

Article

The Role of Multinational Enterprises in Achieving Sustainable Development Goals

Pervez N. Ghauri¹ 

¹ University of Birmingham, UK

Keywords: sustainability, inclusive development, United Nations, Sustainable Development Goals, multinational enterprises, reducing inequalities, role of MNEs

<https://doi.org/10.46697/001c.31077>

AIB Insights

Vol. 22, Issue 1, 2022

The United Nations put forward 17 Sustainable Development Goals in 2015 that were to be achieved by 2030. The objective was to alleviate inequalities and create a fair society for all. The contention of this paper is that multinational enterprises (MNEs) can play an important role in achieving these goals. It is also envisaged that collaborative efforts of governments, society, and MNEs are necessary to achieve these goals. The impact of new realities, particularly the COVID-19 pandemic, is discussed. Many companies are now claiming to pursue these goals. We call for more research to analyze these activities to separate rhetoric from the reality.

INTRODUCTION

The United Nations launched 17 Sustainable Development Goals (SDGs) in 2015 which were to be achieved or revisited in 2030. Their main objective is to achieve a better future for all and reduce inequalities in our societies. The inequalities to be addressed include poverty, climate change, dilapidation of environment, substandard or unbearable living conditions for marginalized communities in most societies. These SDGs and the role international business (IB) research and multinational enterprises (MNEs) can play in achieving these goals has yet to receive proper attention from IB researchers (Ghuri, Fu, & Vaatanen, 2018; van Zanten & van Tulder, 2018).

This paper argues that MNEs need to go beyond their mission to create value for their shareholders and embrace creating value for stakeholders in the wider society as it is not only investors and consumers who benefit/suffer from their strategies (Comyns, 2019; Patnaik, 2020). In this paper we analyze whether MNEs can play a role in achieving SDGs or not. What SDGs are dependent on direct participation by MNEs? And how can IB research contribute towards this pursuit?

MNEs are often considered as one of the main causes for these inequalities, particularly for marginalizing major parts of the population in developing countries (Kourula, Pisani, & Kolk, 2017). Recently, however, MNEs have been looked upon as a powerful mechanism to resolve these inequalities (Ghuri, Strange, & Cooke, 2021; Wood, Pereira, Temouri, & Wilkinson, 2021). IB researchers have mostly been looking at CSR and ethics for doing business but not at the externalities created by MNEs (Kolk, 2016; Shapiro, Hobdari, & Oh, 2018).

The main contention of this paper is that without MNEs' participation and commitment, it is not possible to achieve the SDGs. Some earlier studies, in fact prior to the an-

nouncement of the SDGs, have proposed that collaboration between businesses, society, and governments is needed to achieve an inclusive and fair society (Boddewyn & Doh, 2011; Hadjikhani, Elg, & Ghauri, 2012; Kolk & Tulder, 2009).

WHAT ROLE CAN MNEs PLAY?

The quest for sustainable development and a fair society are not new; however, it was never considered a responsibility of MNEs. The SDGs have put things in context and are obligating MNEs and states to rethink their policies and strategies. Researchers in IB are still pondering whether it is the responsibility of MNEs to contribute towards these goals. Many IB scholars are not sure how they can do research in poverty alleviation or inclusive development, as these are not the areas they are used to researching within IB (Shapiro et al., 2018).

IB research has mostly focused on issues around MNE activities in foreign markets and global competitiveness (Buckley & Ghauri, 2004). However, we need to ask: Is it the domain of IB research to uncover the impact of MNE activities on consumers and society or not? What are the externalities MNEs are creating due to their profit maximization activities around the globe? It is only recently that some studies have appeared that relate the SDGs to IB research (Lashitew, 2021; Montiel, Cuervo-Cazurra, Park, Antolín-López, & Husted, 2021).

MNEs need to take responsibility for their full value chain, even if they do not own their suppliers in the developing countries. For at least half of the SDGs, MNEs can play a direct role and for others they can play indirect role (Ghuri et al., 2021). [Table 1](#) lists the SDGs that require the direct involvement of MNEs. The table is not totally inclusive, and it does not imply that MNEs need not to play any role in other SDGs.

Table 1. Sustainable Development Goals and the Role MNEs and IB Research Can Play

Sustainable Development Goals	Implications for MNEs and IB Research
Goal 1: No poverty—End poverty in all its forms everywhere.	<ul style="list-style-type: none"> How can MNEs generate quality employment, equal opportunities, and contribute to human capital to eradicate poverty?
Goal 7: Affordable and clean energy—Ensure access to affordable and clean energy.	<ul style="list-style-type: none"> What role do energy MNEs and MNEs in general can play in this transition? What green technologies can be developed by MNEs to tackle pollution?
Goal 8: Decent work and economic growth—Promote inclusive economic growth and decent work for all.	<ul style="list-style-type: none"> What are the drivers for MNEs to adopt inclusive business models? How can they include SMEs into their value chain? How can MNEs contribute towards inclusive development?
Goal 9: Industry, innovation and infrastructure—Build resilient infrastructure, promote inclusive innovation.	<ul style="list-style-type: none"> How can MNEs adapt their innovation and new product development strategies to be more inclusive and incorporate marginalized communities?
Goal 10: Reduce inequality—Reduce inequality within and among countries.	<ul style="list-style-type: none"> To what extent can MNEs' policies reduce intra- regional inequality, as regards to wages, gender, health and safety and living standards?
Goal 12: Responsible consumption and production—Ensure sustainable consumption and production patterns.	<ul style="list-style-type: none"> How can MNEs contribute to developing the circular economy through their R&D capability, restructuring of GVCs, and sustainable packaging?
Goal 13: Climate action—Take urgent action to combat climate change and its impacts.	<ul style="list-style-type: none"> To what extent can MNEs use the same standards in developing countries as in their home markets? How can MNEs use green technologies in their respective industries?
Goal 17: Partnerships for these Goals—Strengthen and revitalize the Global Partnership for Sustainable Development.	<ul style="list-style-type: none"> How can MNEs work with governments and social actors to reduce inequalities and achieve sustainable development in developing countries?

Source: Compiled from the United Nations' SDGs (United Nations, 2015).

It is thus our responsibility as IB researchers to investigate how MNEs can play a positive role in this quest. It is equally important to investigate whether MNEs, in their respective industries, are actively involved in the SDGs, and if not, then why not? It will be useful to unearth the factors that are constraining these firms to get involved and the challenges they face when they want to get involved and how these challenges can be addressed.

COLLABORATION AMONG POLICYMAKERS AND MNEs

It is imperative that policymakers also recognize their responsibility in this respect. For example, in the European Union (EU), where policymakers have been proactive and have pressured MNEs to address their pollution, value chain responsibilities, and recycling mechanisms, positive results have emerged. Not only has the overall impact on society been positive, but the competitiveness of the MNEs involved has also increased (Ghuri, Tasavori, & Zaefarian, 2014; Patnaik, 2020; Wood et al., 2021). A combination of MNE actions and regulatory pressures and incentives have thus brought amazingly positive results (Hsueh, 2019). Policy initiatives, such as Net Zero 2030, are having a huge impact. For example, in the automotive industry all major car companies are now switching their production to electric vehicles. So much so that many scholars and industry experts are issuing warnings that when more than 80% of energy generation is still dependent on fossil fuels, would transition to electric vehicles at such a speed have any pos-

itive impact or not (BP, 2021; Ghauri et al., 2021).

Clearly a collaboration between state, society, and MNEs is essential. This means that interdisciplinary research is needed to comprehend the interdependence between political, economic, and social systems, especially the role of state, company strategies and social needs to achieve the SDGs (Ghuri, Fu, & Vaatanen, 2018; Wood, 2019).

THE IMPACT OF COVID-19 ON THE SDGS

The outlook for achieving the SDGs by 2030 was looking reasonably good till 2019, particularly in developing countries. This was visible from new investments coming from public and private sectors into the SDG-relevant sectors. This momentum was however disturbed in 2020, due to the COVID-19 pandemic. As a result, the new investments by MNEs and the private sector fell by 33%. Infrastructure projects financed by international organizations fell by 36% (UNCTAD, 2021). Overall, since 2015, new investments in developing countries have shrunk by 20% as compared to pre-2015 levels. Infrastructure projects financed by international organizations are down by 60%; food and agricultural projects are down by up to 50%. [Table 2](#) shows examples from some of these sectors.

This impact is however different in developed versus developing countries. [Table 3](#) shows the decline in investments that are directly relevant to the SDGs in developed versus developing countries. The table shows the investments prior to the SDGs, the progress immediately after (2015–2019) and the impact of COVID-19 (post 2019).

Table 2. The Impact of COVID-19 on SDG-Related Investments in Selected Sectors

Sector	Related SDGs	The impact
Infrastructure	7, 9 & 11	- 60%
Renewable energy	13	- 5%
Water & Sanitation	6	- 68%
Food & Agriculture	2	- 48%
Education	4	- 36%

Source: Based on data from UNCTAD (2021)

Table 3. Value of Investment Projects in SDG Sectors^(a), by Region (Millions of US dollars)

Region	2010–2014 average	2015–2019 average	Pre-COVID-19 trend ^(b) (%)	COVID-19 impact ^(c) (%)
Developed economies	79 036	86 739	10	21
Developing and emerging economies	124 571	151 779	22	- 33

Source: Based on data from UNCTAD (2021) and Financial Times, FDI Markets (www.fdimarkets.com).

^(a) That are partially or fully owned by foreign public or private entities

^(b) Changes in the five+ year averages from the period of 2010–2014 to the period of 2015–2019

^(c) Changes from 2019 to 2020

In fact, this is opposite to the developed world, where several large publicly financed infrastructure projects have been announced to stimulate the recovery after the pandemic. Many of these projects are directly related to the SDGs. This means that developing countries are more exposed to post-pandemic glooms as local governments are not able to finance large publicly financed projects. These countries have in fact drowned further in debts due to the pandemic and vaccination costs. Generally, there is an increase in poverty and inequalities due to job losses and illness in families (UN-DESA, 2020).

Governments of advanced economies must think beyond their national borders and play a constructive role, as we have seen in case of vaccination policies, where millions of doses were destroyed due to expiry date instead of being sent to developing countries. Nobody is safe until everybody is safe, as shown by the latest variants coming from developing countries and spreading like forest fire in the developed world.

CONCLUDING REMARKS

For MNEs, there are greater opportunities to play a role in developing countries by financing SDG-related projects that will in the long run help them to improve their competitive position and global image. Several Western firms are already availing these opportunities and are financing infrastructure projects in these markets. Unilever has taken several actions towards this direction. It came up with first paper-based laundry detergent bottles and is creating refillable and reusable bottles for several other products. Unilever aims to achieve zero emission from its operations

by 2030 (Cavusgil, Ghauri, & Liu, 2021; Unilever, 2021).

BP has incorporated the SDGs into its mission statements in each of its focus areas: net zero, people, and planet. It is aiming to achieve net zero by 2050. It is creating safe and secure workplace for workers, and it is collaborating with Microsoft to create digital efficiencies in energy systems. Moreover, it is aiming to replenish more fresh water than it consumes by 2035 (BP, 2021). This means that MNEs can contribute by collaborating with other companies.

IB research needs to keep up with more research on these issues to confirm that whether it is really happening and to separate greenwashing rhetoric from reality. This will induce more research and would also provide guidelines for companies and governments regarding what works and what does not.

In addition, there is an acute need for international organizations and developed economies to look at possibilities of writing off the debts of developing countries. A major part of the budget in many developing countries is spent on serving the debts instead of education, health, and infrastructure, the main concerns of the SDGs.

ABOUT THE AUTHOR

Pervez Ghauri (p.ghauri@bham.ac.uk) completed his PhD from Uppsala University where he also taught for several years. At present he is Professor of International Business at the University of Birmingham in United Kingdom. At present, his research deals with sustainability, poverty reduction and reducing inequalities. Pervez is fellow of European

International Business Academy (EIBA) and Academy of International business (AIB), where he also served as Vice President. He has published more than 30 books and 150 articles in top level journals.

Submitted: August 12, 2021 EST, Accepted: December 20, 2021 EST



This is an open-access article distributed under the terms of the Creative Commons Attribution 4.0 International License (CCBY-4.0). View this license's legal deed at <http://creativecommons.org/licenses/by/4.0> and legal code at <http://creativecommons.org/licenses/by/4.0/legalcode> for more information.

REFERENCES

- Boddewyn, J., & Doh, J. 2011. Global strategy and the collaboration of MNEs, NGOs, and governments for the provisioning of collective goods in emerging markets. *Global Strategy Journal*, 1(3–4): 345–361.
- BP. 2021. *Sustainability Report*. <http://bp.com/en/global/corporate/sustainability.html>.
- Buckley, P. J., & Ghauri, P. N. 2004. Globalisation, economic geography and the strategy of multinational enterprises. *Journal of International Business Studies*, 35(2): 81–98.
- Cavusgil, S. T., Ghauri, P., & Liu, L.-A. 2021. *Doing Business in Emerging Markets* (3rd ed.). London: Sage.
- Comyns, B. 2019. Climate change reporting and multinational companies: Insights from institutional theory and international business. *Accounting Forum*, 42(1): 65–77.
- Ghauri, P., Fu, X., & Vaatanen, J. (Eds.). 2018. *Multinational Enterprises and Sustainable Development*. London: Emerald.
- Ghauri, P., Strange, R., & Cooke, F. L. 2021. Research on international business: The new realities. *International Business Review*, 30(2): 101794.
- Ghauri, P., Tasavori, M., & Zaefarian, R. 2014. Internationalisation of service firms through corporate social entrepreneurship and networking. *International Marketing Review*, 31(6): 576–600.
- Hadjikhani, A., Elg, U., & Ghauri, P. (Eds.). 2012. *Business, Society and Politics: Multinationals in Emerging Markets*. Bingley: Emerald.
- Hsueh, L. 2019. Opening up the firm: What explains participation and effort in voluntary carbon disclosure by global businesses? An analysis of internal firm factors and dynamics. *Business Strategy and the Environment*, 28(7): 1302–1322.
- Kolk, A. 2016. The social responsibility of international business: From ethics and the environment to CSR and sustainable development. *Journal of World Business*, 51(1): 23–34.
- Kolk, A., & Tulder, R. V. 2009. International business corporate social responsibility and sustainable development. *International Business Review*. <https://doi.org/10.1016/j.ibusrev.2009.12.003>.
- Kourula, A., Pisani, N., & Kolk, A. 2017. Corporate sustainability and inclusive development: Highlights from international business and management research. *International Business Review*, 24: 14–18.
- Lashitew, A. A. 2021. Corporate uptake of the Sustainable Development Goals: Mere greenwashing or an advent of institutional change? *Journal of International Business Policy*, 4(1): 184–200.
- Montiel, I., Cuervo-Cazurra, A., Park, J., Antolín-López, R., & Husted, B. W. 2021. Implementing the United Nations' Sustainable Development Goals in International Business. *Journal of International Business Studies*, 52(5): 999–1030.
- Patnaik, S. 2020. Emissions permit allocation and strategic firm behavior: Evidence from the oil sector in the European Union emissions trading scheme. *Business Strategy and Environment*, 29(3): 976–995.
- Shapiro, D., Hobdari, B., & Oh, C. H. 2018. Natural resources, multinational enterprises and sustainable development. *Journal of World Business*, 53(1): 1–14.
- UNCTAD. 2021. *UNCTAD's SDG Investments: Trend Monitor, April 2020*. Geneva: UNCTAD.
- UN-DESA. 2020. *Impact of COVID 19 on SDG Progress: A statistical Perspective*. New York: United Nations.
- Unilever. 2021. . <http://unilever.com/new/new-and-features.html>.
- United Nations. 2015. *Transforming our world: The 2030 agenda for sustainable development*. <https://sustainabledevelopment.un.org/post2015/transformingourworld>.
- van Zanten, J. A., & van Tulder, R. 2018. Multinational enterprises and the Sustainable Development Goals: An institutional approach to corporate engagement. *Journal of International Business Policy*, 1(3–4): 208–233.
- Wood, G. 2019. Shifting focus: Why comparative political economy should engage (again) with politics of growth. *Socio Economic Review*, 18(1): 258–263.
- Wood, J., Pereira, V., Temouri, Y., & Wilkinson, A. 2021. Exploring and investigating sustainable international business practices by MNEs in emerging markets. *International Business Review*. <https://doi.org/10.1016/j.ibusrev.2021.101899>.