

Introduction

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This book is a by-product of a three-day research colloquium (Multi-national Enterprises and Sustainable Development – MESD 2006), held at the Georgia Institute of Technology campus, on selected sustainable development practices of multinational corporations (MNCs) as tools to achieve global competitive gains. It was co-organized by the Georgia Tech Center for International Business Education and Research (GT CIBER), the Institute of Sustainable Technology and Development, Georgia Institute of Technology, Atlanta, USA, in partnership with ICN Business School, Nancy, France and the Centre Européen de Recherche en Economie Financière et Gestion des Entreprises (CEREFIGE), Nancy–Metz, France (a multi-university European business research consortium), both long-term partners of Georgia Tech Lorraine (GTL). Georgia Tech Lorraine is the overseas extension graduate and research campus of Georgia Tech, created in 1989, and located in the linchpin region of Lorraine, at the heart of Europe, in the Metz 2000 Technology Park. This text reflects a long-term research priority of GT CIBER as well as European partners (ICN Business School and CEREFIGE) to contribute to an evolving analytical framework, supported by a body of literature, to describe and understand the dynamic process through which international firms evolve full-fledged global programs of socially and ecologically responsive and responsible policies and best practices.

The book raises a central question concerning the role that multinational businesses play in the conception, diffusion and consolidation of the concept and best or better practices of sustainable development in the context of globalization. It explores the complex and dynamic social phenomena in which economic, political, cultural and legal aspects interact and influence each other as they shape the sustainable development debate in the corporate transborder context. Understanding this dynamic process implies studying the practices and organizational behavior of multinationals in sustainable development. These practices and behaviors are influenced, though not wholly determined, by many micro- and macroeconomic factors of an environmental, organizational and decisional nature. These factors shape the conditions for success and continuity. The consolidation

and diffusion of sustainable development practices are directly determined by the anticipated impacts (economic, political and social) that the multinationals seek to achieve. Besides the strategic position and economic power that multinationals wield on the international scene, their strategic preferences and choices must be elucidated. Multinationals could be considered as 'active actors' or catalysts in the implementation of sustainable development, but they could also derail the process.

The 1990s were marked by a heated debate in fields related to the study of business, society and environment as to 'whether it pays to be green', in the wake of the watershed Bruntland Commission Report of 1987. This corporate and societal debate rages on; witness former US Vice President Albert Gore's 2007 Nobel Prize award. The policy area has taken on an intensely international and cross-national dimension for large-scale corporations, as sustainable development becomes one of the bases for the next generation of competitive gains for large-scale enterprises and nation-states. No issue (one is tempted to use the French word 'problematique') is more clearly global in scope and scale than the management of environmental risk, broadly defined, through sustainable development policies and practices by corporations operating in an interlinked world economic system. And in spite of the promise held out by green technologies and the emergence of ecologically driven start-up enterprises, no cross-sectoral, cross-national, cross-disciplinary issue area is more lacking global governance at this juncture.

The theme of the book is the role that transnational corporations play in the design, diffusion and consolidation of sustainable development in the context of globalization. The book explores complex and dynamic phenomena in which economical, political, cultural and legal aspects interact and influence each other. In order to understand this dynamic, the book deals with some practices and organizational behaviors evinced by multinationals in regard to sustainable development. It also explores multinationals' conception of sustainable development and their related strategies and organizational practices (human resource development, marketing, supply chain, information technology, law, communications, etc.). It seeks to describe, understand and assess the factors leading to multinational corporate decisions in this issue area.

Topical coverage is organized in three main parts, each of which deals with a specific aspect of multinational enterprise sustainable development:

- I Corporate Governance Frameworks
- II Strategic Implications and Assessment
- III Discourse and Best Practices

The growing belief that private corporations should not only earn reasonable profits and provide fair returns to shareholders but also operate as good corporate citizens has spread to multinational corporations. The topical area has generated a growing body of research literature in article and report form, particularly in the EU but also recently in the USA. In addressing these topics, clustered around the globalization of principles and practices of multinational corporations, we have solicited expert and scholar authors from our sister institutions in the EU.

PART I: CORPORATE GOVERNANCE FRAMEWORKS

Part I carries out a deep review of research on the strategy process of multinational enterprises (MNEs) regarding sustainable development (SD) in order to highlight some of the main theoretical and methodological choices made by researchers so far, and their impact on the process of knowledge development in this field.

The contributions all seek to answer the following questions: how are sustainable development strategies formulated in MNEs? Which factors influence these strategies? What do they result in?

The first chapter, by Ivanaj and McIntyre, reviews criteria applied to sort out relevant published works and enables us to appraise general research trends, egregious research gaps, and difficulties encountered in performing cross-national research. The meta-analysis of the works is carried out within an integrative framework linked to evolving literature reviews as well as theoretical and empirical research findings. The analysis focuses on two levels: (1) theoretical paradigms and perspectives selected to address relevant research questions; and (2) methods employed to address units and levels of analysis, samples and data-collecting methods. This critical meta-analysis leads to recommendations for future research paths and heuristic insights in gauging implications for theory development and research methodology.

The second chapter, by Tagi Sagafi-nejad, is an overview of the supranational framework, the UN institutional constellation of entities seeking to provide a forum and framework for transnational corporations as they engage with issues of sustainable development. Sagafi-nejad offers an exhaustive review and analysis of the key UN organizations that interface with transnational corporations. Special emphasis is placed on the role of the International Labor Organization (ILO), the World Health Organization (WHO) and the World Intellectual Property Organization (WIPO). In addition, the UN Global Compact Initiative is presented as

a boundary-shaping voluntary self-reporting system, one of several that have subsequently emerged through private sector initiatives. UN agencies have historically played a major role in establishing rules that define a normative framework for countries and transnational corporations. The relationships between UN organizations and nation-states as they interact in framing sustainable development, following Sagafi's understanding, evolve along three main parameters: stakeholders, issues and historical cycle. Each UN agency deals with a set of these issues and requires the involvement of certain stakeholders such as NGOs, accredited bodies, and a variable geometry of stakeholders as an issue evolves along the UN agenda. Concerning the historical cycle, the author concludes that the UN is at a crossroads, and its liberal economic premises are being challenged. The author raises a crucial question: can the system serve as a catalyst in the process of norm-setting for the activities of TNCs?

Chapter 3, by Abdulai Abdul-Gafaru, asks whether multinational corporations (MNCs) are a force for environmental sustainability in developing countries. The chapter argues that although MNCs have the potential to contribute to sustainable development, their actual environmental impact largely depends upon the degree to which host countries keep their environmental abuses in check. Given the profit-minded nature of MNCs and the huge environmental control costs, industry self-regulation is unlikely to be effective where it conflicts with the primary objectives of multinationals. The chapter takes a critical look at potential environmental polluters such as MNCs, which are often the generator of rules applying to themselves in this geographic setting and effectively act as judge when their operations in host countries, lacking local institutions, violate recognized standards. Thus, to the extent that the *raison d'être* of business is to maximize profit rather than promote development, the author remains cautiously optimistic that MNCs can (voluntarily) contribute to sustainable development in developing countries. To enhance and incentivize MNEs' policies and sustainable development choices, there is a need to move beyond conventional notions of corporate social responsibility (CSR), characterized by the adoption of voluntary codes, to more regulatory, legally binding measures at both national and international level.

In Chapter 4, Kofi Afriyie, using the concept of evolutionary expansion of foreign direct investment (FDI) and global production, seeks to explain why resource-rich host economies appear to capture scant or no significant value from the worldwide operations of multinational enterprises (MNEs). Afriyie argues that the choices made by an MNE as it evolved globalized activities largely determines whether a host developing country is likely to benefit from the firm's production activities within it. The chapter considers the spillover effects at each stage of the worldwide

production expansion process. This approach allows researchers and policy makers to examine the likely effects of foreign direct investment, and the potential horizontal and vertical sustainable development linkages in MNEs seeking to invest in host economies. Afriyie concludes with proposals and alternative lines of inquiry on the public policy implications of MNE's production strategies.

In line with Chapter 2, van Miller and Crespy in Chapter 5 discuss how transnational corporations pursue their own economic interests via trade agreements and migrate to niches where labor and environmental costs are lower. From a sustainable development viewpoint, each of the three pillars (economic, labor and environmental) should receive equal weight, in their argument. In constructing a roadmap for the selection of a regional production flow in North America, the first choice is: NAFTA or CAFTA? To facilitate this choice, both transformation (labor, resources/materials and environment) and transaction (tariffs, taxes, transportation) costs must be analyzed. Economic, labor and environmental outcomes flowing from NAFTA and CAFTA undertakings should lead to improvement on the metrics utilized for evaluating each pillar and to a balance in the resource allocation among pillars. Multinational corporations can now readily operate 'on the wing' within Northern America in the wake of the NAFTA and CAFTA schemes. These two agreements provide ample encouragement and protection for commercial transactions seeking economic sustenance. Nevertheless, for the other two pillars of social and ecological responsibility, the normative dictate that economic, labor (working conditions) and environmental interests ought to be balanced and harmonized as envisioned by industrial ecology (IE) appears woefully lacking at this time.

In Chapter 6, Bayad et al. discuss the multinational enterprise as a knowledge network and its capabilities in coping with the challenges of sustainable development. The traditional models of growth and development of multinational corporations have been called into question on two fronts in the past 20 years. This can first be explained by the emergence of the knowledge-based economy, which makes knowledge a fundamental resource for maintaining competitive advantage. From this perspective, multinational corporations have adopted forms of cooperative organization to foster the exchange and creation of these resources. Second, the imperative for sustainable development, via the adoption of long-term resource conservation as a priority, has provided another reason to question the strategic decisions of multinational corporations. This chapter examines the possible link between these two new organizational modes for multinationals: cooperative knowledge networks and sustainable development. The first section shows that considering the intangible dimension of

resources sheds light on that connection. The second section is dedicated to the challenges related to knowledge management that must be taken up by the multinationals. By working within these key ideas, the authors look at management approaches that yield enhanced participation of multinationals' cooperative knowledge networks in sustainable development.

In Chapter 7, Lefevre and Suder focus on the future of sustainable development and MNEs. Sustainable development can be viewed through a lens, in the same way as other intellectual innovations. In this chapter, the diffusion mechanisms of sustainable development are examined in order to learn from them, understand how they evolve and propose alternative paths for the future of community and corporate value-creation in this context.

After a brief review of sustainable development and its penetration of the corporate world and its practices, the authors propose a diffusion model to match the sustainable development paradigms applying to multinational corporations. They then explore previous diffusion studies and propose the concept of command as a motivational aspect of innovation. Finally, they proceed to position sustainable development within the proposed framework. In the last section, the implications of this framework are discussed, viewing sustainable development as an extension of (or departure from) shareholder value. Bearing this in mind, the authors analyze pressures and sustainable development commands (imperatives) on MNEs that impel the firm to decide on an advantageous strategic positioning. To conclude, they discuss how a shift in the carrying capacity of the proposed command and pressure structure would affect the diffusion of sustainable development paradigms.

PART II: STRATEGIC IMPLICATIONS AND ASSESSMENT

Part II considers business and corporate strategy and assessment issues arising in part out of Part I, and focusing on: (1) a specific business process (supply chain management); (2) a specific region and regional grouping, the EU; and (3) the generic approaches governing sustainable development metrics and measurement of performance and implementation. These three approaches illustrate how sustainable development cuts across business processes, is differentially addressed in different countries and/or regional contexts, and how complex is measuring implementation success across global corporate networks. Part II moves the discussion to implementation issues, leaving behind the more theoretical considerations of Part I.

In Chapter 8, Philipp considers how multinational enterprises' (MNEs') sustainable supply chains can act as a key contributing factor for sustainability/corporate social responsibility, both conceptually and from a praxis standpoint (e.g. relevant codes of conduct). Philipp examines how MNEs' means of influence are exerted upon their suppliers to guarantee 'upstream repercussions' (a cascading chain of impacts) for sustainable requirements. In this context, research articles are analyzed in order to reveal similarities or differences between US and non-US MNEs' practices.

Beheiry's research, presented in Chapter 9, has been geared towards studying the relationship between corporate commitment to the three pillars of sustainability and capital project performance. To achieve this objective, two comprehensive sustainability indices, CSCI (Corporate Sustainability Commitment Index) and SCPPI (Sustainability Component of Project Planning Index), were created to measure the level of corporate sustainability commitment and the sustainability component of capital project planning, respectively. The two indices were then used to statistically relate corporate commitment to sustainability with sustainable capital project planning. Capital project planning has been shown to impact capital project performance in terms of cost, schedule and operability, including design changes and safety compliance. Using this linked relationship between the two indices and capital project performance as a theoretical backdrop, data were collected from 17 Fortune 100-owned organizations. These data suggested that increasing commitment to sustainability tends to lead to enhancing sustainable project planning, and may lead to better cost and schedule performance in large capital projects. It was clear from the data that the relationship between the two indices existed and there are strong grounds supporting further development of such indices.

In Chapter 10, Ivanaj et al. seek to assess the sustainable development commitment of European MNEs. They examine the sustainable development dimension of European MNEs, centering on the assessment of their SD policies. Such policies are presented as the result of moral commitments, beyond legal or economic imperatives. The chapter combines empirical research on the 50 biggest European multinational enterprises composing the DJ EURO STOXX 50 considered ethical companies. Three fields of commitment indicators are examined: the reporting system, the organizational structure of the companies; and the ethical investment market. The research yields expected results but also some surprises. The fact that the reporting refers predominantly to topics that are imposed by the legal framework and that environmental indicators are present in the different reports confirms the expectations of the researchers. The surprise

comes from the observation of the market for ethical investment, where one can observe that SRI fund managers do not take SRI indexes into consideration in their daily decisions. The place of sustainable development within the organizational structure of the 50 European MNEs is obviously not seen in the same way everywhere. Many companies give sustainable development management a project character; some have created a specific structure; and other MNEs have integrated it more fully into functional managerial areas. Interpreting the results by maintaining a link to the moral sustainable development commitment of the MNEs is possible within a descriptive ethics approach, showing different paths to establish if the moral sustainable development commitment of the European MNEs is consequential or not.

PART III: DISCOURSE AND BEST PRACTICES

Part III illustrates the structure of argumentation for sustainable development within the firm and how firm behavior seeks to bridge gaps between rhetoric and practice. This section is especially important as the corporate world seeks to convince its stakeholders of the competitive gains flowing from a sustainable development paradigm in the search for global profits, innovation and survival. The question for standards of behavior is salient in Part III and the persistent gaps between rhetoric and praxis come out sharply, particularly in an older traditional sector such as wine-making. The term ‘discourse’ is, as used in this part, favored among European scholars, who view it as containing both the argument and the evolving practice, and study this discursive dimension of the issue area to gain a deeper understanding of what is often only apprehended as an evolving surface phenomenon. This part makes full use of this analytical concept.

Chapter 11, by Taylor and Christmann, focuses on understanding the self-regulation potential of voluntary international initiatives for corporate conduct and the role of sponsor goals. Globalization has led to concerns that firms will take advantage of cross-country differences in environmental regulations by locating polluting activities to countries with low levels of environmental regulation. Certifiable environmental standards such as the ISO 14001 environmental management system standards have been proposed as a tool for firm self-regulation in the global economy. These standards set requirements that exceed regulatory requirements in low-regulation countries, which results in a more level international playing field. Firms voluntarily implement these standards and they can obtain certification of their adherence to a standard by passing an audit by independent third-party auditors. While initial research on certifiable

standards has aimed at identifying reasons for firm certification and standard diffusion, more recent research has examined the implementation of such standards within firms. To serve as an effective tool for firm self-regulation, standards not only need to be widely adopted and diffused; they also need to be properly implemented by certified firms. In many industries the importance of ISO 14001 as a criterion for supplier selection provides incentives for firms in low-regulation countries to obtain the certification to meet minimum requirements of potential customers from developed countries, but at the same time weaknesses and conflicts of interest in the for-profit monitoring industry do not assure that these certified firms actually meet the standard requirements. Finally, the authors discuss the prospects and limits of certifiable environmental standards as tools for firm self-regulation in the global economy.

In Chapter 12, Lai-Ling Lam explores corporate social responsibility and sustainable development of multinational enterprises in China. Multinational enterprises (MNEs) can be effective vehicles in boosting awareness of corporate social responsibility (CSR) and improving related practices of their affiliated companies and suppliers in China. Recently, the question has shifted from whether or not to make a commitment to CSR to how to make a substantial commitment. This chapter examines the perceptions of Chinese executives about CSR and explores possible strategies for MNEs to successfully handle the topic and practice sustainable development in China. Chinese executives and expatriates have to be integrated and display internal consistency with MNE parents and accommodate distinctive Chinese business environments in their day-to-day operations. The research questions are: what are the opinions of Chinese executives about their multinational enterprises' social responsibility and what are Chinese executives' perceptions of the problems and the opportunities for implementing CSR in China?

Chapter 13, co-authored by Bardelli and Pastore-Chaverot, deals with the discourse and practices of corporate social responsibility (DP-CSR), new components of multinational companies' strategies and elements of micro-regularities in the post-Fordist model. They use French multinational companies to illustrate their insights and findings. Sustainable development, an established concept, is nowadays in the heart of several academic debates in management science. It is also in the center of the companies' concerns, especially multinationals. These companies, with their power, their size and their planetary presence, are deeply concerned with their economic, social, cultural and ecological environment. Their activities have significant effects on the ecological environment, society and economy. The chapter investigates the topic through the annual reports of large French companies quoted on the CAC 40 at the Paris

Stock Exchange. The content analysis of these reports, made with a sample of ten companies, enables us to check the existence of a common basis concerning the DP-CSR of the various companies and their regulative capacity on their economic environment. This research stream has also sharpened interest in exploring new leads, such as the sectoral-specific issues and broader or interactive cultural influences on the content of DP-CSR.

In line with Chapter 13's discursive approach, Franzil in Chapter 14 also focuses on the analysis of the sustainable development discourse and its applications to international supply chain management as a lever for goal implementation. After defining concepts and reviewing the literature, the author highlights opportunities of sustainable action in supply chain management. These actions are indexed on two dimensions: the environmental axis and the CSR axis. Then, in a second phase, having circumscribed the SD-oriented procedures, the author studies the 2005 SD reports of two multinational companies (distribution and sports products manufacturing). The methodology is inspired by the lexical and content analysis. The results suggest that sustainable supply chain management (SSCM) is only in its initial stage in international companies and that there is an undeniable gap between commitment and practice. The opportunities offered by the SD procedures in these two case studies, namely the marketing strategy of differentiation and public image concern with stakeholders, were brought out. These findings reveal that a company is not philanthropic but on the contrary pursues its capitalistic aims. This chapter presents teleological lessons through an inventory of the possible SSCM actions.

Arzelier, in Chapter 15, uses a different sustainable development angle to focus on related issues: what the author terms a 'productive logic' and land or territorial use as applied to multinational companies' operation in the wine production network in France. This chapter aims at finding a theoretical basis for strategy development by wine producers, by comparing MNEs from North America to small-sized French companies. Current market structures (small French companies often face larger multinationals) allow limited room for strategic maneuvering. However, although wine is classified as a food, related values in France indicate a cultural dimension associated with a more subjective image of good corporate behavior, authentic production and product, tending to the world of conviviality and 'partying'. This pattern is laden with cultural symbolisms, part of a complex discourse: love of the soil, of work well done, secrets linked to the wine-making process, respect for the cycles of nature: all are elements to consider in order to grasp the choices made by producers and to explain how they address the paradigm of sustainable development. It is as if a unique product had to be saved from 'taste conformism' and to

be shielded from the threat of the disappearance of a way of life tied to the product and process. French vintners think in terms of global public goods, which reveals their implicit commitment to long-lasting (and hence sustainable) development. This comparative approach also highlights the importance of cooperative relationships. This sector-specific insight is equivalent to (re-)introducing the notion of collective interest behavior to the 'free enterprise' or liberal (as it is often termed in Europe) market. However, current political preferences in the industry do not so far seem to have evolved, the author maintains, a sustainable development-friendly internal logic: the interest of the consumer, as understood by different scale firms, leads to paradoxes not yet resolved by the stakeholders in this market space.

CONCLUSIONS

This volume has the merit of illustrating how researchers approach and treat the complex and multidimensional issue area of sustainable development, writing from a European, American or emerging-market perspective. In essence, the authors make use of different conceptual frameworks, or paradigms, and value a different way of probing the various dimensions of these multidisciplinary issues as they take shape in the world of multinational enterprise behavior. The use of the qualitative approach is more prevalent among European researchers, as is reflected in this volume. The lack of common analytical frameworks also emerges from the diversity of contributions, regardless of country or regional perspective. But, at the time, a consensus on which are the key variables seems to emerge, without a good grasp of how to piece together the component parts of this evolving paradigmatic shift in global management thinking. Sustainable development is now on the lips of all corporations and it has become a key success factor for a rapidly growing number of multinational enterprises.