

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

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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.

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