Multinational Enterprises and Sustainable Development Goals: A Foreign Subsidiary Perspective on Tackling Wicked Problems

Ru-Shiun Liou
Assistant Professor of Management
John H. Sykes College of Business
The University of Tampa
401 W. Kennedy Blvd.
Tampa, FL 33606
rliou@ut.edu

Rekha Rao-Nicholson*
Professor of Management
University of Essex
Essex Business School
Colchester, UK
rekha.raonicholson@essex.ac.uk

*Correspondent author

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Abstract

To address the unique challenge facing Multinational Enterprises (MNEs) in managing their foreign subsidiaries' implementation of Sustainability Development Goals (SDGs), we propose a framework based on the foreign subsidiary identity transitions driven by the competing demands of parent and local stakeholders. Our work provides policymakers with a framework to better understand the links between the changes in the institutional level and the MNE's strategy to attain SDG goals. The separate local identity driven by local stakeholder demands is conducive to the localized implementation of SDGs in the host country, while the subsidiary's identification with its parent MNEs plays a critical role in achieving SDGs that impact the operations of the company and their business networks like suppliers and customers. By linking subsidiary identity with SDGs, we identify mechanisms that can be adopted by the parent firms and subsidiaries to engage with SDGs in the host country as well as how parent firms can transfer better practices to their subsidiaries. As such, policymakers can identify SDG gaps in the local environment, and as MNEs establish processes engaging with local SDGs, policymakers can encourage MNEs in the policy uptake. Similarly, policymakers can support MNEs align their local context strategies with SDG gaps.

Keywords: Sustainable Development Goals (SDGs); Multinational Enterprises (MNEs); Subsidiary Identity; Wicked Problems.

Introduction

After several years of hard work by renowned visionaries (see a discussion of history at Caballero, 2016), Sustainable Development Goals (SDGs) were ratified in the United Nations 70th General Assembly in 2015 and supported by 193 member nations to address the global challenges that impact the lives of millions of people around the world (Griggs, et al., 2013; Waage, et al., 2015). The 17 new Sustainable Development Goals or Global aims, as they were also known, aim to eliminate rather than reduce poverty and set a more ambitious agenda for health, education, and gender equality (UN Sustainable Development Goals, 2015). Advanced from the Millennium Goals, the 17 SDGs integrate 169 sustainable development targets that are not only relevant for least developed countries but also all countries around the globe (UN Sustainable Development Goals, 2015). The ambitious agenda of the SDG is to achieve each goal and target by 2030 and has brought wide discussion among civic society, the private sector, and academia (Caballero, 2016).

Given the multiple-stakeholder discourses in formulating SDGs, these goals have undoubtedly become an institutional force for Multinational enterprises (MNEs) to comply and tackle various sustainability issues worldwide (Clegg, 2019). Authors, like Kolk (2016), among others, have highlighted the role of international business in the attainment of these SDGs. MNEs can participate both as the recipient of change as well as drivers of change (Miska, Witt, & Stahl, 2016; Hult, Mena, Gonzalez-Perez, Lagerström, & Hult, 2018). However, each nation-state has its constraints and resources in economic, social, and environmental developments. Hence, achieving SDGs in the host countries presents different degrees of wicked problems driven by various social complexities, particularly for MNEs that operate in multiple countries (van Tulder, 2010). Wicked problems (as opposed to "tame" problems) refer to "poorly formulated, boundary-spanning, ill-structured issues with numerous stakeholders who bring different perspectives to the definitions and potential resolution of the issue or problem" (Waddock, Meszoely, Waddell, & Dentoni, 2015, page 996). According to van Tulder (2010), implementing SDGs presents four different levels of "wickedness" in tackling economic, social, and environmental problems (van Tulder, 2010). The wickedness of SDG intervention is our focal point of conceptualization in this paper, rather than the SDGs themselves because not all countries experienced the same level of challenges that are associated with different levels of social complexities in achieving a particular SDG (Eden & Wagstaff, *forthcoming*; Head & Xiang, 2016; van Tulder, 2018; Xiang, 2013).

Modern MNEs face increased challenges in orchestrating a network of semi-autonomous subsidiaries, and a foreign subsidiary's responses to multiple stakeholders' demands become an intriguing issue in international research (Mudambi, 2011). By the nature of operating in more than one country's context, it is imperative for the MNEs to recognize the host market needs for sustainability in order to truly devise a strategy for the foreign subsidiary to embrace and contribute to SDGs effectively (van Tulder, 2010). While much of the earlier works have looked at the developed country MNEs (DMNEs), recent research on emerging market multinational enterprises (EMNEs) further supports this view due to the less pressing demands from home institutional environments; the EMNEs may opt for a symbolic measure of reporting sustainability practices to gain legitimacy but decouple the actual SDGs implementation in the host markets (Tashman, Marano, & Kostova, 2019).

The current study extends this line of research and tackles the issue of how MNEs may effectively implement SDGs at a focal foreign subsidiary. Informed by an organizational identity perspective, the current study takes the perspective of a subsidiary to examine the subsidiary's alignment with MNEs via a subsidiary identity typology and MNE's attainment of sustainable development goals. As Albert & Wetten (1986) stressed, for an organization to form an organizational identity involves a collective sensemaking process, where multiple stakeholders constantly negotiate their claims of identity in an organization. When organizational members, who are influenced by various stakeholders, have multiple conceptualizations of the central, distinctive, and enduring characteristics of an organization, the organization can have multiple organizational identities (Ashforth, Harrison, & Corley, 2008; Pratt & Foreman, 2000). In particular, the MNEs that operate in multiple institutional environments face different degrees of stakeholders' pressures in complying with sustainability standards, and at the same time, these pressures might vary between DMNEs and EMNEs due to the nature of their country of origin and lack of capabilities to manage complex issues in host countries (Tashman et al., 2019).

By providing a theoretical framework to analyze the implementation of SDGs in various MNEs' subsidiary management settings, we contribute to the discourse of shaping future SDG agenda. Given various urgent sustainable development issues in the host countries, the MNEs are at the forefront to implement SDGs (Kolk, Kourula & Pisani, 2017; Narula, 2018; van Zanten & van Tulder, 2018). A recent review on sustainability studies revealed that due to the differences in the internationalization patterns, the MNEs originated from developed markets and emerging markets may display different trajectories in their pursuits of SDGs (Gomez-Trujillo & Gonzalez-Perez, 2020). The theoretical framework presented in this research enlightens our understanding of the dynamic and longitudinal nature of implementing SDG in various country settings. The rest of the paper unfolds as follows. First, we discuss the relevance of SDGs in the MNEs' foreign subsidiary management and review the literature that applies the wickedness problem perspective in delineating the complexity of implementing SDGs. Second, we present the foreign subsidiary identity typology and develop propositions that link the subsidiary identity and MNEs' effective implementation of SDGs. Further, we provide additional propositions that examine the difference between MNEs that originate from developed markets and emerging markets.

Third, we conclude the paper by discussing further research directions and implications for policy and practices.

Sustainable Development Goals (SDGs) and Multinational Enterprises (MNEs)

"in a complex system, there are neither problems, nor solutions. There is only change and adaptation." (Bardi, 2015)

Many countries have difficulty in improving SDGs due to the social complexity associated with multiple stakeholders conceptualizing the root causes differently, hence resulting in ambiguous solutions (Head, 2019). For instance, recent research using an extensive 10-country sample revealed important country variance in how much companies may effectively incorporate sustainability initiatives and improve product-market performance (Hult et al., 2018). In contrast with the traditional linear rational model of problem-solving, sustainable development scholars have attempted to devise different models to solve wicked problems (Dentoni, Bitzer, & Schouten, 2018). Among all, van Tulder (2018) insightfully advanced this line of research and classified four levels of societal intensity in implementing the SDGs. As shown in Table 1, achieving SDGs presents four different levels of wickedness in tackling economic, social, and environmental problems. For each of 17 SDG, different countries experience various levels of social complexity (see list of examples in Table 1). In particular, the SDG issues recognized by MNE headquarter managers in their home country may not be in the same level of social complexity as the SDG issues in the host country where the focal subsidiary is in. Below we delineate the four levels of wickedness in implementing SDGs at the MNE's focal foreign subsidiary.

INSERT TABLE 1 ABOUT HERE

Level 1 presents the most contained problems where the paths to achieve SDGs are hindered by the failure of the market, state, and civil society. To address the level 1 problems, corporations would need to take their primary responsibility to improve production efficiency, provide competitive goods and services, and in some cases, develop effective channels for delivering goods and services. The subsidiaries, in this case, can be instrumental in deploying these SDG strategies on the ground. Given the nature of these issues, subsidiaries and their stakeholders can be valuable advocates of MNE's local strategies as well as form pressure groups influencing these MNEs to address SDGs. In the case of the MNEs, the failure of implementing Level 1 SDGs could be driven by MNEs' lack of engagement with the local realities, applying global standards in their practices which might be misaligned with the host country requirements, or not applying any standards due to institutional voids in the developing countries (Pinkse & Kolk, 2012; Silvestre, 2015).

Similar to the narrow scope of societal impacts at Level 1, Level 2 defines wicked problems as negative externalities where corporations provide goods and services with unintended negative side-effects, most commonly seen in the tobacco (Nara et al. 2019), gaming (Leung, 2019), and social media industries (Zivnuska, Carlson, Carlson, Harris, & Harris, 2019). The community and society suffer negative externalities when these consumers are addicted to the goods and services that result in health concerns and diminished productivity. Corporations in these industries usually have a reactive selection of a limited number of SDGs based on the most pressing issues. From the MNE perspective, these negative externalities might emerge when MNEs do not consider the full impact of their foreign investments on the host country. Some of these examples have been seen in the fast fashion industry as well as the agriculture industry, where the MNEs have used foreign markets, especially the developing countries, as cheap sources of raw material and intermediate products. In this scenario, subsidiaries may or may not have the incentive to pressure the SDGs towards reducing the negative externalities, and depending on their level of influence and persuasion, MNEs can adapt their strategies to limit negative externalities, such as applying an industry standard to improve sustainable food production practices (Del Borghi, Gallo, Strazza, & Del Borghi, 2014).

With a broad scope of societal impacts, Level 3 further describes corporations' positive action to target the latent societal demands, such as providing access to education and health care for workers and their families in their production chains (Haugh, & Talwar, 2010) as well as a holistic approach to promote a circular economy (Newberry, 2019). Corporations that take on this level of involvement usually actively select SDGs that are most promising and align corporations' strategies accordingly. In this level, MNEs proactively plan their value chain and global business practices such that MNEs can purposefully deliver sustainable practices in their host countries. This holistic approach to delivering SDGs adopted by the MNEs can create tension between the MNEs and the subsidiary's stakeholders. Subsidiaries might have to contest with MNE as well as other subsidiaries in the choice of SDGs, which will be adopted by the MNE at the global level.

At level 4, corporations take on the responsibility of tackling the highest level of social complexities and contribute to a broad scope of collective action from all parties involved. Corporations would explicitly search for opportunities to contribute to the nexus of SDGs, the interconnected SDGs. For MNEs, this level of SDG effort materializes as being part of coalitions towards the common mission of achieving certain SDGs, such as climate change (Tata Steel, 2019) or unilaterally developing networks globally, to achieve changes in practices by forming a partnership across various sectors (Clarke & Fuller, 2010; de Catheu, 2007).

MNEs' Subsidiary Identity and SDG Implementation

Past research on the parent-subsidiary relationship has focused on the control and coordination mechanism (Paterson & Brock, 2002). Control has usually been defined as the headquarters' explicit use of power or authority to *ensure* a subsidiary's conformity to a corporate goal (Tannenbaum, 1968; Child, 1973; emphasis added). Coordination refers to "the *enabling* process which provides the appropriate link between different task units within the organization" (Tuggle, 1978:150; emphasis added). In other words, the headquarters works to direct the efforts of the subsidiary offices to work together in the MNEs' common interests. Discussions on control and coordination mechanisms mainly take the headquarters' perspective to investigate how MNEs can design an appropriate governance mechanism to ensure their subsidiaries' conformity to corporate goals. Beyond control and coordination, cooperation, taking into account a subsidiary's voluntary effort, can provide additional insights on the dynamic of the parent-subsidiary relationship in the modern MNEs' SDG implementation at the focal foreign subsidiary. A cooperative parent-subsidiary relationship describes a situation where the headquarters and a subsidiary work together towards a common end based on shared interests (Birkinshaw, Holm, Thilenius, & Arvidsson, 2000).

To explore the cooperative relationship between the headquarters and the subsidiary, international business scholars propose organizational identity theory as an important theoretical mechanism to understand the social interactions among multiple stakeholders (Child & Rodrigues, 2003; Edman, 2016; Liou, 2014). Organizational identity refers to the central, distinctive, and enduring characteristics of an organization (Albert & Whetton, 1986). In practice, organizational identity represents a consensus among organizational members regarding who they are as an organization. As Albert & Wetten (1986) stressed, for an organization to form an organizational identity involves a collective sensemaking process, where multiple stakeholders constantly negotiate their claims of identity in an organization.

When organizational members, who are influenced by various stakeholders, have multiple conceptualizations of the central, distinctive, and enduring characteristics of an organization, the organization can have multiple organizational identities (Ashforth, Harrison, & Corley, 2008; Pratt & Foreman, 2000).

Organizational identities at the MNE's subsidiaries are often shaped by diverse stakeholders' demands—to the extent that stakeholders impose competing demands on a firm, it may develop multiple identities (Albert & Whetton, 1985; Pratt & Foreman, 2000; Scott & Lane, 2000). Based on the influence of the dual and possibly competing stakeholder demands from the parent firm and host country stakeholders, a subsidiary is likely to have at least two identities—a parent-derived identity to respond to parent stakeholders' demands and a local identity to respond to local stakeholders' demands (Liou, 2014). The nature of these two identities varies independently, mainly driven by the degree of autonomy from HQ as well as the development distance between home and host countries (Liou, 2014). As suggested in Figure 1, the two sets of stakeholders' demands drive the foreign subsidiary to assume four types of identity formation, including nested, shared, separate, and underdeveloped forms of identity. In this study, we focus on nested, shared, and separate forms of identity. Nested and shared identities indicate that subsidiaries are highly or moderately influenced by the parent-derived identity, whereas a separate identity suggests that subsidiaries have a completely distinct local identity. Further, the degree of overlap between parent-derived identity and local identity denotes the degree to which the subsidiary identifies with the parent firm in assuming the parent's values and beliefs (Liou, 2014).

INSERT FIGURE 1 ABOUT HERE

These four forms of a subsidiary's identities have great implications for the parent-subsidiary relationship. Referring to the definition of organizational identity, we recognize that the larger the overlapping area between a subsidiary's two identities, the more similar the central, distinctive, enduring characteristics between the subsidiary and its parent firm. Compared to a shared form, a nested form indicates that a subsidiary's local identity is completely subsumed under the parent-derived identity. It can best reflect a traditional, top-down, hierarchical relationship between the parent and a subsidiary. We do not consider this form as having a cooperative relationship because subsidiaries in the nested form completely comply with the demands of the parent stakeholders with little regard to the local stakeholders' unique demands. Thus, the subsidiary does not have a unique local identity that can differentiate it from other units of the MNE. In other words, the subsidiary in nested form does not have the capacity to participate in the global business voluntarily, but simply complies with the headquarters' mandates. On the other hand, we suggest that a shared form can best represent a cooperative relationship where both the MNE's and the subsidiary's organizational identities overlap and are equally salient. It indicates that both identities influence the decisions made by the foreign subsidiary, and the interests of both parties are considered.

In contrast to a shared form, a separate form implies that there is little in common between the parent's and the subsidiary's identities. As illustrated in Figure 1, there is the least amount of overlap between these two identities. Thus, subsidiaries in a separate form are least likely to have a cooperative relationship with their parents. For example, the headquarters of a tobacco company only required the subsidiary to report quarterly sales and did not interfere with other management practices in the foreign subsidiary. As the subsidiaries develop, the subsidiary of the tobacco company evolves and gradually develops its own identity. In the end, the subsidiary managers of the tobacco company view themselves as very different from the parent and may act on their own best interests according to local stakeholders' demands.

Subsidiary Identity Typology and SDGs Implementation

In the context of MNEs' subsidiary management with regards to SDGs, we utilize the typology to explain how an MNEs' foreign subsidiary may or may not take an active role in implementing the four levels of SDG issues. The distinct local identity is imperative for the subsidiary to continue developing core competencies to satisfy local stakeholders' demands. By attending to local stakeholders' demands, MNEs are more likely to establish legitimacy and overcome country-of-origin stereotypes. In essence, subsidiary autonomy granted by the parent is prescribed to be an inevitable means for MNEs to enhance a subsidiary's responsiveness to local stakeholders. A recent study on Chinese MNEs further supports that subsidiary autonomy delegation assists their foreign subsidiaries in learning to overcome resource and capability voids (Wang, Luo, Lu, Sun, & Maksimov, 2014). However, such a hands-off management approach may present a double-edged sword. Previous research on subsidiary autonomy has shed lights on how subsidiaries may strengthen their competitive advantages through innovation and entrepreneurship (Birkinshaw, Hood, & Jonsson, 1998; Birkinshaw, Hood, & Young, 2005; Venaik, Midgley, & Devinney, 2005), as well as how subsidiaries may guard their interests by influencing MNE's decisions on resource allocation (Bouquet & Birkinshaw, 2008; Manolopoulos, 2006). MNEs might also encourage subsidiaries to adopt distinct identities in host countries with complex or difficult conditions to buffer the parent firm from any negative effects of these foreign investments. Studies have shown that MNEs adopt this approach in case of entry into host countries in conflict or those with military regimes.

Level 1 SDG Intervention

In the context of the SDG improvement for Level 1 issues, subsidiaries would benefit from a separate identity as these subsidiaries will focus on local stakeholders' demands to develop and implement practices and strategies which are suitable for dealing with Level 1 issues in their host country. Similar issues are experienced by MNEs when they enter developing countries; for example, Chinese practice in Africa is notorious for lack of employee health and safety in the mining industry as well as lack of sustainable practices in these host countries (Philling, 2019). The stereotypical beliefs of Chinese foreign investment derive from two loci; one, lack of sustainable practices and provisions as well as lax enforcement of regulations and laws in Africa; and two, Chinese firms themselves have limited experience in developing and implementing sustainable practices. The recent studies on Chinese firms' labor practices in Ethiopia and Anglo suggested that subsidiaries of these Chinese firms are actually faring well with other western multinationals, especially regarding hiring local nationals and training local nationals for managerial positions (Oya & Wanda, 2019). This localization effort fosters a focal foreign subsidiary's separate identity that will help improve SDG attainment in the host country.

Similarly, firms that have subsidiaries with shared values and identity can transfer some of the parent's processes and values to their subsidiaries, especially, the processes that are well refined and developed to address Level 1 issues. Sharing identity with parent enabled these subsidiaries to adopt some of the successful programs as well as develop others which were well suited to local necessities. These training activities addressed Level 1 issues like lack of sales training and delivery channels for high technology products in these markets. Thus, from the examples, we can see that level 1 issues require MNEs to engage closely with the local gaps in SDG goals by capacity building and supporting the development of formal institutions as well as develop mechanisms to engage with these issues proactively.

Thus, we propose,

Proposition 1: Subsidiaries that assume a Separate identity or a Shared identity have a greater likelihood of success in Level 1 SDG intervention.

Level 2 SDG Intervention

The downside of a completely separate local distinct identity, as indicated in the subsidiary's separate form of organizational identity, resides in lacking identification with the parent management, which can be detrimental for intra-firm communication and coordination. It is especially pertinent in the case of sustainability initiatives as it requires buy-in from the subsidiary, and the distinct identity of the subsidiary might be detrimental to developing global practices that are applied in all locations. Thus, SDG strategies that generate positive externalities or limit negative externalities might be resisted by the subsidiary firms with a separate identity.

By contrast, a subsidiary that assumes a shared identity or a nested identity has a unique position to exercise that advantage of foreignness, defined as how the foreign parent's identity "may promote the introduction of new products and practices transferred from the home country by buffering the subsidiary from host country pressures for isomorphism" (Edman, 2016, page 684). As such, multinationals had an advantageous position to break the traditions and hired a historically excluded group of workforces, for instance, women in South Korea in the 2000s (Siegel, Pyun, & Cheon, 2014). By developing a shared identity, the MNEs' subsidiaries are enabled to develop a local process that addresses the issues of negative externalities by leveraging its parent resources and foreign identity to address the negative externality in the host country. By the same token, a nested identity helps MNEs maintain higher engagement with the Level 2 issues in their subsidiaries, as the foreign parent-derived identity dominates the discourse and sensemaking at the local subsidiary. For instance, Corporate Caterpillar is committed to the environment, economy, and the workforce to improve various sustainability initiatives, including clean water, food, shelter, sanitation, and reliable power (Caterpillar, Inc. n.d.). In contrast of the common perception of taking advantage of “pollution heaven” in the emerging economies, a Caterpillar’s subsidiary, Suzhou Caterpillar in China, is known as one of the best facilities in the world and received the Gold-level certificate for Leadership in Energy and Environmental Design (LEED).

Proposition 2: Subsidiaries that assume a Shared identity or a Nested identity have a greater likelihood of success in Level 2 SDG intervention.

Level 3 and Level 4 SDG Intervention

In terms of collective actions needed for Level 3 and Level 4 SDG intervention, subsidiaries with distinct identity might resist participating in these initiatives if they consider it unsuitable for the local context or anticipate limited buy-in from the local stakeholders. Hence, the partial alignment between parent-derived identity and local identity is essential to cultivate the foreign subsidiary’s identification with its parent firm, which contributes to the foreign subsidiary’s willing cooperation and participation in the overall MNCs’ strategic endeavors in improving the SDGs, while the aspect of the distinct identity can direct the subsidiary management’s attention on creating the positive externalities for the host country. By contrast, a nested form of the subsidiary is effective in pursuing the overall MNEs’ corporate mandate but may lack the nuanced understanding needed to address the local community needs. For instance, Tata Motors has a widely adopted skills development program in India, where it offers training opportunities to members of the marginalized communities. The company trained youths, including women, in eight countries – Bangladesh, Mozambique, Sudan, Tanzania, Kenya, Nigeria, Ghana, and Sri Lanka, and leveraged the parent’s processes in their subsidiaries. Further, Tata Chemicals Magadi in Kenya developed activities that would lead to a closer connection with their local community

(Tata Africa, 2019). The subsidiary provided healthcare facilities not only to its employees but also provided resources to upgrade equipment and facilities at the Magadi Hospital. Tata also built schools and provide resources and financial support to students. These activities led by the Tata's subsidiary addressed unique local needs but represented the parent company's global vision and values; thus, the subsidiary's activities that addressed the local SDG goals were part of the parent firm's global approach to SDG targets.

Proposition 3: Subsidiaries that assume a Shared identity have a greater likelihood of success in Level 3 and Level 4 SDG intervention.

Economic Development Distance and the SDG Implementation

The above propositions take a static view of the subsidiary identity formation where the home country characteristics of the parent firm are not included in the discussion and do not take into consideration the directionality of foreign direct investment (FDI) flow. As the literature suggests, many contingencies result in the differences in the internationalization process between DMNEs and EMNEs (Gomez-Trujillo & Gonzalez-Perez, 2020; Liou & Rao-Nicholson, 2017; Makino, Lau, & Yeh, 2002). The following discussion takes into account the different levels of home country economic development between developed markets and emerging markets. "Development distance can be operationalized as differences in factor endowments related to differences in GDP" (van Tulder, 2010, page 152). The larger the development distance, the larger the moral free space, the more the ethical dilemma becomes for the MNEs (van Tulder, 2010). To resolve the ethical dilemma, an MNE needs to manage the "stakeholder distance" between the home and host markets in terms of assessing the relative strength of various stakeholders (van Tulder, 2010).

The implicit assumption of the above position is worth noting as an important boundary condition. Compared to emerging markets, developed markets do not necessarily have a higher degree of development in all 17 SDGs. Based on the sustainability dashboard reports, some developing countries are demonstrating impressive progress in SDG accomplishments. For instance, in 2019, China is ranked 39 out of a total of 162 countries, while India is ranked 115 (Sachs, Schmidt-Traub, Kroll, Lafortune, & Fuller, 2019). Therefore, we consider the dynamic nature of the SDG development in the host countries in the following discussion of both DMNEs' and EMNEs' engagement in host market SDG intervention. Given the drastic development distance driven by economic status differences, we develop two propositions for DMNEs' subsidiaries in emerging economies (North-South investment) and EMNEs' subsidiaries in developed markets (South-North investment) in the following section.

DMNEs and SDG implementation

In the cases where the DMNE goes to another developed host country, subsidiaries' nested and shared identity may facilitate the foreign subsidiary's adoption of the practices closer in value to that of the parent's values, and thus, can implement higher or similar responsible management standards in their host countries. In these cases, the parent will develop a global blueprint for managing worldwide SDGs strategies, and these principles will be replicated in subsidiaries. Having a shared or a nested identity provides an opportunity for these parent firms to target country-specific SDGs, which are related to broader issues in the host countries. For instance, level 2 intervention is related to industry issues or issues with innovation facilities or infrastructure pertinent for industrial development and growth. Having a shared or nested identity with the parent MNE can help the subsidiary leverage its home country capabilities, including industry networks, to develop host country institutions.

Most of the studies on organizational identity assume that the organization's identity stays relatively stable over time (Albert & Whetton, 1985). While developing contingency in our study, we argue that the identity of DMNEs' subsidiaries evolves with time to match the level of economic development in the host country. When DMNEs enter a developing market, subsidiaries with a distinct identity initially will have a better position to tailor their practices to meet the SDG needs in the host country. For example, the practices in DMNEs' parent country might be difficult to adapt or apply in the context of the developing countries. Thus, having a distinct identity will help these DMNEs' foreign subsidiaries find localized solutions to their SDG needs. Below we offer two cases to illustrate the transitions of subsidiary identity to attain SDGs.

GE Healthcare's R&D engineers, taking into account the rural context of India, were set to design incubators for pre-term babies at a much cheaper price than those used in the western economies. Though at the final product development stage, it was identified that at $2000, the incubator was still quite expensive for rural Indian families; thus, GE worked with Embrace, a social enterprise, which produced insulated, warming baby bag, and delayed offering comprehensive incubators in the rural and poor parts of India (GE Healthcare, 2019). GE later introduced the comprehensive incubators in the hospitals in urban areas as better infrastructures were developed in these areas.

Similarly, Corporate Caterpillar originated in the U.S., is committed to the environment, economy, and the workforce to improve various sustainability initiatives, including clean water, food, shelter, sanitation, and reliable power (Caterpillar, Inc. n.d.). The plant was originally established with expatriates from the U.S. but gradually transitioned to an 80% local workforce with a Chinese national as the general manager at the plant who is aware of various social issues in the local community and has the network to overcome barriers to establish an energy-efficient plant (Field visit note, 2016). Later, by developing a shared identity, Suzhou Caterpillar, embracing parent's SDG mission, established an employee volunteering program that addressed a unique local community issue by providing assistance to the community schools, serving children of migrant workers who do not have the appropriate household registration under the strict "Hukou" rule in China (Wang, 2005) and thus, cannot send their children to the public schools.

In both GE's and Caterpillar's cases, subsidiaries were allowed to develop its own distinct identity that addresses unique host market stakeholders' SDG issues. Later, as the local economy improves, the subsidiary transitions to a shared identity to fully embrace the parent's SDG mission. As the host developing countries grow economically and create viable institutions, the local SGD targets will change aligning subsidiaries' contextual environment further with the DMNEs, hence, the subsidiaries need to transition from a Separate identity to a Shared identity as it allows DMNEs to introduce strategies that engage with SDGs effectively in their host country as well as their global network. Thus, we propose,

> *Proposition 4:* The DMNEs' subsidiaries in emerging economies need to transition from a nested identity to a shared identity, allowing for DMNEs to introduce strategies that engage with SDGs effectively in their host country as well as their global network.

EMNEs and SDG implementation

In the case where EMNEs enter another developing country, the subsidiary's nested or shared identity might indicate to the local stakeholders the responsiveness as well as the ability of the subsidiary to address SDG issues due to the EMNE's familiarity with these issues in their home country. As such, the parent firm will lead and guide the development of the blueprint for approaching SDGs, and EMNEs' subsidiaries will use these in their host country. In this situation, having familiarity with the issues and having shared or nested subsidiary identity will help the parent firms from developing countries to effectively transition their national level practices to host countries with similar issues.

By contrast, when an EMNE enters a developed country, having full control over the subsidiary in the nested or shared form hinders the opportunity to learn as well as reverse transfer the advanced practices from the developed country to the home country. Hence, the parent EMNEs are prescribed to grant subsidiaries autonomy in the host country operations, so EMNEs have the opportunity to learn from these interactions of their subsidiaries (Wang et al., 2014). In this case, a separate identity is essential for the subsidiary to focus on the salient local stakeholder demands in contributing to SDGs. With a distinct local identity, EMNEs' subsidiaries have the autonomy and freedom to engage in localized strategies and subsequently can develop practices and policies which are unique to the local context. For example, companies like Tata, have adopted this approach while dealing with their subsidiaries in developed countries, namely Jaguar Land Rover (JLR). These parent firms have allowed their subsidiaries to maintain their identity and sustainability activities, which engage with higher levels of SDGs (CSRHub, n.d.; JLR Annual Report, 2015). JLR has ambitious and higher levels of investment in corporate social responsibility activities compared to its parent organization (JLR Annual Report, 2015). However, over time, when the EMNEs' subsidiary in the developed market assumes a shared identity, EMNEs are more likely to develop a global standard as an overall corporate policy for all subsidiaries to share and facilitate SDG implementation in various host countries.

Proposition 5: The EMNEs' subsidiaries in the developed markets need to transition from a separate subsidiary identity to a shared identity that will more likely contribute to SDG intervention in both EMNEs' home and host markets.

INSERT TABLE 2 ABOUT HERE

In sum, Table 2 presents the conceptual framework proposed regarding the subsidiary identity typology and MNEs' SDG implementation in the host country.

Discussion

Built upon organizational identity theory, the current conceptual framework contributes to MNE subsidiary management literature in implementing SDGs at the foreign subsidiary. Firstly, the traditional agency approach emphasizes the perspective of the headquarters management and focuses on the effectiveness of the corporate control and coordination mechanisms—mostly monitoring the subsidiary's activities and curtailing opportunistic behaviors (O'Donnell, 2000). The subsidiary identity approach relaxes the assumption of subsidiary managers' opportunistic behaviors and focuses on the social construction process occurring at the subsidiary, taking into account both parent stakeholders' and local stakeholders' demands (Liou, 2014). Take Wal-Mart's decision to acquire Massmart in South Africa as an example. Prior to the acquisition, the two entities had very distinct organizational identities as they were not under the same ownership structure, and the deal went through extensive regulatory investigation by the South African government (Maylie, 2011). However, if Massmart utilizes a low-cost strategy as Wal-Mart does, the way Massmart is doing business is likely to be similar to Wal-Mart. Thus, Massmart's organizational identity may be compatible with Wal-Mart's organizational identity. After the acquisition, the integration process might further promote the recognition of similar organizational identities between the two. Therefore, we may expect that when the acquired subsidiary's prior organizational identity is more similar to the organizational identity of the acquiring firm, the higher convergence between the two identities may exist. As such, the organizational identity approach enlightens our understanding regarding how a subsidiary granted considerable autonomy responds to parent's management and may or may not take on the parent's identity, subsequently contributing to the success of SDG implementation in the host country.

As summarized in Table 2, we proposed that a subsidiary's separate identity from its parent will empower the subsidiary to be better positioned to address the narrow scope of SDGs (i.e. Level 1 and 2). For example, the activities of Coca Cola in India are a good case in point. Given that India did not have legislation and legal requirements to maintain groundwater levels, Coca Cola engaged in large scale exploitation of water in India raising concerns of water depletion which led to disagreements and strife with local stakeholders (Rajeev, 2005), while other companies, like Unilever, have been credited in planning their supply chain that benefits both their company as well as host country stakeholders. Some examples of Unilever's activities are related to the empowerment of women in India's rural area by encouraging these participants who are traditionally out of the labor market to become their salespersons, thus, improving the economic situation of these families (Business Fights Poverty, 2016).

On the one hand, an example like that of Coca Cola in India shows how an MNEs struggle with tackling Level 1 SDGs, whereas, other companies like Unilever have done well by deploying the subsidiaries' unique local identity to implement SDGs. On the other hand, we proposed that a shared identity between the subsidiaries and MNEs can lead to better implementation of the broad and globally relevant SDGs (Levels 3 and 4). The examples of IKEA's strategies in their global operation are the case in point. The company's policy on several home improvement solutions to conserve energy and reduce carbon footprint was applied in its subsidiaries (IKEA corporate website, n.d.).

Secondly, by linking subsidiary identity with SDGs, we are able to identify mechanisms that can be adopted by the parent firms and subsidiaries to engage with SDGs in the host country context as well as how parent firms with better practices and knowledge can transfer these practices to their subsidiaries. Clegg (2019) argues that the government's role is crucial in effectuating change in behavior through institutional change. Our conceptual model provides a clear outline of activities that governments can do to engage with the MNEs. By including the economic status difference between the host and home countries as well as the directionality of the investment, the conceptual framework developed in this paper provides a nuanced critical understanding of how home and host country governments can encourage activities that are aligned with the levels of SDGs.

Implications for Policy

As Clegg (2019) notes, "what happens when real-world institutions change and what model of decision-making truly describes firm behavior in such a setting?" is a crucial question to be addressed to understand the implications of policy in various context, and in our case, this relates to SDGs' impact on MNEs' strategies in their subsidiaries. Our work provides policymakers with a framework to better understand the links between the changes in the institutional level and the firm's strategy to attain SDG goals. As MNEs establish processes and practices to engage with local SDGs, the institutional changes initiated both in the local and global context via SDG targets are influenced by MNEs' subsidiary identity. Understanding how firms behave in a foreign destination to adopt strategies aligned with SDGs allows governments to develop policy innovations and provide the impetus for firms to engage with SDGs.

At the national level, the government must take into consideration specific SDGs and survey the degree of social complexities that need to be addressed (van Tulder, 2018). For instance, van Tulder (2018) provided a detailed survey method to document multiple stakeholder views on particular SDGs (ref Table 3.2 in Van Tulder, 2018). MNEs are great agents for changes that should be encouraged to participate in the discourses of policy considerations (Liou & Lamb, 2018). Given the theoretical framework presented in the current study, the level of coordination and cooperation with the parent firm is vital for the successful SDG strategy, so it is beneficial for the government agency to specify the conditions by which MNCs are mandated to partake in the SDGs that are viewed as urgent in the host countries.

Governments can identify gaps in the local environment and develop incentives that can encourage MNEs in the policy uptake (Clegg, 2019) using various metrics. The empirical statements by the Bertelsmann Foundation and UN Sustainable Solutions Network can be used to measure levels of SDG intervention needed across 17 SDGs. The latest SDG dashboard report has a total of 162 countries, ranked on 17 SDGs (Sachs et al., 2019). For instance, South Korea has done well in all SDGs except SDG 13: climate action and SDG 15: life on land in 2019. To contribute to these two SDGs, MNEs operating in South Korea need to assess the levels of intervention required in their operations and resources management.

Lastly, based on the firm agency perspective (DiMaggio, 1998), a country's SDG policies can also be linked to corporate political action (CPA) taken by MNEs subsidiaries, hence shaping an MNE's international business policy (Clegg, 2019). In some emerging economies, MNEs' foreign subsidiaries may take an active role in shaping the public policies in reducing political risks associated with the institutional void (Tan & Tan, 2005; Wassenaar, 2009). A shared or nested subsidiary identity, in this case, will allow the parent MNE to exert larger influence over setting the SDG policy agenda.

Implication for Future Research

Though comprehensive, the framework developed in this paper does not consider the firm-level differences. As such, this framework does not take into account the synergies between the companies irrespective of their home and host country context. One good example of this inter-firm synergy in SDGs and identity rests in the case of a merger between Natura and Bodyshop (Slavin, 2017). In this case, the target company, Bodyshop, had a rough integration with L'Oreal's brand for several years, though they both originated from developed host country context; nevertheless, their intrinsic values were in dissonance which created issues in operation. On the other hand, Bodyshop employees and stakeholders welcomed their acquisition by Natura, a Brazilian MNE, as they believed the approaches of these two companies were aligned with global SDG practices. Thus, though it was a collaboration between the developed and developing country companies, both firms shared identity and are likely to hold common approaches towards meeting SDG targets. Future theoretical studies can, hence, look at the combined effects of shared identity and home-host country context on strategies towards SDG targets, and empirical works can explore the magnitude and direction of these effects.

Furthermore, the role of the headquarters will be viewed differently by a subsidiary according to the subsidiary's identities. Recent research on firm internationalization suggests that depending on idiosyncratic factors in the host markets, the proper alignment of headquarters' internationalization strategies with subsidiary roles will lead to the success of the overseas subsidiaries (Wang & Suh, 2009). In a similar vein, we expect that the dyadic relationship will be specific to each subsidiary, and the role of the headquarters will be perceived differently by each subsidiary. As suggested in the nested form, headquarters can still assume the traditional role of commander to require the subsidiaries to conform to its requests. However, when the subsidiary develops a stronger local identity, it will be more effective for the headquarters to assume a partner role, consulting subsidiaries, and cooperating based on common interests. Hence, it is expected and intriguing to empirically test whether a shared form of subsidiary identity is the most effective in facilitating the SDG intervention in the long run for both EMNEs and DMNEs (reference Proposition 4 and Proposition 5).

Similarly, though we have explored the dynamic nature of SDG intervention by the MNEs, we do not consider other exogenous issues that might drive, lessen, or accelerate changes within the host environment or global context. For example, events like the global pandemic have greatly impacted several SDG implementations. On the one hand, due to the economic downturn, MNEs might realign their focuses on other urgent strategic issues, such as the disruption of the global supply chain. On the other hand, the global pandemic amplifies the critical needs for MNEs to develop safety measures that promote customer and employee well-being and contribute to the broad scope of Level 3 and Level 4 SDG issues.

Empirical operationalization of the subsidiary identity

It has been suggested that an evaluation of the language used by corporations is a viable approach to study organizational identity (Hsu & Hanna, 2005). One approach to measuring a subsidiary's stakeholder demands would be to content analyze the subsidiary's annual report or letters to its shareholders. By examining the language used by the subsidiary, researchers may determine the extent to which the subsidiary refers to the parent stakeholders or the local stakeholders. The degree of reference to either party can be indicative of the perceived demands from stakeholders. For example, the references to the parent, Unilever, are rarely seen on Ben and Jerry's website, which may be indicative of Ben and Jerry's distinct local identity.

In addition, a survey could be administered to subsidiary managers to collect data on the divergence or convergence of the parent's identity and the local identity. In the past, organizational identity researchers have utilized a single item to measure the difference in organizational identities by having participants drawing the separation of two circles, representing two organizational identities (Kostova & Roth, 2003). We suggest using the same method but having the participant evaluate multiple items, including various aspects of subsidiary management, to have a more comprehensive understanding of the subsidiary's identity (identities).

Conclusion

With globalization and technology advancement, MNEs are facing increasing complexity associated with foreign market entry and are finding that they need to grant more autonomy to subsidiaries to respond to local demands. These effects are further manifesting in the context of the global pandemic when the subsidiaries' local realities are likely to be different than those in the home country of the MNEs. As subsidiaries become increasingly autonomous, MNEs face challenges to manage conflicts arising from their subsidiaries' distinct local identities. Traditional subsidiary management literature suggests that MNEs benefit by being able to draw on location-specific advantages from the distinct aspects of their global subsidiaries. However, MNE managers and business policymakers need to be cognizant of the level of wickedness in SDG implementation to contribute to global sustainability. A subsidiary with a unique local identity will be better positioned to address the narrow scope of SDGs that require a deep understanding of local realities, while a subsidiary that shares its parent's identity has a greater likelihood of success in implementing the broad scope of SDGs that require collective actions.

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Biographical sketch

Ru-Shiun Liou is an Assistant Professor in Strategic Management at the University of Tampa. Her research interests include emerging-market firms' cross-border mergers and acquisitions, corporate social responsibility practices, and cross-cultural management. Her research has been published in the *Journal of Management Studies*, *Journal of Business Research*, *Journal of World Business, International Business Review, International Marketing Review,* and *Management International Review* among others.

Rekha Rao-Nicholson is a Professor of Management at the University of Essex. Her research interests include firms' innovation, marketing strategies, leadership, and cross-border acquisitions. She has had numerous research grants like BA-Leverhulme and Royal Economic Society. Her research has been published in the *Research Policy, Journal of World Business, Human Resource Management, International Business Review, International Marketing Review*, and *Management International Review*, among others.

Figure 1. MNEs' Foreign Subsidiary Identity-Typology

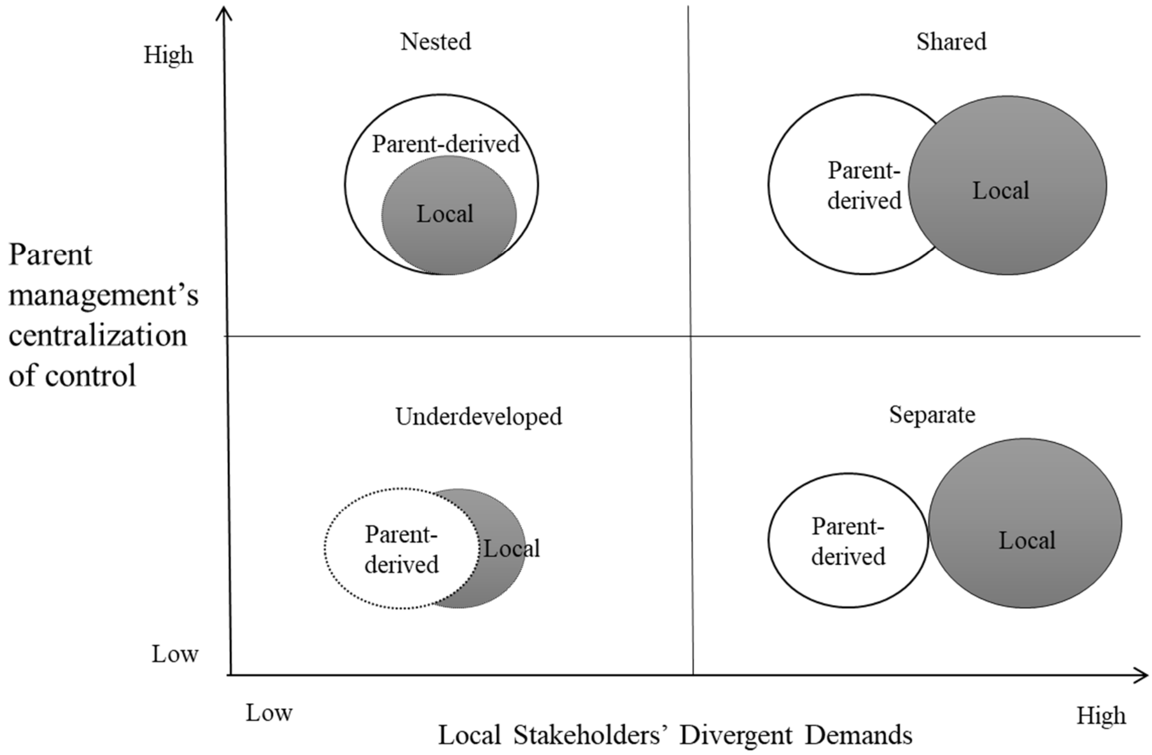


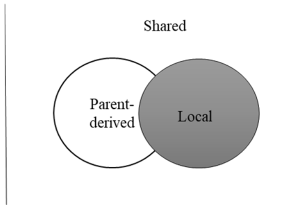
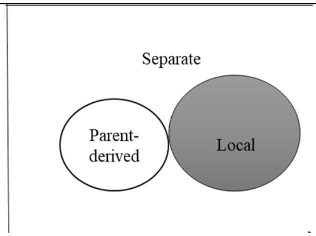
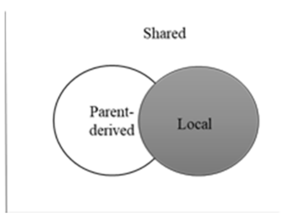
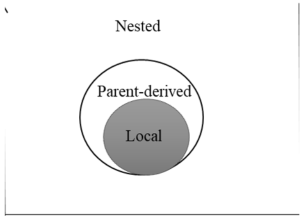
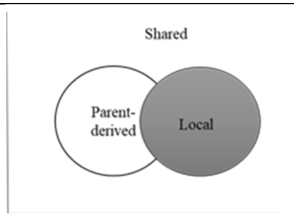
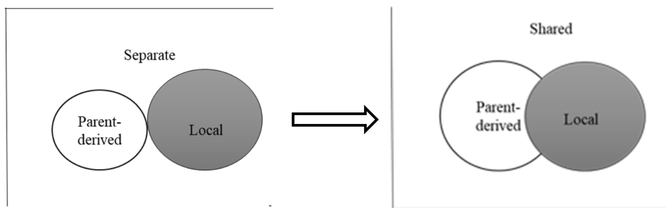
Table 1

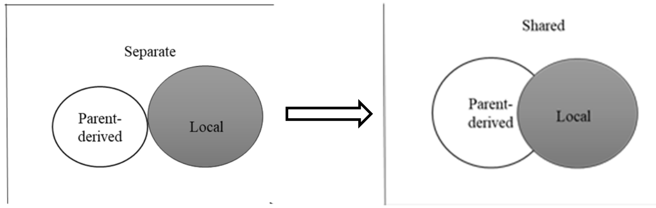
The four levels of wickedness in MNE's engagement in SDG intervention at the focal foreign subsidiary

	Level 1	Level 2	Level 3	Level 4
Root cause of challenges	Market failure exists when firms do not supply quality goods that people want or can afford	Lacking responsibility to eliminate negative externalities	Insufficient creation of positive externalities	Systemic challenges to form a coalition of multiple societal actors
Scope of agency in achieving SDGs	*Narrow*-Individual firms' corporate self-responsibility	*Narrow*- Sector-wide corporate social responsiveness	*Broad*-Individual firms' corporate social responsibilities	*Broad*-Sectoral and societal level responsibilities
Exemplar SDG issues in host countries*	Producing toxic products for children in China; price collusion around the world	Large scale of land needed for soya bean and palm oil has led to deforestation in countries like Brazil and Indonesia	Water conservation projects in Asia and Africa; Employee training program to empower women in India	Worldwide human right promotions; energy conservation and carbon footprint reduction
MNE HQs' engagement with the SDG issues	HQs' lack of engagement with the local realities and applying global standards in their practices which might be misaligned with the host country requirements or not applying any standards due to institutional voids in the developing countries	HQs have exploited foreign markets, especially the developing countries, as cheap sources of raw material and intermediate products	HQs proactively plan their value chain and global business practices such that they want to deliver sustainable practices in their host countries	HQs' SDG effort materializes as being part of coalitions towards the common mission of achieving certain SDG goals
MNE subsidiaries' engagement with the SDG issues	Subsidiaries can advocate for MNE's local strategies as well as form part of pressure groups influencing MNE	Subsidiaries can deviate from local norm and leverage the MNEs' resources towards reducing the negative externalities	Subsidiaries have to contest with MNE as well as other subsidiaries in the choice of SDGs for incorporation within the company	Subsidiaries can cooperate with the HQ to build partnership with civil society and local government

*SDG issues are selected to illustrate various levels of social complexity that corporate engagement occurs (van Tulder, 2018, page 75-80). However, each host country has its idiosyncrasies and this list of examples is only for illustration, but not a definitive list of SDG issues.

Table 2 MNEs’ SDG implementation via focal subsidiary identity mechanism

Propositions/SDG implementation	Subsidiary Identity	Mechanism
Proposition 1: Level 1 SDG intervention	 	In order to address localized issues, it is salient to have a distinct local identity as it facilitates implementation of SDG interventions aligned with the local requirements; thereby subsidiaries that assume a Separate or a Shared identity may be more capable of addressing Level 1 SDG issues.
Proposition 2: Level 2 SDG intervention	 	As adopting the MNE identity facilitates the subsidiaries’ deviation from the norms in the host country and provides subsidiaries opportunities to eliminate the negative externalities; in this context, subsidiaries with a Shared identity or a Nested identity can better address the required Level 2 SDG intervention.
Proposition 3: Level 3 and Level 4 SDG intervention		The collaborative relationship between the MNE and subsidiaries can be enhanced by the common identity between the parent and subsidiaries as it promotes collective action and positive externalities; thus, subsidiaries assuming a Shared identity can address Level 3 and Level 4 SDG interventions.
Proposition 4: DMNEs’ subsidiaries in emerging economies		As the host developing countries grow economically and create viable institutions, the local SGD targets will change aligning subsidiaries’ contextual environment further with the DMNEs, hence, the subsidiaries need to transition from a Separate identity to a Shared identity as it allows DMNEs to introduce

		strategies that engage with SDGs effectively in their host country as well as their global network.
Proposition 5: EMNEs' subsidiaries in developed markets		Due to differences in the contextual environment, initially EMNEs' developed market operations require subsidiaries to adopt a Separate identity as it facilitates them to localize the SDG strategies; however, over time, these subsidiaries assume Shared identity as it allows EMNEs to develop strategies that engage with SDGs effectively in their host country as well as their global network.