

**INTERNATIONAL BUSINESS AND
SUSTAINABLE DEVELOPMENT
GOALS**

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INTERNATIONAL BUSINESS AND SUSTAINABLE DEVELOPMENT GOALS

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CONTENTS

<i>List of Figures</i>	<i>viii</i>
<i>List of Tables</i>	<i>x</i>
<i>About the Contributors</i>	<i>xii</i>

PART I GENERAL CHALLENGES FOR IB SCHOLARSHIP

Chapter 1 Introduction: International Business Scholarship and the Sustainable Development Goals (SDGs): Seizing Opportunities, While Tackling Challenges <i>Rob van Tulder, Isabel Álvarez and Elisa Giuliani</i>	<i>3</i>
Chapter 2 International Business and the SDGs: Current Issues and Future Directions <i>Pervez Ghauri, Faith Hatani, Yingying Zhang-Zhang, Sylvia Rohlfer and Maoliang Bu</i>	<i>17</i>
Chapter 3 Measuring and Managing the Impact of Business on the SDGs <i>Jan Anton van Zanten</i>	<i>31</i>

PART II STRATEGIC CHALLENGES FOR MNEs

Chapter 4 Walking the Talk: Making the SDGs Core Business – An Integrated Framework <i>Filipa Pires de Almeida, Rob van Tulder and Suzana B. Rodrigues</i>	<i>49</i>
Chapter 5 Catalyzing Progress Toward the UNs' SDGs: Building Systemic Partnerships Across Organizations Using the I-RES Methodology <i>Larissa Marchiori Pacheco, Elizabeth M. Moore, Elizabeth Allen, Robin K. White and Luis Alfonso Dau</i>	<i>83</i>
Chapter 6 Addressing the Complexities in Implementing SDGs in International Business <i>Simone Carmine and Valentina De Marchi</i>	<i>101</i>

- Chapter 7 SDGs and Strategic Priorities of MNEs for Sustainability Transformation: Lessons from IKEA**
Bo Enquist and Samuel Petros Sebhatu 111

**PART III
 THE NEXUS CHALLENGE**

- Chapter 8 Balancing Purpose and Profit in Foreign Direct Investment: How Development Finance Institutions Promote the SDGs While Being Profitable**
Suhyon Oh and Michael Wendelboe Hansen 135

- Chapter 9 The Nexus Between Cultural and Creative Sectors and the Sustainable Development Goals: A Network Perspective**
Yang Gao, Ekaterina Turkina and Ari Van Assche 151

- Chapter 10 Trade-offs in FDI Effects on SDGs in Sub-Saharan Africa Countries**
Paola Garrone, Lucia Piscitello, Matilde d'Amelio and Emanuela Colombo 177

**PART IV
 CONTEXTUALIZING THE SDGs**

- Chapter 11 Tax Impact of Multinationals in Central and Eastern Europe on Sustainable Development Goals**
Petr Procházka 203

- Chapter 12 Climate Change Disclosures of Companies in Selected Developed and Emerging Countries with Impression Management Perspective**
Nazlı Ece Bulgur, Emel Esen and Selin Karaca Varinlioglu 225

- Chapter 13 Multinational Corporations in Sustainable Cities: The Case of a Sustainable Headquarters Building**
Tiina Ritvala, Ella Ahmas and Rebecca Piekkari 241

- Chapter 14 Ports and the Sustainable Development Goals: An Ecosystems Approach**
Maurice Jansen 263

- Chapter 15 Possibilities for Upgrading High-tech GVCs Toward Stronger SDG Performance**
Antonio Biurrun and Isabel Álvarez 285

Chapter 16 Tensions on the Road Toward Just Transitions in the Latin American Coffee Value Chain

Katie Andrews, Noemi Sinkovics and Rudolf R. Sinkovics

309

**PART V
SDG-WASHING CHALLENGES**

Chapter 17 Corporate Misbehavior in the Banking Industry: What Role Does the State Play?

Federica Nieri

327

Chapter 18 Saving the Planet is not for Everybody: A Model of CEOs' Reactions to Human Rights Defenders

Verdiana Morreale and Elisa Giuliani

345

Index

367

LIST OF FIGURES

Fig. 2.1.	The Potential Nexus of SDGs in MNEs' Roles.	26
Fig. 3.1.	Impacts of Companies' Economic Activities on SDG Targets Visualized as a Network.	35
Fig. 3.2.	Four Types of Corporate Activities Based on Their SDG Alignment.	36
Fig. 3.3.	Companies Positive (right-hand bars) and Negative (left-hand bars) Impacts on SDGs According to Robeco SDG scores (n = 2,982)* at May 2022.	39
Fig. 3.4.	Companies' Impacts on the SDGs Influence Socio-economic Systems' Resilience.	42
Fig. 3.5.	Implementing a Nexus Approach to Corporate Sustainability in Six Navigating Questions.	43
Fig. 4.1.	Publications by Year (64 Articles, Excluding 2022).	59
Fig. 4.2.	Bibliographic Coupling – Documents (Clusters).	60
Fig. 4.3.	The Five Steps of the SDG Compass.	64
Fig. 4.4.	SDG Compass+ Integrated Framework: Making the SDGs Actionable in Business Strategy.	65
Fig. 4.5.	Value Chain Mapping Support (Included in Step 3.1(c) of Fig. 4.4).	69
Fig. 7.1.	Circular and Societal Transformation Hub.	128
Fig. 8.1.	IFU's Cascade Approach to the SDGs.	142
Fig. 8.2.	IFU and IFU-managed Funds by Different Profiles.	145
Fig. 10.1.	Conceptual Framework.	185
Fig. 11.1.	Proportion of Topics Covered in Non-financial Reporting of MNEs.	215
Fig. 12.1.	Mostly Used Words in Canada's Sustainability Report.	233
Fig. 12.2.	Mostly Used Words in Brazil's Sustainability Report.	234
Fig. 12.3.	Mostly Used Words in Turkey's Sustainability Report.	235
Fig. 12.4.	Mostly Used Words in Germany's Sustainability Report.	235
Fig. 13.1.	Main Users and Other Stakeholders of Stora Enso's HQ Building.	249
Fig. 13.2.	The Building's Shared Lobby Embodies Principles of Biophilic Design.	253
Fig. 14.1.	SDG Layered Framework.	270
Fig. 14.2.	"Do Good" Approaches to Port Ecosystems Development.	274
Fig. 14.3.	"Do No Harm" Approaches to Port Ecosystems Development.	276
Fig. 15.1.	Positive Impacts of GVCs on Inequality-related SDGs.	298
Graph 15.1.	Goal 10, Labor Share in National Income. Agriculture-related GVC.	292

Graph 15.2.	Goal 10, Income Distribution. Computer-related GVC.	293
Graph 15.3.	Goal 5, Women in managerial positions. Computer-related GVC.	293
Graph 15.4.	Goal 9, R&D Investments. Telecommunications- related GVC.	294
Appendix A1.	Agriculture	301
Appendix A2.	Computers	303
Appendix A3.	Telecommunications	305
Appendix A4.	Services	307
Fig. 16.1.	Links Between Just Transitions and the SDGs.	312
Fig. 16.2.	Coffee Production Activity Nodes in Latin American GVCs.	313
Fig. 17.1.	Moderating Effect of State Ownership.	337
Fig. 18.1.	Types of Human Rights Violations Against Defenders.	350
Fig. 18.2.	Type of Defenders.	351
Fig. 18.3.	Top Companies by Abusive Behaviors Against Defenders.	353

LIST OF TABLES

Table 3.1.	SDG Scores for Companies Conducting Particular Types of Activities for the SDGs.	40
Table 4.1.	Journals Ranking According to the Number of Publications.	59
Table 5.1.	Generalized I-RES Baseline Resilience Analysis Steps.	90
Table 6.1.	Sustainability Tensions in MNEs.	107
Table 7.1.	Descriptive Analysis of MNE SDG Implementation for Sustainability Transformation.	125
Table 9.1.	Cultural SDG Indicators and the Composite Cultural SDG Score for the Top 10 Performing Cities.	162
Table 9.2.	Descriptive Statistics.	166
Table 9.3.	Correlations.	167
Table 9.4.	Results of Multiple Regressions on the Cultural SDGs.	167
Table 9.5.	Results of Multiple Regressions on SDGs 9–12.	168
Table 10.1.	Home and Host Country Pairs in Our Dataset.	186
Table 10.2.	Descriptive Statistics and Correlation Matrix (No. of Observations = 1,540).	188
Table 10.3.	Carbon Factor Growth Equation (Corrected LSDV Estimates).	190
Table 10.4.	Access to Electricity Growth Equation (Corrected LSDV Estimates).	191
Table 10.5.	FDI Marginal Effects Under Different Economic Development Scenarios for Home and Host Countries.	193
Table 11.1.	SDG 10 Targets and Indicators.	208
Table 11.2.	Numbers of Observations Per Country.	213
Table 11.3.	Overview of CbCR and ETR.	214
Table 11.4.	Proportion of Sustainability Topics in MNEs' Reports 2018–2020.	214
Table 11.5.	SDG Achievement in CEE Countries in 2021.	216
Table 11.6.	Tax Impact on SDG 10 Indicators.	216
Table 12.1.	Company Profile.	231
Table 12.2.	More Frequent Topics Related to Climate Change Disclosure in Corporate Reports of Selected Companies in Different Countries.	231
Table 12.3.	Canada Example: Report Section and Selected Quotations in Reports.	232
Table 12.4.	Organizational Impression Management Tactics.	236
Table 13.1.	Overview of Data Sources.	248
Table 14.1.	Ecosystems Services Per Type.	267
Table 14.2.	WPSP Project Impact on Ecosystems Services.	271

Table 15.1.	Selection of SDGs and Indicators Included in the Analysis.	291
Table 15.2.	Effects of Forward GVC Participation of Countries on SDGs.	295
Table 15.3.	Effects of Backward GVC Participation of Countries on SDGs.	296
Table 17.1.	Descriptive Statistics and Correlation Matrix.	336
Table 17.2.	Results of Zero-inflated Negative Binomial Analysis.	336
Table 18.1.	Literature Review on CEOs Emotions and Socio-environmental Behavior.	356

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PART I

GENERAL CHALLENGES FOR IB SCHOLARSHIP

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CHAPTER 1

INTRODUCTION: INTERNATIONAL BUSINESS SCHOLARSHIP AND THE SUSTAINABLE DEVELOPMENT GOALS (SDGs): SEIZING OPPORTUNITIES, WHILE TACKLING CHALLENGES

Rob van Tulder, Isabel Álvarez and Elisa Giuliani

ABSTRACT

A cascade of crises that materialized in particular over the 2019–2022 period, increases the relevance for international business (IB) scholarship to address the following question: whether, to what extent and under what circumstances can multinational enterprises (MNEs) rescue the sustainable development goals (SDGs) and make sure that nobody is left behind in a globalized world where the opposite seems to be the case? For many MNEs, slow progress in implementing the SDGs in a more strategic and transformational manner does not necessarily hint at a lack of interest with management, but also at a lack of solid knowledge and/or experience in how to implement general development ambitions like the SDGs. This introductory chapter defines the intellectual and managerial challenges ahead. It refers to relevant efforts already done in the IB community – with reference to IB journals that issued special editions on the topic – and explains why five angles have been chosen to cluster the contributions in this volume which are also aimed to enhance further progress in the study of MNEs and the SDGs: (1) general, (2) strategic, (3) operational, (4) contextual and (5) misbehavior.

Keywords: IB scholarship; SDGs; walking the talk; why slow; introducing the volume; 2030 Agenda; MNEs

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WHY THE SDGs?

The SDGs represent the leading (hybrid) governance frame with which the international community tries to address complex interconnected global issues. The SDGs were adopted in 2015 by all 193 United Nations (UN) member states and were also quickly embraced by most MNEs, international non-governmental organizations (NGOs) and leading business schools. The SDGs are also known as “Agenda 2030.” They arguably present a new development paradigm in which sustainable development is considered the joint responsibility of governments, civil society and (multinational) enterprises. The SDGs also identify sustainability problems as universal challenges for the whole world community, in which the challenge of sustainable/inclusive economic growth affects all countries and organizations, and which cannot be portrayed as a typical “north-south” or “developing countries” problem.

Notwithstanding its universal appeal, by September 2019, at the end of the first four-year consultation period, progress toward the goals proved slower than anticipated. This finding prompted the UN to announce a “Decade of Action” aimed at seriously stepping up the pace of implementing the SDGs. With the break-out of the COVID-19 pandemic in 2020 the value of a more resilient global governance system – linking ecological, social, economic sustainability issues – became even more apparent and urgent. The UN Secretariat’s May 2020 SDG progress report bluntly links the severity of the pandemic to the lack of progress in the SDG agenda:

what began as a health crisis has quickly become the worst human and economic crisis of our lifetime. (...) Had we been further advanced in meeting the SDGs, we could better face this challenge – with stronger health systems, fewer people living in extreme poverty, less gender inequality, a healthier natural environment, and more resilient societies. (United Nations, 2020, pp. 2, 11)

The invasion of Ukraine by Russia in February 2022 further added geopolitical and global security issues to a universal sense of crisis. The Sustainable Development Report 2022 (United Nations, 2022, p. ii) noted a fundamental reversal of the global odds as the result of “cascading and intersecting crises”:

The pandemic wiped out more than four years of progress on poverty eradication and pushed 93 million more people into extreme poverty in 2022. (...) It has disrupted essential health services, resulting in a drop in immunization coverage for the first time in a decade and a rise in deaths from tuberculosis and malaria, among many other impacts. (...) The immediacy of the COVID-19 crisis is now overshadowed by the existential threat of climate change. Increased heatwaves, droughts and apocalyptic wildfires and floods are already affecting billions of people around the globe and causing potentially irreversible damage to the Earth’s ecosystems. (...) Concurrently, the world is witnessing the largest number of violent conflicts since 1946, with one quarter of the global population now living in conflict-affected countries. As of May 2022, a record 100 million people have been forcibly displaced from their homes. The outbreak of war in Ukraine has caused food, fuel and fertilizer prices to skyrocket, disrupted supply chains and global trade, and roiled financial markets, fueling the threat of a global food crisis.

Witnessing the “cascade of crises” that materialized over the 2019–2022 period prompted the UN Secretary General to make the frame even more urgent: “rescuing the SDGs” (and the potential positive effects of globalization) had to receive the highest common priority. The SDG project departs from the principle

“no one left behind,” while the cascade of crises creates a world in which “too many are left behind.” Following these developments, a relevant question for this volume then becomes whether, to what extent and under what circumstances MNEs can rescue the SDGs and make sure that nobody is left behind?

A CRITICAL ROLE FOR MNEs?

The role played by MNEs in the creation of and response to global crises was the topic of PIBR#16 (*International Business in Times of Crisis*). PIBR#16 collected contributions of IB scholars on the way the present COVID-19 pandemic and other crises in the history of IB can be (or were) handled by MNEs. PIBR#14 further explored in more neutral terms the way in which an increasingly volatile-uncertain-complex-ambiguous world influences the strategic room of maneuver of MNEs. The present volume takes a slightly *opposite approach*: (how) can MNEs contribute to sustainable development and thus *prevent* further crises from appearing? More in specific and related to the SDG agenda: under what conditions can MNEs take a more active role in contributing to the SDGs and also help in developing an integrated (systemic) approach toward addressing the cascade of crises that companies, economies and people are faced with? This question poses a large number of critical questions for managers and IB scholars alike: can/should MNE take up this type of ambition in the first place; does this require strict regulation; can they take action themselves or together with others; what about practices of (deemed) irresponsible behavior (e.g., tax evasion, relocation to pollution havens and human rights violations in supply chains beyond the direct control of MNEs); isn't support for the SDGs yet another form of “greenwashing”?

IB scholars have not typically considered sustainable development as a key central research objective (Kolk, 2016). Mainstream studies take development levels and related challenges often as a context variable into account to appraise the impact of host and home economies on their operations – thereby focusing primarily on risk management and adaptation/internalization to existing institutional arrangements across countries. The current, multi-layered transition in the global arena – covered in PIBR#15 at a more fundamental level – however, not only presents limitations but also offers opportunities to study in greater depth the dynamic interaction between firm-level operations within and across borders. The new agenda provides MNEs with opportunities to influence the scope and direction of the progress on vital sustainable development targets in both home and host countries. The SDGs have increasingly become the default reference frame for assessing the societal relevance of MNE strategies as well as the foundation for joint (partnering) efforts with governments and other stakeholders (cf. Eden & Wagstaff, 2021; Van Tulder, Rodrigues, Mirza, & Sexsmith, 2021; Van Zanten & Van Tulder, 2021).

It is not surprising, therefore, that recent years have shown a strong surge in the attention to the SDGs by IB and management scholars (Mio, Panfilo, & Blundo, 2020). Coverage of the SDGs has, for instance, appeared in a sequence of special issues of management journals:

- starting with an early coverage of the topic in *Transnational Corporations* (Dilyard & Witte, 2017);
- followed by a more extensive coverage in the *Journal of International Business Policy* (Van Tulder et al., 2021);
- while informed opinions and critical reflections were included in *AIB Insights* (Cuervo-Cazurra, Doh, Giuliani, Montiel, & Park, 2022);
- added by observations on the weak state of research in a special issue of the journal *Critical Perspectives on International Business* (Sinkovics, Vieira, & van Tulder, 2022);
- and most recently with scholarly attention focused on the way multiple stakeholders together with companies can/should deal with the SDGs in the *Journal of Business Ethics* (Abord-Hugon Nonet, Goesling, Van Tulder, & Bryson, 2022).

A HAPPY CONFLUENCE OF FACTORS?

In a way, the finalization of the SDGs in 2015 as the integrated universal “global agenda” for progress can be considered the result of a happy confluence of factors. In 2015, a process of orchestrated stakeholder involvement made it possible to take the positive and negative experience of the millennium development goals MDG-track (2000–2015) into account and reframe this into an integrated positive change agenda with common goals. The SDG agenda was created in a historical first process of three years of multiple-stakeholder engagement in which more than 5 million stakeholders from NGOs, business, government and knowledge institutes participated (United Nations, 2015). The resulting 17 goals, 169 targets and 230 indicators were brought under five principles (people, planet, prosperity, peace and partnering). The latter can be considered the public transcription of the triple-P frameworks (people, planet and profits) that was originally proposed by sustainable management guru John Elkington (1999).

The SDG agenda was accepted by all 193 member states of the UN. The year 2015 proved also particularly enabling for a number of parallel multilateral initiatives such as the Paris Climate agreement – accepted by 200 countries – and the Addis Ababa Action Agenda – accepted by all 193 UN member countries – providing an integrated agenda for financing sustainable development. Both were also finalized in 2015. A year later, in 2016, the chance that these multilateral initiatives would have been embraced would have been reduced to almost zero. Key countries had become subject to a wave of populism with the Trump administration in the USA, the Duterte government in the Philippines and not much later the Bolsonaro government in Brazil. In 2017, the Trump administration denounced its support to the Paris Climate Agreement thereby terminating \$3 billion in funding promised.

The creation of the SDGs under the UN umbrella in 2015 not only presented a happy confluence of factors due to international power constellations, but also initiated a new set of multilateral commitments to proceed with development and economic growth worldwide on a distinctly different basis. It signaled a more radical, inclusive and universal approach along three lines:

[a] *Integrative framework*: It was acknowledged that sustainable development is not constrained to issues of (national) income or economic growth, going even one

step further of the Amartya Sen contributions and the human development conception that included education and health dimensions of humans. Rather development necessitates an inclusive and integrative framework, which includes positively framed economic, social and environmental targets at the same time. Illustrative of this recognition have not only been the large number of goals and targets, but also the way they were formulated, such as: ending poverty (in all its forms), providing universal access to education, targets for gender equality, the reduction of income (and other) inequality, the sustainability of oceans and climate conditions and the enhancement of partnerships for the goals. The novelty here is in the general call to action through 17 universal and interrelated SDGs, challenging both developed and developing countries. The results of SDG-related actions could consequently be monitored through a large set of indicators that could also serve as practical tools for national accountability vis-à-vis the 2030 Agenda.

[b] *Corporate involvement*: The involvement of the private sector became increasingly stressed – not only as part of problems, but also as part of solutions. From the outset, the active participation of private organizations became considered pivotal for achieving the SDGs by 2030; for instance, its participation is rightly thought through the adoption of SDG 9 that addresses to build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation. The basic document (*Transforming Our World: The 2030 Agenda for Sustainable Development*) explicitly acknowledges “the role of the diverse private sector, ranging from micro-enterprises to cooperatives to multinationals” in the implementation of the new Agenda (United Nations, 2015, para. 41). Then UN Secretary-General Ban Ki-moon ascribed the most dynamic role in the SDG endeavor to the private sector: “Governments must take the lead in living up to their pledges. At the same time, I am counting on the private sector to drive success” (UN News Centre*, 2015). Likewise, then head of the United Nations Development Programme, Helen Clark affirmed that “the new sustainable development agenda cannot be achieved without business” (UN News Centre, 2015). These statements underline a significant shift from earlier thinking about sustainability that considered development issues predominantly “government territory.” Corporate leaders themselves also strongly supported the positioning of business as an active contributor to the achievement of the SDGs. In the corporate community, the SDG agenda was received as “a compelling growth strategy for individual businesses, for business generally and for the world economy” (Business & Sustainable Development Commission, 2017, p. 11). In the words of Paul Polman, former CEO of Unilever: “the SDGs provide the world’s long-term business plan by putting people and the planet first. It’s the growth story of our time.”

[c] *Hybrid governance*: Moreover, other than in the MDG period, serious attention was given to the institutional conditions under which positive change could be achieved. This realization, for instance, resulted in the adoption of SDG 16 (peace and justice) and SDG 17 (partnering for the goals). Navigating change under difficult international circumstances became framed as a form of “hybrid” or “intermediary” governance. Hybrid governance is aimed at parallel

* UN News Centre – the app of news agency of the united nations.

organizing challenges to encourage engagement, commitment and ownership of as many as possible (multi-stakeholder) actors. Hybrid governance in the SDG setup has also been qualified as “governing through goals” (Young, 2017), which entails a steering principle for driving progress toward sustainable development, based on shaping, inspiring and directing. Aspirational goal-setting (accompanied by measurable indicators) thereby served as a means to channel multi-stakeholder engagement in the direction of implementing basic norms, universal principles and common values as the foundation for longer-term commitment and meaningful action. The SDG framework became consequently based on positively formulated goals for the mid-term (2030), while at the same time working on reducing the impact of negative practices and measures: in the business literature this is referred to as “decoupling, while coupling” at the same time (Crilly, Zollo, & Hansen, 2012). In the strategy literature, this is referred to as transition management, business model innovation, but also “strategic tinkering” (learning while aiming at specific goals). In practice, all these approaches boil down to using back-casting rather than forecasting techniques. Back-casting starts with the formulation of medium-term positive goals that are shared by many involved stakeholders. Back-casting then implies translating these goals into the formulation and implementation of shorter-term ambitions and key performance indicators. This approach was even relevant for the actual formulation of the 230 SDG indicators; around half of the indicators had no generally accepted definition, were not measured according to harmonized metrics or faced still considerable collection gaps. The hybrid governance approach thus was also accompanied by the creation of so-called “custodian agencies” that were assigned to safeguard progress not only by measuring and harmonizing all relevant data around the agenda, but also by developing new databases and filling measurement gaps. Other organizations were stimulated to create platform and coalitions to evaluate progress and learn from the great variety of approaches pioneered under the SDG banner (Van Tulder & Van Mil, 2023).

WHY IS IT SO DIFFICULT TO WALK THE TALK?

The setup of the SDGs has not only provided the world with a common agenda, but also triggered serious efforts of collecting and harmonizing data across countries in relevant areas of sustainability – aided by concerted efforts to report on progress. The resulting rise in “collective intelligence” on a global scale has also made it possible to document what the size and nature is of the common challenge and why progress goes (too) slow or has been even reversed in the 2020–2022 period (United Nations, 2019, 2020, 2022) Mobilizing the interest of many of the world’s largest companies/MNEs also resulted in a large number of studies by branch organizations, companies themselves, governments and knowledge institutes to document the way the SDGs have been adopted by companies. Until 2022, the following patterns can be observed from which it becomes clear that although companies are willing to adopt the SDG, they are not (yet) “walking the talk”: