

Sustainability in emerging markets: An institutional analysis of ESG as a corporate strategic advantage for EMNEs

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Objectives

1. Appreciate sustainability in emerging markets.
2. Explore the effect of institutions on sustainability by researching how multinational emerging market enterprises (EMNEs) respond to sustainability through environmental, social and governance criteria (ESG).
3. Generate perspectives on the role of ESG as an institutional lever for EMNEs in home and host market and its potential contribution to increased sustainability.

Literature and research gap

Emerging markets and sustainability:

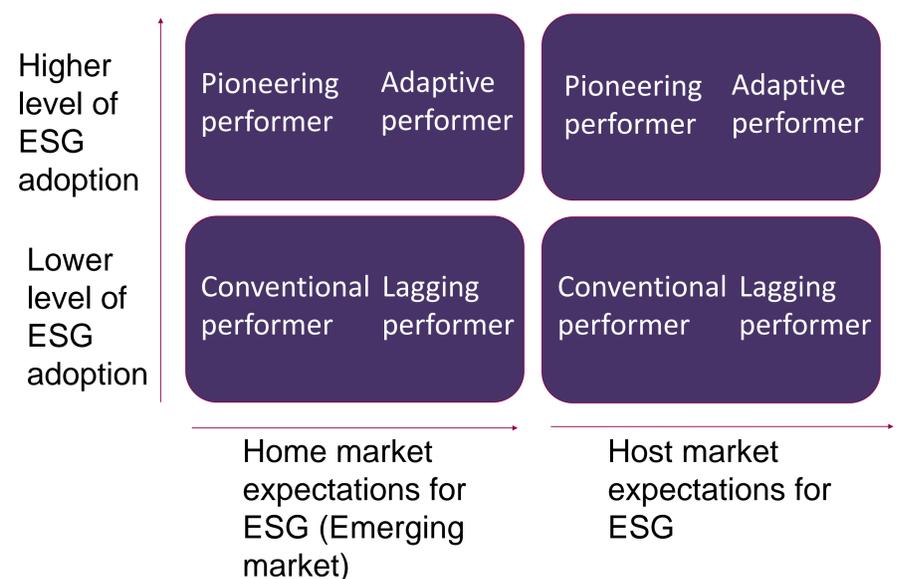
- With emerging markets, such as BRICs countries expected to stand for 50% of global GDP by 2050 (Cheng et al., 2007), the activities of companies from emerging markets will be highly influential on the global business and economic arena. Simultaneously challenges related to environmental hazards, resource scarcity and growing social inequality are influencing transaction of resources within and across borders (Zhou et al., 2017). The response of EMNEs to sustainability and their performance in and around this are of increased concern due to their rising significance.

ESG and EMNEs:

- Whilst literature related to emerging markets has often revolved around companies from developed economies going to emerging economies, there is less literature on companies from emerging economies and their internationalisation (Aguilera et al., 2017). Elsewhere it is observed, that the affect of institutions on sustainability is not widely researched (Jackson and Rathert, 2017). This research project proposes to bring this gap together and understand implications for sustainability in emerging markets and from emerging markets. It intends to use standards on ESG due to its growing acknowledgment as an indicator for sustainability performance (Garcia et al., 2018).
- The research takes an institutional theoretical stance as literature suggests that emerging markets are shaped by forms of institutional ambiguity generating complexity and deficiency in the market place (Beath et al. 2008). As the institutional setting of which a company originates is said to play a role in conditioning the corporate governance (Breitinger and Bonardi, 2017), this raises some questions related to how EMNEs, born out of their emerging market setting, respond to social, environmental and corporate governance matters in their home market and host market.

Table 1

Exemplification of EMNEs' adoption of ESG across institutional contexts - in their home market and host market:



Proposed research methods

Qualitative Comparative Analysis:

- Mixed method approach using indices to evaluate quantitative output and impact and semi structured interviews with internal and external stakeholders for qualitative perspective. The suggested method allows to generalise with lower N but plausibility for comparing several variables

Limitations

1. ESG is one of many measures for sustainability performance – initially it is used for institutional investors to identify a social risk profile of a corporation and/or investment index. Its capture of sustainability from a societal perspective is debatable.
2. Is E, S and G independent or dependent of one and another? ESG as an aggregated form is a pragmatic function rather than a holistic measure for empirical data implications. Focusing on a concrete variable e.g. Co2 (E) emission or a transparency measure (G) may be more viable.
3. Data availability on any form of sustainability measure of EMNEs is limited.

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