

WALKING THE TALK?

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RESEARCH VOLUME 18

WALKING THE TALK? MNEs TRANSITIONING TOWARDS A SUSTAINABLE WORLD

TRIBUTE VOLUME TO ALAIN VERBEKE

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INVESTOR IN PEOPLE

CONTENTS

<i>List of Figures</i>	viii
<i>List of Tables</i>	ix
<i>List of Contributors</i>	xi
<i>Preface: A Tribute to Professor Alain Verbeke</i>	xiii

Chapter 1 Introduction: Setting the Scene <i>Rob van Tulder, Birgitte Grøgaard and Randi Lunnan</i>	1
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PART I WALKING THE TALK IN INTERNATIONAL BUSINESS STUDIES

Chapter 2 Evidence-based International Business Scholarship <i>Alain Verbeke</i>	19
--	----

Chapter 3 Taking Wishes for Reality: The Neglected Role of Complementary Resources in the Choice of Foreign Market Entry, the Internationalization of Digital Ventures, and Catching-up by Emerging Market Firms <i>Jean-François Hennart</i>	43
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Chapter 4 Distance, (Multi)Regional Strategies, and Limitations to Bridge Distance <i>Thomas Hutzschenreuter</i>	61
--	----

Chapter 5 Governance for Sustainability: Alain Verbeke's Contribution to International Business Scholarship and Practice <i>Liena Kano and Luciano Ciravegna</i>	71
--	----

**PART II
WALKING THE TALK IN
SUSTAINABILITY ISSUES**

- Chapter 6 The Societal Responsibilities of Corporations in the 21st Century: Four Types of Challenges, Four Types of Strategies**
Jacqueline Mees-Buss 89
- Chapter 7 Behind the Talk: Towards a Conceptual and Analytical Framework of Corporate Human Rights Reporting**
Stefan Zagelmeyer 107
- Chapter 8 The European Union’s Cross-border Adjustment Mechanism and its Implications for International Business**
Viviana Pilato and Ari Van Assche 127
- Chapter 9 How Can Large International Financial Firms ‘Go Green’ and ‘Walk the Talk’?**
John Holland 141

**PART III
WALKING THE TALK AT THE INTERFACE WITH
GOVERNMENT POLICIES**

- Chapter 10 The Involvement of Firms in Chinese Foreign Aid Projects: A Data Overview and Research Agenda**
Guus Hendriks 169
- Chapter 11 De-internationalization or Re-internationalization? The Role of Environmental Sustainability Orientation at Firm and Country Level**
Martina Barbaglia, Roberto Bianchini, Vincenzo Buttice and Stefano Elia 197
- Chapter 12 Diffusion of Technologies: Delivering on the Promises of Battery Electric Vehicles**
Alessandro Lampo and Susana C. Silva 223
- Chapter 13 Discussing Insights from the Carbon Performance Literature for IB: The Institutional Complexity of Climate Change Policy**
Gunnar Leymann and Anna Kehl 237

**PART IV
WALKING THE TALK IN GLOBAL
VALUE CHAINS**

Chapter 14 How Institutions Influence Firms' Climate Change Strategies: Extending the Perspectives of International Business and Global Value Chains with Business Systems <i>Mohammad B. Rana and Matthew M. C. Allen</i>	265
Chapter 15 Come Closer! On Transaction Costs and Spatial Choices in a Circular Economy <i>Corina Fehlner</i>	295
Chapter 16 Disentangling the Effects of Circular Economy Principles on GVCs' Activities, Configuration, and Governance <i>Cristina Di Stefano, Stefano Elia, Paola Garrone and Lucia Piscitello</i>	319
Chapter 17 The Role of Sustainability in Backshoring Decisions – A Conceptual Framework <i>Lise Lillebrygfeld Halse</i>	335
Chapter 18 Corporate Social Responsibility, Irresponsibility, and Firms' Financial Performance: Evidence from Emerging versus Developed Countries <i>Stefano Elia, Gezim Hoxha and Lucia Piscitello</i>	351
Chapter 19 The Role of NGOs in the Transition Towards More Sustainable and Innovative Agri-food GVCs <i>Cyntia Vilasboas Calixto Casnici, Germano Glufke Reis, David Schulzmann, Marina Papanastassiou and Jeremy Clegg</i>	373
Index	393

LIST OF FIGURES

Fig. 7.1	Analytical Framework 1 – Domestic Setting.	112
Fig. 7.2	Analytical Framework 2 – International Setting.	119
Fig. 8.1	Carbon Dioxide Emissions Embodied in the EU’s Net Trade, 1995–2018.	129
Fig. 9.1	Hypotheses About Change.	159
Fig. 12.1	Authors’ model based on the UTAUT-2 (Venkatesh et al., 2012).	227
Fig. 13.1	Conceptual Framework.	250
Fig. 13.2	Stringency and Dynamism of Climate Change Policies.	251
Fig. 13.3	Change in Economic and Regulatory Climate Policy Instruments.	252
Fig. 13.4	Change and Stringency of R&D Climate Policy Instruments.	253
Fig. 13.5	Policy Instrument Diversity and Institutional Coordination Indices of Selected Countries.	254
Fig. 15.1	Transaction Costs for CE Activities Relative to LE.	308
Fig. 15.2	CE Adaptation, Spatial Closeness, and Relative CE Transaction Costs.	312
Fig. 17.1	How Sustainability Can Affect Backshoring Decision and Be an Outcome of Backshoring (Based on DiMaggio & Powell, 1991; Di Stefano & Fratocchi, 2019).	345
Fig. 18.1	Plot of the Interaction Between CSR and Advanced Countries Performed in Model 4 of Table 18.5.	364
Fig. 18.2	Plot of the Interaction Between CSI and Advanced Countries Performed in Model 5 of Table 18.5.	364

LIST OF TABLES

Table 6.1.	A Framework for the Typology of CSR Issues.	94
Table 8.1.	Share of Foreign Value Added and Foreign CO ₂ Emissions in EU Final Demand, by Country, 1998 and 2018.	130
Table 8.2.	Share of Foreign Value Added and Foreign CO ₂ Emissions in EU Final Demand, by Industry, 1998 and 2018.	131
Table 8.3.	Impact of CBAM on EU Trade and FDI.	135
Table 10.1.	Overview of the Number of Projects Managed by Government Agencies, Private Firms, and SOEs, by Targeted SDG.	177
Table 10.2.	Overview of the Number of Projects Managed by Government Agencies, Private Firms, and SOEs, by Project Aim.	178
Table 10.3.	Overview of the Number of Projects Managed by Government Agencies, Private Firms, and SOEs, by Project Aid Conditions.	178
Table 10.4.	Overview of the Number of Projects Managed by Government Agencies, Private Firms, and SOEs, by Project Size.	179
Table 10.5.	Overview of the Number of Projects Managed by Government Agencies, Private Firms, and SOEs, by Key Characteristics of Recipient Countries.	181
Table 10.6.	Overview of the Number of Projects Managed by Government Agencies, Private Firms, and SOEs, by Recipient Countries' GDP Share of Natural Resource Rents.	182
Table 10.7.	Research Agenda and Framework of Research Issues.	185
Table 11.1.	Correlation Matrix.	210
Table 11.2.	Summary Statistics.	211
Table 11.3.	Distribution of Relocation Announcements by Industry.	211
Table 11.4.	Distribution of Relocation Announcements by Home, First Host, and Second Host Country.	212
Table 11.5.	Regression Results.	212
Table 12.1.	BEVs Adoption in Macau.	225
Table 12.2.	Definition of UTAUT-2 Constructs.	227
Table 12.3.	Summary of Hypotheses.	228
Table 12.4.	Summary of Respondents' Profiles.	229
Table 12.5.	Constructs Reliability and Validity.	230

Table 12.6.	HTMT Ratios.	230
Table 12.7.	Assessment of Hypotheses.	231
Table 14.1.	Institutional Features Conditioning Firm Characteristics on Climate Change and Sustainability Strategies.	273
Table 16.1.	Impacts of CE Adoption by the MNE on GVC Aspects.	323
Table 17.1.	Case Companies.	342
Table 18.1.	Distribution of Companies Across Home-country Location.	358
Table 18.2.	Distribution of Companies Across Sectors.	359
Table 18.3.	Measurement Items and Description of Variables.	361
Table 18.4.	Descriptive Statistics and Pairwise Correlations.	362
Table 18.5.	Main Regression Analysis.	363
Table 18.6.	Robustness Check.	365
Table 19.1.	How the Transition to Cultivated Meat Innovation Relates to the UN's SDGs.	378
Table 19.2.	Interviews Summary.	380
Table 19.3.	Data Presentation.	381

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<i>Matthew M. C. Allen</i>	Manchester Metropolitan University, UK
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PREFACE: A TRIBUTE TO PROFESSOR ALAIN VERBEKE

This Progress in International Business Research (PIBR) volume is a tribute to one of the most influential international business (IB) scholars, Professor Alain Verbeke. Professor Verbeke's scholarship transcends four decades where he has successfully advanced IB theory and ensured that scholars remember the importance of managerial relevance. His impact in the IB community is clear. His scholarly work is highly cited by other scholars both within and outside the IB community. His legacy is also clearly visible through his active involvement in the IB community including formal and informal service to the academic community and IB journals. Professor Verbeke is currently a distinguished fellow of European International Business Academy (EIBA) as well as the Academy of International Business and has edited 11 past volumes of PIBR. He recently stepped down as the Editor-in-Chief of the *Journal of International Business Studies (JIBS)*, after serving in this role for two consecutive terms.

In addition, and perhaps most importantly, our decision to make this volume a tribute to Professor Verbeke, is based on his pioneering work related to sustainability and his tireless efforts to support and encourage other scholars to contribute to this field in research, teaching as well as practical engagement. During the 2022 EIBA conference, scholars discussed if firms are really walking the Talk and developing necessary capabilities and collaborative efforts to move toward a sustainable world. Verbeke and co-authors made significant advances to this conversation over 25 years ago. One example of this is their distinction between compliance to environmental policies and developing green capabilities (Rugman & Verbeke, 1998b). Professor Verbeke was also an early and influential contributor linking sustainability issues to IB through research on topics including (but not limited to) collaboration between governments and firms, environmental strategies and stakeholder management, and the effects of environmental policies and taxation (Buysse & Verbeke, 2003; Rugman & Verbeke, 1998a, 2000; Verbeke & Coeck, 1997). His pioneering article on proactive environmental strategies and stakeholder management in the prestigious *Strategic Management Journal* (Buysse & Verbeke, 2003) contributed to bridging IB and sustainability research, and remains his most cited publication to date.

Alain Verbeke's prolific teaching activities have spanned a long period, covering many IB relevant topics, but mostly focused on the strategic management of multinational enterprises (MNEs). He has taught in or has been associated with a large number of prestigious academic institutions (including Dalhousie University, University of Toronto, Université Catholique de Louvain, Tilburg University, Erasmus University, University of Reading, University of Oxford,

University of Cambridge, Skolkovo Institute for Emerging Market Studies, China Europe International Business School, Nanyang Technical University, and University of Antwerp) in the role of associate professor, visiting professor, or MBA program director (Solvay Business School, Vrije Universiteit Brussel). For his teaching activities, he received the PhD Supervisor Excellence award at the University of Calgary in 2018.

Professor Verbeke's societal engagement has involved active participation in projects with stakeholders – for instance, port clusters. He has been a member of the European Science and Technology Assembly, the highest advisory body to the European Commission on the future of European scientific and innovation policy and has served on the board of directors of various educational and scientific research institutions.

Professor Verbeke early recognized the challenges of energy transition, the role of renewable energy, and the importance of integrating sustainability into strategic thinking (Illegems & Verbeke, 2003; Yuan et al., 2011). In the role of editor of JIBS, Verbeke co-organized a special issue on the long-term energy transition with the *British Journal of Management*, emphasizing the importance of actionable research addressing global grand challenges (Verbeke, 2021; Verbeke & Hutzschenreuter, 2021). This special issue is merely one of many examples where Verbeke has championed the importance of making IB research actionable and relevant for business, particularly related to sustainability. Through his exemplary scholarship and service, he continues to support the IB community with a passion and genuine interest to ensure that IB research makes an impact (Santangelo & Verbeke, 2022). This will be increasingly important to support firms, governments, and societies in transitioning toward a sustainable world.

His personal contribution to this volume (Chapter 2) illustrates his continued passion and concern about the relevance of IB scholarship and the critical role played by MNEs as well as by societal stakeholders in creating a more sustainable world. To quote his words:

Our role as IB scholars is to describe and explain the value creating and value distributing processes put in motion by entrepreneurial parties with complementary resources, willing and able to establish and to nurture business linkages across borders. Acknowledging the role of parties not directly involved in establishing and operating international activities but with some type of decision rights in this realm, is clearly critical. However, an objective and evidence-based analysis is unlikely to conclude that more can and should “obviously” be done by all internationally operating firms beyond their present role in creating and distributing economic value. International entrepreneurial behavior emerges because economic actors chase attractive business opportunities and this opens them up to a wide spectrum of vulnerabilities, which explain the relative absence of global MNEs.

We cannot agree more!
The editors

 → Photo of Alain Verbeke



2001 – selected McCaig Chair in Management
(with wife Juliet)



2020 – with R. Edward Freeman

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CHAPTER 1

INTRODUCTION: SETTING THE SCENE

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WHY THE TOPIC OF “WALKING THE TALK”?

Across the globe, concerns escalate about the effects of greenhouse gas emissions on global climate conditions, implications on global trade from pandemics, and the destruction of ecosystems from the exploitation of limited and non-replaceable global resources. Politicians and businesses alike agree that something must be done; the question is what, how, when, and by whom? What should firms do to reduce their carbon footprint while continuing to secure jobs and profits? What should institutions and governments do to regulate and incentivize the road to a more sustainable future? How can firms and individuals reduce waste and secure a better use and reapplication of resources to protect the sustainability of ecosystems? When should firms make decisions to transform their businesses given the uncertainty of markets as well as the lack of clear guidance from global institutions? In this volume, we ask: Are we actually walking the Talk?

Transitioning toward a sustainable world is considered a global grand challenge that transcends national borders (Buckley et al., 2017). Global grand challenges have traditionally not received a lot of attention in international business (IB), which is surprising given the transnational nature of these phenomena. The complex nature of global grand challenges requires research that can capture complexities of cross-border interdependencies, multiple levels of analysis, and the collaboration of different stakeholders and institutions. Addressing these

challenges require diversity in methods and theoretical perspectives, which already characterize the IB community (Bass & Grøgaard, 2021; Buckley et al., 2017).

On occasion, business in general, and multinational enterprises (MNEs) in particular, are seen as obstacles to the transition toward a sustainable world. For example, Yu et al. (2023) scrutinized MNEs for taking advantage of cross-border arbitrage opportunities to maximize profits at the expense of the environment. While there may be multiple examples of such destructive behavior, there are also examples of organizations identifying opportunities to contribute positively to a sustainable future, and find ways to address challenges in coalitions with diverse stakeholders.

The 2022 European International Business Academy (EIBA) Annual Conference in Oslo, Norway aimed to highlight some of the issues to consider, and which research questions should be raised within IB to support businesses, industries, and societies when transitioning toward a sustainable world. This book includes select contributions from the 2022 EIBA conference as well as a number of invited contributions. The chapters in this volume illustrate a broad specter of research questions and ways to answer them within the IB community that provide evidence that many types of actors are taking – or can take – steps to actually “Walk the Talk.” The contributions also show, however, that MNEs face considerable challenges to make their ambitions real, which in turn presents a challenge for IB scholarship to develop relevant and robust analytical approaches to cover transition problems that MNEs face when confronted with the inevitable gap between the realization of their strategic intentions (Mintzberg et al., 2009) or what in the corporate social responsibility (CSR) discourse has become classified as the “promise-performance gap” (Rasche & Waddock, 2014). In this volume, Verbeke (Chapter 2) and Hennart (Chapter 3) discuss this as the discrepancy between “wishes” and “realities,” which has strongly influenced the IB discourse over the past decades.

WHAT DO WE MEAN BY “WALKING THE TALK”?

The main theme of the 2022 EIBA conference was “Transitioning Towards a Sustainable World: Are We Waking the Talk?” This theme raises a number of important research questions. To start, do we know if firms are actually attempting to implement their intended sustainability goals? How do we measure progress and outcomes of actions intended to contribute to a sustainable world? Are we using the right unit of analysis to measure if firms and governments are walking the Talk?

In their recent book, Van Tulder and Van Mil (2023) point to the intention–realization gap present in sustainable business efforts. They present four positions that firms typically take: “don’t talk and don’t walk,” “talk, but don’t walk,” “talk and walk,” and “walk, but don’t talk” (pp. 466–467). The “don’t talk and don’t walk” perspective represents a neo-classical view of the responsibility of businesses to maximize profits for its shareholders without paying attention to actors in the broader society. This perspective is becoming more

and more difficult to pursue not only because sustainability increasingly is becoming the most important topic in boardrooms (Eccles & Klimenko, 2019), but also because there is ample evidence that in some areas – in the introduction of environmental solutions – a positive return on investment already exists. So, it already “pays off” to invest in sustainable solutions. Consequently, over the past decades, firms have experienced growing pressures and expectations from governments and societies that have resulted in more attention to environmental and social issues, making “don’t talk, don’t walk” increasingly challenging for long-term competitiveness. More and more firms have started to talk about sustainability issues but may still struggle with implementing expressed intentions (“talk, but don’t walk”). These firms often get criticized for “green-washing,” although empirical IB research capturing such managerial mindsets as well as the effect on potential implementation obstacles for sustainability strategies remain rare. The third position, “talk and walk,” reflects firms that actually develop resources and processes to act on sustainability intentions. Finally, some MNEs choose the position of “walk, but don’t talk.” While it may seem surprising that firms under-communicate their contributions toward a sustainable world, it may also be a way of managing expectations and avoiding criticisms from particular stakeholders that may still not be satisfied or that have another take on the proper combination of economic–social–environmental sustainability approaches (Van Tulder & Van Mil, 2023).

WHAT FORCES ARE DRIVING THE “WALKING AND TALKING”?

Academic approaches to increased responsibility and sustainability include terms like CSR; health, environment, and safety; and environment, social, and governance (ESG). The essence of these approaches is to broaden the perspective of a firm to take a more ethical approach in its operations. Central definitions capturing this notion include Bowens (1953) definition: “the obligations of businessmen to pursue those policies, to make those decisions or to follow those lines of action which are desirable in terms of the objective and values of our society” (p. 6), and the Brundtland Commission (1987) report’s definition of sustainability: “meeting the needs of the present without compromising the ability of future generations to meet their own needs.”

These definitions see the firm as more responsible to a broader range of stakeholders than its owners, or shareholders. From a stakeholder perspective, a business can be understood as a set of relationships among groups that have a stake in the activities that make up the business (Freeman, 1984; Parmar et al., 2010). The essence of this perspective is to link value creation to ethics, manage value creation and value capture among its stakeholders, including its employees, suppliers, customers, and the society at large. Thus, forces driving firms to “Walk the Talk” come from broad and diverse stakeholder groups that increasingly are concerned with the overuse of the planet’s resources, and that are demanding firms to respond and take their share of the responsibility to mitigate these challenges.

A firm operates under a social contract with society, fulfilling explicit and implicit expectations of behavior (Meyer & Rowan, 1977). These expectations are not similar, nor static, but change over time with changing norms and values of the society. The firm needs to be compliant, that is, fulfill its obligations to society. Demands of compliance may be implicit but are also made explicit in industry standards. The latter demands of compliance have exploded in many industries, creating new jobs, such as compliance officers and firms helping companies fulfill these demands, but also increased the workload for firms. Compliance can be seen as a “myth and ceremony” (Meyer & Rowan, 1977), and lead to “greenwashing,” where the firm selects to display only certain characteristics to satisfy core stakeholders while hiding the true nature of its sustainability. Studies show that the higher transparency of a firm’s business to other actors, the less viable is a greenwashing strategy (Marquis et al., 2016). We can conclude that diverse forces are increasing the pressure on firms to stay legitimate and compliant, driving the need for firms to “Talk and Walk.”

Walking and talking may drive the strategy of a firm if they manage to use sustainability as a way to differentiate their products and services (Bansal & Roth, 2000). Sustainability elements may include raw materials (such as recycled materials, or materials with lower emissions), processes (using less energy or waste in the process), or in the manner the product is delivered or used (transport, packaging, etc.). Schillebeeckx et al. (2022) find that firms are more willing to replace existing inputs with sustainable ones the higher the demonstrated effect on total sustainability (to customers). They also find that immaterial resources are more easily transformed. “Walking and talking” to gain a strategic edge are, therefore, an important force for change.

Individuals are driven by different motivations. Evolutionary theory shows that pro-social behavior may affect performance positively (Wilson et al., 2021). Idealistic owners, employees, and other stakeholders may drive “walking the Talk” discussions in meetings, over lunch, and in boardrooms. Research also shows that the evolution of norms and values are core motivations for higher sustainability actions in both talking and walking (Aguilera et al., 2021).

THE ROLE OF INSTITUTIONS PROMOTING “TALKING AND WALKING”

Both national and international institutions play a vital role when addressing the complexities of a grand challenge such as the transition toward a sustainable world. At the end of 2015, 196 nations agreed to a multilateral treaty on climate change, the Paris agreement. The agreement was signed and ratified in 2016.¹ This agreement recognizes that change cannot take place in isolation and that nations must work together toward a common goal. Another example is the Basel Convention on the control of transboundary movement of hazardous wastes that prevents firms from dumping hazardous materials in other countries. The convention was ratified and has been in operation since 1992. However, agreeing on a common set of rules can be very challenging. For example, the Hong Kong

convention for safe and environmentally sound recycling of ships was drafted in 2009 but was not ratified by a sufficient number of countries until 2023 when Liberia and Bangladesh signed. It will not come into effect until 2025, when some will argue that it is already outdated. Others question how it will be implemented and controlled. These examples show the importance of institutions, but also their challenges in gathering sufficient support and making progress.

From an IB research perspective, this highlights the importance of taking a broader and richer institutional perspective into consideration. To date, most institutional research within IB has selected a narrower view, examining how specific formal or informal institutions influence firm-level decisions. The studies typically assume that specific institutional factors homogeneously affect (i.e., constrain) firm-level decisions, without taking complexities and interdependencies into account (Aguilera & Grøgaard, 2019).

In a study comparing the climate change strategies to assess if European and North American firms are walking the Talk, Backman et al. (2015) found that European firms were better at communicating intentions and concerns about climate change. This brought attention to processes, government policies, and governance issues. However, the results show that North American firms had similar or better performance related to actual technological investments to address climate change. The authors point to the importance of good public policy that caters to firm heterogeneity.

The institution-induced link between Walk and Talk will be further enforced by more mandatory initiatives around the world on reporting regulation. Whereas in the past, most non-financial reporting was based on voluntary standards such as the Global Reporting Initiative, growing pressure from societal stakeholders, investors, and government agencies have made more transparent reporting on intentions and achievements on sustainability necessary. The practice of sustainability reporting in the past has thereby concentrated around the so-called “single materiality” issues that had direct effect on the operation of the company. Recent initiatives around reporting regulation, make reporting not only mandatory, but also add a “double materiality” perspective to reporting, that is, include outside-in considerations of the broader contribution of companies to societal issues. The most pervasive and far-reaching initiative at the moment concerns the European Corporate Sustainability Reporting Directive issued by the European Union (EU), which from 2024 onwards demands from companies above a specific size – involving more than 50,000 companies that are active in Europe – to publish their double materiality intentions (their Talk) and realizations (their Walk). The increasing comparability (due to harmonization of requirements) of reporting initiatives will provide a rich source of research material for IB scholars. In the past, the study of comparative MNE strategies on the basis of annual CSR reports was criticized for being based on “secondary” (ideologically biased) information. The new wave of corporate reporting will make it possible to compare reported “primary” information (on “Talk” as well as “Walk”) on a massive scale for large numbers of MNEs. As a consequence, techniques like narrative analysis will become more feasible and robust for IB scholarship in this area.

“WALKING THE TALK” BY MAKING SUSTAINABILITY PART OF YOUR STRATEGY

“Walking the Talk” can be particularly challenging when sustainability initiatives and actions are detached from core business. [Porter and Kramer \(2006, 2011\)](#) suggested that to truly “Walk the Talk,” companies should move away from generic “good citizenship” and instead try to incorporate sustainability thinking into improvements of value chain activities and prioritize social dimensions that improve the firm’s competitive context. This creates win–win situations, referred to as shared value, that incentivize firms to commit to a long-term sustainability thinking that benefits both the firm and society-at-large.

According to an article posted by the World Economic Forum, 90% of executives agree that sustainability is important. However, only about 60% of surveyed firms had clear sustainability strategies or had established chief sustainability officer positions that reported directly to the board ([Rafi, 2022](#)). Comparable results were found with frontrunner MNEs. A [UN Global Compact and Accenture \(2019\)](#) study found, for instance, that 67% of their corporate signatories were committing to sustainability at the CEO level, yet only 48% had been implementing sustainability into their operations.

There are multiple drivers that contribute to making sustainability part of firms’ strategies. As discussed earlier, national and transnational commitments to sustainability goals such as the Paris Agreement and UN SDGs may lead to regulatory changes that in turn put pressure on firms to change. Similarly, investors have increasingly started asking questions about the sustainability orientation of their assets. Some investors such as BlackRock take a proactive role in contributing to developing a strategic focus in firms ([BlackRock, 2023](#)). However, having vocal investors that are focused on sustainability is not a guarantee for a more strategic approach to “walking the Talk.” A recent study of foreign institutional owners found that foreign institutional investors may indeed push for a stronger communication of environmental performance, but this does not necessarily translate into a willingness to invest into longer-term environmental innovation ([Ellimäki et al., 2023](#)).

One particular challenge that MNEs face is how to *internally align* all areas of management across borders. Strategic alignment “ensure that all components of the organization work towards the core goals and the company’s vision” ([Morrison, 2014](#)), to help ensure that whatever activity takes place, resources are expended only when they contribute to the achievement of the overall business strategy ([Birchall, 2004](#)). This is also known as “coupling,” the degree to which decisions made in one channel are associated with decisions made in other channels ([Ocasio & Joseph, 2005](#)). When the different departments, business units, or functional areas of management all do different things with the same perceived purpose, the firm can become its own major obstacle for realizing change. Overcoming these internal obstacles in a “learning-by-doing” manner triggers processes of “strategic tinkering” or “bricolage,” which are extremely difficult to assess from a scientific point of view: are MNEs actually creating the conditions within the organization for higher levels of sustainability to thrive?

Successful transition strategies include both coupling and decoupling decisions. Decoupling for sustainability strategies need to be resolved over time, or otherwise the company will face fragmented strategies that do not surpass an inevitable “muddling through” or “tinkering” phase (Crilly et al., 2012). IB scholarship can add value in research on how to deal with timely coupling and decoupling processes, particularly research related to international management questions focusing on centralization–decentralization and/or examine the “global” versus the “local.” Multi-domestic MNEs adapt to each of the local sustainability circumstances (changing issues, stakeholders, and regulation) and will face internal coordination and alignment problems which makes it difficult to couple strategies. MNEs with global strategies have been found to support international/multilateral standards for sustainability (such as Global Compact or ISO standards). The effectiveness of their strategy depends on the degree to which their local units in the rest of the world will adapt to these standards (Van Tulder, 2015).

THE IMPORTANCE OF COLLABORATION TO BE ABLE TO “WALK THE TALK”

Transforming firms and industries to a more sustainable future is challenging, as these issues are complex (characterized by many interactions and associations), uncertain (how they evolve is difficult to forecast), and evaluative (cutting across many jurisdictional boundaries) (Ferraro et al., 2015). Although firms have an important role to play, it is increasingly apparent that stand-alone efforts will not be sufficient to reach global agreements or goals of a more sustainable world. As Equinor’s² CEO stated, “Tackling climate change will require the largest public-private partnership the world has ever seen...Without a global perspective, we risk national measures with little real impact, reducing the opportunity to reach our common goal” (Equinor, 2016). This suggests that we must look at collaborations beyond dyadic firm relationships and examine collaborations that transcend firms, industries, and nations. These collaborations involve multiple parties with different characteristics, posing increased challenges to run collaborative processes as well as govern them and reaching fair and desired outcomes over time (Gray & Purdy, 2018).

Collaborations may be instigated by firms within the same country and industry, but increasingly there is a need to work together on solutions spanning many industries and contexts. In the maritime sphere, for example, the issue of maritime ocean plastics is a concern to many countries. Plastic from ocean industries, such as fishing, and aquaculture operations and general waste are polluting beaches and seas globally, creating problems for creatures of the sea as well as industries like tourism. Legislation like the extended producer responsibility (directive by EU)³ makes plastics producers responsible for the entire lifetime of the product, including recycling. These types of initiatives have stimulated collaborations with all actors along the value chain to increase circularity and reduce sea pollution. Marine plastics have been developed as a material that can be used

to make products such as furniture, socks, and football nets, innovations that have all taken place in collaborations.

Extending and changing value activities are often driven through collaborative efforts, simply because many actors are needed to create a new ecosystem. For example, the change from diesel to alternative low emission fuels such as hydrogen or ammonia requires infrastructure in all ports if ships are going to change to low emission fuels. Capturing carbon from industrial production or waste sites require the development of new value chains and providers, including designing and constructing new types of ships to transport the carbon from land to deep sea storage. These types of changes require new producers, suppliers, products, services, and a totally new infrastructure. Ecosystems are groups of firms with products and/or services that together comprise a coherent solution (Adner & Kapoor, 2010), consisting of complementary actors that collaborate to create value and compete to capture it (Hannah & Eisenhardt, 2018). Understanding how to enter into collaborative agreements within new ecosystems, develop, and benefit from these collaborations over time, become central for firms that want to Walk the Talk, and constitutes an important research area for IB scholars.

The ethical communication literature (Schoeneborn et al., 2020) adds a formative aspect to the discourse in which various communication strategies can help involve internal and external stakeholders in proactive change strategies. Schoeneborn et al. (2020) discern between three formative approaches at increasing levels of stakeholder involvement: (1) “talking-to-Walk” reflects an “outside-in” approach to communication as “aspirational Talk” in which sustainability ambitions and intent (“Talk”) precede practice and performance (“Walk”); (2) “walking-to-Talk” represents an “inside out” approach to CSR communication in which practiced and reported “Walk” – combined with stakeholder dialogues – precedes future-oriented “Talk” and enables extend sustainability ambitions; (3) “T(w)alking” involves the most interactive approach in which stakeholders and companies co-create a sustainability approach which involves dilemma sharing, deliberations on intricate trade-offs, and the like.

CHALLENGES TO MNEs WHEN “WALKING AND TALKING”

Transforming industries will change how MNEs conduct business, and the role they choose to take in this transformation. An MNE can take a leading role, actively engaging with governments and collaboration partners to develop new solutions, or it can take a more passive role, staying compliant. Both strategies, however, take place in a context that is characterized by digitalization and fast technological changes, environmental crises, and geopolitical events (George & Schillebeeckx, 2022), which have fundamental implications for MNEs.

As the demands of stakeholders increase, where do the responsibilities of the MNE stop? And what do these increased responsibilities do for MNE business models? How can MNEs account for responsible actions of its suppliers’ sub-suppliers, and their sub-sub-suppliers? Fehner, in Chapter 15 of this volume, argues that the transformation of value chains to increase circularity will increase