

# CHAPTER 2

## TOWARDS A GLOBAL SUSTAINABILITY APPROACH: CHALLENGES AND OPPORTUNITIES FOR MULTINATIONALS

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### ABSTRACT

*We discuss how multinational enterprises (MNEs) can play a leading role and take more responsibility towards reducing inequalities by developing a global sustainability regime. We especially focus on how this may contribute towards the United Nations' Sustainable Development Goals (UN SDGs). Our purpose is to identify and discuss the components and activities that are needed to develop such a strategy and implement it in markets with different structural and institutional conditions. We will especially discuss interactions between the head office and the local subsidiaries/organizations as well as interactions with different salient groups of stakeholders. We focus on three highly significant groups: business, social and political actors. We identify four key components of a global sustainability approach – namely, (i) make it relevant within the organization, (ii) establish a legitimate sustainable network position, (iii) present incentives and gains that stimulate action and (iv) establish long-term salient structures.*

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*These components and the associated activities have not been discussed in a coherent manner although some aspects have been put forward in earlier studies. We present a comprehensive framework that suggests what role MNEs can play and what challenges they face while doing so. The chapter is based on more than 10 years' experience of studying MNEs' activities in developing as well as developed markets, including how they work with sustainability. The study is based on data from four Swedish MNEs and three major research projects.*

**Keywords:** Global sustainability; multinational enterprises; stakeholder relationships; structural and institutional factors; United Nations' Sustainable Development Goals; qualitative research

## INTRODUCTION

Existing research shows that the activities of MNEs are crucial and that they can play a central role in driving sustainability and creating value (Ghauri et al., 2021; Montiel et al., 2021). Furthermore, Ghauri (2022) describes how MNEs may provide significant support in fulfilling the 17 SDGs launched by The UN and expand their traditional missions beyond profit maximization. Wood et al. (2021) further discuss that MNEs must take on a clearer responsibility for their own impact and its relevance with the developments on a societal level.

The SDGs launched by the UN in 2015 refer to global inequalities, environmental deterioration and worldwide human development (United Nations, 2015). Challenges concerning, for example, the climate change and sustainable developments require global responsibility and actions (Pinkse et al., 2010; Shapiro et al., 2018). Furthermore, citizens require fair working conditions and equality, regardless of where they live. This means that MNEs need to strive for consistency and balance between markets and the need to adapt their strategies to local culture and context (Miska et al., 2016; Morris et al., 2014; Roth & Kostova, 2003) that influence the expectations regarding issues such as sustainable development (Elg et al., 2017; Ghauri et al., 2017).

The development of a globally sustainable strategy appears relevant for taking responsibility for the triple bottom line of the corporate sustainability construct – the economic, social and environmental (Bansal, 2005; Bansal & Song, 2017; Wilson, 2015) and thereby may contribute to the SDGs. More and more scholars and international organizations are now discussing how multinationals can pursue such a global sustainability agenda (e.g. Boston Consulting Group, 2021), but few studies have empirically investigated how MNEs might do this, what the challenges are and how it might interact with local conditions (c.f. Burritt et al., 2020).

Our purpose is to identify and discuss the mechanisms and activities that are needed to develop such a strategy and implement it in markets with different structural and institutional conditions. We will discuss interactions between head office and the local subsidiaries/organizations as well as the interactions with

different salient groups of stakeholders. We particularly focus on three different groups that are highly significant: business, social and political actors (Elg et al., 2017; Hadjikhani et al., 2012). We will also discuss the challenges and constraints that are faced by MNEs that strive to develop and implement sustainable strategies that are congruent with UN SDGs.

The empirical foundation for this chapter is the activities of four Swedish MNEs that all have an ambition to develop a sustainability strategy for the whole corporation, with clear goals and codes of conduct, while the implementation of this strategy is managed locally in each market. We have used an exploratory qualitative case study approach to conduct this research (Ghauri et al., 2020). The study highlights relevant steps to implement such an approach. It also illustrates the complexity, resistance and challenges involved in such a process.

The next part of this chapter will describe the research that we have conducted over more than a decade, in different interrelated projects, and the methodologies used to collect data. This is followed by an empirical part that presents the conceptual model that we have developed and its four components. In a final part, we relate our findings to existing knowledge on MNEs and sustainability and suggest some avenues for future research.

## RESEARCH METHOD

As argued by Burritt et al. (2020), a main problem with existing studies on MNEs and sustainability is that they tend to have a narrow focus on a certain well-defined problem and that there is still little knowledge on the MNEs' development of a corporate sustainability strategy, the interplay between head office and local subsidiaries and the role of salient stakeholders.

However, for more than a decade, our research group has investigated positioning strategies of MNEs on different markets, how they link corporate strategies to local culture and interests and how they interact with local critical stakeholders. We have conducted three projects, and though they have been based upon different overarching research questions, sustainability has persistently appeared as a main aspect, and especially the strategic challenges of coordinating the overall sustainability goals and local contexts. Our ambition in this chapter is, therefore, to present the critical dimensions of a global sustainability strategy that have been identified during our work with these projects over a period of more than 10 years.

The first project was entitled '*Creating brand value and market orientation on emerging markets: The role of economic and socio-political relationships*' and took place between 2010 and 2016. This project focussed especially on the four BRIC markets (Brazil, Russia, India and China). Here, sustainability was found to be a main aspect for the international activities of the Swedish MNE Tetra Pak. The second project, '*Developing and implementing CSR: Corporate perspectives vs. employee and consumer involvement*', specifically concerned sustainability. It was carried out between 2016 and 2020. Here, the empirical data consisted of an in-depth and thorough case study of the Swedish retailer IKEA, involving the head

office as well as the local Swedish organization, and the country organizations in Germany and the United Kingdom. The third project, '*Responsible Business and Competitive Advantage: Swedish Firms' Ethical Behaviour in Emerging Markets*' started in 2019 and is still ongoing. We have carried out case studies of H&M and Ericsson at the head office in Stockholm as well as on different emerging market areas, including Bangladesh, India, Turkey and the Middle East.

Qualitative case studies were considered fruitful because they can provide a rich, in-depth understanding of this rather understudied area (Eisenhardt & Graebner, 2007). The four case companies are highly relevant because they are all globally very active, have corporate strategies for how to work with sustainability globally and on different country markets. These strategies are also presented and discussed in detail in various strategic documents that we have studied. In our interviews, we have covered how the firms work with sustainability at head-office level, the strategic principles behind the strategy and how they collaborate with local organizations including external stakeholders. We have also interviewed local managers regarding how they experience these issues. Usually, our interview questions were of a broad nature and open ended, and often our meetings with respondents became more of an open conversation where they were able to bring up the issues that they found particularly relevant within their context (Ghauri & Firth, 2009).

In all, this research is based upon 78 interviews at different organizational levels. We have also analysed a substantial number of documents and strategic plans that explain and describe the firms' sustainability strategies. Some of the interviews in the ongoing project were conducted online due to the pandemic.

All the empirical material was analysed using NVIVO 11/12. The first step was to identify the four general dimensions presented in the empirical part below. These dimensions have been discussed, to a varying extent, in previous research on sustainability and MNEs (e.g. Burritt et al., 2020; Elg et al., 2017) but not in terms of a comprehensive framework. As a second step, we then searched for critical factors and recurrent themes within each of the dimensions that appeared to be especially important to implement the global sustainability strategy.

As an illustration for each dimension, we present short quotes from the interviews. We have decided to anonymize them in order not to reveal the identity of the company and the respondent.

The empirical data are, thus, based upon case studies of four Swedish MNEs. Tetra Pak was founded in Sweden more than 70 years ago (<https://www.tetrapak.com/about-tetra-pak/the-company/history>). The headquarters were situated in Sweden for more than 50 years. The basis was an aseptic packaging technology. It could preserve the colour, texture, natural taste and nutritional value of liquid food for up to a year, with no need for preservatives or refrigeration. The MNE today is part of the Tetra Laval Group, with headquarters in Switzerland, and operates in more than 170 countries.

IKEA was founded in 1943 as a mail order company. Today, the company is controlled by a foundation registered in the Netherlands, and there are 466 stores in 63 countries. The MNE has identified sustainability as a major and integrated

part of the corporate strategy. The strategy is based upon a global identity having a similar brand perception across the world. This idea would also include a consistent sustainability profile all over the world.

H&M started in Sweden in 1947 as a single store for women's clothing. Since then, it has developed into reaching customers worldwide. In 2019, the MNE had around 5,000 stores in 74 markets, with online stores being available in 50 markets. The MNE often describes itself as a driving force in promoting sustainability within the fashion industry. The sustainability vision was expecting 'to lead the change towards a circular and climate positive fashion industry, while being a fair and equal company' (H&M, 2019, p. 13).

Ericsson started in 1876, and the MNE's first telephones appeared in 1878. Since then, the portfolio has developed into having a focus on mobile and fixed network infrastructure, telecom services, software, broadband and multimedia solutions for operators, enterprises and the media industry. In 1999, Ericsson had 99,000 employees worldwide. The firm's global operations are divided into five geographical market areas: North America; Europe and Latin America; Middle East and Africa; Southeast Asia, Oceania and India and Northeast Asia. The sustainability vision was expressed as 'Improve lives, redefine business and pioneer a sustainable future' (Ericsson, 2023).

Below, we will present the four dimensions identified, illustrated by quotes and examples from the four cases. It should be stressed that this is not a process in the sense that it starts with internal support and ends with having salient supporting structure. Rather, it is a constant and ongoing work where all these four dimensions are consistently developed and reconsidered.

## DEVELOPING THE INTERNAL SUPPORT

It is reasonable to start the discussion about global sustainability by focussing on the internal organization and how it can incorporate sustainability as an integrated part of the activities and priorities. This is especially challenging for a multinational that stretches over markets and subsidiaries having diverging cultures and perspectives. We have identified two specific questions that need to be addressed in a convincing way to build internal commitment. One is *why* the company should give priority to sustainability and the other is *how* to work with the sustainability issue.

### *Relevance for the Organization*

It is very much about what we stand for. What we think is important. Where we put the bar regarding how we do business.

This was a common dimension and illustrates how the companies we studied all strived to make sustainability a part of the organizational culture and identity. One way to do this is to refer to the background and history of the company and

to stories and legends about how the MNE has always cared about these issues. In the case of IKEA, the respondents repeatedly mentioned the founder Ingvar Kamprad and his origin from a relatively poor part of Sweden where resources were scarce. He, therefore, always emphasized the need to minimize the waste of resources, which also creates a strong base for a sustainability narrative. In the case of Tetra Pak, the respondents often stressed that the firm's history is based on the idea to protect food content and develop a packaging technique that does not require preservatives or harmful ingredients and keeps food fresh for a long time without a need for refrigeration. This is also stressed by the brand statement in company documents 'Protects what's good'.

Linking sustainability to the brand may be particularly important when developing a global sustainability approach because the identity and values that make up the brand are expected to be acknowledged by all employees and subsidiaries. The link to the brand was also a key issue in other ways. Managers often argued that a strong sustainability image will support the firm's reputation and thereby increase the strength and value of the brand. Being publicly active and visible in sustainability work will also create brand attention. This can, in turn, increase brand profile and trust as well as customer loyalty.

Another answer to the *why* issue is simply that this is required and expected by several external stakeholders. This links not only to the brand positioning but also to the companies' broader reputation. To amplify this, the importance of following the Paris agreement, the principles of the UN global compact, the ILO (International Labour Organization) conventions, etc. were stressed.

If you don't get the engagement of the store behind it and their understanding as well, then it's never going to have longevity.

It was clear that the relevance of sustainability was also linked to the level of personal motivation. If you understand and support the importance of being sustainable on a personal level, it is much more likely that you will give it priority within your organization. Therefore, it was considered important to identify, encourage and engage co-workers so that they would lead by example and convince their colleagues. Another dimension that was mentioned by all the companies was the engagement of top managers, both on the corporate and on the subsidiary level so that they explain and show why sustainability is an integral part of the agenda.

### *Establishing Sustainable Practices*

Before we used to have guidelines and that is an important distinction, now we have standards and they cannot be misinterpreted, basta! You use them!

All the MNEs illustrated the importance of having organization-wide codes, standards and rules that cannot be compromised. Putting up clear and understandable targets was stressed as central. This is also related to the importance of evaluating employee and organizational performance on all levels of the organization in relation to sustainability. For example, H&M developed and was using

KPIs related to sustainability. Our research has also highlighted that there should be a clear organization-wide reward system linked to sustainability performance. In many cases, however, this still appears to be a weak spot.

Another point here is a clear division of responsibilities between managers as well as between organizational levels. In Ericsson, it was very clear that corporate managers design the sustainability programme and, for example, produce risk assessment templates that local organizations must follow closely. The most common approach was, thus, that codes and directives were formulated on a corporate level, but that the subsidiaries had a certain degree of freedom regarding *how* to implement and explain this on the local market. Managers from the central offices emphasized the importance of local ownership and relevance. At the same time, it was usually not considered acceptable to deviate from standards and codes that had been established at a central level. Therefore, having clear routines and procedures for how to follow up the sustainability work is an essential part.

It can be noted, however, that IKEA is a more decentralized organization, where it was to some degree optional for the stores and local markets to decide to what extent they wanted to work with different sustainability messages. This will then depend on the commitment of the local manager in charge. On the supplier side, however, there are universal codes and standards that must be followed.

Another key mission is to work with sustainability as an integrated part of all activities. Respondents often stressed that this can be a problem, and if sustainability is considered something separate from the business activities, it will be given a low priority. Therefore, the ambition is that sustainability activities are clearly integrated into managers' responsibilities and, for example, into different parts of the value chain and different markets. Furthermore, it was stressed that it is important to integrate sustainability aspects into the local business plans because this is the guideline for managers as well as for other employees.

Provision of proper training and education to new and existing employees was also found to be a key. Ericsson had an onboarding programme for all new employees that also covered the relevant sustainability areas and what is expected there. In addition, further training, face-to-face as well as online, was tailor-made, considering the manager's specific area and competencies.

[...] make sure it's integrated into their number one two and three priority. Even if it's a tiny bit, but if there is a tiny bit that is integrated into it so then it's not just stand alone. Because if it stands alone, it always will be at the end.

This statement emphasized one of the main challenges of developing and implementing a global sustainability approach. There will always be competing interests and priorities that may have a more obvious and short-term impact on sales and market position. It was often stressed that the lack of time forces employees to make priorities that may not benefit the sustainability work. Another aspect is communication. For example, one IKEA respondent argued that there are tens of thousands of messages in a store and that it might be difficult for sustainability to gain the attention of customers as well as of the employees who decide how and where different messages will be shown.

## **ESTABLISHING A LEGITIMATE SUSTAINABILITY NETWORK POSITION**

For obvious reasons, navigating the external environment across markets and adapting business relationships and building specific relationships that support sustainability is a key dimension. Here, we will discuss two aspects. One is how the MNE can strengthen its general credibility and legitimacy as a sustainable and responsible actor. The other concerns how the firm works with and promotes sustainability in relationships with different types of stakeholders.

### *Credibility and Legitimacy*

[...] to demonstrate the purpose, you have to spell out as a company, what are you there for, what's your vision, how do you contribute to society.

A critical step in creating a position as credible and legitimate when it comes to sustainability is to demonstrate that you take responsibility for the local community at all levels as well as for global sustainability challenges. An example is Tetra Pak's work in developing a school milk project that is implemented on several continents, such as Africa, the Middle East and East Asia. The main idea is to supply milk to local schools to ensure that the children receive nutrition as well as to increase the families' incentives to send their children to schools. The main aspect here is to be an integrated and responsible part of the local society. This requires that the MNE understands that the culture and the local issues of special concern. Even though this can be regarded as a part of building a global sustainability position, it may mean that firms prioritize different matters on different markets. At the same time, our research shows how these MNEs have tried to replicate successful initiatives within their supply chain on the industry level and between markets.

Another aspect is the importance of being visible and to gain notice and respect for the firm's sustainability commitment. For example, IKEA managers stressed that the culture has emphasized humility and never to brag about accomplishments. Today, however, this view has changed, at least when it comes to sustainability, and managers appear on international platforms such as the World Economic Forum in Davos, or in the UN in New York City to demonstrate how the retailer works with different sustainability issues. Furthermore, making it public that the MNE has close cooperation with respected organizations such as the World Wildlife Foundation (WWF), Greenpeace or Forest Stewardship Council (FSC) enhances the profile and value of the brand. For Tetra Pak, the collaboration with WWF and FSC could be used as co-branding that also has benefitted their customers.

It was also considered essential that top managers draw upon sustainability when presenting their companies in different public arenas, such as interviews in the press and industry conferences and are not afraid to make a stand. One interesting comment was that it is important to be aware not only of the actions that can have a strong impact on, for example, the environment, but also be



aware of things that have a symbolic value even though the overall impact is limited. For example, it was stated that 85% of H&M's impact on the environment comes from the supply chain, but it is nevertheless critical to show that the firm strives to minimize energy consumption in stores and offices for the sake of credibility.

Maybe two times per year, a few times there is an event that we need to respond to. The China situation, we need to respond to that. There was this report in Malaysia, about the tech industry, that was not handled or managed correctly.

This quote stresses that the MNEs must be prepared to follow up on different critical incidents that occur on a certain market. It can concern environmental problems, working conditions or an accident on a site. This preparedness is of course important in order to deal with sustainability problems, but a quick response will also reduce the pressure from media.

The downside of being visible is that the MNEs expect to be scrutinized by media and held accountable for problems that may not even be related to the particular firm. It was often stressed that it is important to have routines for how to handle rumours and negative stories in the press. For H&M, problems and accidents in factories in developing countries are crucial. The firm has well-established routines for how these incidents should be handled and by whom. Another illustration is that H&M invited German journalists to India to see first-hand how the MNE works with the Better Cotton initiative.

In addition, an important challenge is to understand the expectations and interests that different stakeholders have and balance them. Again, this may require establishing different priorities depending on the market as well as on the issue at hand. For example, the study of Ericsson illustrated how different stakeholders such as customers, investors and non-governmental organisations (NGOs) required accountability and to know how the MNE mitigates risk on different markets related to environmental impact, local working conditions, human rights, etc. This will also require that the firm is able to assess the specific risks on different markets, understand where they might appear and apply proper monitoring. Furthermore, balancing stakeholder interests is related to understanding their salience and level of support for sustainability. There is also a difference between local and global priorities.

When we for Germany say it is more relevant for us to put the emphasis on the work with the communities and not something else, we have the right to do it. This is our decision.

This quote illustrates that managers in each market may have discretion to prioritize between different sustainability issues. Respondents from several firms discussed how environmental concerns may have a low priority on certain markets because the focus is on other issues, such as poverty alleviation. Nevertheless, the corporate agenda and more global stakeholders will expect that a firm also drives the environmental issues on those markets. In addition, differences may even appear between different regions or areas of a country. For example, IKEA respondents discussed how London requires different sustainability prioritizations as compared to other parts of the United Kingdom.

*Stakeholder Relationships for Sustainability*

We must really empower and take ownership to our suppliers who take it to their sub-suppliers, and in different areas. And you can't do that if you tell everybody exactly how to do everything. Now, you need to be there for support and development.

The supply chain is obviously in focus when developing specific sustainability links within different relationships. As this quote illustrates, it is often a matter of having a long-term view and to commit to it; for example, suppliers were driving the sustainability issue based on their own interests. Regarding working conditions, H&M worked systematically on convincing suppliers in Bangladesh that it will benefit them to pay fair wages, to have worker representatives in the factories, and a transparent system that clearly explained why a certain worker had a certain salary level. Another issue was gender differences. According to one respondent, 60% of the workers were female in Bangladesh but at the most only 10% of the supervisors. Here, the firm worked on convincing managers that female supervisors would be better at communicating with the workers and gaining their trust. Our study also showed how suppliers who successfully developed their sustainability ambitions could be rewarded by getting increased orders, loans, support from consultants etc. Furthermore, one ambition was to transfer solutions and processes developed with partners on one market to other markets to show suppliers that it will pay off in the long run, for example, by reducing the use of energy and chemicals or having a system for fair wages.

It was also often stressed that it is not a matter of finding suppliers and other business partners who are perfect from the beginning. It is more important to find partners who have the right mindset and are interested in improving themselves. At the same time, our research has stressed that different forms of monitoring and control systems are also an important part. The study of Ericsson illustrated that it might be necessary to add extra layers of control depending on the nature of the market or the specific project that is implemented. Furthermore, the firm uses approved training centres for supplier employees working with certain risky tasks. They need to have a certificate from a centre before being approved. There are also cultural differences that may require different levels of monitoring. Again, the Ericsson case illustrates this. Most accidents and even casualties are caused either by climbing towers or driving, and this is especially critical for certain markets. For example, in some cultures, you need to show your masculine side by not using safety equipment when climbing. As a response, the firm has developed an application that makes it possible to monitor this in real time and ensure that the safety equipment is used by supplier employees.

All four case studies highlight the importance of educating partners in the supply chain but sometimes also other actors. For example, in the case of the dairy training centre that Tetra Pak developed in China, it was originally intended for different actors in the supply chain, such as farmers and relevant customers. However, the interest for this training centre spread to other groups such

as scientific centres and government officials responsible for agriculture, thereby strengthening the bonds with political actors.

We have all the contact data for these persons such as telephone number and email address in this tool. So all the stakeholders are mapped here. So for each one of the issues, I have a long list of stakeholders I have to talk to.

As put by another respondent, sustainability requires a multi-stakeholder strategy. The study revealed a lot of examples where these firms made attempts to influence political decision makers to give more support to sustainability aspects in legislation and other regulations. Sometimes, this was done in collaboration with other MNEs on the local market. As put by one respondent, 'we are more likely to achieve it if we are 22 companies rather than one'. Working with NGOs to identify sustainability improvements is another example. IKEA has an advisory group with representatives from five NGOs that critically evaluates the firm's sustainability strategy on a yearly basis. Our study also illustrates how the MNEs work with a broad spectrum of stakeholders – such as doctors, customers, opinion leaders, dieticians, water experts, universities, labour unions, governments and NGOs – to drive different sustainability initiatives. It should be stressed that developing linkages to relevant and influential actors also needs to be done on an individual level and for each market where the MNE has significant operations.

## **PRESENTING INCENTIVES AND GAINS THAT LEAD TO ACTION**

It is one thing to develop relationships with different stakeholders with the intention to support sustainability – but implementing change and driving the development usually also requires that there are specific incentives and benefits for the other party. This is what building a sustainability case is about. At the same time, different stakeholders may have different priorities and interests, and it is a challenge to align them. Despite attempts to do so, it is important to note that there is still resistance and barriers that cause inertia, both internally and externally, that need to be managed.

### *Building Attractive Cases*

We must explain to them why they should do it. It is very common that they don't know about these things – if I close the door to my boiler when I am not putting things in it, I can make it 15% more efficient.

Especially when interacting with partners in the supply chain, the focus is on potential financial gains from working with sustainability. The example above is called 'low hanging fruits' because it is easy to do something about and does not involve costs. There will be more challenges when things such as investments or a change in established routines are involved. One such issue concerns workers' rights, including the working environment in factories, fair wages, working hours and their family situation. Here, it is more difficult to calculate potential

gains than when it comes to investments to save energy. The H&M case illustrates several challenges, such as when the MNE tried to introduce elected worker representatives, more female supervisors in the factories and a system for giving higher wages based on workers' performance. However, H&M managed to convince some suppliers that this would increase productivity, make the supplier a more attractive employer for the best workers, etc. The IKEA case shows how the firm, in collaboration with Save the Children, helped suppliers to build so-called Children Safe Zones – family friendly centres for children so that the family can be together more during school breaks. Ericsson's work with increasing safety when climbing towers and driving also illustrates how it is possible to show business partners the gain from giving priority to these issues.

It needs to be both visionary and highly business relevant.

With regard to environmental sustainability, it is more a matter of calculating costs of making investments in relation to long- and short-term financial gains and show the benefits from investing in sustainability. For many suppliers in developing countries, it may be difficult to get funding for such investments. For example, one H&M manager discussed the need to devote time to finding financing models that make it attractive and possible to invest. This also involves using the credibility of H&M as a support when applying for loans. In addition, a distinct incentive for partners is that if they are willing to make investments and commitments regarding sustainability, they will also get more business and are assured of remaining a partner for a longer period. The MNEs often worked with different KPI measures and specific sustainability goals to evaluate supplier performance and as a basis for rewarding them.

Everything is not about direct financial gains, however. Suppliers and other local partners will also improve their reputation and status in their community by showing that they work proactively with sustainability issues that are considered relevant there. This may prove valuable, for example, in their relationships to local government. It is, therefore, important for MNEs to understand how to drive sustainability interests in a way that corresponds to local values and culture.

We have a very good network with the government here. They have seen how much we have committed to the county in the last 30 years and now we can build up a direct communication with very top-level government officials.

For other actors, the sustainability case may not be primarily about financial gains. Our study also illustrates that showing how the MNEs' sustainability initiatives contribute to political goals will help in getting the support from government representatives. For example, the Tetra Pak case demonstrates that the firm is working to show how their innovations for preserving food can change the situation in India from being milk deficient to having a surplus. This is in line with an important goal for the community and for the government.

### *Creating Alignment*

Nowadays you have to look at things from a global perspective because we know that something that happens in China can also impact Brazil

When it comes to sustainability concerns, alignment entails several related issues. One is to coordinate and understand the benefits that different stakeholders value and manage any conflicts here. For example, there may be conflicts between goals and ambitions concerning reducing environmental impact, and the interests of locally employed workers who worry that routines and employment conditions may change. Secondly, it is a matter of adapting incentives and goals to local market conditions to achieve alignment regarding the sustainability ambitions. Ericsson stresses that codes and expectations regarding sustainability are the same in all markets and will not be compromised due to local culture. However, the incentives and support offered to local stakeholders to reach the goals will vary. For example, while wearing a harness when you are climbing is taken for granted in many countries, it is not considered manly in some countries like Brazil or Turkey. Nevertheless, it is a necessity because, as mentioned above, if an accident happens in one market, it can have a global impact.

Another aspect is the state of the regulatory system on different markets. While some countries have a stronger regulative system that gives support to many sustainability goals, other markets are more unregulated and/or existing rules are not followed up sufficiently by the government. The latter requires more work with motivating and driving local stakeholders. For example, Tetra Pak in Brazil explained that the industry standard set by the government for office paper brightness was 80%. However, this standard was considered too high because bleaching paper requires a lot of chemicals and there will be a lot of emissions in the process. The MNE, therefore, initiated a process to reduce the standard.

Alignment also concerns communication and how best to explain sustainability ambitions in different cultures. As expressed by one IKEA respondent, the idea is to have globally relevant messages but to add a local twist. For example, an issue such as equality and equal rights may be rather uncontroversial in certain cultures, whereas it requires more explanation and to be put in context for other cultures. Another example is that sustainability may be perceived completely differently in a city such as London, where many people don't have cars, compared to cities in America where you cannot get by without one. The messages and incentives regarding sustainability will, thus, have to be very different, while still in support of the global overall message.

It's very clear that this commitment [to sustainability] is kind of a full value chain commitment. There is no end, you can't say, well, we don't take responsibility for this.

This quote illustrates the importance of alignment throughout the whole value chain. For a company such as Ericsson, this will involve suppliers in developing markets as well as several collaborating partners in a certain major project that could take place in any market in the world. The challenge here can also be related to the discussion above regarding communication of the incentives and gains that are relevant to a stakeholder within a certain cultural context.

### *Resistance and Inertia*

You are enforcing requirements that don't come naturally to people like in Europe ... because, you know, you're asking things that are not second nature to them.

We have already discussed that it may be more difficult to drive sustainability due to the cultural context; it was sometimes described as a major constraint. If people are not used to doing something, information and incentives may not be enough to persuade them. For example, the Tetra Pak case showed that it was very difficult to drive recycling in Russia and India, because there is not enough awareness, and the environment is not high on the agenda. H&M illustrates a similar problem in Bangladesh, where electricity is subsidized to support garment manufacturers. Obviously, this will make it more difficult to present a strong business case for investing in energy-saving technology or renewable energy. Another aspect is the lack of stability in the supporting system. Again, electricity illustrates this. According to respondents, there can be several power cuts during the day in certain countries. Local companies are then inclined to use their own energy systems based upon coal, diesel or natural gas.

Sometimes local regulations may even prevent the MNEs from driving certain global sustainability issues. For example, IKEA respondents argued that equal rights and equality for HBTQ-persons was an issue that the retailer wanted to boost and communicate. However, this was simply not doable in Russia due to the legislation there. Both retailers also described how sustainability is not a sufficient driver for most consumers when they visit a store. It must be integrated into the product and combined with other values that answer the question ‘What’s in it for me?’. For example, IKEA’s respondents described that it is much more doable if you can show that a sustainable product such as LED-lighting or a dishwasher will also save money.

So how do we break through with sustainability messages? And how do we prioritize messages when there is a commercial part of the business that wants to focus on the commercial messages.

This illustrates an internal barrier, namely that even though sustainability has a higher priority than before, it is competing with other, more commercial, interests. These concern external communications to customers as well as the development of the value chain. Depending on their positions and responsibilities, different managers and functions will often try to promote their own agenda. Another obstacle when driving sustainability, stressed in different ways by all four cases, is that sustainability issues are often more critical further upstream in the local supply chain, where there is less transparency, and it is difficult to have a major influence.

## **ESTABLISHING LONG-TERM SALIENT STRUCTURES**

Establishing sustainability as a long-term factor, that is safeguarded and continuously developed, also requires a set of structures and processes – within the MNE’s internal organization as well as externally, involving relevant stakeholders and integrating the global level and the local markets. These structures have two interrelated goals. One is to monitor that established sustainability practices are respected, while the other concerns how to further develop the sustainability work.

### *Monitoring and Safeguarding Sustainability Achievements*

When you understand your risks, you put up management systems .... That includes an organization, processes, controls, policies, and procedures to understand them. Then you need to educate people, communicate, create an awareness. Then they will start to report things. You need a whistleblowing system to handle it. Then you need some who can investigate .... When they have investigated you need corrective actions, remediation ....

This illustrates the need for well-developed structures and processes to safeguard sustainability commitments. The importance of such internal structures was often highlighted by our case studies. For example, Ericsson had a business partner review board for evaluating whether a potential customer or partner was suitable from a sustainability perspective and the risks of establishing a collaboration, as well as an Incident Review Board that met monthly to follow up and explain critical incidents. The work of these boards also stresses the importance of creating specific links between head office and local markets regarding sustainability. The studies of IKEA and H&M further stress the need to develop processes for supporting local organizations in understanding and achieving their sustainability responsibilities. The IKEA case especially illustrates the importance of integrating sustainability in the employee's daily work routines. This was done, for example, by including it in job descriptions as well as developing KPIs on a global level and all the way down to local stores.

Having established structures and processes for following up sustainability issues is equally important within the external network of stakeholders. One example is how Tetra Pak developed linkages with government bodies to monitor that those regulations regarding product safety were followed by the entire industry. An example from the H&M case is the development of the international Sustainable Apparel Coalition, where the MNE played an active part. Here, different firms collaborate to increase transparency within the industry with regard to sustainability and ensure that all brands have similar parameters for evaluating issues such as environmental impact.

Our cases also stress yearly audits and/or self-assessment reports from supply chain partners that are then followed up by visits. The Ericsson case illustrates the important role that technology can play. The MNE had developed a live streaming routine that enabled them to evaluate safety routines so that only verified and approved personnel would be present on the work site, etc.

### *Structures and Processes for Further Development*

So, something like climate change. You start with the requirement that says 'ok, measure your energy'. And then the next time you say, 'ok but have a goal for reducing your CO2 impact'. And then the next time you say, 'goals must be at least 25% reduction in CO2' .... So, it's still compliance, but it's a compliance with a development part to it.

The importance of having routines that constantly drive the sustainability issue further was stressed throughout the cases. The quote above illustrates collaboration with suppliers. However, an important part was also having different platforms for extending the sustainability activities. One example was H&M's work in

Bangladesh creating forums for different critical issues such as energy consumption, workers' rights and water recycling. These forums often included political actors, and the water forum was chaired by the Prime Minister.

Another example is Tetra Pak's work with the ministry of agriculture in China and different dairy associations in support of the 'Range Upgrading Program', with the purpose to upgrade the quality and safety of milk. This case also stresses the importance of collaboration on a global level to ensure the development of global standards valid for all markets. Another example is how the MNE set up an infrastructure for recycling in the United Kingdom that could handle separating the paper from other materials in their packaging.

Further sustainability improvements also depend upon recruiting and training of staff. The Ericsson case illustrated how the firm strives to hire managers with a special competence to build stronger sustainability programmes. The IKEA case showed how senior management gave priority to recruiting highly competent and engaged managers who would continue to drive sustainability on different levels. The MNE also recruited experts in fields such as forestry and cotton to make sure that sustainability would become a key factor.

They said that a sustainability report is an excellent way to drive the sustainability work in a company. Because if you need to report you also need to know where you are going and start to measure . . . . But I feel that I rather have a strong strategy anchored in the very top management that pulls you, than a report that pushes you.

The view that sustainability needs to become an integrated component of strategic documents as well as more operative yearly plans was often illustrated. For example, IKEA respondents in the United Kingdom stressed how important it was to include sustainability activities in the yearly calendar and relate and integrate sustainability activities with other, more commercial activities. Otherwise, sustainability initiatives might become *ad hoc* activities with a weak link to the overall mission and business strategy.

## DISCUSSION AND CONTRIBUTIONS

The conceptual model that we have developed is summarized in Fig. 1. As explained above, it has four critical dimensions, each requiring the support of top management, having different influencing factors and demanding several activities.

Although many of the aspects brought up have been discussed in earlier studies, our study brings them together in one consistent framework developed from more than 10 years of in-depth research focussing on the issue of developing a global sustainability strategy. In this case, the first step, *developing internal support*, is crucial as no progress can be made without internal support and commitment of the top management. We have seen in the case of IKEA that sustainability was initiated and driven by the founder owner Ingvar Kamprad and, thus, was made a part of the company culture and identity. It was the same in the case of Tetra Pak as it was explained that sustainability was the *raison d'être* as the main purpose was to protect food and avoid waste and use of chemicals, also that food could be



<p><b>Developing internal support</b></p> <p>Relevance for the organization History and heritage Brand identity Stakeholder expectations</p> <p>Establish sustainability practices Clear goals and personal responsibilities Integrated part in business Training and education</p>	<p><b>Establishing a legitimate position</b></p> <p>Credibility and legitimacy. Being a responsible citizen Attention and recognition Balancing stakeholder interests</p> <p>Stakeholder relationships for sustainability Long-term supply chain commitment Interactions across markets Monitoring and corrections Involving multiple stakeholders</p>
<p><b>Presenting incentives and gains</b></p> <p>Building attractive sustainability cases Business and status benefits for partners Involve opinion leaders Contribute to local political matters</p> <p>Creating alignment Balancing stakeholder interests Acknowledge cultural and regulatory differences Value chain perspective</p> <p>Resistance and inertia Lack of sustainability awareness Contradicting incentives systems Legal barriers Competing commercial interests</p>	<p><b>Establishing long-term salient structures</b></p> <p>Monitoring and safeguarding Internal review boards and committees KPIs and job descriptions include sustainability Bodies involving external stakeholders Scheduled follow ups with business partners</p> <p>Structures and processes for further development Broad platforms for addressing challenges Global perspective and knowledge transfer Recruit committed co-workers Integrate in strategic and operative plans</p>

Fig. 1. An Overview of the Global Sustainability Approach.

saved for longer periods without refrigeration. Moreover, to enable the companies to *establish a legitimate position*, the second step, they must have a credible and legitimate reputation in the global marketplace. To achieve this, companies need to establish good relationships with all stakeholders, internal and external, as we have seen in our cases that they establish relationships with local government, follow the Paris climate agreement and work with WWF, and FSC in case of IKEA and Tetra Pak, and with journalists and other society stakeholders in the case of H&M. For example, H&M took German journalists to India to show how they work with the Better Cotton initiative.

Another important dimension that emerged from our cases is *creating incentives and benefits*, the third step, such as fair wages and promotion possibilities for female workers as in the case of H&M in Bangladesh and educational and training programmes as in the case of Tetra Pak in China and Ericsson in Malaysia. The milk project that Tetra Pak introduced in China, India and Africa is a clear example of how society can see the benefit not only for children's health but also that more parents were encouraged to send children to schools. Also, our cases demonstrate that by an efficient use of facilities, for example, by closing the doors of the boiler, they can achieve 15% efficiency and, thus, lower costs and increase

financial benefits. All these activities lead to sustainability and encourage firms to *establish long-term structures*, the fourth step. The milk project and other training programmes demonstrate the long-term commitment of the companies and created long-lasting structures. The training programme by Ericsson on the safety of workers makes the workforce realize that it is not ‘macho’ to not wear safety nets or equipment while climbing the towers or when diving. This created a lot of credibility when Ericsson also created live monitoring and control systems for all risky tasks. Our study and the model above provide several examples and a clear path for how sustainability can be achieved and how companies at the forefront are doing it.

Furthermore, as illustrated in Fig. 2, we could also summarize the process of achieving sustainability and the challenges and constraints that are faced by companies in a more concrete manner, in terms of why, how and what. Firstly, we need to understand the *why* – that is, what are the drivers that are motivating companies to pursue sustainability. Secondly, *how* to achieve sustainability – that is, the means/activities these companies are using/performing to achieve sustainability goals. Thirdly, *what* are the challenges and constraints they are facing in the process and that must be understood and managed.

The figure illustrates that this is a continuously ongoing process where all three dimensions are equally critical. Still, developing and communicating the drivers

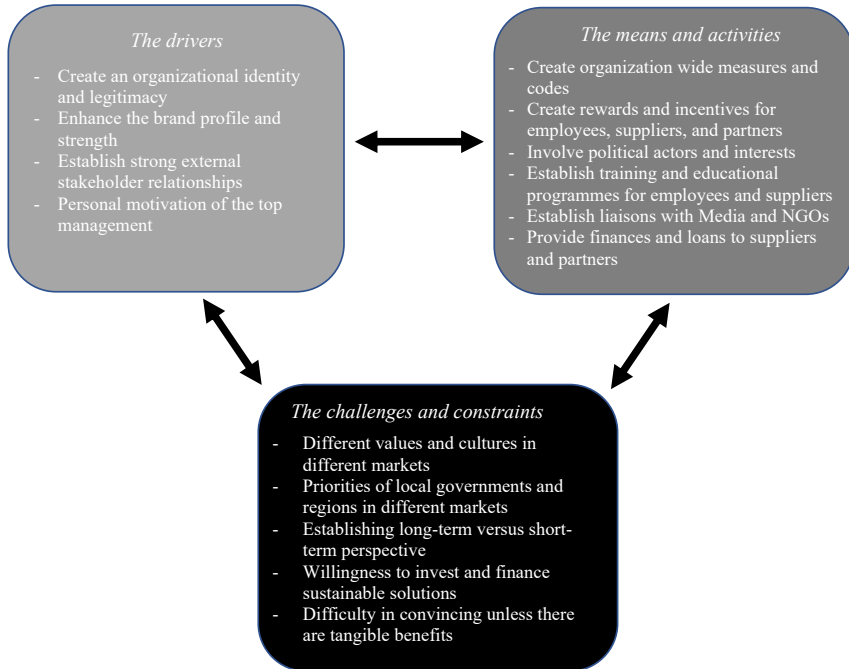


Fig. 2. The Process of Achieving Global Sustainability.

within the organization as well as in relation to external stakeholders is an essential starting point. It is usually a mistake to start with the means and activities dimension if there is a lack of motivation and understanding of why sustainability is of critical importance. If this is the case, the support and participation might become half-hearted and at a minimum level. Furthermore, considering the potential challenges and constraints is a basis for being able to identify the drivers that are most significant for different stakeholders. They may differ due to local culture and priorities. The long- versus short-term aspect also deserves to be especially stressed. The insights from our study suggest that both need to be considered and addressed. It is not enough to argue that sustainability is extremely important long-term. For some actors, the short-term view will create more motivation. Usually, it is more feasible for corporate managers to have a long-term view, whereas this may not fit the perspective of a sales or a product manager. In this sense, the figures are complementary – Fig. 1 explains the suitability approach that a firm wants to achieve at a global level, while Fig. 2 illustrates the process of achieving global sustainability and the factors that influence the process.

## RELEVANCE FOR SDGs

SDGs and concerns for Environment, social and governance have still to receive proper attention from international business researchers and educational programmes (Ghauri et al., 2021) (Ghauri, 2022; Ghauri et al., 2021). The UN 2030 agenda, to achieve at least most of the SDGs by 2030, has already been put on the back burner in most countries and societies due to global crises such as COVID-19 pandemic. While the purpose of the UN is to alleviate poverty, decrease inequalities and injustices and create a healthy environment for all, it is explicitly stated (SDG 17) that this can only be achieved through collaborations among businesses, societal actors and governments. To date, several initiatives and projects for sustainability have been started by some governments and social organizations, initiatives from most MNEs are however, lagging. Admittedly and as shown by our study, MNEs in some countries, especially Nordic countries, Germany and Netherlands, are at the forefront and are working on sustainable innovations and strategies to tackle environmental pollution and inequalities; however, MNEs from most other countries are pondering about whether it is their job to tackle these issues or not. Most MNEs have realized that there is an increased awareness about sustainable solutions and products and have, therefore, included slogans and statements in their mission statements and marketing material. However, in many cases, these consist of greenwashing rhetoric without any significant actions.

In our opinion, SDGs can only be achieved if businesses, society and governments work together. Moreover, company strategies can only work if these are backed by government regulation. Company strategies on long-term sustainable benefits can only work if these are accepted by local values and culture and external stakeholders. As we have seen in our research above, many companies do really want to work on sustainable solutions and have realized that in the long run

these will help them achieve stronger competitive positions globally. We believe that more research by IB scholars will convince more companies that sustainability and SDGs are achievable and pays off in the long run.

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