

Multilevel Sustainability Tensions of MNEs in Developing Countries

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1. Introduction

On the 24th of April 2013 at 08:45 in the morning in Dhaka District, Bangladesh, an eight-floor commercial building, known as Rana Plaza, collapsed due to a structural failure. The building contained apartments, banks and clothing factories, which produced ready-made garments (RMG)¹ for major Western clothing brands (BBC 2013). With 1134 deaths and 2500 injuries, the Rana Plaza incident was classified as the deadliest structural failure accident in modern human history (Chowdhury 2017). The tragic accident received global attention, raising awareness of Corporate Social Responsibility (CSR) across global value chains (GVCs).

When the RMG industry first emerged in Bangladesh in the 1980s, it represented one of the key sectors, which contributed to employment creation, poverty alleviation and empowerment of women. However, as the sector expanded, it started to face several challenges regarding compliance with international standards to ensure workplace safety and adequate working conditions for its employees. This happened for several reasons, among them the political and social instabilities of the country (Barua and Ansary 2017).

The expansion of the RMG industry in Bangladesh exemplifies challenges associated with the achievement of Sustainable Development Goal (SDG) 8, which argues for “economic growth with full employment and decent work for all” (United Nations General Assembly 2015, p.14). The consolidation of the human right to decent work and economic growth is complex, especially in the challenging context of developing countries. In these countries, the expectation to generate economic growth can undermine compliance to human rights, especially for local small and medium enterprises (SMEs) producing for GVCs.

The achievement of SDG 8 is strongly associated with the activities of multinational enterprises (MNEs). MNEs that operate in GVCs can represent a

¹ The ready-made garment industry (RMG) refers to the finished textile product from clothing factories (OECD 2018).

major resource for developing countries by boosting inclusive growth, creating better job opportunities and consequently reducing poverty (World Bank 2019). On the other hand, the expansion of these economic giants has to go hand in hand with compliance with international rights and duties along the value chain. Only if this is pursued correctly can MNEs facilitate the integration of international standards in the local ecosystem of SMEs in developing countries and act as successful drivers for economic growth and decent work.

From a wider perspective, challenges faced by transnational actors such as MNEs, reflect the broader complexities of pursuing a global development agenda in diverse local socio-economic contexts. This is the case for Agenda 2030, which has at its core the 17 Sustainable Development Goals (SDGs). Despite the inclusive nature of the SDGs, the different domains that are covered and their global range make the implementation of the ambiguous goals not always straightforward, resulting in synergies but also conflicts between and within the goals (Nilsson et al. 2016).

The implementation of global standards and goals is translated into the firm's business-level, through the adoption of its own Corporate Social Responsibility practice and guidelines. These need to adhere to international, as well as country-level expectations.

The multidimensionality of these tensions that MNEs are faced with in pursuing a globally established sustainability agenda cannot be avoided because it is inherent in the nature of transnational organizations. This raises substantial questions on how to achieve such inclusive and sustainable growth when faced with complexities stemming from the global, local and organizational level?

A first step to tackle this question lies in the understanding of the multidimensional complexities faced by MNEs. Given these premises, the following chapter gives an overview of the triangular relationship between global ethical standards, local contexts and CSR guidelines faced by MNEs operating in developing countries, with a perspective on tensions happening in and between the three levels. The emphasis of the chapter is deliberately on tensions, given the contested nature of the topic.

The aim of the review is synthesized in the following research question:

What is the current understanding of the triangular relationship, between global ethical standards, the local context and CSR guidelines, faced by multinational enterprises operating in developing countries?

The first consultation of the literature revealed that few studies deal with the three dimensions (global–local–organizational) simultaneously, but rather examine the

tensions between global standards and the local context or on the firm level separately. To bring together these three dimensions, the chapter has been structured as follows: The next section explains the method that was employed to consult the literature. Part 3 of the chapter builds on the background for the review. It illustrates the contribution of MNEs towards sustainable development and how this is positioned in the overall discussion on the SDGs. Sections 4 and 5 present the results of the review of international business ethics literature drawing on the debate on business ethics and culture in cross-cultural contexts and trade-offs in CSR. After these three descriptive units, a critical analysis of these two debates is presented in Section 6. Hereby, literature gaps and corresponding avenues for future research are suggested. The chapter concludes by presenting the main contributions and limitations of the review.

2. Method

The literature pool addressing ethical considerations of MNEs operating in developing countries is extremely wide and diversified in terms of disciplinary contribution. Given the ethical focus on business, an international business ethics perspective was considered the most appropriate to narrow down the review to relevant articles.

The identification of relevant articles was pursued with in-depth research in a sector-specific journal on international business ethics that possesses a comparatively high impact factor score considering comparable journals (*Journal of Business Ethics*). In addition, a more general search was run on Web of Science, JSTOR and Google Scholar using the following research strings: multinational enterprises (MNEs), Corporate Social Responsibility (CSR), international standards, local, cross-cultural, developing country, sustainability, trade-off, tension, and conflict.

All articles were screened for relevance based on a reading of the abstracts followed by the papers themselves. In the abstract review, articles were assessed for their relevance on the topic and included in the review if they fulfilled the following criteria: (1) take an international business ethics perspective towards MNEs operation in developing countries, (2) focus on ethical tensions faced by MNEs operating in cross-cultural contexts, (3) take a critical perspective on the concept of CSR and its country variances, and (4) deal with relevant theories connected to the previous points. Key publications in the field were retrieved with snowball consultations of references.

From a total of ninety screened articles,² eighteen were selected for review by applying the previously mentioned criteria: respectively, nine articles discussing the relationship between business ethics and culture in cross-cultural contexts, as well as nine articles on trade-offs in CSR.³

In this first phase of the review, the concepts of multinational enterprise and Corporate Social Responsibility were defined, as they are relevant for gaining a consistent understanding of the topic. A multinational enterprise is denoted as “that [company which] engages in foreign direct investment (FDI) and owns or, in some way, controls value-added activities in more than one country” (Dunning and Lundan 2008, p. 3).⁴ Given the societal relevance of MNEs’ activity and their role in the international context, the definition of Corporate Social Responsibility by the European Commission is suggested. This describes CSR as “the responsibility of enterprises for their impact on society. Respect for applicable legislation, and for collective agreements between social partners, is a prerequisite for meeting that responsibility. To fully meet their corporate social responsibility, enterprises should have in place a process to integrate social, environmental, ethical, human rights and consumer concerns into their business operations and core strategy in close collaboration with their stakeholders” (European Commission 2011, p. 6).⁵

Finally, to endow the reader with a complete picture, it is considered necessary to provide a “working definition” of sustainable development. Conscious of the great debate around the meaning of such an all-encompassing topic, sustainable development is defined following the Brundtland tradition as the “development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (WCED 1987).⁶

² On Google Scholar, screening of articles was narrowed to the first thirty articles, filtered by relevance with the research strings.

³ In respect to the articles sample, there is awareness that the number of examined articles is limited; however, there is also confidence that the definition of specific criteria enabled a focus on the most relevant articles. Additionally, this review aims to give an overarching perspective on literature in the three dimensions and is not intended to represent an exhaustive elaboration of literature addressing this topic.

⁴ In business management literature, the term multinational enterprise (MNE) is sometimes used interchangeably with multinational corporation (MNC). In this chapter, the first is adopted following the definition by Dunning and Lundan (2008).

⁵ COM (2011) 681 final.

⁶ The author is aware of large limitations of societal and political definitions of sustainable development; however, the following allows for a discussion on societal implications of MNEs in developing countries, given social justice as a foundational basis.

3. MNEs' Contributions to Sustainable Development

Before presenting the results of the review, few words are spent to illustrate firms' contribution to sustainable development, with a focus on the role of MNEs. Hereby, firms' contribution to sustainable development will first be briefly discussed by looking at the historical and theoretical evolution of the concept and, second, at societal implications related to SDG 8.

It is widely acknowledged that sustainable development has three complementary dimensions: environmental, economic and social (Elkington and Rowlands 1999). Firms play a crucial role in all three and have, therefore, to be conceived as one of the key actors in achieving (or hindering) sustainable development. Sustainability thinking related to firms originated in the economic field in the 1930s, when the first articles about social responsibility of business appeared (Carroll 1999). The first theorization of the relationship between companies and society came in the 1950s by American economist Howard Bowen (1953), who argued that because firms are critical centers of power, they could influence the lives of citizens. In the 1970s, the concept of social responsibility, in addition to financial responsibility, started to be widely discussed. This new dimension of business attracted several critiques. The most renowned critique was by Milton Friedman, who argued that "the [only] social responsibility of business is to increase its profits" (Friedman 1970, p. 122). Nowadays, the main idea behind CSR is known as the "triple bottom line principle", implying that businesses should not only serve economic, but also social and environmental ends (Elkington and Rowlands 1999). The focus on profit does not disappear but is incorporated in the pressure of stakeholders such as consumers, civil society and governments that value such effort (McWilliams and Siegel 2001). In the last sixty years, literature on ethical responsibility in the corporate world has been growing substantially, contributing to different theoretical approaches theorizing the role of firms in sustainability. To mention a few: Corporate Social Responsibility (CSR), Stakeholder Theory, Corporate Sustainability and Green Economics (Chang et al. 2017). Despite growing consensus on the contribution of MNEs towards sustainable development, there is still great debate concerning the management of sustainability by MNEs, especially in the complex institutional setting of developing countries (Burritt et al. 2020).

As this chapter critically reviews tensions faced by MNEs in pursuing globally established sustainability guidelines, a discussion on how companies differ in interaction with societies through changing commitment is required. Garriga and Melé (2004) present a classification of four main theories: (1) instrumental theories, where the corporation is seen as an instrument for wealth creation, and its social

activities are only a means to achieve economic results; (2) political theories, which are concerned with the power of corporations in society and a responsible use of this power in the political arena; (3) integrative theories, where the corporation is focused on the satisfaction of social demands; and (4) ethical theories, which are based on ethical responsibilities of corporations to society. Of the four, ethical theories are key in framing the contribution of companies to sustainable development from a justice perspective. An instructive example of these theories comes from Wettstein (2009). He argues that MNEs should pursue global justice because of their increased and autonomous role as agents of change and the weakened role of national states in the international governance set (*ibid.*). This is particularly true in developing countries, where MNEs are increasingly expected to fill in gaps of weak institutional settings (Crane and Matten 2005) and act as contributors to social development, given their financial and technological means (Crane and Matten 2005; Scherer and Palazzo 2008; Jamali 2010). MNEs can contribute to this social development in developing countries by promoting inclusive economic growth, which tackles unmet needs and increases overall well-being of the host-country (Gohou and Soumaré 2012; Kaplinsky 2013). This occurs when new job opportunities are created (Aaron 1999), as well as through the introduction of higher-quality goods into local markets, which can increase customers' well-being (Agénor 2004). Additionally, investment-based activities of MNEs can generate incentives for other firms and foreign business ventures to also invest in the region, resulting in additional employment opportunities (Kaplinsky 2013). Furthermore, MNEs can create incentives for local SMEs to expand by entering the local ecosystem of the MNE (*ibid.*). The latter is relevant for coupling economic growth with decent work. For instance, by entering the ecosystem of the MNE, the local business can get more competitive and indirectly more compliant to international standards, under the pressure of the partnership with the MNE (Aerni 2018).

These findings indicate how MNEs, if well addressed, demonstrate the potential to be drivers of positive change. Yet, despite positive externalities, MNEs have not always demonstrated behavior in favor of sustainable development. Indeed, this is a recent trend as the history of corporations is scarred by numerous cases of human rights violations and environmental disasters, especially in developing countries (Giuliani and Macchi 2014). The recent ethical turn on business by MNEs makes future systematic investigations more pressing.

From a societal and political perspective, the contribution of business towards sustainable development can also be analyzed in terms of the UN SDG Agenda. Indeed, businesses can influence all 17 Goals directly and indirectly. As opposed to

their antecedents, the UN Millennium Goals, which mainly focused on governmental responsibility, the SDGs emphasize the role of all societal actors in achieving sustainable development and making a direct call for business engagement (SDG Compass 2015). The introduction of specific goals has both facilitated businesses by offering guidance in targeting specific domains of sustainable development and at the same time challenged them to comply with globally established goals in different contexts.

The activity of MNEs in developing countries is indirectly connected to all 17 goals; however, considering their primary role as economic actors, they can make a substantial contribution to Goal 8 by boosting economic growth while ensuring compliance with the highest international working standards.

While the SDGs make the responsibility of the private sector clear, it is disputable to what extent global actors such as MNEs are able to cover this role. For instance, the implementation of the SDGs in their business should not be confused with a communication exercise. On the contrary, the 17 goals should be strongly anchored in the core functions of the business and be made part of the business culture.

The paradigm shift advocated by Agenda 2030 presents many challenges to businesses, especially to transnational actors such as MNEs, which have to balance between the global expectations and complexities of the local context. This illustrates how corporate contributions to sustainability should escape simplistic categories and rather be prone to more complex contextualization. The first dimension of this contextualization will be addressed in the next section.

4. Doing Business between Global Standards and Local Contexts

To understand the relationship between global standards and the local context, it is necessary to first define what is meant by standards in general. According to the International Organization for Standardization, standards are: “documents established by consensus [...] that provide, for common and repeated use, rules, guidelines or characteristics for activities or their results, aimed at the achievement of the optimum degree of order in a given context” (International Organization for Standardization 2018, p. 2). In the following chapter, the notion of standards generically refers to international guidelines related to compliance with sustainable development issues levied on MNEs working across cross-cultural contexts. An exhaustive exploration of international standards is beyond the scope of this chapter as it would preliminarily require a definition of one specific sector where the standards are established. The following paragraph rather aims at presenting

relevant debates from the business ethics literature on how companies are facing this tension.

Literature that investigates the relationship between global standards and the local context presents differentiated disciplinary backgrounds, given the widespread perspective from which it can be examined. One field that mostly contributed to describing companies' challenges associated with compliance with global standards in local contexts is international business ethics (De George 1993; Donaldson and Dunfee 1994; Kolk and Tulder 2004). The most dominant research interest in this field is associated with the relationship between "culture and ethics" (Javalgi and Toya 2018). Indeed, ethical standards result as the expression of a specific ethical perception, while the peculiarities of local context and the communities that are part of it can be understood through cultural determinants (Soares et al. 2007).

Given the relevance of literature in this domain, this section presents ethical considerations guiding business activities across cross-cultural contexts. The major part treats a classical controversy in international business ethics, notably the one between cultural relativism and ethical imperialism. Hereby, conceptual notions are exemplified along empirical evidence from more recent studies. In the final part, other perspectives are presented that are equally located in the international business ethics literature but look at the relationship between global standards and local context from a different angle.

The first overarching debate that engaged with the tension between global ethical standards and local context is the one between cultural relativism and ethical imperialism in business ethics. Cultural relativism emerged in the anthropological research by Franz Boas in the first decades of the 19th century (Dall and Franz 1887). The essence of cultural relativism can be synthesized by the creed "When in Rome, do as Romans do" (Donaldson 1996). This means that, within the infinite cultural diversity, all cultural practices are considered equally valid. There are no absolute criteria for judging one practice as better than another (Katherine 1988) and the standards that people use to judge behavior are relative to the culture in which they are raised (Herskovits 1973). Thus, there are no international rights and wrongs in cultural practices. This implies that this conception of cultural practices questions the validity of human rights theory, which aims to create absolutes for judging the actions of all cultures (Katherine 1988).

In contrast to cultural relativism is ethical imperialism. This is based on absolutistic claims of truth expressed with unique sets of categories (Kolb 2008). In business ethics this describes a situation where a specific ethical code is imposed from a company to another with different standards (*ibid.*).

Kolk and Tulder (2004) offer an empirical exemplification of these two different logics by examining child labor codes in MNEs. Because of different cultural perceptions of children in society, host-countries and the Western home-country may differ on the adopted standards (ibid.). Their research analyzes how fifty leading MNEs address dilemmas related to conflicting norms and expectations from working in foreign countries, focusing on corporate codes of ethics. They found that, in the case of child labor regulations, a multidomestic approach (relativist approach) is more prevalent than a global strategy (universalist approach).⁷ In other words, the examined MNEs tend to adapt to host-country laws rather than adopting Western home-country laws, where the latter are usually stricter (ibid.).

However, when ethical imperialism and cultural relativism are translated into practice, they both display inadequacies. A radical cultural relativistic perspective can result in moral blindness when it is not making an exception of fundamental standards across cultures. Advocates of human rights theory argue that the wide tolerance of cultural relativism can pose threats to the legitimacy of the existing international human rights system (Katherine 1988). Managers could, for instance, use cultural relativism as an excuse to tolerate unethical behaviors to ensure business opportunities (Donaldson 1996). On the other hand, ethical imperialism is constrained by its absolutistic foundations (ibid.). Every country is based on a different foundation of ethical behavior, which leads to a variety of ethical standards among countries. The belief in a universal ethical standard of behavior is inconsistent as we observe that ethical practice is continuously influenced by context (Donaldson and Dunfee 1994). Applying universal standards without taking into consideration the conditions in the local context may lead to inadequate compliance. Such ineffective attempts have been investigated in a study on working conditions in Chinese clothing industries (Ngai 2005). Many Chinese manufacturing enterprises working for Western multinationals in the fashion industry have had to enhance the factories' regulations on workers' conditions due to anti-sweatshop movements. The study showed that, despite the improvement in terms of reduced working hours, the Chinese employees still wanted to work overtime as the basic salary would have been too low to support their basic needs (Ngai 2005).

⁷ Both multidomestic and global MNEs are characterized for their operation in different countries; however, they differ in their strategic approach. Multidomestic MNEs adapt their business model depending on the country in which they are active, based on market opportunities and cultural values, while global MNEs have a centralized approach and reproduce a similar business strategy in all the countries where they operate. For a further differentiation and empirical support of these categories see Harzing (2000).

A third rationale is introduced by Donaldson and Dunfee (1994) to overcome limitations of cultural relativism and ethical imperialism: “moral free space”. The moral free space is conceptualized as an acknowledgement to context-specific conditions coexisting with some form of human core values (hypernorms) (ibid.).⁸

Despite the dominance of the culture–ethic relationship in informing international business ethics, considerations on the relationship between international standards and local context have gained importance in other perspectives. Institutional approaches, for instance, have explained the relationship between international standards and local context in terms of internal and external pressures to conform to legitimacy (DiMaggio and Powell 1983). Yang and Rivers (2009) show that subsidiaries of MNEs will likely adapt to local practices to legitimize themselves if they operate in developing countries with diverse institutional structures and stakeholder bases. Other studies in the field have analyzed how the adoption of global standards redefines local practices (Mennicken 2008). By exploring the application of global accounting standards in an emerging economy, Albu et al. (2014) illustrate how the interplay of local actors and their search for legitimacy can influence organizational adaptations to the local context.

To conclude, it is worth mentioning that the multidimensional nature of the relationship was of great inspiration also for governance scholars (Fung 2003). A study of governance arrangements of global agri-food markets in the Kenyan horticulture industry shed light on the disputed nature of the implementation of global standards in local contexts characterized by different standards of quality and production processes in the market (Ouma 2010). Other studies on global governance investigated the double-sided nature of international standards that lead to the exclusion of emerging economies to profitable markets due to non-compliance with the latter (Nadvi 2008).

5. Tensions in Corporate Social Responsibility

The ambivalent nature of CSR raises challenges to MNEs operating in cross-cultural contexts. Today’s MNEs are not limited to external pressure from compliance with global and local ethical standards but are facing new challenges in their organization dimension as well. In contrast with past companies, current MNEs are increasingly compelled by their stakeholder base to increase their CSR dimension.

⁸ Examples of hypernorms are human dignity, respect for basic rights and good citizenship. The concept of hypernorms is the basis of the Integrative Social Contract Theory developed by Donaldson and Dunfee (1994).

For instance, since 2018, the European Union requires all companies with more than 500 employees to disclose information on the way they operate and manage social and environmental challenges. Information to be disclosed must include clarifications on the way companies address environmental protection, social responsibility and treatment of employees, respect for human rights, anti-corruption and bribery, and diversity in company boards (European Parliament 2014).⁹ CSR practices advanced by companies do not represent the ultimate solutions to these challenges but present themselves as inherent tensions originating from the complex nature of sustainable development. In other words, modern MNEs must comply with international standards in cross-cultural contexts while ensuring their CSR guidelines and coping with their own controversies. The question, therefore, is: Do CSR practices fit in the global–local tension? Are they enforcing the tension or, alternatively, creating synergies?¹⁰

Tensions occurring at the corporate level in complying with sustainability dimensions have been addressed by organization scholars, focusing on trade-offs in CSR (Hahn et al. 2010).¹¹ This concept is relevant to the overall topic for two reasons. First, it allows for clearer identification of the somehow blurring concept of “tensions”, with the more concrete understanding of “trade-offs”. Trade-offs in CSR are defined as “those situations in which corporate contributions to sustainable development can only be achieved if one accepts a compromise between at least two sustainability aspects that are in conflict [with] each other” (Hahn et al. 2010, p. 220). This definition does not imply that circumstances of trade-offs automatically result in a lower contribution to sustainable development compared with win–win situations (ibid.). Second, the concept of trade-offs is strongly linked to the concept of synergies (Haffar and Searcy 2017). Tension between two or more CSR criteria can result in either sustainability trade-offs or sustainability synergy (Epstein et al. 2014). Thus, from the identification of trade-offs, it could be possible to retrieve synergies.

⁹ Directive 2014/95/EU of the European Parliament and of the Council.

¹⁰ This question is relevant when CSR trade-offs are linked with ethical tensions on the global–local level. However, an exhaustive answer to this question would require an empirical exploration of these different dimensions and is left to future in-depth analyses.

¹¹ Please note that Hahn et al. define “trade-offs” in respect to corporate sustainability (2010), whereas the following review adopts the notion of corporate social responsibility (CSR). Since the CSR definition provided by the European Commission encompasses the three dimensions of sustainable development, it is argued that the definition of trade-offs by Hahn et. can be equally applied to trade-offs in CSR.

Hereby, two debates on trade-offs happening in CSR are presented: the first is overarching and foresees trade-offs in the notion of CSR, and the second is context-specific and analyzes CSR tensions in cross-cultural contexts.

Literature on CSR has traditionally been dominated by a “win-win perspective” on the three principles of economics, society and environment (Hahn et al. 2010). However, given the complex and multi-faceted nature of sustainable development and the change involved, a discussion on trade-offs and tensions is equally urgent (ibid.). Additionally, as presented in Section 3, the concept of CSR has its roots in Western democratic countries and relies on typical rights and obligations which characterize these societies. However, in many developing countries it might be difficult to ensure the same conditions, and this could result in inadequate or lacking applications of CSR (Prieto-Carrón et al. 2006).

Based on these considerations, scholars have started to challenge the win-win paradigm that CSR is achieved only at the intersection of the three principles of economic, environmental and social aspects of sustainable development and describe trade-offs in CSR as situations where these principles cannot be achieved simultaneously (Hahn et al. 2010; Prieto-Carrón et al. 2006; Haffar and Searcy 2017). The analysis of trade-offs does not attempt to resolve the conflict between different disciplines but tries to “clarify the competing considerations, probe what gives them weight and explore their relationship” (Margolis and Walsh 2003, p. 284). This perspective allows for a more inclusive notion of CSR and for enriching contributions to sustainable development (Hahn et al. 2010).

In this sense, a useful contribution is represented by methodological frameworks aiming at detecting trade-offs in CSR at different levels. Hahn et al. (2010) show that trade-offs in CSR can occur at different levels (individual, organizational, industrial and societal) and dimensions (outcome, temporal and process). Haffar and Searcy (2017) analyze the link between sustainability trade-offs and sustainability synergies, developing a framework to understand when tensions can transform into opportunities. The framework is built on three tension areas (private value-shared value, scope-depth, measurement-management) and corresponding trade-offs categories. One of these categories involves the strategic role of stakeholders in influencing the decision-making process of a company along its supply chain. This is of key importance because perceptions of the conflicts of CSR can considerably diverge between stakeholder groups (Angus-Leppan et al. 2010).

Other scholars (Rost and Ehrmann 2017) analyzed distortions in the notion of CSR by investigating trade-offs between corporate social performance (CSP) and corporate financial performance (CFP) in reporting biases in empirical management

literature. In their study, they showed that published evidence in win-win CSR research tends to overestimate efficiency. The research field expects to find a positive association between CSP and CFP, while the authors demonstrate strong tentative evidence for a positive reporting bias in the CSP-CFP literature but only weak tentative evidence for CSP efficiency (Rost and Ehrmann 2017). The trend of the reporting bias may be influenced by collective cognitive structures within a research discipline (e.g., authors not writing on unfavorable findings, higher rejection rates of studies documenting conflicting evidence, etc.). The authors point out that the implications of such distortions are severe when results are being used by academics and practitioners to justify research questions and results or support decision making in the business context. The consequences of this reporting bias “may result in inappropriate decisions by policymakers, managers, or scholars, and could thereby harm employees and other stakeholders, and lead to wasted resources and misdirected future research” (Rost and Ehrmann 2017, p. 34).

The second stream of research has engaged with trade-offs of CSR occurring in cross-cultural contexts. In this field, scholars focus on shortcomings of the traditional Western understanding of CSR in developing countries and emphasize the need to avoid a “one size fits all approach” and opting for a contextualized understanding of CSR in middle and low-income countries (Prieto-Carrón et al. 2006; Utting and Marques 2010; Khojastehpour and Jamali 2020). Utting and Marques (2010) argue that the mainstream Western CSR debate has tended to ignore important developmental issues related to corporate power, economic liberalization, unsustainable investment and consumption patterns. Additionally, Prieto-Carrón et al. (2006) point out that a one-sided view of CSR ignores more complex issues about the actual impacts of CSR initiatives such as the roles of power, class and gender which characterize those interventions. Empirical evidence from developing countries suggests that the standard management-oriented discourse on CSR may result in limited contributions (Prieto-Carrón et al. 2006), specifically concerning the significance that CSR initiatives may assume in these countries. For instance, many companies in developing countries make donations for philanthropic purposes (Kumar et al. 2001). However, according to some scholars (von Schnurbein et al. 2016), this is not considered CSR as it is not directly related to the core business strategies of companies. A concrete example for that comes from India where in 2013 the government brought into law a mandate on firms’ CSR spending (Ministry of Corporate Affairs MCA). Although the new law improved general awareness of CSR issues, this further enforced the traditional philanthropic dimension of CSR in India (Yesudhas 2017).

An attempt to overcome the hegemony of Western notions of CSR may be represented by the distinction between global and local CSR. The latter focuses on different perspectives on whether MNEs should develop centrally coordinated global CSR strategies, or whether they should stimulate decentralized, local CSR strategies (Muller 2006). Husted and Allen (2006) suggest that the key difference between global and local CSR is the community that demands it. Local CSR deals with the firm's obligations based on the standards of the local community, whereas global CSR deals with the firm's obligations based on global standards to which all societies can be held. While centralization can be more efficient, it can lead to a lack of ownership and reduced legitimacy at the local level. At the same time, decentralized strategies, while locally responsive, may also be fragmented and context dependent (Husted and Allen 2006). When the local context is a developing country with lower CSR standards and less public pressure, the risk is that multinationals target the lower rather than higher standards that may be expected from them in their home countries (Muller 2006). Definitive evaluations on which approach is the most effective are difficult to attain, as the outcome of global or local CSR approaches is strictly dependent on the host-country where the company is operating. For instance, in his study on CSR in Mexican subsidiaries of European MNEs in the automotive industry, Muller finds empirical support that in a "lower CSR context", decentralized decision-making is associated with higher local CSR performance (2006).

6. Discussing MNEs' Corporate Social Responsibility in Global Standards and Local Complexities

In the following section, the abovementioned knowledge on tensions happening in the triangular relationship between global ethical standards, the local context and CSR guidelines faced by MNEs operating in developing countries is brought together and developed further.

Underlying justice implications frame the activity of MNEs in developing countries as a relevant topic for sustainability research. Due to societal pressure and increased agency in the governance set, multinationals are required to assume an active role in promoting economic growth, while ensuring compliance with the highest sustainability standards. However, the application of international ethical guidelines is not straightforward and needs to be adapted to the condition of the local context. Among different framing forces of this environment, culture has a major impact on human behavior and individuals' ethical perceptions (Soares et al. 2007). Thus, culture can be seen as an influencing factor for ethical standards in businesses across different countries. In this sense, the debate between cultural relativism

and ethical imperialism is exemplificative of inadequacies of one-way solutions. Rather, when doing business across different cultures, managers should try to balance compliance with universalistic ethical standards with relativistic adaptations to the local context.

Different approaches have contributed to explain when MNEs are faced with local–global tensions: (1) ethical theories, which are among the most prominent in the field, describe tensions in business when global and local ethical standards, influenced by different cultures, come together; (2) institutionalist theories envisage tensions when MNEs are subject to different (international and local) pressures for legitimacy; (3) governance theories detect tensions which arise from the multidimensional and multi-spatial nature of MNEs.

Additionally, an MNE that is working in a developing country not only faces challenges from the management of global–local requests but also has to comply with its own CSR dimension, which presents itself as inherent tensions. These tensions can be better understood with the notion of trade-offs and are distinguished as (1) internal trade-offs, which are inherent in the nature of CSR and question the simultaneous contribution to sustainable development of all three economic, social and environmental principles, and (2) external trade-offs, which take place when Western conceptualizations of CSR are exported and contextualized among cross-cultural contexts.

Given their global reach, MNEs are facing multiple pressures to contribute to sustainability targets. The exposure to these conflicting forces may result in tensions between the three levels (global–local–organizational).

At first glance, the boundaries of tensions between global–local and the organization's level may be blurred and sometimes overlapping. CSR initiatives, for instance, could represent the incorporation of international standards at the business level. However, the rationale that guides the adoption of certain rules at a company level may be very different from that of an international organization. The influence of the three different levels (global, local, organizational) and motivations that guide them are key determinants to understand and try to manage tensions occurring between and within the three levels. Each level is characterized by its context and specific values. Tensions may arise between the levels when conflicting values are brought together.

These findings suggest that in order to successfully implement the global standards in cross-cultural contexts, MNEs are required to embed these standards in the local economic ecosystem of developing countries. They should, in other words, work as facilitators between the global ethical standards and the local dimension.

This would, however, require a coherent CSR agenda that is firmly anchored to the core business of the company.

In view of these findings and recurring themes between the two strains of literature, a list of criteria that should guide the identification of relevant theoretical approaches is developed. Such criteria could help scholars to identify suitable theories aiming at detecting tensions between global standards and local context and at the CSR organizational level in empirical explorations and consequently increase scientific support on multilevel tensions faced by MNEs in developing countries. In this sense, a fertile theory that analyzes tensions faced by an MNE in a developing country on the three levels should: (1) represent prominent theories in international ethical business, (2) have been used in previous studies to understand CSR practices of businesses, (3) take into consideration the societal environment in which a company is operating, (4) have been used to address the activity of MNEs in cross-cultural contexts and finally, and (5) have sound scientific bases to examine the values of a corporation and the different environments where it is operating.

Moreover, throughout this chapter, some research gaps related to tensions faced by MNEs operating in developing countries were identified. Based on the review at hand, a recapitulating list of knowledge gaps is presented.¹²

From the literature consulted, it is derived that there is an overall lack of critical investigation on the concept of CSR in three domains: Firstly, acknowledgment and assessment of trade-offs and conflicts between the economic, environmental and social principles inherent in the nature of sustainable development (Hahn et al. 2010); secondly, the dominance of the mainstream Western notion of CSR and little systemic investigations on the adaptations/variations in different cross-cultural contexts, especially in developing countries (Prieto-Carrón et al. 2006; Khojastehpour and Jamali 2020). In this regard, there is especially little information on how local and global socio-political-economic factors influence CSR meaning (Mitra 2012). Additionally, evidence on CSR activities of MNEs in developing countries are “scant, mixed, and fragmented” (Jamali 2010, p. 184). A third domain that requires further investigation is that of reporting methodological biases on the relation of CSP and CFP (Rost and Ehrmann 2017). Additionally, few studies examine cultural adaptations of Western subsidiary MNEs in developing countries (Márquez et al. 2016) and how

¹² The following list of knowledge gaps is uniquely based on the author’s current knowledge and the consultation of literature. If some gaps are indeed filled, this may be due to oversight.

MNEs are dealing with tensions occurring from multidimensional levels, namely, global standards, local contexts and companies' guidelines.

Based on the following gaps, it is suggested that scholars engage in a discussion on trade-offs in CSR given the complex and multifaceted nature of sustainable development and ethical questions arising from the activity of MNEs in developing countries by critically investigating variances of CSR practices in developing countries. Additionally, questions of cultural fit of MNEs in developing countries should be investigated as the successful adaptation to local context is a driver for FDI.

Finally, and most importantly, it is recommended that scholars investigate naturally occurring tensions stemming from the multidimensional dimension in which MNEs are embedded, namely, global, local and organizational. As this review sets the stage for exploring multilevel sustainability tensions faced by MNEs, future research can build on these findings to develop appropriate strategies to deal with these tensions. Such knowledge would not only contribute to the academic debate but also be relevant for the societal and political agenda towards sustainable development. In terms of SDG 8, a comprehensive understanding and identification of multilevel tensions faced by MNEs represents a prerequisite for the achievement of "inclusive and sustainable economic growth".

7. Concluding Remarks

This chapter aimed to explore literature on tensions faced by MNEs in developing countries when confronted with global standards, local context and CSR guidelines. Given the few studies addressing the three levels simultaneously, relevant knowledge was gathered by examining two separate debates in international business ethics literature, namely, the relationship between "business ethics and culture" and "trade-offs in CSR".

The review of distinguished debates gives an overarching perspective on the multidimensional tensions faced by MNEs in developing countries. Additionally, based on these findings, criteria for the selection of suitable theoretical frameworks are developed, which could guide scholars to identify relevant theories to analyze tensions faced by real-world MNEs operating in developing countries.

The review of relevant literature emphasizes the importance of wider consideration of the context where the company is embedded. In this sense, the perspective on MNEs in developing countries allows one to better understand framing conditions in complex institutional environments and ultimately prevent other "Rana Plazas" from happening.

Moreover, in an era where the reputational character of MNEs is increasingly under the spotlight, identifying issues that could raise tensions and trade-offs on the three levels becomes fundamental to design as well as putting in place strategies to respond adequately to external and internal threads.

The author is aware that some debates have been presented without entering into an extended discussion. Ethical tensions faced by MNEs have attracted infinite numbers of contributions, and exhaustive exploration of all of them is beyond the scope of this chapter.

Despite some limitations, the author hopes that this chapter may represent a starting point to further discuss tensions happening at the different levels of operation of MNEs in developing countries.

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