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Monografie scientifiche

Cristina Leone

MULTINATIONAL ENTERPRISES DRIVING SUSTAINABILITY

An institutional perspective



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Cristina Leone

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PREFACE

Multinational enterprises often operate in a semi-global world – markets span the globe, but institutional contexts do not. When a luxury cosmetic product is sold in Paris, the shea butter it contains may come from Burkina Faso; when a pharmaceutical firm expands into Southeast Asia, the regulatory voids it encounters may allow practices that would be unacceptable in its home country. Behind multinational enterprises and seamless supply chains lie multifaceted and often opaque institutional contexts – where environmental degradation, labor exploitation, and institutional voids coexist with efforts toward sustainability (Montiel, Cuervo-Cazurra, Park, Antolín-López, & Husted, 2021). Understanding how multinational enterprises deal with, reinforce, or shape these realities has become crucial. This research by Cristina Leone addresses such a challenge with conceptual clarity and analytical depth, drawing from institutional theory and international business studies on sustainability to offer a critical and constructive rethinking of *institutional entrepreneurship*.

Albeit dominant views of multinationals as institution-takers, Leone conceptualizes them instead as institutional entrepreneurs. The author begins from this crucial premise: multinational enterprises are not merely passive recipients of external constraints, nor are they solely economic actors driven by market efficiency. Rather, they are embedded agents endowed with multiple rationalities, capable to actively contribute towards shaping institutions to support sustainability. Traditionally, multinational enterprises have been studied as strategic actors adapting to institutional voids or complying with multiple regulatory pressures (Jackson & Deeg, 2008). While not incorrect, this view is increasingly insufficient. It underestimates the degree to which multinational enterprises modify the institutional contexts they operate within, not only by exerting economic power but by mobilizing ideas, forging alliances, and codifying new rules of engagement around sustainability.

Seen in this light, the theoretical perspective matters for at least three reasons. First, it exposes the structural conditions under which multinational enterprises can act beyond compliance, particularly in underregulated contexts around sustainability. Second, it draws attention to the resources and relationships that enable some multinational enterprises to succeed in shifting field-level logics, while others fail or reproduce existing dynamics (García-Cabrera & Durán-Herrera, 2016). Third, it invites scholars to rethink power and agency in international business: not as unilateral or self-serving, but as embedded, negotiated, and relational.

Supported by a thorough and critical analysis of a vast and multifaceted literature,

one of the book's most valuable contributions lies in its capacity to conceptualize multinational enterprises as embedded actors operating within and across diverse levels of analysis, i.e., private, civil, and public, which include both formal and informal institutions. Such levels can be understood as “principles, norms, rules and decision-making processes around which actor expectations converge in a given issue area” (Krasner, 1983, p. 2). Yet, while these levels often intersect, they differ significantly in scope, authority, and underlying logics. Understanding the extent to which these levels operate as complements or substitutes – and how multinational enterprises may strategically leverage their intersections – is fundamental to explain variations in sustainability outcomes across contexts. The book provides a nuanced examination of the interplay between formal and informal institutions and proposes a framework to assess how multinational enterprises can catalyze institutional change by designing top-down and bottom-up strategies with private, civil, and public actors.

Institutional entrepreneurship, as this book emphasizes, is hence rarely a solitary endeavor. Multinational enterprises striving to achieve sustainability goals cannot act as “lone heroes”; instead, they must embrace what Wright and Zammuto (2013, p. 52) define as a “collective approach to institutional entrepreneurship.” The shift from isolated action to collaborative, context-sensitive engagement is not merely a strategy but it becomes a necessary condition in order to generate meaningful institutional change for sustainability.

Moving from a solid framework, Leone substantiates her arguments through an empirical investigation of four multinational enterprises, each operating at the interface of global and local norms. Through qualitative and quantitative methods, the author shows how these multinational enterprises forge partnerships, engage in inclusive initiatives, and institutionalize sustainability practices by collaborating with public institutions, non-governmental organizations, and local communities. These cases reinforce the idea that institutional entrepreneurship is context-sensitive, multi-layered, and inherently collective (Doh, Tashman, & Benischke, 2019).

Overall, Cristina Leone's scholarly contribution represents a timely, incisive, and profound addition to our understanding of how multinational enterprises contribute to institutional change by managing sustainability across the countries in which they operate. What makes this book particularly noteworthy is its ability to combine a well-structured conceptual framework with rich empirical cases, generating insights that speak both to scholars in international business and institutional theory, and to practitioners engaged in the broader discourse on sustainable development and global governance.

Palermo, July 24th 2025

Prof. *Arabella Mocciaro Li Destri*
Prof. *Pasquale Massimo Picone*

ACKNOWLEDGEMENTS

This work finds its deepest roots in the early stages of my doctoral journey and represents the outcome of a process of theoretical, methodological, and personal maturation – still ongoing – regarding the multifaceted relationship between multinational enterprises and sustainability. It is a journey that I have been able to pursue and enrich through continuous dialogue with numerous scholars, whose suggestions, comments, and critiques have nourished stimulating exchanges and genuine intellectual growth.

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During my time at the University of Palermo, I also had the opportunity to meet Dr. Vincenzo Falco, colleague and now a dear friend, to whom I owe special thanks. His support has been crucial to improve my research approach to the quantitative analysis. From the very first year of my PhD, he generously shared his expertise and offered continuous guidance, helping me strengthen my methodological skills and gain the confidence to adopt a quantitative approach in this book.

My understanding of international business and sustainability was further expanded and consolidated during my visiting period in 2023 at Northeastern University in Boston. I am profoundly grateful to Professors Alvaro Cuervo-Cazurra, Ruth Aguilera, Valentina Marano, and Kevin Chuah for their generous insights, thoughtful feedback, and intellectual stimulation during seminars and discussions in that vibrant academic environment.

The major development of this book, however, took place during my time at the

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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 institutions¹. 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 institutions² 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 sustainability³.

Furthermore, while some researchers emphasize formal institutions and law

¹ "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).

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

³ 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 ⁴) provides an overview of the book's structure.

Figure 1.1. – Structure of the book

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

Source: own elaboration.

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

CHAPTER II

SUSTAINABILITY IN INTERNATIONAL BUSINESS: DEFINITIONS, CHALLENGES, AND INTERSECTIONS WITH OTHER DISCIPLINARY BACKGROUNDS

Summary: 2.1. The evolution of the concept of sustainability. – 2.2. Challenges in addressing sustainability in international business. – 2.3. Borrowing from other disciplinary backgrounds and extending international business to investigate multinational enterprises' sustainability. – 2.3.1. Business Ethics studies. – 2.3.2. Political Science studies. – 2.3.3. Governance studies. – 2.3.4. Supply Chain Management studies. – 2.3.5. Institutional studies across Sociology and Economics. – 2.3.5.1. The contribution of the institutional entrepreneurship perspective.

2.1. The evolution of the concept of sustainability

Over the past two centuries, the world has undergone profound economic and social transformations that have significantly altered the relationship between society, businesses, and the environment. Industrialization has driven rapid economic growth, but often at the expense of natural resources, which were exploited without consideration for their scarcity or environmental impact (Brown, 1985; Catton, 1982). The turning point came in 1987 when the United Nations' Brundtland Commission defined sustainability as "meeting the needs of the present without compromising the ability of future generations to meet their own needs" (World Commission on Environment and Development, 1987). Since then, the concept of sustainability has developed significantly. Initially focused on balancing economic development with environmental preservation, sustainability has expanded to encompass social dimensions, such as labor rights and human well-being (Bansal & Song, 2017). The 1998 ILO Declaration on Fundamental Principles and Rights at Work marked a pivotal moment in recognizing social sustainability, aligning with broader sustainability efforts within global governance settings.

The evolving regulatory landscape, summarized in Table 2.1, underscores the increasing expectations placed on firms to integrate environmental, economic, and social concerns into their operations and governance structures while addressing inherent trade-offs (Bansal & DesJardine, 2014). From early frameworks such as the Kyoto Protocol and the Millennium Development Goals to more recent policies like the European Green Deal and the OECD Guidelines on Responsible Business

Conduct, regulatory developments have played a crucial role in guiding corporate sustainability efforts.

The adoption of the United Nations' SDGs has institutionalized sustainability with a particular emphasis in MNEs whose global supply chain impact worldwide (Burritt et al., 2020; Montiel, Cuervo-Cazurra, Park, Antolín-López, & Husted, 2021; van Zanten & van Tulder, 2018). Early discussions primarily explored sustainability through the lens of corporate social responsibility (Bansal & Song, 2017), while ecology and development economics emphasized the preservation of natural resources for future generations (Wiessner, Giuliani, Wijen, & Doh, 2024). SDGs have driven firms to move beyond compliance and toward proactive engagement in sustainability initiatives that align with global standards (Kolk, 2016; Foroudi, Marvi, Cuomo, Bagozzi, Dennis, & Jannelli, 2023). MNEs have emerged as key actors in addressing challenges related to SDGs (Kourula, Pisani, & Kolk, 2017; Montiel et al., 2021; van Zanten & van Tulder, 2018). Due to the global reach of their supply chains and resource capabilities, MNEs are uniquely positioned to contribute to sustainable development by balancing economic viability with social and ecological responsibilities (Halme, Rintamäki, Knudsen, Lankoski, & Kuisma, 2018; Voegtlin & Scherer, 2017).

Accordingly, the IB field have historically advanced a corporate social responsibility and sustainability discourse rooted in a “win-win” logic (Carroll & Shabana, 2010; Müllner & Puck, 2018): MNEs can address societal concerns by implementing sustainability goals that simultaneously yield financial benefits. This has led to extensive research on corporate social responsibility and sustainability as tools for creating shared value (Menghwar, & Daood, 2021; Porter & Kramer, 2011), influencing corporate financial returns (e.g., McWilliams & Siegel, 2000; Orlitzky, Schmidt, & Rynes, 2003), or mitigating reputational and legitimacy challenges associated with foreign operations (Campbell, Eden, & Miller, 2012; Marano, Tashman, & Kostova, 2017). However, scholars have increasingly questioned the extent to which these strategies generate meaningful institutional change towards sustainability and societal impacts (Wiessner et al., 2024). For instance, Barnett, Henriques, and Husted (2020) argue that while corporate social responsibility literature extensively discusses the business case for sustainability, it often fails to address its real-world social impact and inherent tensions between economic and societal interests.

To move beyond the limitations of this business-case framing and fully grasp the role of MNEs in sustainability, IB researchers have critically examined MNE sustainability strategies and their wider impact on home and host country (Montiel et al., 2021; Surroca, Tribó, & Zahra, 2013). Increasingly, they advocate for adopting a “broad scope of both impacts and impacted” (Wiessner et al., 2024), emphasizing the need to consider the diverse stakeholders and institutional contexts influenced by MNEs' sustainability efforts (Montiel et al., 2021).

Table 2.1. – Key milestones in sustainability and their impact on MNEs

| Year | Milestones of Sustainability | Sustainability Pillar | Impact on MNEs' Sustainability Efforts |
|-------------|--|--|---|
| 1987 | Our Common Future (Brundtland Report) – UN World Commission on Environment and Development | Environmental | Introduced the concept of sustainable development, pushing MNEs to consider long-term environmental and social impacts. |
| 1992 | Agenda 21 – UN Conference on Environment and Development (UNCED), Rio de Janeiro | Environmental | Encouraged voluntary corporate sustainability programs, leading to early adoption of environmental policies by MNEs. |
| 1997 | Kyoto Protocol – UN Framework Convention on Climate Change (UNFCCC) | Environmental – focus on climate issue | Led to emission reduction targets, influencing MNEs to adopt carbon management strategies and invest in renewable energy. |
| 1998 | ILO Declaration on Fundamental Principles and Rights at Work | Social – focus on workers | Established global labor standards, prompting MNEs to improve working conditions in supply chains. |
| 2000 | Millennium Development Goals (MDGs) – United Nations | Environmental, social, and economic | Set global priorities for poverty reduction and sustainability, leading MNEs to align CSR initiatives with development goals. |
| 2000 | UN Global Compact | Environmental, social, and economic | Encouraged businesses to adopt principles related to human rights, labor, environment, and anti-corruption in supply chains. |
| 2002 | World Summit on Sustainable Development (WSSD) – UN Conference in Johannesburg | Environmental, social, and economic | Strengthened corporate accountability frameworks, increasing pressure on MNEs to report sustainability efforts. |
| 2011 | United Nations Guiding Principles on Business and Human Rights | Social | Established the responsibility of MNEs to respect human rights, influencing supply chain due diligence practices. |
| 2015 | Agenda 2030 and Sustainable Development Goals (SDGs) – United Nations | Environmental, social, and economic | Encouraged MNEs to integrate sustainability into business models, driving responsible sourcing and reporting. |
| 2015 | Paris Agreement – UNFCCC | Environmental – focus on climate issue | Set a global commitment to limit global warming, pushing MNEs to adopt science-based carbon reduction targets. |

Continued

| Year | Milestones of Sustainability | Sustainability Pillar | Impact on MNEs' Sustainability Efforts |
|-------------|---|---|---|
| 2017 | Task Force on Climate-related Financial Disclosures (TCFD) Recommendations | Environmental – focus on climate issue | Influenced corporate climate risk reporting, requiring MNEs to disclose climate-related financial risks. |
| 2017 | Corporate Human Rights Benchmark (CHRB) | Social – focus on workers | Established a public ranking system to assess MNEs' human rights performance, increasing transparency and accountability. |
| 2019 | The European Green Deal | Environmental | Mandated stricter environmental regulations for companies operating in the EU, influencing MNEs' compliance strategies. |
| 2019 | IPCC Special Report on Global Warming of 1.5°C | Environmental – focus on climate issue | Emphasized the urgency of emission reductions, prompting MNEs to accelerate decarbonization initiatives. |
| 2021 | The State of the Global Climate 2021 – World Meteorological Organization (WMO) | Environmental – focus on climate issue | Provided climate science evidence that reinforced the need for corporate climate action in supply chains. |
| 2021 | European Pillar of Social Rights Action Plan | Social | Strengthened corporate responsibility for social protections, affecting labor policies in MNEs' supply chains. |
| 2022 | IPCC Sixth Assessment Report (AR6) – Intergovernmental Panel on Climate Change (IPCC) | Environmental – focus on climate issue | Increased pressure on businesses to adopt resilient and adaptive sustainability strategies. |
| 2022 | Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy | Social – focus on workers | Guided MNEs on responsible business conduct regarding labor rights and social protections. |
| 2022 | Biodiversity COP15 – UN Convention on Biological Diversity | Environmental – focus on biodiversity | Set new targets for biodiversity protection, prompting MNEs to assess ecological impacts in their supply chains. |
| 2023 | OECD Guidelines for Multinational Enterprises on Responsible Business Conduct | Environmental, social, and economic – focus on MNEs | Enhanced corporate due diligence expectations, particularly in high-risk supply chains. |
| 2023 | Corporate Sustainability Reporting Directive (CSRD) – EU | Environmental, social, and economic – focus on firms' reporting | Expanded sustainability reporting obligations for MNEs, reinforcing transparency and accountability. |

Continued

| Year | Milestones of Sustainability | Sustainability Pillar | Impact on MNEs' Sustainability Efforts |
|------|--|---|--|
| 2024 | Directive (EU) 2024/1760 on Corporate Sustainability Due Diligence | Environmental and social pillars | Required MNEs to assess and mitigate sustainability risks in their global supply chains, increasing regulatory scrutiny. |
| 2024 | EU Nature Restoration Law | Environmental – focus on biodiversity and climate issue | Encouraged businesses to adopt biodiversity-friendly supply chain practices to mitigate ecological impacts. |

Source: own elaboration.

2.2. Challenges in addressing sustainability in international business

Despite the increasing recognition of sustainability, global challenges such as climate change, environmental degradation, resource depletion, and population growth continue to threaten the delicate balance between economic progress and ecological preservation (Kolk, 2016). The irresponsible consumption of natural resources – where extraction and use far exceed their natural regeneration rates – has led to what the Global Footprint Network in 2019 describes as “global ecological overspending” (Global Footprint Network, 2019). Manifestations of this crisis include deforestation, biodiversity loss, pollution, and soil erosion, which have far-reaching environmental, social, and economic repercussions. Beyond environmental concerns, these challenges exacerbate social inequalities, disproportionately affecting vulnerable communities that rely on natural resources for their livelihoods (van der Straaten, Narula, & Giuliani, 2023). Achieving sustainability, therefore, requires not only ecological preservation but also fostering social equity, ensuring access to basic resources, and promoting inclusive economic opportunities (UNDP, 2020; van der Straaten et al., 2023). The growing awareness of sustainability issues has influenced market dynamics, shaping corporate strategies and expectations around responsible business practices (Longo & Cardillo, 2024). Today, purchasing decisions are influenced not only by price and quality but also by other considerations, such as the sourcing and production processes of goods, labor employees' conditions, and environmental policies.

As a result, MNEs have had to adapt by integrating sustainability into their strategies, while governments have introduced regulations and incentives to promote responsible business practices (Schrempf-Stirling, 2018). Over time, sustainability advocacy has evolved, giving rise to lobbying efforts by political parties, intergovernmental organizations, and NGOs, as well as grassroots activism through international movements (Lauwo, Otusanya, & Bakre, 2016; Liu & Heugens, 2024). These pressures have positioned sustainability at the center of MNEs' strategies, leading to an

increasing body of research on the intersection of IB and sustainability (Marano, Wilhelm, Kostova, Doh, & Beugelsdijk, 2024).

IB scholars have extensively explored which variables managers can control, such as the implementation of environmental programs and stakeholder engagement along MNEs' supply chains (Marano et al., 2024). Issues such as the invisibility of the behaviors of actors that operate in remote places (O' Rourke, 2006), on the one hand, and the influence of the wider institutional context on the actual adoption of the sustainable programs promoted by MNEs (Campbell et al., 2012; Crane, 2013), on the other, are examples of sustainability challenges. Indeed, a key challenge for MNEs is dealing with the growing demand for transparency and traceability along their supply chains (De Chiara & Russo Spena, 2011). The scattering of global supply chains has made it increasingly difficult to ensure sustainable sourcing and ethical labor practices (Meinlschmidt, Schleper, & Foerstl, 2018), particularly in sectors such as food and textiles (Amatulli, De Angelis, Costabile, & Guido, 2017; Benstead, Hendry, & Stevenson, 2018; Mani & Gunasekaran, 2021; Palazzo & Vollero, 2022). In this regard, scholars have also reflected on how IB research can meaningfully contribute to advancing the SDGs of the Agenda 2030, which were initially conceived as macro-level objectives for national governments rather than operational goals for firms (Montiel et al., 2021; Röell, Arndt, Benischke, & Piekari, 2024; van Zanten & van Tulder, 2018). A significant effort to bridge this gap comes from Montiel et al. (2021), who propose a framework for translating the SDGs into actionable strategies for MNEs. By offering a more structured approach, they seek to mitigate criticisms that the SDGs are too abstract and numerous to guide focused business actions (MacFeely, 2019; van Zanten & van Tulder, 2018).

The multifaceted nature of sustainability challenges have prompted scholars to look beyond traditional IB approaches to better understand how MNEs can effectively contribute to sustainability. As a result, the IB field has increasingly drawn on insights from a range of adjacent disciplines – including business ethics, governance studies, political science, supply chain management, sociology, and economics – to enrich its conceptual and analytical perspectives. This cross-fertilization has allowed IB scholars to explore how MNEs are both constrained by and capable of reshaping the institutional contexts in which they operate (e.g., García-Cabrera & Durán-Herrera, 2016; Kaplan, 2023). The following section offers an overview of how diverse disciplinary domains have informed the study of MNEs' sustainability in IB.

2.3. Borrowing from other disciplinary backgrounds and extending international business to investigate multinational enterprises' sustainability

The growing urgency of global challenges such as climate change, inequality, and resource depletion has progressively brought sustainability to the forefront of IB research. Scholars across diverse domains have emphasized how MNEs are not merely economic actors but key agents whose decisions and operations shape the trajectory

of sustainable development (Grinstein & Riefler, 2015; Kim & Davis, 2016; Linnenluecke & Griffiths, 2010; Maksimov, Wang, & Yan, 2019; Pinkse & Kolk, 2012; Shapiro, Hobdari, & Oh, 2018; Yakovleva & Vazquez-Brust, 2018). Embedding the SDGs into corporate agendas reflects an important shift from a focus on short-term profit maximization toward a broader commitment to long-term societal and environmental value (Montiel et al., 2021; van Zanten & van Tulder, 2018). This transformation recasts MNEs as pivotal contributors to global well-being, capable of addressing global sustainability challenges.

The adoption of the SDGs by private firms, civil society organizations, and governments offers a concrete illustration of the global momentum behind sustainability. In parallel, academic interest has intensified, especially regarding the interactions between business and public actors and civil society in fostering a more sustainable world (Montiel et al., 2021; van Tulder, Rodrigues, Mirza, & Sexsmith, 2021). These interactions have encouraged IB scholars to adopt new analytical lenses from adjacent disciplines, enriching the study of MNEs with insights related to moral responsibility, regulatory pressures, sustainable sourcing practices, and sociopolitical embeddedness. As Aversa, Bettinelli, Levanti, Mocciano Li Destri, & Picone (2024, p. 688) argue, diverse disciplinary lenses can “shed light on the multifaceted phenomena that underlie firm performance and societal advancement.” Drawing on Zahra and Newey’s (2009) work, which distinguishes between borrowing, extending, and transforming theories across disciplines, much of the current research on MNEs and sustainability exemplifies what they refer to as “borrowing and extending” existing disciplinary domains to the IB field. Within this expanding body of knowledge, IB scholars have begun to recognize that understanding sustainability in the context of MNEs demands theoretical and methodological cross-fertilization. This growing cross-fertilization – a fertile and deliberate interweaving of diverse research traditions – has enriched the IB field with contributions from business ethics (e.g., Frederick, 1991; Gorton, Kastenhofer, Lemke, Esquivel, & Nicolau, 2024), corporate governance (e.g., Bondy, Matten, & Moon, 2008; Béthoux, Didry, & Mias, 2007; Kavadis, Hermes, Oehmichen, Zattoni, & Fainshmidt, 2024), political science (e.g., Vogel, 2010; Scherer et al., 2014), supply chain management (Andersen & Skjoett-Larsen, 2009; Wilhelm & Villena, 2021), and institutional studies across sociology (e.g., Mol & Lee, 2023; Richter, 2011) and economics (e.g., Brandl, Moore, Meyer, & Doh, 2022).

The following subsections offer a brief overview of the disciplinary backgrounds that have informed IB scholarship on sustainability, allowing for a richer understanding of the multifaceted (ethical, normative, and political) dimensions that shape MNEs’ sustainability strategies. Within this broad intellectual terrain, particular attention must be paid to the contributions of institutional studies, which have offered significant insights for examining the relationship between MNEs and institutional contexts in which they operate. The institutional theory appears to be particularly suitable for understanding how MNEs engage with the institutional complexity when they address sustainability across home and host countries (Marano & Kostova,

2016; Sayed, Hendry, & Zorzini Bell, 2017). Institutional studies emphasize the embeddedness of MNEs within formal and informal institutions, while shedding light on how these are shaped by MNEs' behavior. Hence, institutional theory is especially valuable for this book, which aims to explore how MNEs can act not merely as passive recipients of institutional pressures, but as institutional entrepreneurs driving sustainability changes (e.g., Kaplan, 2023).

2.3.1. Business Ethics studies

Scholarly research in business ethics has long provided a normative lens to examine the role of firms in society. Within the field of IB, business ethics studies have informed foundational debates on corporate social responsibility (CSR), legitimacy, and the moral obligations of MNEs operating across institutional contexts (e.g., Krammer, Porumb, Zengin-Karaibrahimoglu, & Bothello, 2024; Husted & Allen, 2006). This body of work, while often prescriptive in orientation, offers valuable insights into the ethical imperatives that underlie MNEs' engagement with society.

In particular, business ethics research has historically centered around the concept of *corporate responsibility*, a term that has evolved in parallel – but not always in synchrony – with sustainability (Bansal & Song, 2017). Although both responsibility and sustainability share an interest in the firms' broader societal role, they originate from distinct paradigms (Bansal & Desjardine, 2014; Bansal & Song, 2017). Responsibility is grounded in moral philosophy and welfare economics, asking what ought to be done by firms in relation to society. Sustainability, by contrast, has its intellectual roots in systems thinking and environmental science, seeking to understand how interdependent social, ecological, and economic systems can be preserved over time (Bansal & Song, 2017). This distinction reflects divergent epistemological foundations. Business ethics, as a discipline, draws from normative reasoning, assuming that the world is imbued with meanings, values, and obligations (Bansal & Song, 2017). It seeks to render corporate action “*existentially intelligible*” – to use Stenmark's (1997, p. 494) phrasing – by justifying behavior in light of justice, fairness, and moral purpose. Sustainability studies, on the other hand, aim to make the world “*predictively intelligible*,” focusing on empirical mechanisms and causal relationships that allow for long-term planning and resilience (Bansal & Song, 2017). As Rolston (1987) observes, ethics assumes there are meanings in the world, while science assumes there are causes.

This philosophical divergence has produced different analytical orientations. Responsibility-oriented scholars have traditionally conceptualized the firm as a moral agent embedded in society, one that must respond actively to social and environmental concerns. In early articulations, such as Bowen's (1953) pioneering work, corporate responsibilities were viewed as synonymous with public obligations and managerial morality. The ethical vocabulary of early commentators included terms like *duty*, *obligation*, and *justice*, reflecting the centrality of normative evaluation (Hosmer, 1994; Swanson, 1995).

By contrast, sustainability studies are less concerned with the firms' moral intentions and more focused on long-term system viability (Bansal & Desjardine, 2014). This has led to important differences in how corporate behavior is interpreted. For instance, CSR is frequently framed as a strategic alignment between doing well by doing good (Falck & Heblich, 2007; Karnani, 2011). Many CSR scholars have conceptualized responsibility as the set of voluntary actions that are both socially desirable and economically beneficial (McWilliams & Siegel, 2000; Rathert, 2016). This managerialist logic is also evident in the influential notion of *shared value* (Porter & Kramer, 2006, 2011), which posits that firms can generate simultaneous benefits for business and society without significant trade-offs.

However, sustainability requires a more complex temporal logic (Bansal & Desjardine, 2014; Bruntland, 1987). Unlike CSR, which often focuses on achieving win-win outcomes in the short term, sustainability entails managing *intertemporal trade-offs* – that is, making decisions that may involve short-term costs for the sake of long-term environmental and social sustainability (Bansal & Desjardine, 2014). In this sense, much of the CSR literature, even when conceptually adjacent to sustainability, falls short of addressing the full scope of transformative change needed to ensure systemic sustainability over time (Bansal, 2005; Elkington, 1998).

Within IB, CSR has traditionally served as a central framework for articulating the social commitments of MNEs operating across jurisdictions characterized by divergent ethical standards, cultural values, and institutional expectations (Bamiatzi, Brieger, Karakulak, Kinderman, & Manning, 2024; Filatotchev & Stahl, 2015; Rathert, 2016). However, CSR has often remained confined within a firm-centric logic that privileges reputational safeguarding and legitimacy (Bansal & DesJardine, 2014; Bansal & Song, 2017).

More recent contributions have sought to overcome these limitations by drawing on political science to explore the political roots and implications of CSR (Detomasi, 2008; Wickert & Van Witteloostuijn, 2023). This stream of work reconceptualizes CSR not merely as a tool for ethical compliance, but as a politically embedded conduct through which MNEs engage with broader questions of governance and public accountability. These perspectives have increasingly influenced IB scholarship, offering a more expansive view of MNEs as not only economic but also political actors who operate within and actively shape transnational governance settings (e.g., Scherer & Palazzo, 2007; Scherer, Rasche, Palazzo, & Spicer, 2016).

2.3.2. Political Science studies

Political science has played a pivotal role in expanding the boundaries of IB research, particularly in relation to the responsible behaviours and sustainability strategies of MNEs. As mentioned above, the growing field of Political Corporate Social Responsibility (PCSR) has emphasized the political processes and power structures that shape transnational business-society relations by positioning MNEs as political actors that engage with global governance processes, often filling regulatory voids

left by states (e.g., Scherer & Palazzo, 2007; Scherer et al., 2016). PCSR reconceptualizes corporate responsibility in a globalized world where traditional nation-state governance is increasingly fragmented, and where firms are called upon to participate in deliberative forms of governance and public rule-setting, especially in areas such as environmental protection, human rights, and labor standards (Reinecke & Donaghey, 2021; Scherer & Palazzo, 2011).

The PCSR perspective has been crucial for examining the evolving role of MNEs in contexts marked by regulatory pluralism and power asymmetries, where corporations not only respond to but also help shape the norms and rules that guide responsible behavior (Levy, Reinecke, & Manning, 2016). Eberlein (2019), for instance, argue that MNEs often act as co-governors in global issue areas where public institutions are either weak or absent, thereby contributing to both the legitimacy and effectiveness of transnational governance systems. This reconceptualization blurs the line between public and private authority, suggesting that MNEs can no longer be understood solely as economic agents, but also as political entities that operate across multi-level governance settings (e.g., Banerjee, 2018; Detomasi, 2015; Palazzo & Scherer, 2006; Westermann-Behaylo, Rehbein, & Fort, 2015).

Moreover, the integration of political arguments into IB scholarship has further deepened our understanding of how spatial and territorial dimensions influence the political embeddedness of MNEs (Saittakari, Ritvala, Piekkari, Kähäri, Moisio, Hannell, & Beugelsdijk, 2023). The stream of political geography research, for instance, encourages a relational view of place and location, emphasizing how firms are situated within and interact with uneven political geographies that shape their strategies and societal impact (Saittakari et al., 2023).

Altogether, political science studies have contaminated IB to acknowledge that MNEs as both governed and governing entities, this body of work offers critical insights into the mechanisms through which sustainability goals are negotiated and employed across borders (Röell et al., 2024; Scherer et al., 2014). Röell et al. (2024) illustrate how MNEs use the SDGs as tools to exert political influence in multi-actor settings. By unpacking the political dimension underpinning sustainability commitment, this scholarship highlights the need to critically assess the ways in which MNEs employ their political power in co-opting governance in the global arena (Leone, Picone, & Mocciaro, 2023).

2.3.3. Governance studies

The intersection between governance studies and sustainability research has evolved significantly over the past two decades (Naciti, Cesaroni, & Pulejo, 2022), grounded in the increasing recognition that corporate governance structures play a fundamental role in shaping MNEs' social and environmental responsibilities (e.g., Aguilera & Ruiz Castillo, 2025; Alvarez, Pilbeam, & Wilding, 2010; Kalfagianni, 2014; Li, Zhao, Shi, & Li, 2014; Soundararajan, Sahasranamam, Khan, & Jain, 2021). Initially, this intersection was conceptualized through the lens of CSR, where

governance was often seen as a mechanism for ensuring ethical conduct, stakeholder engagement, and accountability (e.g., Bondy, Matten, & Moon, 2008; Detomasi, 2008; Jamali, Safieddine, & Rabbath, 2008). From this perspective, CSR and corporate governance were viewed as complementary – both articulating a firm's duties to internal and external stakeholders and reflecting its embeddedness in broader societal structures (Rathert, 2016; Young & Thyil, 2014). This integrative approach has given rise to the notion of “extended corporate governance” (Sacconi, 2012), which shifts the fiduciary logic of governance from a shareholder-centered model to a multi-stakeholder model. In this view, firms are not solely responsible to their owners but are expected to respond to the expectations and rights of a wide range of actors, including employees, customers, communities, and civil society organizations (Schneider & Scherer, 2015). Such an expansion aligns closely with Porter and Kramer's (2006) notion of the “license to operate,” which frames corporate legitimacy as contingent upon the acceptance and support of stakeholders.

While CSR studies have laid the conceptual groundwork for linking governance to ethical and social concerns, the growing prominence of sustainability challenges has demanded a broader rethinking of what governance entails. Sustainability issues are inherently complex and transboundary (Montiel et al., 2021; van Zanten & van Tulder, 2018). As a result, governance cannot be restricted to firm-level mechanisms alone but must extend into global and multi-actor settings that can effectively address environmental degradation, social inequality, and resource constraints worldwide (Montiel et al., 2021; Soundararajan et al., 2021). This expansion is particularly salient in IB scholarship, where governance is increasingly studied through the prism of MNEs' global supply chains and their cross-border facilities and operations (Clarke & Boersma, 2017; Lee, Mellahi, Mol, & Pereira, 2020). In this regard, the concept of governance has evolved from formal corporate oversight structures to encompass informal, voluntary, and hybrid forms of governance that shape the behavior of MNEs within their global supply chains. Scholars have paid particular attention to how MNEs participate in the development and implementation of private governance mechanisms, such as certification schemes, across their supply chains (e.g., Van Tulder, Van Wijk, & Kolk, 2009). These arrangements often involve interactions between buyers, their suppliers, and local civil society and public actors, thereby highlighting the negotiated nature of sustainability governance in global supply chains (Rapior & Oberhauser, 2025). The notion of *global governance* has become central, referring to “the process of defining and implementing global rules and providing global public goods” through a multilateral constellation of governments, firms, and civil society actors (Scherer & Palazzo, 2011, p. 900). In parallel, concepts such as *meta-governance* have emerged to address the “organization of self-organization,” where public and private actors co-create governance mechanisms for sustainability (Albareda & Waddock, 2018, p. 646). These evolving governance settings illustrate how MNEs are embedded within – and often co-create – new regulatory structures that operate beyond the state. For instance, *multi-stakeholder governance* describes decentralized systems in which various actors consult,

negotiate, and compete over the deployment of voluntary standards, often without the formal backing of state authority (Fougère & Solitander, 2020). Similarly, *non-state market-driven governance* highlights how MNEs and NGOs bypass traditional state channels, leveraging supply chain pressures to enforce social and environmental norms (Cashore, 2002, p. 503).

This broader governance perspective in IB has also stimulated interest in “polycentric governance” (Doh, Tashman, & Benischke, 2019), a concept that captures the fragmented yet coordinated nature of rule-making across multiple centers of authority. Polycentric governance recognizes that sustainability may be regulated not only from states or supranational organizations but also from coalitions of firms, NGOs, and local communities. In global supply chains, this implies that MNEs do not merely comply with external norms but actively shape governance structures by leveraging their capabilities, resources, and power. For instance, MNEs can be conceptualized as orchestrators of sustainability ecosystems, wherein hybrid governance models are employed to reduce coordination failures and manage inter-organizational relationships (Schmidt & Foss, 2025).

As such, a more granular understanding of governance has required IB scholars to engage with the literature on supply chain management (Marano et al., 2024), which offers complementary insights into the organizational, operational, and inter-firm relationships that support or hinder MNEs’ sustainability. In particular, research streams on global value chains and global commodity chains provide critical tools for analyzing how governance structures are enacted and transformed across geographically dispersed production networks (Gereffi & Lee, 2016; Lee & Gereffi, 2015; Sacco, Magnani, & Previtali, 2025). These perspectives will be further explored in the following section.

2.3.4. Supply Chain Management studies

As MNEs increasingly operate through vast and fragmented production networks, the field of supply chain management has become central for IB scholars to understand the challenges and opportunities related to MNEs’ sustainability (Marano et al., 2024). A significant example is offered by Montiel et al. (2021) that provide a framework to explore how MNEs can operationalize the SDGs across their global value chains. In particular, Montiel et al. (2021) propose mapping the SDGs into an extended value chain – from supply to disposal – thus enabling MNEs to identify where and how their activities can generate positive externalities or mitigate negative ones. This approach offers a structured instrument for translating country-level development goals into MNE-level sustainability strategies. Indeed, the disaggregation of value creation across multiple institutional contexts and actors has complicated MNEs’ capacity to ensure ethical and environmentally sound practices throughout their supply chains (Boström, 2015) and, sometimes, given the opportunity to MNEs and its multiple suppliers to misbehave (Röell et al., 2024; Short, Toffel, & Hugill, 2016).

In this regard, scholars advanced the concept of governance in value chains as a

source of authority and influence to control suppliers' compliance with sustainable practices (Vurro, Russo, & Perrini, 2009). The global commodity chain approach (Gereffi, 1999; Gereffi, Humphrey, Kaplinsky, & Sturgeon, 2001) and its further developments (Gereffi, Humphrey, & Sturgeon, 2005; Gereffi & Lee 2012; Kano, Tsang, & Yeung, 2020; Mayer & Gereffi, 2010) represent a significant research area crossing the disciplines of supply chain management and IB. Leveraging such studies, scholars have acknowledged the role of codes of conduct and global standards as formal institutions to better monitor global supply chains and their social and environmental impact. Nevertheless, the impact of compliance with such sustainability rules may be ineffective if they "are not socially embedded" (Nadvi, 2008, p. 340; Soundararajan et al., 2021). Accordingly, it is necessary to go beyond the focus on the governance of supply chains alone to consider institutional contexts in which suppliers are settled (Castaldi, Wilhelm, Beugelsdijk, & van der Vaart, 2023; Midttun, Gautesen, & Gjørlberg, 2006). Characterized by a high degree of theoretical pluralism, the global commodity approach has shifted progressively from the focus on specific commodities (Gereffi, 1999), value chains (Gereffi et al., 2005), and their efficiency to richer views of how broader regulatory and institutional contexts shape MNEs' supply chains (Henderson, Dicken, Hess, Coe, & Yeung, 2002).

Some contributions have informed this approach in the light of the findings of institutional studies to depict a more detailed view of the relationship between MNEs and the different institutional contexts in which they operate (De Ville, 2018; Mook & Overdevest, 2021). Indeed, institutional theory offers a thick understanding of the institutional variety and the systematic interdependent configurations that lead to "non-random types or patterns" of institutions at national or regional levels (Aoki, 1994; Whitley, 1999). Institutional theory sheds light on the relevance of considering institutions to comprehend how MNEs address sustainability challenges across home and host countries – challenges that become even more intricate when considering the multi-tiered nature of MNEs' supply chains (Scuotto, Chin, Pezzi, & Pironti, 2022), which involve numerous suppliers operating across diverse regulatory and cultural settings.

Against this backdrop, Wang, Lee, and Li (2024) provide an illustrative example of how MNEs can support institutional change for sustainability in their supply chains. By introducing the concept of "smart disclosures" – digitally enabled reporting tools that enhance the accessibility and transparency of supply chain information – they demonstrate how MNEs can increase visibility into supplier practices, particularly in regions vulnerable to human rights abuses. These technologies serve not only to inform local and global stakeholders, but also to create pressure and incentives for improved behavior. The efficacy of these mechanisms, however, is contingent upon both the centrality of suppliers within production networks and the quality of the institutional contexts in which they are embedded. This line of inquiry further reinforces the view of MNEs as entrepreneurs, capable of mobilizing technological infrastructure to influence norms, expectations, and practices to improve sustainable behaviours along global supply chains. As emphasized by institutional studies,

MNEs strategically engage in economic and organizational linkages across nations and how they adapt to or shape the diversity of institutions across those countries (Sun, Doh, Rajwani, & Siegel, 2021).

2.3.5. Institutional studies across Sociology and Economics

Institutional studies have proven to be a powerful lens for examining how MNEs engage with formal and informal institutions that shape economic and organizational life across national borders. Institutions, understood as the “rules of the game” (North, 1990), provide the framework within which firms operate, influencing and constraining behavior at the macro, meso, and micro levels (Sayer & Campbell, 2004). Given the complexity and global reach of MNEs, institutional perspectives are particularly well-suited for exploring sustainability challenges, as they allow IB researchers to capture both the structural constraints MNEs face and the strategies they adopt to deal with or reshape the institutional contexts (van Zanten & van Tulder, 2018). In particular, the IB field has benefited from a growing recognition of institutional pluralism – the coexistence and interaction of diverse scholarly traditions of institutionalism (Dau et al., 2022; Marano et al., 2024) – most notably those stemming from economics (institutional economics; North, 1981, 1990, 2005; Williamson, 1975, 1985, 2000) and sociology (the new institutionalism; DiMaggio & Powell, 1983; DiMaggio, 1998; Meyer & Rowan, 1977; Scott, 1995). Importantly, the institutional economics and institutional sociology traditions are not monolithic and offer distinct conceptual foundations, each contributing differently to our understanding of MNEs and sustainability (Dau et al., 2022; van Zanten & van Tulder, 2018).

Institutional economics, rooted in neoclassical economics and mainly popularized by North (1990), focuses on how actors – assumed to be rational, though boundedly so – deal with institutional constraints in pursuit of efficiency. Institutions, in this view, are “humanly devised constraints” that reduce uncertainty and transaction costs by setting stable expectations (North, 1990, p. 97). Action is governed by a logic of instrumentality, with firms acting strategically to maximize their interests within the boundaries set by formal and informal institutions (Dau et al., 2022). Change is explained through path-dependent processes, evolving incrementally or punctuated by shocks, and institutional diffusion occurs primarily through learning and coercive mechanisms (Dau et al., 2022). This tradition lends itself well to IB research that seeks to understand how MNEs adapt to the formal legal and informal normative institutions of host countries, especially in relation to investment decisions, contract enforcement, and economic performance (Dau et al., 2022).

In contrast, the new institutionalism emerges from organizational theory and sociology (Powell & DiMaggio, 2012; Scott, 1995). It highlights how institutions shape behavior not merely through external frameworks, but by constituting the cognitive and normative frameworks within which actors operate. Institutions comprise regulative, normative, and cognitive pillars (Scott, 1995; Dau et al., 2022). Rather than pursuing efficiency, actors are guided by a logic of appropriateness, conforming

to what is socially legitimate or expected in a given organizational field (DiMaggio & Powell, 1983; Dau et al., 2022). Institutional change, from this view, unfolds through isomorphic pressures – coercive, mimetic, and normative – that lead organizations to resemble one another in order to gain legitimacy (DiMaggio & Powell, 1983; Meyer & Rowan, 1977; Scott, 1995). This approach is particularly relevant to IB scholarship on sustainability because it emphasizes how MNEs adopt environmental and social practices in response to external expectations and stakeholder scrutiny (e.g., Tashman, Marano, & Kostova, 2019; Wang et al., 2024).

A key point of divergence between these traditions lies in their assumptions about actors' incentives for action (Dau et al., 2022). Institutional economics emphasizes a logic of instrumentality: actors, including firms, are guided by bounded rationality and operate within a cost-benefit framework where institutions reduce uncertainty and transaction costs (North, 1990; Williamson, 1985). Action is shaped by formal and informal rules, and institutional change is often conceptualized as an incremental and evolutionary process (Dau et al., 2022). In this view, MNEs may adapt their behavior to existing constraints but are also able to recalibrate institutional arrangements to improve efficiency, especially in settings marked by weak or evolving governance structures (Kolk & Lanfant, 2013). According to the sociological tradition, institutional change is driven less by efficiency-seeking than by isomorphic pressures (Dau et al., 2022) that encourage conformity to socially accepted standards, often resulting in symbolic adoption of sustainability practices (Christmann & Taylor, 2006; Sethi, 2003).

Understanding these distinct incentives for action is especially relevant for conceptualizing the role of MNEs as institutional entrepreneurs in sustainability. While sociological tradition explain why MNEs may align with sustainability norms to secure legitimacy, economics traditions highlight the strategic motivations behind institutional change (Dau et al., 2022).

Taken together, these perspectives enable a richer understanding of MNEs' sustainability in IB. This study recognizes that MNEs operate at the intersection of multiple institutional pressures. On the one hand, they are subject to formal rules and governance structures that shape strategic behavior in terms of efficiency and transaction costs; on the other, they must deal with legitimacy expectations embedded in broader cultural and normative contexts. By drawing on both economic and sociological strands of institutional theory, this research captures the MNEs' pursuit of efficiency under formal constraints and the drive for legitimacy through isomorphic adaptation. Rather than rigidly assigning each tradition to separate levels of analysis, the study engages allows for a more nuanced account of how MNEs simultaneously adapt to institutional contexts and act upon them – responding to institutional pressures, but also actively shaping the rules of the game. Indeed, beyond adaptation, MNEs may also exercise agency by lobbying for new regulations (e.g., Lock & Seele, 2016), establishing private governance mechanisms (e.g., Li et al., 2014), or fostering actions that reshape the institutional context itself (e.g., Kaplan, 2023). In this sense, sustainability becomes not only a response to institutional pressures, but

also a driver of institutional innovation, with MNEs playing a central and active role (Wang et al., 2024).

2.3.5.1. *The contribution of the institutional entrepreneurship perspective*

Institutional theory has traditionally served as a cornerstone for understanding how institutions shape firms' strategies and organizational behaviors (DiMaggio & Powell, 1983; Meyer & Rowan, 1977; North, 1990; Thelen, 2004). Given their transnational reach, MNEs are not merely influenced by institutions but they also actively engage with, shape, and transform institutions through sustainability initiatives within their global supply chains (Dau et al., 2022; Ferner, Almond, & Colling, 2005; Kostova & Roth, 2002; Jackson & Deeg, 2008). IB studies have largely treated institutions as exogenous constraints that limit strategic discretion, compelling MNEs to adapt to institutional voids or compensate for regulatory weaknesses (Goerzen, Sartor, Brandl, & Fitzsimmons, 2023; Henisz & Williamson, 1999). This perspective assumes that institutions primarily imposed constraints, limiting the agency of firms and enforcing isomorphic pressures on sustainability practices (Beddewela & Fairbrass, 2016; Jackson & Deeg, 2008). In contrast, a body of the IB research challenges this passive view, emphasizing that MNEs can proactively engage with multiple actors to shape institutions toward a sustainable transformation (Helfen & Sydow, 2013; Fortwengel & Jackson, 2016; Kostova, Marano, & Tallman, 2016). Moreover, most of the IB research has traditionally treated MNE as a unified actor capable of intentional and strategic action (e.g., Meyer, Mudambi, & Narula, 2011; Wang et al., 2024). However, it is important to acknowledge the composite and multi-actorial nature of such organizations. MNEs are not monolithic entities but they constitute a constellation of heterogeneous actors (i.e., subsidiaries, functional departments, and individuals) whose interests and objectives may at times align and at other times diverge. From this perspective, the formulation of collective goals is not predetermined but emerges through negotiation, convergence, and contestation among MNE internal actors. Therefore, the MNEs' agency stems from a form of intersubjective rationality, grounded in the evolving coalition of actors that shapes its strategic orientation (Greenwood & Suddaby, 2006; Rullani, 1989).

Notwithstanding this internal composition, this study adopts a conceptualization of the MNE as an institutional entrepreneur, consistent with recent theorizing in IB (e.g., García-Cabrera & Durán-Herrera, 2016; Wang et al., 2024). This approach recognizes that, under certain conditions, MNEs can act intentionally and cohesively to shape institutional contexts in support of sustainable development. The attribution of agency to the MNE in this work is thus a theoretical device that enables analysis of its role as a purposive actor in institutional change. It does not deny internal plurality but rather abstracts from it to capture the MNEs' emergent capacity to engage in collective action across borders.

Indeed, more recent IB studies have redefined MNEs as institutional entrepreneurs capable of modifying, transferring, and shaping institutions to support sustainable development (Kaplan, 2023; Leone et al., 2023; Luo, 2024; Wang et al., 2024).

Institutional entrepreneurs have the goal to create new institutions and are “generally driven to by a desire for change” (Zucchella & Scabini, 2007, p. 99). MNEs often do it through active engagement with global and local actors. For instance, Zietsma & Lawrence (2010) examine how firms as institutional challengers and boundary insiders transform environmental governance within the British Columbia forestry industry. Similarly, Gutierrez-Huerter O, Moon, Gold, and Chapple (2020) analyze how MNE subsidiaries mediate and reinterpret sustainability reporting practices in response to local institutional demands.

Hence, IB research has leveraged institutional theory to examine the agentic behaviors of MNEs addressing sustainability challenges across diverse institutional contexts and managing differences between home and host countries (Doh et al., 2019). In line with Marano et al. (2024), who emphasize the importance of institutional pluralism in IB research on sustainability, this book draws from both institutional economics and sociological institutionalism to build a comprehensive understanding of how MNEs can act as institutional entrepreneurs. Although these two traditions differ in their epistemological foundations and assumptions, scholars have increasingly acknowledged the value of cross-fertilization (Van Zanten & Van Tulder, 2018). Indeed, as highlighted by Dau et al. (2022), there are many exceptions to the internal coherence of each tradition, as scholars often relax core assumptions or introduce alternative mechanisms. Furthermore, a growing body of work deliberately spans more than one institutional tradition, whether or not this is made explicit, in an effort to bridge perspectives and enrich theory development (Dau et al., 2022; Van Zanten & Van Tulder, 2018). Embracing this pluralistic orientation allows for a more nuanced analysis of how MNEs deal with the interplay of formal and informal institutions, and legitimacy concerns in shaping and transforming institutional contexts for sustainability.

Formal institutions consist of explicitly codified rules, such as laws, regulations, and governance structures, which provide enforceable constraints on corporate conduct (North, 1990, 1991, 2005; Sartor & Beamish, 2014; Sauerwald & Peng, 2013). These institutions are often established by public actors but can also emerge from private and civil parties, such as industry standards and multi-stakeholder agreements that dictate sustainable business practices. In contrast, informal institutions represent unwritten social conventions, encompassing norms, customs, traditions, and shared societal expectations which shape organizational behavior in ways that may complement, contradict, or substitute for formal regulations (Helmke & Levitsky, 2004, 2006). Recognizing that institutions define the “rules of the game” in which firms operate, existing literature suggests that both formal and informal institutions matter in investigating sustainability efforts within MNEs (Aoki, 2001; North, 1990).

Although formal institutions outline the domain for informal ones and consider these as dependent on the first ones (Grzymala-Busse, 2010), at the same time, there exists the possibility that the latter (positively or negatively) influence the effectiveness of the former. Formal institutions are not stable but are in “a state of flux,” so

they vary over time (Grzymala-Busse, 2010); they repeatedly interact with informal ones, and such interactions can give various outcomes (Helmke & Levitsky, 2004). Moreover, informal institutions can function as implicit mechanisms of coordination in MNEs' sustainability strategies beyond regulatory compliance (Beddewela & Fairbrass, 2016; Krammer, Porumb, Zengin-Karaibrahimoglu, & Bothello, 2024). For MNEs, these interactions are particularly relevant, as they must adopt sustainability strategies that align with host-country institutional contexts and societal expectations, which may diverge from the institutions of their home countries.

Arguably, IB research has traditionally focused more on formal institutions, leaving the interplay between formal and informal institutions and their implications for MNE sustainability strategies largely underexplored (Dau et al., 2022). Building on these insights, the following chapter develops a conceptual framework that offers an examination of formal and informal institutions across three analytical levels: private, civil, and public. It conceptualizes the interplay of formal and informal institutions at each level of analysis and explores how MNEs connect these three levels through bottom-up and top-down strategies in their efforts to foster sustainable development.

CHAPTER III

SUSTAINABILITY, MULTINATIONAL ENTERPRISES, AND INSTITUTIONAL CHANGE: A CONCEPTUAL FRAMEWORK

Summary: 3.1. Disentangling formal and informal institutions of multinational enterprises' sustainability. – 3.1.1. Formal institutions for sustainability at the private, civil, and public level. – 3.1.2. Informal institutions for sustainability at the private, civil, and public level. – 3.2. Multinational enterprises as agents for a sustainability-oriented institutional change: The conceptual space. – 3.2.1. MNEs' agency at the private level. – 3.2.2. MNEs' agency at the civil level. – 3.2.3. MNEs' agency at the public level. – 3.3. Co-creation of sustainability value: A new goal of institutional entrepreneurship. – 3.3.1. Bottom-up strategies of multinational enterprises to shape institutions towards sustainability. – 3.3.2. Top-down strategies of multinational enterprises to shape institutions towards sustainability. – 3.4. From conceptual ground to empirical inquiry.

3.1. Disentangling formal and informal institutions of multinational enterprises' sustainability

The role of MNEs in addressing sustainability has evolved significantly in recent decades, particularly in the era of the Post-Washington consensus (Werner, Bair, & Fernández, 2014). No longer merely economic actors, MNEs are increasingly recognized as institutional entrepreneurs, actively driving sustainability initiatives within global markets (Kaplan, 2023; Leone et al., 2023; Luo, 2024; Wang et al., 2024). Their influence extends beyond corporate strategies, as they collaborate with civil organizations, governments, and international agencies to address sustainability across home and host countries (e.g., Ferner et al., 2005; Leone et al., 2023). In this context, Mayer and Phillips (2017) introduce the concept of “outsourcing governance,” highlighting how policymakers delegate regulatory responsibilities to private and civil actors. Governments, acting as “intentional architects” (Mayer & Phillips, 2017, p. 135), facilitate multi-stakeholder partnerships where MNEs and civil society organizations assume growing political significance in advancing sustainability goals (Rahim, 2017). Accordingly, Aguinis and Glavas (2019) highlight the multi-level nature of sustainability, shaped by both internal corporate dynamics and broader societal and ecological influences. This perspective distinguishes between “outside-in” and “inside-out” processes. The former refers to how external sustainability expectations, such as evolving regulatory frameworks and consumer advocacy,

shape corporate behavior (Aguinis & Glavas, 2019). The latter describes how firms actively influence sustainability beyond their immediate operations, shaping industry standards and contributing to broader regulatory developments (Aguinis & Glavas, 2019). This shift challenges the traditional perspective of institutions as firms' constraints, enriches the MNEs' agency and raises important questions about the interplay between formal and informal institutions in their sustainability efforts (Dau et al., 2022).

Abandoning a simple description of institutions as “constraints” on firms and leveraging a more firm-centered perspective can help clarify the role of MNEs' as institutional entrepreneurs in reinterpreting and redefining institutions to promote a sustainable development. Nonetheless, firms need to develop “entrepreneurial sustainable business models” that enable them to effectively respond to sustainability challenges (Minà & Michelini, 2024). In line with these goals, this research proposes a multi-level framework that delineates the conceptual space within which MNEs enact agency across three interconnected levels – namely, private, civil, and public. As Torraco (2005) emphasizes, a conceptual framework illustrates a different way of thinking about the research topic based on what the previous literature does and does not address. Moreover, a conceptual framework permits to theorize with mechanisms underlying phenomena and their multiple levels of analysis (Post, Sarala, Gatrell & Prescott, 2020). Foss, Husted, and Michailova (2010), for example, offer a conceptual framework that analyzes literature on knowledge governance offering a taxonomy of mechanisms between different levels of analyses.

Following in the footsteps of Foss, Husted, and Michailova (2010), the current study offers a framework that emphasizes how formal and informal institutions can have a different impact at a different level of analysis according to the way they interact with each other. To build this framework, it is crucial to undertake a detailed analysis of both formal and informal institutions that inform MNEs' sustainability efforts within the three levels of analysis. Table 3.1 provides a synthesized overview of these levels, detailing key formal and informal institutions that MNEs deal with in their pursuit of sustainability. At the private level, two private institutions are identified which MNEs leverage, respectively: (a) codes of conduct and (b) bargaining power. Moreover, MNEs increasingly address sustainability by leveraging civil institutions, which include (a) global standards and (b) legitimacy. At the public level, MNEs must obey (a) national public laws and international agreements while also considering informal institutions such as (b) cultural values and social norms across home and host countries. The following subsections offer a detailed exploration of these institutions, their interplay and implications for MNEs' sustainability strategies which will be further elaborated upon in the concluding section of this chapter.

Table 3.1. – Definitions: Levels of analysis, formal, and informal institutions

| Level of analysis | Formal institutions | Informal institutions |
|--|--|---|
| Private level includes “regulating economic transactions among [MNEs] and with their external partners” (Gereffi & Lee, 2016, p. 30). | Code of conduct: “is a document stating a number of social and environmental standards and principles that a firm’s suppliers are expected to fulfil (Mamic, 2005; Jenkins, 2001). Codes of conduct are increasingly introduced in contracts between a buyer company and its suppliers (Welford, 2005).” (Andersen & Skjoett-Larsen, 2009, p. 78). | Bargaining power “stems from [MNEs] extensive purchasing power, as attained from consolidation and the prevailing high marketing and brand position in the consumer market” (Alghababsheh, Butt, & Ali, 2023, p. 5). |
| Civil level “is driven by civil society actors, such as NGOs and labor unions. It provides a more explicit means of regulating workers’ rights and labor conditions. These include codes of conducts initiated by NGOs, and multi-stakeholder initiatives” (Gereffi & Lee, 2016, p. 31). | Global standards indicate “voluntary predefined rules, procedures, and methods to systematically assess, measure, audit and/or communicate the social and environmental behavior and/or performance of firms” (Gilbert, Rasche, & Waddock, 2011, p. 24). | Legitimacy can be understood as “the ‘socially shared belief’ that the regulator has the capacity and the authority to impose rules on a community of citizens (Scharpf, 2009, p. 173)” (Mena & Palazzo, 2012, p. 528). |
| Public level includes “governments at various levels within nation-states, and supranational organizations” (Gereffi & Lee, 2016, p. 31). | National and international public laws set the legal framework “within which business takes place and within which firms fulfill their responsibility” (Schrempf-Stirling, 2018, p. 4). | Cultural values and social norms refer “to a system of socially created and learned standards for perception, cognition, judgment, or behavior shared by members of a certain group” (Fu et al., 2004, p. 288). |

Source: own elaboration.

3.1.1. Formal institutions for sustainability at the private, civil, and public level

Formal institutions comprise explicit, codified rules, such as laws and regulations, which foster a high degree of compliance through clearly defined provisions and stringent enforcement mechanisms (Helmke & Levitsky, 2004, 2006). Recognizing that the sustainability of MNEs is governed not only by public actors through mandatory and directive regulations but also by private (MNEs) and civil society actors (NGOs and other stakeholders), a significant portion of regulatory space is shaped by voluntary sustainability rules (Liu & Heugens, 2024). The following discussion disentangles the key formal institutions that MNEs leverage when they address sustainability with their suppliers, civil, and public actors.

Private codes of conduct serve as one of the primary formal institutions used by MNEs to discourage unsustainable practices and mitigate their negative effects on corporate performance and reputation. These rules necessitate rigorous oversight of suppliers, including the monitoring of their operations, evaluation of their environmental and social performance (Short et al., 2016), certification and labeling of products (Corbett, 2006; Daddi, Testa, Frey, & Iraldo, 2016), and the implementation of compliance-based reward and sanction systems (Klooster, 2006; Yu, 2008).

Extensive research has explored how MNEs integrate private regulatory institutions to manage sustainability challenges within their supply chains (Andersen & Skjoett-Larsen, 2009; Van Tulder et al., 2009; Yu, 2008), highlighting their impact on supplier selection and governance. Nonetheless, despite their prevalence, private codes often fall short in promoting a comprehensive approach to sustainability (Bird, Short, & Toffel, 2019; Knudsen, 2013; Kolk & Van Tulder, 2002; Robinson, 2010). The core debate surrounding their effectiveness questions whether these codes represent a meaningful commitment to sustainability or merely a strategy aimed at achieving the minimum ethical and legal compliance standards (Yu, 2008). A transition from broad, loosely enforced codes of conduct to highly specific and rigorously monitored compliance mechanisms signifies a shift from chain liability to chain responsibility, fostering firms to integrate sustainability into their core objectives rather than treating it as a mere obligation (Van Tulder et al., 2009).

Although private codes of conduct generate both optimism and skepticism, concerns about their actual impact persist. On the one hand, they encourage more responsible business practices by pressuring MNEs to uphold ethical commitments, enhancing transparency across supply chains, and incentivizing firms to adopt higher environmental and social standards to maintain their market reputation (Bartley, 2022). On the other hand, some scholars remain critical of their reliability. In this regard, Klein (2000, p. 430) defines private codes and standards as “awfully slippery,” while Mamic (2005, p. 81) describes them as a “public relations smoke-screen.” The question is rooted in the variety of limits that MNE suppliers have to deal with to obey them, such as the high costs related to providing better price and quality, to remain competitive in the market (Yu, 2008); the trade-off between profitability and environmental and social performance (Goebel, Reuter, Pibernik, Sichtmann, & Bals, 2018); and the government’s insufficient support (Kolk & Van Tulder, 2002).

Beyond private formal institutions, MNEs leverage formal institutions set by civil society actors such as global standards. Civil regulations impact four key policy debates: promoting economic efficiency by providing information about product specifications, addressing global environmental and social challenges creating new market niches, and supplementing public regulatory mechanisms (Vogel, 2008). Regulatory frameworks driven by civil society tend to emerge predominantly in developed countries, often failing to extend their influence on less industrialized economies where many MNEs operate. As a result, MNEs in these regions frequently lack the institutional support necessary to enforce sustainability standards effectively. This

challenge becomes even more pronounced when procurement involves small-scale producers, whose limited resources and market power make compliance with stringent sustainability criteria particularly difficult (Preuss, Barkemeyer, Arora, & Banerjee, 2024). Indeed, several studies have dedicated attention to the smallholder production systems in developing countries (Blowfield, 2003; Henson & Humphrey, 2010; McCarthy, Gillespie, & Zen, 2012; Neilson, 2008), by pinpointing the dichotomy that habitually marks civil regulations in these countries. Perez-Aleman and Sandilands (2008) stress the importance of a bottom-up approach in global standards formulation and implementation processes, promoting an “active assistance approach” between MNEs, smallholders, NGOs, and governments, providing small producers training services, information, specialized and financial support. Also, Lee et al. (2012, p. 12326) state that global food standards “work as a barrier for smallholders in developing economies and hinder poverty reduction through agri-food exports,” forcing suppliers to downgrade their activities or exit the market. On the one hand, civil rules allow smallholders to deal with MNEs and access profitable global markets; on the other hand, such formal institutions represent a hurdle for those producers who do not have sufficient resources, knowledge, and expertise to comply with them. This limitation underscores the need for a complementary role of public actors in providing public formal institutions guiding MNEs in making their value chains sustainable.

Public actors offer regulatory tools (national laws and international agreements) to enforce sustainability standards in MNEs. In this regard, institutional scholars emphasize that, due to their coercive nature, the rule and law systems are the only ones able to control the utilitarian logic of individuals and firms. As Scott (1995) pinpoints, “force and fear and expedience are central ingredients of the regulative pillar” (Scott, 1995, p. 36). Institutional economic historians recognize the state as the primary source of coercion and entrust national political systems with procuring a regulatory framework to guide societies to observe social and environmental requirements (North, 1990). However, few legal and political interventions and public laws force businesses to implement sustainable practices at the national and regional levels. Scholars discuss public governance deficits, institutional voids, public regulatory gaps, and weak public regulations (Gugler & Shi, 2009; Mayer & Gereffi, 2010; Parmigiani & Rivera-Santos, 2015; Scherer et al., 2014).

Since national legislations are bounded in their geographical scope, international public actors are increasingly called to set the rules of the game in MNEs’ economic exchanges across countries. They could ensure legal and social order, reduce poverty, inequality, and corruption, and provide efficiency in market competitiveness and property rights protection (Abbott & Snidal, 2010). Some notable efforts may be considered in this regard. Chien and Shih (2007) investigate how the European Union directives “Restriction of Hazardous Substances” and “Waste Electrical and Electronic Equipment” affect the adoption of environmental practices in the Taiwanese electrical and electronic supply chains and how they influence the performance of some of the most successful brands (i.e., Acer, Asus, Tatung, and UMC).

Additionally, governmental and intergovernmental global agreements have been advanced over time to reduce the impact of climate change. Among these, the most famous include the Montreal Protocol, the United Nations Framework Convention on Climate Change, the Kyoto Protocol, and the Paris Agreement. Since 2007, the Intergovernmental Panel on Climate Change has represented an essential tool for policymakers to assess greenhouse gas emissions' consequences and potential risks. Those emissions are mainly attributed to the operations of MNEs and their supply chains.

As a result, national governments are increasingly urged to adopt international principles within their legislations to encourage a shared action to contrast climate change, extreme poverty, land degradation, and many other goals for the planet and social protection. To implement a global sustainable approach is of paramount relevance considering the institutional variety that distinguishes the international context, including informal institutions such as national cultures and social norms. Indeed, informal institutions may be crucial for the effectiveness of sustainability practices worldwide, and accordingly, they should receive more attention in the IB field (Dau et al., 2022).

3.1.2. Informal institutions for sustainability at the private, civil, and public level

In addition to formal institutions, informal institutions play a crucial role in MNEs' approach to sustainability (Dau et al., 2022; Keig, Brouthers, & Marshall, 2019). These institutions embed expectations about environmental and social responsibility within local communities and stakeholder networks (North, 1990; Sun, Zhang, & Meng, 2023). Unlike formal institutions, informal ones operate through social pressure and legitimacy concerns (Dau et al., 2022). To effectively address sustainability, MNEs must consider informal institutions as they need to adopt strategies that align with local norms, values, and societal expectations (Aguilera, Rupp, Williams, & Ganapathi, 2007).

Informal institutions can either reinforce or challenge formal sustainability institutions. In regions where cultural norms emphasize environmental stewardship and social responsibility, MNEs may voluntarily exceed formal sustainability regulations to maintain legitimacy and secure stakeholder support (Matten & Moon, 2008). Conversely, in contexts where informal institutions tolerate weaker sustainability commitments, firms may exploit regulatory gaps, prioritizing economic gains over environmental and social considerations (Campbell, 2007). Therefore, a comprehensive examination of informal institutions is essential in understanding how MNEs address sustainability across home and host countries.

MNEs can utilize bargaining power as a private informal institution to influence their upstream partners in global supply chains, ensuring adherence to sustainability practices. This bargaining power is not exercised in isolation but is often reinforced by related factors such as corporate reputation, social capital, and supplier dependence. High-reputation firms with strong social capital can enhance their bargaining

power, using mechanisms such as idiosyncratic investments – including training programs (ex-ante) or post-transaction incentives (ex-post) – to guide supplier behavior (Jorgensen & Knudsen, 2006). Additionally, resource dependencies can further strengthen MNEs' influence, as suppliers reliant on a particular buyer may feel compelled to comply with sustainability expectations to maintain business relationships. However, these dependencies can create power imbalances, particularly when suppliers face constraints such as limited resources, technical expertise, or financial capacity, making compliance with sustainability standards challenging. To address these challenges, MNEs can set favorable conditions and provide suitable requirements for upstream partners so as to ensure their conformance to the sustainability standards they set. In this vein, Harms, Hansen, and Schaltegger (2013) identify two strategies MNEs can establish in supply chain management: risk – and opportunity-oriented. The first one aims to reduce the reputation risks of the focal firm and respond to external pressures from stakeholders. The latter focuses on developing strong cooperation by activating dialogues with suppliers, training programs, and developing new products and processes jointly. An opportunity-oriented strategy that leverages informal institutions may ensure awareness-raising regarding supplier behaviors sustainability (Harms et al., 2013). “Some valuable, rare and difficult-to-copy resources (i.e., learning) are developed when buyers and suppliers work together to improve their environmental and social performance” (Gimenez, Sierra, & Rodon, 2012, p. 157).

Beyond their direct influence on suppliers, MNEs can leverage informal institutions beyond the private sphere to enhance sustainability across their global supply chains. By collaborating with civil actors, including NGOs, industry coalitions, and civil society organizations, MNEs gain legitimacy, which serves as a crucial civil informal institution. Civil actors establish multi-stakeholder initiatives that influence the implementation of sustainable practices along MNEs' supply chains at the global and local levels. Rooted in the ideas of neoliberalism (Klooster, 2010), civil actors gain authority and legitimacy in a process that is “communicative in nature” to provide public goods (Rotter, Airike, & Mark-Herbert, 2014, p. 584). Some authors (Cashore, 2002; Mena & Palazzo, 2012) have claimed that public institutions are losing their legitimacy by entrusting “democratic and open processes of governance” to civil society (Henson & Humphrey, 2010, p. 1629). Indeed, civil parties can effectively support global sustainability rule-making processes once a certain degree of legitimacy is reached.

Civil actors providing MNEs with legitimacy by responding adequately to the claims of all the stakeholders involved. Bird, Short, and Toffel (2019, p. 7) argue that civil institutions constitute “hyper-rationalized environments” and guide MNEs in conforming to sustainability practices. By addressing the problem of “policy-practice decoupling” (Kelling, Sauer, Gold, & Seuring, 2020, p. 815), Bird et al. (2019, p. 2) define corporate labor codes as “legitimacy structures” and claim that their adoption tends to be decoupled from suppliers' practices. This phenomenon occurs mainly when suppliers lack organizational resources and operate in less-developed institutional contexts. However, complete decoupling of practices appears untenable

in highly rationalized environments (such as those marked by a broad civil society mobilization; Bird et al., 2019). The reason may lie in the higher degrees of legitimacy that civil parties typically own. Nevertheless, since the proliferation and fragmentation of civil institutions, building and maintaining legitimacy remain serious challenges even for civil actors (Acquier, Valiorgue, & Daudigeos, 2017; Islam & Van Staden, 2021; Li & Wu, 2020).

A key reason for this challenge lies in the failure to adequately integrate public informal institutions – such as cultural values and social norms – when MNEs and civil actors attempt to promote sustainable development. While civil actors can legitimize sustainable corporate behaviors, their effectiveness is ultimately contingent on how well they align with the informal institutions of the local public context where MNEs operate. Indeed, in their study “National contexts matter,” Manning, Boons, von Hagen, and Reinecke (2011) investigate the co-evolution of formal institutions set by MNEs and civil actors in global supply chains and reveal that such rules can differently evolve according to the institutional context. Even Gugler and Shi (2009, p. 1) talk about a “North-South divide” due to the Western logic of many private and civil sustainability initiatives. Consequently, public informal institutions influence how national and international actors drive firms toward sustainable practices. Scholars argue that developing countries are more likely to engage in sustainable behaviors when they participate as standard-setters rather than merely standard-takers, as this fosters a stronger social embeddedness of MNEs’ sustainability practices within their institutional contexts (Nadvi, 2008). In this regard, Mamic (2005) suggests that establishing localized sustainability departments within MNE suppliers, staffed with local personnel familiar with cultural, historical, and linguistic nuances, can facilitate better alignment between global sustainability expectations and local business practices.

As a result, formal institutions alone are insufficient for MNEs to effectively address sustainability; they must also account for informal institutions. These informal institutions shape how sustainability rules are perceived, adopted, and enforced, not only by MNEs but also by other private, civil, and public actors. In some cases, informal institutions may reinforce formal ones, encouraging MNEs to go beyond compliance; in others, they may create resistance or lead to unintended consequences when global norms clash with local priorities. Accordingly, the forthcoming introduction of the conceptual space on which this book is grounded offers a refined examination of the interplay between formal and informal institutions, shaped by the agency of MNEs.

3.2. Multinational enterprises as agents for a sustainability-oriented institutional change: The conceptual space

MNEs operate across multiple countries, dealing with a multifaceted set of institutions while interacting with various stakeholders, including suppliers, civil society

organizations, national and international public actors. MNEs' activities and investments in both home and host countries position them as influential agents in shaping sustainability-oriented changes (Sun et al., 2021). These engagements require MNEs to develop strategies that allow them to manage institutional complexity across different institutional contexts (Kaplan, 2023; Sun et al., 2021).

Existing research has explored the agency role of MNEs in institutional change for sustainability through various perspectives (Marano et al., 2024). One significant stream of research concerns non-market strategies, which are defined as the "firm's concerted action to improve its competitive position and performance by actively managing the institutional or societal contexts of business competition in which it operates" (Mellahi, Frynas, Sun, & Siegel, 2016, p. 144). Other research streams, such as corporate political activity (Locke & Seele, 2016; Westermann-Behaylo et al., 2015; Sun et al., 2023) and PCSR (Scherer & Palazzo, 2011; Scherer et al., 2014; Scherer et al., 2016; Wickert & Van Witteloostuijn, 2023), have extensively examined the increasing political role of MNEs in promoting global sustainability. The review offered by Sun et al. (2021) seeks to integrate research on non-market strategies with corporate political activity and CSR within the field of IB by examining studies that focus on MNEs' direct engagement with sociopolitical stakeholders. Sun et al. (2021) highlight that institutional theory and its variants have been employed in these research streams to emphasize how MNEs must balance multiple institutional contexts and while leveraging their influence to promote sustainability. As Pinkse and Kolk (2012, p. 338) argue, MNEs "face a complex balancing act, concerning embeddedness (or lack thereof) in home, host, and supranational contexts, as there are multiple institutional factors that play a role in developing a competitive advantage." In this regard, Doh et al. (2019, p. 451) introduce the concept of "collective environmental entrepreneurship", whereby actors from different sectors and institutional contexts utilize and integrate their specific expertise to identify and advance innovative solutions for addressing global environmental challenges.

Recent research has examined how institutional change for sustainability emerges through interactions between MNEs and civil society (Bruijn, Georgallis, Albino-Pimentel, Kourula, & Teegen, 2024; Liu & Heugens, 2024). Interestingly, Liu and Heugens (2024) highlight that in authoritarian contexts like China, where civil society is constrained by state control, NGOs have limited direct influence on domestic firms. However, by cooperating with foreign MNEs, they can indirectly promote sustainability practices. Acting as intermediaries, NGOs help MNEs monitor and pressure suppliers to improve environmental and social standards. In doing so, NGOs can bypass government restrictions while advancing sustainability in global supply chains. However, the effectiveness of MNE-NGO initiatives depend on state policies and how public actors engage in these, shaping corporate influence on institutional change (Liu & Heugens, 2024).

Overall, this body of research highlights the critical role of MNEs as agents of institutional change for sustainability, by engaging with civil and public actors, leveraging non-market strategies, and fostering cross-sector collaborations. Table 3.2

delineates the conceptual space of the framework developed in this chapter, illustrating the multiple levels across which MNEs operate as institutional entrepreneurs for sustainability and the institutions involved that they shape.

Table 3.2. – Core components of the conceptual framework

| | Institutions | |
|------------------------|--|----------------------------------|
| Analysis levels | <i>Formal</i> | <i>Informal</i> |
| <i>Public</i> | National laws and international agreements | Cultural values and social norms |
| <i>Civil</i> | Global standards | Legitimacy |
| <i>Private</i> | Codes of conduct | Bargaining power |

Source: own elaboration.

3.2.1. MNEs' agency at the private level

Growing stakeholder pressure compels MNEs to integrate sustainability practices into their global supply chains, primarily through the enforcement of private codes of conduct. These formal institutions establish explicit expectations for suppliers, requiring that their conducts align with MNEs' environmental and social rules (Amaeshi, Osuji, & Nnodim 2008; Bird et al., 2019; Egels-Zandén, 2014). By enforcing such rules through codes of conduct, MNEs seek to mitigate risks, secure competitive advantages, and meet consumer and investor demands for responsible business conduct (Li & Cuervo-Cazurra, 2024). Enforcement serves as the first path in the interplay at the private level, shaping supplier behavior through formalized requirements that dictate responsible production and operational practices (Adam & Rachman-Moore, 2004; Preuss, 2009). MNEs that are recognized for their sustainability commitments tend to attract suppliers eager to enter into procurement contracts, leveraging the enforcement of formal institutions as a competitive asset (Dowell, Hart, & Yeung, 2000; Reuter, Foerstl, Hartmann, & Blome, 2010).

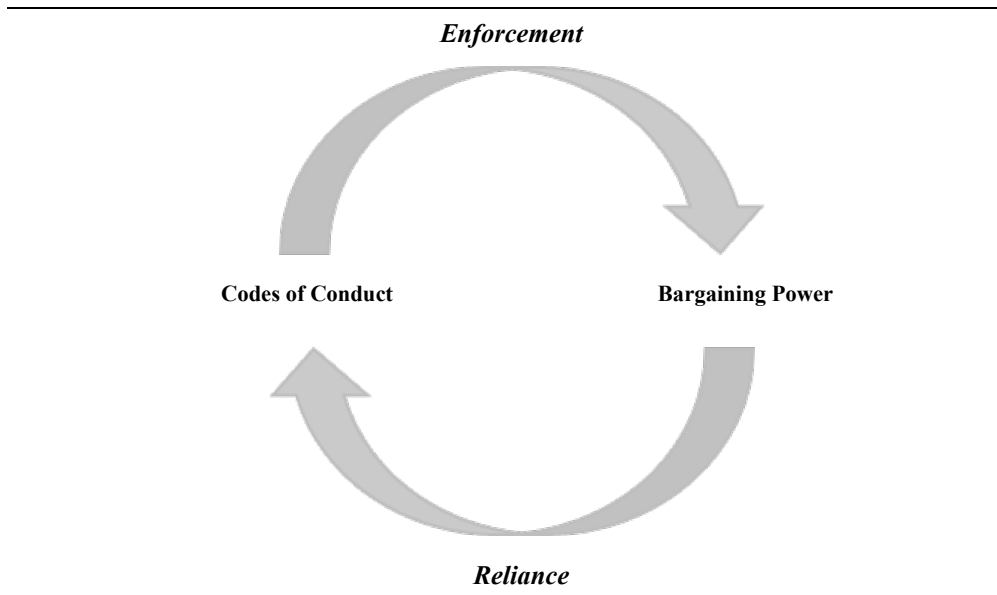
However, the effects of formal institutions on suppliers and their stakeholders evolve over time, exposing the limitations of rigid enforcement-driven approaches (Distelhorst, Locke, Pal, & Samel, 2015; Nadvi, 2008). Enforcement is not a static condition but an ongoing process that requires continuous monitoring and adaptation (Boström, 2015; Narula, 2019). Suppliers operating in diverse institutional contexts may struggle to meet the requirements imposed by private codes of conduct, either due to financial constraints, operational limitations, or regulatory inconsistencies in their local markets (e.g., Tencati, Russo, & Quaglia, 2010; Van Assche & Narula, 2023). As a result, strict suppliers' enforcement may fall short in achieving long-term sustainability objectives (Jiang, 2009). This necessitates the involvement of

informal institutions, which serve as complementary or compensatory mechanisms in situations where formal institutions alone are insufficient (Dau et al., 2022; Franzen, Kolk, & Rivera-Santos, 2019; Soundararajan et al., 2021; Zhou & Xu, 2012).

To enhance adherence of their suppliers to codes of conduct, MNEs may build supplier capacity development (Cao, Lawson, & Pil, 2024; Gimenez & Tachizawa, 2012). This includes targeted investments in training programs, knowledge transfer initiatives, and collaborative engagement strategies aimed at strengthening suppliers' ability to adhere to sustainability rules (Lund-Thomsen & Lindgreen, 2014). Bargaining power operates as a crucial informal institution that MNEs leverage to enforce sustainability-related investments among their suppliers (Acquier et al., 2017; Alghababsheh et al., 2023; Pedersen & Andersen, 2006; Touboullic, Chicksand, & Walker, 2014). While these investments are often essential for improving environmental and social performance, they are also idiosyncratic, requiring significant financial and operational commitments from suppliers (Delmas & Montiel, 2009). Unlike general business expenditures, these sustainability investments tend to be firm-specific, limiting suppliers' ability to transfer them to other business relationships or markets. Consequently, suppliers that invest heavily in meeting MNE-driven sustainability requirements become increasingly reliant on these MNEs for continued business opportunities, technological resources, and access to global markets (Touboullic et al., 2014). Hence, reliance emerges as a second path in this interplay, driven by the dependency relationships that form between MNEs and their suppliers. Reliance refers to the extent to which suppliers depend on MNEs not only for procurement contracts but also for the financial, technical, and regulatory support necessary to meet sustainability expectations (Hernández-Espallardo, Rodríguez-Orejuela, & Sánchez-Pérez, 2010; Touboullic et al., 2014). The reliance path, therefore, highlights how informal institutions such as bargaining power (and the related supplier dependence, and reputation-based influence) interact with formal institutions imposed by MNEs (Alghababsheh et al., 2023; Touboullic et al., 2014).

Ultimately, the interplay between formal institutions, private codes of conduct, and informal institutions, bargaining power, depicts the sustainability adoption within MNE-supplier relationships. Enforcement represents the structured imposition of codes of conduct, while reliance underscores the economic and strategic dependencies that emerge as suppliers adjust to these formal requirements. Rather than functioning independently, formal and informal institutions converge, supporting one another in shaping MNEs' sustainability efforts in their global supply chains.

Figure 3.1. – The interplay between formal and informal institutions at the private level



Source: own elaboration.

3.2.2. MNEs' agency at the civil level

MNEs increasingly adopt civil formal institutions, i.e. global standards, established by civil actors to compensate for the limitations of private formal institutions. Unlike private regulations, which primarily rely on corporate codes of conduct, global standards are developed through multi-stakeholder collaborations mainly led by civil actors, reflecting a participatory approach that fosters a broader consensus on sustainability principles (Barlow, 2022; Fransen & Kolk, 2007). This approach prioritizes long-term systemic changes (e.g., such as human rights protections, climate change mitigation, and biodiversity conservation) rather than short-term business interests (Schuessler, Lohmeyer, & Ashwin, 2023). Moreover, private formal institutions rely on voluntary corporate self-regulation, which can lead to inconsistencies in enforcement and selective application (Egels-Zandén & Merk, 2014; Preuss, 2009; Sinkovics et al., 2016). MNEs may use private codes of conduct to signal commitment to sustainability without necessarily enforcing stringent compliance mechanisms across their supply chains (Sinkovics et al., 2016). Civil standards, by contrast, are frequently subject to independent third-party monitoring, making them more robust and enforceable (Fransen & Kolk, 2007; Vogel, 2010). Initiatives like the Fair Trade Certification and the Forest Stewardship Council include external verification processes that prevent firms from using sustainability commitments

merely as a public relations tool (Bowler, Castka, & Balzarova, 2017; Raynolds, 2009; Reed, 2009).

The ways through which MNEs are involved in these initiatives are multiples. Usually, MNEs function as rule-takers, aligning their operations with established civil standards to conform to globally recognized sustainability expectations (Vogel, 2010). Their alignment to these standards affirms their commitment to sustainability before key stakeholders, including investors, consumers, and regulatory bodies. However, beyond mere compliance, engagement with civil standards represents an entry point into broader global sustainability initiatives (Kourula, 2010). This engagement unfolds through a first path, i.e. alignment, which describes the process by which MNEs embed civil standards into their business operations, supply chain management policies, and sustainability reporting mechanisms (Vogel, 2010). Over time, they demonstrate consistency in applying these standards and respond constructively to civil actors' expectations. Through sustained engagement with civil standards, MNEs gain legitimacy⁵ within multi-stakeholder sustainability initiatives (Barlow, 2022; Eberlein, 2019; Mena & Palazzo, 2012). Legitimacy serves as a gateway for MNEs to transition from passive adopters of sustainability rules to more active influencer within such initiatives.

Once MNEs establish legitimacy through alignment, they enter the second path: influence. This path describes how MNEs evolve from standard-takers to active participants in influencing civil sustainability rules. As firms accumulate legitimacy in multi-stakeholder initiatives, they secure a position in the decision-making arenas where global sustainability standards are debated, refined, and expanded (Mena & Palazzo, 2012; Scherer et al., 2006; Scherer & Palazzo, 2007). Through influence, MNEs engage in standard-setting processes, ensuring that global standards are both ambitious and pragmatically implementable across different institutional contexts (Nadvi, 2008). Rather than being passive recipients of civil standards, MNEs at this stage help refine and shape these institutions, advocating for sustainability regulations that reflect the operational realities of their business (Nadvi, 2008). This process is particularly evident in initiatives like the FSC, where MNEs play an active role in co-developing sustainability standards alongside NGOs and other civil society organizations (Scherer et al., 2006).

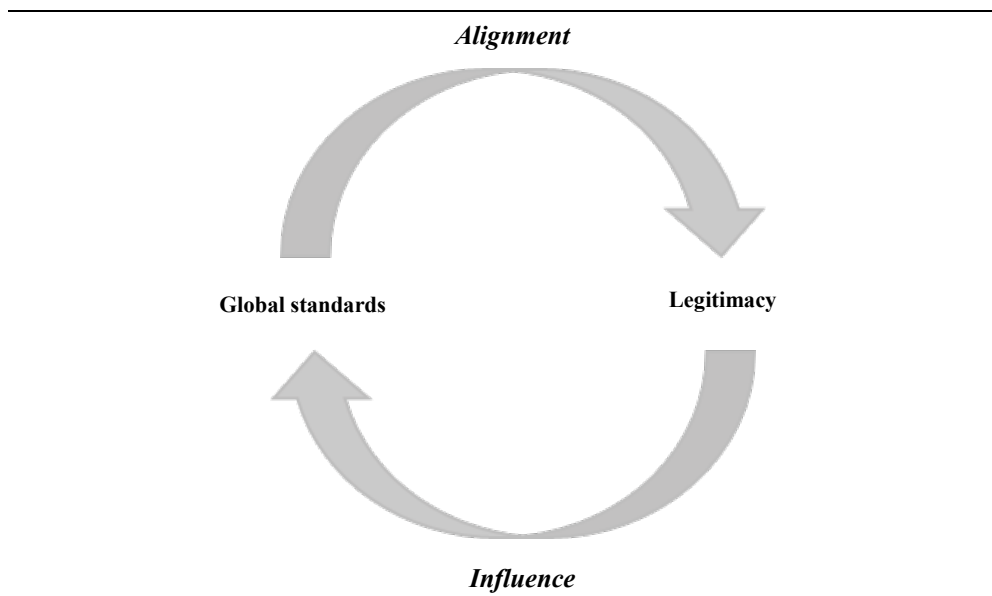
The transition from alignment to influence represents a broader evolution in how MNEs actively leverage civil institutions to advance sustainability. While alignment helps MNEs gain legitimacy, influence allows them to capitalize on this legitimacy to align civil formal institutions with the sustainability goals of MNEs and their suppliers (Eberlein, 2019; Mena & Palazzo, 2012). This interplay ensures that civil

⁵ The concept of legitimacy in this study follows Mena and Palazzo's (2012, p. 528) definition of democratic legitimacy as a "socially shared belief" that a regulatory actor has both the authority and capacity to impose rules. It includes both input legitimacy – the perceived justification and procedural fairness of rule-making processes – and output legitimacy, which concerns the effectiveness of regulations in solving targeted issues.

standards are not developed in isolation but are instead continuously refined to incorporate the challenges that all MNEs' and their supply chain partners face once they become involved in such initiatives.

Ultimately, these two paths reinforce each other: alignment fosters legitimacy, which, in turn, strengthens an MNE's ability to influence global sustainability standards. In this way, the interplay between formal and informal institutions at the civil level becomes increasingly dynamic – civil formal institutions (global sustainability standards) gain practical applicability thanks to the interplay with informal institutions (legitimacy) which empowers MNEs to refine and adapt these standards over time. Figure 3.2 illustrates the interplay between formal and informal institutions at the civil level.

Figure 3.2. – The interplay between formal and informal institutions at the civil level



Source: own elaboration.

3.2.3. MNEs' agency at the public level

At the public level, sustainability is shaped by formal institutions, such as national laws and international agreements, and informal institutions, including cultural values and social norms. Public institutions establish regulatory frameworks that govern MNEs' behavior, ensuring that sustainability practices align with globally recognized principles (e.g., Nippa, Patnaik, & Taussig, 2021). The extent to which public regulations are effectively implemented, however, depends on to what extent they

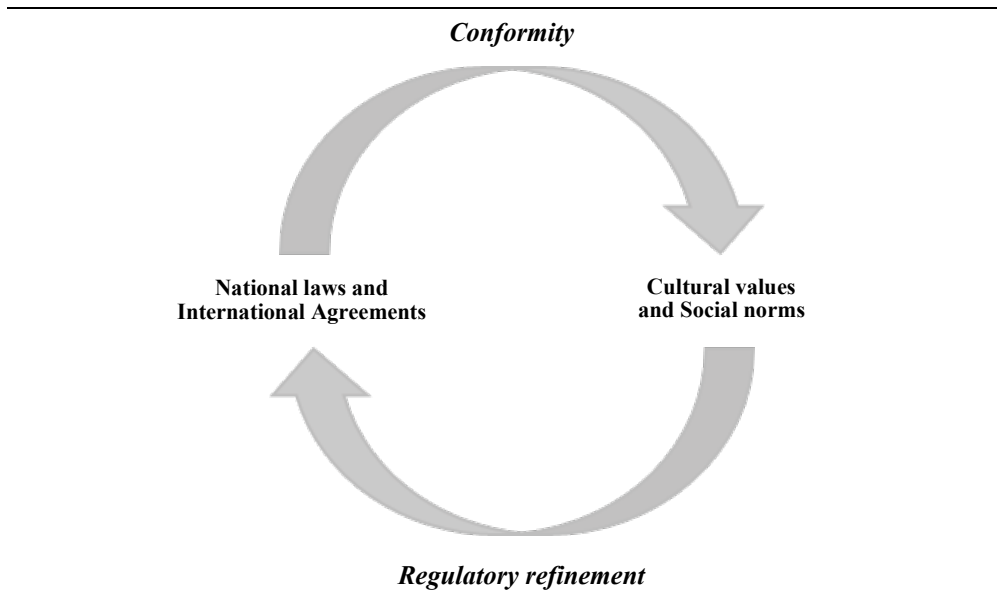
take into account cultural values and social norms of the contexts in which they are applied (Aguilera-Caracuel, Hurtado-Torres, Aragón-Correa, & Rugman, 2013; North, 1990). As a result, MNEs engage with public institutions not only by adhering to existing regulations but also by dealing with their evolution through two interrelated paths: conformity and regulatory refinement.

The first path, conformity, describes MNEs as actors demanded to comply with legally binding sustainability laws established by national governments and international bodies, ensuring that their operations and conducts conform to these regulations (Lozano & Boni, 2002; Schrempf-Stirling, 2018). Public formal institutions define corporate responsibilities in key areas such as environmental protection, human and labor rights. However, the implementation and enforcement of these regulations vary significantly across jurisdictions, as international legalization of rules cannot fully account for the distinct cultural values and social norms – public informal institutions – that shape the application of these rules within different national and local contexts (Aguilera-Caracuel et al., 2013; Buhmann, 2016). Therefore, although public formal institutions are effective, the mismatches and differences across national contexts present gaps and challenges for MNEs (Castaldi et al., 2023; Gond, Kang, & Moon, 2011).

To address these gaps, MNEs may play an active role in expanding or adapting public sustainability laws to ensure their applicability in diverse institutional contexts (Azizi, Börzel, & Hansen, 2021; Locke, Rissing, & Pal, 2013; Scherer, Palazzo, & Baumann, 2006). This gives rise to the second path, regulatory refinement, which describes how MNEs actively contribute to the evolution of public sustainability rules. While international laws and agreements set overarching sustainability goals, their applicability often depends on local implementation (Buhmann, 2016). Regulatory refinement occurs when MNEs engage with national governments and inter-governmental organizations to refine or expand public sustainability regulations. This process is particularly relevant in areas where formal institutions face enforcement gaps or where regulatory frameworks require stakeholder input to enhance effectiveness (Eberlein, 2019; Röell et al., 2024). Through public-private partnerships and policy advocacy, MNEs contribute to the iterative refinement of public sustainability rules (Röell et al., 2024) and cultural values and social norms – the informal institutions at the public level – mediate the extent to which regulatory frameworks are contested or reinterpreted across national contexts (Aguilera-Caracuel et al., 2013). In some cases, strong societal demand for sustainability accelerates regulatory action, compelling MNEs to align their strategies with both formal and informal institutions, thereby reinforcing their commitment to responsible business practices (Schrempf-Stirling, 2018). Conversely, conflicting social norms may create resistance to regulatory changes, requiring MNEs to foster local capacity-building initiatives and engage in coalition-building with civil actors to facilitate a gradual transition toward regulatory acceptance (Castaldi et al., 2023; Cappellaro, Compagni, & Dacin, 2024). As a result, formal and informal institutions at the public level may either converge, reinforcing regulatory frameworks, or remain in tension, creating

challenges for institutional alignment. Figure 3.3 illustrates the dynamic interplay between formal and informal institutions at the public level.

Figure 3.3. – The interplay between formal and informal institutions at the public level



Source: own elaboration.

3.3. Co-creation of sustainability value: A new goal of institutional entrepreneurship

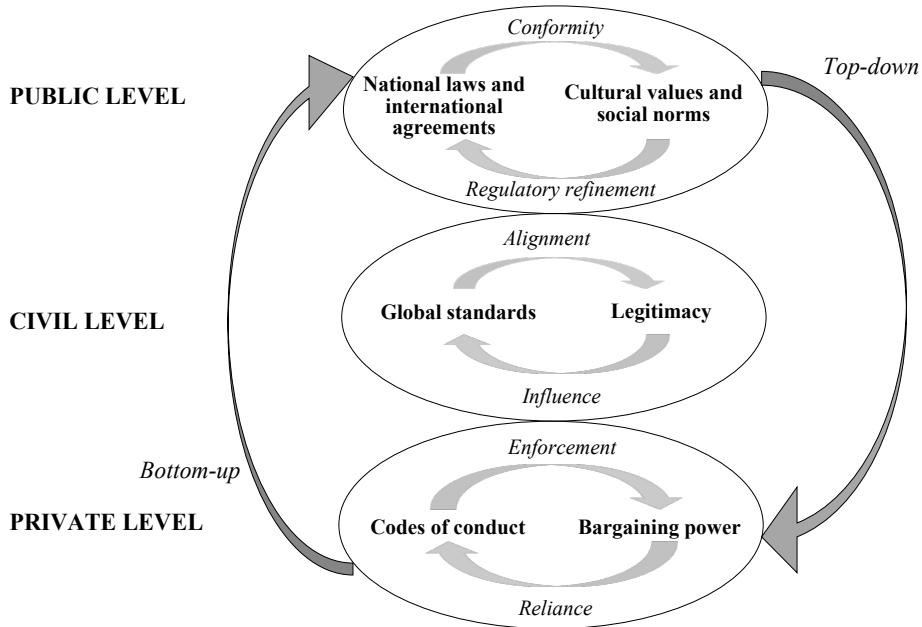
Institutional entrepreneurship refers to the ability of actors to leverage resources to create new institutions or transform existing ones (Maguire, Hardy & Lawrence, 2004). As sustainability becomes an increasingly central concern, the institutional landscape is expected to undergo significant transformations to address the pressing environmental and social challenges. This shift has reinvigorated agency-based perspectives of institutional change, emphasizing the proactive role of firms in shaping institutions (Garud, Hardy & Maguire, 2007). Extant IB research has directed greater attention to the dynamic and evolving nature of institutional change (Jackson & Deeg, 2008; McGaughey, Kumaraswamy & Liesch, 2016). Comparative capitalism studies have further expanded this understanding by highlighting how MNEs shape institutions within different capitalist models (Crouch, 2005; Hall & Thelen, 2009; Streeck & Thelen, 2005; Witt & Jackson, 2016), influencing global business strategies and sustainable development outcomes (Bruijn et al., 2024; Kaplan, 2023).

Other studies have re-examined the role of institutional complementarities (Lane, 2003) and the potential for institutional hybridization (Aoki, 2001; Djelic, 1998; Zeitlin, 2000). Collectively, these contributions suggest that MNEs can act as institutional entrepreneurs and contribute to institutional change by engaging with and modifying institutions. This perspective contrasts with traditional institutional theories, which often viewed institutions as rigid constraints (DiMaggio, 1988). From this classic standpoint, institutions influence actors by embedding shared values and cognitive frames within social structures (Granovetter, 1985). Scott's (1995) well-known typology identifies three institutional pillars – regulative, normative, and cognitive – each contributing to pressures that promote isomorphic behaviors across organizations. Within such frameworks, MNEs have historically been viewed as passive actors that respond to institutional environments by either adapting to local contexts – termed institutional adaptation – or avoiding less favorable contexts altogether – termed institutional avoidance (Cantwell, Dunning, & Lundan, 2010). Consequently, discussions on the role of firm agency (Kostova et al., 2008; McGaughey et al., 2016), particularly with regard to MNEs (Kogut, Walker, & Anand, 2002), have gained significant traction within IB studies.

The preceding sections have demonstrated how MNEs leverage the interplay of institutions to address sustainability respectively at the private, civil, and public levels. However, this analysis provides only a partial representation of the role of MNEs, as it remains confined to individual levels of analysis. A more comprehensive perspective may reveal how MNEs co-create sustainability value by connecting these different levels and how multiple actors with varying degrees of authority interact and influence one another. MNEs' ability to act as agents of institutional change is not limited to engaging with formal and informal institutions within a single level but rather extends to connecting them. Figure 3.4 presents the conceptual framework that systematically integrates the key actors, and the institutions involved in MNEs' sustainability efforts (see Table 3.2 for details)⁶. At the bottom of the framework, private actors, including MNEs and their suppliers collaborate to foster sustainable business practices within global supply chains. Civil actors, positioned between private and public actors, such as NGOs, non-profit organizations, and industry coalitions, play a crucial role in initiating sustainability efforts, often engaging local communities. At the highest level, public actors, including governments and international agencies, design public sustainability regulations.

⁶ Acknowledging the inherent complexity of sustainability and institutions, this framework does not seek to exhaustively map all actors and institutions at each level of analysis. Rather, it offers a representation grounded in a review of the relevant literature.

Figure 3.4. – The conceptual space in which MNEs trace bottom-up and top-down sustainability strategies across the private, civil, and public level of analysis



Source: own elaboration.

This conceptual framework contributes to a deeper understanding of the interactive and dynamic nature of sustainability across multiple levels of analysis (Elsbach & van Knippenberg, 2020), providing a valuable foundation for advancing research in the field of sustainability in IB (Santangelo, Phene, Coviello, Tung, & Felin, 2024; Shenkar, 2024). Moreover, it facilitates the exploration of potential synergies while addressing the challenges that emerge from interactions among different actors.

Building on existing literature, this framework represents the two key paths at each level of analysis, illustrating how the interplay between formal and informal institutions unfolds. As discussed previously, at the private level, enforcement and reliance define the interplay between codes of conduct and MNEs' bargaining power. At the civil level, alignment and influence emerge as dominant paths, reflecting the interplay between global standards and legitimacy. Finally, at the public level, conformity and regulatory refinement define the interplay between national laws and international agreements and cultural values and social norms. In exploring these paths, this book builds on the premise that formal institutions are not stable and undergo continuous transformation (Grzymala-Busse, 2010). Their ongoing interplay with informal institutions can lead to congruence and reinforcement or, conversely, to friction, resulting in either coherence or divergence in outcomes (Helmke

& Levitsky, 2004). The extent to which informal institutions shape formal rules depends on whether they act as reinforcing forces, alternatives, or adaptive institutions that modify regulatory frameworks over time (Helmke & Levitsky, 2004; Zenger, Lazzarini, & Poppo, 2002).

Furthermore, this framework delineates the space in which MNEs operate, considering their potential agency role within sustainability. By situating MNEs as key agents within this framework, the study offers insights into top-down and bottom-up strategies that MNEs may implement operating with civil and public parties⁷. Specifically, MNEs engage in bottom-up strategies when they voluntarily influence public regulatory frameworks by integrating private sustainability initiatives into public policy discussions. Public laws addressing sustainability issues differ worldwide, and the quality of their enforcement may be weak or, vice versa, too rigorous to lead recipients to apply them. These determinants explain why governments leave room for MNEs and civil society to regulate sustainability (Porta, Lopez-de-Silanes, Shleifer, & Vishny, 1998). Deregulation processes or even regulatory voids have led MNEs with civil support to promote institutional change by shaping hybrid governance systems, creating new institutions, and/or changing the existing ones along global supply chains (Bruijn et al., 2024; Crouch, 2005; Kaplan, 2023). Relying on boundary-spanning multinational positions, MNEs and civil parties have mobilized resources, expertise, and knowledge flows to trigger learning processes regarding environmental and social issues (Regnér & Edman, 2014).

Conversely, MNEs implement top-down strategies when they are required or incentivized to align their corporate structures and supply chains with public sustainability regulations, often set by national governments or international organizations (Eberlein, 2019). These strategies involve the active translation of public policies into corporate practices, ensuring that sustainability principles established through laws and international agreements are effectively applied within business operations. This approach demonstrates how MNEs drive the widespread adoption of public sustainability rules across industries and supply chains, often shaping regulatory frameworks by integrating rules co-developed with civil society organizations. The following sections provide an in-depth analysis of these strategies.

3.3.1. Bottom-up strategies of multinational enterprises to shape institutions towards sustainability

MNEs increasingly engage in bottom-up strategies that extend beyond hierarchical boundaries and collaborate with civil and public actors to address sustainability. These

⁷ While the aim of this book is to explore how MNEs can act as positive agents of sustainability – particularly through collaborative strategies with civil and public actors – this does not imply a disregard for the potentially harmful impacts of their operations. Rather, the current work focuses deliberately on their institutional entrepreneurship role, without addressing the broader critique of their responsibility in creating or exacerbating environmental and social problems.

strategies reflect the early conceptualization of PCSR, known as PCSR 1.0, which assigns a political role to corporations in sustainability. In the face of “governance gaps” left by nation-states, MNEs are seen as legitimate actors in the provision of public goods, norm-setting, and regulation, often stepping in where governmental authority is weak or absent (Matten & Crane, 2005; Scherer & Palazzo, 2011). This strand of literature recognizes the de-nationalized context of globalization, where firms – particularly MNEs – act beyond economic boundaries to shape societal norms and institutional frameworks (Schrempf-Stirling, 2018). In this research framing, MNEs do not merely adapt to institutional contexts but actively engage as institutional entrepreneurs, initiating change by voluntarily setting new norms and establishing private rules that address sustainability issues across borders (Scherer & Palazzo, 2011). Through the creation of voluntary standards and their diffusion, MNEs affect the institutional contexts that are particularly characterized by regulatory voids or weak public governance (Eberlein, 2019; Schaltegger, Lüdeke-Freund, & Hansen, 2012).

MNEs’ bottom-up strategies begin with the development of private rules, such as corporate codes of conduct, and extend to the analysis of national legal, social, and cultural institutions across countries in which they operate (Schaltegger et al., 2012). By acknowledging institutional variety, MNEs need to align their sustainability efforts with diverse regulatory and societal expectations. As Scott (1995, p. 118) notes, the diffusion of practices is “affected by the characteristics, not of the propagator, but of the adopting organization,” suggesting the need for MNEs to consider the specificities of subsidiaries and suppliers operating in host countries, along with the institutional contexts. Research by Khan, Westwood, and Boje (2010) further illustrates how misaligned sustainability initiatives, particularly those driven by Western-led multi-stakeholder initiatives have at times exacerbated local poverty due to a failure to address context-specific needs. These findings highlight the necessity for MNEs to acquire a deeper understanding of the country institutions and to strengthen their connections with local civil and public actors to implement sustainable practices effectively. Hence, MNEs seeking to promote sustainability in host countries must first manage the liability of foreignness, as their operations across countries are not always perceived as legitimate. To mitigate this challenge, MNEs strengthen their institutional embeddedness by fostering relationships with other actors (Causat, Prime, & Wilken, 2019; Liu & Heugens, 2024). Civil society organizations often play a central role in this process, facilitating the development of sustainability-oriented strategies that address context-specific challenges (Boiral & Heras-Saizarbitoria, 2017; Kourula, 2010). MNEs increasingly extend their interactions beyond direct host suppliers to collaborate with civil actors that possess the knowledge and networks necessary for fostering local development towards sustainability (Bruijn et al., 2024). These interactions not only enhance firms’ ability to operate effectively but also contribute to broader institutional changes, as sustained engagement fosters regulatory adaptation and the consolidation of sustainability norms (Eberlein, 2019). Research on transnational labor agreements suggests that MNEs engage in cooperative strategies with local unions contribute to the recognition of workers’ rights in

contexts where labor protections are weak or inconsistently enforced (Lévesque, Hennebert, Murray, & Bourque, 2018).

In countries where public institutions often present significant challenges, MNEs rely on civil society organizations to address sustainability (Bruijn et al., 2024; Mena & Palazzo, 2012). These interactions frequently stem from a mutual need, as firms seek legitimacy and local expertise while civil society organizations benefit from corporate resources and infrastructure (Bruijn et al., 2024; Eberlein, 2019). In such settings, MNEs may pursue two types of strategies that contribute to institutional change. First, they may implement *cooperative* strategies with civil actors aimed at jointly addressing sustainability challenges. These collaborations can enhance local capacity and generate solutions where institutional support is otherwise weak. Second, MNEs may also engage in *substitution* strategies, where their actions partially replace absent or ineffective public governance (Eberlein, 2019; Song, 2024). This does not imply full replacement, but rather a selective and context-dependent intervention in areas where governments are unwilling or unable to act effectively (Thauer, 2014). For example, MNEs might step in to provide public goods – such as healthcare, environmental protection, or labor standards – independently or in partnership with civil actors, thereby filling institutional voids through self-regulation or participation in multi-stakeholder initiatives like the Roundtable on Sustainable Palm Oil (Eberlein, 2019). Extant research highlights how these interactions strengthen sustainability strategies and contribute to the institutionalization of sustainable business practices (Caussat et al., 2019; Boiral & Heras-Saizarbitoria, 2017; Kourula, 2010). Examples of these dynamics emerge in MNEs like Unilever and Patagonia, which have pioneered sustainability programs by integrating regenerative agriculture and circular economy principles into supply chain management. These initiatives have influenced broader industry standards, demonstrating how voluntary sustainability strategies can complement or, in some cases, substitute existing regulatory frameworks (Eberlein, 2019; Schaltegger et al., 2012). A notable example is IBM's engagement in a cross-sectoral alliance with civil society organizations and governmental agencies aimed at safeguarding the Baltic Sea. This initiative exemplifies the strategic alignment between environmental stewardship and sustainable objectives (Ritvala, Salmi, & Andersson, 2014). Similarly, the Joint Ethical Trading Initiative illustrates the institutionalization of cooperative strategies between MNEs, NGOs, and trade unions have promoted and enforced global labor standards (Reinecke & Donaghey, 2021). In another instance, Nestlé established a partnership with the NGO Proshika in Bangladesh to implement a sustainable sourcing program for honey derived from the Sundarbans mangrove forests, effectively integrating environmental sustainability with community-based development goals (Rana & Sørensen, 2021).

Therefore, the outcomes of MNE-civil interactions extend beyond corporate benefits, shaping public institutions and influencing public governance from the bottom up. Through coalition-building and advocacy, MNEs collaborate with civil to advance public regulations that reinforce sustainability (Whelan & Fink, 2016). The

extent to which these strategies generate institutional change is contingent on national contexts and the configurations of the institutions (Jackson & Deeg, 2008). Empirical evidence suggests that countries with strong linkages to international NGOs exhibit higher business participation in sustainability regulations (Pope & Lim, 2020). Moreover, MNEs operating in countries with economic ties to developed markets are more likely to adopt stringent sustainability standards, reflecting the influence of international trade relations on corporate regulatory alignment (Pope & Lim, 2020).

In discussing institutional change for sustainability, it is of paramount importance consider also informal institutions (Dau et al., 2022). Informal institutions at the public level, particularly cultural values and social norms, are also shaped by MNEs. Social issues such as those related to equity, diversity, and inclusion, for example, may initially receive limited attention in MNEs operating in masculine cultures, where hierarchical structures and traditional gender roles are more pronounced (Koveshnikov, Tienari, & Piekkari, 2019). However, MNEs can contribute to the gradual reconfiguration of societal expectations regarding workplace inclusion, leadership representation, and gender equality (Ferner et al., 2005; Leone, Mocciano Li Destri, & Picone, 2025). Collaboration with local organizations with expertise on such social issues introduce alternative role models, expand awareness of diversity-related challenges, and facilitate discussions that shape cultural values over time (Leone et al., 2025).

In contributing to an institutional change toward sustainability, MNEs deal with configuration of institutions that may influence the scope and success of the interactions with other actors in the bottom-up strategies (Jackson & Deeg, 2008). Comparative capitalism research suggests that the degree to which MNEs collaborate with civil and public actors is shaped by the structure of market economies. In liberal market economies, firms frequently engage with civil society organizations to develop sustainability-oriented strategies, relying on voluntary standards to address institutional gaps. Initiatives such as the Forest Stewardship Council and Fair Trade Certification illustrate how market-driven sustainability solutions contribute to regulatory adaptation at national and international levels (Bartley, 2010). In coordinated market economies, by contrast, firms are more likely to engage with public actors to advance sustainability, as state actors assume a more prominent role in addressing environmental and social challenges (Levy & Egan, 2003). These dynamics are particularly evident in MNEs' participation in climate action initiatives, where firms engage in sustainability coalitions that promote progressive policies on carbon emissions and renewable energy adoption (Levy & Egan, 2003). As Kaplan (2023) illustrates, the World Business Council for Sustainable Development served as a vehicle for a transnational business-class institutional project that sought to regulate global environmental goals. Rather than passively responding to governance gaps, corporate elites collectively promoted a market-based logic of environmental responsibility designed to preempt and displace more state-centric regulatory approaches. In supporting policy initiatives, MNEs contribute to regulatory refinement. Participating in

formal dialogues with national governments and intergovernmental organizations, such as SDGs implementation platforms, MNEs increasingly take part in public-private partnerships where they exchange knowledge, share industry expertise, and contribute to the design of sustainability rules and values that align with institutional contexts (Scherer & Palazzo, 2011). These interactions reflect the potential of MNEs to act as agents of institutional change for sustainability, fostering from the bottom transformations that support long-term environmental and social progress.

3.3.2. Top-down strategies of multinational enterprises to shape institutions towards sustainability

Unlike bottom-up strategies, which originate from MNEs and civil actors and frequently end up to involve public actors and institutions at the public level, top-down strategies are characterized by MNEs operating within settings primarily governed by public actors, such as national governments, international organizations, or intergovernmental bodies. This mirrors the evolution of PCSR into what is now referred to as PCSR 2.0 (Scherer et al., 2016; Shin & Gond, 2024) – a renewed conceptualization that emphasizes the resurgence and transformation of state power in sustainability (Buhmann, 2016; Kourula et al., 2019; Schneider & Scherer, 2019; Schrempf-Stirling, 2018). In contrast to earlier portrayals of state decline, contemporary scholarship highlights how public actors actively interact with MNEs through a variety of engagements, ranging from legal coercion to soft orchestration (Shin & Gond, 2024; Wickert & Van Witteloostuijn, 2023).

In such engagements, MNEs are not the initiators but are invited or required to participate in initiatives already shaped by public actors. However, rather than passively conforming to legal or normative pressures, MNEs strategically respond to public-led initiatives while simultaneously seizing opportunities to reinterpret and diffuse sustainability norms through their participation. This is what scholars refer to as the “*shadow of hierarchy*” (Börzel & Risse, 2010; Eberlein, 2019), where private actors address sustainability under the implicit or explicit request of public actors. This concept captures scenarios in which public parties, while not always exercising direct authority, establish expectations that incentivize private actors to align their conduct with evolving sustainability norms (Buhmann, 2016). For instance, extraterritorial laws such as the U.S. Foreign Corrupt Practices Act and the Dodd-Frank Act have reshaped MNE behavior on a global scale – not merely through coercion, but by creating expectations that firms strategically internalize to safeguard legitimacy and access to key markets. In this light, regulatory frameworks, such as the German Supply Chain Due Diligence Act and the EU Corporate Sustainability Due Diligence Directive, do not simply constrain MNEs; they serve as arenas where firms actively translate legal obligations into governance practices that can catalyze sustainability across global supply chains (Buttke, Schötteler, Seuring, & Ebinger, 2024; Ventura, 2023; Gond et al., 2011). In doing so, MNEs extend their agency role by embedding sustainability expectations into organizational routines and business

relationships, thus acting to propagate norms beyond the borders of nation-states (Haufler, 2013). In these cases, MNEs may implement two strategies: *norm contamination* and *norm channeling*. Norm contamination occurs when MNEs actively transfer private and civil formal institutions into public regulatory frameworks. This process, known as “hardening of soft law” (Eberlein, 2019), involves embedding voluntary private codes and global standards in binding legal frameworks. Examples include sustainability reporting requirements, such as those institutionalized in the EU Directive 2014/95/EU and national laws in Denmark, France, and India, which demonstrate how private and civil formal institutions have been integrated into public formal institutions (Eberlein, 2019). In these instances, MNEs are not only rule-followers but also act as institutional entrepreneurs, publicly institutionalize private institutions to shape new public institutions addressing sustainability goals.

In contrast, norm channeling represents a more collaborative yet still top-down strategy to institutional change. Rather than directly embedding private rules into public law, this strategy involves MNEs guiding the evolution of public sustainability norms by leveraging multi-stakeholder initiatives and voluntary commitments (Eberlein, 2019). Governments and international bodies act as catalysts, mobilizing and coordinating private actors, often through regulatory intermediaries, to advance sustainability agendas (Adam & Rachman-Moore, 2004). This occurs without traditional authority or binding rules but relies instead on voluntary commitment systems, such as those promoted by the UN in climate governance. Here, MNEs are encouraged to participate in multi-stakeholder partnerships with civil actors that channel private efforts toward public goals (Eberlein, 2019). In this regard, insights from transnational governance research reveal that governments are actively involved in multi-stakeholder partnerships (Kaplan & Lohmeyer, 2021; Leitheiser, 2021). In turn, multi-stakeholder regulatory frameworks influence the capacity of national governments to regulate business activities at the local level (Marques & Eberlein, 2021). Importantly, even when MNEs operate within public-initiated frameworks, their strategies consistently involve active cooperative strategies with civil society organizations. This ongoing engagement with civil actors is a cornerstone of their sustainability efforts, as it ensures greater legitimacy and social embeddedness. The soft nature of this approach still retains a top-down strategy, as it is initiated and framed by public institutions, even though execution and implementation are distributed across private and civil actors. MNEs also contribute to top-down institutional change through their involvement in industry-wide regulatory partnerships established by public actors (Kolk, 2016). Governments and international organizations often form collaborative governance platforms that include MNEs alongside other stakeholders, such as NGOs, labor unions, and academia. These platforms – such as the OECD Guidelines for Multinational Enterprises and the International Labour Organization’s Tripartite Declaration of Principles – serve as arenas for MNEs to engage in structured dialogues with policymakers and civil actors (Buhmann, 2016; Shin & Gond, 2024). Within these settings, MNEs help design sustainability standards that later become institutionalized at national and international levels. MNEs

are often included in international regulatory frameworks, such as the United Nations Global Compact, the Paris Agreement, and the European Green Deal, where they contribute to sustainability-oriented policy development and implementation (Buhmann, 2016; Shin & Gond, 2024).

MNEs' top-down strategies contribute to sustainability by embedding corporate efforts into broader regulatory frameworks and international governance frameworks, ensuring their diffusion and institutionalization across different institutional contexts. Furthermore, top-down strategies influence the alignment between formal and informal institutions, as public-led initiatives shape both regulatory norms and societal expectations (Buhmann, 2016). When governments regulate sustainability, they do not only impose legal constraints on firms but also shape cultural values and social norms related to sustainability. As MNEs integrate these regulations into their corporate strategies and influence them, they contribute to a gradual shift in how sustainability is perceived and practiced across industries and societies. This dynamic reinforces the role of public institutions in supporting sustainability transitions while positioning MNEs as key institutional entrepreneurs (Kaplan, 2023; Leone et al., 2023; Luo, 2024; Wang et al., 2024).

3.4. From conceptual ground to empirical inquiry

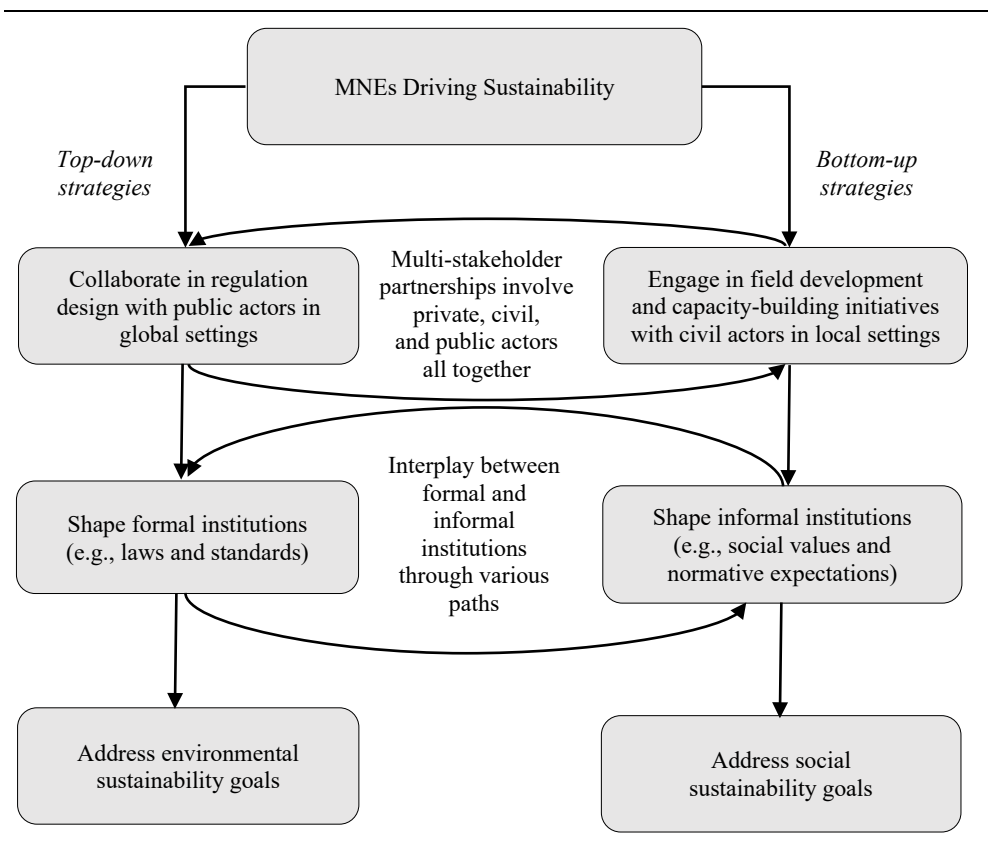
The conceptual framework developed in this chapter provides the foundation for investigating the role of MNEs in advancing sustainability through institutional change. By theorizing MNEs as agents that leverage formal and informal institutions and interact with multiple actors, the framework proposes a multilevel and multi-actor perspective that characterizes sustainability challenges in IB. Rather than assuming sustainability to be solely the outcome of internal MNE responsibility or as a matter of top-down regulatory processes, the framework directs attention to the interplay between agency, institutions and interactions between private, civil, and public actors.

Building on this foundation, it is important to distinguish how MNEs tend to engage differently depending on the type of sustainability goal pursued. As illustrated in Figure 3.5, MNEs often collaborate with civil actors, such as NGOs and local communities, to pursue social sustainability goals in local institutional contexts through bottom-up strategies (i.e., cooperative and substitution strategies). These efforts typically involve field-based training and capacity-building initiatives aimed at shaping informal institutions, including social values, cultural norms, and normative expectations. In contrast, environmental sustainability goals usually entail collaboration with public actors in more global institutional settings, through top-down strategies aimed at developing or influencing formal institutions such as laws and standards (i.e., norm contamination and norm channeling strategies).

This conceptualization invites a key research question: *How do MNEs contribute to institutional change for sustainability by interacting with private, civil, and public*

actors? To explore this question in depth, the study adopts a mixed-method research design that bridges qualitative and quantitative analyses. This methodological orientation is chosen to reflect the nature of MNEs' actions for sustainability – simultaneously shaped by local specificity of the context of operation and global sustainability expectation – and to capture both situated practices and broader patterns. As Gibson (2017, p. 198) notes, such approaches are particularly suitable when examining complex global phenomena that traverse multiple levels of analysis and “multiple world views,” as is the case in the sustainability strategies of MNEs.

Figure 3.5. – How MNEs shape formal and informal institutions to drive environmental and social sustainability



Source: own elaboration.

CHAPTER IV

RESEARCH DESIGN AND METHODS

Summary: 4.1. Methodological choices. – 4.2. Rationale for choosing a mixed-method approach. – 4.3. Theoretical sampling. – 4.4. Data collection and data sources. – 4.4.1. UN impact case studies for qualitative analysis. – 4.4.2. Interviews related to MNEs' impact case studies. – 4.4.3. Supplementary materials for qualitative analysis. – 4.4.4. Corporate sustainability reports for quantitative analysis. – 4.5. Data analysis. – 4.5.1. Qualitative analysis: An interpretive approach. – 4.5.2. Quantitative analysis: A topic analysis on sustainability reports. – 4.5.3. Integrating qualitative and quantitative analysis.

4.1. Methodological choices

This study is anchored in mixed-method research, which allows for the combination of qualitative and quantitative methods in a complementary way (Gibson, 2017). While traditional approaches in social science often position research along a dichotomy between post-positivism and constructivism, the mixed-method approach rejects such rigid polarization (Leech et al., 2010). Mixed-method approaches encourage methodological pluralism and recognizes that different epistemological tools can be used together to illuminate complex phenomena (Leech et al., 2010). This orientation is particularly appropriate in studies dealing with institutional change and MNEs' strategies to address sustainability challenges, where both context-specific interpretations and structured patterns are relevant. Gibson (2017, p. 198) argues that “mixed methods are also likely valuable in some domains where other approaches are less viable, such as [...] in multinational research where multiple world views are evident and understanding them is a critical objective.” In this light, the current research embraces a mixed-method approach to analyze how MNEs conduct an institutional change towards sustainability. The study examines multiple MNEs operating across different sectors and countries. While each case is analyzed individually and in depth, comparative analysis is also explored in order to identify cross-firm patterns in the way sustainability-oriented institutional change is framed and operationalized.

With this aim, this research moves beyond the so-called “incompatibility thesis” (Howe, 1988), which claims that methodologies from different paradigms cannot be meaningfully integrated. Instead, this research aligns with the view that epistemological assumptions do not strictly dictate methods of data collection or analysis (Cohen, Manion, & Morrison, 2007). In this vein, the study leverages the strengths of both qualitative

(i.e., interpretive analysis) and quantitative (i.e., topic modeling) approaches. The choice to combine both methods reflects the need to explore institutional change for sustainability on behalf of MNEs as a complex and multilayered phenomenon that cannot be fully understood through a single methodological lens. Indeed, such research design is especially suitable for analyzing the global-local dynamics of institutional change, where context-specific and standardized practices coexist (Parry et al., 2021).

4.2. Rationale for choosing a mixed-method approach

This study employs a mixed-method approach to address the complex nature of how MNEs articulate and implement their sustainability strategies – globally standardized in form, yet locally grounded in practice: “the central premise of mixed methods studies is that the use of quantitative and qualitative approaches in combination provides a better understanding of research problems and complex phenomena than either approach alone” (Molina-Azorin, 2016, p. 339).

To begin with, this research conducts an interpretive analysis through the identification and interpretation of impact case studies of selected MNEs. The qualitative analysis is performed on publicly available interviews, focusing on how MNEs engage with local actors, address community needs, and adapt their practices to diverse institutional contexts. These localized cases shed light on how sustainability is enacted in specific host countries, and how MNEs contribute to institutional change through situated action.

On the other side, the quantitative analysis is performed through a topic modeling on MNEs’ sustainability reports, providing a structured understanding of how MNEs publicly frame their sustainability commitments. These documents follow reporting standards that promote comparability and consistency, such as the Global Reporting Initiative (Di Leo, Sfodera, Cucari, Mattia, & Dezi, 2023), and often reflect dominant global rules and practices in corporate sustainability. As such, they offer insight into how MNEs align with international expectations, respond to regulatory pressures, and adopt sustainability narratives that are recognizable across sectors and countries. However, the exclusive reliance on standardized disclosures may obscure the more context-sensitive ways in which MNEs operate on the ground.

Balancing these two analytical approaches reflects the broader challenge identified in comparative research: the need to ensure methodological rigor while also preserving relevance to each specific context (Bartlett & Vavrus, 2016). Particularly in cross-national studies, careful attention must be paid not only to the representativeness of data sources, but also to their meaningfulness within the local context being studied (Parry et al., 2021). Following this logic, the research design prioritizes both the structural clarity provided by standardized reports and the contextual richness of interpreting specific impact case studies. The aim is not to treat rigor and relevance as opposing poles, but rather to recognize their interdependence when investigating complex global-local dynamics that characterize the phenomenon of sustainability (Leech et al., 2010).

This rationale aligns with broader calls in international management research to design studies that are responsive to both global comparability and local specificity (Parry et al., 2021). The methodological design here seeks to reflect the realities of how MNEs simultaneously operate within frameworks shaped by international norms and by host-country particularities. The mixed-method approach enables the exploration of these dynamics.

4.3. Theoretical sampling

The selection of cases in this study followed a purposive approach (Bartlett & Vavrus, 2016), with the aim of identifying MNEs that contribute to institutional change for sustainability in the countries where they operate. Given the research objective, the theoretical sampling was guided by both conceptual relevance and empirical richness.

The first criterion for inclusion was the MNEs' active involvement in partnerships including civil and public actors, explicitly aimed at sustainable development. In particular, the analysis focuses on MNEs participating in the Business Call to Action (BCtA), a global initiative launched under the auspices of the United Nations Development Programme to mobilize private sector contributions to the SDGs. The BCtA provides a structured and internationally recognized framework that brings together governments, civil society, and private business actors around SDGs. Participation in this initiative signals a public commitment by firms to go beyond traditional corporate social responsibility and to engage in projects with tangible institutional and developmental impacts across their countries of operations (UNDP website).

A second key criterion was the availability of "impact case studies" published directly by the United Nations. These case studies document specific projects and initiatives through which MNEs have contributed to social, environmental, or economic change in a given country. By grounding the selection in these externally validated cases, the study ensures that each MNE selected is not only discursively aligned with the SDGs but also engaged in practices that have been recognized as impactful. Importantly, relying on sources that are not exclusively self-reported by the firms mitigates common concerns associated with endogenous selection bias. Following in the footsteps of Delmas and Burbano (2011), self-disclosed information may either selectively emphasize favorable outcomes or offer an incomplete representation of actual firms' practices – even when no intentional misrepresentation occurs (Scott & Balthrop, 2021). The inclusion of case studies validated by the UN increases the credibility of the data and enhances comparability across cases in terms of data depth and quality.

A third criterion involved sectoral balance. To allow for MNEs' comparison, two firms were selected from the pharmaceutical sector (Sanofi and Medtronic), and two from the personal care and hygiene sector (Saraya and L'Occitane). These sectors were chosen because of their intrinsic relevance to public welfare (health, well-being, and hygiene).

A fourth criterion related to institutional diversity. Each firm selected is headquartered in a different region of the world: North America (Medtronic), Europe (Sanofi and L'Occitane), and Asia (Saraya). At the same time, all MNEs operate transnationally and have initiated projects in lower – and middle-income countries, allowing for comparability in terms of development context. Institutions across host and home countries vary in salience depending on factors such as economic dependence, intensity of global linkages, and exposure to countries with more demanding sustainability templates (Koparan & Koparan, 2024; Marano & Kostova, 2016). Including MNEs with distinct geographic origins but comparable global engagement allows the study to explore how different institutional contexts may influence the strategies through which MNEs engage with other actors to address sustainability (Vurro, Dacin, & Perrini, 2010).

In addition to the above-mentioned criteria, the selection of cases was also guided by the availability of rich and reliable data. All four firms regularly publish detailed sustainability reports and maintain an extensive digital presence through press releases, interviews, and documentation related to their initiatives. This ensured that the study could rely on multiple sources of information such as UN documents, corporate sustainability reports, and publicly available interviews or web-based narratives.

The selection strategy also reflects an intentional balance between methodological rigor and contextual relevance. As Lazarova, Morley, and Tyson (2008) emphasize, cross-national research should not only follow criteria of representativeness but also account for the significance and local relevance of each case. In this vein, the study focused on MNEs whose sustainability efforts demonstrate a clear and meaningful engagement with the institutional contexts of the countries where they operate. Each case reveals a unique interaction with different types of actors – public, private, and civil society – as well as with both formal and informal institutions.

Finally, this selection allows the research to develop both within-case and cross-case insights. Each MNE is analyzed individually, to understand the specific formal and informal institutions at play and then compared with other MNEs to identify broader patterns and strategic differences. This design supports the study's overarching goal: to investigate how sustainability-oriented MNEs act as agents of institutional change across different contexts, and how their strategies and impacts are shaped by sectoral logics, institutional context, and actors' participation in sustainability initiatives.

4.4. Data collection and data sources

The study relies on a combination of qualitative and quantitative data, selected and analyzed to ensure both analytical depth and methodological integrity. In mixed-method research, data sources are typically distinguished not only by their form – whether textual, numerical, or visual – but also by their origin and the methodological tools used for their interpretation (Gibson, 2017). In this research, qualitative

analysis is carried out by analyzing data including impact case studies, public interviews, and digital communications produced either by the focal MNEs or external actors. These sources offer rich, contextually grounded insights and are particularly suited for interpretive analysis aimed at capturing meanings, narratives, and actor perspectives in diverse local settings.

Quantitative analysis, in contrast, is conducted on systematically structured textual material, in particular, sustainability and CSR reports. Although these documents are narrative in style, they are formalized in content and format, allowing for computational techniques such as textual analysis to be applied (e.g., Quarchioni, Ruggiero, & Damiano, 2021). This method facilitates the detection of recurring themes and discursive trends across MNEs, providing a data-driven foundation for cross-firm comparison.

A critical consideration in the data collection process was the origin of the information used, that is, the perspective from which each data come from. Drawing exclusively from internal or firm-authored data would have risked introducing a form of source bias, in which all insights reflect only the MNEs' framing of its own actions (Gibson, 2017). To address this, the study integrates multiple data sources, including documents produced by independent entities (such as the United Nations Development Programme), and narratives collected from outside the firm, including interviews, third-party articles, and public media. This triangulation helps avoid what is commonly referred to as single-source bias – a methodological issue that arises when all data are drawn from the same type of source, potentially inflating coherence while undermining the validity of findings (Campbell & Fiske, 1959).

Therefore, the selection of data sources reflects not only the diversity of content types, but also the deliberate inclusion of voices internal and external to the MNEs of the sample. This approach ensures a broader and more independent view of the phenomenon under investigation, supporting the overall reliability of the study. The next sections detail the three categories of data used in this research: UN impact case studies and supplementary materials for the qualitative analysis, and CSR and sustainability reports for the quantitative analysis.

4.4.1. UN impact case studies for qualitative analysis

The empirical foundation of this research lies in the impact case studies curated by the UNDP's BCtA initiative. These case studies document real-life business-led initiatives that aim to contribute to the SDGs while generating sustainability value in MNEs' host countries. Each report details the initiative's context, implementation strategies, challenges, and outcomes, with a particular focus on business innovation and multi-actor collaboration for sustainability.

For this research, four MNEs were selected – L'Occitane, Sanofi, Medtronic, and Saraya – each of which has had its efforts officially documented by the BCtA. The case studies provide a detailed narrative of how each MNE engaged with sustainability challenges in specific host countries, including the actors involved and the types of

institutional change targeted. These cases were selected in accordance with the criteria outlined in Section 4.3. Table 4.1 provides an overview of the selected case studies.

Table 4.1. – Impact case studies published by United Nations.

| Case study | Report source | Brief description |
|--|-----------------------|---|
| L'Occitane in Burkina Faso – Shea butter producers Program | BCtA – United Nations | L'Occitane collaborates with women shea producers in Burkina Faso to improve livelihoods through fair trade, literacy, and microfinance. |
| Sanofi in Colombia – Diabetes Program | BCtA – United Nations | Sanofi implemented a patient-centered initiative in Colombia to improve diabetes care for low-income populations through partnerships with subsidized health providers. |
| Medtronic in India – Ear-care Shruti Program | BCtA – United Nations | Medtronic's Shruti program in India provides affordable ear-care services to underserved communities through mobile screening and treatment, improving health-care system. |
| Saraya in Uganda – Hygiene Program | BCtA – United Nations | Saraya East Africa, a subsidiary of the Japanese hygiene company Saraya, aims to reduce hospital infection rates in Uganda by producing and distributing locally sourced alcohol-based hand rubs. |

Source: own elaboration.

4.4.2. Interviews related to MNEs' impact case studies

To deepen the qualitative analysis and reconstruct how the MNEs' initiatives were perceived and implemented at the local level, a set of publicly available interviews was collected. These interviews feature key stakeholders such as MNE executives, government officials, local entrepreneurs, and representatives of partner organizations. The interviews were sourced from various platforms, including YouTube channels, MNEs' official websites, and online publications. They offer a valuable supplement to the UN case studies by providing multiple perspectives on the initiatives' impact and challenges. Table 4.2 presents the interviews analyzed for each MNE, detailing the interviewees, sources, and durations.

Table 4.2. – Interviews

| MNE | Interview | Interviewees | Source and data of the interview | Duration of the interview |
|------------|---|--|--|---------------------------|
| L'Occitane | L'Occitane inauguration in burkina faso | Odile BONKOUYOU: Minister of basic and non formal education in Burkina Faso; Assetou NIKIEMA: President of UPROKA (Union of shea nut producers); Sonia NIKIEMA: President of Association Bangre Noma for Women's literacy; Benedicte MENANTEAU: Director of the OCCITANE Foundation; Paula CHAMAND: Doctor of the Order of Malta; Pascaline TAMINI: Ministry of Social Action and National Solidarity; Reinold GEIGER: President and General Director of OCCITANE; Oliver BAUSSAN: Founder of Occitane | Vanity fair, Youtube – 2009 | 9:42 min |
| | Entrepreneurs du Monde and Fondation L'Occitane in Burkina Faso | Caroline DIALLO: President of the Ragussi association; Coline PODLUNSEK: Project Officer Microfinance and Shea Butter, Occitane Programme | Entrepreneurs du monde, Youtube – 2019 | 2:24 min |
| | Shea butter: the gold of burkina faso's women | Burkina Faso women producers of shea butter | L'Occitane, Youtube – 2016 | 5:36 min |
| | Ouedraogo L'Occitane | Mr. Ouedraogo: Doctor in Burkina Faso | Medicus mundi houndé (ONG), Youtube – 2014 | 1:15 min |
| | Kaala-L'Occitane pour Elles | Marie Kanla: Co-manager of KAALA | L'Occitane, Youtube – 2016 | 2:51 min |
| | Palobdé Afrique – L'OCCITANE pour Elles | Emilie PALODBE KYEDREBEOGO: Founder of Palobdé Afrique | L'Occitane, Youtube – 2022 | 2:21 min |
| | Apprendre Autrement – L'OCCITANE pour Elles | Alexandra ABO/PARKOUDA: Founder of Apprendre Autrement | L'Occitane, Youtube – 2021 | 2:34 min |
| | Doux Goûts – L'OCCITANE pour Elles | Sandrine OUBA/OUEDRAOGO: Promoter of Doux Goûts | L'Occitane, Youtube – | 3:09 min |
| | | | | |
| | | | | |

Continued

| MNE | Interview | Interviewees | Source and data of the interview | Duration of the interview |
|-----------|---|---|------------------------------------|--|
| Sanofi | Transformación del Modelo Colaborativo en Salud en Colombia – SANOFI Tu Salud Guía | Ricardo GÓMEZ BEJARANO: Commercial Director of General Medicine | Tu Salud Guía, Youtube, 2023 | 5:43 min |
| | NESst y Sanofi hablan sobre los resultados de su inversión en Colombia Colombia Investment Summit | Eduardo ARCE: General Manager of General Medicine for the COPAC Region | Procolombia, Youtube, 2021 | 1:29 min |
| | Eduardo Arce Parellada, director general de Sanofi Colombia en Inside LR | Eduardo ARCE: General Manager of General Medicine of the COPAC Region | Diario La República, Youtube, 2021 | 52:32 min |
| | Alexis Myrand, country manager de Sanofi para países andinos en Inside LR | Alexis MYRAND: Country Manager of the Andean countries | Diario La República, Youtube, 2019 | 38:19 min |
| Medtronic | Shruti – A Medtronic Initiative | Madan R. KRISHNAN: Vice President & Managing Director, Medtronic Indian Subcontinent; Dr. Sarvejeet SINGH: Otorhinolaryngology; People involved in the initiative (local health workers and people benefited from the shruti programme) | Medtronic India, Youtube, 2019 | 3:46 min |
| | Jacob Paul Medtronic | Jacob PAUL: Vice-President Finance & Strategy at Medtronic Surgical Technologies | HYBIZTV HD, Youtube, 2014 | 5:37 min |
| Saraya | SDGs Interviews: Talking Good Health and Well-Being with Fortunate Collins | Fortunate COLLINS: General Manager of Saraya Uganda | Saraya website, 2021 | Not available (interview provided in written form) |
| | SDGs Interviews: Talking poverty with Madoka Mori | Madoka MORI: Assistant Manager of the Sales & Marketing Department and African Business Development Section at the Global Operations Division | Saraya website, 2020 | Not available (interview provided in written form) |

Source: own elaboration.

4.4.3. Supplementary materials for qualitative analysis

In addition to the case studies and interviews, other supplementary materials were collected to further enrich the qualitative analysis. These include press releases, MNE videos, web articles, and pages from firm websites. These documents provide context, narrative framing, and additional data for a better understanding of how MNEs position their sustainability efforts and their institutional engagement. A summary of these sources is provided in Table 4.3.

Table 4.3. – Other data sources different from interviews and sustainability reports

| MNE | Data type | Title | Data Source | Details |
|------------|--------------|--|---------------------------|---|
| L'Occitane | Website page | How L'OCCITANE Promotes a Holistic Approach of Development in Favor of Its Women Producers in Burkina Faso | 3BL media | Year: 2019 |
| | Website page | L'Occitane en Provence: L'Occitane au Burkina Faso: More than just business with shea butter producers | InclusiveBusiness.net | Not available details |
| Sanofi | Video | ¿A qué se debe la escasez de insulina en Colombia? | Noticias Caracol, Youtube | Duration: 0:26 sec Year: 2024 |
| Medtronic | Video | Shruti by Medtronic LABS for World Hearing Day | Hear with Shruti, Youtube | Duration: 2:59 min Year: 2021 |
| | Video | Shruti Program // Explainer Video | Home Road Films, Youtube, | Duration: 3:07 min Year: 2020 |
| | Website page | Medtronic Shruti Program: Ear Infection Screening and Treatment | ClickMedix | ClickMedix constitutes a platform of community health workers in partnership with Medtronic in the Shruti program |
| | Website page | Medtronic's Shruti Programme to Provide Ear Care to 10 Million Poor People | Medindia Web article | Article written by Colleen Fleiss in 2018 |
| | Website page | Medtronic's Shruti program aims to provide quality ear care to 10 million underserved Indians by 2025 | BioVoice website | Article written by BioVoice correspondent, 2018 |
| | Website page | Medtronic Labs launches ear-screening initiative for Uber drivers in India | Express mobility website | Written by Express Mobility Desk, 2022 |

Continued

| MNE | Data type | Title | Data Source | Details |
|--------|--------------|---|----------------|------------|
| Saraya | Website page | Talking Life Below Water with Yoshihiko Hirata | Saraya website | Year: 2022 |
| | Website page | Talking Affordable and Clean Energy with Hiroshi Fukuda | Saraya website | Year: 2021 |
| | Website page | Talking Inequalities with Satomi Sasa | Saraya website | Year: 2021 |
| | Website page | Talking Innovation with Ryots Kihara | Saraya website | Year: 2021 |
| | Website page | Talking Sustainable Cities with Trang Linh Duong | Saraya website | Year: 2021 |
| | Website page | Talking Zero Hunger with Yuji Murata | Saraya website | Year: 2020 |
| | Website page | Talking Clean Water and Sanitation with Koji Kihara | Saraya website | Year: 2020 |
| | Website page | Talking Responsible Production with Hirotsugu Daishima | Saraya website | Year: 2020 |
| | Website page | Talking Life on Land with Nobuo Nakanishi | Saraya website | Year: 2020 |
| | Website page | Talking Partnership with Edson Kodama | Saraya website | Year: 2020 |
| | Website page | Talking gender equality with HR Director Masako Murai | Saraya website | Year: 2020 |

Source: own elaboration.

4.4.4. Corporate sustainability reports for quantitative analysis

To complement the qualitative exploration of sustainability practices and institutional engagement, a longitudinal analysis was conducted on corporate sustainability reports published between 2018 and 2024 by each of the four MNEs. These documents, retrieved from the MNE official websites, include various reporting formats, such as environmental, social, and governance reports, CSR statements, and integrated reports, depending on the firm's disclosure practices. The reports were compiled, cleaned, and processed to create firm-specific textual corpora, which were then analyzed using topic modeling in R. This quantitative textual analysis made it possible to identify dominant sustainability themes within MNE and across MNEs. Table 4.4 lists all the sustainability reports included in the analysis.

Table 4.4. – MNEs' Sustainability Reports

| MNE | Sustainability Reports |
|------------|--|
| L'Occitane | FY2018 Environmental, Social and Governance Report FY2019 Environmental, Social and Governance Report FY2020 Environmental, Social and Governance Report FY2021 Environmental, Social and Governance Report FY2022 Environmental, Social and Governance Report FY2023 Environmental, Social and Governance Report FY2024 Environmental, Social and Governance Report |
| Sanofi | 2018 Integrated Report Corporate Social Responsibility 2019 Corporate Social Responsibility 2020 Corporate Social Responsibility 2021 Corporate Social Responsibility 2022 Corporate Social Responsibility 2023 Sustainability Statement 2024 |
| Medtronic | 2018 Integrated Performance Report 2019 Integrated Performance Report 2020 Integrated Performance Report 2021 Integrated Performance Report 2022 Integrated Performance Report 2023 Sustainability Report FY24 Impact Report |
| Saraya | Sustainability Report 2018 Sustainability Report 2019 Sustainability Report 2020 Sustainability Report 2021 Sustainability Report 2022 Sustainability Report 2023 Sustainability Report 2024 |

Source: own elaboration.

4.5. Data analysis

The data analysis process was structured to reflect the twofold logic of the research design. With regards to the qualitative analysis the aim is to explore specific case studies of how MNEs may contribute to institutional change through sustainability engagement. Related to the quantitative analysis, the research pursues to identify broader patterns in the MNEs' sustainability reports. Both qualitative and quantitative analyses compare firms operating in various sectors and countries. Each analysis is applied to different data sources as detailed in Section 4.4.

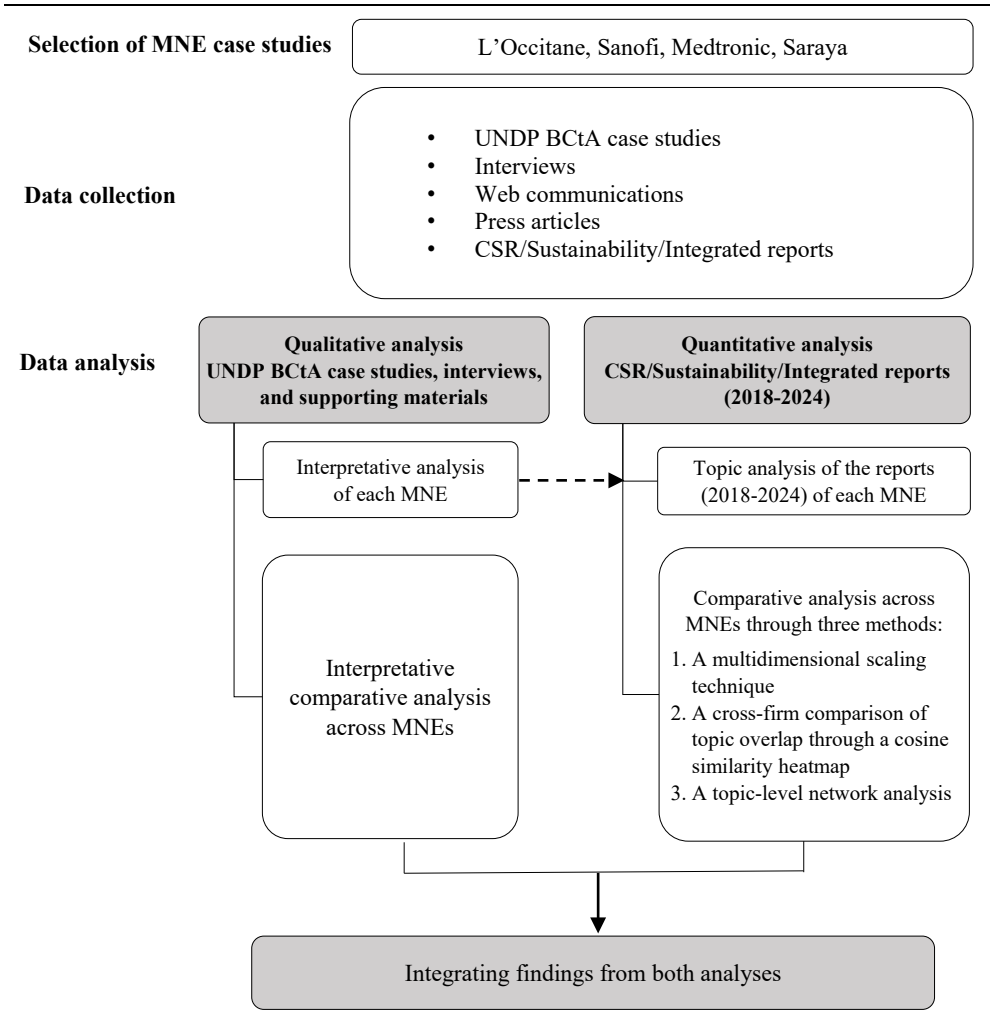
In the first stage, a qualitative, interpretive analysis was carried out using the UNDP BCTA *impact case studies of four selected MNEs*, publicly available

interviews, and additional supporting materials (e.g., press articles, videos, corporate communications). Each case was analyzed individually to reconstruct the MNEs' engagement with local actors, institutions, and sustainability challenges in specific host countries. This analysis aimed to capture the situated nature of institutional change and the strategies through which MNEs contribute to it on the ground. Initially, the data analysis was conducted separately for each firm, followed by a comparative analysis across the four MNEs. Comparisons were made through interpretive reasoning, focusing on the unique characteristics of each case in terms of sustainability goals, types of actors involved, and the institutional contexts in which the initiatives were implemented. Given the diversity of the cases, ranging from healthcare to personal care, and from West Africa to South Asia, the aim was not to establish uniform patterns but rather to explore how institutional change is shaped by distinct configurations of actors, goals, and institutions.

In the second stage, a quantitative topic analysis was conducted on the sustainability reports of the same four MNEs, covering the period from 2018 to 2024. For each firm, the reports were compiled into a single corpus and processed using topic modeling techniques. This allowed for the identification of the main themes emphasized in their corporate sustainability reports. Successively, a comparative quantitative analysis was conducted using computational techniques in R. After identifying topics for each firm through topic modeling, specific methods were applied to assess thematic similarities and differences among the four MNEs. These included three analyses: 1) a multidimensional scaling technique; 2) a cross-firm comparison of topic overlap through a cosine similarity heatmap; 3) a topic-level network analysis. These analyses were conducted to examine how closely aligned or differentiated the sustainability strategies are across the four MNEs. This allowed for a more grounded exploration of the extent to which sustainability strategies and MNEs ways to conduct institutional change converge or diverge.

By combining findings from interpretive qualitative analysis with those from computational topic modeling, the study achieves a more nuanced and comprehensive understanding of how MNEs construct and enact sustainability-driven institutional change across diverse contexts and sectors. The qualitative investigation played a key role in guiding the identification and labeling of the topics derived from the quantitative analysis, by providing contextual knowledge that grounded the interpretation of abstract patterns. In turn, the patterns emerging from the topic modeling informed a re-reading of the case studies, offering new angles to interpret the MNEs' sustainability narratives and strategies. This reciprocal integration allowed the two strands to reinforce each other and contributed to a more coherent explanation of the phenomenon under study.

Figure 4.1. illustrates the adopted research design.

Figure 4.1. – Research design

Source: own elaboration.

4.5.1. Qualitative analysis: An interpretive approach

The first phase of the study relied on an interpretive qualitative approach, grounded in the recognition that context is not merely descriptive, but fundamentally explanatory: “context is essential to interpretive scholarship, it renders social action meaningful” (Welch, Paavilainen-Mäntymäki, Piekkari, & Plakoyiannaki, 2022, p. 8). Given the aim of this research – to explore MNEs as institutional entrepreneurs acting for institutional change towards sustainability by interacting with private, civil, and public actors – the analysis acknowledged the importance of context in

interpreting each case study. In line with calls for contextualized explanations in IB research (Welch et al., 2022), the analysis aimed to reconstruct how MNEs engage with local institutional contexts and actors in ways that contribute to sustainable development. This approach acknowledges that institutional change cannot be fully understood without embedding MNEs in the socio-political, cultural, and economic contexts in which they operate.

The qualitative analysis of this study was designed to explore how MNEs engage with institutional change through sustainability-driven initiatives. Data were collected from three main sources: (1) the BCtA impact case studies published by the UNDP; (2) publicly available interviews and video testimonies by MNE representatives or stakeholders; and (3) supplementary materials such as press releases, web articles, and firm communications. The data sources were selected for their richness and their potential to reveal how MNEs interpret, negotiate, and enact sustainability in diverse institutional contexts (Graebner, Martin, & Roundy, 2012).

The analysis proceeded in stages. As a starting point, the BCtA impact case studies were examined, as they provided the initial rationale for selecting the focal MNEs and documented initiatives already recognized by the UN as contributing to sustainable development in host countries. These case studies offered rich contextual information regarding the institutional challenges, actors involved, and sustainability goals pursued in each case. Once these focal initiatives and their host contexts were identified, an online search was conducted to retrieve video interviews, speeches, and third-party documents related to each initiative. These materials were chosen to complement the official narrative and capture more diverse perspectives on the MNEs' strategies for sustainability.

All interviews were manually transcribed in full. In cases where the original content was in languages other than English, the transcripts were translated to English using a combination of automated transcription tools and human supervision to ensure accuracy and contextual consistency. This process allowed for greater coherence across the data and enabled comparative interpretation within a common linguistic framework (Tietze, 2018).

Instead of relying on a predefined coding scheme, the analysis evolved progressively through multiple readings of the data, allowing empirical material to be interpreted in light of emerging theoretical insights. Drawing on literature from institutional theory and sustainability research in IB, data were revisited multiple times to refine emerging interpretations and identify meaningful patterns. This abductive approach facilitated the refinement of concepts and interpretations over time, allowing the researcher to return to the data with evolving analytical questions. As noted by Welch et al. (2022), abduction enables scholars "to articulate and make visible the generative moments of doing qualitative research" (p. 18). The process involved moving back and forth between empirical material and theoretical constructs, enabling new insights to surface and initial assumptions to be revised or deepened.

This iterative strategy is consistent with the idea that analysis in qualitative

research is not linear, but cyclical, allowing for the development of more robust interpretations through successive refinement (Alvesson & Sköldbberg, 2009; Srivastava & Hopwood, 2009). Each return to the empirical material was guided by conceptual questions relating to institutional engagement, actor involved, and the ways through which MNEs mobilize top-down and/or bottom-up strategies to influence institutional change. This included observing whether the MNEs initiated change through regulatory channels, engaged with public actors, or collaborated with other firms or civil society actors.

Through iterative reading and coding, recurrent themes were identified within each case. These themes were not interpreted in isolation, but rather in relation to the broader institutional context, in line with a contextualized explanation logic (Tsang, 2013). Specifically, rather than treating institutional contexts as static backgrounds, the analysis considered them as evolving settings shaped through actors' interaction. This interpretive stance made it possible to understand how MNEs not only operate within existing institutional contexts but also contribute to their change – sometimes deliberately, sometimes indirectly – through the construction of cross-sectoral partnerships, local capability-building, or the diffusion of new norms and practices.

Once each case was analyzed individually, a second interpretive phase allowed for cross-case comparison. Given the diversity of the selected MNEs, in terms of sector (e.g., pharmaceutical vs. personal care), this comparative reading focused on how sector-specific priorities shaped each firm's approach to sustainability.

Overall, the qualitative analysis contributes to the broader research goal by shedding light on the ways in which MNEs act as agents embedded in institutional contexts, engaging with multiple types of actors and institutions at play, and potentially triggering institutional change through sustainability-focused strategies.

4.5.2. Quantitative analysis: A topic analysis on sustainability reports

The quantitative analysis of this study applies topic modeling to examine the sustainability reports of the four selected MNEs – L'Occitane, Sanofi, Medtronic, and Saraya – published between 2018 and 2024. These reports, while narrative in structure, follow standardized reporting formats and are well suited to computational analysis, as they reflect formalized ways of presenting corporate sustainability priorities across firms. This method facilitates the detection of recurring themes and has recently gained traction in management studies as a relatively novel approach (Kumar & Srivastava, 2022). Recent applications include the use of structural topic modeling and latent Dirichlet allocation (LDA) to explore sustainability discourse and strategies (Kumar & Srivastava, 2022; Li & Lemke, 2025).

Topic modeling, a technique originally developed in computer science, enables the identification of latent thematic structures within large text collections. The underlying assumption is that each document consists of a combination of topics, where each topic corresponds to a distribution over words. This method has been widely

adopted for its ability to detect recurring themes across corpora and to support comparison between textual datasets. The specific algorithm employed in this study is LDA, which treats documents as probabilistic mixtures of latent topics and topics as probabilistic mixtures of words (Blei, Ng, & Jordan, 2003).

The analysis was conducted using the statistical software R, relying on packages such as *tm*, *topicmodels*, *tidytext*, and *pheatmap*. First, sustainability reports were retrieved and converted from PDF to plain text files. The text was then pre-processed through several steps: tokenization (splitting the text into individual terms), conversion to lowercase, and removal of punctuation, numbers, special characters, and domain-specific terms (e.g., company names). In addition to standard stop words, a customized list of context-specific terms was removed to reduce noise. Lemmatization and stemming were subsequently applied to unify word variants. A final manual review of the resulting vocabulary ensured consistency and eliminated remaining non-informative terms.

Once cleaned, the text corpus was transformed into a Document-Term Matrix (DTM), where each row represents a document and each column a term, with the cells indicating term frequency. This DTM served as the input for the LDA algorithm. The number of topics ($k = 5$) was selected a priori based on interpretability criteria and multiple iterations of model testing.

The LDA algorithm was estimated using the Variational Expectation-Maximization method, the default setting in the *topicmodels* package. This approach approximates the posterior distributions of latent variables through iterative optimization. The LDA generative process assumes that:

Step 1: For each topic k , a distribution over words β_k is drawn from a Dirichlet prior with parameter η .

$$\beta_k \sim \text{Dirichlet}(\eta)$$

Step 2: For each document d , a topic distribution θ_d is drawn from a Dirichlet prior with parameter α .

$$\theta_d \sim \text{Dirichlet}(\alpha)$$

Step 3: For each word $w_{d,n}$ in a document d :

A topic $z_{d,n}$ is sampled from the multinomial distribution defined by θ_d ;

$$z_{d,n} \sim \text{Multinomial}(\theta_d)$$

A word $w_{d,n}$ is then drawn from the multinomial distribution associated with topic $z_{d,n}$, using β .

$$w_{d,n} \sim \text{Multinomial}(\beta_{z_{d,n}})$$

In this framework, β indicates the probability of each word occurring in a given topic, while θ represents the weight of each topic within a document.

After estimating the model for each MNE, five topics were extracted per firm. For each topic, the twenty most representative terms were retrieved based on their β

values (i.e., the conditional probability of a word given a topic). These terms were visualized through bar plots using the `ggplot2` package.

The interpretation and labeling of topics followed an iterative procedure. The top-weighted terms for each topic were analyzed to identify coherent thematic patterns, drawing on both the insights gained from the preceding qualitative analysis and the key conceptual categories identified in the framework presented in Chapter 3. This dual reference ensured that the labeling process remained conceptually grounded in the overall study.

To enhance the transparency and consistency of the labeling process and reduce potential subjectivity, support from artificial intelligence was incorporated (e.g., Lindebaum & Fleming, 2024; Simonetti, Tumminello, Picone, & Minà, 2025). Specifically, ChatGPT Plus – an advanced large language model with enhanced capabilities for reasoning and contextual memory – was used to refine the preliminary labels. Before engaging in this process, the AI was provided with all relevant background information, including the thematic focus of the literature review, the results of the interpretive analysis for each MNE, excerpts from the sustainability reports, and the preliminary labels initially developed. The aim was not to delegate the interpretive task, but to enhance its robustness. The process remained interpretive and theory-driven, and the final decisions were made by the researcher. However, the AI support helped identify potential inconsistencies, blind spots, or alternative conceptual associations that may have been overlooked. The use of AI, when framed within a transparent methodological process and theoretical grounding, served as a tool to mitigate individual bias while preserving analytical depth and authorial control.

Beyond labeling, an additional analysis was conducted to explore the internal structure of each MNE's topic model. Indeed, a cosine similarity matrix was generated from the topic-word distributions to assess how much the topics within each firm overlapped semantically. A heatmap visualization was produced to highlight clusters of similar or distinct topics, shedding light on the degree of thematic coherence or fragmentation in each MNE's sustainability commitment.

In sum, the topic modeling approach enabled a systematic exploration of how sustainability is framed in the reports of MNEs. By revealing both dominant themes and internal consistencies or tensions in the way sustainability is communicated, the analysis provided insights into the firms' strategic orientations and discursive practices, laying the foundation for cross-firm comparison.

Afterward, a structured comparative analysis was conducted across the four MNEs. This stage aimed to identify similarities and differences in sustainability strategies by examining how the topic models derived for each MNE relate to one another. To achieve this, multiple analytical techniques were applied, each progressively increasing in granularity.

First, multidimensional scaling (MDS) was employed to provide a spatial representation of topic similarity between firms. This technique translates the pairwise distances between firms, based on the prevalence of topics in their sustainability reports, into a two-dimensional spatial representation. The resulting dimensions,

although not associated with specific semantic categories, provide a visual map of the relative similarity between firms. Each dimension represents an abstract axis that preserves the structure of the distance matrix as faithfully as possible, allowing firms with similar topic profiles to appear closer together in the plot. In this context, the two dimensions serve as a synthetic representation of thematic variation in sustainability discourse across the four MNEs.

Second, a cosine similarity heatmap was generated to visualize the weight of the five topics previously identified for each individual firm. These visualizations allowed for a cross-firm comparison of how the most salient themes – emerging from each MNE's own topic model – relate in terms of prevalence and emphasis across the four MNEs. The cosine similarity metric was then used to produce a heatmap, where color intensity reflected the degree of alignment across topic structures of the MNEs. This visualization was complemented by a hierarchical clustering analysis, resulting in a dendrogram that captured the nested proximities between firms based on the thematic emphasis of their sustainability narratives. The closer two MNEs appeared in the dendrogram, the more similar their topic-word distributions.

Finally, a topic-level network analysis was carried out to offer the most detailed and informative comparison. Each MNE was represented as a node, and connections (edges) were drawn based on the strongest topic-to-topic similarities between pairs of firms. For each topic, the top 20 most representative terms (based on their β values) were compared across firms, and edge weights were calculated using the normalized overlap of term importance. To avoid excessive visual complexity and maintain analytical clarity, only the four most significant topic-level connections per firm pair were retained. This threshold allowed for a focused and interpretable visualization of thematic bridges across MNEs, uncovering possible alignments. The resulting network representation complemented the heatmap and clustering analysis by revealing fine-grained patterns of convergence and divergence in how MNEs articulate sustainability strategies. Indeed, the resulting network identifies clusters of shared discourse as well as unique thematic positioning in sustainability.

Together, these comparative techniques contributed to a better understanding of the extent to which sustainability strategies converge or diverge across MNEs, illuminating both common and distinctive priorities.

4.5.3. Integrating qualitative and quantitative analysis

Given the mixed-method design of the study, this final step in the methodological section outlines how qualitative and quantitative approaches were integrated. While each analytical approach was conducted independently – employing distinct data sources and techniques – they converge in their contribution to extend our knowledge about how MNEs act as institutional entrepreneurs towards sustainability across countries.

The qualitative analysis, grounded in interpretive reasoning and contextualized explanation, enabled an in-depth exploration of each MNE's institutional engagement.

It focused on how MNEs leveraged both formal and informal institutions, interacted with private, civil, and public actors and developed sustainability strategies tailored to distinct institutional contexts. The qualitative analysis thus offered insight into the localized corporate sustainability efforts.

By contrast, the quantitative analysis, based on topic modeling of the sustainability reports, examined how MNEs communicate their broader commitments to social and environmental sustainability in standardized formats. The topic analysis revealed the dominant sustainability themes emphasized by each firm, allowing for comparisons between MNEs operating in different sectors and world regions.

This mixed-method design was chosen to reflect the methodological pluralism necessary to understand complex phenomena across levels. A key concern in mixed-method research is the effective integration of qualitative and quantitative components, rather than their mere juxtaposition. In this study, such integration occurred in both directions: the qualitative analysis informed the interpretation of the topics derived from the LDA models, particularly by grounding them in contextual knowledge; conversely, the topic modeling results fed back into the interpretation and understanding of the case studies, contributing to a more nuanced and coherent reading of MNE sustainability strategies.

The integration of both approaches was structured around four complementary purposes often associated with mixed-method research (Molina-Azorin, 2012). First, triangulation was pursued by comparing whether the practices observed in specific local initiatives (qualitative approach) aligned with the themes emphasized in sustainability reports (quantitative approach). This helped assess the consistency (or eventually divergence) between practical implementation and discourse of sustainability.

Second, the results of the qualitative strand supported development and complementarity, offering empirical grounding for the interpretation and labeling of topics emerging from the LDA models. In this way, the contextual knowledge generated from case-specific analysis informed the reading of the more abstract, statistically derived thematic structures.

Lastly, the combination of methods allowed for expansion, as each method addressed different yet complementary facets of the same overarching phenomenon: whereas the topic modeling uncovered how MNEs frame sustainability discursively across sectors and contexts, the interpretive analysis revealed how institutional change processes unfold in practice.

By aligning with these mixed-method logics, the study was able to explore both the formal articulation and the grounded enactment of sustainability strategies, producing a better understanding of how MNEs operate contribute to institutional change towards sustainability across countries. This layered approach enhances both the internal validity and the practical relevance of the findings: “a major advantage of mixed methods research is that it enables the researcher to simultaneously generate and verify theory in the same study” (Molina-Azorin, 2012, p. 35).

CHAPTER V

MULTINATIONAL ENTERPRISES CONTRIBUTE TO INSTITUTIONAL CHANGE TOWARDS SUSTAINABILITY: EMPIRICAL FINDINGS

Summary: 5.1. Interpretive analysis of MNEs' case studies. – 5.1.1. L'Occitane. – 5.1.2. Sanofi. – 5.1.3. Medtronic. – 5.1.4. Saraya. – 5.1.5. A comparative analysis of the case studies. – 5.2. A topic modeling of MNEs' sustainability reports. – 5.2.1. L'Occitane. – 5.2.2. Sanofi. – 5.2.3. Medtronic. – 5.2.4. Saraya. – 5.2.5. A comparative analysis of MNEs' sustainability reports. – 5.3. Integrating findings from both qualitative and quantitative analysis. – 5.4. Discussion.

5.1. Interpretive analysis of MNEs' case studies

This section presents an in-depth interpretation of each individual case study – L'Occitane, Sanofi, Medtronic, and Saraya – focusing on how each MNE engages with institutions at different levels (private, civil, and public) and pursues sustainability strategies. Through qualitative analysis of UNDP documentation, interviews, and supporting materials, the aim is to uncover how these firms act as institutional entrepreneurs in diverse institutional contexts, setting the stage for the comparative insights that follow.

5.1.1. L'Occitane

Founded in 1976 in the South of France, L'Occitane is part of the L'OCCITANE Group, an internationally group of firms specializing in natural cosmetics and well-being. Over time, the group has expanded its operations beyond its French roots, now encompassing a growing portfolio of brands such as ELEMIS, Melvita, Erborian, Grown Alchemist, and Sol de Janeiro. As of FY2024, the group has a consolidated presence in more than 90 countries worldwide, operating across an extended value chain that includes sourcing partnerships, manufacturing facilities, and distribution channels.

In August 2023, the L'Occitane Group obtained B Corp certification, a recognition that formalizes its commitment to balancing environmental, social, and economic goals in its business model. The certification process, which began in 2021, reflects the group's broader ambition to create positive impact across environmental

and social dimensions, in line with stakeholder-oriented governance and sustainability standards. A key area of focus is the traceability and ethical sourcing of ingredients, particularly within the L'Occitane en Provence. As reported in FY2024, 81% of this firm's raw materials are traceable to their country of origin, with the stated goal of reaching 90% by FY2026. At the group level, the same traceability threshold is targeted by 2031. To achieve these objectives, the group collaborates in multi-actor traceability alliances, such as the Traceability Alliance for Sustainable Cosmetics, which brings together actors from industry and civil society to improve transparency in global supply chains.

In addition, the group engages with upstream and downstream partners to improve environmental performance across its value activities. Initiatives such as the “#NotJustSuppliers” programme aim to enhance the social and environmental responsibility of suppliers by setting clear expectations and providing capacity-building support. On the consumer-facing side, efforts are made to promote sustainable consumption patterns through awareness-raising initiatives and the design of more recyclable packaging: for example, in FY2024, 69% of the plastic used in L'Occitane en Provence packaging was recyclable.

These initiatives demonstrate the MNE's commitment to embedding sustainability across sourcing, production, and consumption, involving diverse actors and institutional contexts. This orientation positions the MNE as an agent seeking to shape more sustainable and inclusive business-society relations within and beyond the beauty sector. A concrete illustration of this approach can be found in the UNDP BCTA case study on L'Occitane which focuses on the firm's long-standing engagement in Burkina Faso, where it sources shea butter from women's cooperatives. This initiative exemplifies how L'Occitane integrates sustainability goals, particularly gender inclusion, economic empowerment, and environmental conservation, into its sourcing strategy through multi-actor engagement.

The qualitative analysis of L'Occitane draws upon the theoretical constructs articulated in the conceptual framework presented in Chapter 3, employing them as interpretive lenses to examine the firm's engagement with institutional change for sustainability. These constructs provide the analytical foundation through which the case is unpacked, allowing for a theoretically informed reading of the firm's strategies and interactions with multiple actors.

At the private level, the MNE collaborates directly with supplier cooperatives, establishing quality and environmental requirements that are supported through technical assistance and long-term purchasing agreements. While these formal expectations resemble private codes of conduct, L'Occitane complements them with informal institutions that foster supplier reliance. For example, by guaranteeing purchase volumes and providing training, the MNE enables cooperatives to invest in sustainability-oriented processes, thus reinforcing dependency-based alignment (reliance path) rather than enforcing rigid conditionality (enforcement path). One cooperative leader remarked:

With the arrival of L'Occitane, we were able to mechanise the production process ... we use machines for the production, to improve the quality of the shea butter and to sell it globally (Caroline Diallo, President of Ragussi Association).

This illustrates how L'Occitane acts as an institutional entrepreneur by fostering local entrepreneurship as a pathway to institutional change. Rather than limiting its engagement to sourcing practices, the MNE actively contributes to the emergence of new economic actors in Burkina Faso by supporting their formalization and long-term viability. By enabling cooperatives and women-led enterprises to meet international quality standards, access certification schemes, and enter global markets, L'Occitane reshapes the local economic landscape. As Marie Kanla, Co-manager of KAALA, explained:

Through the L'Occitane programme “pour ELLEs” we have benefited from regular support, from someone to help us structure our activities [...] We were able to make a website and an online store [...] we have also been certified [...] we were able to structure a team and hire additional staff (Marie Kanla, Co-manager of KAALA).

These outcomes reflect not only enhanced bargaining power but also the construction of a more sustainable supply chain. In doing so, L'Occitane promotes institutional change by embedding new economic practices with its suppliers, while reinforcing the conditions for inclusive and sustainable development in the host country.

At the civil level, L'Occitane's partnership with local NGOs such as *Entrepreneurs du Monde* and international civil society actors contributes to its alignment with global standards related to gender equity and inclusive business. These civil formal institutions support L'Occitane's legitimacy in dealing with sustainability issues. For instance, its longstanding collaboration with NGOs in promoting female entrepreneurship, through microcredit, training, and business development, reflects its active involvement in the alignment-influence path. As noted by the Director of the L'Occitane Foundation:

The main objective of the Foundation is to support programs of blindness control in the world ... this small campaign can enable to discover some cases ... maybe it will change a little school pupils' life (Bénédicte Menanteau, Director of the L'Occitane Foundation).

Such actions not only reinforce the firm's legitimacy but also illustrate its embeddedness in inclusive development frameworks.

At the public level, although national regulation in Burkina Faso plays a marginal role in formalizing sustainability goals, L'Occitane engages with public informal institutions, particularly cultural norms and values associated with women's roles in rural economies. L'Occitane collaborates with ministries such as the Ministry of Basic and Non-Formal Education and the Ministry of Social Action and National

Solidarity to expand public service provision. This reflects a regulatory refinement path, whereby informal institutions (such as prevailing gender norms) and formal ones (mainly government partnerships and programme funding) are co-evolved.

I wish a stronger partnership for happiness of Burkina women (Odile Bonkougou, Minister of Basic and Non-Formal Education).

Similarly, Pascaline Tamini (Ministry of Social Action and National Solidarity) noted that Occitane's partnership with NGOs in Burkina Faso:

These partnerships contribute in capacity building of NGOs [...] this direct intervention with associations and NGOs installed on our territory is a very good approach (Pascaline Tamini, Ministry of Social Action and National Solidarity).

Beyond partnerships with public entities, L'Occitane has sought to influence informal public institutions particularly those related to gender norms, by publicly recognizing and validating the role of women in the economic and social fabric of Burkina Faso. A striking example comes from Reinold Geiger, President and General Director of L'Occitane, who addressed male community leaders by saying:

You do not imagine but you are very lucky to have wives who are very strong and courageous and who can be seen as examples for other women in many countries, even in France (Reinold Geiger, President and General Director of L'Occitane).

This statement represents more than a narrative; it reflects an effort by the MNE to elevate women's social status and reshape gendered perceptions by appealing directly to male leaders in the community. By valorizing women's roles and linking them to global standards of empowerment, the firm contributes to the reinterpretation of culturally embedded norms, thereby advancing a bottom-up change of informal public institutions. This aligns with broader goals of institutional entrepreneurship, whereby the MNE does not only provide material resources or compliance incentives but actively engages in reshaping local social values to support inclusive development.

Strategically, the Burkina Faso initiative is best interpreted through a bottom-up approach. Rather than responding to pre-existing public regulations, L'Occitane mobilizes civil society and state institutions to co-create sustainability frameworks that address institutional voids. It illustrates how MNEs can promote institutional change through cooperative and substitution strategies. As one local entrepreneur explained:

Thanks to this (L'Occitane pour Elles) programme, we made a boom, a big giant leap [...] we were able to make available 60,000 sanitary kits for women and young girls (Emilie Palodbe Kydrebeogo, Founder of Palodbe Afrique).

In summary, the case exemplifies L'Occitane's role as an institutional entrepreneur

in sustainability. Through bottom-up strategies, the firm catalyzes institutional change across private, civil, and public levels. Its engagement fosters both the formalization of entrepreneurial initiatives with local actors and the evolution of inclusive values. Rather than simply complying with existing standards, L'Occitane contributes to the emergence of new institutions in Burkina Faso, embedding social value into supply chain and creating opportunities for sustainable development (3BL, 2019).

5.1.2. Sanofi

Sanofi is a global healthcare firm headquartered in Paris, France. Originally founded in 1973, Sanofi has grown into one of the world's leading pharmaceutical actors, operating in more than 100 countries and employing over 90,000 people worldwide. The firm's operations span research, development, manufacturing, and commercialization of pharmaceutical products, with a strong emphasis on vaccines, specialty care, and general medicines.

Sanofi's sustainability agenda is guided by a holistic vision of health that integrates social, environmental, and ethical dimensions into its global strategy. As outlined in its 2024 Sustainability Statement, Sanofi has made substantial commitments to climate action, health equity, and access to healthcare. The firm aims to achieve carbon neutrality in its operations (scopes 1 and 2) by 2030 and in its entire value chain (scope 3) by 2045. It also prioritizes circular economy principles through waste reduction, eco-design, and sustainable packaging practices.

Beyond environmental sustainability, Sanofi places a strong emphasis on social responsibility, particularly in expanding access to healthcare for underserved populations. The firm's flagship initiative, "Sanofi Global Health," focuses on non-profit drug distribution in low-income countries, while the "Fondation Sanofi Espoir" supports initiatives aimed at improving maternal and child health, reducing childhood cancer mortality, and building healthcare capacity in vulnerable regions.

A case in point is Sanofi's long-term engagement in Colombia, where it has developed an inclusive healthcare model targeting low-income populations affected by diabetes. The model responds to the structural inefficiencies of the public healthcare system, particularly the subsidized health regime, by supporting Health Maintenance Organizations⁸ in enhancing diagnosis, treatment, and follow-up care. Through data-driven partnerships, capacity-building initiatives, and the deployment of digital tools for population health management, Sanofi aligns its business activities with broader public health objectives.

⁸ In Colombia, Health Maintenance Organizations are entrusted – through delegation from the Solidarity and Guarantee Fund – with managing the affiliation and registration of members, as well as collecting their contributions. Their core responsibility is to ensure the delivery of the Health Plan to affiliated individuals, either through direct provision or by coordinating with third-party providers (UNDP BCTA-Sanofi).

In 2020, Sanofi's Colombian initiative was featured in the UNDP's BCtA as a leading example of inclusive business with measurable social impact. The case demonstrates how a pharmaceutical MNE can address systemic barriers in health delivery while contributing to SDGs, including SDG 3 (Good Health and Well-Being) and SDG 12 (Responsible Consumption and Production). In this context, Sanofi's model not only delivers medical products but also reshapes care infrastructures, generates performance-based outcomes, and enhances the efficiency of public health institutions. Specifically, at the private level, Sanofi developed a performance-based collaborative model that redefines its relationship with healthcare providers and insurers. The firm emphasized measurable health outcomes over product sales, reflecting a shift from enforcement to reliance. As explained by Commercial Director of General Medicine at Sanofi:

We have been transforming the collaborative model with different actors in the health system [...] the transformation towards this institutional relationship and aiming for health results for patients is the main focus of our duty within the system (Ricardo Gomez-Bejarano, Commercial Director of General Medicine).

This performance orientation reflects both enforcement and reliance paths: while Sanofi sets outcome expectations (enforcement), it simultaneously builds trust and technical capacity among healthcare actors (reliance), particularly through its support for digital health tools that enhance patient monitoring. As articulated the General Manager of General Medicine for the COPAC Region:

The future of Colombia [...] is going to incorporate digital solutions into medication treatment... it is the only way to transform the way the pharmaceutical sector will approach the coming years (Eduardo Arce, General Manager of General Medicine for the COPAC Region at Sanofi).

In this sense, Sanofi's approach can be understood as institutional entrepreneurship within the private health sector: it reconfigures business relationships to embed accountability for health outcomes and encourages collective action to address systemic inefficiencies. For instance, the firm has committed to linking its revenues to the achievement of patient outcomes:

We aim to commit to ensuring that these patient groups are more controlled. And if they are not, then we will have to make reimbursements to the payer (Ricardo Gomez-Bejarano, Commercial Director of General Medicine).

This demonstrates how formal contractual arrangements are reinforced by informal institutions such as trust and long-term commitment.

At the civil level, the analysis of available data does not reveal explicit collaborations between the MNE and civil society actors. Nevertheless, the initiative of the impact case study is aligned with broader global standards for inclusive health, such

as the WHO's Global Diabetes Compact. Sanofi's model reflects civil legitimacy norms by promoting patient empowerment through awareness campaigns and educational tools. As the Commercial Director of General Medicine acknowledged:

We do not have a direct relationship with the patient, but we do help and support directly the provision and insurance with tools [...] towards education and empowerment (Ricardo Gomez-Bejarano, Commercial Director of General Medicine at Sanofi).

These practices bolster the firm's legitimacy among civil society actors, reinforcing the alignment-influence path as Sanofi positions itself as an advocate for integrated healthcare.

At the public level, the initiative was embedded in Colombia's national health system through engagement with public health authorities and regulatory bodies, such as Invima⁹. Sanofi's capacity to adapt to public regulation was tested during a temporary insulin shortage in the country, where the firm coordinated with the national regulator to mitigate supply chain disruptions. This response reflects an evolving regulatory refinement path, whereby the MNE does not merely obey legal requirements but implement norm contamination and channeling strategies to deal with health crises. Moreover, the General Manager for Sanofi in the COPAC region, emphasized the role of digital health in transforming the future of chronic care:

We are going to incorporate digital solutions into medication treatment [...] it's the only way to reduce complications and lower the long-term costs for the health system (Eduardo Arce, General Manager for Sanofi in the COPAC region).

These statements reveal how Sanofi leverages public informal institutions, such as expectations around equitable care and health system, to justify and expand its sustainability agenda. The firm's commitment to introducing digital therapeutics as a complement to pharmaceutical treatment further demonstrates its active role in shaping public health norms.

Moreover, Sanofi has enhanced national awareness regarding the burden of diabetes, a disease that is both widespread and underdiagnosed in Colombia: "One in two patients does not know they have the disease," noted Gómez-Bejarano during an interview, highlighting the importance of early detection and continuous care. The MNE's initiatives in this domain have contributed to the reframing of chronic care from a reactive to a preventive model – an institutional shift aligned with the SDGs. As a result, Sanofi's initiative in Colombia embodies a top-down approach to institutional change. It aligns with existing public sustainability goals (e.g., expanding

⁹ Invima (Instituto Nacional de Vigilancia de Medicamentos y Alimentos) is Colombia's National Food and Drug Surveillance Institute. It is a public regulatory agency responsible for overseeing the safety, quality, and efficacy of food, pharmaceuticals, medical devices, cosmetics, and other health-related products. Invima plays a key role in public health by authorizing the commercialization of these products and monitoring their compliance with national health regulations (<https://www.invima.gov.co/>).

access to care and chronic disease prevention) while contributing private expertise and technological resources to regulate norms related to these goals. Through partnerships with ministries, insurers, and clinics, the MNE transforms institutional settings for chronic disease management, positioning itself not only as a provider but also as an entrepreneur of health system innovation and regulation.

Because at Sanofi we have tried to lead and adopt a medium- to long-term perspective in our relationships with different health actors. That is why my invitation is to strengthen institutional relationships, to put all interests on the table and, based on those interests and needs, work together for patients and for the benefit of the health system. I believe there are inefficiencies and a lack of resources that ultimately require us all to align and work in the same direction. That is why I invite everyone to focus more on institutional collaboration and direct engagement with involved actors (Ricardo Gomez-Bejarano, Commercial Director of General Medicine at Sanofi).

In summary, Sanofi, through top-down strategies, contributes to the institutionalization of inclusive and sustainable healthcare models, particularly in emerging markets like Colombia.

5.1.3. Medtronic

Founded in 1949 in Minneapolis and currently headquartered in Ireland, Medtronic is a global healthcare actor specializing in medical technologies aimed at alleviating pain, restoring health, and extending life. With operations in more than 150 countries and over 95,000 employees worldwide, the MNE integrates research, manufacturing, and healthcare delivery through a diverse portfolio of therapeutic areas including cardiovascular, neuroscience, diabetes, and surgical innovations.

Medtronic's sustainability commitments are deeply embedded across its operational model and are aligned with both environmental stewardship and social impact. The firm has articulated a clear ambition to advance health equity by expanding access to care, strengthening healthcare systems, and fostering partnerships with local communities. For instance, in 2024, Medtronic and its foundation invested over \$126 million in global communities and reached more than 2 million people with health equity-focused programs (Medtronic Sustainability Report FY2024). Medtronic's mission is grounded in the aim to "alleviate pain, restore health, and extend life": a commitment that extends beyond product delivery to include systemic engagement in improving healthcare accessibility and equity. Its 2024 Global Impact Report outlines a strategic orientation toward advancing health equity, particularly in underserved communities, through innovation and collaboration. The firm has developed specific social impact initiatives, such as the "Shruti" program in India. The UNDP BCtA case study focuses on this health initiative aimed at addressing preventable hearing loss through early screening and treatment. The program employs a decentralized care model that leverages community health workers, mobile diagnostic

units, and local treatment centers to enhance access to care. Shruti demonstrates how the MNE integrates sustainability concerns within its core business model by reducing barriers to healthcare.

At the private level, Medtronic has exercised agency by deploying product innovation, such as the “ENTraview” device, that transforms a smartphone into a portable ear screening kit. This simple yet effective tool allows non-specialists to capture eardrum images and collect patient data, which are then uploaded to a cloud-based Patient Management Platform. ENT specialists review the data and prescribe the appropriate course of action, from medication to surgery or hearing aids. This service-based solution has allowed Medtronic to reconfigure its value proposition beyond product delivery, while also creating local employment through the training of local health workers. As discussed in the explainer video, “About 8% of the screened population needed a combination of medical and surgical intervention, and 3-5% required hearing aids.” Medtronic uses technological tools and formal protocols (ENTraview, data management platform) while embedding them within informal, trust-based relationships with local health workers in Indian communities. As Dr. Sarvejeet Singh noted:

We thought, instead of the doctor screening, why don't we train a person from the local community who can then operate as a health worker? [...] Sometimes, once or twice a week, these workers also organize health camps where they screen people from the economically weaker section (Dr. Sarvejeet Singh involved in the Medtronic's Shruti programme).

At the civil level, Medtronic has built coalitions with charitable hospitals and NGOs. These actors help organize awareness campaigns, health camps, and facilitate patient follow-ups. The Vice-President of Finance and Strategy at Medtronic Surgical Technologies, emphasized this partnership logic

Our program is designed to expand access to people at the underserved that cannot afford care [...] We are really excited to partner with HMRI on this program (Jacob Paul, Vice-President of Finance and Strategy at Medtronic Surgical Technologies).

The Health Management Research Institute (HMRI) is a hybrid actor that combines features of both civil and public actors, as it is a partnership between the University of Newcastle, the Hunter New England Local Health District, and the community. This form of collaboration affirms Medtronic's legitimacy in the civil domain by aligning its goals with those of public actors. Campaigns for World Hearing Day and other outreach activities have created visibility and acceptance for the program. According to one video-report: in eight states and twelve cities, 2,489 people attended awareness activities, 1,856 were screened, and 971 were identified with ear and hearing disorders (Hear with Shruti, 2021).

At the public level, Medtronic's approach supports existing government efforts to promote universal health coverage and hearing care, but without direct regulatory

interventions. The Shruti initiative complements public goals by reducing the burden on hospitals and introducing preventive care practices into underserved areas. It also contributes to workforce development. As the Vice President and Managing Director of Medtronic India, stated:

At the same time, we are creating a pool of trained healthcare workers from the very same communities; leading to skill building and economic independence in these people (Madan R. Krishnan, Vice President and Managing Director of Medtronic India).

Strategically, Shruti combine both bottom-up and top-down strategic approaches to institutional entrepreneurship. Medtronic identifies a structural healthcare gap, i.e., untreated hearing disorders in India. In conclusion, through the Shruti program, Medtronic creates a blueprint for inclusive healthcare innovation, one that integrates formal and informal institutions, strengthens local capacities, and aligns corporate strategy with public health goals.

5.1.4. Saraya

Founded in 1952 in Japan, Saraya is a MNE operating in the fields of hygiene, sanitation, and health promotion. With a strong ethical orientation rooted in public health and environmental consciousness, Saraya has developed a diversified portfolio of activities ranging from hand hygiene systems and hospital-grade disinfectants to sustainable food products and ecological detergents. The firm operates across multiple countries with approximately 1,500 employees and operations in over 50 countries, with particular emphasis on Southeast Asia and Sub-Saharan Africa, where it has implemented inclusive business strategies to expand access to hygiene and health services.

Saraya's sustainability commitment is connected to three core pillars: health and hygiene, environmental protection, and human rights. These priorities are operationalized through various programs and partnerships that advance global agendas such as hand hygiene promotion, infection prevention, and biodiversity conservation. The MNE is also notable for integrating ethical sourcing and production practices, particularly in palm oil supply chains, through its involvement in the Roundtable on Sustainable Palm Oil ¹⁰ (RSPO). Saraya's efforts to ensure traceability, reduce plastic usage, and protect ecosystems (e.g., support for Borneo Conservation Trust ¹¹) further reinforce its orientation toward institutional change. Indeed, among Saraya's sustainability programs, one that received particular attention from the UNDP BCTA is its initiative in Uganda, which showcases its inclusive business approach in a low-resource setting.

¹⁰ The Roundtable on Sustainable Palm Oil (RSPO) is a global multi-stakeholder initiative established in 2004 to promote the sustainable production and use of palm oil.

¹¹ The Borneo Conservation Trust is a non-profit organization dedicated to the conservation of Borneo's unique biodiversity.

At the private level, Saraya acts as an institutional entrepreneur by developing a local inclusive value chain through its operations in Uganda. By sourcing bioethanol locally and employing Ugandan college graduates as hygiene instructors, the MNE fosters both local economic embeddedness and skill development. Hospitals and clinics increasingly rely on Saraya not only for products like alcohol-based hand rub, but also for training and behavior-change support. This reflects the reliance path of the interplay, where the MNE's presence becomes integral to sustaining improved hygiene practices. In contexts where hygiene routines are weak, Saraya introduces routines and norms that help institutionalize sanitation values. As General Manager of Saraya Uganda, explained:

Saraya has greatly contributed to the improvement of the general health of people visiting hospitals in Uganda, our main pillar of existence in the country. We pioneer the alcohol-based hand sanitizer market with the latest technologies and research [...] together with free lectures on how to improve the general well-being of medical professionals and communities (Fortunate Collins, General Manager of Saraya Uganda).

Saraya also engages in direct collaborations with NGOs. For example, the firm partnered with Peace Winds¹² to deliver hygiene education and donate handwashing equipment to the Bidibidi refugee camp¹³ in Yumbe, which hosts refugees from South Sudan. As the General Manager of Saraya Uganda, noted:

Working with an NGO called Peace winds, we conducted lectures together with hand washing equipment donations to the Bidibidi Refugee Camp in Yumbe, which hosts many refugees from South Sudan. SARAYA has played a great role in health crises like Ebola and Covid-19, as we were the only sanitizer Manufacturer in Uganda, and one of the very few within the East African Region (Fortunate Collins, General Manager of Saraya Uganda).

This collaboration illustrates how strengthens civil legitimacy through its educational and research activities.

We promote the '100% Hospital Hand Hygiene Project' [...] We have also launched the 'Safe Motherhood Project' [...] Part of the sale of SARAYA cosmetics in Japan is donated to an NGO that fights infectious diseases at clinics in Uganda (Madoka Mori, Assistant Manager of the Sales & Marketing Department and African Business Development Section at the Global Operations Division).

¹² Peace Winds is a NGO based in Japan, dedicated to providing humanitarian assistance and supporting disaster relief, recovery, and development efforts around the world.

¹³ Bidibidi is one of the largest refugee settlements in the world, located in the Yumbe District of northern Uganda. Established in 2016 in response to the civil war in South Sudan, the camp hosts hundreds of thousands of refugees, primarily South Sudanese. The camp is managed in coordination with the Ugandan government and international humanitarian agencies.

These actions reflect not only technical support but also a deeper process of creation of health standards, whereby preventive care and hygiene become institutionalized practices within underserved communities.

At the public level, Saraya enhances the implementation of public health goals by filling gaps in training and infection prevention protocols. Its programs and hygiene promotion in Ugandan healthcare facilities complement public regulatory efforts, exemplifying strategies for regulatory refinement. Informally, Saraya promotes behavior change through health education and sanitation awareness, influencing public informal institutions, particularly in context where traditional health routines may underemphasize hygiene. Saraya's collaboration with JICA¹⁴ – an official Japanese governmental agency – further strengthens this engagement by anchoring its initiatives in formal development assistance frameworks and reinforcing alignment with national and international public health priorities.

In 2021, working with the Ministry of Health and the Japan International Cooperation Agency (JICA), we sold sanitizer for over \$320,000 USD to be used as the Covid-19 Response (Fortunate Collins, General Manager of Saraya Uganda).

In conclusion, Saraya combines both bottom-up and top-down strategies towards sustainability. On the one hand, the MNE mobilizes local actors, builds community-level capabilities, and embeds itself in grassroots health systems, demonstrating a bottom-up commitment to change. On the other hand, it engages with public authorities, international development agencies like JICA, to integrate in its sustainability commitment actors through top-down strategies. This blended approach enhances Saraya's capacity to act as an institutional entrepreneur. As the Assistant Manager of the Sales & Marketing Department and African Business Development Section at Saraya, Madoka Mori, summarized:

It was quite an effort, but we built the foundation, hired people, started manufacturing, and created a market (Madoka Mori, Assistant Manager of the Sales & Marketing Department and African Business Development Section at the Global Operations Division).

This reflects a vision of institutional entrepreneurship aiming to strengthen local economies and build functioning institutions in developing contexts like Uganda.

5.1.5. A comparative analysis of the case studies

This section offers an integrated analysis of the four UNDP case studies – L'Ocitane, Sanofi, Medtronic, and Saraya – focusing on how each MNE engages with institutions across private, civil, and public levels. By identifying similarities and

¹⁴ JICA (Japan International Cooperation Agency) is the official development agency of the Japanese government, responsible for implementing Japan's international aid programs.

differences in strategic orientation and institutional change towards sustainability, the comparison reveals how these variations are shaped by sectoral characteristics and national origins.

L'Occitane and Saraya, both operating in cosmetics and hygiene industries stand out for their strong engagement at the private level. Their core business models involve tangible goods and well-defined supply chains, allowing them to foster sustainability practices and capacity-building within local communities. L'Occitane's long-standing commitment in Burkina Faso and Saraya's operations in Uganda illustrate this approach. Both firms employ bottom-up strategies that focus on local entrepreneurship, skill development, and economic empowerment, effectively transforming institutional arrangements. Their initiatives reflect a deliberate effort to co-produce local value while engaging civil society actors in development efforts.

In contrast, Medtronic and Sanofi, operating in the healthcare and pharmaceutical sectors, function within heavily regulated institutional contexts where public actors play a dominant role. These firms demonstrate a stronger engagement at the public level. Sanofi, for example, has embedded its strategy in Colombia within national healthcare outcomes, tying corporate income to measurable health results. Medtronic's Shruti program in India, while initiated through private innovation, rely on partnerships with public and civil actors such as the one with HMRI to deliver care at scale. This illustrates how firms in healthcare sectors often blend private initiative with structured public frameworks, adapting to public systems and infrastructures.

When comparing the four case studies with regards to MNEs' institutional engagement across levels, L'Occitane and Saraya operate actively across private, civil, and public levels, with a consistent emphasis on local empowerment in host countries. Sanofi's engagement is skewed towards the public level, with limited evidence of civil collaborations. Medtronic, meanwhile, bridges the private and public levels, using civil actors strategically to enhance service delivery.

In terms of strategic orientation, L'Occitane and Saraya primarily pursue bottom-up strategies. They initiate change from the grassroots, supporting local actors. Medtronic blends both bottom-up and top-down strategies. Sanofi, on the other hand, relies more heavily on top-down strategies, embedding itself within public systems and shaping national health outcomes.

Ultimately, sector plays a crucial role in shaping MNEs' strategies towards sustainability and their way to pursue institutional change in countries. Firms operating in health-related sectors are more likely to collaborate with public actors, given the regulatory complexity and societal impact of healthcare delivery. Consumer-oriented firms, by contrast, have greater autonomy to engage with civil society and local communities, often leveraging bottom-up initiatives. Despite these differences, all four MNEs share a common thread: they act as institutional entrepreneurs. By engaging across different institutional contexts and combining various strategic approaches, the cases consistently illustrate how MNEs co-produce norms and values in collaboration with other actors. The cosmetic, pharmaceutical, medical technology, and hygiene sectors each provide different entry points for institutional engagement:

from product design and supply chain management to healthcare delivery and public health awareness. MNEs leverage interplays between formal and informal institutions by designing paths – reliance, enforcement, alignment, influence, conformity, and regulatory refinement – that remain coherent across cases and reinforce the utility of a multi-level conceptual lens. Each MNE enacts forms of institutional entrepreneurship, fostering changes that extend beyond their economic footprint, shaping the very institutional and economic fabrics of the countries in which they operate.

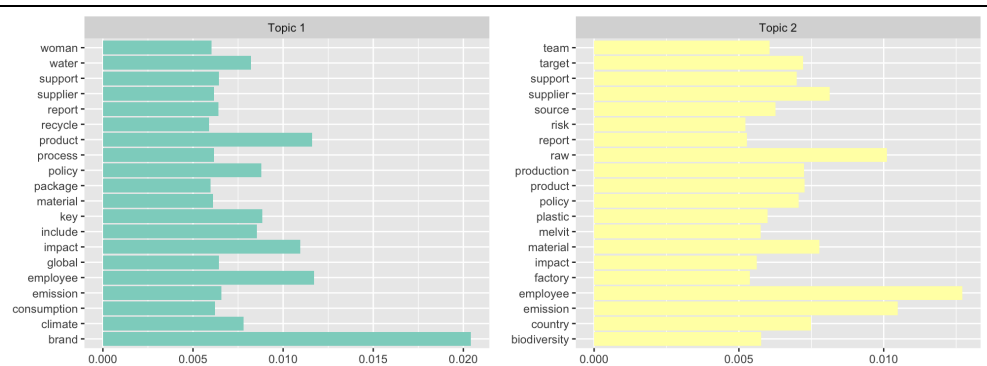
5.2. A topic modeling of MNEs’ sustainability reports

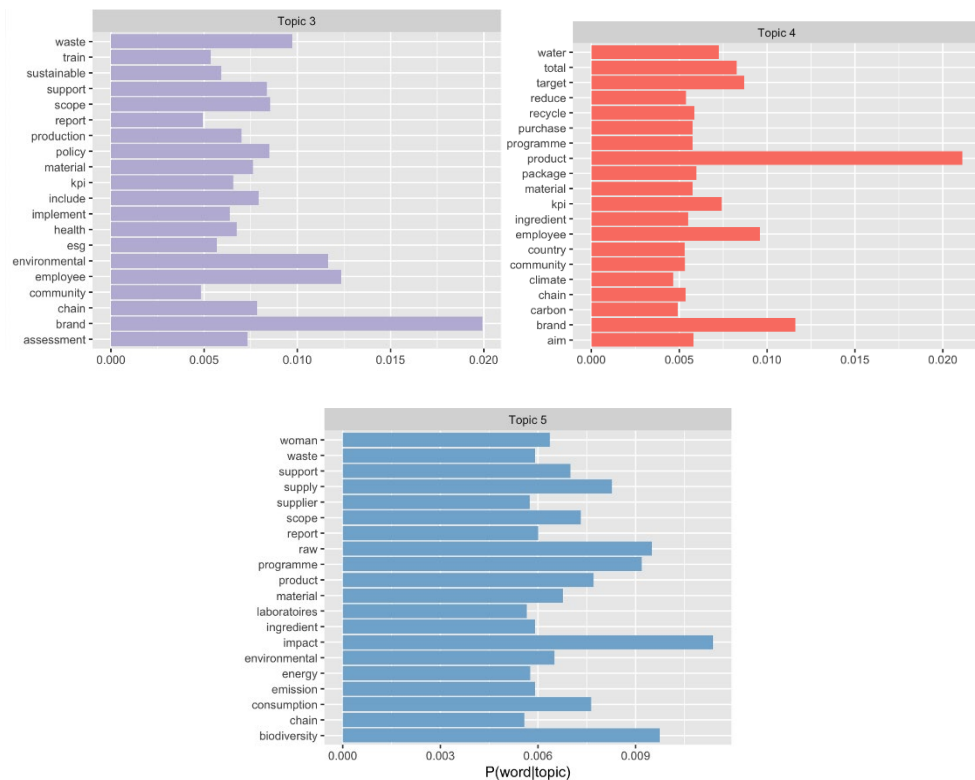
This section presents the results of a topic modeling analysis conducted on the sustainability reports of the four multinational enterprises (L’Occitane, Sanofi, Medtronic, and Saraya). The objective is to identify the dominant themes and strategic narratives employed by each firm in their commitment to sustainability. By applying computational text analysis techniques, specifically LDA, to a systematically collected corpus of reports, the aim is to complement the interpretive insights from the previous section with a textual analysis. This allows for a comparative view of how MNEs frame their sustainability commitments across different institutional contexts and sectors.

5.2.1. L’Occitane

This subsection presents the results of the topic analysis conducted on L’Occitane’s sustainability reports from 2018 to 2024. The analysis used LDA to identify five main topics that reflect the firm’s priorities in its sustainability commitment. Figure 5.1 illustrates the five identified topics by displaying the twenty most representative terms (i.e., terms with high scores of β) associated with each topic.

Figure 5.1. – The five identified topics and the related twenty most representative terms in the case study of L’Occitane





Source: own elaboration.

Each topic has been interpreted based on its most representative terms and previous interpretative analysis, attempting to connect them to the conceptual framework presented in Chapter 3. Then, each topic has been labelled according to the actors involved in MNE's sustainability strategies, the type of institutions, and the strategic orientations. Table 5.1 presents a summary of this categorization.

Topic 1, labelled *Supplier policies for women empowerment and climate impact*, centers around terms such as “woman,” “recycle,” “employee,” and “climate.” This theme reflects L'Occitane's efforts to promote inclusive sourcing and gender equity, particularly through partnerships with women suppliers in developing contexts. The presence of climate-related vocabulary suggests an integration of environmental awareness with social empowerment. This topic reflects a bottom-up orientation, grounded in both formal (e.g., policy) and informal (e.g., support) institutions and private-level engagement with suppliers and local actors.

Topic 2, labelled as *Sustainable sourcing, biodiversity and plastic policy implementation*, is characterized by terms such as “raw,” “production,” “plastic,” and “biodiversity.” It emphasizes the firm's formalized engagement sourcing policies, indicating collaboration with suppliers. The vocabulary points to bottom-up strategic

implementation aimed at compliance and impact mitigation, rooted in both formal (e.g., policy) and informal (e.g., support) institutions.

Table 5.1. – Identification and interpretation of the topics related to L’Occitane

| Topic | High-beta terms | Label | Actors involved | Institutions | Strategy orientation |
|-------|--|--|------------------------------------|---------------------|----------------------|
| 1 | Woman, recycle, package, employee, climate, brand | Supplier policies for women empowerment and climate impact | MNEs; suppliers | Formal and informal | Bottom-up |
| 2 | Raw, production, policy, plastic, impact, biodiversity | Sustainable sourcing, biodiversity and plastic policy implementation | MNEs; suppliers | Formal | Bottom-up |
| 3 | KPI, ESG, community, chain, assessment, brand | ESG implementation and supply chain impact assessment | MNEs; suppliers; regulatory bodies | Formal | Top-down |
| 4 | Programme, product, ingredient, climate, KPI, carbon | Climate mitigation and product sustainability programs | MNEs; suppliers | Formal and informal | Bottom-up |
| 5 | Laboratories, ingredient, environmental, biodiversity, programme | Ingredient traceability and biodiversity protection | MNEs; producers; scientific org. | Formal and informal | Bottom-up |

Source: own elaboration.

Topic 3, labelled as *ESG implementation and supply chain impact assessment*, with keywords like “KPI,” “ESG,” “community,” and “assessment.” This theme reflects the uptake of global reporting standards and key performance indicators, evidencing L’Occitane’s alignment with transnational accountability frameworks. The topic suggests a top-down strategic orientation with a strong emphasis on formal institutions and standardized sustainability metrics.

Topic 4, labelled as *Climate mitigation and product sustainability programs*, blends terms such as “programme,” “ingredient,” and “carbon,” and signifies the integration of climate objectives into product development. This topic reflects the

firm's interaction with value chain actors and represents a hybrid institutional domain combining formal (e.g., "kpi", "target") and informal (e.g., "programme" evokes supply chain learning) elements. The overall strategic posture here is bottom-up.

Topic 5, labelled as *Ingredient traceability and biodiversity protection*, brings together terms like "laboratories," "environmental," "biodiversity," and "programme." It reflects the firm's long-term investment in scientific knowledge, traceability systems, and environmental conservation in collaboration with local producers and expert organizations. While the vocabulary reflects formal elements, such as certification, the topic also involves informal institutions via embedded local knowledge. It follows a bottom-up strategic logic, rooted in co-development and participatory action.

To further explore how these five topics relate to one another, a topic similarity heatmap was generated using cosine similarity as the distance metric. This heatmap compares the semantic overlap between each pair of topics by calculating the cosine of the angle between their word distributions, that is, how similarly topics are composed in terms of the weighted probabilities of shared terms.

The similarity values range from 0.65 to 1, where:

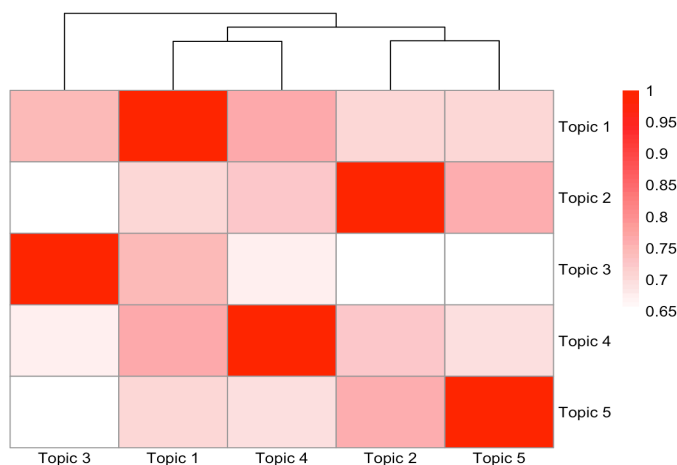
- Values approaching 0.65 indicate low semantic overlap, suggesting the topics are distinct;
- Values closer to 1 indicate strong thematic convergence, meaning the two topics share several high-weighted terms.

The lower bound of 0.65 was selected deliberately in the R code used for this analysis, based on the minimum similarity observed in the cosine similarity matrix. This choice avoids overrepresentation of very low similarities, which would be less meaningful in identifying substantive semantic relationships. By filtering out weaker associations, the heatmap enhances visual interpretability and focuses attention on moderate-to-strong topic proximities (see Figure 5.2).

The heatmap reveals a few important patterns:

- Topic 2 and Topic 5 show high similarity as their shared focus on sustainable sourcing and ingredient traceability creates strong semantic affinity.
- Topic 1 is semantically close to both Topic 3 and Topic 4, indicating that supplier engagement and inclusive sourcing (Topic 1) intersect with both assessment of the supply chain impact (Topic 3) and product-level climate mitigation efforts (Topic 4). These links suggest that L'Occitane employs great efforts in reducing the environmental impact of its supply chain with a particular focus on the climate change issue. In addressing this goal, the MNE's sustainability strategies may be both bottom-up and top-down.

Figure 5.2. – A similarity heatmap visualization of the topics identified in the case study of L’Occitane



Source: own elaboration.

These proximities between topics are further represented through the hierarchical clustering displayed at the top of the heatmap. The dendrogram is a tree diagram that depicts the hierarchical aggregation of elements – in this case, topics – based on their overall semantic similarity. Each horizontal line represents clusters of topics. The height at which each merge occurs reflects the semantic distance between them: lower merges indicate higher similarity, whereas higher merges signal greater divergence. This clustering groups topics into thematic families based on their cosine similarity scores, identifying discursive alignments within the firm’s sustainability communication. Specifically, it highlights how Topic 1, Topic 2, Topic 4, and Topic 5 form a semantically cohesive group that revolves around private-level engagement with suppliers, biodiversity protection, climate impact, and product traceability. In contrast, Topic 3 stands as an isolated branch, reflecting its unique focus on standardized ESG metrics and top-down strategy orientation.

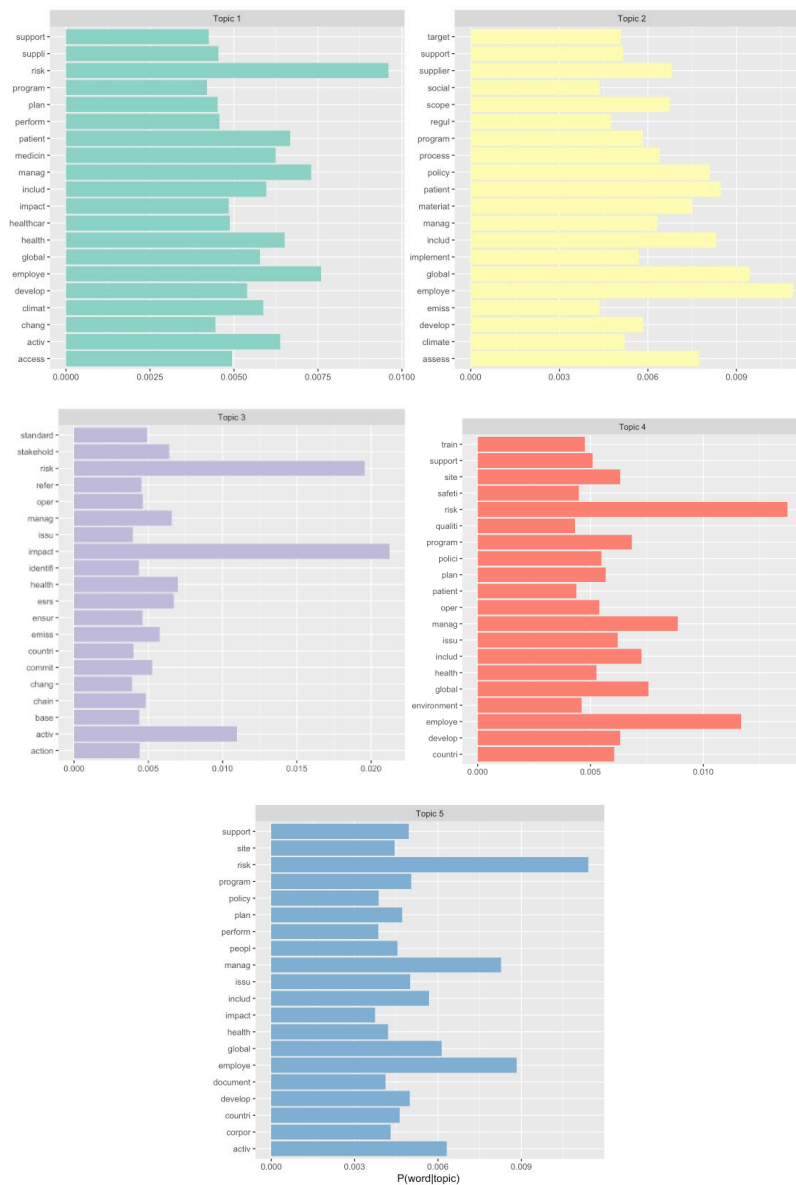
In conclusion, the topic analysis reveals how L’Occitane’s sustainability commitment mainly reflects a bottom-up strategy. While some themes, such as supply chain sustainability, biodiversity, and inclusive sourcing, are semantically interconnected, others like ESG performance measurement stand apart as distinct semantic categories.

5.2.2. Sanofi

This section presents the results of the topic analysis conducted on Sanofi’s sustainability reports from 2018 to 2024. The analysis employed LDA to identify five dominant topics that structure the firm’s sustainability commitment. Figure 5.3

illustrates these five topics by displaying the twenty most representative terms (i.e., term with high scores of β) associated with each.

Figure 5.3. – The five identified topics and the related twenty most representative terms in the case study of Sanofi



Source: own elaboration.

Each topic has been interpreted based on its most representative terms and previous interpretative analysis, attempting to connect them to the conceptual framework presented in Chapter 3. Then, each topic has been labelled according to the actors involved in MNE's sustainability strategies, the type of institutions, and the strategic orientations. Table 5.2 presents a summary of this categorization.

Table 5.2. – Identification and interpretation of the topics related to Sanofi

| Topic | High-beta terms | Label | Actors involved | Institutional dimension | Strategic orientation |
|-------|--|--|--|-------------------------|-----------------------|
| 1 | Support, program, patient, healthcare, global, access | Health equity programs for global access to care | MNEs; suppliers; | Informal | Bottom-up |
| 2 | Social, regulation, patient, emission, implement | Climate action implementation and social responsibility integration | MNEs; public actors | Formal and informal | Top-down |
| 3 | Standard, stakeholder, ESRS, emission, chain, action | Standards and compliance across value chains | MNEs; suppliers; civil society actors; public actors | Formal | Top-down |
| 4 | Site, safety, patient, health, environment | Health and environmental safety in operations and patient care | MNEs | Formal | Top-down |
| 5 | Policy, people, performance, document, global, develop | Global corporate sustainability performance and policy communication | MNEs | Formal | Top-down |

Source: own elaboration.

Topic 1, labelled *Health equity programs for global access to care*, revolves around terms such as “support,” “patient,” “access,” and “include.” This topic reflects Sanofi's focus on removing barriers to treatment and engaging directly with underserved populations. The bottom-up nature of this strategy is emphasized by the firm's collaborations with patients and community actors.

Topic 2, labelled *Climate action implementation and social responsibility integration*, brings together terms like “social,” “regulation,” and “emission.” It suggests Sanofi’s integration of climate action within a broader framework of social responsibility, primarily guided by regulatory compliance. This topic reflects a top-down orientation rooted in both formal (e.g., “regul”; “policy”) and informal (e.g., “support”) institutions.

Topic 3, labelled *Standards and compliance across value chains*, centers on terminology such as “ESRS ¹⁵,” “stakeholder,” and “chain.” This topic emphasizes the MNE’s alignment with EU-level sustainability reporting requirements and its interaction with supply chain stakeholders. It reflects a formal, top-down strategic orientation anchored in transnational standards.

Topic 4, labelled *Health and environmental safety in operations and patient care*, highlights words like “site,” “safety,” and “policy.” It addresses localized efforts to ensure operational safety and health-related protections, through a top-down strategic orientation.

Topic 5, labelled *Global corporate sustainability performance and policy communication*, includes terms such as “policy,” “performance,” and “document.” This topic reflects Sanofi’s global reporting efforts and its engagement in communicating sustainability policies and achievements, in line with international disclosure standards. It reflects a top-down strategy centered on formal transparency practices.

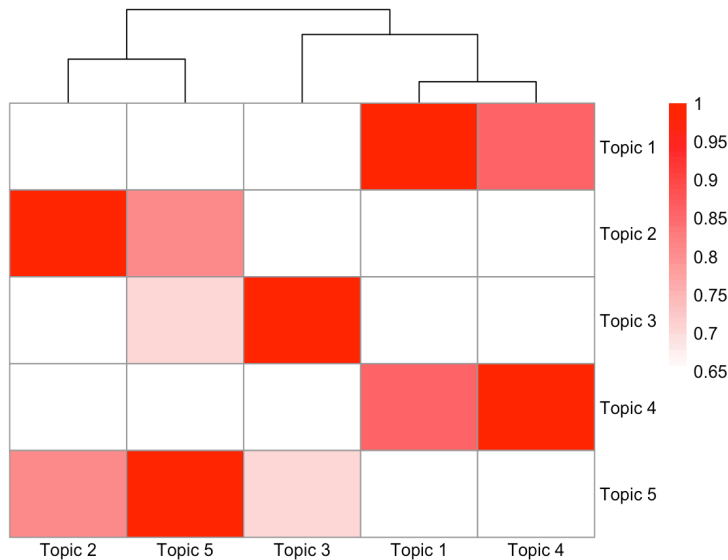
To assess the semantic proximity between topics, a topic similarity heatmap was generated using cosine similarity. This method compares the distribution of high-beta terms across topics and quantifies their lexical overlap. The similarity values range from 0.65 to 1, where:

- Values closer to 0.65 indicate limited thematic overlap;
- Values near 1 suggest strong convergence in semantic patterns.

The lower bound of 0.65 was selected to enhance interpretability by filtering out weaker relationships and allowing the clustering structure to foreground substantive proximities (see Figure 5.4).

¹⁵ The European Sustainability Reporting Standards (ESRS) are a comprehensive set of reporting guidelines developed to support the implementation of the European Union’s Corporate Sustainability Reporting Directive. Mandated by the European Commission and drafted by the European Financial Reporting Advisory Group, the ESRS aim to standardize and enhance the transparency of environmental, social, and governance disclosures across companies operating in the EU.

Figure 5.4. – A similarity heatmap visualization of the topics identified in the case study of Sanofi



Source: own elaboration.

The heatmap clearly reveals that Sanofi's sustainability commitment is comparatively fragmented. Unlike L'Occitane, where several topics were semantically interconnected, Sanofi's topics are more distinct, with many white or pale pink squares indicating low cosine similarity between topic pairs.

Two main proximities stand out:

- Topic 1 and Topic 4 show moderate similarity, indicating a common framing of healthcare provision. Topic 1 emphasizes global health equity, while Topic 4 focuses on health and environmental safety at the site level. Despite different scopes, both reflect Sanofi's engagement with health access and protection, involving both formal and informal institutions.
- Topic 2 and Topic 5 also share notable similarity, reflecting overlapping vocabularies concerning compliance, emissions, and policy-level communication. These topics together illustrate Sanofi's formalized efforts to integrate environmental performance and corporate transparency.

These proximities are further visualized through the hierarchical clustering displayed at the top of the heatmap. Topic 1 and Topic 4 cluster together around health access and patient care themes, while Topic 2 and Topic 5 cluster around formal reporting and regulatory institutions for sustainability. In contrast, Topic 3 remains relatively isolated.

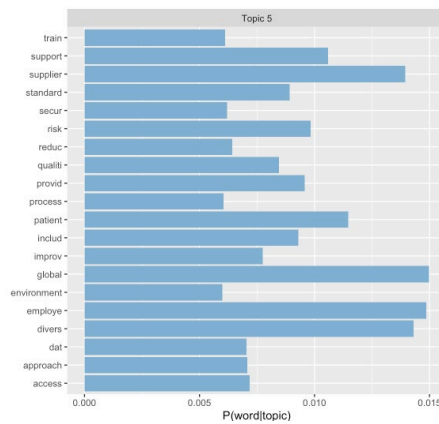
In conclusion, the topic analysis of Sanofi reveals a top-down strategic approach to sustainability. The five topics each represent distinct strategic priorities, ranging from health equity to climate regulation, innovation, and compliance.

5.2.3. Medtronic

This section presents the results of the topic analysis conducted on Medtronic’s sustainability reports from 2018 to 2024. The analysis applied LDA to identify five main topics that structure the MNE’s sustainability commitment. Figure 5.5 illustrates these five topics by displaying the twenty most representative terms (i.e., terms with high scores of β) associated with each.

Figure 5.5. – The five identified topics and the related twenty most representative terms in the case study of Medtronic





Source: own elaboration.

Each topic has been interpreted based on its most representative terms and previous interpretative analysis, attempting to connect them to the conceptual framework presented in Chapter 3. Then, each topic has been labelled according to the actors involved in MNE's sustainability strategies, the type of institutions, and the strategic orientations. Table 5.3 presents a summary of this categorization.

Topic 1, labelled *Global healthcare support through supplier engagement and service access*, includes terms like “support,” “supplier,” “quality,” and “care.” It reflects Medtronic's efforts to improve access to healthcare services globally, through supplier collaboration and quality assurance. This bottom-up approach blends formal supplier standards with informal trust-based relationship.

Topic 2, labelled *Patient-centered healthcare stewardship and ethical program development*, features terms such as “stewardship,” “program,” and “ethic.” It captures Medtronic's narrative around responsible innovation and equitable care. The topic signals ethical governance through multi-actor collaboration and reflects a bottom-up strategy emphasizing value-based principles within formal healthcare institutions.

Topic 3, labelled *Inclusive health governance and supplier accountability*, includes terms such as “govern,” “people,” “health,” and “develop.” This topic reflects efforts to ensure inclusive governance in global healthcare systems, with attention to supplier practices and civil-public collaboration. It illustrates a top-down strategy with both formal and informal institutions.

Topic 4, labelled *Public-private regulatory compliance for inclusive healthcare delivery*, focuses on terms like “standard,” “state,” and “policy.” From these emerge the Medtronic's role in dealing with regulatory environments through partnerships with public authorities, especially to ensure accessibility and inclusion in healthcare delivery. The institutional focus is primarily formal, aligned with a top-down strategy.

Topic 5, labelled *Diversity-driven supply standards and environmental responsibility*, includes terms like “diversity,” “supplier,” “standard,” and “develop.” The topic centers on global diversity and ESG-related supply policies, suggesting that

formal institutions encourage inclusive and environmentally responsible sourcing. It reflects a bottom-up strategic orientation involving suppliers and stakeholder.

Table 5.3. – Identification and interpretation of the topics related to Medtronic

| Topic | High-beta terms | Label | Actors involved | Institutional dimension | Strategic orientation |
|-------|---|---|--|-------------------------|-----------------------|
| 1 | Support, supplier, quality, global, healthcare, care | Global health-care support through supplier engagement and service access | MNEs; suppliers; health institutions | Formal and informal | Bottom-up |
| 2 | Stewardship, program, patient, healthcare, ethic, access | Patient-centered healthcare stewardship and ethical program development | MNEs; civil society actors; public actors | Formal and informal | Bottom-up |
| 3 | Supplier, people, health, govern, develop, include | Inclusive health governance and supplier accountability | MNEs; suppliers; civil society actors; public actors | Formal and informal | Top-down |
| 4 | Standard, state, regulation, policy, healthcare, include | Public-private regulatory compliance for inclusive healthcare delivery | MNEs; suppliers; civil society actors; public actors | Formal and informal | Top-down |
| 5 | Supplier, standard, global, diversity, environment, develop | Diversity-driven supply standards and environmental responsibility | MNEs; suppliers; civil society actors; public actors | Formal and informal | Bottom-up |

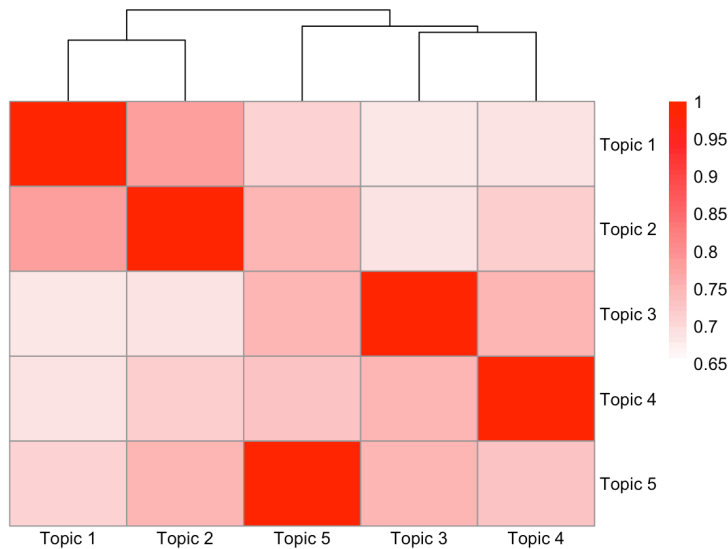
Source: own elaboration.

To explore how these topics relate to one another, a topic similarity heatmap was generated using cosine similarity. This method assesses the semantic overlap in the word distributions of each topic. The values range from 0.65 to 1, where:

- Values closer to 0.65 indicate minimal lexical overlap;
- Values near 1 suggest strong semantic alignment in thematic content.

The lower bound of 0.65 was chosen based on the observed minimum similarity score in the matrix, ensuring that the heatmap visualizes only moderate-to-strong thematic relationships. See Figure 5.6 for the corresponding heatmap.

Figure 5.6. – A similarity heatmap visualization of the topics identified in the case study of Medtronic



Source: own elaboration.

The heatmap for Medtronic reveals three significant proximity patterns:

- Topic 1 and Topic 2 display the strongest semantic affinity. This connection reflects a shared narrative around healthcare access, stewardship, and patient-centered approaches. Both topics emphasize formal and informal institutions related to healthcare delivery and ethical responsibilities, suggesting bottom-up strategies.
- Topic 3 is closely connected to both Topic 4 and Topic 5, indicating shared discursive elements related to regulatory engagement (Topic 4) and global supplier standards (Topic 5). This cluster highlights that the focus of Medtronic on supplier accountability and inclusive governance overlaps with broader efforts in both compliance and environmental responsibility.
- Topic 2 and Topic 5 also exhibit strong similarity, particularly in how they both refer to health programs, access, and development. This overlap suggests that bottom-up strategic initiatives often incorporate environmental values alongside healthcare stewardship.

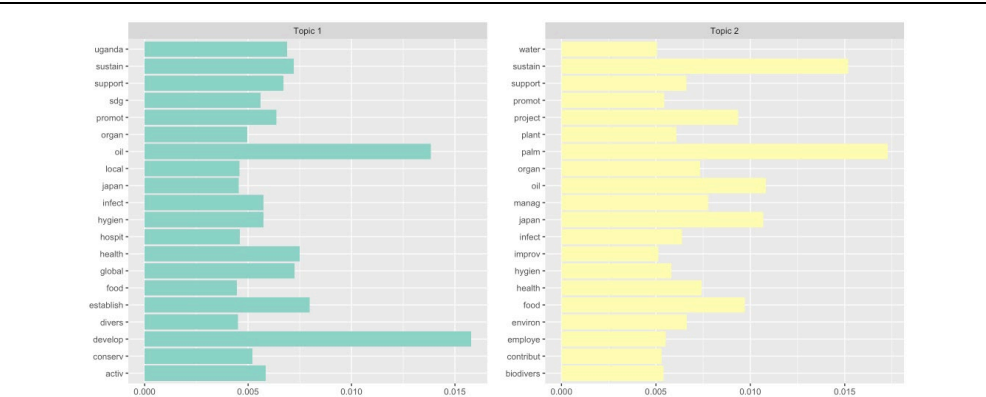
The hierarchical clustering displayed above the heatmap supports these observations. It shows how Topic 1 and Topic 2 cluster around access and ethical care delivery, while Topic 3, Topic 4, and Topic 5 form a cohesive group emphasizing formal regulation, governance, and ESG alignment across suppliers and public-private boundaries.

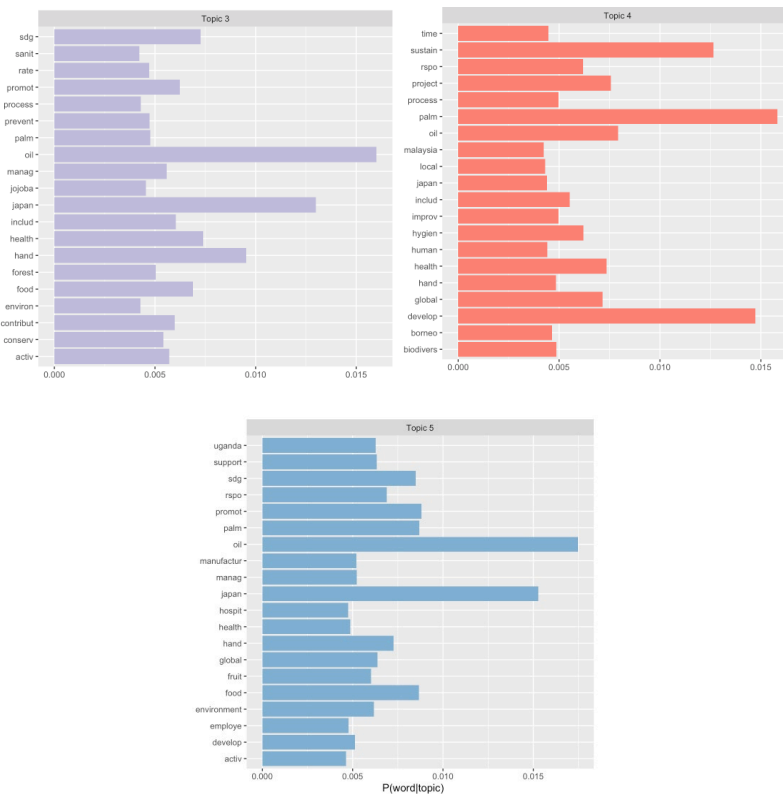
In conclusion, the topic analysis of Medtronic reflects a dual strategic emphasis: on one side, a strong bottom-up strategy focused on patient care, ethics, and stewardship (Topic 1 and 2); and on the other, a top-down strategy targeting regulatory compliance and inclusive governance (Topic 3, 4, 5).

5.2.4. Saraya

This section presents the results of the topic analysis conducted on Saraya’s sustainability reports from 2018 to 2024. The analysis used LDA to identify five main topics that reflect the firm’s priorities in its sustainability commitment. Figure 5.7 illustrates the five identified topics by displaying the twenty most representative terms (i.e., terms with high scores of β) associated with each topic.

Figure 5.7. – The five identified topics and the related twenty most representative terms in the case study of Saraya





Source: own elaboration.

Each topic has been interpreted based on its most representative terms and previous interpretative analysis, attempting to connect them to the conceptual framework presented in Chapter 3. Then, each topic has been labelled according to the actors involved in MNE's sustainability strategies, the type of institutions, and the strategic orientations. Table 5.4 presents a summary of this categorization.

Topic 1, labelled *Public health partnerships and hygiene development in Uganda*, includes terms like “uganda,” “hygiene,” “hospital,” and “infection.” It reflects Saraya's initiatives in improving health infrastructure and disease prevention through public partnerships, particularly in developing regions. This bottom-up strategy bridges informal hygiene promotion and formal institutional support from ministries and hospitals. Notably, the strong emphasis on “Uganda” in the top terms resonates directly with Saraya's well-documented case study project in Uganda, which involved health education, hygiene improvement campaigns, and infrastructure development in collaboration with local ministries and hospitals. This illustrates how Saraya's sustainability reporting is aligned with concrete local initiatives in host countries.

Table 5.4. – Identification and interpretation of the topics related to Saraya

| Topic | Most significant terms | Label | Actors involved | Institutional dimension | Strategic orientation |
|-------|--|---|--|-------------------------|-----------------------|
| 1 | Uganda, hygiene, hospital, infection, support, establish, health, divers, develop, | Public health partnerships and hygiene development in Uganda | MNEs; civil society actors; public actors | Formal and informal | Bottom-up |
| 2 | Palm, oil, project, health, hygiene, employee, contribute, manage, food, biodivers | Sustainable palm oil supply and biodiversity protection | MNEs; suppliers; civil society | Informal | Bottom-up |
| 3 | Palm, oil, health, forest, SDGs, conservation, promote, | Sustainable agriculture and forest-based environmental stewardship | MNEs; civil society actors; public actors; | Formal and informal | Top-down |
| 4 | Malaysia, RSPO, palm, human, health, borneo, biodivers, include, sustain | Certification and biodiversity conservation in palm oil supply chains | MNEs; civil society actors; public actors | Formal | Top-down |
| 5 | Oil, manufactur, hospital, fruit, food, health, japan, environment, develop | Sustainable manufacturing for health and food systems | MNEs; suppliers; civil society actors; public actors | Formal and informal | Bottom-up |

Source: own elaboration.

Topic 2, labelled *Sustainable palm oil supply and biodiversity protection*, features terms such as “palm,” “project,” “health,” and “biodiversity.” The topic focuses on value-chain improvements through collaboration with suppliers and civil society, highlighting environmental responsibility in sourcing practices. It reflects a bottom-up strategy informed by informal institutions.

Topic 3, labelled *Sustainable agriculture and forest-based environmental stewardship*, includes words like “forest,” “SDGs,” and “promote.” This topic captures efforts to link agricultural sustainability with forest conservation, involving civil society and public actors in stewardship roles. It reflects a top-down orientation.

Topic 4, labelled *Certification and biodiversity conservation in palm oil supply chains*, revolves around “malaysia,” “rspo,” “borneo,” and “biodivers.” The topic stresses the formalization of sustainability through certification and collaboration with NGOs and international agencies. Unlike the other topics, it is top-down, emphasizing external accountability and global governance instruments.

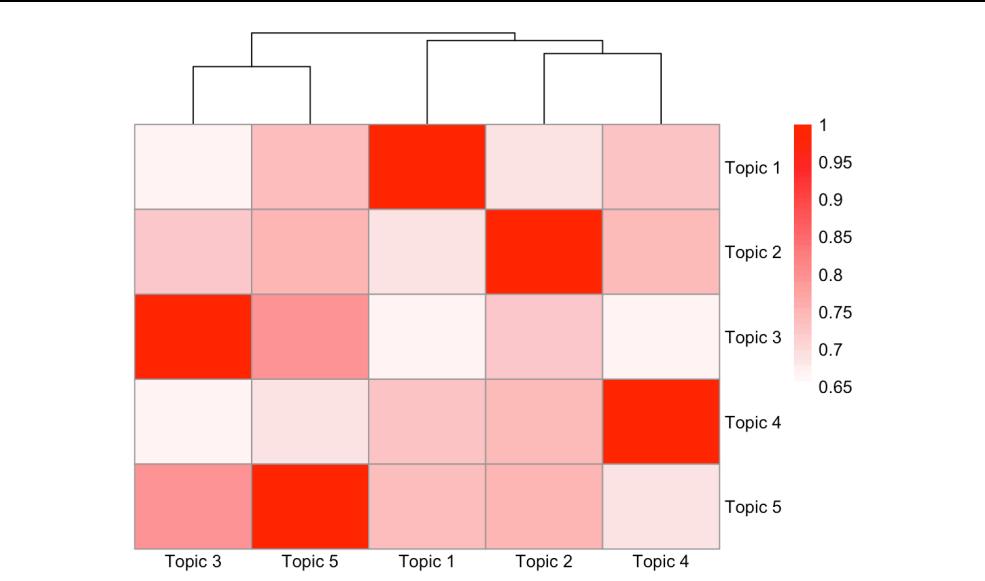
Topic 5, labelled *Sustainable manufacturing for health and food systems*, draws on terms like “manufactur,” “fruit,” “environment,” and “develop.” It showcases Saraya’s approach to environmental and health innovation in manufacturing, in collaboration with suppliers and health institutions. The strategy is bottom-up and, leveraging both formal and informal institutions.

To understand how these topics interrelate, a cosine similarity heatmap was produced to measure the semantic proximity between topics. Cosine similarity scores range from 0.65 to 1, where:

- Values near 0.65 indicate low thematic overlap;
- Values approaching 1 suggest strong semantic similarity.

The cutoff value of 0.65 was set to highlight only moderate to strong relationships and avoid visual clutter from weaker associations. See Figure 5.8 for the heatmap.

Figure 5.8. – A similarity heatmap visualization of the topics identified in the case study of Saraya



Source: own elaboration.

The heatmap reveals a few important proximities:

- Topic 2 and Topic 4 display relatively strong similarity. This suggests that Saraya's biodiversity-related initiatives, whether pursued through certified palm oil supply chains (Topic 4), share a discursive foundation with local project implementation efforts and sustainability in supply chains (Topic 2).
- Topic 3 and Topic 5 also show moderate affinity, indicating alignment between Saraya's environmental stewardship and its manufacturing strategies aimed at sustainability and health.
- Topic 1 appears relatively isolated in comparison. Its strong health-oriented commitment in Uganda (e.g., "uganda," "hospital," "infection") distinguish it from the other topics, which are more tightly linked to environmental sourcing and operational performance.

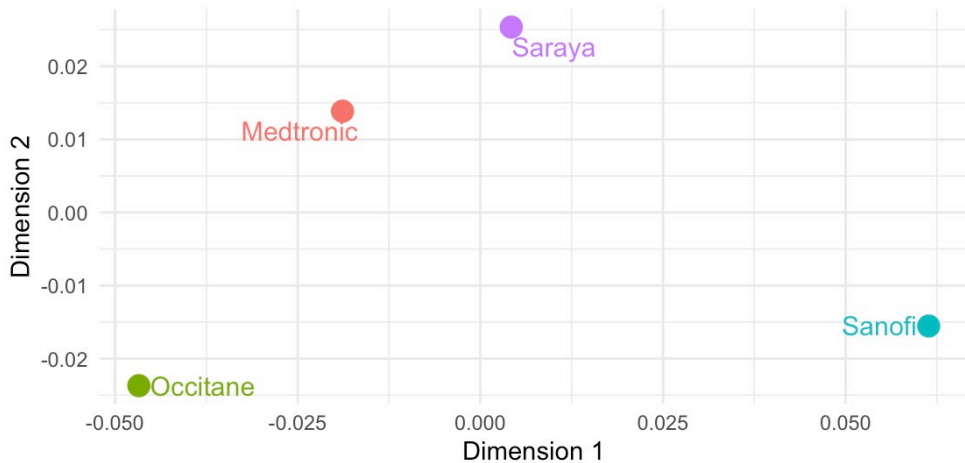
The dendrogram supports these observations by clustering Topics 2 and 4, and Topics 3 and 5, into two thematic groups, while Topic 1 stands relatively apart as a distinct branch.

In conclusion, Saraya's topic analysis highlights a strong emphasis on health, biodiversity, and sustainable sourcing through local engagement and healthcare systems. While formal institutions such as SDGs targets and certification play a role, the firm's strategic approach seems to be both bottom-up and top-down, bridging public partnerships, civil society involvement, and ethical production systems. The reference to Uganda across the identified topics anchors Saraya's sustainability strategy in a real-world example of institutional entrepreneurship.

5.2.5. A comparative analysis of MNEs' sustainability reports

As the final stage of the study, a comparative topic analysis was conducted to examine discursive convergence and divergence across the four selected MNEs: L'Occitane, Sanofi, Medtronic, and Saraya. This step aims to move beyond individual topic models and offer a higher-level perspective on how firms articulate sustainability-related strategies.

The first technique applied was Multidimensional Scaling (MDS). This technique translated the pairwise distances – computed using the average topic prevalence values for each firm – into a two-dimensional plot. Each dimension constitutes an abstract axis that preserves the structure of the distance matrix, enabling a visual map of how closely aligned or distant MNEs are in terms of their overall topic profile. Given that only one average value per firm was used, this representation is considered the least informative among the three techniques, offering a high-level snapshot rather than a detailed view of thematic connections. Based on the topic distributions previously computed for each MNE, a Euclidean distance matrix was generated and projected on the two-dimensional plane. Figure 5.9 displays the resulting configuration.

Figure 5.9. – A distance matrix visualization of topic distributions across case studies

Source: own elaboration.

Although the axes of the MDS plot are not semantically interpretable, the spatial positioning of each firm reflects the relative similarity of their sustainability commitment. Firms that appear closer together may share similar topic profiles, while those located farther apart may have more distinct strategic orientations.

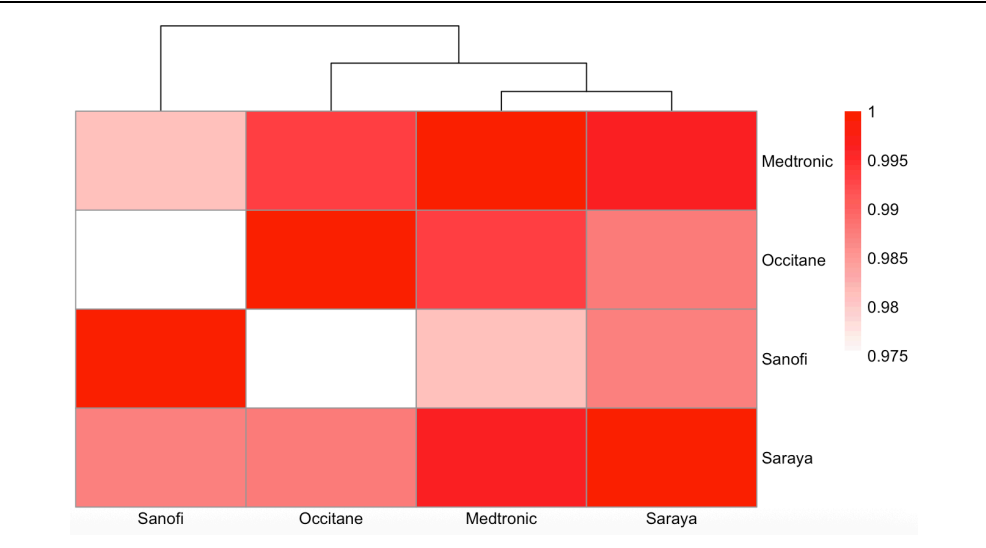
Given the exploratory nature of the method, the plot should be interpreted with caution and framed as a preliminary step in the comparative analysis. Nonetheless, some tentative interpretations may be considered. Sanofi is positioned relatively far from the other MNEs, which may suggest a more formalized and compliance-oriented sustainability strategy, as already observed in its emphasis on top-down orientation, policy implementation, and ESG standardization. L'Occitane, on the opposite side of the plot, appears distant from Sanofi, potentially reflecting a stronger bottom-up orientation focused on supplier collaboration for biodiversity and gender empowerment in underdeveloped countries. Medtronic and Saraya occupy an intermediate position, somewhat closer to each other. This may reflect partial alignment in their focus on public health engagement, through both bottom-up and top-down strategies.

Overall, the MDS plot serves as a visual scaffold to support further exploratory analysis. In this regard, a cosine similarity heatmap was generated to examine the cross-firm proximity of sustainability topics. While the scatter plot offered a rough spatial projection of topic similarity, this heatmap, derived from the cosine similarity between the topic prevalence vectors of each MNE, provides a more nuanced view of thematic alignment. The values range from 0.975 to 1¹⁶, where darker red cells

¹⁶ As with the MDS plot, this analysis remains exploratory in nature. Given the aggregated data as

indicate greater similarity between the firms’ topic-word distributions. The visualization is complemented by a hierarchical clustering dendrogram that reflects nested proximities based on those similarities (see Figure 5.10).

Figure 5.10. – A similarity heatmap visualization across case studies



Source: own elaboration.

This heatmap reveals subtle patterns of alignment and divergence across the four firms. Two patterns are particularly noteworthy. First, the highest levels of similarity are observed between Medtronic and Saraya, suggesting a strong alignment in how these two firms articulate their sustainability themes, possibly around healthcare delivery and adopting both bottom-up and top-down strategies for sustainability. A slightly weaker but still notable similarity is also present between Medtronic and L’Occitane, pointing to some shared thematic ground. Second, L’Occitane and Sanofi appear as the most distant pair in terms of sustainability commitment. Their dissimilarity may reflect a different commitment to sustainability. L’Occitane emphasizes inclusive supply chains and product innovation, while Sanofi prioritizes global health equity and regulatory alignment. Furthermore, they present differences in sectoral focus (cosmetics vs. pharmaceuticals) and, as highlighted in the previous analyses, their strategic orientations – with L’Occitane favouring bottom-up strategies and Sanofi leaning toward top-down approaches.

input for the analysis, similarity scores are generally high. For this reason, the scale of the heatmap was deliberately restricted to the 0.975-1 range, in order to visualize even subtle similarities in thematic alignment. This visualization should therefore be interpreted as a tool for generating insights.

The dendrogram reinforces these patterns: Medtronic and Saraya are grouped into a single branch, suggesting thematic coherence in their sustainability strategies. By contrast, the remaining firms appear more distant, indicating a greater degree of divergence in their thematic priorities and institutional engagements.

The final stage of the comparative analysis focused on uncovering the most granular relationships between MNEs by conducting a topic-level network analysis. As previously described, this technique compares each topic across pairs of firms based on the normalized overlap of their top 20 most representative terms (i.e., terms with high scores of β). Only the four strongest topic-to-topic connections per MNE pair were retained to ensure interpretability. The resulting network graph provides a nuanced view of how specific themes converge or diverge across MNEs.

Figure 5.11 presents the resulting network, where each node represents a firm and edges denote topic-level connections based on semantic overlap. Edge thickness corresponds to the degree of similarity, and labels identify the specific topic pairings involved. To enhance visual clarity in subsequent network visualizations, acronyms were used to label the connections between topics from different MNEs. Each topic label in the graph is abbreviated to ensure readability and avoid visual overload. Table 5.5 provides a complete reference for interpreting these acronyms by mapping each code to the corresponding full topic label from the individual firm analyses.

Table 5.5. – Acronym reference by topic label and MNE

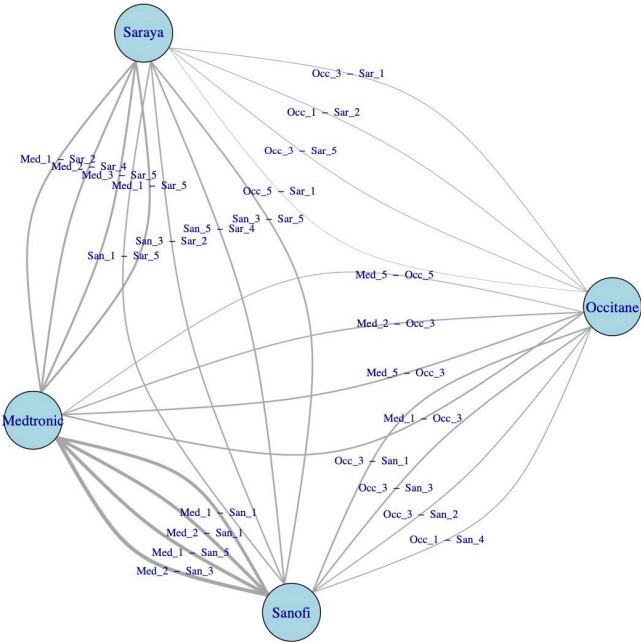
| MNE | Acronyms of connections between topic | Labels |
|------------|---------------------------------------|--|
| L'Occitane | Occ_1 | Supplier policies for women empowerment and climate impact |
| L'Occitane | Occ_2 | Sustainable sourcing, biodiversity and plastic policy implementation |
| L'Occitane | Occ_3 | ESG implementation and supply chain impact assessment |
| L'Occitane | Occ_4 | Climate mitigation and product sustainability programs |
| L'Occitane | Occ_5 | Ingredient traceability and biodiversity protection |
| Sanofi | San_1 | Health equity programs for global access to care |
| Sanofi | San_2 | Climate action implementation and social responsibility integration |
| Sanofi | San_3 | Standards and compliance across value chains |
| Sanofi | San_4 | Health and environmental safety in operations and patient care |
| Sanofi | San_5 | Global corporate sustainability performance and policy communication |
| Medtronic | Med_1 | Global healthcare support through supplier engagement and service access |
| Medtronic | Med_2 | Patient-centered healthcare stewardship and ethical program development |
| Medtronic | Med_3 | Inclusive health governance and supplier accountability |

Continued

| MNE | Acronyms of connections between topic | Labels |
|-----------|---------------------------------------|--|
| Medtronic | Med_4 | Public-private regulatory compliance for inclusive healthcare delivery |
| Medtronic | Med_5 | Diversity-driven supply standards and environmental responsibility |
| Saraya | Sar_1 | Public health partnerships and hygiene development in Uganda |
| Saraya | Sar_2 | Sustainable palm oil supply and biodiversity protection |
| Saraya | Sar_3 | Sustainable agriculture and forest-based environmental stewardship |
| Saraya | Sar_4 | Certification and biodiversity conservation in palm oil supply chains |
| Saraya | Sar_5 | Sustainable manufacturing for health and food systems |

Source: own elaboration.

Figure 5.11. – A topic-level network analysis visualization across case studies



Source: own elaboration.

The graph highlights Medtronic as a highly connected node, forming the most robust thematic bridges across the network. Its strongest alignment appears with Sanofi, suggesting a shared commitment to health equity and global healthcare accountability, emphasizing access, standardization, and public engagement. Medtronic also connects

meaningfully to Saraya, pointing to a common discourse on operational sustainability in healthcare systems. Connections between Medtronic and L'Occitane shared concerns around supplier responsibility and biodiversity standards.

Saraya stands out as another central actor, with Sar_5 emerging as a bridging topic that links to all three other firms. This convergence appears rooted in the operational integration of environmental and health-related sustainability goals. Occitane's connections, while fewer, are thematically consistent. Its link to Saraya (Occ_3 – Sar_5) and Sanofi (Occ_3 – San_3) centers on ESG metrics and supply chain assessment, whereas its connection to Medtronic (Occ_5 – Med_5) reflects alignment on biodiversity traceability.

While the network is densely connected overall, it still reveals distinct patterns of thematic convergence. Some topics act as bridges between firms, especially those dealing with biodiversity, supply chain practices, and operational sustainability, while others, such as health equity or formal policy communication, remain more confined within specific MNEs (i.e., Medtronic and Sanofi).

In sum, the topic-level network complements previous comparative analyses by highlighting fine-grained similarities that might be obscured at higher levels of aggregation. It illustrates how sustainability commitment is not only firm-specific but also interlinked through shared aligned strategic priorities, particularly in areas such as health, supply governance, and environmental stewardship.

5.3. Integrating findings from both qualitative and quantitative analysis

Analyzing both qualitative and quantitative findings provides a more comprehensive understanding of how MNEs engage with institutional change for sustainability. Both analyses converge in showing that the selected MNEs are not only committed to corporate environmental and social goals, but also strategically collaborate with supply chain actors, civil society organizations, and public actors to shape institutions towards sustainability. Sustainability is not treated as a peripheral agenda but embedded across value chain processes and relational connections.

The results also highlight sectoral differences in how MNEs enact these commitments. Firms operating in healthcare and pharmaceutical sectors, such as Sanofi and Medtronic, tend to operate within highly regulated environments, where public actors play a prominent role. This is reflected in both the qualitative data (e.g., partnerships with national health systems and ministries) and the topic modeling results, which indicate a greater prevalence of top-down strategies, compliance-focused strategies, and formal institutions. Sanofi, in particular, anchors its sustainability approach in measurable health outcomes and regulatory coordination, illustrating a clear top-down orientation.

Differently, MNEs operating in personal care, cosmetics, and hygiene sectors, such as L'Occitane and Saraya, engage more directly with community actors, suppliers, and NGOs in contexts where institutions are weaker and public actors are less

dominant. These firms rely more heavily on bottom-up strategies that build local capabilities, promote inclusive sourcing, and co-develop solutions with civil and private actors. This bottom-up orientation is evident in L'Occitane's long-term partnerships with women's cooperatives in Burkina Faso, and in Saraya's health and hygiene initiatives in Uganda. These approaches are also reflected in the quantitative findings: both firms exhibit topic structures dominated by themes such as ingredient traceability, community engagement, and sustainable production systems, often leveraging informal institutions.

While sector appears to be a primary driver of divergence in strategic orientation (top-down vs. bottom-up), there are also cross-sectoral similarities. All four MNEs demonstrate an ability to act as institutional entrepreneurs by engaging with diverse actors and operating through shaping formal and informal institutions. Moreover, key themes – such as supply chain responsibility, environmental protection, and health equity – emerge across cases, though with different emphases. For instance, biodiversity and ingredient traceability serve as bridging topics across firms like L'Occitane, Medtronic, and Saraya, while themes related to health stewardship and governance connect Sanofi and Medtronic.

Taken together, the analyses reveal both convergence and divergence in how MNEs address sustainability. They show that institutional entrepreneurship is shaped not only by firm-level priorities but also by sectoral logics and institutional contexts. While top-down and bottom-up strategies coexist, their balance varies according to the regulatory landscape, the level of civil society and public actors' involvement, and the types of sustainability challenges addressed.

5.4. Discussion

The primary aim of this book was to explore how MNEs contribute to institutional change advancing sustainability across countries in which they operate. The framework developed at the front-end of the book offers a conceptual ground to examine the entrepreneurial role of MNEs as agents capable of shaping and reconfiguring institutions by introducing sustainability norms and practices together with public and civil actors. Drawing on insights from institutional theory and sustainability research in IB, the book shows that MNEs are not merely constrained by regulatory frameworks, but can actively influence and realign them, particularly through top-down and bottom-up strategical approaches.

Institutional theory has traditionally focused on continuity, and entrepreneurship literature has emphasized change, their intersection – captured in the concept of institutional entrepreneurship – offers a powerful lens to understand how MNEs can catalyze the institutional change for sustainability (Garud et al., 2007). Entrepreneurship has long been recognized as a fundamental force of change in economic and social systems. Classical perspectives, such as those of Schumpeter (1942) and Kirzner (1997), highlight the role of entrepreneurs in disrupting the status quo, either

through the introduction of radical innovations that trigger waves of creative destruction or through alertness to emerging opportunities within existing constraints (Garud et al., 2007). In the context of MNEs, entrepreneurship unfolds not only through market innovations, but also through the reconfiguration of institutional contexts that shape how firms, society, and the embedded actors interact. From an institutional perspective, entrepreneurial action entails deviation from dominant norms and expectations (Garud & Karnøe, 2001). The emergence of novel sustainability practices challenges established ways of MNEs in organizing resources and knowledge, and distributing responsibilities along their value chains. These changes may be met with skepticism or resistance, particularly when they conflict with the interests of powerful actors or disrupt entrenched routines (e.g., Liu et al., 2019). To succeed, entrepreneurial efforts must therefore gain legitimacy within a field marked by heterogeneous interests and unequal power relations (Garud et al., 2007). Through the examination of the case studies in this book, firms' legitimacy in acting as institutional entrepreneurs is not automatically granted but must be actively constructed through negotiation, partnership-building, and co-creation of initiatives with civil and public actors. This is particularly evident in the IB field, where MNEs transcend national boundaries and must often reconcile competing expectations across home and host countries, while advancing institutional changes at the local level that align with global development agendas.

The findings of this book shed light on key questions that institutional entrepreneurship literature has long sought to address. Both the qualitative and quantitative analyses reveal that, despite being subject to diverse regulatory, normative, and cognitive pressures, MNEs are capable of championing new sustainability practices. One of the questions in institutional entrepreneurship concerns how actors embedded in institutional contexts – whose interests, identities, and cognitions are shaped by existing structures – can nonetheless envision and initiate institutional change (Hardy & Maguire, 2008). A second issue, as discussed by Hardy and Maguire (2008), involves how such embedded actors, endowed with agency, are able to mobilize others to abandon established practices in favor of the new ones they are promoting. The empirical evidence of this research suggests that these two issues should not be viewed as separate. In the case of MNEs seeking to drive institutional change for sustainability, it is precisely MNEs' embeddedness – and their ability to collaborate with other actors equally rooted in the institutional context – that enables them to transcend prevailing cognitive schemas and participate in the construction of new normative expectations and regulatory processes addressing sustainability. It is through such collaborative approach, rooted in value co-creation (e.g., Bruijn et al., 2024; Doh et al., 2019) and participatory forms of governance (e.g., Reinecke & Donaghey, 2021; Scherer & Palazzo, 2011), that MNEs contribute to reshaping institutions and fostering the conditions necessary for advancing substantive sustainability changes. Discussing the effectiveness of institutional entrepreneurship in the sustainability field, Peters, Hofstetter, and Hoffmann (2011) state that it depends on the strategic deployment of key resources. These resources include firm-specific

relational assets, access to complementary capabilities, knowledge-sharing routines within global networks, and governance structures that enable alignment among diverse actors.

These patterns are clearly illustrated in the cases examined throughout this book. L'Occitane, Sanofi, Medtronic, and Saraya, each in different ways, collaborate with NGOs, national government representatives, and local entrepreneurs to introduce new practices that shape existing formal and informal institutions. Sanofi and Medtronic institutionalize new public health practices in contexts where many diseases remain largely unaddressed. Similarly, Saraya contributes to institutional change by promoting hygiene and infection prevention as public health priorities in countries where such concerns are often marginalized. Through partnerships with ministries of health, international aid organizations, and local communities, the firm facilitates the diffusion of new behavioral norms around sanitation – particularly in maternal and child health – while also helping establish formal standards for hygiene education and safe product usage. L'Occitane supports entrepreneurial initiatives aimed at fostering economic autonomy and empowerment for women in communities where gender equality is still far from being achieved. In doing so, the MNE help institutionalize new roles for women as economic actors by promoting inclusive entrepreneurship, creating access to resources, and reinforcing new social norms around women.

In doing so, these firms help introduce not only new products or services, but also contributing to the institutionalization of sustainability in contexts often marked by institutional voids. These collaborative efforts underscore the idea that institutional change does not occur in isolation, but emerges through engagement with a variety of actors that share, contest, and reshape visions of what sustainable development should look like. This book shows that the shift towards higher degrees of sustainability involves multiple actors (i.e., private, civil, and public) and different institutions (i.e., formal and informal) to develop a sustainable model in MNEs' global supply chains. MNEs' efforts are not limited to regulatory compliance; they also encompass community development initiatives, training for employees, and the diffusion of sustainability structures and practices along the value chain. As a result, MNEs generate forms of entrepreneurship which increasingly, through a bottom-up orientation to sustainability, engage with and support local small-scale entrepreneurs. Indeed, "embedding structures do not simply generate constraints on [agent] but, instead, provide a platform for the unfolding of entrepreneurial activities" (Garud et al., 2007, p. 961). The conceptual framework developed in this book depicts MNEs setting new sustainability paths to continuously re-adapt governance structures and compensate for the absence of institutional alignment with the evolving sustainability requirements. This argument echoes the concept of sustainability as a "moving target" (Christensen, Morsing, & Thyssen, 2017, p. 3): MNEs looking for a sustainable development must fit into varying foci, values, and contents across various institutional contexts.

Additionally, this book draws attention to the multilevel nature of institutional

entrepreneurship (Tracey et al., 2011), indicating that it involves both top-down and bottom-up strategies through which MNEs operate with civil and public actors towards global sustainability. Rather than functioning as isolated strategies, top-down and bottom-up approaches interact dynamically, addressing sustainability through a bidirectional process. While bottom-up strategies allow MNEs to scale successful initiatives and influence regulatory frameworks, top-down strategies enable MNEs to include public sustainability rules within corporate operations (Gond & Nyberg, 2017). This interaction is evident in the evolution of supply chain sustainability. Mainly driven by corporate self-regulation (bottom-up), voluntary certifications and sustainability reporting frameworks have been institutionalized through national and international policies (top-down), as seen with the European Union's Corporate Sustainability Reporting Directive and the ESRS. By leveraging formal and informal institutions, MNEs position themselves as institutional entrepreneurs that bridge private, civil, and public actors (Leone et al., 2023), fostering a more collaborative and systemic approach to sustainability (Bansal & Desjardine, 2014; Bansal & Song, 2017).

In this perspective, the challenges that MNEs deal with when they address sustainability are numerous and multiple. Kaplan (2023) introduces the notion of "business class" in which coalitions of transnational corporate elites with aligned political-institutional interests engage in institutional work at scale. Specifically, the study shows how institutional entrepreneurship can be enacted at a class-wide level through long-term, coordinated projects aimed at reshaping institutions. Drawing on the case of the World Business Council for Sustainable Development, Kaplan (2023) illustrates how transnational corporate elites have engaged in large-scale institutional change by mobilizing corporate resources, forming coalitions across sectors and geographies, and promoting a shared institutional logic grounded in privatized, market-based governance. Firms perform "class power" through institutional work when they confront rival visions of sustainability and respond by building new institutions that embody sustainability goals (Kaplan, 2023). Similarly, Doh et al. (2019) propose the concept of *collective environmental entrepreneurship* to describe how firms, governments, and civil society actors co-create new institutional arrangements to respond to complex environmental challenges. Through mechanisms such as ecosystem valuation, polycentric governance, and risk-sharing contracts, MNEs become part of broader participatory governance settings that collectively shape the rules and institutions governing sustainability transitions (Doh et al., 2019). This lens is particularly relevant for understanding how institutional change occurs not through unilateral corporate action, but through the co-production of solutions with multiple actors. In this regard, Bruijn et al. (2024), analyzing MNE-civil society interactions in the sustainability field, emphasize that outcomes depend not only on the type of engagement but also on contextual variables such as the strength of MNEs' governmental ties, the legitimacy and power of civil society actors, and the cultural characteristics of the countries involved. These factors critically shape how interactions between MNEs and civil actors unfold and what forms of institutional change for

sustainability are possible. These contributions align with the argument that sustainability must be understood through multilevel and multi-actor perspectives. For example, Rapior & Oberhauser (2025) propose a locally grounded governance framework that critiques the dominance of corporate-centric models and highlights the essential role of local civil society organizations. Their work demonstrates that effective sustainability governance often emerges through a dialectical interplay of collaboration and conflict, where firms' actions co-evolve with local insights.

Together with such contributions, this book reinforces the view that MNEs are embedded in institutional contexts where they act in interdependence with other private, civil, and public actors. They must simultaneously navigate top-down strategies and cultivate bottom-up strategies, contributing to institutional change not just as respondents, but as entrepreneurial agents capable of shaping the institutions to align them with the evolving sustainability agenda.

CHAPTER VI

CONCLUSIONS

Summary: 6.1. Theoretical contributions. – 6.2. Managerial implications. – 6.3. Research agenda for future lines of exploration. – 6.3.1. Future research lines in top-down strategies. – 6.3.2. Future research lines in bottom-up strategies. – 6.4. Limitations.

6.1. Theoretical contributions

This book contributes to the extant literature in four ways. First, this research develops a conceptual framework that provides a multilevel, interactive view of private, civil, and public actors employed to shape institutions across countries to reach global sustainability. By developing this multilevel framework, the book provides a set of conceptual discernments and builds some groundwork that extends the institutional studies by highlighting the MNEs' entrepreneurial agency in shaping institutional change for sustainable development. MNE actively contribute to the formation, adaptation, and translation of sustainability-related norms and practices across home and host countries (Leone et al., 2025). In doing so, they not only adapt to local institutional contexts but co-create new institutional arrangements and modify extant institutions, especially in contexts where regulatory frameworks are underdeveloped (García-Cabrera & Durán-Herrera, 2016). This role becomes particularly salient in contexts where public actors are less dominant, and MNEs must collaborate with local communities and civil society actors to fill institutional voids. The findings of this research emphasize the relevance of such engagements, particularly with NGOs and grassroots organizations, thereby contributing to a growing body of IB literature that recognizes the role of non-market actors – especially civil society – in shaping institutions for sustainability (Sun et al., 2021; Wright and Zam-muto, 2013). While past research has largely focused on firm-firm or firm-government relations (Bruijn et al., 2024; Rapior & Oberhauser, 2025; Sun et al., 2021), this study incorporates civil actors into the analysis, showing how they influence MNEs' institutional engagement in host countries. As shown across the cases, NGOs and local organizations act as intermediaries that facilitate MNEs in addressing sustainability goals.

Second, this work contributes to institutional studies on sustainability by demonstrating that formal and informal institutions interact dynamically, and that their

interplay becomes a critical lever for sustainable institutional change. Drawing on both qualitative and quantitative analyses, the findings reveal that MNEs are not only constrained by institutional variety but also leverage it strategically. This challenges the binary distinction between “institution-takers” and “institution-makers” (Jackson & Deeg, 2008) and proposes a more interactive and iterative understanding of institutional entrepreneurship. Specifically, this book informs that MNEs as institutional entrepreneurs leverage formal and informal institutions and their interplay in promoting sustainable change at each level of analysis (Tracey et al., 2011). Moreover, they influence sustainability across the three levels of analysis by deploying top-down and bottom-up strategies. This research explores the institutions at play and how they influence each other and MNEs’ sustainability choices. Differences among country institutions expose MNEs to political hazards and create a set of incentives, constraints, and costs that move firms to differently handle their global value chains in terms of power and value distribution, location, and entry modes (Gereffi et al., 2005; Scott, 1995). From this perspective, institutions may be considered variables that are strategically managed in various ways (Jackson & Deeg, 2008). MNEs weaken the role of traditional institutional settings, recombine them experimentally. Such insights contribute to institutional theory by showing how institutional variety can legitimate “diverse forms of coordination, patterns of authority, or governance” (Jackson & Deeg, 2008, p. 542) aimed toward sustainability and by shedding light on the foundations of the alternative forms of participative and reflexive collaborations in this field (Scherer & Voegtlin, 2020).

Third, this book brings a nuanced perspective that considers sectoral differences, revealing that sustainability strategies are not monolithic but vary by sector, regulatory intensity, and actor engagement. MNEs in health-related industries exhibit stronger top-down strategies shaped by public regulation, while those in less regulated industries adopt more bottom-up approaches grounded in community engagement and civil partnerships. By identifying these patterns, the research offers a sector-sensitive view of institutional entrepreneurship, which has been underdeveloped in prior literature.

Finally, this book makes a methodological contribution by adopting a mixed-method approach that combines qualitative interpretive analysis with topic modeling. By integrating interpretation with algorithmic pattern detection, the study bridges the gap between narrative depth and empirical generalizability. In doing so, it aligns with the call for methodological pragmatism in IB research (Parry et al., 2021), acknowledging the challenges of ensuring both rigor and relevance in multi-country, comparative analyses. Rather than adhering to idealized standards of data consistency, the study prioritizes contextual alignment of MNEs’ efforts in carrying out specific sustainability initiatives in host institutional contexts and analytical transparency of their sustainability reports. This research provides a flexible and robust methodological approach for studying sustainability strategies across diverse MNEs, especially when facing heterogeneity across national and sectoral boundaries.

6.2. Managerial implications

This research offers implications for managers. Firstly, the research underscores the importance of designing sustainability strategies that are not only aligned with global standards but also adaptable to diverse institutional contexts. MNEs' managers should therefore leverage both top-down and bottom-up strategies and invest in organizational flexibility, stakeholder engagement mechanisms, and context-sensitive entrepreneurship solutions to ensure that sustainability commitments are both credible and effective across home and host countries (Raprior & Oberhauser, 2025). Top-down strategies – such as compliance with transnational sustainability standards, ESG disclosure practices, or alignment with national regulatory frameworks – are essential for establishing credibility and consistency across global operations. However, these must be complemented by bottom-up engagement, which often proves critical for innovation, contextual responsiveness, and local legitimacy.

Second, the results underscore the importance of sectoral sensitivity in defining sustainability strategies. In heavily regulated sectors such as healthcare and pharmaceuticals, engagement with public authorities and adherence to formal standards tends to dominate. Managers in these sectors must prioritize regulatory dialogue, public-private partnerships, and transparent impact metrics. Conversely, in sectors where public actors are less prominent, firms often play a more proactive role in shaping the sustainability agenda. In these cases, managers are advised to strengthen alliances with local suppliers, NGOs, and community organizations, building sustainability solutions where institutional voids exist.

Finally, managers should not conceive sustainability merely as a compliance requirement, but as a strategic imperative capable of generating long-term value. This insight is particularly salient in the interpretive analysis of the case studies, which reveal that MNEs engaging in institutional entrepreneurship – those that actively co-create norms and reshape their institutional contexts – tend to develop more collaborative and trusted business models within their global supply chains. For example, L'Occitane's long-term engagement with women's cooperatives in Burkina Faso and Saraya's local health partnerships in Uganda illustrate how co-developing sustainability initiatives with community actors can enhance both legitimacy and local impact. These cases show that firms which embed sustainability into their strategies do not merely mitigate risks but create shared value and expand their strategic relevance across institutional contexts. Managers, therefore, are encouraged to move beyond narrow risk-avoidance logics and embrace sustainability as a site of opportunity for value creation which, in turn, aligns with broader societal and environmental goals.

6.3. Research agenda for future lines of exploration

Building on the conceptual framework and empirical findings developed throughout this book, this section proposes a research agenda aimed at advancing the study

of MNEs' sustainability strategies across institutional contexts. The integration of qualitative and quantitative analyses revealed both top-down and bottom-up strategic orientations, shaped by sectoral logics, institutional contexts, and actor involved. To further develop this stream of inquiry, the following agenda is structured into two interrelated but analytically distinct sections: top-down strategies and bottom-up strategies. These are also synthesized graphically in Table 6.1.

Table 6.1. – Research agenda

| | Research Question | Theoretical perspective |
|-----------------------------|--|---|
| Top-down strategies | How do public actors support specific sustainability initiatives and influence the performance of MNEs? | Institutional economics (North, 1990; Williamson, 1985) |
| | How do sustainability practices differ regarding whether MNEs operate in liberal or coordinated market economies? | Comparative capitalism (Crouch, 2005; Witt & Jackson, 2016) and varieties of capitalism (Hall & Soskice, 2001) |
| | How does the interaction across public, civil, and private formal institutions may reconfigure MNEs' top-down strategies for sustainability? | Institutional economics (North, 1990; Williamson, 1985) |
| Bottom-up strategies | How do change agents within MNEs engage in institutional work to shape sustainability strategies in interaction with external actors? | Institutional work (Lawrence & Suddaby, 2006) |
| | What are the implications of MNEs actively engaging in social and political issues in underdeveloped countries? | Institutional entrepreneurship (Hardy & Maguire, 2008) |
| | How do public informal institutions influence the effectiveness of corporate diplomacy initiatives for sustainability? | Political corporate social responsibility (Scherer & Palazzo, 2011; Scherer, Baumann-Pauly, & Schneider, 2013) |
| | How do MNE advocacy efforts impact weak host governments to create a legal framework for sustainability? | Institutional entrepreneurship (Hardy & Maguire, 2008) and Bottom-of-the-Pyramid literature (London & Hart, 2004; Prahalad, 2012) |

Source: own elaboration.

6.3.1. Future research lines in top-down strategies

Future research should further investigate the role of public actors and regulatory frameworks in shaping MNEs' sustainability strategies. The findings from highly regulated sectors such as pharmaceuticals and healthcare (e.g., Sanofi, Medtronic) indicate that highly regulated contexts facilitate top-down strategic orientations. Yet important gaps remain.

First, research should examine how specific interventions of public actors, such as subsidies, tax incentives, and mandatory reporting schemes, influence MNEs' sustainability strategies and their performance. Given the different practices undergirding sustainability (Voegtlin, Scherer, Stahl, & Hawn, 2022), on the one hand, and the lack of consensus about the link between sustainability practices and corporate financial performance (Clarke & Boersma, 2017), on the other hand, this book calls for studies that examine the effect(s) of public actors on supporting specific sustainability practices and, in the second instance, on MNEs' financial performance. For instance, scholars may explore how the formal institutions of public actors can encourage and support MNEs in formulating sustainability goals closely linked to their financial performance (e.g., regulations setting tax incentives and subsidies).

Second, there is scope for expanding comparative studies across liberal and coordinated market economies. Drawing on comparative capitalism (Crouch, 205; Witt & Jackson, 2016) and the varieties of capitalism literature (Hall & Soskice, 2001; Hall & Thelen, 2009), future research could explore whether the institutional architecture of the home country affects the firm's strategic room for sustainability maneuver across home and host countries. Particular attention should be given to whether regulatory complementarities between home and host countries enable or inhibit cross-border institutional change for sustainability. This would help assess whether institutional complementarities (or frictions) between home and host countries (Jackson & Deeg, 2008) condition the effectiveness of top-down strategies, and whether coordinated market economies or liberal systems offer more fertile ground for ambitious sustainability institutional changes.

Third, although the conceptual framework is interactive in nature, it sheds light on the interaction across private, civil, and public levels and on the interplay between institutions at each level of analysis. However, it lacks to explore the interaction between institutions at different levels of analysis. Specifically, future research could examine how public formal institutions (e.g., national sustainability laws) intersect with civil-level standards (e.g., voluntary certification schemes such as RSPO) and private rules to shape top-down sustainability strategies. Such research could further develop our understanding of institutional layering in the sustainability field.

6.3.2. Future research lines in bottom-up strategies

A promising line of research could examine how MNEs engage in institutional work to shape sustainability-related institutions through the distributed agency of specific actors or sub-units. Rather than attributing sustainability outcomes to a unified "MNE," this perspective highlights how internal actors, such as visionary leaders, social intrapreneurs, sustainability teams, or local managers, act as institutional entrepreneurs within the broader MNE structure. These actors initiate new practices, norms, or partnerships that reconfigure sustainability strategies both internally and in interaction with external actors. Building on the concept of institutional work (Lawrence & Suddaby, 2006), future studies could then explore how concrete actions

(e.g., lobbying, partnerships with NGOs, or community empowerment initiatives) contribute to the creation or transformation of institutions across diverse national and local contexts. This line of inquiry would benefit from linking the micro-level agency of internal change agents to broader field-level institutional outcomes. It would also provide insights into how these actors deal with tensions between global.

A key argument in previous studies is that MNEs operate in multiple nations, often characterized by weak institutional frameworks that are unable or unwilling to incentivize the actors under their influence toward sustainable behaviors (Egels-Zandén, 2009; Kelling et al., 2020; Kolk & Perego, 2010). In these conditions, MNEs may have room to play a more incisive role. Westermann-Behaylo et al. (2015, p. 387) theorize corporate diplomacy as an “expanded role and responsibilities” that MNEs should perform when they address social and political issues in relatively underdeveloped countries where they operate. During the last decade, many MNEs have extensively integrated the concept of sustainability into their strategies, organizational processes, and investments (Christmann & Taylor, 2001; Scherer et al., 2013; Van Zanten & Van Tulder, 2018). Along with this reasoning, this research calls for studies that contribute to the institutional entrepreneurship theory (Hardy & Maguire, 2008) by investigating the implications of MNEs’ involvement in corporate diplomacy initiatives on sustainability issues in underdeveloped countries.

Furthermore, studies may explore how cultural and values differences and local social norms (i.e., informal institutions at the public level) influence the effectiveness and acceptance of corporate diplomacy initiatives, emphasizing the need for MNEs to formulate culturally sensitive sustainability strategies. Still, we need more knowledge on the role of MNEs in advocating for policy changes and institutional strengthening in host countries affected by weak governance structures. Drawing on Bottom-of-the-Pyramid literature (London & Hart, 2004; Prahalad, 2012), this research could examine how MNEs address institutional voids through entrepreneurial initiatives that aim to create both economic and social value. Future studies may analyze the effectiveness of such advocacy efforts and their impact on host governments aimed at creating a legal framework for sustainable development.

6.4. Limitations

This book extends our knowledge about how MNEs can contribute to institutional change in support of sustainability goals. However, several limitations must be acknowledged. First, although the book explicitly states that its purpose is to explore how MNEs may act as positive agents in addressing environmental and social challenges, particularly through collaborative strategies involving public and civil actors, this should not obscure the fact that MNEs are often simultaneously part of the problem. Their international operations have contributed to environmental degradation, ecosystem disruption, and social harm and inequality (e.g., Giuliani, 2019). While this work aims to highlight the potential of MNEs to be part of the solution, it is

essential to recognize the potential for irresponsible behavior embedded within global supply chains (e.g., Surroca et al., 2013).

Second, the book also adopts a generally positive view of cross-sector collaborations. Yet, relationships between MNEs, suppliers, public authorities, and civil society actors are not always harmonious. Diverging interests, asymmetrical power dynamics, and conflicting sustainability priorities can lead to tension or even opposition in the formulation and implementation of sustainability strategies (Liu, Napier, Runfola, & Cavusgil, 2020; Rapior & Oberhauser, 2025). These frictions are underexplored in the current analysis and represent a critical area for future research.

Third, the conceptual framework developed in this book largely emphasizes the agency of MNEs within the private level of analysis. In doing so, it may unintentionally underplay the role of suppliers and other actors in global value chains. Suppliers are often portrayed as passive implementers or collaborators acting under MNE leadership. However, recent research has documented the growing agency of suppliers and their bargaining power in shaping sustainability practices (Asmussen, Fosfuri, Larsen, & Santangelo, 2023). A more nuanced view of agency distribution and institutional entrepreneurship of suppliers would strengthen the analytical depth of the framework.

Finally, the findings of this book are embedded within a specific set of institutional contexts shaped by the unique characteristics of the MNEs studied. Consistent with Welch et al. (2022), the study adopts an interpretive approach that does not treat context as a mere backdrop, but as a constitutive element of the phenomenon itself. While this strengthens contextual depth and theoretical insight, it also limits the generalizability of the framework. Future research could expand the scope by examining different MNEs across other institutional contexts or sectors to further refine the framework's applicability and explanatory power.

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