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; Malsmstrom, 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
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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”. 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
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

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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.
References


