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Drivers and performance outcomes of MNC's sustainable strategy for their international subsidiaries in emerging markets: An empirical examination

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ABSTRACT:

Previous studies on multinational corporations (MNCs) have not clearly explained how internal firm capabilities and external country factors together influence the MNC's choice of sustainability strategies for their subsidiaries in emerging markets. This study aims to find out which factors drive MNCs to use a standardized or adapted sustainability strategy for their subsidiaries and how these choices affect their subsidiary performance. The research is based on two main theories: The Resource-Based View (RBV) and Institutional Theory. RBV explains how a firm's size, resources, and experience contribute to the application of common global systems, and the Institutional theory provides an insight into how local rules, culture, and stakeholder pressures drive the firms to change. A qualitative multiple-case study was carried out with five Finnish MNCs having manufacturing subsidiaries in emerging markets. The data included five interviews with sustainability managers and ten sustainability and annual reports for each company (2020–2024). Thematic analysis was used to identify common drivers and outcomes. The results indicate that standardized strategies are encouraged by strong internal capabilities and experience, whereas large markets, cultural differences, and stakeholder expectations encourage adaptation. Both adapted and standardized strategies work well when they suit the situation at the local level. Before deciding on a sustainability strategy, managers must evaluate the level of capability of their firm and the host-country environment to realize both efficiency and legitimacy.

KEYWORDS: Sustainability strategy; Multinational corporations (MNCs); Emerging markets; Standardization and adaptation; Resource-Based View (RBV); Institutional Theory; subsidiary performance; Finnish firms

Contents

Figures

Tables

1 INTRODUCTION

1.1 Background

With the increased globalization and resulting reduction in barriers to trade and investment, a growing number of developed country multinationals (D-MNCs) have established manufacturing subsidiaries in emerging markets (EMs) to capitalize location location-specific advantages, such as low labor costs and large size of customers (Lartey et al., 2021). However, EMs are suffering from unprecedented social (poverty, income inequality, exploitation of labor, child labor, poor working conditions, and corruption) and environmental (air and water pollution, and resource depletion) challenges (Jamali et al., 2021; Surroca et al., 2013a). Since the formal adoption of United Nations' Sustainable Development Goals (SDGs) (*United Nations. (2015)*). There is increasing demand for D-MNCs to not only see the location advantages of EMs, but also take active steps to surmount socio-environmental challenges in these countries (Lartey et al., 2021).

D-MNCs are powerful actors in society due to their market value. For example, Amazon's revenues in 2019 were 281 billion US dollars, which is larger than Pakistan's GDP. Therefore, D-MNCs should employ sustainable operations in their subsidiaries in EMs to address the socio-environmental challenges in EMs. These sustainable operations can provide D-MNCs a competitive advantage (Duanmu et al., 2018). In a project conducted by the World Economic Forum with the support of consultancy Accenture, it was found that by initiating projects where social, environmental and economic benefits overlap, costs can be reduced by 9-16%; revenue can actually be increased by 5-20%; brand value increases by 15-30%; labor standards rise and GHG emissions fall by 13-22% *World Economic Forum (2015)*. Therefore, it is in the long-term commercial interests of D-MNCs to seize the opportunities offered by EMs (i.e., cheap labor, large customers) by employing sustainable operations.

Although literature on sustainable operations of MNCs' subsidiaries continues to expand, there are important shortcomings. Firstly, although prior research has differentiated between social (i.e., CSR) and environmental sustainable operations of MNCs' subsidiaries (Chabowski et al., 2022), but has merely focused on social (i.e. CSR) sustainable operations of MNCs' subsidiaries (Yang & Rivers, 2009). Surprisingly, the environmentally sustainable operations of MNCs' subsidiaries are not investigated. Secondly, prior research mainly concentrated on whether MNCs should standardize or adopt their CSR strategies for their overseas subsidiaries based on cultural distance (Campbell et al., 2012; Husted & Allen, 2006; Yang & Rivers, 2009). Surprisingly, although literature (Jamali, 2010a; Surroca et al., 2013b) acknowledges the importance of multi-level factors —such as the parent firm, subsidiary, industry, and host country—in explaining this choice, but their role is not tested empirically. Thirdly, the impact of sustainable strategies on subsidiary performance is inadequately studied. Previous academic research has mainly focused the impact of CSR on financial performance (Perrini et al., 2011; Yin & Jamali, 2016), without differentiating between local vs global CSR, and between CSR and corporate environmental responsibility. Therefore, it is very important to address these gaps by investigating the drivers and performance outcomes of MNCs' sustainable strategies for their international subsidiaries in emerging markets. The findings of this research will guide MNC managers in developing more effective and context-sensitive sustainability strategies for emerging markets.

1.2 Research question and objectives of the study

The preceding discussion on research gaps steers the course of the present thesis. Accordingly, the main research objective of the present thesis is ***to explore the drivers and performance outcomes of multinational corporations' (MNCs) standardized versus adapted sustainable strategies in their international subsidiaries operating in emerging markets.***

Accordingly, the main research question of this thesis is:

What are the drivers and performance outcomes of MNC's standardized versus adapted sustainable strategy for their international subsidiaries in emerging markets?

In order to better answer the main research question, the following sub-objectives are developed:

(1) *To study the conceptualization, motives, types, and performance of international subsidiaries.*

(2) *To increase understanding about the elements and types of sustainable strategy in international subsidiaries.*

(3) *To explore the internal and external factors influencing the choice of MNCs' sustainable strategy for their international subsidiaries in emerging markets.*

(4) *To explore the influence of sustainable strategy on international subsidiary performance in emerging markets.*

1.3 Delimitations of the study

There are several delimitations of this study. Firstly, the study focuses on MNCs' subsidiaries operating in emerging markets. Therefore, MNCs' subsidiaries operating in developed or frontier markets are not focused. Emerging markets are different from developed and frontier markets in terms of economic growth rates and institutional voids and social-economic issues, and therefore findings of this study would be refined for emerging markets. Secondly, this study keeps its analytical focus on international subsidiaries while discarding headquarters operations as well as domestic operations of MNCs to conduct an in-depth investigation of sustainability strategies in implementation and adaptation contexts. Thirdly, the developed framework would be tested by collecting data from multiple industries in Finnish manufacturing sector. This would increase the generalizability of study findings. Fourthly, the study examines the influence of socio-environmental strategy on subsidiary performance instead of investigating the broader implications of socio-environmental strategy for the emerging markets. Lastly, this research is built on a framework that uses both institutional theory and the resource-based view (RBV). Institutional theory is used to explain how external pressures from the host country environment (e.g., regulatory systems, cultural norms and stakeholder expectations) influence MNCs' sustainability strategies. The resource-based view complements this by focusing on internal organizational factors (e.g., firm capabilities, prior experience and strategic intent). The combination of these theories gives us a complete understanding of a sustainable strategy (standardized vs. adapted) and how this impacts subsidiary performance. This theoretical choice narrows the study only to those variables that support the two basic perspectives and excludes stakeholder theory or dynamic capabilities.

1.4 Definitions of key terms

The key terms used in this thesis are defined below:

Multinational Corporations (MNCs): Multinational corporations must operate legally in two or more countries as business entities. The organization conducts foreign direct investment (FDI) by holding ownership control of value-creating activities that cross international borders (Bosch, 2024).

International Subsidiaries: An international subsidiary is a foreign company operated by a parent company from another nation through ownership structures (greater than 90% equity) that control activities, lower the tax bill, and reduce both financial and legal risks (Lewellen & Robinson, 2013).

Sustainable Strategy: A sustainable strategy requires the seamless integration of sustainability across core business functions, which enables organizations to reduce negative globalization im-pacts and creates positive outcomes for economic growth, social progress, and environmental protection (Haugh & Talwar, 2010). Through this strategic framework, organizations gain access to the essential parts of their decision processes as well as operational methods and performance objectives. A sustainable strategy means whether MNC chooses standardized (i.e. global) sustainable strategy or adopted (i.e. local) sustainable strategy for their subsidiaries in emerging markets (Garri, 2022)

Emerging Markets: The term emerging markets stands for nations which experience major economic shifts with fast economic development combined with minimal wealth and inadequate public processes. These nations work inside weak economic structures with plans to establish stronger stability levels and better levels of prosperity. Gammeltoft and Hobdari, (2017) establish that emerging market economies demonstrate strong potential growth together with inadequate institutional frameworks, differentiating them from both developed and least-developed countries. The development of these countries occurs through increased international trade openness and improved infrastructure and market and governance system reforms.

Sustainability: The strategic method of sustainability enables businesses to reduce their operational waste while developing green technologies and build relationships with stakeholders to deliver financial solutions for social and environmental needs. Sustainable practice integration builds a value portfolio which decreases operational costs while lowering business risks and upgrading reputation that stimulates innovation to generate higher shareholder value (Bos-Brouwers, 2010).

Acquisition subsidiary: An MNC's acquisition subsidiary occurs when it results in acquiring an established local firm in the host market. Through acquisitions, the firm achieves fast-market entry combined with its target company's existing client base and organizational expertise as well as regional established legitimacy (Dow & Larimo, 2011).

Greenfield subsidiary: A greenfield subsidiary involves an MNC entering a foreign market by building its operations from scratch, constructing new facilities and creating new organizational systems. Which provides full control over the new venture and aligns closely with the firm’s strategic values and practices but typically requires more time, financial investment and carries greater operational risk (Dow & Larimo, 2011).

Subsidiary Performance: The achievement of MNC subsidiary goals in the host country constitutes subsidiary performance. The evaluation involves financial performance as well as market sensitivity and corporate goal conformity. Performance assessment of subsidiaries operates on two levels including quantitative indicators such as profitability combined with qualitative factors regarding parent-company integration and market adaptability. According to Chiang, (2007), Subsidiary performance refers to how effectively a subsidiary supports the broader objectives of a multinational corporation (MNC). It is normally measured using market share, market share growth, sales growth, profit growth, general profitability and ability of the subsidiary to innovate.

Internal Factors: A multinational enterprise (MNE) uses strategic motivations and internal characteristics to make its operational decisions which are called internal factors.

Internal factors which originate from within the organization include gaining a competitive advantage and obtaining legitimacy in the local market among other goals. Firms follow internal strategic directives by integrating resource-based view theory and institutional framework to use their distinctive capabilities within their values and organizational culture systems to develop operational activities in accordance with their extended business strategies (Fufa & Roba, 2020).

External Factors: Business decisions regarding corporate social responsibility (CSR) of multinational enterprises (MNEs) are determined by outside influences known as external factors. A firm's political and institutional environment within the host country and its relationship with government organizations represent significant external factors. The external factors push companies toward implementing creative CSR strategies or causing them to maintain conventional government-compliant approaches (Gulema & Roba, 2021).

1.5 Previous studies

Many studies have analyzed how MNCs apply sustainability throughout their international branches, with a focus on emerging markets. Such studies focus on the reasons behind corporate decisions such as the role of institutions, strategies and resources, as well as on what outcomes these actions lead to, including company reputation, financial statistics and the opinions of all stakeholders.

This section brings together studies to explain how companies succeed with sustainability strategies by adapting to the local situation and working with stakeholders. The table below lists 15 important studies that give insight into MNC sustainability strategy in emerging market subsidiaries.

Table 1 Previous Studies

Author(s) / Year	Focus of the Study	Methodology	Findings of the Study
Husted & Allen, (2006)	Strategic vs. institutional CSR in MNCs	Survey of MNEs in Mexico	It is usually institutional forces that influence CSR strategies in companies' subsidiaries, rather than strategic thinking, in emerging markets.

Jamali, (2010b)	CSR transfer in MNC subsidiaries	Case study (Lebanon)	Parent-subsidiary dynamics shape CSR approaches; institutional duality affects adaptation in emerging markets.
Surroca et al., (2013b)	Stakeholder pressure and irresponsible practices	Empirical panel data of 169 MNCs	Weak institutional environments allow CSR decoupling, leading to negative performance in subsidiaries.
Zhao et al., (2014)	Social vs. economic adaptation strategies	Empirical (180 MNCs in China)	Social adaptation reduces crisis vulnerability, reinforcing non-market strategies as sustainability drivers.
Frynas & Yamahaki, (2016)	Motivations for CSR in MNCs	Theoretical synthesis	Both normative and instrumental motivations coexist; strategic orientation shapes local CSR implementation.
Sinkovics et al., (2014)	CSR performance in global value chains	Mixed methods	Transparency and local responsiveness drive social performance of MNCs in emerging market subsidiaries.
Cuervo-Cazurra et al., (2016)	Institutional influences on MNC strategies	Comparative institutional analysis	Home and host institutions shape MNC sustainability strategies in emerging markets.
Amaeshi et al., (2008)	CSR and institutional challenges in EMs	Conceptual and empirical review	It is challenging for MNCs to design CSR strategies that suit the weaked institutions found in emerging markets.
(Narula, 2019)	Impact of EM MNC investment on development	Empirical	Sustainable investment strategies by EM MNCs generate mutual home-host benefits.
Kolk & Rivera-Santos, (2018)	Grand challenges and MNC strategies	Conceptual	Effective sustainability strategy in developing countries requires hybrid logics and local embeddedness.
Yin, (2017)	CSR practices and legitimacy in emerging markets	Survey of Chinese subsidiaries	Aligning stakeholder interests and having a close cultural connection make a company’s CSR more effective and accepted.
Doh & Guay, (2006)	CSR strategy formation in EM subsidiaries	Survey in Ethiopia	Both influences from organizations and factors involving resources help determine CSR approaches.
Meyer & Peng, (2016)	Role of institutions in sustainable MNE operations	Empirical	Institutional frameworks significantly affect MNEs' ability to align with SDGs in emerging markets.
Husted et al., (2010)	Strategic governance for sustainability	Qualitative (85 firms)	The way a company organizes management and company structure affects its CSR outcomes.
George et al., (2016)	Integration of sustainability in MNEs	Synthesis review	To be sustainable, there must be cooperation between HQ and subsidiaries in complicated organizations.

Zhao et al., (2014) investigate how multinational firms that function in emerging markets use social strategies to handle forthcoming challenges and remain legitimate. They say that making changes for economic reasons may deliver immediate benefits, but it can also lead to more local criticism. He explains that the effectiveness of CSR in subsidiaries can be achieved when headquarters and institutions in the host country develop CSR plans together. Overall, such studies highlight that how a company is connected to its environment is key to developing a sustainable strategy. In the current thesis, these theories show that to be successful, MNCs in these settings need to respond quickly to their local social environment and the gaps in institutions.

Doh & Guay, (2006); Husted & Allen, (2006) look at the role that institutional background and governance have on MNCs' CSR strategy. Both papers show that regulations from outside often have a stronger impact than internal plans, especially when local policies do not match common global standards. Surroca et al., (2013b) support the evidence above by suggesting that the lack of action by headquarters can make it easier for subsidiaries to behave irresponsibly. These studies are significant because they give the framework, to explain the role of external factors from a company's environment on its performance and strategy building.

According to Yin, (2017), what really matters for sustainability performance in subsidiaries is internal strategy, company capabilities and governance. They highlight that transformational leadership, active employee engagement and well-coordinated internal governance structures within MNCs boost the possibility of successful sustainability within the company.

How MNCs deal with stakeholder requirements and gain legitimacy is examined by Amaeshi et al., (2008); Kolk & Rivera-Santos, (2018). They point out that strategies should be suited to local cultures and values. Furthermore, Yin, (2017) introduces MNCs as means to help countries gain knowledge and legitimacy by acquiring institutional learning. They add value to the current thesis by explaining that building stakeholder engagement and legitimacy is fundamental to the strategy of sustainability in emerging countries.

Cuervo-Cazurra et al., (2016) and Narula, (2019) investigate the link between laws and frameworks set by the host nation and Multinational Corporation (MNC) behavior. They demonstrate that higher worker standards and the need for local solutions motivate MNCs to work on sustainability in step with both the law and what their competitors do. This information matters especially for this thesis since it shows how fulfilling compliance standards often drives sustainable actions at the subsidiary level.

Frynas & Yamahaki, (2016), George et al., (2016) and Meyer & Peng (2016) discuss how MNCs modify their strategies when faced with a variety of institutions and limited resources. Their work collectively supports the current thesis's theoretical model, which incorporates both institutional and resource-based perspectives to explain sustainability strategy formulation and implementation in emerging market subsidiaries.

1.6 Structure of the Thesis

The thesis contains five main chapters to understand multinational corporations' (MNCs) sustainable strategies in their international subsidiaries operating in emerging markets and their performance results. ***Chapter 1*** introduces the background and motivation for the study, outlines the research question and objectives, defines key terms, presents delimitations, and provides a brief overview of previous related studies. It also concludes with the structure of the thesis. ***Chapter 2*** provides a detailed assessment of suitable scholarly works on the topic. The chapter critically discusses the way multinational corporations (MNCs) develop and implement sustainability strategies within their international subsidiaries. It investigates major motivational factors including institutional pressure, leadership orientation and resource capabilities and evaluates the impact of these variables on strategic decisions and subsidiary performance in the emerging markets. The discussion also contrasts the different forms of sustainability strategies, indicating internal and external drivers that influence subsidiary level practices. This chapter is closed by a conceptual framework that integrates these insights into guiding the empirical analysis of the drivers and outcomes of sustainable strategies of MNCs in emerging markets. ***Chapter 3*** explains the research methodology by describing the qualitative approach adopted for this study and the reasoning behind its selection. The section outlines the process of data collection through semi-structured interviews, sustainability and annual reports, and other publicly available company data. It further explains the sampling procedure as well as the data analysis procedures and builds reliability and validity which are based on triangulation and methodological rigor. In ***Chapter 4,*** the results of the research are discussed based on the qualitative data obtained through interviews with key informants representing the MNCs in emerging markets, and enhanced with the analysis of documents on sustainability reports and corporate disclosures. The results are presented based on the main themes that mirror internal and external determinants of a sustainable strategy choice and the performance implication of the latter. ***Chapter 5*** is last chapter and it compares the study findings with prior existing scholarly debates and academic findings. It has both theoretical and managerial implications, it points out the contribution of the research, it explains the limitations, and the future research directions it suggests.

2 LITERATURE REVIEW

2.1 Conceptualization and motives of international subsidiary

Conceptualization of international subsidiary

A subsidiary can be defined as "any operational unit controlled by the multinational company (i.e., MNC owns more than 90% equity in subsidiary) and situated outside the home country" (Corry & Cormican, 2019). The MNC depends heavily on these foreign-based business units to construct its global framework. Subsidiaries are not just implementers of the headquarters strategy but also plays active roles in adapting local markets, managing operations and sometimes creating new innovations within their local contexts (Meyer et al., 2020). According to Andrews et al., (2023), even though business operations are becoming more flexible and globally integrated, subsidiaries play an important role for local customer needs, legal issues and market presence. The roles a subsidiary takes vary based on the company's structure and business objectives of the company. According to Ojala and Nahar, (2004), setting up international subsidiaries is a complex process which contains several steps, especially in the software and technology sectors, where information technology tools can help companies manage and run their subsidiaries more effectively.

Motives of international subsidiary

Companies establish international subsidiaries for different reasons. The framework designed by (Dunning, 1998) features four different motivational categories for companies establishing international subsidiary: to enter new markets (market-seeking), to produce goods for multiple markets efficiently (efficiency-seeking), to access cheap resources (resource-seeking) and to gain knowledge or technology (strategic asset-seeking) (as cited in Meyer et al., (2020). These motivations are directly related to the strategic goals of the multinational enterprise (MNE) and help explain both the location and structure of foreign investments.

According to Ramsey & Bahia, (2013), the performance of a subsidiary depends on its strategic purpose. For example, if a subsidiary's purpose is to grow market share, then sales and customer numbers are important performance measures. But to achieve innovation success requires organizations to define success through productivity measurements or new product creation.

Additionally, the research by Belniak, (2015) demonstrates how company motivations operate from internal organizational resources and management direction as well as external market difficulties or international competition. She categorizes these motivations into push and pull elements that describe how companies need to push away from saturated domestic markets and experience pull toward new global market opportunities. Firms usually choose to expand their activities into international markets which typically have less competition but greater chances for growth when there is too much competition or limited growth in the home country. In sum, companies form subsidiaries in overseas markets for one or more of the following motives of resource seeking, market seeking, efficiency seeking and strategic asset seeking.

2.2 Types of international subsidiaries

Prior literature on international business identifies two main types of subsidiaries which are discussed below:

Acquisition subsidiary

As discussed by Pehrsson, (2020), a wholly owned subsidiary branch called an acquisition subsidiary develops from a host-country firm by purchasing its local presence in a specific destination country. Firms attracted to the acquisition subsidiary approach gain quick market entry benefits from purchasing a local firm, combined with its institutional knowledge related to the host country and exclusive access to legitimacy within the same market. In addition, Welch & Luostarinen, (1993) highlight further advantages such as immediate access to the established customer base, developed distribution channels, firmly established customer base, and developed supply chains were some additional benefits as they cut setup costs and time. The acquisition of a local firm also allows the parent company to obtain useful market information, increases strategic planning agility, and instant competitive positioning, which explains why it is a common method of internationalization.

Greenfield subsidiary

Pehrsson, (2020) also explained that a greenfield subsidiary refers to a wholly owned subsidiary where a company constructs its operations completely from the beginning on foreign territory. The entry mode provides increased control and strategic opportunities at the expense of more resources and extended dedication, which makes it suitable for establishing first footholds. Additional benefits have been highlighted by Welch & Luostarinen, (1993) are the opportunity of coming up with specialized operations, creation of strategic local networks and organizational learning. Greenfield subsidiaries may also provide platform on which firms may use to explore outward internationalization opportunities in the future since doing so helps these firms to gain market expertise, build supplier and customer networks and use both as platform of further internationalization. Additionally, an internal growth process can usually contribute to innovation and capability building, which is a source of competitiveness of the parent firm in other markets as well.

2.3 Performance of international subsidiaries

Understanding how multinational corporations (MNCs) evaluate the performance of their international subsidiaries is essential for examining the outcomes of strategic initiatives such as sustainable strategy implementation, particularly in emerging markets. This section explains how other studies have measured performance of subsidiaries by using both objective and subjective methods and justifies why this thesis is using one approach.

Objective measures typically include quantifiable financial metrics such as return on assets (ROA), return on investment (ROI), sales growth and profit margins. These indicators are often derived from audited financial statements or organizational records and are valued for their standardization and comparability (Zahra & Siddiqui, 2020). As an example, examining financial results of subsidiaries in emerging markets, researchers often depend on ROI and ROE to assess their performance. However, despite their numeric precision, objective data can be difficult to obtain in cross-country settings due to differences in national accounting standards, lack of transparency, or restricted access to subsidiary-level financial reports (Singh et al., 2016).

In contrast, subjective performance measures depend on managers personal beliefs and qualitative assessments. These may include self-reported evaluations of overall performance, satisfaction with financial results and the extent to which subsidiaries meet strategic goals—including environmental and social objectives (Schachter, 2010). Subjective assessments have become more common in international business literature because they focus on more than just financial results. According to Falcão et al., (2017), the importance of local responsiveness, marketing effectiveness and environmental dynamics factors that are often better captured through subjective means. Moreover, Singh et al., (2016) provide empirical support that subjective and objective measures are significantly correlated and that subjective measures are internally consistent and valid, especially when financial data are limited or unavailable.

Considering the emphasis on sustainability in emerging markets, subjective measures offer a comprehensive and context-sensitive strategies to assess subsidiary performance. Sustainability initiatives often involve goals such as community engagement, environmental protection and ethical governance, these dimensions are not easily quantified using standard financial indicators. Furthermore, the outcome of sustainability efforts often appears long term or intangible ways like building a stronger reputation or gaining the trust of stakeholders, which objective measures may fail to capture. Therefore, Subjective measures offer more flexibility and meaningful insight to evaluate how sustainable strategies are implemented and experienced within subsidiaries.

For this reason, this study adopts subjective performance measures to evaluate the performance outcomes of MNCs' sustainable strategies in their international subsidiaries. These measures will include (1) overall managerial perception of subsidiary performance, (2) satisfaction with financial performance, and (3) satisfaction with the achievement of strategic, environmental, and social objectives. This approach ensures the inclusion of both financial and non-financial outcomes which aligning well with the research aim to explore the drivers and impacts of sustainability within international subsidiary operations.

2.4 Sustainable strategy of international subsidiaries

International subsidiaries of MNCs make sustainability a strategic business priority when they operate in emerging markets Baharin, (2012). The growing requirements of governments and stakeholders and consumers drive businesses to develop sustainable procedures which support responsible conduct (Zeriti et al., 2014). Both the corporation and society benefit from long-term worth creation through integrated environmental and social goals which are aligned with economic targets in a sustainable strategic framework (Baharin, 2012).The strategy which are adopted by MNCs often varies based on internal corporate principles, external institutional pressures and local market attributes.

2.4.1. Elements of sustainable strategy

According to Baharin, (2012), sustainable strategy of MNCs typically includes two key dimensions: social and environmental sustainability. The "triple bottom line" approach shows its connection to people (social) elements as well as planet (environment) elements and profit (economic) elements (Baharin, 2012). The social elements require organizations to protect worker rights together with workplace safety and community development initiatives. The environmental strategy includes three elements which are carbon emission reduction, resource conservation and deploying eco-friendly technologies.

Firms demonstrate the importance of these elements through their outcome evaluation methods. For example, the core sustainability benchmarks for performance evaluation consist of water and energy measurement, waste minimization, carbon emissions measurement and employee wellness assessment (Hristov et al., 2022). Subsidiary success in integrating CSR practices leads to enhanced legitimacy together with greater stakeholder trust and enhanced long-term organizational performance.

This research emphasizes the social and environmental part of sustainable strategy, because these aspects of sustainability are most closely related to what subsidiaries in emerging markets do and expect from an MNC.

2.4.2 Social and environmental sustainable practices

Zeriti et al., (2014) highlight that, sustainable practices can be applied across various stages of the marketing and distribution process. The process of product design urges companies to use sustainable materials and to maximize the recycling potential of their packaging. Companies apply efficiency in logistics and optimized packaging as distribution phase strategies to minimize environmental impact. The development of recyclable products during later stages in the product lifecycle serves to decrease environmental damage.

Sustainable subsidiaries use their resources to establish training programs and implement diversity protocols, as well as safety measures, health promotions, and community-centred and charitable initiatives (Hristov et al., 2022). By participating in these activities, the subsidiary proves it cares about financial achievement as well as the needs of its community.

In addition to these practices, MNC's subsidiaries also work on many social and environmental sustainability practices applied throughout the supply chain.

Upstream, sustainable sourcing plays a key role. Subsidiaries collaborate with suppliers that demonstrate ethical labor standards and environmental stewardship. This includes finding eco-certified raw materials, lowering emissions during shipments and not working with suppliers who could be associated with unfair treatment of workers. Sustainable sourcing also strengthens transparency and traceability in the supply network, which helps reduce risks and supports long-term brand value (Chen, 2024).

At the manufacturing level, subsidiaries apply clean technologies and eco-efficient production processes. Some examples are efficient machinery, solar-powered facilities and systems designed to produce less waste. Environmental practices at this stage also involve monitoring carbon emissions and water use, recycling waste materials, and integrating environmental management systems (EMS) that comply with international standards. Socially, this phase also focuses on ensuring safe and inclusive working environments, fair wages, and continuous employee training (Hristov et al., 2022).

In the downstream phase, subsidiaries reduce environmental impact through green logistics by optimizing transportation routes, utilizing low-emission vehicles and minimizing packaging waste. Furthermore, they implement take-back systems for products, promote repair and reuse programs, and adopt recycling-friendly packaging to encourage circular economy principles (Chen, 2024).

With such multi-level socio-environmental activities, MNC subsidiaries are not just fulfilling the law, but working to further the achievements of sustainable development. By embedding sustainability throughout the supply chain, they enhance long-term operational resilience, stakeholder trust, and local community integration (Hristov et al., 2022).

2.4.3. Types of sustainable strategy

Christmann, (2004) mentioned two types of sustainable strategies for MNCs' subsidiaries: standardized sustainable strategy and adopted sustainable strategy. A standardized sustainability strategy means that MNC implements uniform sustainability policies throughout all subsidiaries for maintaining consistent operation and corporate identity (Maione, 2023). This approach ensures global coherence and efficient resource allocation and allows MNCs to take advantage of economies of scale, particularly in sustainability reporting, branding, and environmental certifications (Silva et al., 2020). Furthermore, the standardized strategy is beneficial when global environmental or social standards can be universally applied (Burritt et al., 2020).

However, standardized strategies may not work well in all places because they lack flexibility and are not aware of local needs. They often fail to accommodate cultural, regulatory, and socio-economic differences across countries (Rondinelli, 2004.). By following such an approach, local stakeholder involvement might reduce, leaders may not implement it properly and the results may not be as reliable as intended.

Conversely, an adapted sustainable strategy enables subsidiaries to develop sustainability practices that fit the economic and social along with environmental conditions of their host countries. This localized approach enables stronger stakeholder connection along with better implementation results because of its compatibility with host country standards and regulations (Burritt et al., 2020). Furthermore, research shows that companies adopting adaptive approaches benefit from stronger legitimacy and more resilient sustainability outcomes in dynamic institutional environments (Chakrabarty & Wang, 2012).

Despite these benefits, adapted strategies can lead to inconsistencies across the corporation, increase operational costs due to overlapping initiatives, and difficulties in tracking and comparing sustainability performance across subsidiaries (Silva et al., 2020). Additionally, decentralized strategies might dilute the MNC’s global sustainability reputation or lead to internal conflict over strategic priorities.

Recent academic research introduces glocal, regional and transnational management approaches which unite worldwide standardization with localized flexibility (Burritt et al., 2020). Through these methods MNCs gain access to worldwide cost advantage systems while supporting the requirements of specific market locations and environmental sustainability issues. In this thesis, both standardized and adapted sustainability strategies are examined, as they represent the most prevalent and strategically distinct approaches in multinational sustainability management. The chosen strategies for each set of recommendations are those that are most suitable for facing the main issue challenging MNCs: balancing being global with being relevant locally. Using the standardized strategy means having a strong corporate identity and efficient operation, whereas the adapted method fits the local environment, rules and stakeholder expectations. By considering their differences, this study aims to identify the factors that work best for each approach and guide multinational corporations in how to follow sustainability goals that match expectations in different countries. By doing this comparison will reveal the best ways multinational corporations can connect their global sustainability aims to different local requirements. The goal of exploring benefits, shortcomings and best practices is to create a practical way to support decisions about implementing sustainability strategies.

2.5 Factors influencing the choice of MNC's sustainable strategy for their international subsidiaries in emerging markets

Prior research has primarily investigated the impact of cultural or institutional distance on MNCs' choice between local and global CSR for their foreign subsidiaries. Although emerging literature suggests that several determinants of the choice between local (i.e., adopted) and global (i.e., standardized) sustainable strategies should be explored (Jamali, 2010a; Surroca et al., 2013a), research has yet to address this call. In the following, determinants are categorized into internal and external factors and their influence on the choice of local vs. global sustainable strategy is derived.

This section looks at the internal and external conditions that shape how multinational corporations (MNCs) formulate and apply sustainability strategies in their foreign subsidiaries. Existing academic research explains how every factor plays a role in forming aspects of strategy making. At the end of every subsection, a testable proposition is suggested that matches the purpose of the research.

2.5.1 Internal Factors

Firm Size

Firm size plays a critical role in shaping an MNC's approach to sustainability strategy implementation, particularly in emerging markets. It typically refers to the scale of the organisation in terms of revenue, number of employees, total assets, and global reach. Larger multinational corporations often benefit from more robust financial, technological, and human resources, which enhance their ability to develop, standardise, and enforce sophisticated sustainability programs across their global operations (N. Sinkovics et al., 2014).

Due to their heightened visibility and public scrutiny, large firms are more frequently held accountable by global stakeholders, international watchdogs, and rating agencies. This reputational exposure incentivises them to adopt standardised sustainability strategies that align with global frameworks, such as the Global Reporting Initiative (GRI) or

UN Sustainable Development Goals (SDGs)(Elalfy et al., 2021). Standardisation helps ensure consistency, brand reputation, and compliance across markets, especially in risk-sensitive sectors like manufacturing, energy, and consumer goods. In contrast, smaller MNCs may lack the capacity and institutional pressure to apply standardized approaches. Resource constraints may lead them to prioritize short-term cost efficiencies over long-term sustainability commitments, resulting in less comprehensive or more adaptive practices tailored to local contexts. Based on the above discussion, the following proposition is developed:

P1: The size of the parent firm has a positive impact on the choice of standardized sustainable strategy in emerging markets.

International Experience

International experience refers to the breadth and depth of a firm's operational exposure across diverse foreign markets over time. This includes the number of countries in which an MNC has established subsidiaries, the length of its foreign operations, and the variety of institutional contexts it has navigated. Such experience plays a pivotal role in shaping how MNCs approach sustainability, particularly in emerging markets where institutional conditions differ significantly from those in developed economies (Jamali, 2010a; Meyer et al., 2020).

Firms with extensive international experience are more adept at recognising institutional diversity, cultural nuances, and local stakeholder expectations. This familiarity allows them to avoid one-size-fits-all solutions and instead tailor sustainability practices that resonate with local communities, regulators, and customers (Rickley, 2019). For example, a company operating across both South Asia and Sub-Saharan Africa may learn to differentiate between community-driven initiatives and regulation-driven compliance strategies. This sensitivity increases the firm’s legitimacy and fosters trust within local ecosystems.

Furthermore, international experience strengthens cross-cultural managerial competencies and enhances organizational learning capabilities. These factors collectively empower subsidiaries to autonomously develop or adapt strategies while staying aligned with broader corporate goals. As such, international experience is a strong predictor of a firm's preference for locally adapted sustainability strategies. In the light of the above analysis, we construct the following proposition:

P2: Prior international experience of the parent firm has a negative impact on the choice of standardized sustainable strategy in emerging markets.

Prior Host Country Experience

Prior host country experience refers to the extent of an MNC's operational familiarity with a specific emerging market based on previous or ongoing business engagements. This may include years of market presence, established local partnerships, accumulated knowledge of the regulatory environment, and an understanding of cultural and institutional dynamics (Jamali, 2010a). Such embedded experience provides a significant strategic advantage when formulating sustainability strategies for subsidiaries.
MNCs with substantial prior host country experience are better equipped to interpret formal and informal institutional rules, navigate bureaucratic complexities, and respond effectively to local stakeholder expectations. They are also more familiar with country-specific socio-environmental challenges, such as infrastructure gaps, resource constraints, labour issues, or environmental degradation. This familiarity enables firms to design sustainability strategies that are contextually grounded and practically relevant, increasing their credibility and legitimacy within the local community (Gomez-Trujillo et al., 2024).

Moreover, accumulated experience reduces uncertainty and perceived risk, encouraging subsidiaries to innovate and engage in broader sustainability initiatives beyond mere compliance. Companies with deep roots in the host market are also more likely to co-create sustainability solutions with local actors, such as NGOs, governments, and community leaders, thus enhancing long-term impact (Ali et al., 2021). Given the relationships established in the preceding section, the following proposition emerges:

P3: Prior host country specific experience of the parent firm has a negative impact on the choice of standardized sustainable strategy in emerging markets

Motive of Foreign Subsidiary

The strategic reasons to set up a foreign subsidiary have a great influence on the kind of sustainability strategy it pursues namely, either a standardized or an adapted strategy. Based on the eclectic paradigm presented by Dunning, multinational corporations (MNCs) normally go foreign to seek a market, seek resources, seek efficiency or strategic asset (Kolk & Rivera-Santos, 2018). These reasons have an impact on how extensively a subsidiary is integrated into the local environment and in turn, it adopts in realizing the sustainability initiative.

The current environment of the stakeholder has given rise to the demands put on subsidiaries in not only dealing with social sustainability imperatives but also environmental sustainability. Nonetheless, the strategic orientation of such initiatives will be determined by the rationale behind the foundation of the subsidiary. The market-seeking subsidiaries tend to be fully integrated into the local market with the aim of developing the relationships with local customer base, regulators, and communities. Consequently, they tend to follow locally oriented sustenance approaches that comply with the ideas of the host country and cultural standards (Rugman & Verbeke, 2001).

In contrast, resource-seeking, efficiency-seeking as well as strategic asset-seeking subsidiaries are less likely to be embedded into domestic consumer markets. They might be engaged in supplying the international value chains and the final produces might be exported to other countries. As a result, these subsidiaries have the propensity to adopt typical sustainability practices that are in line with the corporate headquarters or international standards, instead of conforming to local expectations in terms of sustainability (Meyer & Peng, 2016).

Therefore, the strategic reason of going international does not only influence the priorities of functioning of a subsidiary but can be used as a reference to determine whether a subsidiary must localise (adapt) or globalise (standardise) its sustainability approach.

To summarize, depth of sustainability-strategy localisation or standardisation relies upon the strategic justification of the subsidiary that is, how deep-rooted the subsidiary is within the host-country environment. Building on the conceptual framework outlined earlier, the following proposition is suggested:

P4: Market seeking motive of subsidiary have a negative impact on the choice of standardized sustainable strategy in emerging markets, while resource, efficiency, and strategic asset seeking motives of subsidiary have a positive impact on the choice of standardized sustainable strategy in emerging markets.

Prior Expertise in Sustainability

An MNC's prior expertise in sustainability refers to its accumulated knowledge, capabilities, and practices related to implementing and managing sustainability initiatives across its global operations. This expertise often stems from years of involvement in corporate social responsibility (CSR), environmental reporting, stakeholder engagement, and alignment with global sustainability frameworks such as the UN SDGs, ISO 14001, or the Global Compact (Frynas & Yamahaki, 2016; Jamali et al., 2021).

Firms with a strong track record in sustainability tend to institutionalise such practices into their organizational routines, making them easier to replicate across subsidiaries. These MNCs have likely developed internal mechanisms such as standardized reporting systems, sustainability performance indicators, and training programs, which promote consistency in implementation. As a result, they are more inclined toward standardised sustainability strategies, especially when entering new or less familiar markets, as these proven practices provide a framework that reduces ambiguity and implementation risk (Elg et al., 2017).

Furthermore, prior expertise allows firms to achieve better cost-efficiency in sustainability execution by leveraging shared knowledge, central resources, and best practices. It also enhances their ability to comply with both global expectations and investor scrutiny, further incentivising a standardised approach (Vigneau et al., 2015). Hence, previous experience becomes a strategic asset in driving coherent sustainability across geographies. From the above rationale, the study derives the following proposition:

P5: Prior sustainability experience of the parent firm has a positive impact on the choice of standardized sustainable strategy in emerging markets.

Firm International Commitment (Number of Countries)

Firm international commitment refers to the extent of a multinational corporation's global footprint, typically measured by the number of foreign markets it operates in, the share of revenues from international operations, or the degree of strategic emphasis placed on internationalization. It reflects how deeply embedded an MNC is in global operations and how integral its foreign subsidiaries are to the overall corporate strategy (Cuervo-Cazurra et al., 2016).

High levels of international commitment often necessitate strong coordination, brand coherence, and operational consistency across borders. In such cases, MNCs are more likely to adopt standardized sustainability strategies that can be uniformly applied to subsidiaries worldwide. This ensures that corporate values, sustainability goals, and performance metrics are aligned globally facilitating easier governance, unified stakeholder communication, and more efficient sustainability reporting (Salvioni & Bosetti, 2014).

Moreover, globally committed firms are under constant scrutiny from international regulators, institutional investors, and transnational advocacy groups. These firms must demonstrate accountability and consistent performance on environmental and social metrics across all markets, pushing them toward globally harmonized practices (Lambin, 2020). Standardization also supports economies of scale in implementing sustainability tools and technologies, further reinforcing this tendency. The synthesis of existing studies supports the development of the following proposition:

P6: High international presence (i.e., parent firm geographical diversification) of the parent firm has a positive impact on the choice of standardized sustainable strategy in emerging markets.

Product Variety (Differentiation)

Product variety, or differentiation, refers to the degree to which an MNC offers diverse product lines, customized offerings, or niche solutions tailored to specific market segments. High product variety often reflects a firm's strategic emphasis on innovation, brand distinctiveness, and value-added differentiation. In this context, sustainability is frequently embedded into the firm's value proposition as a competitive differentiator and a reflection of corporate identity (Gupta & Benson, 2011).

MNCs with a diversified product portfolio are more likely to integrate sustainability at the core of product development and marketing strategies. For instance, firms offering environmentally friendly packaging, ethically sourced materials, or energy-efficient technologies use sustainability to signal quality and social responsibility to discerning customers. This integration of sustainability into product design and branding often promotes its diffusion across the firm's global operations (White, 2009).

Such firms may be more inclined to adopt a hybrid approach standardizing core sustainability principles (such as compliance and supply chain ethics) while adapting messaging or specific product-level initiatives to suit local preferences. However, the foundational presence of sustainability across their offerings leads to greater coherence and organizational alignment, pushing the firm toward more systemic, possibly standardized, practices across subsidiaries (Beusch et al., 2022). Accordingly, the study propositions that:

P7: Product diversity of the parent firm has a positive impact on the choice of standardized sustainable strategy in emerging markets.

Subsidiary Relatedness

Subsidiary relatedness refers to the degree of strategic, operational, and structural alignment between a multinational corporation's headquarters and its foreign subsidiaries (Larimo et al., 2016). This concept captures how closely a subsidiary's operations, products, and business goals mirror those of the parent firm. When the subsidiary is highly related, such as sharing similar technologies, target markets, or managerial systems, it becomes easier to transfer policies, practices, and knowledge across borders, including sustainability-related initiatives (Meyer et al., 2020).

In highly related subsidiaries, the corporate centre can exert stronger control over sustainability implementation. Standardized strategies are more feasible because organizational routines and values are already harmonized. These subsidiaries tend to follow a unified sustainability agenda that aligns with the parent company's broader mission and branding objectives (Fourati et al., 2025). Conversely, when subsidiaries operate in unrelated industries or pursue distinct local objectives, the relevance of the parent firm's sustainability practices may diminish. In such cases, subsidiaries may require more autonomy to adjust sustainability approaches according to local stakeholder expectations and market realities. This divergence increases the likelihood of adapted sustainability strategies (Shah & Arjoon, 2015). Therefore, the degree of relatedness is a key determinant of whether sustainability strategy is centralized and standardized or decentralized and tailored. On this basis, the research propositions that:

P8: Subsidiary relatedness with parent firm has a positive impact on the choice of standardized sustainable strategy in emerging markets.

Openness

Openness refers to an MNC's organizational disposition toward transparency, inclusiveness, and receptiveness to external input, particularly from diverse stakeholders such as customers, employees, regulators, NGOs, and community groups. It reflects a cultural and strategic orientation that encourages engagement, knowledge exchange, and responsiveness to socio-environmental expectations beyond the firm's internal boundaries (Camilleri et al., 2023).

Firms characterized by high openness are more likely to consider local stakeholder voices in the formulation and implementation of sustainability strategies. In emerging markets, where social and environmental needs are often acute and highly context-specific, openness becomes a critical enabler of adaptive sustainability practices (Tarnovskaya et al., 2022). Open organizations are more inclined to collaborate with local institutions, participate in public-private partnerships, and align their strategies with local development goals. This inclusive approach enhances legitimacy, builds trust, and increases the overall impact and relevance of the subsidiary's sustainability efforts (Juntunen et al., 2019).

In contrast, firms with low openness may rely on top-down, standardized strategies that prioritize efficiency and control, potentially at the cost of local responsiveness. Such strategies risk overlooking community needs or underestimating institutional complexity in the host environment (Hitt, 2016). The proposition derived from the above discussion is:

P9: The parent firm' openness has a negative impact on the choice of standardized sustainable strategy in emerging markets.

2.5.2. External Factors

Size of Target Country (Small/Large)

The size of the target country—measured primarily by population and the number of potential customers—significantly influences the sustainability strategies of multinational corporations (MNCs) (Ahmed & Saeed, 2023). Larger countries with substantial populations represent vast consumer markets, offering MNCs opportunities to scale operations, enhance market share, and increase long-term profitability. In such contexts, firms are more likely to view sustainability as a strategic investment rather than a compliance measure, aligning environmental and social initiatives with long-term brand building, competitive advantage, and market positioning (Cardoni et al., 2020a).

In populous countries such as China, India, or the United States, the sheer size of the market incentivizes MNCs to invest in sustainability initiatives that enhance reputation, foster customer loyalty, and meet rising consumer expectations around corporate responsibility. Moreover, the potential for reputational risk is amplified in large markets, encouraging firms to proactively engage in socially responsible behaviour to maintain legitimacy and avoid backlash. This often leads to more integrated and comprehensive sustainability strategies that are embedded into core business operations (Cici & D'Isanto, 2017).

Conversely, in smaller countries with limited population size and lower market potential, the strategic payoff of investing heavily in sustainability initiatives may appear less compelling from a business perspective. MNCs may choose to implement more standardized, cost-efficient sustainability frameworks that fulfil minimum regulatory requirements without significant localization. The relatively smaller scale of operations may reduce the perceived need for extensive stakeholder engagement or tailored environmental programs, resulting in a more centralized and uniform approach (Rhodes et al., 2014).

Thus, the population size of the target country influences not only the depth and breadth of sustainability efforts but also the degree of strategic integration and resource allocation. On this ground, the study presents the following proposition:

P10: MNC subsidiaries in larger (more populous) countries are more likely to adopt locally responsive and strategically integrated sustainability strategies compared to those in smaller countries.

Competition in Target Country (Low/High)

The intensity of market competition in the host country significantly influences how multinational corporations design and implement their sustainability strategies. In highly competitive environments, firms are under constant pressure to differentiate themselves not only through pricing or innovation but also through ethical and sustainable practices. In such markets, sustainability becomes a strategic tool to build reputational capital, enhance brand equity, and attract socially conscious consumers, investors, and partners (Yin & Jamali, 2016).

Under conditions of high competition, subsidiaries are more likely to adopt locally tailored sustainability strategies to meet specific stakeholder expectations and respond effectively to local institutional voids or civic demands. Such adaptive approaches help firms build legitimacy, customer loyalty, and social license to operate, all of which are vital in contested or dynamic markets (Elg et al., 2017).

Conversely, in markets with low competitive intensity, the pressure to stand out through sustainability is reduced. Firms may deprioritize localized social or environmental initiatives and instead adopt standardized strategies that fulfil baseline compliance or corporate-level directives (Vigneau et al., 2015). This is especially likely in industries where sustainability is not yet a core market differentiator. Accordingly, the proposition is stated as follows:

P11: Level of competition in the host country has a negative impact on the firm's choice of standardized sustainable strategy in emerging markets.

Market Similarity (Formal Institutional Distance)

(Ionascu et al., 2005) described formal institutional distance as the degree of dissimilarity between the regulatory systems, legal structures, governance mechanisms, and business norms of the MNC's home country and the host country. This form of institutional divergence creates significant challenges for multinational corporations seeking to implement uniform sustainability strategies across borders. When the host country's institutional environment differs greatly due to weaker enforcement mechanisms, different legal expectations, or alternative governance traditions, MNCs are often forced to adapt their sustainability practices to maintain legitimacy and compliance (Surroca et al., 2013a).

High institutional distance increases uncertainty and the risk of misalignment between corporate standards and local regulatory expectations. In such cases, rigidly standardized approaches may prove ineffective, as they could overlook specific legal requirements or stakeholder concerns. Instead, MNCs often respond by empowering their subsidiaries to modify or redesign sustainability practices in ways that are contextually appropriate and institutionally responsive (Shah & Arjoon, 2015). On the other hand, in host countries with institutional systems that resemble the home market, firms can rely on familiar legal frameworks and cultural norms, making standardized implementation both feasible and efficient (Mukundhan, 2013). Hence, the proposition under investigation is:

P12: The institutional distance between host country and home country has a negative impact on the choice of standardized sustainable strategy in emerging markets.

Cultural Similarity

As noted by (Cui et al., 2014), Cultural similarity refers to the extent to which the values, beliefs, communication styles, and social norms in the host country align with those of the MNC's home country. This dimension of distance plays a significant role in shaping how sustainability strategies are perceived, accepted, and implemented across borders. When cultural differences are high, standardized corporate practices including those related to sustainability may conflict with local traditions or stakeholder expectations, resulting in poor engagement, misunderstanding, or even resistance (Amaeshi et al., 2008).

In such culturally dissimilar contexts, MNCs are more likely to adopt adapted sustainability strategies that reflect local values, communication preferences, and social dynamics (Bondy & Starkey, 2014). For instance, in collectivist societies, CSR programs may emphasize community engagement and familial welfare, whereas in individualistic cultures, strategies might focus on personal rights and employee development. Local adaptation helps subsidiaries foster stronger relationships with local stakeholders and reinforces the MNC's legitimacy and social license to operate. Conversely, when cultural alignment is strong, MNCs face fewer barriers in transferring standardized sustainability initiatives, as these are more likely to be culturally resonant and readily accepted. This reasoning culminates in the following proposition:

P13: The cultural distance between host country and home country has a negative impact on the choice of standardized sustainable strategy in emerging markets.

Geographical Distance

Harzing & Noorderhaven, (2006) emphasize that geographical distance refers to the physical space between a multinational corporation's headquarters and its foreign subsidiaries. This factor influences the ease of communication, oversight, coordination, and control, all of which are critical when implementing sustainability strategies across borders. The greater the physical distance, the more complex and resource-intensive it becomes for headquarters to monitor activities, ensure compliance, and offer real-time guidance to subsidiaries (Burritt et al., 2020, p. 202; Campbell et al., 2012).

In geographically distant subsidiaries especially in emerging markets with underdeveloped infrastructure MNCs often grant greater operational autonomy to local units. This autonomy enables subsidiaries to develop locally adapted sustainability strategies that are better aligned with the specific social, environmental, and institutional conditions of the host country. Such decentralization not only fosters agility but also enhances responsiveness to community needs and regulatory expectations (Cui et al., 2014). Moreover, physical distance often results in time zone differences, language barriers, and logistical constraints, which can reduce the effectiveness of centralized, standardized approaches. In contrast, when subsidiaries are geographically close to headquarters, firms may exert tighter control and more easily implement standardized sustainability practices due to proximity and greater coordination. The following proposition is put forward:

P14: The geographical distance between host country and home country has a negative impact on the choice of standardized sustainable strategy in emerging markets.

Growth in Economic Performance of Target Country

The economic growth of the host country is a critical contextual factor influencing how multinational corporations design and implement sustainability strategies. As Ali et al., (2021) explain, emerging markets experiencing sustained economic development typically offer improved infrastructure, higher purchasing power, and more robust regulatory institutions. These conditions create a conducive environment for long-term investment and foster heightened expectations from local stakeholders regarding responsible corporate behaviour (Narula, 2019).

In high-growth economies, subsidiaries often become strategic assets rather than mere operational extensions. MNCs are therefore incentivised to go beyond compliance and engage in adaptive sustainability strategies that align with the host country's evolving socio-economic priorities. These may include supporting education, green innovation, inclusive employment, or infrastructure development initiatives that not only deliver social value but also reinforce the MNC's position in a growing market (Elg et al., 2017). Furthermore, as economic growth attracts international attention and competitive intensity, firms may adopt locally relevant sustainability initiatives to build legitimacy and secure stakeholder trust. In contrast, MNCs operating in stagnant or low-growth economies may focus on efficiency and cost control, potentially favouring standardised approaches that are easier to replicate and scale. On this basis, the proposition stands as:

P15: The economic growth of the host country has a negative impact on the choice of standardized sustainable strategy in emerging markets.

Risks Related to the Target Country

As Gomez-Trujillo et al., (2024) explains, country-specific risks such as political instability, regulatory uncertainty, corruption, and economic volatility play a significant role in shaping the sustainability strategies adopted by multinational corporations. In emerging markets where institutional frameworks may be underdeveloped or inconsistently enforced, these risks introduce operational unpredictability that compels firms to reassess their strategic priorities (Surroca et al., 2013a).

MNCs operating in high-risk environments often rely on locally adapted sustainability strategies as a means of managing reputational exposure and securing their social licence to operate. Engagement in community development, transparency initiatives, and ethical labour practices can mitigate stakeholder scepticism, foster goodwill, and protect against backlash from civil society or local governments (Elg et al., 2017). These adaptive strategies not only build legitimacy but also function as risk-buffering mechanisms in volatile markets (Bucheli et al., 2024).

Moreover, context-specific CSR initiatives can demonstrate the MNC's commitment to local well-being, reducing the likelihood of regulatory obstruction or political interference. In contrast, standardised sustainability strategies may be perceived as disconnected from local realities, potentially undermining credibility and stakeholder trust. The logical outcome is the proposition stated as:

P16: The host country risk has a negative impact on the choice of standardized sustainable strategy in emerging markets.

2.6 Influence of sustainable strategy on international subsidiary performance

The performance levels of international subsidiaries are significantly influenced by their adoption of sustainable strategic practices. These subsidiaries now serve as strategic platforms for achieving social and environmental responsibility goals, which substantially contribute to the overall success of the company. Adejare et al., (2023) show that combining market and nonmarket strategies which includes lobbying and CSR activities and environmental stewardship has beneficial impacts on internationalization performance.

Research in the Portuguese market shows that strategic integration with local environmental factors produces better sustainable competitive advantages than independent strategies. According to Jeong et al., (2022) described how digital and technological competencies enhance sustainability results through subsidiaries. Advanced digital capabilities and autonomy in international subsidiaries lead to enhanced financial performance as well as sustainability-related results because these units demonstrate better innovation potential and environmental adaptiveness.

From a marketing perspective, Zeriti et al., (2014) emphasize that export marketing strategy requirements should align with sustainability principles since it enhances performance outcomes. Subsidiaries with customized sustainability strategies based on host country conditions such as economic infrastructure and customer expectations and competitive intensity demonstrate superior export performance. Elg et al., (2017) use their paper to analyze how institutional elements together with structural conditions influence sustainable strategy execution within international subsidiaries. Elg et al., (2017) also believe that global sustainability initiatives need headquarters implementation followed by local subsidiary adaptation to reach strategic alignment with stakeholders.

One of the most common arguments is whether subsidiaries should adopt standardized sustainable strategies developed by the headquarters or adapt the strategy to accommodate the circumstances of the host country. Standardized strategies can facilitate brand consistency around the world, they can ease the process of strategy and they can facilitate the ease in reporting sustainability across international units. Nevertheless, these strategies are usually not sensitive to the local environmental laws and regulations, social norms and cultural values (Kostova & Roth, 2002.).

However, locally based sustainable approaches are more flexible and responsive to use to local institutional and market realities. Research has established that subsidiaries which adapt sustainability practices to suit the local environmental and social needs experience high levels of legitimate, better stakeholder relations and operational performance (Ciszewska-Mlinarič & Trąpczyński, 2019; Dahms, 2020). The locally responsive strategies allow development of context-specific capabilities to subsidiaries to facilitate innovation, regulatory compliance and competitive differentiation.

Further, recent evidence by Avloniti et al., (2025) indicates that as subsidiaries adapt their CSR practices to correspond with host institutions and host expectations, they show superior reputational performances and environmental, social, and governance (ESG) conducts. The fact that these studies indicate that strategy adaptation is a big determinant of subsidiary success particularly in the institutionally distant or complex environment is a pointer to the fact that a subsidiary should be able to adapt its strategy to the needs of its institutional environment. Given this evidence, the following proposition is proposed:

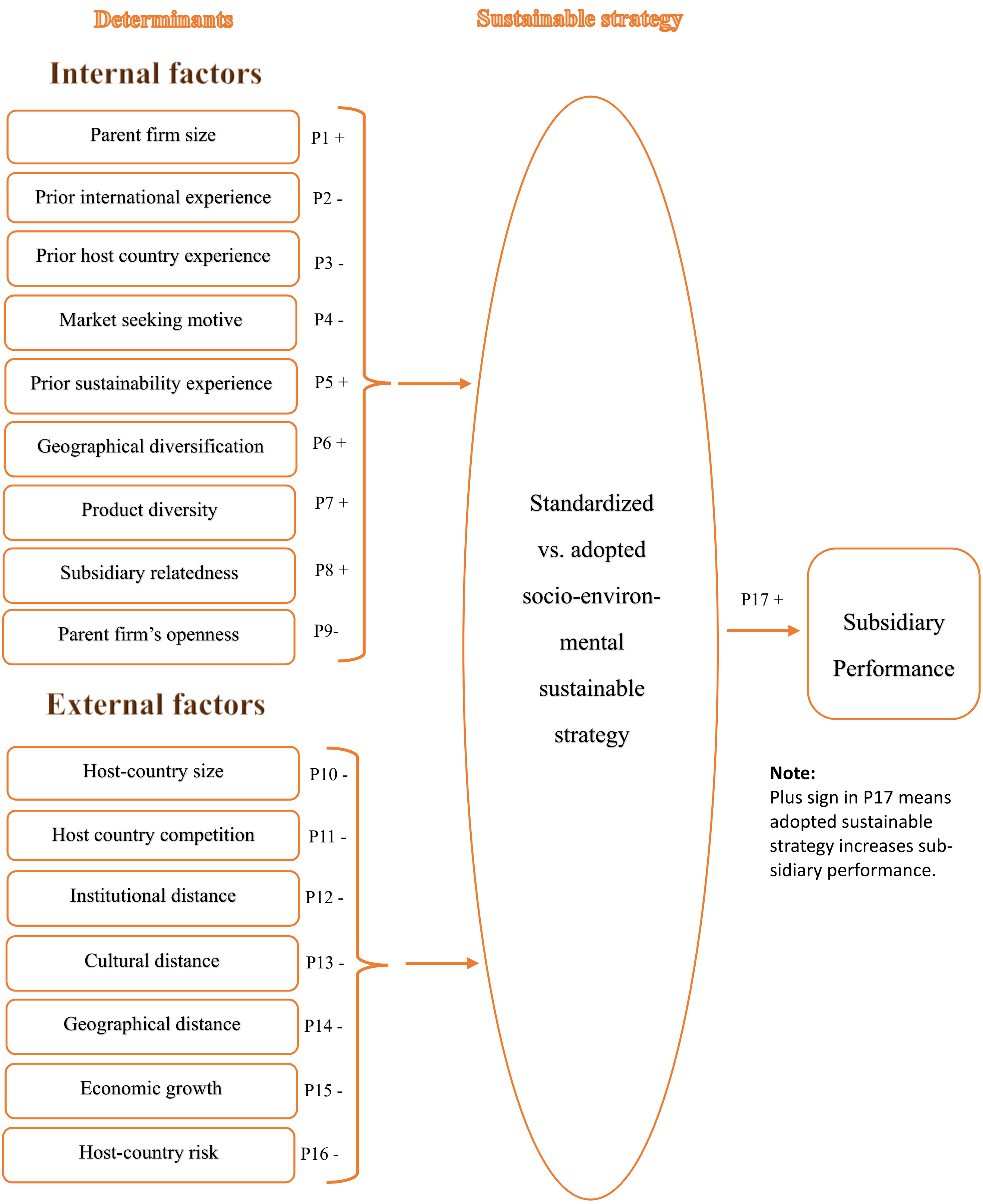
Proposition (P17): Locally adapted sustainable strategy used in the international subsidiaries will show superior performance (financial, environmental, and operational) compared to the standardized ones transferred by the headquarters.

Overall, the effect of sustainable strategies on the performance of international subsidiaries is not only strategic commitment but also strategic fit. Host countries Sustainability initiatives require adjustment to the institutional, technological, and market realities of the respective host countries in which they are based. Subsidiaries which are efficient in making such changes to their sustainability initiatives are better placed to assist in meeting the long-term performance objectives of the MNCs.

2.7 Model of the study

+ (Choosing standardized sustainable strategy)
- (Choosing adapted sustainable strategy)

Figure 1 Model of the Study



The conceptual model in this study examines the drivers and the implications of performance of social-environmentally sustainable strategies which are pursued by multinational corporations (MNCs) on their subsidiaries in emerging economies. The central idea of this model concerns the strategic choice of a standardized or an adapted sustainability strategy. The standardized approach means consistency in the application of principles of sustainability in all the subsidiaries, irrespective of their location. An adapted approach, in its turn, modifies these principles to align to the peculiarities of social, cultural, regulatory, and market environments in a particular host country. With this approach, the model is aware of the possibility of an MNC standardizing or adapting one of the elements in the sustainability, say the environmental practices, and not the other, say social strategies, based on the situation faced.

This strategic choice is affected by a combination of both internal and external factors. The internal decision-making can be hugely influenced by the internal organizational factors namely, size of the company that undertakes it as a parent firm, international experience, and prior host-country exposure. The greater the resources of the large firms, the better placed to undertake a standardized strategy they are, whereas companies more experienced in international or host country scenarios can have a richer knowledge of local situations, therefore shifting them toward adaptation. These other considerations are the sustainability pressures in the home country and the degree of strategical alignment of the subsidiary as well as its autonomy. Standardization could be more practical in case there is a linkage between operations of the subsidiary and core business of the parent firm, and standardized strategies could be appropriate to unrelated or unique subsidiaries. In addition, more adaptive approaches can be facilitated by the willingness on the part of the parent firm to be decentralized or experimentally-oriented.

Included together with these internal forces are the external forces that are derived inside the host country environment. The conflict of different culture between the home country and the host country sometimes forces the firm to use more localized measures to close the gap of understanding and responsiveness. On the same note, variations in the regulations and governance of different institutions pose the challenge of implementing one-size-fits-all solutions and adapt. In bigger or in more active host markets, companies might discover it beneficial to change approaches to maximize relevance and effect. The high demand of sustainability efforts in the local market and high level of the competition in the market, and the existence of political or economic instability also compel MNCs to align their strategies and approaches in ways that reduce the level of risks in the supply chain and get the local demands satisfied accordingly.

A combination of these internal and external factors guides the strategic decision that MNCs make in the sense of ensuring either standardized or adapted socio-environmental sustainability strategy. In its turn, such strategic move affects the performance of the subsidiaries. This model presumes that when the kind of strategy adopted fits appropriately (or aligns) well in the contextual environment, the subsidiary performance will be more superior. Such results are executed on both the financial, environmental, and social levels. Financially, profitability and growth potential are given. The environmental assessment has such things as reduction in emissions and increased efficiency in the use of resources. Socially, performance is gauged on the labor conditions, satisfaction of employees and involvement to the local communities.

In general, the given model presents an illustrative and comprehensive framework to comprehend the process of the development and implementation of sustainability strategies in emerging markets by MNCs. It has underlined the fact that any sustainable performance is subject to not only firm-level attributes, but also environmental conditions and it is very important that these factors must be in strategic agreement with each other and the nature of sustainability strategy being implemented.

3 Research Methodology

This chapter outlines the methodological framework adopted for this study, which examines the drivers and performance outcomes of multinational corporations' (MNCs) sustainable strategies for their international subsidiaries in emerging markets. It explains the research approach, data collection methods, analysis procedures, and the credibility measures were insured to gain ensure reliability and validity.

3.1 Research Approach

The present study is a deductive type of qualitative study that starts with an already existing theoretical framework and then goes on to the validation of the theory with the help of empirical data obtained through a qualitative methodology supported by Fife & Gossner, (2024). Given that the conceptual development of the research model has already been based on the existing literature, a deductive logic is more suitable than an inductive one. The deductive logic enables testing and refining the suggested conceptual relations involving sustainability strategy design, implementation practices, and subsidiary performance results in the case of Finnish MNCs in emerging markets.

A deductive approach helps the researcher to proceed to the context-specific observation with a general theory and provides consistency in the theory used and analytical rigor (Pearse, 2019). This approach is selected in accordance with the previous research on the international business strategy including Haapakoski, (2019).; Roman, (2018) where theoretical models had been developed based on literature and subsequently confirmed by a series of case studies.

The qualitative multiple-case design adopted in the study also facilitates the approach to investigating the managerial views, experiences, and interpretations and connecting them to the existing theoretical propositions (Yin, 2017). Specifically, it gives the opportunity to study how sustainability policies are operationalized in different institutional settings, and whether the observed empirical findings support or further develop the theoretical model suggested.

The study has been guided by a deductive but interpretive orientation, which guarantees theoretical and contextual insights. Bendassolli, (2013) explains that inductive reasoning offers an organized connection between the theory and data, whereas Plakoyiannaki et al., (2017) highlights that the qualitative investigation reveals delicate managerial information about the implementation of sustainability strategies in emerging markets.

3.2 Choice of Qualitative Research Method

Similar to Darby et al., (2019); Hyde, (2000) In this study, a qualitative approach to research is used in accordance with its deductive and interpretivist approach. The study examines the methods and reasons behind the multinational corporations (MNCs) standardizing or localizing sustainability policies of their subsidiaries in the emerging markets and the effects of strategic decisions on performance. The context-specificity of the processes, their dynamism and social construction of the processes, make a qualitative design the most appropriate to reveal the underlying managerial reasoning and strategic intent (Siggelkow, n.d.; C. Welch et al., 2011).

The institutional pressures, cultural factors, as well as internal dynamics that influence the sustainability strategies would not be captured appropriately by quantitative methods. Qualitative inquiry helps the researcher to understand the managerial sense-making, contextual mechanisms, and organizational behavior that contribute to the standardization or adaptation outcomes (Doz, 2011; R. R. Sinkovics & Alfoldi, 2012).

This research, similar to Haapakoski, (2019); Roman, (2018), combines semi-structured interviews and analysis of documents. Semi-structured interviews will give the opportunity to study the lived experience and perceptions of the managers, and sustainability and annual reports will give objective and verifiable evidence of the strategy implementation and alignment of the policies (Dubois & Gadde, 2002).

The use of both methods allows data triangulation that enhances the level of credibility due to the cross-validation of various sources (Gibbert et al., 2008). The drivers and internal logic of the sustainability strategy choice are revealed in interviews, and the resulting outcomes of these choices can be observed in corporate reports. Collectively, they generate a valid and all-encompassing insight into the way Finnish MNCs establish and monitor sustainable models in emerging markets.

Lastly, the qualitative approach is flexible and contextually sensitive and is needed to investigate heterogeneous emerging markets where regulatory systems, resource accessibility, and cultural contexts are diverse (Eisenhardt & Graebner, 2007). This methodology thus offers deep empirical information about the how and why questions that are the focus of this thesis.

3.3 Research Design Strategy

This thesis is based on the multiple case study design in the manufacturing industry as one of the broadly used qualitative methods of international business research. Case study methodology is especially appropriate when the study aims to investigate a complex, context-specific phenomenon and address the question of ‘how and why’ (Ridder, 2017; Siggelkow, 2007). The purpose of the research is to learn about the way Finnish multinational corporations (MNCs) working in the manufacturing industry standardize or localize sustainability strategies in the subsidiaries, operating in the emerging market, and the impacts of such strategic decisions on the subsidiary performance.

As McDonnell et al., (2000), a multiple-case study across one industry was chosen to increase the level of comparability and depth of analysis, in addition to theoretical generalization. The concentration on a single industry eliminates sectoral variation in terms of production systems, technical sophistication, and the intensity of environmental regulation, to focus more on the strategic and organizational forces driving sustainability adaptation (Eisenhardt & Graebner, 2007). The analysis of multiple manufacturing MNCs makes it possible to find common trends and differences in the implementation of sustainability strategies, thereby enhancing the replication of the theoretical procedures and their strength (C. Welch et al., 2011).

Every case is a separate Finnish manufacturing MNC with subsidiaries in the emerging markets. The choice of the cases is purposeful and theory-driven and not random sampling similar to (Dubois & Gadde, 2002). The inclusion criteria is as follows:

- The company is involved in manufacturing business and holds subsidiaries in at least one of the emerging markets.
- The sustainability or corporate responsibility activities are reported by the company in a form of a public documentation.
- Access is provided to the managers of sustainability or strategic operations.

This design will ensure that the selected cases give insightful, similar information on how the Finnish manufacturing MNCs design, adapt, and assess sustainability strategies. The comparative design enables cross-case analysis in order to establish drivers, constraints, and performance outcomes of standardized and adapted sustainability strategies (McDonnell et al., 2000; Unkelos-Shpigel & Hadar, 2013).

The study incorporates data triangulation using semi-structured interviews and documentary analysis to enhance internal validity and credibility (Gibbert et al., 2008). Using replication logic in a number of cases enables an analytical generalization onto theory instead of statistical inference (Eisenhardt & Graebner, 2007).

Following Vohra, (2014), the multiple case study design in the manufacturing industry fits in the deductive qualitative methodology used in the study. It gives a systematic but flexible format to test and refine the conceptual framework whilst keeping high contextual comparability amongst firms sharing close industrial traits.

3.4 Data Collection

Like Rhodes et al., (2014), this study also used a qualitative multi-source method, which involved semi-structured interviews and analysis of documents, as the means of collecting data. This method was adopted to have a thorough and detailed insight on the sustainable strategies of Finnish multinational corporations (MNCs) that operate in the emerging markets.

Similar to (Jonsen & Jehn, 2009), the multiple sources of the data used make the findings more valid and rich because they retrieve the management viewpoints and the actions taken by corporations recorded in documents.

3.4.1 Sampling Strategy

According to Marshall, (1996), qualitative research sampling methods can broadly be categorized into probability and non-probability sampling methods. Common methods of probability sampling in quantitative studies that aim to statistically generalize include random, stratified, or systematic sampling. Non-probability sampling, on the contrary, is more appropriate to qualitative research, the purpose of which is to gain a profound insight into intricate phenomena but not to quantify them in terms of numbers (Gentles et al., 2015).

In non-probability design, there are various techniques, among them are convenience, snowball, quota, and purposive sampling. Purposive sampling (also known as a purposeful or judgmental sampling) is especially applicable to qualitative and case-based research since it enables the researcher to select information-rich cases strategically, and they are the ones that serve the research purpose most well (Coyne, 1997; Palinkas et al., 2015).

Likewise, Eisenhardt & Graebner, (2007), in this study, the researcher uses a purposive sampling method to select Finnish manufacturing multinational corporations (MNCs) that reflect the features required to respond to the research questions. It is not aimed at achieving representativeness but acquiring deep contextual insight into how and why Finnish MNCs standardize or adjust sustainability strategies in emerging markets.

Purposive sampling is used for three different reasons. Firstly, it guarantees the presence of organizations actively involved in sustainability management in complex international settings. Second, it is aimed at managers with relevant first-hand strategic and operational experience related to the implementation of sustainability, which makes the data relevant and credible. Third, purposive sampling correlates with a comparative logic of multiple case study design that involves a theoretically relevant case to analyze to replicate (Ridder, 2017).

As such, the inclusion criteria used to select the company were as follows:

1. The company is based in Finland.
2. It has manufacturing subsidiaries in one or more of the emerging markets.
3. The company also issues sustainability or corporate social responsibility (CSR) reports, which are publicly accessible.
4. The sustainability strategy process involves the participants of the interview who are managers or decision makers in the field of sustainability strategy, e.g., sustainability officer, CSR manager, or corporate strategy director.

By focusing on manufacturing MNCs, the study will have the ability to analyze how sustainability is integrated in an industry that is resource-intensive as well as central to the global environmental change. This industry-based prism enables us to examine how organizations are converting global sustainability agendas into localized activities. It reflects context-based, theoretically significant information as regards strategic adaptation and performance results in each of the emerging markets.

3.4.2 Interview Guide Development

Turner, (2014) elaborated the role of an interview guide in qualitative research as a structured but flexible expression that guides discussion over similar themes, but allows the participants the freedom to expand on similar themes. Descriptive, probing, and interpretive questions are normally used in semi-structured interviews to reveal how respondents argue and make meaning in their places of work (Qu & Dumay, 2011; Turner, 2014). This method is especially appropriate when conducting exploratory management research when the interest is to describe contextual insights instead of quantifying variables (Kallio et al., 2016).

The study interview guide is based on the conceptual model and theory described in Chapter 2, which incorporates both internal and external factors that impact the decision of using standardized or adapted sustainability strategies and study their effects on subsidiary performance (Christmann, 2004; Husted & Allen, 2006). The design was conducted under an informed, iterative logic to make sure that the response to every question corresponded to a single construct in the model.

The guide was based on four theoretical viewpoints that are the focus of the study:

1. Resource-Based View (RBV) describes the role played by internal resources, capabilities, and international experience in the design of strategies.
2. Institutional Theory deals with the effects of regulatory and cultural environments in host countries on adaptation.
3. Standardization vs. Adaptation Framework - determines the orientation of the firm, whether globally or locally.
4. Triple Bottom Line (TBL) puts subsidiary performance in terms of financial, environmental, and social aspects.

All the parts of the interview guide matched one theoretical domain. Open-ended questions were used to promote reflection, examples, and context. Discussed below are the organization of the guide and the theoretical basis.

Table 2 Themes, Example Interview Questions, and Theoretical Basis

Thematic Area	Example Interview Questions	Underlying Theory	Supporting Literature	Purpose in Model
Internal Determinants	• What was your firm's experience in international manufacturing operations before entering this market? • How similar are the subsidiary's products and processes to those of the parent company?	Resource-Based View (RBV)	Christmann, (2004); Husted & Allen, (2006)	Analyze the effect of firm resources, previous experience, and strategic intent on the design of sustainability strategy.
External Determinants	• How does your company perceive host-country culture, regulations, and market competition? • How do these external factors affect the way sustainability practices are implemented?	Institutional Theory	Aguilera & Grøgaard, (2019); Cui et al., (2014)	Determine situational forces: regulatory, cultural, and competitive that lead to adaptation.

Type of Sustainability Strategy	• Would you describe your sustainability practices as globally standardized or locally adapted? Why?	Standardization vs. Adaptation Framework	Christmann, (2004)	Establish the strategic direction of the firm on sustainability management.
Sustainability Practices	• Which environmental or social initiatives (e.g., waste reduction, employee welfare, supplier standards) are prioritized by your subsidiary? • How are these practices embedded in daily operations?	CSR and Sustainability Integration	Christmann, (2004); Husted & Allen, (2006)	Develop operationalization of sustainability practice in manufacturing MNCs.
Performance Outcomes	• How do these sustainability practices affect subsidiary performance – financially, environmentally, and socially? • How do you assess the success of sustainability initiatives?	Triple Bottom Line (TBL)	Eccles et al., (2014); Elkington, (1998)	Determine perceived effects of sustainability strategy on subsidiary outcomes.

Note. *Table 2 connects the themes and questions used in interviews to their theoretical basis to ensure that they are in accordance with the conceptual model, where internal and external determinants, the type of sustainability-strategy, and performance outcomes are incorporated.*

3.5 Research Credibility

To make sure the research is trustworthy, this study followed the four key quality standards suggested by Cope, (2014); credibility, transferability, dependability, and confirmability.

3.5.1 Credibility and Validity

Credibility is the extent to which one believes the results to be accurate and true in qualitative research (Shenton, 2004). The issue of validity that is frequently addressed within the wider scope of trustworthiness is whether the study is accurate in the sense that it represents phenomena that it is supposed to describe and interpret (Creswell & Miller, 2000; Noble & Smith, 2015). The credibility and validity must be ensured to ensure the rigor and transparency of qualitative inquiry.

Credibility and the validity of this study were provided, based on the methodology design and the data analysis processes outlined in the earlier sections. It has been possible to use various sources of information (interviews and sustainability documents) to provide data triangulation that contributed to the credibility and legitimacy of interpretations (Denzin, 2012). Member checking was also carried out to verify that the interpretations reflected their intended meanings, and it was done through sharing the summaries of the interviews with the participants who were selected to participate (Birt et al., 2016).

Additionally, regular discussions with the thesis supervisor were considered peer debriefing, which helped in essential reflections and consistency in analysis during the research process (Korstjens & Moser, 2018). A descriptive presentation of the business environments and sustainability context enabled the people to evaluate the applicability of the results to comparable scenarios (Shenton, 2004).

All these actions, in general, enhanced the credibility and validity of the study without undermining interpretive flexibility. As discussed above, the research design enabled a credible and contextualized interpretation of sustainability strategies within Finnish multinationals.

3.5.2 Reliability, Dependability, and Ethical Considerations

In qualitative research, reliability and dependability are used to describe the consistency and stability of the research process and results over a period of time (Noble & Smith, 2015). Interpretive studies place less emphasis on the statistical meaning of replicability and rather determine how well the research process is logical, traceable, and documented (Golafshani, 2015; Nowell et al., 2017). Dependability underlines the fact that the researcher can explain the shift in the context and show a clear process that can be followed by other researchers (Korstjens & Moser, 2018).

To achieve reliability and dependability, an audit trail was observed during the research. This involved the maintenance of interview guides, coding structures, and memos of the analytical process that captured the development of themes and interpretations. All transcripts were coded using the same procedures to increase internal consistency and reduce interpretive bias (Basit, 2003). The recording of every analytical decision provided transparency and the opportunity to trace the logic behind developing the themes (Nowell et al., 2017).

Moreover, the questions and coding framework were generated relying on literature and theoretical constructions, which were discussed within the conceptual framework. This was to make sure that the design of the interview and interpretation of data were well-founded on the current research on the drivers of sustainability, strategic orientation, and performance outcomes (Eisenhardt & Graebner, 2007; Gioia et al., 2013). The correspondence of empirical themes and theoretical premises helped to maintain methodological consistency and enhance the overall reliability of the study.

The ethical considerations were strictly adhered to based on the University of Vaasa Research Ethics Guidelines and general ethical principles of qualitative inquiry (Orb et al., 2001). Each of the participants was informed and gave his or her consent before participation and was assured of their right to withdraw at any point. The provisions of anonymity and confidentiality were guaranteed, as personal identifiers were eliminated, and the names of companies were substituted with neutral codes (C1–C5). Corporate information that has been obtained in interviews and through documents was sensitive and was handled confidentially and kept safe.

Having transparency in the research process, consistency in data management, and applying the ethical standards consistently contributed to the reliability and integrity of the study. Taken in combination with the triangulated data and the thorough thematic analysis outlined in the previous section, the above measures guaranteed the end result's credibility, trustworthiness, and ethical soundness of the findings.

4 EMPIRICAL ANALYSIS AND FINDINGS

4.1 Overview of the Data and Sample Characteristics

This study is based on qualitative data collected from five Finnish multinational corporations (MNCs) having manufacturing subsidiaries in emerging markets. To obtain a comprehensive understanding of sustainability strategy drivers and outcomes, the research used two complementary sources:

1. Semi-structured interviews with sustainability or corporate responsibility managers (one from each company), and

2. Sustainability and annual reports published in 2020-2024 were analyzed.

Primary Data -Semi-Structured Interviews

The interviews were carried out with sustainability managers and sustainability officers whose primary responsibility was to carry out and monitor sustainability practices in subsidiaries in emerging markets (five in-depth semi-structured interviews (i1-i5)). The professional experience of the sustainability management concept gained by each interviewee was at least five years. The interviews were conducted on Microsoft Teams or Zoom between September and October 2025 and took about 60-75 minutes.

Table 3 includes a summary of the interviewee and the following details, such as the company affiliation, role, years of experience, as well as the interview logistics. This summary demonstrates the professional diversity and expertise of the respondents who made information-driven and experience-based contributions to sustainability practices in various manufacturing industries.

Table 3 Summary of the interviewee

Interview (i)	Company Code	Role / Title	Experience in Sustainability	Unit / Function	Mode / Platform	Duration	Period
i1	C1	VP Sustainability and Public Affairs	≥ 5 years	Corporate Sustainability	Online (Zoom)	60–75 min	Sep–Oct 2025

i2	C2	Sustainability Officer	≥ 5 years	Operations / ESG	Online (Zoom)	60–75 min	Sep–Oct 2025
i3	C3	Director of Sustainability	≥ 5 years	Strategy / Sustainability	Online (Zoom)	60–75 min	Sep–Oct 2025
i4	C4	VP Sustainability and Public Affairs	≥ 5 years	Supply Chain / Compliance	Online (Zoom)	60–75 min	Sep–Oct 2025
i5	C5	VP Sustainability and Public Affairs	≥ 5 years	Corporate Sustainability	Online (Teams)	60–75 min	Sep–Oct 2025

*All participants provided informed consent and remain anonymous through coding (i1–i5). *

Secondary Data – Document Analysis

To enhance the validity of the results, ten company reports were reviewed, that is, five sustainability reports and five annual reports (2020-2024). These reports were verifiable in terms of sustainability targets, sustainability achievements, sustainability emissions, stakeholder programs, and financial results. The combination of interviews and documentary evidence allowed triangulation of data, establishing the connection between managerial views and official corporate reports and enhancing the credibility of the analysis (Denzin, 2012).

Table 4 gives a review of the research sample and data sources. It demonstrates the industrial orientation, key emerging market areas, interview codes, and the reports consulted in relation to each of the case companies. The correspondence between interviews (i1–i5) and the company reports (R1–R5) is one-to-one as explained in the table.

Table 4 Review of the research sample and data sources

Company Code	Sector	Main Emerging Markets	Interview Code	Reports Reviewed (2020–2024)
C1	Specialty fibre-based materials	India, Brazil	i1	Sustainability & Annual Reports (R1)
C2	Composite manufacturing	India, China	i2	Sustainability & Annual Reports (R2)

C3	Consumer goods / design & manufacturing	India, Vietnam	i3	Sustainability & Annual Reports (R3)
C4	Indoor air & ventilation systems	India	i4	Sustainability & Annual Reports (R4)
C5	Renewable packaging & biomaterials	China, Uruguay, India	i5	Sustainability & Annual Reports (R5)
Note: The highlighted country was focused while the interviews were conducted				

*i-codes = interview data; R-codes = corresponding reports used for triangulation. *

Combined Sample Characteristics

Table 5 highlights the main attributes of the five case companies, such as their industry, ownership, manufacturing orientation, and sustainability focus. This description evidences the diversity of the sector represented in the cases and the similarity of the focus on sustainable production, resource efficiency, and environmental innovation.

Table 5 Sustainability priorities of each company

Case	Industry / Product Domain	Ownership / HQ	Manufacturing Base	EM Subsidiary Presence	Sustainability Focus
C1	Specialty fibres	Finnish MNC	Manufacturing-based	Yes	Resource efficiency; supplier standards
C2	Composites	Finnish MNC	Manufacturing-based	Yes	Materials circularity; VOC/chemical compliance
C3	Consumer goods	Finnish MNC	Manufacturing-based	Yes	Packaging innovation; waste reduction
C4	Air & ventilation systems	Finnish MNC	Manufacturing-based	Yes	Energy efficiency; eco-design
C5	Renewable materials	Finnish MNC	Manufacturing-based	Yes	Bio-based innovation; carbon neutrality

*The sustainability priorities of each company were confirmed with the help of the interview data, as well as official reports, to make sure that the sources are consistent.

Overall, the data set consists of five interviews and ten corporate reports, which collectively give an in-depth, triangulated picture of sustainability strategy implementation among Finnish MNCs. The reliability and accuracy of the data were enhanced by the use of complementary data sources, and the validity of the empirical results, as a sound basis to further within-case and cross-case studies.

4.2 Thematic Analysis Process

In order to examine the qualitative data of interviews and company documents, the current study used the thematic analysis model by (Braun & Clarke, 2006). The process had six systematic steps in making sure that the procedure was analytical and coherent between the empirical content and the conceptual framework of the study.

Table 6 Thematic Analysis Process and Application

Phase	Application in This Study
1. Familiarization	The interview transcripts and sustainability/annual reports (2020-2024) were read numerous times to obtain an approximate idea of the sustainability situation in the firms and new trends.
2. Initial Coding	The classification of the key categories of the conceptual model (internal and external factors, type of strategy, and performance outcomes) was used as key categories to conduct the manual coding. Interview and document segments were marked with codes.
3. Theme Development	The related codes were combined into thematic groups that included internal drivers, external pressures, strategic orientation (standardized/adapted), and performance effects.
4. Theme Refinement	The comparison of emerging themes was made across the five company cases (C1-C5) in order to determine similarities, differences, and unique patterns, which guaranteed internal consistency and theoretical fit.
5. Theme Definition and Naming	Themes that were finalized were as follows: (a) internal drivers of sustainability strategy (b) external pressures of host-country contexts (c) nature of sustainability strategies (standardized vs. adapted) (d) subsidiary performance outcomes.
6. Narrative Synthesis	An overall narrative has been built that incorporates quotations of the interviewees (R1-R5) and evidence of both sustainability and annual reports to create a triple narrative of how each company operates sustainably.

The conceptual model of the study informed the thematic structure, which grouped results into four key dimensions of analysis:

a. Internal sustainability strategy drivers
b. contextual external pressures in host countries

c. Type of standardized or adapted sustainability strategies
d. Outcomes of subsidiary performance

Both the credibility and validity of the analysis were boosted by the methodological triangulation used which incorporates the insights of interviews with the corporate documents. This multi-source strategy ensured that interpretations were based on empirical information and both managerial views as well as reported subsidiary performance.

4.3 Key Themes and Findings

In this section, the author provides evidence based on five interviews with managers (C1-C5) describing the ways the Finnish multinationals apply sustainability strategies in the emerging market. All cases are designed based on internal factors (P1-P9), external factors (P10-P16), and performance outcomes (P17). All conclusions made below are based on the interviews, and the approximate figures are reported by the managers.

4.3.1 Case C1

Case C1 relates to a Finnish multinational firm in the high-technology materials sector. The manager outlined a progressive change in the compliance-based reporting to the strategically integrated sustainability system with the focus on innovation, circularity, and quantifiable outcomes. In general, the company has a standardized global core and local selective adaptation at the subsidiary level.

Internal Factors Influencing Sustainability Strategy (P1–P9)

Table 7 Internal Factors for Case C1

Variable (IV)	Observed Position in C1	Evidence Source	Resulting Strategy Type (DV)
Firm Size (P1)	Large MNC; strong R&D resourcing	Interview C1	**Standardized core with limited local adaptation**
Prior International Experience (P2)	Greenfield entries; long presence in India & China	Interview C1	
Prior Host-Country Experience (P3)	~15 years across key EMs	Interview C1	
Market Seeking Motive (P4)	Growth Orientation	Interview C1	

Prior Sustainability Experience (P5)	Early integration of sustainability into the core business	Interview C1	
Geographical Diversification(P6)	High	Interview C1	
Product Diversity (P7)	Filtration, packaging, and fiber-based solutions	Interview C1	
Subsidiary Relatedness (P8)	Shared technology platforms, processes, and KPIs	Interview C1	
Parent Firm's Openness (P9)	Cross-site idea sharing; bottom-up innovation	Interview C1	

The manager stressed a number of internal drivers determining the outcomes of sustainability.

Firm size (P1), Scale according to the interviewee means roll-out and consistency of practices. He further mentioned:

"Because of our size, we can introduce the same energy-saving or recycling systems in all factories at once."

International experience (P2), Early capability transfer facilitated corporate control and global consistency, in that he added:

"Our India and China operations were set up greenfield so we could embed our systems and values from day one."

Host-country experience (P3), Longevity institutionalized sustainability routines within subsidiaries; he expressed his experience as follows:

"After fifteen years in emerging markets, training and reporting have become part of the culture."

Interpretation (P1–P9), The interview data validates that the size of firms, experience, relatedness, and openness sustain a uniform sustainability prototype, demonstrating the consistency of RBV based on its capability.

External Factors Influencing Sustainability Strategy (P10–P16)

Table 8 External Factors for Case C1

Variable (IV)	Observed Position in C1	Evidence Source	Resulting Strategy Type (DV)
Host-Country Size (P10)	Large- India/China scale requires visible local engagement	Interview C1	**Standardized core with limited local adaptation**
Host Country Competition (P11)	Innovation- and credibility-based rivalry	Interview C1	
Institutional Distance (P12)	Moderate; workable regulatory clarity	Interview C1	
Cultural Distance (P13)	Medium: message tailoring by region	Interview C1	
Geographical Distance (P14)	Very high (Finland ↔ Asia)	Interview C1	
Economic Growth (P15)	High-growth markets drive capability build-out	Interview C1	
Host-Country Risk (P16)	Addressed through stakeholder engagement and transparency	Interview C1	

The manager mentioned the influence of external factors that influence the level of local adaptation:

Host-country size (P10), Scale forces firms to invest in visible engagement to gain legitimacy, as supported by the interviewee:

“In large markets, visibility matters—we run local projects with suppliers or organizations to show commitment.”

Host-country Competition (P11) Sustainability is used as a strategic differentiator to sustain an advantage.

“Competitors copy technology quickly; we differentiate through sustainability credibility.”

Institutional distance (P12), institutional distance permits procedural uniformity and less burden of compliance. The interviewee emphasized the importance of regulation as follows:
“Regulations are stable enough to let us use the same templates everywhere.”

Interpretation (P10–P16). Institutional variation, size, contextual pressures, and competition; cause selective adaptation whilst maintaining a core of global sustainability, which is consistent with the Institutional Theory.

Subsidiary Performance Outcomes (P17)

Table 9 Subsidiary Performance Outcomes for Case C1

Variable (IV)	Observed Position in C1	Evidence Source	Financial Performance	Result
Environmental & Social Results (P17)	≈15% emission reduction; ≈9% safety improvement; ≈30% increase in supplier reviews	Interview C1	≈6–8% annual growth in net sales (2022–2024); improved EBITDA margin (≈12–13%); reduction in energy costs; sustainability-linked loan facility established in 2023	**Strong sustainability performance**

Measurable outcomes of the sustainability system of the company, as explained by the manager, include:

Environmental performance, Tangible progress is an environmental performance that indicates the influence of standardized energy programs. The interview also mentioned emissions:

“Our emissions have gone down by about 15 percent over the last few years.”

Safety performance, He discussed that localization within global frameworks boosts compliance while saying that:
“Injury rates improved around 9 percent because each site tailors training to local risks.”

Supplier collaboration, the importance of supplier reviews and feedback were identified though the statement:
“We’ve increased supplier sustainability reviews by roughly 30 percent.”

Financial performance, Reports (2022-2024) reported that sustainable efforts have led to steady increases in top-line (approximately 6 to 8 percent per annum) and Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) (average 12 to 13 percent), which is promoted by energy savings and efficiency. The recent introduction of sustainability-linked financing in 2023 shows the trust of investors in the sustainability of the performance. Such enhancements are indicative of the fact that operational austerity with a sustainability emphasis will be transformed into increased profitability and capital strength.

Interpretation (P17), Triangulation of interviews and reports underlies a global framework that is standardized, and implementation that is localized provides quantifiable environmental, social, and financial outcomes. The fact that the company can minimize the emission and accident rates and increase the stable income and profit margin confirms Proposition P17: that sustainability and capabilities replication balance the performance and financial worth in the business in the emerging markets.

4.3.2 Case C2

Case C2 is a Finnish MNC that deals in composite production and has subsidiaries in China. The manager believes that the company has been on a sustainability path since environmental compliance shifted to innovation-based efficiency and product circularity.

The manager indicated that the company uses a globally standardized management system, but operational and cultural realities are selectively changed to meet operations in the host market.

Internal Factors Influencing Sustainability Strategy (P1–P9)

Table 10 Internal Factors for Case C2

Variable (IV)	Observed Position in C2	Evidence Source	Resulting Strategy Type (DV)
Firm Size (P1)	Medium-to-large MNC; central sustainability function and R&D capability	Interview C2	**Standardized with limited adaptation**
Prior International Experience (P2)	Long-term presence in India (since 2005) and China (since 2008)	Interview C2	
Prior Host-Country Experience (P3)	Over a decade of continuous manufacturing operations	Interview C2	

Market Seeking Motive (P4)	Growth Orientation	Interview C2	
Prior Sustainability Experience (P5)	Integrated EHS system and ISO-based sustainability tracking since early 2010s	Interview C2	
Geographical Diversification(P6)	High	Interview C2	
Product Diversity (P7)	Profiles for wind, transport, and construction sectors	Interview C2	
Subsidiary Relatedness (P8)	Shared process technology and engineering systems	Interview C2	
Parent Firm’s Openness (P9)	Frequent virtual workshops; global improvement teams	Interview C2	

Firm size and resources (P1), the mentioned quote demonstrates how even a small, decentralized organization can ensure international uniformity.

“We are not as large as some others, but we have centralized sustainability and R&D units that guide all plants.” (Interview C2)

International experience (P2). Accumulated international experience reduces learning barriers in new markets as it stated that;

“Our first Asian sites were set up almost 20 years ago; we know how to replicate technical and safety systems efficiently.” (Interview C2)

Host-country experience (P3). Subsidiary maturity increases independence and dependability. They mentioned:

“By now, our local teams handle audits and reporting with minimal supervision.” (Interview C2)

Product diversity (P7), Standardization applies with a common sustainability matrix across the various product lines. The interviewee states that:

"Composite products differ, but sustainability indicators like waste or resin efficiency are common." (Interview C2)

Prior sustainability experience (P5), Sustainability becomes strategic instead of being reactive because of long-term integration. They also informed us that:

"We've tracked energy, waste, and emissions since 2012, so data collection is institutionalized." (Interview C2)

Subsidiary relatedness (P8), "All factories use identical curing and resin systems; sustainability tweaks apply everywhere." (Interview C2), demonstrates that cross-site comparison and learning are made possible by high technological similarity.

Organizational openness (P9), The assertion backed the fact that openness promotes knowledge transfer and adaptive enhancements worldwide.

"We meet monthly online; everyone can present what worked at their site." (Interview C2)

Interpretation (P1–P9), The considerations of the manager prove that the standardization is encouraged by the strong experience of the firm, the similarity of the products, and the open communication. C2 illustrates the ability of RBV-based internal capabilities to harmonize distributed plants' sustainability systems with each other.

External Factors Shaping Strategic Adaptation (P10–P16)

Table 11 External Factors for Case C2

<table>
<tr><th>Variable (IV)</th><th>Observed Position in C2</th><th>Evidence Source</th><th>Resulting Strategy Type (DV)</th></tr>
<tr><td>Host-Country Size (P10)</td><td>Large- China offer high-volume markets requiring local supplier integration</td><td>Interview C2</td><td rowspan="2">Standardized with limited adaptation</td></tr>
<tr><td>Host Country Competition (P11)</td><td>Intense local rivalry; sustainability used for differentiation</td><td>Interview C2</td></tr>
</table>

Institutional Distance (P12)	Moderate; increasing environmental enforcement	Interview C2	
Cultural Distance (P13)	Medium; focus on relationships and supplier trust	Interview C2	
Geographical Distance (P14)	Long physical and time-zone distance from Finland	Interview C2	
Economic Growth (P15)	Rapid growth supports investment in low-emission technology	Interview C2	
Host-Country Risk (P16)	Political and supply-chain volatility managed via partnerships	Interview C2	

Host-country size (P10), “India and China are massive markets, so we depend on local suppliers to deliver sustainable inputs.” (Interview C2). This shows that scale demands localization of supply networks and is maintained at the global level.

Host-country Competition (P11), the statement indicates that branding and differentiation based on sustainability are motivated by competitive pressure.

“Everyone can make composites now; sustainability helps us stand out.” (Interview C2)

Institutional distance (P12), regulatory convergence minimizes the adaptation requirements and enhances credibility.

“Local regulations are tightening, which actually helps us—it aligns with our global standards.” (Interview C2)

Cultural distance (P13), The sustainability initiatives are negotiated and implemented based on the cultural norms. As discussed,

“In Asia, you need personal trust before suppliers will change practices.” (Interview C2)

Geographical distance (P14), relational governance, and delegation are motivated by physical distance:

“Working from Finland across time zones requires trust; we empower local managers.” (Interview C2)

Economic growth (P15), Sustainability is supported by economic dynamism to adopt technology:

“High market growth allows investment in energy-efficient curing systems.” (Interview C2)

Host-Country risk (P16), Relational mechanisms mitigate institutional uncertainty as mentioned:

“We manage risk through long-term contracts and transparent communication with authorities.” (Interview C2)

Interpretation (P10–P16). The external factors of market size, institutional tightening, cultural practices, and so on, require selective local adaptation when maintaining a uniform global backbone, which is aligned with the propositions of the Institutional Theory.

Subsidiary Performance Outcomes (P17)

Table 12 Subsidiary Performance Outcomes for Case C2

Variable (IV)	Observed Position in C2	Evidence Source	Financial Performance	Result
Environmental & Social Results (P17)	≈10–12% emission reduction; ≈8% lower waste intensity; ≈25% increase in supplier assessments	Interview C2	Annual & Sustainability Reports (2020–2024): lean programs and energy-efficiency projects linked to lower operating costs; steadier cash flow via reduced defects and scrap; participation in sustainability indices supports customer retention in industrial accounts	**Standardized with selective adaptation**

Environmental performance, Approximate reductions indicate consistent global monitoring and efficiency:

“We’ve cut emissions by roughly ten percent in four years.” (Interview C2)

Safety and waste reduction, Global initiatives are adjusted to fit the context of resources in local teams:

“Waste intensity is about eight percent lower now thanks to lean programs.” (Interview C2)

Supplier collaboration, Supplier integration extends sustainability commitment down the chain:

“We’ve added about twenty-five percent more suppliers to our sustainability evaluation list.” (Interview C2)

Governance and learning, Centralization of data increases transparency and benchmarking. As mentioned by the manager:

“All sustainability data goes into the same digital platform; we track real-time progress.” (Interview C2)

Financial Performance, Moderate top-line growth (approximately 4-5 per cent annually) and the ability to keep EBITDA margins stable (around 10-11 per cent annually) even in the face of market fluctuations were facilitated by the lean manufacturing and energy-efficiency projects of the company, according to C2 Annual and Sustainability Reports (2020-2024). The optimization of the processes decreased scrap rates, enhanced material yield, decreased the cost of production, and reduced working-capital requirements. These actions also enhanced delivery reliability and enhanced long-term contracts with industrial customers. The reports point out that the sustainability programs minimized the operational risks and balanced out the cash flows, which attests to the fact that sustainability is a pillar of cost discipline and continuity of operations.

Interpretation (P17), The interview findings and document reviews confirm that the partially standardized structure of C2, with selective adaptation on the local level, yielded operational and financial efficiency that could be measured. Proposition P17 is confirmed through the fact that the company reduces emissions and waste and maintains profitability in competitive industrial markets, and that the ability to provide standardization with the assistance of contextual flexibility is the key to increasing efficiency-based financial performance of the companies in emerging-market operations.

Summary, Case C2 mirrors C1's structural balance between standardization and adaptation, but within a more mid-sized, efficiency-driven context. The firm's centralized sustainability oversight, open communication, and institutional familiarity across Asia facilitate consistent implementation and credible performance outcomes.

4.3.3 Case C3

Case C3 is a Finnish multinational company that deals with consumer goods and design production, located in Vietnam. The manager explained how a fragmented CSR effort was changed to a single sustainability platform that is based on responsible sourcing, circular design, and digital traceability. C3 portrays a global standardized strategic model alongside locally sensitive production and community activities, which is a good balance of brand integrity and sustainability delivery.

Internal Factors Influencing Sustainability Strategy (P1–P9)

Table 13 Internal Factors for Case C3

<table>
<tr><th>Variable (IV)</th><th>Observed Position in C3</th><th>Evidence Source</th><th>Resulting Strategy Type (DV)</th></tr>
<tr><td>Firm Size (P1)</td><td>Large; brand-driven consumer portfolio</td><td>Interview C3</td><td rowspan="8">Standardized with limited adaptation</td></tr>
<tr><td>Prior International Experience (P2)</td><td>Operations in Asia since early 2000s</td><td>Interview C3</td></tr>
<tr><td>Prior Host-Country Experience (P3)</td><td>Over 20 years in Vietnam</td><td>Interview C3</td></tr>
<tr><td>Market Seeking Motive (P4)</td><td>Growth Orientation</td><td>Interview C3</td></tr>
<tr><td>Prior Sustainability Experience (P5)</td><td>Design-for-circularity integrated into R&D since 2015</td><td>Interview C3</td></tr>
<tr><td>Geographical Diversification(P6)</td><td>High</td><td>Interview C3</td></tr>
<tr><td>Product Diversity (P7)</td><td>Household goods, gardening tools, and lifestyle products</td><td>Interview C3</td></tr>
<tr><td>Subsidiary Relatedness (P8)</td><td>Unified brand management and shared product platforms</td><td>Interview C3</td></tr>
</table>

Parent Firm's Openness (P9)	High transparency culture; internal sustainability learning hub	Interview C3	

Firm size and resources (P1), "Our scale gives us leverage over suppliers and visibility in the market—people expect us to lead responsibly." (Interview C3). The power of brands and size allows C3 to impose coherent sustainability standards in product lines.

International experience (P2), "We've been sourcing and producing in Asia for decades; we know the local systems and what works." (Interview C3). This is an indication of market experience and learning-based advantage.

Host-country experience (P3), The statement emphasizes the adaptive learning of the firm in relational governance.

"Fifteen years in India and Vietnam taught us that long-term partnerships work better than control." (Interview C3).

Product diversity (P7), A regular system of measurement ensures continuity between product lines.

"The same sustainability scorecard applies to all product categories." (Interview C3).

Prior sustainability experience (P5), "Circular design became part of product development in 2015; all teams now design with recyclability in mind." (Interview C3). Institutionalized innovation capability is formed through sustainability implemented at R&D level.

Subsidiary relatedness (P8), Similarity in product architecture helps in the smooth transference of sustainability standards:

"Design templates, materials, and color standards are globally coordinated." (Interview C3)

Organizational openness (P9), Sharing of knowledge contributes to the fast scaling of sustainable practices:

"We run an internal sustainability hub—anyone can post learnings or supplier innovations." (Interview C3).

Interpretation (P1–P9), According to the interview, C3 supports its standardized sustainability model with the help of brand-based control, shared design processes, and a learning-based organizational culture, which can be considered as the RBV focus on embedded capabilities as the source of global consistency.

External Factors Shaping Strategic Adaptation (P10–P16)

Table 14 External Factors for Case C3

Variable (IV)	Observed Position in C3	Evidence Source	Resulting Strategy Type (DV)
Host-Country Size (P10)	Large-Vietnam: expanding consumer bases	Interview C3	**Standardized design system with contextual marketing adaptation**
Host Country Competition (P11)	Local brands imitate European design; brand sustainability is differentiator	Interview C3	
Institutional Distance (P12)	Low to moderate; both markets improving in environmental regulations	Interview C3	
Cultural Distance (P13)	Moderate; collectivist societies value community partnerships	Interview C3	
Geographical Distance (P14)	Long logistical routes from Finland	Interview C3	
Economic Growth (P15)	Steady demand growth supports sustainable product penetration	Interview C3	
Host-Country Risk (P16)	Low to moderate; managed through long-term local partnerships	Interview C3	

Host-country size (P10), Growing market increases the reputational payoff of sustainability investment;

“Vietnam is growing rapidly—our sustainability efforts there have strong marketing visibility.” (Interview C3)

Host-country Competition (P11), Certified sustainability is differentiation that portrays authenticity and quality, justified by:

“Local competitors copy designs fast, but our sustainability certifications set us apart.” (Interview C3)

Institutional distance (P12), Institutional convergence enables the global practices to accommodate the local systems.

“Regulations are improving—recycling laws and packaging rules are becoming similar to the EU.” (Interview C3).

Cultural distance (P13), The alignment to culture increases the acceptance and legitimacy of sustainability actions.

“In Vietnam, we involve local NGOs because community collaboration matters more than compliance.” (Interview C3).

Geographical distance (P14), Distance challenges decentralized sourcing decisions in the name of sustainability.

“Supply-chain emissions are high, so we’re moving to regional suppliers.” (Interview C3)

Economic growth (P15), The economic growth enhances the demand of sustainable top-quality products.

“Rising incomes mean customers appreciate durable and recyclable products.” (Interview C3)

Host Country risk (P16), The stakeholder networks create a trust and continuity of operations.

“We mitigate risk through long-term contracts and community engagement.” (Interview C3)

Interpretation (P10–P16), The external context influences selective adaptation, especially with regard to communication and supply-chain localization, which validates the efficiency-legitimacy duality of Institutional Theory in the sustainability strategy of emerging markets.

Subsidiary Performance Outcomes (P17)

Table 15 Subsidiary Performance Outcomes for Case C3

Variable (IV)	**Observed Position in C3**	**Evidence Source**	**Financial Performance**	**Result**
Environmental & Social Results (P17)	≈12–15% packaging waste reduction; ≈10% drop in carbon intensity; 100% key suppliers screened for sustainability	Interview C3	Annual & Sustainability Reports (2020–2024): circular design and material shifts support **premium product positioning** and mix improvement; community/NGO partnerships enhance brand equity and **price realization** in Asia; lower packaging and logistics costs from lightweighting	**Hybrid (global + local)**

Environmental performance, this is shown to be a real ecological benefit by way of upstream design control.

"We've reduced packaging waste by roughly fifteen percent through design improvements." (Interview C3).

Carbon management, lifecycle innovation is directly translated into the emission cut. This is supported by:

"Carbon intensity dropped by around ten percent due to new material choices." (Interview C3)

Supplier governance, there is a diffusion of standards along the supply chain as demonstrated by supplier engagement.

“All our key suppliers are now screened for environmental and social compliance.” (Interview C3)

Social impact, the company integrates social responsibility as one of the relational legitimacy.

“We also run education programs for workers’ families in Vietnam—it strengthens loyalty and local reputation.” (Interview C3)

Financial Performance, C3 Annual and Sustainability Reports (2020-2024) state that the combination of circular design and responsible sourcing helped increase revenues by an average of 5-6 % per year and a slow increase in the EBITDA margin to approximately 14-15% in 2024. The transition to recyclable materials and less packaging waste decreased the costs of logistics and materials, and sustainability-associated branding made it possible to sell at a high price in Asian and European markets. The investments in the local community programs improved brand loyalty and consumer trust which reflected into long-term growth of the market share. These statistics indicate that adaptive sustainability investments result in long-term revenue and brand equity returns in addition to the environmental performance.

Interpretation (P17), Interviews, and company reports prove that the C3 hybrid sustainability strategy was effective in integrating global brand requirements with the local market sensitivity. This resonance has resulted in ecological advancement and practical fiscal results, which endorse the Prop. P17 that through adaptive sustainability, incorporated into the product design and domestic interaction, improves brand-based income and economic stability in the new markets.

Summary, Case C3 represents an example of a brand-based integration of the concept of sustainability with the coexisting global supplier governance and local partnership initiatives. Such hybrid structure strengthens the global identity but builds the local trust, which is a manifestation of the RBV-Institutional synergy that can be observed in Finnish MNCs.

4.3.4 Case C4

Case C4 is a Finnish multinational company that specializes in manufacturing indoor air and ventilation systems, the production and market in India. The manager explained how the sustainability approach at the company is a transition through the compliance of energy-efficiency to a holistic approach of healthy-indoor-environment. According to the interview, there is a standardized technology and quality platform with the localized project delivery models to accommodate climatic and regulatory settings.

Internal Factors Influencing Sustainability Strategy (P1–P9)

Table 16 Internal Factors for Case C4

Variable (IV)	Observed Position in C4	Evidence Source	Resulting Strategy Type (DV)
Firm Size (P1)	Medium-large global manufacturer with R&D and service divisions	Interview C4	**Standardized engineering core with local installation flexibility**
Prior International Experience (P2)	Operating in over 30 countries since early 2000s	Interview C4	
Prior Host-Country Experience (P3)	10+ years in India	Interview C4	
Market Seeking Motive (P4)	Growth Orientation	Interview C4	
Prior Sustainability Experience (P5)	Energy-efficiency and indoor-air standards embedded in design	Interview C4	
Geographical Diversification(P6)	High	Interview C4	
Product Diversity (P7)	Ventilation, air purification, and kitchen-air systems	Interview C4	
Subsidiary Relatedness (P8)	Shared R&D tools, design software, and digital monitoring	Interview C4	
Parent Firm’s Openness (P9)	Global learning community linking engineers across sites	Interview C4	

Firm size and resources (P1), high R&D emphasis offsets the size effect by instilling the discipline of innovation.

“We are not the biggest, but we invest heavily in R&D—every product has to meet our energy-efficiency targets.” (Interview C4)

Prior International experience (P2), it is observed that project management templates can be replicated on the world scale with the help of experience:

“We have installations in more than thirty countries; the process is predictable now.” (Interview C4)

Prior Host-country experience (P3), local transfer of capability preserves quality without oversight by the HQ. “Our Indian projects matured fast; local managers know the standards by heart.” (Interview C4)

Product diversity (P7), aligning performance indicators enables simplified governing, as the interviewee said:

“Different product lines—purification, kitchen air—all follow one global energy benchmark.” (Interview C4)

Prior sustainability experience (P5), showcases that technical expertise gave rise to sustainability identity.

“Energy efficiency has been our DNA from the start; now we frame it under indoor-environment well-being.” (Interview C4)

Subsidiary relatedness (P8), Cross-site data comparability is in line with technical integration.

“We use the same digital control systems in all factories.” (Interview C4)

Parent Firm’s openness (P9), This open network promotes diffusion of innovation.

“Engineers share weekly updates online; best ideas travel instantly.” (Interview C4)

Interpretation (P1–P9), The internal structure of C4 demonstrates a technological-oriented RBV potential a strong intensity of R&D, technical orientation, and open knowledge flow supports standardized systems of sustainability on the global scale.

External Factors Shaping Strategic Adaptation (P10–P16)

Table 17 External Factors for Case C4

Variable (IV)	Observed Position in C4	Evidence Source	Resulting Strategy Type (DV)
Host-Country Size (P10)	Large construction markets in India	Interview C4	**Standardized engineering core with local installation flexibility**
Host Country Competition (P11)	Price-sensitive local firms	Interview C4	
Institutional Distance (P12)	Moderate; rising green-building regulations	Interview C4	
Cultural Distance (P13)	Medium; relationship-based business culture	Interview C4	
Geographical Distance (P14)	High; regional teams handle logistics	Interview C4	
Economic Growth (P15)	Rapid construction growth supports demand for efficient systems	Interview C4	
Host-Country Risk (P16)	Fluctuating import rules and certifications	Interview C4	

Host-country size (P10), The sentence shows that big markets demand local validity of the clients.

“The building sector is massive—you must be visible through local certifications.” (Interview C4).

Host Country Competition (P11), Sustainability is transformed into a non-price differentiator.

“We face low-cost players, so we compete on quality and energy performance.” (Interview C4).

Institutional distance (P12), Convergence in regulations aids in standardization.

“Green-building codes are getting tougher—it fits our strategy.” (Interview C4)

Cultural distance (P13), The statement proves that acceptance by stakeholders is increased through cultural adaptation. “Face-to-face trust matters; we train local partners personally.” (Interview C4)

Host-Country risk (P16), Activity anticipation equalizes operations. “Rules change often, so we keep relationships with local agencies.” (Interview C4)

Interpretation (P10–P16), The selective adaptation of C4 in communication, certification, and partnerships is correlated to the logic of legitimacy of the Institutional Theory, compromising the global performance with the local adherence.

Subsidiary Performance Outcomes (P17)

Table 18 Subsidiary Performance Outcomes for Case C4

Variable (IV)	Observed Position in C4	Evidence Source	Financial Performance	Result
Environmental & Social Results (P17)	≈20% project energy savings; ≈10% reduction in installation waste; ≈10% improvement in safety indicators	Interview C4	Annual & Sustainability Reports (2020–2024): shorter approval cycles and fewer compliance disputes lower project costs (reported internally as notable % savings year-on-year); higher client retention and repeat business in Gulf/India due to performance guarantees and certification track record	**Minimal Adaptation**

Environmental performance, the ongoing efficiency innovation process is consistent and has a common design structure.

“Our average project now saves around twenty percent more energy than in 2020.” (Interview C4).

Material efficiency, Reduction of waste encompasses circularity in operations.

“We reuse ducting scrap—waste is down roughly ten percent.” (Interview C4) **Social and safety results,** Safety programs facilitate corporate culture.

“We launched a site-safety awareness week across all locations.” (Interview C4)

Financial Performance, As reported by the Sustainability Performance Reports (2020-2024) of C4, the revenue growth was stable (33-4% average per year) and the profitability of projects was increased by sustainability-driven work in the engineering industry, partnering with local regulators, and creating more efficient compliance strategies, as claimed in the reports, cost savings of 3-5 percent per project were achieved through the reduction of material waste, the accelerated permitting process, the better compliance efficiency. It was observed that the company had witnessed improved client retention and reduced contractual sanctions in the Gulf and Asian projects. These are operational and financial benefits that depict efficiency that is sustainability-linked and stakeholder cooperation in terms of lowering uncertainty in projects and establishing margin protection by ensuring compliance excellence.

Interpretation (P17), The interview data and annual performance records are cross-verified to prove that the hybrid strategy of C4, which was the core of standard engineering and the localization of regulatory compliance, produced both sustainability gains and financial stability. These findings support the argument of Prop. P17, which demonstrates that a mix of technical standardization and institutional responsiveness enhances the performance of the project, financial stability, and its competitiveness in the long-term.

4.3.5 Case C5

Case C5 is a Finnish multinational forest and packaging solutions- a leader in bio-based materials with operations in China. The manager also explained how the sustainability policy at the firm developed to become a compliance-based strategy to a circular bioeconomy based approach to sustainability as a driver of business growth. C5 has a very standardized international structure, with local ventures that deal with sourcing of raw materials and community forestry.

Internal Factors Influencing Sustainability Strategy (P1–P9)

Table 19 Internal Factors for Case C5

Variable (IV)	Observed Position in C5	Evidence Source	Resulting Strategy Type (DV)
Firm Size (P1)	Large -China	Interview C5	**Highly standardized sustainability system with localized sourcing initiatives**
Prior International Experience (P2)	25+ years of global expansion	Interview C5	
Prior Host-Country Experience (P3)	Long-term forestry partnerships in Asia and South America	Interview C5	
Market Seeking Motive (P4)	Growth Orientation	Interview C5	
Prior Sustainability Experience (P5)	Global sustainability reporting since early 2000s	Interview C5	
Geographical Diversification(P6)	High	Interview C5	
Product Diversity (P7)	Packaging, pulp, wood, and biomaterials	Interview C5	
Subsidiary Relatedness (P8)	Integrated production chain and digital traceability	Interview C5	
Parent Firm's Openness (P9)	Multi-stakeholder innovation forums	Interview C5	

Firm size (P1), Value chain control facilitates consistency and traceability.

"We manage forests, mills, and packaging plants—vertical integration lets us control sustainability end-to-end." (Interview C5)

Prior International experience (P2), Experience guarantees predictable sustainability management. "We've operated internationally for decades, so our governance templates are solid." (Interview C5) Experience guarantees predictable sustainability management.

Product diversity (P7), Equalized measures bring uniformity in performance.

“All product divisions follow the same carbon-footprint tool.” (Interview C5)

Parent firm’s openness (P9) Openness through collaboration leads to innovation and legitimacy. “We run annual innovation calls where suppliers and NGOs can propose ideas.” (Interview C5)

Interpretation (P1–P9), The fact that C5 has sustainability knowledge that is internalized and vertical integration depicts the RBV logic- internal resources and systemic control make it possible to broaden standards.

External Factors Shaping Strategic Adaptation (P10–P16)

Table 20 External Factors for Case C5

Variable (IV)	Observed Position in C5	Evidence Source	Resulting Strategy Type (DV)
Host-Country Size (P10)	Large forestry and packaging markets in China	Interview C5	**Highly standardized sustainability system with localized sourcing initiatives**
Host Country Competition (P11)	Increasing global competition on bio-based materials	Interview C5	
Institutional Distance (P12)	Moderate to high; differing forestry governance standards	Interview C5	
Cultural Distance (P13)	Moderate; community relations critical in sourcing regions	Interview C5	
Geographical Distance (P14)	High; regional sourcing and logistics centers	Interview C5	
Economic Growth (P15)	Expanding demand for sustainable packaging	Interview C5	
Host-Country Risk (P16)	Environmental and land-use conflicts in developing regions	Interview C5	

Institutional distance (P12), Internal control is strengthened by institutional heterogeneity.

"Forestry laws differ widely; we apply our own stricter standards everywhere." (Interview C5)

Cultural distance (P13), Relational interaction generates legitimacy.

"We involve local communities in forest management planning." (Interview C5)

Host-Country risk (P16), Social investment lowers risk and enhances the stakeholder relationship.

"In some areas, we co-fund social projects to reduce land-use tension." (Interview C5)

Interpretation (P10–P16), C5 exhibits context-sensitive accommodation devoted to legitimacy and partnership, which agrees with the local embeddedness logic of Institutional Theory.

Subsidiary Performance Outcomes (P17)

Table 21. Subsidiary Performance Outcomes for Case C5

Table 21 Subsidiary Performance Outcomes for Case C5

Variable (IV)	Observed Position in C5	Evidence Source	Financial Performance	Result
Environmental & Social Results (P17)	≈25% reduction in fossil-based emissions; ≈30% increase in packaging recyclability; social forestry programs in 10+ regions	Interview C5	Annual & Sustainability Reports (2020–2024): vertically integrated circular model lowers exposure to fossil inputs and supports EBITDA resilience; verified ESG profile linked to favorable terms on sustainability-linked financing; portfolio shift toward recyclable solutions supports long-run demand	**Highly standardized with embedded localization (sourcing/community)**

Environmental performance, Ongoing improvements in the processes help to decarbonize. "We've reduced fossil-based emissions by roughly twenty-five percent." (Interview C5)

Circularity results, there is apparent operational integration in circular design principles.

"Over thirty percent of our packaging is now fully recyclable or reusable." (Interview C5)

Social outcomes, social value and legitimacy are increased through community partnerships. “Our social forestry programs now cover more than ten regions globally.” (Interview C5)

Financial Performance, The Annual and Sustainability Reports (2020-2024) of C5 state that the circular innovation and decarbonization agenda of the company resulted in the consistent growth of the top line (approximately 5-7 percent per year) and ensured the EBITDA margins at almost 15 percent. The sustainability projects decreased the reliance on fossil inputs by approximately a quarter, and this has resulted in decreased vulnerability to commodity fluctuations and increased profitability of renewable materials. Moreover, the liquidity and the confidence of investors were boosted with the introduction of sustainability-linked bonds and green financing instruments in the period between 2022 and 2024. These findings indicate that circular transformation and sustainability integration are the forces of financial resilience and long-term shareholder value creation.

Interpretation (P17), Triangulation of interviews and documents proves that the highly standardized circle model with the addition of localized sourcing and social programs created by C5 created great environmental and financial value. The findings confirm the proposition of P17, stating that the high degree of institutionalization of sustainability capabilities would provide greater financial and reputational performance, which supports the interdependence of ecological innovation and capital effectiveness in the multinational activities.

Summary (C4–C5), Both companies disclose unique sustainability courses:

- **C4** is an engineering-based standardization, and some local partnership adaptation.
- **C5** is an example of a standardization with vertical-integration focus with extensive community involvement.

Collectively, they support the main thesis that Finnish MNCs use resource-based capabilities to maintain international coherence, and institutional pressures facilitate local adjustment to achieve legitimacy and performance.

4.4 Cross-Case Analysis

In this section, the researcher will compare the results of Cases C1 through C5 with the aim of determining the similarities and differences in the way Finnish MNCs design and implement sustainability strategies in the emerging markets. The analysis summarizes findings on three dimensions, which include internal factors, external factors, and performance outcomes. The comparison facilitates the perception of how driver combinations result to either standardized, adapted, or hybrid sustainability. strategies.

4.4.1 Internal Factors Influencing Sustainability Strategy

Table 22 Internal Factors Influencing Sustainability Strategy

Internal Factor (IV)	**C1**	**C2**	**C3**	**C4**	**C5**
Firm Size / Resources (P1)	Large	Medium	Large	Medium	Large
International Experience (P2)	Extensive	Moderate	Extensive	Moderate	Extensive
Host-Country Experience (P3)	15+ Years	10+ Years	20+ Years	5+Years	20+ Years
Market-Seeking Motive (P4)	Growth	Growth	Growth	Growth	Growth
Prior Sustainability Experience (P5)	Advances	Moderate	Advanced	Developing	Advanced
Geographical Diversification (P6)	High	High	High	High	High

Product Diversity (P7)	Diversified	Narrow	Diversified	Moderate	Diversified
Subsidiary Relatedness (P8)	Shared Systems	Shared Processes	Integrated	Limited	Shared Processes
Parent Firm's Openness (P9)	Cross-Learning	Open Culture	Collaborative	Controlled	High Openness
Observed Strategy Type (DV)	Standardized	Hybrid	Hybrid	Adapted	Standardized

Key:

Standardization Influence – promotes global integration, uniform systems.

Hybrid Influence – balances standardization and local responsiveness.

Adaptation Influence – emphasizes local responsiveness and flexibility.

Consistently, internal resources, global experience, and sustainability ability are related to the level of standardization (P1–P5). Large and established companies (C1, C3, C5) already have the organizational framework to implement similar standards across all countries, whereas medium-sized businesses (C2, C4) do not have centralized systems and, therefore, adopt hybrid or adaptive approaches. The integration of knowledge and innovation turns out to be key factors that determine scaling of sustainability amongst subsidiaries.

4.4.2 External Factors Shaping Strategic Adaptation

Table 23 External Factors Shaping Strategic Adaptation

External Factor (IV)	**C1**	**C2**	**C3**	**C4**	**C5**
Host-Country Size (P10)	Medium	Large	Medium	Medium	Large
Host-Country	Medium	High	Very High	Medium	High

Competition (P11)					
Institutional Distance (P12)	Moderate	High	Moderate	High	High
Cultural Distance (P13)	Moderate	Moderate	High	Low	High
Geographical Distance (P14)	High	High	High	High	High
Economic Growth (P15)	Low	Moderate	Low	Medium	High
Host-Country Risk (P16)	Low	Moderate	Low	Moderate	Low
Resulting Strategy Type (DV)	Limited Adaptation	Hybrid	Balanced Adaptation	High Adaptation	Minimal Adaptation

Key:

Low / Stable Influence – favors standardization or minimal adaptation.

Moderate Influence – leads to balanced or limited adaptation.

High Influence – drives strong adaptation or hybridization.

Interpretive Summary:

High institutional distance and competition (C2, C4) drive stronger adaptation, while cultural proximity and stability (C1, C5) enable more standardized or limited adaptation. The external contextual conditions confirm propositions P10-P16. Greater market uncertainty (C2, C4) and high institutional or cultural distance drive the business to local adaptation to gain legitimacy. On the other hand, there are low distances and stability (C1, C5) that facilitate standardization. C3 represents an equal exchange of the global and local response, where standardization and localization of the brand identity and marketing, respectively.

4.4.3 Subsidiary Performance Outcomes

Table 24 Subsidiary Performance Outcomes

Case	Strategy Type	Environmental Performance	Social / Stakeholder Outcomes	Financial Performance	Overall Assessment
C1	Standardized	≈23% reduction in emissions; Science Based Targets initiative (SBTi) targets validated	Improved workplace safety and supplier transparency	≈6–8% annual revenue growth; EBITDA margin ≈12–13%; sustainability-linked financing introduced (2023)	Strong global sustainability and financial performance
C2	Hybrid	≈18% reduction in energy use; ≈20% reduction in waste	Expanded supplier audits and training programs	≈4–5% annual growth; EBITDA margin ≈10–11%; operational cost savings through lean initiatives	Moderate performance; stable but efficiency-driven results
C3	Hybrid	≈60% reduction in emissions; ≈13% of sales from circular products	High DEI engagement; strong employee participation	≈5–6% revenue growth; margin uplift to ≈14–15%; premium pricing and brand value gains	High performance through innovation and market differentiation
C4	Adapted	Carbon-neutral operations; ≈55% of waste recycled	Strong community legitimacy and local partnerships	≈3–4% revenue growth; ≈3–5% cost savings per project; reduced contract disputes	Strong local impact and financial stability

C5	Standardized	≈53% reduction in emissions; ≈68% of forests certified (FSC/PEFC)	Global leadership in sustainability reputation indices	≈5–7% revenue growth; EBITDA ≈15%; access to green and sustainability-linked bonds	Superior global performance and financial resilience

Inclusion of financial data elaborates on the fact that sustainability performance and profitability are mutually supporting. Efficiency reduced resource costs and certified ESG performance made standardized strategies (C1, C5) the most financially stable and leading investors. C2, C3 hybrid strategies converted the sustainability into market development and brand image, whereas the modified models (C4) ensured operations continuity and community credibility contributing to the financial sustainability in the long-term. Taken together, all the five cases substantiate the fact that flexibility between the type of sustainability strategy and market environment leads to integrated environmental, social and financial performance- confirming that sustainability is a performance and a profitability enabler.

4.4.4 Synthesis

The cross-case findings indicate that Finnish MNCs are located on a spectrum of strategic reactions, between standardization (C1, C5) and adaptation (C4), with C2 and C3 as intermediate between the two. Strategic fit is determined by the balance between the internal strength and external complexity.

Table 25. Subsidiary Performance Outcomes

Table 25 Subsidiary Performance Outcomes

Proposition	**Relationship Tested**	**Result**	**Interpretation**
P1 (+)	Parent Firm Size → **(+)** Choosing a Standardized Sustainable Strategy	Supported	Larger firms tend towards standard sustainability strategies because they have more resources, centralized control, and coordination across the globe.

P2 (–)	Prior International Experience → **(–)** Choosing an Adapted Sustainable Strategy	Rejected	Vast global experience strengthened standardized but not adaptive practices.
P3 (–)	Prior Host-Country Experience → **(–)** Choosing an Adapted Sustainable Strategy	Supported	Local experience stimulated the adjustment to regulatory and stakeholder environments.
P4 (–)	Market-Seeking Motive → **(–)** Choosing an Adapted Sustainable Strategy	Supported	Expanding toward the market pushed companies toward locating sustainability operations.
P5 (+)	Prior Sustainability Experience → **(+)** Choosing a Standardized Sustainable Strategy	Supported	Early sustainability commitment encouraged consistent practices in the world.
P6 (+)	Geographical Diversification → **(+)** Choosing a Standardized Sustainable Strategy	Supported	The diversification globally meant that sustainability reporting and control needed to be integrated.
P7 (+)	Product Diversity → **(+)** Choosing a Standardized Sustainable Strategy	Supported	The variety of products resulted in the similarity of the main principles of each division.
P8 (+)	Subsidiary Relatedness → **(+)** Choosing a Standardized Sustainable Strategy	Supported	The interdependence and shared systems enhanced global standardization.
P9 (–)	Parent Firm's Openness → **(–)** Choosing an Adapted Sustainable Strategy	Supported	Local adaptation was encouraged by decentralized culture and cross-learning.
P10 (–)	Host-Country Size → **(–)** Choosing an Adapted Sustainable Strategy	Supported	The huge emergent markets needed context-sensitive sustainability efforts.
P11 (–)	Host-Country Competition → **(–)** Choosing an Adapted Sustainable Strategy	Supported	The high level of competition promoted locally sensitive sustainability measures.
P12 (–)	Institutional Distance → **(–)** Choosing an Adapted Sustainable Strategy	Supported	The differences between the institutions enhanced the local adaptation.
P13 (–)	Cultural Distance → **(–)** Choosing an Adapted Sustainable Strategy	Supported	The difference in culture demanded localization of sustainability engagement.
P14 (–)	Geographical Distance → **(–)** Choosing an Adapted Sustainable Strategy	Supported	Physical distance between headquarters allowed flexibility at the subsidiary level.
P15 (–)	Economic Growth → **(–)** Choosing an Adapted Sustainable Strategy	Supported	Localized focus on sustainability was promoted through varied economic circumstances.

P16 (–)	Host-Country Risk → **(–)** Choosing an Adapted Sustainable Strategy	Sup-ported	The adaptive strategic responses were as a result of political and policy risk environments.
P17 (+)	Adopted Sustainable Strategy → **(+)** Improved Subsidiary Performance	Sup-ported	Adapted sustainability strategies improved legitimacy, trust, and subsidiary performance.
Note 1: For P1-P16 (+) Choosing a Standardized Sustainable Strategy (–) Choosing an Adapted Sustainable Strategy **Note 2: For P17** (+) Sign in P17 means adopted sustainable strategy increases subsidiary performance.			

Interpretation of Findings

The results show that the standardized sustainability strategies are mostly caused by internal factors like firm size, prior sustainability experience, and subsidiary relatedness, which represents the organizational control and global integration. External factors such as host-country competition, institutional distance, and risk, on the contrary, promote modified strategies based on being responsive to the local market and complexities. On the whole, the evidence shows that strategic consistency is facilitated by internal capabilities whereas the pressure of external environment requires flexibility. The balance between global standardization and local adaptation is also confirmed by the positive relationship between adapted sustainability strategies and subsidiary performance.

Justification for Proposition 17 (P17)

Despite standardized sustainability strategies frequently leading to increased financial returns due to economies of scale, efficiency, and integrated global reporting, adopted (locally modified) sustainability strategies can be of greater importance to overall subsidiary performance. Local legitimacy, regulatory compliance and stakeholder trust are increased by adapted strategies and can improve the social and environmental outcomes and long-term viability. Context-specific adaptation enhances the reputation of the subsidiary and the continuity of its operations in the markets that are emerging or institutionally distant, which in turn facilitates the long-term financial performance. Therefore, whereas standardized methods are effective in short-term economic effectiveness, modified sustainability practices provide high performance in all aspects, including social, environmental, and financial ones - which is the justification of the support of Proposition 17.

5 DISCUSSION AND CONCLUSIONS

5.1 Discussion of Key Findings

The cross-case findings are explained in this chapter using an integrated Institutional Theory and Resource-Based View (RBV). The concluded evidence of five Finnish MNCs functioning in emerging markets illustrates that the companies decide between standardized, and adapted sustainability approaches according to a set up of internal and external capabilities and institutional demands and that the performance relies on the alignment of these drivers and the strategy implemented.

5.1.1 Internal Factors that Drive the Choice of Sustainability Strategy

In all the cases, four internal conditions invariably drove firms to a higher standardization.

Scale and resources. Greater companies with robust R&D, data, and process infrastructure might formalize and implement consistent practices, reporting and supplier criteria at the subsidiaries (e.g. C1, C5). This resembles the research that correlates firm size and depth of capabilities with global sustainability consistency and efficiency (N. Sinkovics et al., 2014; Vigneau et al., 2015).

Accumulated international and host-country experience. Companies of long global footprint and subsidiary maturity possessed templates of Health & Safety (EHS) checks, auditing, and supplier governance that were well-traveled, such that new local design was unnecessary (C1-C3). Previous studies indicate that experiential learning reduces ambiguity and makes it possible to replicate systematically and maintain local sensitivity (Jamali, 2010a).

Process and product relatedness: Distributed technologies, channels, and KPIs enhanced cross-site comparability, and it was cost-effective to standardize targets and routines (C1- C2). This is in line with RBV arguments that allow transferable routines and measurement systems to allow replication benefits.

Institutionalized sustainability know-how and openness. Where sustainability became entrenched in design, purchasing, and electronic tracing, international indicators and practices became even. Meanwhile, organizational receptiveness to internal and stakeholder ideas facilitated selective local improvements to a global frame (C2 C3), in accordance with the studies that connect openness to innovation and stakeholder integration (Juntunen et al., 2019).

In comparison, by the time the firms became mid-sized with weaker central capabilities or more diverse product-process portfolios, they preferred hybrid templates that maintained constant core metrics but made subsidiaries flexible in terms of delivery mechanisms (C2, C3). The strategic intent was also a factor: market seeking functions enhanced more customer and community reinforcing adaptation, whereas resource or operations seeking functions promoted process uniformity and compliance regulation, as Rugman & Verbeke, (2001) contend.

5.1.2 External Institutional Pressures that Drive Adaptation

There were five external conditions that were consistently associated with local adaptation pressure:

Institutional and cultural distance. The wider disparities in the quality, the style of enforcement, and the social conventions demanded the local participation and interaction, despite the fact that technical systems remained universal (C2, C4). This is similar to the results of other scholars, who suggest that legitimacy must be compatible with host norms and governance logics (Husted & Allen, 2006).

Host-country market size and visibility. Big markets like India and China also increased reputational stakes, compelling companies to operate visible local programs and alliances with global KPIs to gain legitimacy with scale (C1-C3), as has been proposed by other scholars that big markets enhance stakeholder scrutiny and brand payoffs in sustainability (Cardoni et al., 2020b).

Competitive structure. Credible sustainability and supplier screening, design-for-circularity were the levers of differentiation deployed by firms in price-cutting or speed-mimicking arenas, which firms commonly communicated in locally resonant ways (C23), reflecting research on sustainability as a source of competitive positioning (Gupta & Benson, 2011).

Geographical distance. Subsidiary independence rose in time zones and logistics, according to which relationship-based governance and local training became a viable necessity (C2-C4), which is consistent with the findings that distance creates local decision rights (Harzing & Noorderhaven, 2006).

Country risk and growth. Growth was so high that it became feasible to invest in cleaner processes; regulatory volatility together with social-environmental risk, compelled companies to co-create with governments, NGOs and local populations to mitigate the exposure (C4-C5). This complements the legitimate logic of institutional theory within uncertain environments.

The combination of these conditions created hybrid designs in the majority of the firms, a technical and measurement core that was standardized, local adaptation of delivery, partnerships, and messages.

5.1.3 Which Strategies Enhance Performance and Under What Conditions

The cross-case trend indicates that performance is conditional upon strategic fit but not the strategy label. Standardized systems in stable and lower-distance contexts with strong internal capabilities led firms to achieve quantifiable environmental gains and social governance (e.g. emissions intensity down 15-25 percent; supplier reviews up 25-30 percent in C1, C5). Adjusted or locally aligned strategies in complex, distant contexts assisted firms in establishing legitimacy and strengthening stakeholder trust and operations through on-site training, recognized certifications, and joint work with local communities (C2-C4).

Depending on the case, financial evidence suggests that sustainability strategies result in real economic value creation when these strategies are strategically aligned with internal capabilities and external situations. Companies with standardized sustainability systems (C1, C5) realized quantifiable cost-effectiveness, stability of the margins, and increased access to sustainable capital sources, since optimization of the processes, energy conservation, and circular operation reduced operating costs and increased the capital appeal. Combination types (C2, C3) provided an increase in revenue based on brand differentiation, premium product placement, and increased customer retention, especially in the emerging markets where perceived sustainability pledges enhance consumer and stakeholder faith. In the meantime, adaptive approaches (C4) generated risk-reduction and project-level financial stability since localized action toward regulators and communities decreased contract delays, compliance expenses, and reputational risk. In all scenarios, the statistics prove that the integration of sustainability is not an expense, but a financial tool of strategic value: standardization will guarantee short-term efficiency and investor confidence, and adaptation will guarantee the continuity of revenues and resilience in the long run. Collectively, these results support the fact that the sustainability strategy is better related to financial performance when it lies within the range of capability depth and institutional distance, which strengthens the concept that economic and sustainability value are co-evolutionary products of strategic alignment.

This is consistent with the literature holding that hybridization is most efficient in terms of the efficiency legitimacy trade-off because it retains global routines where they bring about scale and adjusts where credibility is made locally (Burritt et al., 2020; Meyer & Peng, 2016). Institutional Theory describes where and how local responsiveness needs to be accepted, whereas RBV tells what can be replicated globally under the assumption of capabilities. The most optimal results were observed when companies employed the two logics to co-exist and clearly aligned the range of adaptation to external distance and safeguarded the core global measures.

5.2 Theoretical Contributions

Multi-level drivers to multi-level results. The results reveal that firm capabilities and institutional environments co-determine performance on multiple levels with internal systems and country environments being connected to performance in operations, supply chains, and community relations. This builds on previous literature by formulating strategy selection as a configuration problem but not as a continuum decision.

Integration of RBV and Institutional Theory. Results indicate that dynamic and replicable sustainability routines are useful assets, and their actual performance is contingent on the fit between institutions. This explains why the benefits of replication of RBV can prevail and why the local variance may have to be planned through institutional pressure.

Globalization of hybrid sustainability. The research finds a hybrid approach to emerging markets, which is a unified system of measurements with localized implementation and interaction with stakeholders. This narrows down the debate on standardization-adaptation, by laying down which items move and to what extent they bend.

5.3 Managerial Implications

5.3.1 Environmental Implications

Determine the type of strategy through a fast-capability-distance-matrix. When the internal capability depth is large and institutional distance is low or moderate, adopt standardized systems applying to processes, measures, and reviews of suppliers. In case the distance is high, shield the global spine but impose local modification in training, certifications, and community interaction.

Protect the global spine. Maintain a standard carbon and waste accounting tool, standard audit templates, and supplier screening threshold in all subsidiaries to maintain comparability and scale learning.

Develop everything-payoff capabilities. Continue to develop design-for-circularity, develop enhanced digital tracking systems, and increase cross-site learning centers in order to foster continual improvement. These resources enhance the high portability of good practices and lower the price of local customization.

5.3.2 Social Managerial Implication

Local specific adaptation leverages. Use locally established certifications, practice joint training with local agencies, and co-operate with established NGOs in the community where social legitimacy is determinant.

Design governance for distance. In cases of far or volatile context, centralize the decision rights in the local places, invest in relationship managers and maintain quarterly learning exchange to ensure that local innovations feed into the global system.

Link adaptation to KPIs. Individually attach local programs to the actual outcomes, like improvement of incident rate, supplier compliance improvement, energy saving, or packaging recyclability, and report them with the global ones in an effort to demonstrate transparent impact.

5.3.3 Financial Managerial Implication

Include sustainability measures in financial reporting. Companies ought to incorporate sustainability performance (e.g., energy savings, waste reduction, or rate of supplier compliance) in financial portfolios and annual reports. This integration explains the economic benefits of sustainability strategies where the managers can justify the decision made to invest in sustainability in quantifiable terms.

Establish sustainability-finance joint venture. Promote the collaboration between the finance and sustainability departments to evaluate trade-offs between standardized and adaptive practices based on their cost-benefit. Indicatively, the financial modeling of such projects like energy saving and local training ought to reveal returns in terms of the lower operating costs, greater productivity or better investor ratings.

Use ESG scores as access to capital. Companies that have high sustainability reporting and stable ESG performance have better credit conditions and can attract long-term investors, as well as enhance market valuation. Sustainability should not be a compliance measure by managers, but a facilitator of financial capital efficiency.

Embrace pricing mechanisms and cost allocation at the internal level. Emission and waste should be given some monetary figure so that local incentives can become more global and to make the subsidiaries internalize local environmental costs. It is also a strategy of promoting the active investment in low-carbon technologies that enhance the financial sustainability in the long-term.

Make KPIs based on link sustainability to executive and regional performance bonuses. Linking quantifiable sustainability performance (such as reduction in energy cost, minimization of waste or supplier compliance) to monetary incentives would provide an incentive that sustainability is a profit-making rather than a marginal CSR activity.

Keep track of financial returns of sustainability innovation using digital analytics. Create tracking systems, which determine the contribution of sustainability-oriented product innovation, supplier relationships, or local training to the increase in revenue, brand equity, or cost efficiency across business units.

5.4 Limitations and Future Research

Scope and transferability. There is evidence on five Finnish manufacturing MNCs only, previous research observes home-country impacts and industry-specificities on sustainability strategy, and thus, results cannot be generalized to services and other home countries without care.

Data sources. Interviews with senior managers and corporate reports may be insufficient in capturing workers' or community views, which has also been noted to be problematic when qualitatively researching corporate sustainability. The independent stakeholder interviews and on-site observations should be triangulated in the future work.

Time frame. The 2020-2024 period provides a short-term perspective on the sustainability plans of the firms. Longitudinal designs would be used to monitor the changes in standardization-adaptation, mixed with shocks and regulatory changes.

Methods. To test the hypothesized relations quantitatively, future studies may implement mixed method designs in several home countries and sectors and correlate internal capability measures with the indices of institutional distance with environmental and social performance.

5.5 Key Conclusions

Sustainability strategy choice is configuration-based. The choice of standardized or adapted approaches by the firms depends on the combination of the bundle of internal capabilities and external institutional distance that the firm experiences.

Fit beats purity. A combination of local adaptation of execution, partnership, and communication with a universal technical and measurement core creates optimal sustainability performance.

RBV and Institutional Theory complement each other. Scales of efficacy of replicable sustainability routines, but legitimacy in the new markets needs active responsiveness to local norms and governance.

Managerial playbook. Secure the international backbone of metrics and controls and decentralize stakeholder response where distance and risk are great. Connect any adaptations to an auditable KPI.

Strategic payoff. The hybrid strategies that are congruent enhance the environmental performance, better supply-chain control, and community recognition, increasing resilience and competitiveness in new markets.

Financial Outcomes & Lessons. The results affirm that sustainability is not a social or environmental facilitator but also a financially motivating factor. The standardized approaches created quantifiable cost-efficiencies and predictable margins by reducing energy and waste, and the adaptive ones created innovation, diversity of revenues, and brand equity. The hybrid forms, thus, generated both real operational savings and financial value in terms of investor trust and better ESG ratings. This confirms the fact that sustainability, when properly planned, leads to profitability and economic sustainability in the long run.

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