

# **EXPLORING THE DRIVERS AND CHALLENGES OF MULTINATIONAL ENTERPRISES SUBSIDIARIES ENGAGEMENT WITH THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS: A SYSTEMATIC LITERATURE REVIEW**

## **1. INTRODUCTION**

The purpose of this article is to examine what is known about the drivers and barriers subsidiaries from multinational enterprises (MNEs) face in their initiatives to incorporate the United Nations Sustainable Development Goals (UN SDGs) into their strategy. Considering SDGs' adoption only in 2016 and the private sector importance as a critical actor in achieving them, learning more about the dynamics between MNEs and host countries is essential to make advances and relevant contributions. Ghauri, Strange and Cooke (2021) affirm that SDGs poses both challenges and opportunities for MNEs - new realities such as sustainable development and climate change will impact firms' strategies: global value chains activities locations will be affected by energy transitions, investors and consumers green activists will demand strategies diversity and green technologies offer new opportunities to be explored. Organizations still face challenges in incorporating the SDGs into their strategic agendas.

International Business (IB) research on drivers and challenges MNEs subsidiaries are facing to incorporate the SDGs into their strategy remains lacking.

From the SDGs standpoint, our studies deepen their scope in 4 out of the 17 SDGs: decent work and economic growth (SDG #8), responsible consumption and production (SDG #12), climate change action (SDG #13) and partnership for sustainable development (SDG #17). Despite we recognize all SDGs are interconnected, the selection criteria relies on two pillars: the effective contribution MNEs subsidiaries can make in the goals achievement as the main drivers considering their specific features, and relevance of recent facts MNEs and their subsidiaries are related to, considering issues as the climate change, waste generation and unemployment rates all over the world (especially higher at developing economies). The SDGs choice is also supported by The State of Progress: Business Contributions to the SDGs report, a 2020-2021 study developed by the Global Reporting Initiative (GRI), which listed SDGs # 8, 12 and 13 as the most common goals publicly supported by companies and the most prioritized goals by businesses. Finally, these SDSs were also chosen considering their impact on global and local value chains, and through partnerships engagement due to MNEs ability to influence different stakeholders to work together for a common purpose.

Next session will detail the methods used to perform the systematic literature review.

## **2. METHODOLOGY**

To assess what is known so far about the MNEs subsidiaries drivers and barriers and SDGs from an IB scholarship perspective, we conducted a systematic search of relevant articles in key IB academic journals. The process encompassed three steps: data collection, data analysis, and synthesis (Crossan & Apaydin, 2009). Regarding data collection, we started consulting Web of Science, Scopus and EBSCO Business Source Premier databases to search for the articles. At this stage, we considered the period ranging from 2015 up to and including June 2024, aligned with our intention to cover all the literature on the topic since the SDGs launch. We focused on the articles in English and selected the Web of Science categories: Management, Business, Economics, Environmental Studies and Development Studies and Scopus subject areas: Economics, Econometrics, and Finance, Business, Management & Accounting and Environmental Science. As usually is done in literature reviews, we ran a keyword search on the titles, abstracts and keywords provided by authors. The Boolean operators enabled us to create a unique search algorithm used to identify relevant articles on subsidiaries, and terms related to the chosen SDGs and their correspondent United Nations indicators. We focused our

findings on the journals listed in the 2021 Academic Journal Guide by the Chartered Association of Business Schools (CABS-AJG, 2021). Considering our goals, we restricted the search to fields of knowledge “Strat” and “IB&Area” and found 368 articles from 45 journals. At this stage, a careful abstract analysis was conducted to select those aligned with the paper objective (128 papers) to be fully read and submitted to the inclusion/exclusion criteria. This procedure led us to identify 28 articles from 16 journals. In the analysis phase, Atlas ti was used to organize the documents and code deductive and inductive categories. The reviewing process comprehended a first and second cycle, which allowed the emergence of thematic categories (Miles et al., 2014; Saldaña, 2013). Next sessions will discuss the main findings: an overview considering articles types, theories and methods, drivers and challenges and a proposed agenda for future studies.

### **3. MNEs SUBSIDIARIES & SDGS ENGAGEMENT – AN OVERVIEW**

Regarding articles type, from the 28 articles analyzed, only 3 were reviews (Nippa & Reuer, 2019; Oliveira, et al., 2023; and Sharma et al., 2024). Regarding the theoretical background, we observed that most articles explore and articulate concepts without necessarily connecting them to the traditional strategy theories which appeared only in the following articles: Institutional Theory (Chu et al., 2024 and Terpstra-Tong, 2024); Resource-Based View (RBV), (Varma et al., 2015); Dynamic Capabilities (Roh et al., 2024), Theory of Agency (Song, 2022) and Knowledge-Based View (Bos et al., 2017 and Nkrumah et al. (2024). On the other hand, concepts like local legitimacy, liability of foreignness, corporate social responsibility (CSR) and environmental social governance (ESG) were largely mentioned, beyond the SDGs contextualization.

Considering methods, 13 used the quantitative approach (almost 50% of the sample), while 3 were reviews articles, 3 had a theoretical approach, 2 used mixed methods and 7 qualitative methods (6 cases studies and 1 ethnography). Just a company (Unilever) has been clearly mentioned as studied (Roh et al., 2024).

### **4. INCORPORATING THE SDGS IN MNEs SUBSIDIARIES STRATEGY - DRIVERS AND CHALLENGES**

The articles provided the following drivers considering the approaches adopted by subsidiaries while incorporating the SDGs:

1. Regulatory and Policy Drivers – a) Government mandates and legislation: Mandatory CSR Spending (e.g., India’s Sect. 135 of the Companies Act 2013) (Nuruzzaman et al., 2024); b) Adoption of local regulations and standards (e.g., environmental and social regulations in different countries) (Ike et al., 2022); and the adoption of Global Reporting Initiative (GRI) standards (Topple et al., 2017) and c) international agreements and guidelines, such as the Greenhouse Gas Protocols and Carbon Emission Guidelines (Topple et al., 2017).
2. Market and Competitive Pressure – Legitimacy and brand reputation: influence of competitors (e.g., Unilever’s initiatives compared to P&G) (Roh et al., 2024) and consumer and market expectations (Terpstra-Tong, 2024).
3. Internal Strategic Drivers – Alignment to corporate strategy and objectives – a) Integration into corporate strategy (e.g., alignment with corporate sustainability goals) (Terpstra-Tong, 2024) and intra-MNC cooperation and innovation orientated to sustainability (Asmussen & Fosfuri, 2019; Le & Morschett, 2023); b) Resource allocation; balancing internal and external cooperation for Green Innovation (Asmussen & Fosfuri, 2019); c) environmental policies and aligning subsidiary practices with corporate and SDGs (Topple et al., 2017);
4. Stakeholder Influence – External stakeholders: pressure from NGOs, consultants, and auditors (Aubert et al., 2024); local community expectations (e.g., local trade and employment benefits) (Ike et al., 2022) and internal stakeholders such as employees and workplace rights

(Topple et al., 2017) and enhancing transparency and accountability and providing critical information for stakeholders (Varma et al., 2015)

5. Technological Innovation and Competitive Advantage - balancing exploratory and exploitative innovations (Nippa & Reuer, 2019; De Marchi et al., 2022); enhancing investments in R&D for sustainable innovations (Nippa & Reuer, 2019) and Green Innovation seeking resource efficiency (Asmussen & Fosfuri, 2019)

6. Cultural and Market Diversity – international diversity and differentiated strategies: tailoring CSR strategies to different countries (Aubert et al., 2024) and balancing global and local needs (Rosca & Bendul, 2019, cited by Roh et al. (2024).

And these are some of the identified challenges enterprises subsidiaries face:

1. Cultural and Organizational Challenges - a) Perception and Vision Misalignment: Differences in common vision and perception about industry dynamics (Andrews & Htun, 2018); divergent time horizons and risk appetites (Andrews & Htun, 2018); b) vertical-collectivist cultural norms: hierarchical and group-oriented societal practices (Andrews & Htun, 2018) and impact on workplace behavior and performance (Le & Morschett, 2023); c) communication barriers - absenteeism and moonlighting: economic inequality and cultural obligations affecting attendance and additional employment (Le & Morschett, 2023); appearance and communication issues - norms related to appearance and communication problems due to educational and social differences (Le & Morschett, 2023).

2. Strategic and Governance Challenges – a) Alliance Management: Challenges in managing alliances across different cultures and time zones (Oliveira et al., 2023), b) Regulatory Compliance and Pressure: Difficulty in applying uniform standards across diverse regions (Roh et al., 2024), c) Implementation of CSR Strategies - gap Between HQ and Subsidiaries: breaches in CSR compliance due to coordination issues and geographical distance (Aubert et al., 2024).

3. Economic and Operational Challenges - Resource Allocation: difficulties in managing resources effectively due to varying levels of commitment and operational practices (Nippa & Reuer, 2019)

4. Legitimacy and Compliance Challenges - Effective Pressure Mechanisms: challenges in applying effective legitimacy pressure in emerging economies (Roh et al., 2024)

5. Managing Cross-Border Alliances: Difficulties in coordinating cultural meanings in international strategic alliances (Oliveira et al., 2023)

The findings suggest there are several opportunities to be explored, especially concerning qualitative/ empirical studies. The articles proposed interesting avenues for further research, compiled in the next session.

## **5. A SHARED AGENDA FOR THE FUTURE**

Six themes were identified regarding future research opportunities: 1. Internal Organizational Dynamics, 2. Cultural and Institutional Contexts, 3. Multi-Stakeholder Processes and Partnerships, 4. Innovation and Strategy, 5. Geographic and Temporal Dimensions and 6. Research Methodologies and Data Sources. Table 1 consolidates the respective references.

Table 1 – Summary of Research Opportunities identified in the papers:

Theme	Research Opportunities	References
<b>1. Internal Organizational Dynamics</b>	<b>Geographic and Functional Boundaries</b>	
	Investigate the impact of internal geographic and functional boundaries on knowledge recombination and innovation within firms.	Bos et al. (2017)
	Explore the effects of functional boundaries in start-ups and SMEs on sustainability and innovation.	Bos et al. (2017)
	<b>Headquarters and Subsidiary Relations</b>	
	Examine how headquarters design, including size and functions, affects subsidiary performance and SDG implementation.	Montiel et al. (2021)
	Study the impact of interfirm relationships and institutional contexts on global innovation strategies.	Asmussen & Fosfuri (2019); Nippa & Reuer (2019)
	<b>Management and Coordination</b>	
Explore the coordination issues and trust-building mechanisms between headquarters and subsidiaries.	Aubert et al., (2024)	
<b>2. Cultural and Institutional Contexts</b>	<b>Cultural Differences</b>	
	Analyze how cultural differences influence subsidiary innovation behavior and the implementation of SDGs.	Kim & Wu (2019)
	Examine the role of vertical-collectivist cultural attitudes in shaping subsidiary performance and SDG outcomes.	Andrews & Htun (2018)
	<b>Institutional Factors</b>	
	Investigate the impact of institutional distance and local legitimacy concerns on SDG implementation.	Roh et al. (2024)
Study how institutional voids and varying national systems of values affect SDG-related partnerships and outcomes.	Oliveira et al. (2023)	
<b>3. Multi-Stakeholder Processes and Partnerships</b>	<b>Partnerships and Collaboration</b>	
	Explore how MNEs engage in multi-stakeholder processes and partnerships in non-state cultural regions and marginalized areas.	Song (2024)
	Investigate the role of deliberative capacity and stakeholder inclusion in effective SDG implementation.	
	<b>Impact of Industry Norms</b>	
	Study the influence of global sustainability platforms and international standards on SDG practices within MNEs.	Ike et al.(2022)
<b>4. Innovation and Strategy</b>	<b>Innovation Mechanisms</b>	
	Research how SDG-related innovation capabilities are developed and managed within MNE subsidiaries, including the role of dynamic capabilities.	Nippa & Reuer (2019)
	Explore the impact of different dimensions of innovation performance on SDG achievements.	Montiel et al. (2021)
	<b>Strategic Alignment</b>	
Investigate the alignment between corporate sustainability strategies and SDG goals, including the integration of financial performance indicators.	Song (2022)	
<b>5. Geographic and Temporal Dimensions</b>	<b>Geographic Scope and Comparison</b>	
	Conduct cross-country and cross-regional studies to compare SDG implementation practices and challenges in different geographic contexts.	Varma et al. (2015); Oliveira et al. (2023)
	Examine the impact of geographic distance on subsidiary performance and SDG outcomes.	Montiel et al. (2021)
	<b>Temporal Complexity</b>	
	Analyze how time-related factors affect the management and outcomes of international strategic alliances.	Oliveira et al. (2023)

Table 1 – Summary of Research Opportunities identified in the papers (cont.):

Theme	Research Opportunities	References
6. Research Methodologies and Data Sources	<b>Methodological Approaches</b>	
	Develop and test new methodologies, including multi-level studies and longitudinal analyses, to better understand SDG implementation.	Nkrumah et al. (2024); Song (2024)
	Explore the use of secondary data, random sampling, and sentiment analysis to enhance the reliability and depth of SDG research.	Topple, et al. (2017); Song (2024)
	<b>Sector-Specific and Comparative Studies</b>	
	Investigate the generalizability of findings across different industries and sectors to understand the broader applicability of SDG strategies.	Terpstra-Tong (2024); Song (2024)

Source: prepared by the author (2024)

## 6. FINAL CONSIDERATIONS

This article aimed to investigate what is known about the drivers and challenges subsidiaries from multinational enterprises (MNEs) are facing to incorporate the United Nations Sustainable Development Goals (UN SDGs) into their strategy. Based on 28 articles from 16 journals listed in the CABS-AJG, 2021 considering the fields of knowledge Strategy and International “”, our study revealed that there are many opportunities to cover unaddressed topics. Few case studies and qualitative studies indicate that deep investigation on subsidiaries is a research avenue to be explored. Although Topple, et al. (2017) indicate that there is an effort to achieve sustainability through corporate sustainability practices, the connection to the SDGs is still very fragile. Just two papers (Song, 2022 and Montiel et al., 2021) made connections between the subsidiaries initiatives and the SDGs indicators. We could not find indicators and measurement criteria in any paper. Regarding emerging markets, IB literature on subsidiaries focus on context (institutional challenges and cultural issues) but the connections to the SDGs achievement is still unexplored. Our main contribution lies in providing an overview of the IB literature on MNEs subsidiaries and the SDGs incorporation, offering drivers, challenges and research avenues to be explored by scholars in the future.

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