

# CHAPTER I

## INTRODUCTION

**Summary:** 1.1. Aim of the research. – 1.2. Value added of the research. – 1.3. Outline of the research.

### 1.1. Aim of the research

This research investigates the MNEs' agentic behavior to address sustainability across home and host countries (Jackson & Deeg, 2008), shedding light on how MNEs leverage formal and informal institutions to orient behaviours regarding sustainable practices. Leveraging the lens of *institutional entrepreneurship* (Hardy & Maguire, 2008; Leca, Battilana, & Boxenbaum, 2008), this book aims to advance the knowledge of IB studies on the critical role that MNEs perform in driving institutional change towards sustainability.

Sustainability represents the 21st-century challenge for firms that can no longer operate without worrying about the environmental and social impact they produce (Marti, Fuchs, DesJardine, Slager, & Gond, 2024; Whelan & Fink, 2016; Zaheer, 2024). Over the past decades, there has been growing awareness of the importance of addressing current demands while ensuring that future generations can still fulfill their own requirements (Brundtland Commission, 1987). Recently, the United Nations voiced the urgency and importance of activating shared action toward global sustainability goals. In 2015, the 193 members of the United Nations coordinated their actions to formulate a comprehensive plan for sustainable development: the 2030 Agenda. Nations have been called to work towards economic growth, environmental safeguards, and social protection by designing a sustainable future by 2030. The set of 17 Sustainable Development Goals (SDGs) requires offering equal opportunities for all nations, reducing inequalities, increasing basic standards of living, promoting social inclusion, and sustainable management of natural ecosystems. In this regard, national development strategies need concerted efforts of many stakeholders to mobilize resources and expertise. Agenda 2030 represents the result of a regulatory process that has been more inclusive than ever: MNEs, civil actors, and governments have been involved in the co-creation of rules and incentives aimed at advancing sustainability (Leone, Picone, & Mocciaro Li Destri, 2023; Montiel, Husted, & Christmann, 2021). Therefore, as one of the major challenges of contemporary society (Eisenhardt, Graebner, & Sonenshein, 2016), sustainability calls for

the active involvement of individuals, firms, and wider communities in fostering ecological, social, and economic well-being, working alongside public actors (Scherer & Voegtlin, 2020).

In Agenda 2030, significant attention has been paid to the MNEs since they generate a high percentage of world trade flows, their contribution to sustainable progress may be significant and provides complementary action to the governments' commitment by challenging the strict separation between the private and the public domain (Scherer, Palazzo, & Matten, 2014). Through international trade and foreign direct investments, MNEs typically operate in various institutional contexts, and although their entry into host countries may have a positive impact on employment and local entrepreneurial ecosystems (Colombo, Dagnino, Lehmann, & Salmador, 2019), it has at times had negative consequences as well; e.g., the exploitation of child labor of local communities or the extreme use of natural resources. This is particularly true when they operate in host countries characterized by weak institutions<sup>1</sup>. In such contexts, MNEs are expected to support local suppliers, often unable or unwilling to adopt sustainable behaviors.

As a result, further studies attract scholars' attention to understand whether and how MNEs effectively implement sustainability practices across diverse institutional contexts. Due to their central role in tracing a sustainable global path, this research leverages the theoretical lens of institutional entrepreneurship (Hardy & Maguire, 2008; Leca et al., 2008) to conceptualize MNEs' agentic role in managing institutions<sup>2</sup> towards sustainability. MNEs, as private actors, transcend national borders and are in a unique position to transfer resources, technology, and good governance aimed at enhancing sustainability across different institutional contexts (Zaheer, 2024). While political science research has extensively explored the role of public and civil actors in shaping regulatory frameworks for sustainability (Ruggie, 2003; Vogel, 2008), the field of IB has yet to fully develop a comprehensive, multi-level, and interactive framework that situates MNEs alongside public and civil actors as institutional entrepreneurs driving sustainability. MNEs, therefore, influence the definition of institutions and forming partnerships to achieve sustainable goals (Mena & Palazzo, 2012). This positions MNEs as agents of change within their operational contexts, contributing to institutional changes aimed at enhancing sustainability<sup>3</sup>.

Furthermore, while some researchers emphasize formal institutions and law

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<sup>1</sup> "Weak institutions have in common that they fail to make democratic and legal institutions the framework for legal and legitimate action. They can be considered as resources that can be mobilized by one actor in competition against another. Weak institutions have distinct anatomies that can be considered as failed, captured, or penetrated" [and] "notoriously collect little and often unreliable information about their operations" (Bull, 2014, pp. 119, 124).

<sup>2</sup> This study adopts an embracing view of institutions. The term "institutions" indicates formal and informal institutions and their different level of analysis (North, 1990).

<sup>3</sup> While acknowledging that MNEs may be also responsible for social and environmental issues, the analytical emphasis remains on identifying how they support, along with other private, civil, and public actors, *positive* contributions to the sustainable development.

systems as sources of coercion to promote sustainability (McCarthy, Gillespie, & Zen, 2012), other studies prove that also informal institutions enlighten sustainability issues (Martiny, Taglialatela, Testa, & Iraldo, 2024; Park, Krause, & Hawkins, 2021). A notable exception emerges from political science, where scholars such as Grzymala-Busse (2010) and Helmke and Levitsky (2004) have examined how formal and informal institutions influence each other within the political realm, revealing that analyzing them together is crucial to understand the incentives (or disincentives) that shape political behavior. In this regard, Helmke and Levitsky (2004, p. 727) argue that institutions “structure social interaction by constraining and enabling actors’ behavior.” In IB research, much of the focus has been on how MNEs adapt to institutional contexts to achieve sustainability (see a review on the topic in Burritt, Christ, Rammal, & Schaltegger, 2020). However, relatively little attention has been given to how MNEs actively shape institutions to advance sustainability. Specifically, the interplay between formal and informal institutions (Aoki, 2001; Dau, Aya, Lyles & Li, 2022; North, 1990) and how MNEs can leverage this interplay to strengthen their sustainability efforts remains underexplored. This topic calls for a deeper investigation through the theoretical lens of institutional entrepreneurship (Hardy & Maguire, 2008; Leca et al., 2008).

## 1.2. Value added of the research

This book shows that the transition towards a sustainable development involves multiple actors (i.e., private, civil, and public) and different institutions (i.e., formal and informal). Additionally, with or without the collaboration of civil and public actors, this research argues that MNEs are making regulatory and entrepreneurial efforts to develop a sustainable model.

This research adopts a pragmatist epistemological orientation, rejecting rigid dichotomies between positivism and interpretivism, and instead embraces both objective and subjective sources of knowledge (Al-Ababneh, 2020). Given the complexity of the phenomenon under investigation – namely, the institutional entrepreneurship of MNEs in driving sustainability – pragmatism offers a suitable philosophical foundation. This approach supports the integration of multiple conceptual perspectives and methods, privileging practical relevance and contextual understanding over universal claims (Al-Ababneh, 2020). In doing so, this research offers four key contributions to the extant literature. First, it enhances the body of knowledge on sustainability within the field of IB by offering a multilevel and interactive conceptual framework of how private, civil, and public actors address sustainability goals worldwide. Such conceptual framework challenges the view that MNEs are merely constrained by institutions. Instead, it posits that MNEs actively leverage institutions to engage in entrepreneurial activities, adapting their strategies to address sustainability. In footsteps on García-Cabrera and Durán-Herrera (2016) to explore MNEs’ institutional entrepreneurship, this book assumes that the MNE performs as a cohesive

actor, while acknowledging its internal complexity and the plurality of organizational layers and actors that shape its actions (Rullani, 1989).

Second, the book contributes to institutional theory by emphasizing the dynamic interplay between formal and informal institutions, and the multilevel nature of institutional entrepreneurship in the sustainability field (Tracey, Phillips, & Jarvis, 2011). It demonstrates that MNEs, as institutional entrepreneurs, not only respond to institutional pressures but actively influence, modify, and co-create sustainability-related institutions. They achieve this by deploying both top-down and bottom-up strategies and engaging with a diverse constellation of actors (Wright & Zammuto, 2013). This book provides contextually grounded insights into how institutional change unfolds in practice, particularly in relation to the environmental and social goals pursued by MNEs.

Third, this book offers a sector-sensitive perspective on how MNEs enact institutional entrepreneurship. It shows that sustainability strategies are not uniform but instead vary significantly across sectors depending on regulatory intensity and the degree of actor engagement. MNEs operating in highly regulated sectors, such as healthcare and pharmaceuticals, tend to adopt top-down strategies that align with public mandates and formal institutions. In contrast, MNEs in less regulated industries are more likely to pursue bottom-up strategies, often working with NGOs and local communities to fill institutional voids and co-create sustainable initiatives and programs. This finding enriches the literature by demonstrating how institutional entrepreneurship manifests differently depending on sectoral dynamics.

Fourth, the book makes a methodological contribution by employing a mixed-method approach that combines interpretive qualitative analysis of MNE case studies with topic modeling of MNE sustainability reports. This integration bridges the gap between deep contextual understanding and empirical breadth, aligning with calls for methodological pragmatism in IB research (Parry, Farndale, Brewster, & Morley, 2021). A crucial aspect of mixed-method research lies in the effective combination of qualitative and quantitative analyses, rather than their mere juxtaposition. In this study, the qualitative analysis informed, to some extent, the interpretation of the quantitative findings – particularly in making sense of the identified topics. Conversely, the results of the topic modeling fed back into the interpretation and understanding of the case studies, contributing to a more nuanced and coherent overall analysis. Rather than relying on idealized assumptions of data uniformity, the study prioritizes contextual alignment and analytical transparency, offering a flexible yet rigorous way to examine how MNEs implement sustainability strategies across diverse institutional contexts.

Moreover, this book offers practical contributions for managers. This research highlights the importance of designing sustainability strategies that integrate both top-down compliance with global standards and bottom-up engagement with local stakeholders (Rapior & Oberhauser, 2025). In doing so, MNEs can enhance legitimacy and foster sustainability across diverse institutional contexts. The findings underscore that sustainability managers should conceive sustainability not merely as a

defensive response to risk but as a strategic opportunity for firms' long-term value creation and institutional change.

Finally, this book proposes a structured research agenda to guide future studies on the institutional, strategic, and multi-level dimensions of corporate sustainability.

### **1.3. Outline of the research**

This book is organized into six chapters. It explores the relationship between sustainability, MNEs, and institutional entrepreneurship, offering a conceptual framework with practical applications. The book follows a structured approach, progressing from theoretical foundations to MNE case-based insights on institutional entrepreneurship.

Chapter 2 establishes the background of sustainability in the context of IB. It begins by tracing the evolution of sustainability as a concept and its implications for the IB field, highlighting the challenges MNEs face due to divergent institutional contexts across countries. The chapter emphasizes the tension between global sustainability goals and local constraints, and how this shapes strategic responses. Then, the chapter depicts the disciplinary backgrounds that have informed sustainability in IB, with a particular focus on institutional theory as the main lens to understand how MNEs influence institutions for addressing sustainability across countries.

Chapter 3 introduces a conceptual framework that connects sustainability with the role of MNEs as institutional entrepreneurs. The focus is on how MNEs co-create value for sustainability by engaging with multiple actors – private, civil, and public – across different institutional contexts. This chapter elaborates on how MNEs leverage interplay between formal and informal institutions and drive sustainability-oriented institutional change. It further explores both top-down and bottom-up strategies, where MNEs engage in grassroots initiatives and institutional change with civil and public actors.

Chapter 4 outlines the research methodology employed in this book. Given the complexity of sustainability challenges varies across countries, this study adopts a mixed-method approach which encourage methodological pluralism and recognizes that different epistemological tools can be used together to illuminate complex phenomena (Al-Ababneh, 2020; Leech, Dellinger, Brannagan, & Tanaka, 2010). The mixed-method approach allows for the combination of context-sensitive interpretations with structured cross-case comparisons, providing a more comprehensive understanding of how MNEs act as institutional entrepreneurs in promoting sustainability across countries. Building on the conceptual framework from Chapter 3, it details the use of both qualitative and quantitative methods to analyze MNEs' sustainability strategies and their practical implementation to foster institutional change. The chapter explains the theoretical sampling, data sources (including case studies, interviews, and sustainability reports), and analytical techniques, laying the empirical groundwork for assessing how MNEs interact with institutions, adapt to diverse contexts, and support sustainable development goals.

Chapter 5 summarizes the empirical findings of how MNEs drive institutional change towards sustainability. Through case studies of four selected MNEs (i.e., L'Occitane, Sanofi, Medtronic, and Saraya) and a topic modeling of their sustainability reports, the chapter reveals how MNEs act as institutional entrepreneurs with private, civil, and public actors. A comparative analysis across cases reveals that sectoral logics shape the strategies through which MNEs drive institutional change towards sustainability.

Chapter 6 concludes the book by summarizing its key theoretical contributions and practical implications. It discusses the broader lessons for MNEs seeking to integrate sustainability into their strategies and across various institutional contexts. Additionally, this chapter suggests how future research can expand on the findings.

By structuring the book in this manner, the study offers a comprehensive examination of sustainability in IB, linking theoretical insights with real-world applications. The following figure (see Figure 1.1<sup>4</sup>) provides an overview of the book's structure.

**Figure 1.1. – Structure of the book**

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<b>Chapter 1</b> Introduction
<b>Chapter 2</b> Sustainability in international business: Definitions, challenges, and intersections with other disciplinary backgrounds
<b>Chapter 3</b> Sustainability, multinational enterprises, and institutional change: A conceptual framework
<b>Chapter 4</b> Research design and methods
<b>Chapter 5</b> Multinational enterprises contribute to institutional change towards sustainability: Empirical findings
<b>Chapter 6</b> Conclusion

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Source: own elaboration.

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<sup>4</sup> Subsections have been omitted to maintain space and enhance the graphical representation of the book.