's decisions. The salience of strategic fit appears to be downplayed in the literature even though anecdotal evidence suggests otherwise.

5.1. Implications for global agencies and host governments

Our model has practical implications. It could help global agencies or host governments identify the possible positions of MNEs in adopting gender equality initiatives and decide appropriate efforts to strengthen their motivation. Among the four response types, the global agencies or host governments are likely concerned with those firms that fall into the conformity, compliance or resistance regions. To the MNE subsidiaries that fall into the conformity quadrant, positive reinforcement by recognizing or praising their SDG performance is an action that is likely to produce more positive results. As the climate for supporting gender goals intensifies, subsidiaries would move up to the commitment quadrant. Their SDG efforts would then be more deeply embedded in their operating environment, which automatically provides continuous reinforcement. For those subsidiaries that show resistance to contribute, coercion in the form of legislation by the national governments could be a way to move them up to the compliance quadrant. However, the consequence could be limited to symbolic or ceremonial compliance.

For foreign subsidiaries that fall in the compliance category, there is a need to identify what type of pressure would be effective in further enhancing their participation. In emerging economies in which many MNEs' subsidiaries are joint ventures of an MNE parent and a local partner, the parent MNE's influence or withholding power could be limited. Thus, other forms of legitimacy pressure might be required to strengthen the need for isomorphism. Stronger coercive pressure would likely yield a faster response, though it is still tough to implement such a law.³ Although legislation is a strong form of coercive force, without the input of other forms of institutions, such

³ For example, the recent amendment in India's company law only adds a non-mandatory directive (not law) recommending large companies (of US\$80 million or more assets or an average of US\$160 million revenue in the last three years) to set aside 2 per cent net profit for CSR programs (Hopkins, 2016).

as industry norms or market leader influence, firms would likely comply and take the rule as an additional tax imposed on their operations, limiting the outcome of their initiatives. Or simply put, compliance would be ceremonial.

6. Limitations and future research directions

This article frames an MNE's pursuance of gender equality and women's empowerment goal as a headquarters-subsidiary transfer issue and applies cross-national transfer literature and institutional theories in the discussion. Framing the issue in such a way limits the scope of our discussion, but at the same time points to several future research opportunities. First, our typology has not been subject to empirical tests. More research effort is needed to test the utility of our model, improve it, and perhaps see if it can be applied to other SDGs. Second, the transfer direction could be the other way, i.e. subsidiary-headquarters transfer, or in other words, reverse transfer. That could happen as the need to find development solutions is higher in developing countries than in developed countries. As the saying goes, "necessity is the mother of invention": gender equality and women's empowerment practices could arise from MNE subsidiaries in developing countries, and get transferred back to their headquarters or other subsidiaries. Current literature on reverse transfer involving MNEs falls in the areas of knowledge management and repatriation, and is considered an understudied topic (Sanchez-Vidal, Sanz-Valle and Barba-Aragon, 2016). Given the newness of the SDGs, more research work awaits to be done.

Third, MNEs' engagement in sustainable development is still an evolving phenomenon. There is a need to document the efforts and consequences of MNEs' gender equality initiatives. More specifically, there is a need to examine what factors facilitate or hinder the adoption and implementation of initiatives together with the dynamics involved in the implementation process. We are also aware that there was an apparent difference between Unilever Indonesia and Unilever Viet Nam in their gender policies. This suggests that research on the determinants of the practice variance in different subsidiaries of the same MNE would be insightful.

Last, the seminal studies on headquarters-subsidiary transfer mostly relate to U.S.-headquartered MNEs (e.g. Edwards, et al., 2007; Marano and Kostova, 2016; Kostova and Roth, 2002) and subsidiaries based in developed economies, such as the United Kingdom (Ferner et al., 2005) and European Union (Almond et al., 2005). Future research that studies emerging-market MNEs would add to our understanding of gender equality initiatives in developing or less developed countries (Luo and Zhang, 2016). Our discussion does not touch upon the various characteristics of institutions, such as strength, heterogeneity and salience (Marano and Kostova, 2016), and other institutionalism concepts, such as institutional distance (Xu and Shenkar, 2002), cultural distance (Shenkar, 2001), and national business systems

(Whitley, 1999). We believe research with foci on emerging-market MNEs and/or developing-country or less-developed country subsidiaries would advance our understanding of how those characteristics and concepts of institutions interact with each other and influence actors' decisions.

7. Conclusion

MNEs, characterized by having extensive reach and influence and the ability to coordinate resources across borders, have an obligation to join the call for building an inclusive and sustainable world. This article aims to present a framework to stimulate discussion and future research efforts in relation to the gender equality and women's empowerment SDG. Drawing on institutional theories and cross-national transfer of organizational practices literature, we propose a typology of possible responses to the call for contributing to the gender goal. Framing its adoption as a headquarters-subsidiary transfer issue, our model suggests that subsidiaries' response could be determined by how much value the transferred practice will add to their firms' strategy, and the extent of the legitimacy pressure in the subsidiaries' organizational field. The higher the strategic value added and the higher the legitimacy pressure experienced, the higher the level of commitment.

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Microfinance for poverty alleviation: Do transnational initiatives overlook fundamental questions of competition and intermediation?

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Numerous microfinance initiatives around the world aim to alleviate poverty in developing countries. However, debate persists about their effectiveness and sustainability – a concern for transnational corporations and the international business community, which contribute about \$9.4 billion to microfinance funding. In this policy-oriented article we aggregate findings from two studies in Indonesia that help explain why moneylending can still thrive when low-interest microfinance is widely available and why the poorest borrowers benefit less than the less-poor. To avoid methodological debates about validity, we interview market participants and triangulate the perspectives of borrowers with those of formal and informal lenders. Importantly, our research includes current and past borrowing from formal and informal sources, prompting participants to draw comparisons. We find that the importance to borrowers of key characteristics of informal lending is insufficiently recognized and that inappropriate human resource management and informal intermediation are significant problems. The latter can be an unintended consequence of formal microfinance: The availability of formal low-interest microfinance creates informal intermediation opportunities for entrepreneurs, often developing from casual intermediation into systematic deception. We discuss implications for microfinance policy with reference to the United Nations Sustainable Development Goals and offer suggestions for further research.

Key words: microfinance, competition, formal, informal, intermediation, Indonesia, qualitative

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1. Introduction

Debate persists about the effectiveness and sustainability of international microfinance initiatives to alleviate poverty (Chliova, Brinckmann and Rosenbusch, 2015; Khavul, Chavez and Bruton, 2013). Data and statistical methods are questioned (see e.g. the 15-years-and-ongoing dispute in Pitt, 2014; Pitt and Khandker, 1998; Roodman and Morduch, 2014), and some studies even suggest a lack of any significant effect (Nghiem, Coelli and Rao, 2012). Other studies find that microfinance is effective but that the poorest borrowers benefit less than less-poor borrowers (Islam, Nguyen and Smyth, 2015), particularly when longer time periods are taken into account (Banerjee, Breza, Duflo and Kinnan, 2015). Hence, our understanding of the effects of microfinance remains incomplete.

Why, for example, can moneylenders still thrive in countries where low-interest microfinance is widely available? Many studies of international microfinance appear to occur in a vacuum, assess the effectiveness of specific initiatives in isolation and ignore competition from informal sources of lending or other phenomena not easily quantified (Arp and Ardisa, 2016a). There are “important gaps in data availability, especially in developing countries, as well as for informal and rural sectors” (United Nations Inter-agency Task Force on Financing for Development, 2016: 20). But if formal microfinance were effective, one would expect an obvious impact on its informal competitors. Competition theory suggests that products or services with inherent advantages for customers will expand their share of competitive markets and potentially even achieve monopoly status (Sharkey, 1982). Formal, low-interest microfinance offers inherent advantages to poor borrowers, who often start their microventures through credit from informal lenders (Banerjee et al., 2015; Tsai, 2004; Turvey and Kong, 2010). Hence, low-interest, formal microfinance could be expected to achieve monopoly status. At the very least, the effectiveness of formal microcredit should be noticeable – if not precisely enumerable – from its impact on informal competitors.

Monopolistic competition theory (Chamberlin, 1947) describes imperfect markets in which competitors coexist without impact on each other. This is undesirable, as inefficient markets create social costs that burden the international community: Lenders can charge prices exceeding marginal costs, operate with excess capacity and spend too much on publicity rather than reduce the price of their product (see e.g. Krugman, Obstfeld and Melitz, 2015). This risk of social burden leads us to a discussion of microfinance policy and suggestions for future research with reference to the first and foremost United Nations (UN) Sustainable Development Goal (SDG) of ending poverty “in all its forms everywhere” (United Nations, 2017) as well as more specific considerations (United Nations IATF on Financing for Development, 2016). In the next section, a review of the literature and a summary of our research project to date provide the basis for that discussion.

2. Literature review

Microfinance initiatives for low-income households are deemed by many to have a positive effect on the lives of people in poor countries (Baye, 2013; Ghalib, Malki and Imai, 2015; Imai, Arun and Annim, 2010; Imai et al., 2012; Imai and Azam, 2012). Not only taxpayer-funded donations support these initiatives; in addition, transnational corporations (TNCs) and the international business community are deeply involved. The food giant Mars, for example, supports microfinance initiatives in 15 cocoa-growing communities in countries such as Côte d'Ivoire and Indonesia. Seeking to empower female entrepreneurs, it provides loans and microgrants to fund inputs within its supply chain (Mars, 2015). The banking giant Citibank invests in microfinance initiatives through a range of programmes. It maintains a partnership with the U.S. Government's Overseas Private Investment Corporation, which funds microfinance initiatives in developing markets around the world and has provided more than US\$417.4 million in financing to 46 microfinance institutions in 24 countries. It also partners with the Philippines-based Asian Development Bank (ADB) to facilitate local currency loans of up to US\$100 million to microfinance institutions in the Asia Pacific region (Citibank, 2016: 80). TNCs Pearson, Hewlett-Packard, Google and MetLife are among the funding partners of the transnational initiative Kiva, which provides US\$979.9 million in microfinancing for poverty alleviation in 83 countries (Kiva.org, 2016). Indeed, the World Bank's 2016 Cross-Border Funder Survey estimates that US\$9.4 billion (28%) of the US\$34 billion of funding for financial inclusion comes from private sources, with more than two thirds of overall funding used to finance lending portfolios (Soursourian, Dashi and Dokle, 2016). Hence, TNCs and the international business community are important stakeholders in the debate about microfinance effectiveness.

There appears to be a growing consensus that poverty alleviation requires asset accumulation through entrepreneurial activities (Swain, Nguyen and Vo, 2008). Loans to micro-entrepreneurs help people accumulate assets, whereas non-productive loans merely help people consume more (Banerjee et al., 2015; Bruton, Ketchen and Ireland, 2013; Usman et al., 2015). Therefore, research typically focuses on micro-entrepreneurs (Bruton, Khavul and Chavez, 2011), and we follow this agenda.

For micro-entrepreneurs in poor regions, informal as well as formal microfinance plays an important role (Banerjee et al., 2015). In China, for example, more than 67% of farm households borrow from friends and relatives (Turvey and Kong, 2010), as these informal lenders are accessible "at no cost" (Gine, 2011) other than maintaining a social network (Banerjee et al., 2015). Other sources of informal credit are moneylenders, trade credit, and rotating savings and credit associations (ROSCAs; see e.g. Tsai, 2004). For example, ROSCAs are seen as increasing venture opportunities, especially for women, even in less-poor regions such as urban Malaysia (Ghazali, 2003).

In addition, loan officers in formal microfinance organizations play an important role. In Zambia, for example, they are found to act more like “debt collectors” although they were originally recruited to empower the poor (Siwale and Ritchie, 2012). In Nigeria, complex application processes and loan officers demanding collateral lead to informal over formal borrowing, and the majority of micro-entrepreneurs in a study of Western Kenya choose informal lenders for the same reasons (Alila, 1998). Many micro-entrepreneurs start their ventures using informal microcredit without collateral and with little or no documentation. Informal lenders provide access to convenient and quickly disbursed loans, are available at any time of day and night, blend with the community, know borrowers at a personal level and cater to specific needs of rural residents (Jones, 2008).

Unfortunately, informal lending also involves loan sharks charging high interest rates and collecting debt through coercive methods. Many studies identify the limited supply of formal credit as the reason for their persistence (e.g. Tsai, 2004). However, the continued existence of informal lending cannot anymore be explained everywhere by a gap between supply and demand. Formal microcredit has become widely available in many countries, and multiple operational problems have been addressed (the cost of processing many small loans, lack of borrower credit histories, lack of collateral and income seasonality of many ventures). Both monitoring and transaction costs, for example, can be reduced by gleaning information from social networks of local communities (Khavul et al., 2013). Therefore, the question remains why informal lending still thrives when formal microfinance is widely available. We explore that question with the following methods.

3. Methods

Roodman and Morduch (2014: 599) warn that exclusive reliance on one type of microfinance study “is not optimal” because validity can be problematic and results can disappear after dropping statistical outliers and assumptions critical for the analysis. They argue that researchers, reviewers and journal editors should “take steps to prevent methodological complexity from obscuring fundamental issues” (Roodman and Morduch, 2014: 601). In our research, we avoid methodological complexity through an inductive approach (Corbin and Strauss, 2008). Assessing the effectiveness of microfinance through its effect on competitors, we interview market participants and triangulate the perspectives of borrowers with those of formal and informal lenders. Importantly, this includes current and past borrowing from formal and informal sources, prompting participants to draw comparisons.

Our choice of Indonesia as the research setting is justified by that country often being held up, along with Bangladesh, as an example of widely available microfinance.

Indonesia has more than 7,000 microfinance outlets offering low interest rates, loans not requiring collateral and repayment options that account for income seasonality (Bank Rakyat Indonesia, 2015). They are supported by the Government through Bank Rakyat Indonesia (BRI), an arrangement which, according to UNESCO's and its own assessment, has proved to be successful, sustainable and profitable (Bank Rakyat Indonesia, 2015a; Robinson, 1997). The international business community and TNCs hold significant stakes in the effectiveness of microfinance initiatives in Indonesia: Citibank, Mars and Kiva.org, for example, are active. The insurance giant Allianz, through a public-private partnership with the German development organization GIZ and Indonesian microfinance outlets, developed a modular credit-insurance product (*payung keluarga*: family umbrella) with an average premium of US\$1.30 per year that has reached the milestone of one million active insured people. Crucially, it is local loan officers that decide which modules to apply, and the chosen package is compulsory for microfinance borrowers (Prasetyo, 2013).

Aiming to answer “why” questions, we chose semi-structured interviews to gain in-depth insight into the phenomena under investigation, establish meaning and construct theories based on the data collected. Rigidly structured interviews or quantitative methods such as surveys would not permit unknown themes to surface (Creswell, 2007). We conducted interviews in suburban Yogyakarta and its surrounding rural areas from 6 June to 5 July 2015 and from 14 June to 20 July 2016. Our fieldwork in 2015 on competition between formal and informal lending (Arp and Ardisa, 2016a, 2016b) included the observation of informal intermediation. Therefore, we returned in 2016 to further explore this phenomenon. We conducted interviews with 47 participants, of whom 24 are borrowers (farmers, cottage industry and small-store operators), 5 are representatives of formal microfinance organizations and 18 are a purposive sample of informal intermediaries. Access to participants was difficult but was gained through one interviewee in 2015 and further personal approaches in 2016. This was combined with the snowball method of asking initial participants (borrowers and intermediaries) for additional introductions.

The approach worked well with borrowers and informal intermediaries once trust had been built, but not so well for representatives of formal microfinance initiatives once they understood that we wanted to discuss the topic of informal intermediation. Eleven informal intermediaries borrow from BRI outlets and three from Bank Pembangunan Daerah (BPD), Bank Perkreditan Rakyat (BPR), and a formal cooperative (Koperasi). Their loans are obtained through the government-supported, low-interest, collateral-free Kredit Usaha Rakyat (KUR) programme (loan amounts Rp 1–25 million) or commercial programmes that offer loan amounts up to Rp 200 million. The Government allocated Rp 10.5 trillion to subsidize the low interest rate, expand access to cheap loans and motivate entrepreneurship (Bank Rakyat Indonesia, 2016).

We were concerned, perhaps excessively, about the sensitivity of the informal intermediation topic. Our strategy therefore was to have the 2016 interviews conducted by a youngish, innocent-and-naïvely-interested-looking researcher (we do not mean to suggest that age or looks are cognate with naïvety). This strategy is based on the notion that the appearance of researcher naïvety can help make interviewees feel secure and comfortable to volunteer information (Davidson, 2003). Specifically, this strategy helped “encourage participants to elaborate spontaneously on their own answers in fleshing out the details of their story” (Davidson, 2003: 82). To further enhance the “no risk” impression, all interview questions were asked in standard Bahasa Indonesia typical for a naïve, young, big-city academic from Jakarta. Some participants responded in Bahasa Indonesia and some in Javanese.

Data were analysed with the aid of a second coder and spreadsheets containing participant numbers and texts. We first coded the transcribed interview segments for the key themes that had emerged early and then categorized subthemes. We then held discussions to establish a common understanding of difficult-to-translate interview segments, the meaning intended by participants, which first-tier themes the various subthemes belong to and the relative importance of themes. The rudimentary knowledge of Indonesian of the second coder helped in that regard. We had to, for example, consider the conceptual equivalence of “to give money” and “to lend money” in some of the interview terminology, and discuss the most appropriate translation of Indonesian terms such as *bank besar* and *bank bulanan* (literally: big bank and monthly bank, indicating the interest payment frequency of formal microfinance), versus *lintah darat* and *rentenir* (leech or blood sucker and loan shark), and *pedagang*, *pengepui* and *tengkulak* (trader, collector or hoarder, and middleman).

4. Findings

We found that poor human resource management and informal intermediation diminish the effectiveness of formal microfinance. In addition, key characteristics of some informal lending are insufficiently recognized. Our 2015 study found two distinct types of informal microcredit competing successfully with formal microfinance organizations: moneylenders and trader-financiers (Arp and Ardisa, 2016b). We also found in 2015 that borrowers referred to some informal lenders as *tengkulak* (middlemen). This caused us to collect additional data in 2016 showing that many moneylenders intermediate between formal microfinance organizations and micro-entrepreneurs by splitting loans obtained from formal microfinance into smaller credits to extend to borrowers. In aggregate, our findings help explain why the poorest borrowers benefit less from formal microfinance than do less-poor borrowers.

4.1. Why moneylending can still thrive

Our findings on this aspect are congruent with other studies. All interviewees who borrow from moneylenders view the ease of obtaining loans as the greatest advantage of this source of funding. The need for formal microfinance initiatives to improve ease of access is emphasized by our finding that some micro-entrepreneurs who borrowed from formal microfinance in the past have returned to moneylenders. They report being angry about having to close their store, queue at crowded microfinance offices and provide documentation such as land or birth certificates. Some of the poorest in Indonesia have neither birth certificates nor any other form of official documents. Moneylenders offer small, short-term loans without documentation that are available quickly, e.g. when borrowers suddenly need to order stock from distant cities.

More important, borrowers complain that loan officers at formal microfinance organizations ask for collateral despite the Government advertising collateral-free microfinance (KUR). Moneylenders take advantage of the fact that human resource management practices at formal microfinance organizations incentivize loan officers to achieve low ratios of non-performing loans (NPLs) rather than to extend credit to the right borrowers. A typical remark of a moneylender:

I know that [this formal lender] gives loans up to [Rp] 20 million without collateral, yes I know it. Actually, if [my borrower] is offered a loan without collateral from a bank, she will want it. But the constraints are the procedures.

The procedures discourage poor borrowers in multiple ways. What borrowers need are small, collateral-free loans without documentation and bureaucratic procedures, quickly disbursed, and available as and when business opportunities arise:

I will receive the money right away. I like it fast because, for business, once I get the loan, I can quickly start earning!

Borrowers perceive the short loan periods and small loans of moneylenders as “finishing” loans faster in order to borrow anew. They fear not being able to make large monthly payments to formal microfinance organizations, perceived as “more expensive” than the “cheaper” small daily payments to moneylenders. More financially literate borrowers see the high cost of daily payments but, owing to demands for collateral from loan officers, see no alternative to moneylenders. Daily payments are particularly problematic for cottage industry operators who can collect revenue only after production processes are completed. Their lack of daily cash flow mirrors the income seasonality of poor farmers in rural areas and helps explain the existence of the second form of informal lending we found.

4.2. Why trade finance can successfully compete with formal microfinance

Trader-financiers provide microcredit, collaborate closely with borrowers, and connect producers and markets. Among their clients we again found entrepreneurs who had previously borrowed from formal microfinance. Comparisons drawn by these interviewees emphasize the need for formal microfinance organizations to improve their competitive offers.

Microcredit from trader-financiers typically takes the form of productive goods rather than cash. For example, trader-financiers supply seeds, tools, plastic sheets, fertilizers or pesticides that are valued so that borrowers owe fixed amounts. Loan amounts are often significantly larger than those from moneylenders, and borrowers are obliged to repay by selling their outputs to trader-financiers below the market prices in the surrounding areas. Trader-financiers distribute outputs to urban markets where prices (e.g. for fresh produce) are higher than in remote areas. Hence, trader-financiers generate multiple-source revenue from upstream, downstream and arbitrage opportunities between rural village and distant town markets that borrowers are unable to reach. Another important characteristic is the implicit interest of trade finance, causing many borrowers to not perceive it as lending:

I asked him and he bought me plastics and seeds. I did not borrow any money.

There is no interest rate. There is no interest, unlike loans from neighbours or banks.

In addition, trader-financiers ensure the sale of perishable produce; are extremely flexible with payments, debt rollovers and additional loans, e.g. when crops fail; and provide practical help with harvesting. Although some borrowers recognize that larger loans are available through formal microfinance, they prefer trader-financiers because of their integration in rural communities. For example, substantial trust is involved during the harvesting, transportation and weighing processes, with farmers and trader-financiers trusting each other to weigh produce correctly without both parties present. Borrowers view trader-financiers as genuinely supportive.

4.3. Why informal intermediation can occur

Informal intermediation is common. Intermediaries typically borrow small amounts offered through the KUR programme or other poverty alleviation initiatives, and then lend on a fraction or the entire loan to other borrowers (“I read it as an opportunity for additional income”). Thus, the availability of formal, low-interest microfinance creates intermediation opportunities for entrepreneurs, often developing from casual

intermediation into systematic deception for further loans (professional intermediation). An example of casual deception is when market stall operators apply for unnecessarily large formal loans, claiming to purchase additional inventory not actually needed. Such casual intermediaries lend to poorer borrowers on an opportunistic basis. An example of systematic deception are small repair shops that obtain loans to use for the shop's operation when, in reality, the loans are used for complex arrangements such as providing credits to the poor for the purchase of motor scooters while renting the same motor scooters on a time-share basis to others.

Poor human resource management at formal microfinance organizations permits – indeed, even fosters – informal intermediation and diminishes the effectiveness of formal microfinance. We found that loan officers at formal microfinance organizations are incentivized to focus on quantitative outcomes such as low NPL ratios, the number of loans and rollovers of “safe” loans, rather than on the poorest borrowers. Well aware of informal intermediation activities and deceptions, they deliberately ignore this information and extend loans to those borrowers they deem safest. We also found collusion between intermediaries and loan officers, as well as former loan officers becoming moneylending entrepreneurs:

If I had to sell noodles or operate a small grocery store, it would be hard. [...] It's nice to do this kind of business. It is easy to do.

I worked at the Klaten office of a koperasi from 2005 to 2009. Then I realised that I will not make much if I kept working in the koperasi. A. established an additional cooperative in Wonosari, while I and my friends established here, in Klaten and Solo. A. has a license, I don't have license.

The people do not care whether we have licenses or not. What they need is a quick loan.

Some of the businesses owned by intermediaries are genuine while others purely serve as a front to obtain funding from formal microfinance lenders. Different informal intermediation business models can be distinguished, with those at the professional loan shark end of the spectrum benefiting most from the availability of formal microfinance. Some of these businesses conduct complex operations that provide them with multiple revenue streams. Formal lenders do not thoroughly check the businesses of informal intermediaries and disburse loans without regard to poverty alleviation objectives. Intermediaries we interviewed told us that, as long as they pay instalments on time, loan officers do not care what the loans are used for. Provided that informal intermediaries have good credit scores, they can easily obtain additional loans.

5. Discussion and implications

Examining microfinance effectiveness through the impact it has on competitors provides a useful lens, helping to identify weaknesses. Microfinance initiatives may well be successful, profitable and sustainable if examined in isolation, but that does not mean they are effective in alleviating poverty and meeting the UN SDGs. Limited effectiveness would be a concern for both public sector supporters and private sector TNCs, with their US\$9.4 billion stake.

Grounded in the reality of market participants, our findings hold implications for international microfinance practice, policy and further research. The first and foremost UN SDG is to end “poverty in all its forms everywhere” (United Nations, 2017). Within this SDG, the highest priority is given to the eradication of extreme poverty (SDG 1.1), closely followed by “ensuring...access to...financial services, including microfinance” (SDG 1.4). Our findings help explain a lack of sustainable effect on extreme poverty. Prior studies report that the poorest borrowers benefit less from formal microfinance than less-poor borrowers (Islam et al., 2015). Banerjee et al. (2015), taking a period of six years into account, report that this effect persists two years after formal microfinance is withdrawn. Persistent benefits to the poorest entrepreneurs without prior businesses are “generally indistinguishable from zero” (Banerjee et al., 2015). Our finding of informal intermediation helps explain this conundrum. An unintended consequence of formal microfinance can be that it provides informal intermediation opportunities to entrepreneurial individuals, particularly those who have extant businesses or who are able to portray themselves as businesses. The poorest of the poor entrepreneurs benefit less than the less-poor do. Hence, informal intermediation appears to be an important but neglected variable in assessments of the effectiveness of microfinance initiatives. We propose to the international business community to include this variable in large-scale, quantitative assessments of microfinance effectiveness. In aggregate, the propositions suggest that the larger the extent of informal intermediation, the lower the effectiveness of microfinance initiatives to alleviate poverty among the poorest of the poor (Arp, 2017). Although further qualitative research on unintended consequences of formal microfinance seems advisable, the various propositions contribute to the quantitative evaluation toolbox of measurable characteristics.

The UN stresses “the importance of designing regulatory and policy frameworks across all financial intermediation” (United Nations IATF on Financing for Development, 2016: 52). Our research findings on informal intermediation highlight that key characteristics of informal lending are insufficiently recognized. Similarly, our findings about the implicit interest of trade finance, which causes borrowers not to perceive it as lending, deserve the attention of policymakers and comprehensive further research. So do the other services of trader-financiers: The UN recognizes

that “institutions may require a more qualitative analysis that highlights examples where different financial intermediaries have helped advance the financial inclusion agenda” (ibid, page 58). Our approach illustrates that poverty alleviation requires more than “ensuring access to microfinance” (SDG 1.4) and quantitatively assessing financial effectiveness in isolation. Poor entrepreneurs need operational help: help to be productive (tools, fertilizer, seeds and the like), help with transport and logistics (bringing rural and cottage industry products to distant markets) or help during harvest (when perishable produce quickly spoils). At a minimum, they need help to operate without the disruption of queuing at offices for cumbersome processes.

Our findings of intermediaries’ multiple-source revenue models jives with ideas for “microcredit-plus programmes” explored by some TNCs such as Allianz and Mars, to provide practical and social support to clients in addition to capital. Their international microfinance initiatives may benefit from examining closely what trader-financiers do as those individuals live and work in the community, provide operational help and cooperate well with the poorest of the poor (cf. Jones, 2008). Providing logistics, distribution, assured sale of perishable products and price arbitrage between distant markets (perhaps through mutually owned cooperatives) may be starting points for TNCs and the international business community. Addressing other operational needs of the poorest may lead to new forms of microcredit initiatives over time. Some trader-financiers can perhaps be coopted and their entrepreneurship harnessed. Policies could also formalize, support and lightly regulate existing trader-financier networks in line with UN SDG 8.3 “to integrate the informal sector into the formal economy” (United Nations Inter-agency Task Force on Financing for Development, 2016: 19).

Our findings emphasize that the research agenda must also include human resource management practices. Methods to examine the crucial role of loan officer incentives deserve particular attention as “monitoring capacity for cost-effective credit evaluation would require qualitative work” (United Nations Inter-agency Task Force on Financing for Development, 2016: 58). Collaborative research involving TNCs holds particular promise, as private sector international expertise on incentives and appropriate human resource management may be applicable to domestic government-supported initiatives. The US\$9.4 billion stakeholder role of the international business community demands that TNCs examine the interface between loan officers’ incentives for correct evaluation and the types of credit offered. To better compete with moneylenders, formal microfinance initiatives should also offer smaller loans, shorter loan periods, daily or weekly payments, quicker disbursement, simpler procedures and draw-down facilities for multiple, irregular, credit withdrawals (e.g. inventory purchases available at temporarily low prices). We suggest further research, including quantitative and mixed methods, on the effectiveness of each of these characteristics.

We do not advocate more regulation. In our view, regulations and their enforcement should solely target coercive intermediation practices at the extreme, loan-shark end of the informal lender spectrum. What constitutes usury, for example, has been debated since biblical times at least and will perhaps be debated forever. Instead of targeting usury, we advocate three groups of measures: first, learning from, cooperating with and potentially coopting informal lenders in line with UN SDG 8.3; second, improving human resource management in microfinance organizations and providing appropriate incentives to loan officers; third, ensuring ubiquitous basic financial literacy so that the poorest can evaluate whether operational services provided by informal lenders such as trader-financiers make up for the cost of their loans, which is higher more than that of formal microfinance. Enabling micro-entrepreneurs to make educated decisions about formal versus informal lenders may be as important as ensuring access to multiple microfinance market participants. Financial literacy initiatives could build on the reflexivity and worries of micro-entrepreneurs about self-discipline (Arp and Ardisa, 2016a: 16) and must include those that are otherwise entirely illiterate. We deem insufficient the UN's assessment of financial literacy through student modules in the Gallup Global Financial Literacy Survey (United Nations IATF on Financing for Development, 2016: 59).

6. Conclusion

This article's main purpose is to help set an agenda for further research and discussion. It makes two interrelated contributions. First is the identification and characterization of informal microcredit beyond formal lenders that has been examined in prior research (e.g. Bos and Millone, 2015). Clearly, lending is heterogeneous and the competition to formal microfinance does not only comprise usurious moneylending by loan sharks.

The second and main contribution of this article is the identification of informal intermediation as a significant (current) problem but also a potential (future) element of sustainable solutions. Microfinance organizations need fewer inappropriately incentivized loan officers and more entrepreneurial individuals with a trader-financier mindset designing multiple-source revenue models. Our contribution to theory, that the availability of formal low-interest microfinance can create unintended entrepreneurship opportunities (informal intermediation), needs to be considered in research and microfinance practice.

Our research contributes to the understanding of lending to the poorest of poor micro-entrepreneurs through its grounded approach and focus on competitive impact. The debate on microfinance effectiveness has persisted because of a

lack of focus on the fundamental question of competition. This article deepens understanding of formal microcredit by detailing why moneylending still thrives when low-interest microfinance is widely available. Neither formal microfinance nor research on its effectiveness operates in a competitive vacuum: Other forms of lending (and alternative approaches to research) exist. Learning from other market participants can be useful.

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Under African skies – mining TNCs in Africa and the Sustainable Development Goals

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Interaction between transnational mining companies (mining TNCs), governments, mining industry bodies and local communities is critical to advancing several of the Sustainable Development Goals (SDGs). Mining TNCs may be leaders or conspicuous laggards in this regard. Some larger mining companies have made significant corporate social responsibility (CSR) progress and implemented effective sustainable development, thereby boosting their legitimacy. Individually, some African countries have established global, standard, mining codes of conduct; collectively, African governments are organizing to establish regional licensing standards, CSR guidelines and codes of conduct such as the Africa Mining Vision. Comparing two mining TNCs cases, we illustrate paths of progress and problems and predict their directions in Africa. Although we expect the United Nations Global Compact and the Global Reporting Initiative to remain the main vehicles and provide benchmarks that move the mining industry towards achieving the SDGs, these vehicles need to be expanded to include targets that currently are only implicit, such as gender equality and sustainable community development.

Key words: corporate social responsibility, Sustainable Development Goals, mining industry, business ethics, Africa, communities as stakeholders.

1. Mining and the social license to operate

Mining jobs are “dangerous, dirty and difficult” (the 3Ds).¹ Labour-intensive but often higher-paying than similarly skilled jobs, the 3Ds often connote fraught labour-management relations and sometimes labour strife (Lynch, 2004; Muthuri, Moon and

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¹ “Dangerous, dirty and difficult” is an English translation of the Japanese phrase kitanai [汚い: dirty, grubby, messy], kiken [危険: hazardous, dangerous], kitsui [きつい: intense or tight, and so demanding]. The 3 Ks [三K] have become the 3 Ds.

Idemudia, 2012; Newenham-Kahindi, 2011). As such, mining presents challenges for corporate-community relations in terms of sustainability, socially responsible behaviour and public policy. The Sustainable Development Goals (SDGs, see table 1), officially came into force at the beginning of 2016. The SDGs are expected to become a cornerstone for mining TNCs seeking to achieve corporate legitimacy with communities. This short essay looks at mining TNCs' legitimacy under African skies by outlining how two mining TNCs respond to three specific SDGs: Goal 5, "achieve gender equality and empower all women and girls"; Goal 8, promote sustained, inclusive and sustainable economic growth; full and productive employment; and decent work for all; and Goal 16, "promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels".

Empowering local community members and promoting the SDGs is not only the just and equitable path, but also the better business development path. In their analysis of the costs of community conflict to extractive-industry TNCs, Rachel Davis and Daniel Franks (2014) reported that not only do costs related to the loss of business opportunities increase, but also delays, staff time wasted, and reputational costs are negatively impacted. Reputational costs are reflected in increased financing costs as well as weakened government relationships. Ernst & Young's (2015) influential survey of investment managers found that institutional investors' attention to environmental, social and governance analyses had rapidly increased over the level of their previous year's survey. Roughly 60 per cent of 200 investment firms surveyed said non-financial data was important to their investment decisions. Other bankers and financiers watch mining TNCs' commitment to sustainable development, and vote with their capital.² Disruption of business operations and lack of access to capital may result from a decline in the legitimacy of a TNC (Stevens and Newenham-Kahindi, 2017). For mining TNCs particularly, legitimacy is also conferred through local community legitimacy (Muthuri et al., 2012; Newenham-Kahindi, 2011), which includes monitoring other communities' responses (Hilson and Murck, 2000, Selmier, 2015).

The very nature of mining creates challenges for mining TNCs in advancing the SDGs and closely related extant initiatives such as the United Nations Global Compact (see table 2) and the Global Reporting Initiative. But these same challenges make mining TNCs excellent candidates for catalyzing large, positive impacts on these initiatives. What are these challenges? Aside from the 3Ds and requirements for large labour forces, many sites in developed countries were partially or fully exploited during the

² In fact, all mining TNCs operating in Tanzania are now required to list their shares on the Dar es Salaam Stock Exchange. Similar to what has happened in some other African countries, Tanzania passed a new Finance Bill Act [in 2016] which demands that all mining TNCs to significantly contribute to sustainable development as well as allow local Tanzanian investors access through local listings to buy shares. There are currently over 200 foreign mining TNCs in Tanzania.

Table 1. United Nations Sustainable Development Goals

Goal 1	End poverty in all its forms everywhere
Goal 2	End hunger, achieve food security and improved nutrition, and promote sustainable agriculture
Goal 3	Ensure healthy lives and promote well-being for all at all ages
Goal 4	Ensure inclusive and equitable quality education, and promote lifelong learning opportunities for all
Goal 5	Achieve gender equality and empower all women and girls
Goal 6	Ensure availability and sustainable management of water and sanitation for all
Goal 7	Ensure access to affordable, reliable, sustainable and modern energy for all
Goal 8	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
Goal 9	Build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation
Goal 10	Reduce inequality within and among countries
Goal 11	Make cities and human settlements inclusive, safe, resilient and sustainable
Goal 12	Ensure sustainable consumption and production patterns
Goal 13	Take urgent action to combat climate change and its impacts*
Goal 14	Conserve and sustainably use the oceans, seas and marine resources for sustainable development
Goal 15	Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss
Goal 16	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels
Goal 17	Strengthen the means of implementation and revitalize the global partnership for sustainable development

Source: <https://sustainabledevelopment.un.org/content/documents/21252030%20Agenda%20for%20Sustainable%20Development%20web.pdf>.

process of these countries becoming “developed”, and so extensive investments have shifted towards the developing world. More-remote investments increase the inherent risks. Some of these projects are in conflict-prone countries with less-robust legal institutions, and some mining and extractive TNCs have been discovered engaging in corrupt practices (Davis and Franks, 2014; Muthuri et al., 2012). Mining sites require enormous capital investment, usually with very long payback periods, owing in part to more-complex production cycles and ever-lengthening logistics chains. And lastly, “mining is both environmentally and socially intrusive and extensive” (Selmier, 2015: 87; also see Coulson, 2012; Hilson and Murck, 2000; Kemp and Owen, 2013; Lynch, 2004). These challenges have a direct link to many or all of the SDGs and the UN Global Compact principles, as detailed in table 3.

These challenges – especially the last one – have led to mining scholars’ arguments that mining requires a “social license to operate”, which involves not only efforts to do minimal environmental and social harm (Owen and Kemp, 2013; Prno and

Table 2. United Nations Global Compact, Ten Principles**Human Rights**

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

Labour

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labour;

Principle 5: the effective abolition of child labour; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Source: <http://www.unglobalcompact.org/abouttheGc/TheTenprinciples/index.html>.

Slocombe, 2012), but also to help affected communities achieve sustainable development (Hilson and Murck, 2000; ICMM, 2013, 2014). With the acceptance of the industry-leading International Council for Mining and Minerals (ICMM, 2013, 2014), this view has become a standard of conduct, one to which mining companies are expected to bind themselves in implicit, and sometimes explicit, social contracts with local communities.

Many mining TNC executives have been aware that this “social license” is also at the core of their TNC’s legitimacy. In an interview with Hevina Dashwood in August 2002 (2014: 570), one executive noted:

Mining companies are now expected to justify their activities, not just on economic grounds, but on social and environmental grounds . . . [S]ince most governments had adopted sustainable development as a key part of their national agenda, the mining industry must talk the language of the audiences it must convince.

Frameworks to measure progress have been established (Global Reporting Initiative, 2017; ICMM, 2014). Although frameworks such as the United Nations Global Compact provide checklists (the Ten Principles), the Compact was originally conceived as a forum for dialogue (Williams, 2004; Ruggie, 2008), not as a program to assign and account for progress in sustainable development. Rather, “institutional learning, cultivation and dissemination of best governance practices” were the targets (Oshionebo, 2007: 16; also see Kell and Ruggie, 1999).

Table 3. Links between Challenges for Mining CSR, the UN Global Compact Principles and the Sustainable Development Goals

	Factor	Link to UN Global Compact Principle[s]	Link to Sustainable Development Goals	Notes
1	Labour-intensive	1, 2, 3, 4, 5, 6	1, 2, 3, 5, 8, 10, 16, 17	Labour conditions require special consideration of miners and their communities.
2	Very dangerous work	1, 2, 3, 4, 5, 6	3, 5, 8, 16 17	
3	Remote environments	7, 8, 9, 10	8, 9, 10, 11, 12, 13, 14, 15, 16, 17	Combination of large investment in remote, often less-institutionally-developed areas encourages cutting costs; some mining TNCs choose to do this through corrupt practices.
4	Enormous capital investment	All, especially 10	All, especially 1, 5, 7, 9, 10, 11, 12 13, 15, 16, 17	
5	Weak rule of law with corrupt mining ethical practices	All, especially 1, 2, 6, 8, 10	All, especially 1, 2, 5, 6, 8, 9, 10, 12 13, 16, 17	
6	Complex production and logistics chains	2, 4, 7, 8, 9, 10	6, 8, 9, 10, 11, 13, 14 15, 16, 17	
7	Long payback horizons	All, directly or indirectly	All, directly or indirectly	Combination of complexity, investment risk and the social and environmental effect on all stakeholder communities necessitates open, honest communication and extensive, ongoing social and environmental impact studies before, during and after a mining project.
8	Environmentally and socially intrusive and extensive	All	All	

Source: This table has been modified and expanded from Selmier (2015: 88). Authors' conception based on Coulson, (2012), Dashwood (2012, 2014); Hilson and Murck (2000); ICMM (2013); Lynch (2004); Owen and Kemp (2013); Prno and Slocombe (2012); Selmier (2015); Selmier, Newenham-Kahindi and Oh (2015); Visser (2007).

Such dialogic methods require institutions with teeth to push their programs forward. Building upon the foundation of TNCs' considerable political authority (Kobrin, 2009) and the industry's ethical stance, it is reasonable to expect them to uphold and even reinforce the SDGs (Oshionebo, 2007; Kobrin, 2009; Ruggie, 2016). The SDGs provide impetus and, by their very name, goals; the Global Compact and the Global Reporting Initiative provide the vehicles to achieve them.

2. Linking CSR and the SDGs: two cases in Africa

For mining, these institutional frameworks are deepened through industry organizations and through national and regional policies, such as mining codes. For instance, the top industry association in global mining, the ICMM, has promoted an environmentally and socially responsible mining approach that embraces sustainable

development (ICMM, 2013; 2014). This approach explicitly includes the Global Compact and the Global Reporting Initiative (Dashwood, 2014; ICMM, 2014) and requires consideration of local norms and local stakeholders' expectations (Besada and Martin, 2015; ICMM, 2013; Selmier, Newenham-Kahindi and Oh, 2015). In the context of African governments, mining codes have embedded local stakeholder expectations and also explicitly referred to the Global Compact and the Global Reporting Initiative (Dupuy, 2014; Pedro, 2016).

Responding to ICMM guidelines, the advice of non-governmental organizations (NGOs), and governmental policies and their ease of execution, mining TNCs have come to invest in a similar menu of philanthropic projects and to report on their CSR projects in very similar ways (Dashwood, 2014; Hilson and Murck, 2000; Prno and Slocombe, 2012; Selmier, Newenham-Kahindi and Oh, 2015). Operating under advice from the United Nations and with explicit guidance from the ICMM to report under Global Reporting Initiative guidelines (Dashwood, 2014; Ruggie, 2008; Williams, 2014: 244), mining TNCs have even reverse-engineered CSR activities that meet these guidelines.

In the process of reverse-engineering, some TNCs have taken on board the needs of local communities and attempted to improve sustainable economic growth, develop more robust institutional foundations and support gender equality (Newenham-Kahindi and Stevens, *forthcoming*). Others have simply paid lip service to UN calls for sustainable development and goals of CSR (Kemp and Owen, 2013; Oshionebo, 2007; Visser, 2007). Berliner and Prakash (2015) and others describe this as “bluwashing” – the attempt to cover a TNC in the colours of the UN flag. A mining TNC senior manager operating in East Africa claimed, “we... implement best corporate social responsibility practices that are acceptable to the company, local communities and the UN Global Compact” in interviews detailed in Selmier, Newenham-Kahindi and Oh (2015: 166). Not only were these claims not corroborated by local community leaders and other local stakeholders affected by their actions, resulting in contention and conflict, but the mining TNC has come under considerable global criticism (Newenham-Kahindi, 2011; Selmier, Newenham-Kahindi and Oh, 2015).

Our research in East and Central Africa has documented a range of mining TNC cases (Newenham-Kahindi, 2011; Newenham-Kahindi and Stevens, *forthcoming*; Selmier, Newenham-Kahindi and Oh, 2015). This ongoing research began in 2008 and has involved interviewing representatives of roughly 150 large mining TNCs operating in East (Tanzania, Uganda, Rwanda, Burundi) and Central (Democratic Republic of Congo) Africa, including all major foreign mining TNCs operating in East Africa.³ Commonality across this sample is provided by listing on major international

³ This research has been conducted and overseen by Professor Aloysius Newenham-Kahindi.

stock exchanges; professed commitments to sustainable social, economic and environmental goals; and public disclosure of each mining TNC's CSR-linked programs. All told, we conducted over 1,000 semi-structured interviews involving TNC expatriates and representatives, NGO officials (local and international ones) and local stakeholders in the form of focus groups, wherein all interviewees were permitted to choose their preferred languages. In addition, we used observations from focus groups, interviews and archival materials. We took field notes in the form of a daily diary documenting aspects of the interviews and other pertinent observations. Observations provided a collective trail of sense-making and sense-giving processes, thus allowing us to bridge theory and data (Ragin, 1994). All the interview participants were assured of confidentiality, and we took responsibility for translating their comments into English.⁴

From this universe we have selected two cases that provide archetypal ends of the spectrum and help to illustrate progress towards the three SDGs (Goals 5, 8 and 16). Our first case involves 27 interviews between 2013 and 2014, and our second case involved 47 interviews from 2008 until 2016. Selection on the dependent variable – success with progress towards the three SDGs – is naturally biased, but our selection is quite consistent with results gleaned from our extended research, to which we refer interested readers.

2.1. AngloGold

AngloGold Ashanti, a South African and Ghanaian joint venture conglomerate working in partnership with the state-owned mining firm Gécamines, has been operating in the Democratic Republic of Congo – a country characterized as a conflict zone for the last two decades (UN, 2008). Rich in extractive natural resources, the country hosts over 100 international TNCs operating in mining activities, mainly in the eastern provinces of Katanga, North and South Kivu, and Ituri (IRC, 2007). Whereas other mining TNCs operating in the country have relied on NGOs to address community development, AngloGold Ashanti understood that, in order to help achieve enduring sustainable development, local communities need empowerment and accountability in decision-making. Hence, AngloGold Ashanti directly engaged in partnership with communities near the Kibali and Mongwalu mines in the eastern part of the country.

Microsaving programs empower local entrepreneurs by developing self-initiated entrepreneurial activities, especially among the youth and women. Women's groups

⁴ A more complete description of our research methodologies may be found in Selmier et al. (2015: 161–165) and in Newenham-Kahindi and Stevens (forthcoming), which triangulate primary data with available secondary data and have controlled for biases in data by using a peer debriefing report and any available information validation system to seek accuracy, credibility and validation of the data.

then engage in trade and coaching skills, and help protect their community wealth through activities such as food security preservation and promoting local knowledge to satisfy local needs in employment and education. Such groups mobilize communities against violence from warlord factions. A leader of women's groups that have developed microsaving projects in food security and household support in the Kibali communities stated:

Wars have had destroyed our life and future. NGOs came and simply gave us hand-outs, and when they left our place without a notice or simply their contract expired or it was too dangerous, we were devastated! We have a firm [AngloGold Ashanti] that speaks our feelings, desires, our abilities ... this is what we longed for!

Similar sentiments were expressed by the leader of a group of women's microsaving cooperatives in Mongbwalu communities:

[AngloGold Ashanti] came and did not waste time to make a difference with communities. It gave priority [directly] to the very communities living here in terms of employment and other humanitarian supports... More surprising, it engaged women – a task normally done by NGOs. As one of the many women microsaving groups, we have taken accountability in our saving schemes, ranging from using our microsaving to building houses to sending our children to schools.

These two excerpts were among the many illustrations of an exemplary TNC striving to engage with communities in a fragile environment. Aware of the danger of operating in a country riddled by warlords and communal conflicts, AngloGold Ashanti chose a very different path from the typical TNC. Since 2010, AngloGold Ashanti has engaged directly with community stakeholders to promote sustainable development through local entrepreneurship. In our broader research data (Newenham-Kahindi and Stevens, forthcoming), we found that other TNCs in the eastern Democratic Republic of Congo relied on NGOs and ended up having a limited sustainable development impact on communities. In both Kibali and Mongbwalu, AngloGold Ashanti helped to transform the livelihood of women, youth and communities through a mix of mutual learning about all parties' positions and goals, co-creative engagement, and support and capacity empowerment.

2.2. Acacia

Acacia has been one of the largest gold mining TNCs operating in Tanzania since the 2000s. Tanzania is recognized as one of the more peaceful countries in Sub-Saharan Africa and so would be expected to be a less conflict-prone place in which to operate. Like other mining TNCs, Acacia has followed a more traveled, traditional path, emphasizing philanthropy to support communities through building schools and hospitals and engaging in other humanitarian efforts.

Our study began in 2008, focusing on one of Acacia's larger mining sites in the North Mara region. Since inception, the company has faced significant community challenges, violence and vandalism (Newenham-Kahindi, 2011; Newenham-Kahindi and Stevens, forthcoming). Often it has used specialized security forces or state police known as the Field Force Unit, whose very name in Swahili hints at the level of local distrust and potential violence: *Fanya Fujo Uone*, which translates as “disobedience will be met with extreme force”. Our research finds that Acacia has used Tanzanian employees who are mostly educated in the capital, Dar es Salaam – and so do not come from North Mara – to represent the company on various issues such as managing employees and handling conflicts with communities. Use of non-local employees, who often do not speak the local languages, has led to community resentment and communication problems (Selmier, Newenham-Kahindi and Oh, 2015; Newenham-Kahindi and Stevens, forthcoming).

Our analysis suggests that Acacia remains uncommitted to engaging with communities beyond its traditional humanitarian practices (Newenham-Kahindi, 2011; Newenham-Kahindi and Stevens, forthcoming; Selmier, Newenham-Kahindi and Oh, 2015). As Kemp and Owen (2013) put it, this exemplifies mining TNCs that see CSR as core to business but not “core business”. That is to say, global recognition is sought for supporting sustainable development, but true commitment to sustainable development seems lacking. True commitment means a mining TNC needs to “engage local stakeholders as its primary ‘customers’ (i.e., peace through commerce) in a way that appeals to their social needs... [and] must recognize the reciprocal connection between poverty and violent conflict” (Newenham-Kahindi, 2011: 275).

Based on our interviews with community leaders, NGOs, government officials and mining TNC managers, we believe that true commitment will come only when mining TNCs such as Acacia understand the world view of community members in the region, who are predominantly pastoralists and small-scale farmers who have lost their ancestral land but received limited compensation. To achieve sustainable development, these pastoralists need to have their voices heard and to be empowered so that they become part of the solution. Instead, Acacia is relying on a few employees who do not come from the region to represent the company in community conflict issues rather than engaging in dialogue with the local affected communities who know what is required to achieve local sustainable development. The use of the Field Force Unit has not eased the situation. In local interviews with affected community leaders, NGOs and some government officials responsible for development, it has been frequently suggested that Acacia should invest in projects that address specific local needs and solutions such as microsaving and microcredit cooperative initiatives for youth and women, and jobs for community members.

These two comparative cases provide a strong contrast. AngloAshanti Gold might be termed “right engagement but in an unstable and fragile environment”, while Acacia may be termed “weak engagement yet in a stable and peaceful environment.” Most

mining TNCs' engagement with stakeholders on sustainable development tends to focus on "stable" environments. Especially when operating in violent, unstable and fragile states, mining TNCs have often used NGOs as intermediaries to address social issues with community stakeholders (Muthuri et al., 2012; Newenham-Kahindi, 2011).

Table 4 compares the two companies' actions across the three SDGs. Whereas AngloAshanti Gold was deliberative, targeted and purposeful, Acacia seems not to have considered specific or even overall community concerns and to have pursued scattered and indirect approaches that heightened rather than alleviated violence.

Visser (2007: 31) posed two simple questions that are critical to relationships between mining TNCs and the sustainable development of affected African communities: "corporate social responsibility according to what (or whose) definition? And is it a definition that is relevant to the context?" Socially responsible mining TNCs provide opportunities and empower community members. To advance this, mining TNCs must recognize that they are community members as well. A Tanzanian miner living in local community explained: "Working in a Chinese [mining TNC] you feel like a family. They value work participation, consensus and employees' well-being" (quoted in Selmier, Newenham-Kahindi and Oh, 2015: 171), and Tanzanian government officials stated in interviews that mining TNCs' reputations with communities would be considered when granting new mining licenses.

Table 4. Comparing AngloGold Ashanti and Acacia on Three Sustainable Development Goals

Sustainable Development Goal		AngloGold Ashanti	Acacia
5	gender equality and empowerment	Directly addressing through women's groups' programs	No apparent attempt to address; indirectly addressing communal issues through the use of educated intermediaries from outside local area
8	sustained, inclusive and sustainable economic growth	Improved local entrepreneurs' business among the most vulnerable (e.g. women) through targeted programs and financing	Randomly selected groups of entrepreneurs who benefited from the firm's philanthropic donations
16	peaceful and inclusive societies for sustainable development ... access to justice ... effective, accountable and inclusive institutions	Direct engagement allowed access to management: "working side by side with community leaders and elders to find solutions to communities", according to local community leader	Indirect engagement, used educated intermediaries as representatives of the firm towards engaging local pastoralists' problems. Often relied on the police force unit called Fanya Fujo Uone to quash local pastoralists' protests.

Source: Authors' conception based on Newenham-Kahindi, 2011; Newenham-Kahindi and Stevens, forthcoming; Selmier, 2015; Selmier, Newenham-Kahindi and Oh, 2015.

3. Catalyzing progress towards the SDGs through African stakeholders' efforts

Many African countries have implemented specific community development laws which require social and economic development into mining codes and regulations (Campbell, 2009; Dupuy, 2014). The growing list of community development stipulations impels mining TNCs towards sustainable development, while the gradual knitting together of pan-African mining governance demands progress towards the SDGs. Besada and Martin (2015) argue that this shift towards promulgating mining codes with explicit sustainability targets represents Africa's fourth generation of mining codes (see also Campbell, 2009; Dashwood, 2014; Hilson and Murck, 2000). African country-level mining codes have progressed from (a) simple liberalization (first generation, early 1980s); to (b) recognition, without requirement, of social and environmental concerns linked to mining (second generation, mid-1990s); to (c) mining codes that encouraged investment with benefits for local stakeholders and stricter social and environmental impacts (third generation, turn-of-century); and to (d) a pan-African unified approach characterized as "strength in numbers"... [in which] legal harmonization efforts have been noted throughout the continent, including increased monitoring mechanisms, frameworks for improved administrative systems, and single points of contact for licensing and regulatory approvals" (Besada and Martin, 2015: 276).

The establishment of an African Mining Vision by the African Union in 2009 created a common framework across Africa to share information on mining TNCs' overall performance and efficacy of CSR activity, and results have been tied to CSR efficiency and environmental sustainability in many African countries (Besada and Martin, 2015; Dashwood, 2012; Pedro, 2016). Influenced in part by fourth generation-style codes in Africa, similar mining codes are being implemented elsewhere in the world (Hilson and Murck, 2000; Katz-Lavigne, 2017; Prno and Slocombe, 2012). Antonio Pedro (2015: 20) has called for a Country Mining Vision that

addresses the two structural imperatives... the need to eliminate silos and the balkanisation of government functions in managing the extractive sector and improve inter-departmental coordination, and the necessity to bring different stakeholders together to engage in collective action... and create a 'movement for change' at national level built on a shared vision and common purpose.

While there remains a gap between implementation, adherence and enforcement in some host countries, permitting and access to new mining sites are increasingly tied to sustainable development in many African countries and elsewhere (Besada and Martin, 2015; Hilson and Murck, 2000; Prno and Slocombe, 2012). For instance, Tanzania banned gangue exports effective 1 March 2017. Gangue – unprocessed

mineral-laden sand and rock pulled out of mines – must now be processed and smelted within Tanzanian borders rather than trucked or airlifted out in raw form (Ibengwe and Malanga, 2016). Although some mining TNCs – notably Acacia – are resisting (Ibengwe and Malanga, 2016; Mirondo, 2017), Tanzania will likely benefit by capturing more value added activities such as more jobs, investment in smelters and ancillary services attached to this key stage in the mining supply chain.

4. Closing Thoughts

The 2030 Agenda for Sustainable Development (2015: 3) provides a “plan of action for people, planet and prosperity,” laying out the 17 SDGs and carefully parsing these into 169 targets. The UN Global Compact provides an important link in that chain in which the UN has recognized the value and diversity of local communities’ cultures, languages and social orders, and their traditional stewardship of the lands on which they live (Ruggie, 2016; UN, 2004; 2013). The Compact is transforming from a measuring stick into a set of defined policies and frameworks which make possible “turn[ing] the global goals [SDGs] into local business. The UN Global Compact is committed to be a leading catalyst of that transformation” (UNGC-2).

To help achieve the three SDGs mentioned, mining TNCs, when they engage with local African communities, must be able to catalyse progress towards them. Mining TNCs will need to work with four broad groups of stakeholders: governments, other businesses, their miners and the communities where mining takes place (Dashwood, 2014; Hilson and Murck, 2000; Muthuri et al, 2012). As illustrated by AngloGold Ashanti, mining TNC success will be measured first and foremost by the methods with which it catalyses the achievement of the SDGs in affected communities where the mining takes place, requiring success at the local business level.

Three issues remain, though, which necessitate further research and learning from those TNCs which have proven successful. First, local complexities necessitate local solutions; local solutions will involve members of local communities. Newenham-Kahindi and Stevens, (forthcoming; also see Selmier, Newenham-Kahindi and Oh, 2015) find that having locals acting as employees or moderators enables TNCs to establish legitimacy across communities. Local employees (either pastoralists or small farmers) can help both communities and TNCs adapt and change. That is, communities see the role of new SDG programs and how they are integrated into their changing way of life, and TNCs come to realize the SDGs are “core business” (Kemp and Owen, 2013). Such studies should be expanded across other mining areas.

Second, institutional frameworks often lack teeth, as noted by Berliner and Prakash (2015), Oshionebo (2007) and Pedro (2016). Analyzing how teeth can be added to

the SDGs – for example, by restricting access to mining sites, capital, labour and other levers of legitimacy when SDGs are not met – will provide incentives for TNCs. Mining TNCs require specific guidelines in order to frame and implement their CSR efforts to achieve targeted SDGs.

Third, it became apparent in our research that TNC transparency helped their legitimacy and even improved business operations. If demands for information are not met, then TNCs are punished or shunned by many governments (Besada and Martin, 2015; Katz-Lavigne, 2017), local communities (Kemp and Owen, 2013; Muthuri et al, 2012), investors (Davis and Franks, 2014; Ernst & Young, 2015) and other affected stakeholder groups. The efficacy of TNC information delivery and the channels through which it must be delivered therefore deserve additional research efforts.

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