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# CHAPTER 6

## MULTINATIONALS WITH A PROACTIVE CSR APPROACH

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### ABSTRACT

*The increasing pressure for social responsibility and sustainability that multinational enterprises (MNEs) are facing in their global operations represents one important emerging phenomenon within the international business field. In this book chapter, we present an in-depth case study on how a global fashion MNE develops and implements sustainability practices in their operations in an emerging market context. The case study focusses on the MNE's work related to energy efficiency and renewable energy in the production market of Bangladesh. The purpose of this chapter is to advance the understanding about particular practices pertinent to a proactive approach to corporate social responsibility (CSR). The chapter contributes to ongoing discussions within the international business field on the role of MNEs in driving and implementing sustainability practices. We add an in-depth understanding of the proactive CSR practices undertaken by an MNE, in an emerging market context.*

**Keywords:** Proactive CSR practices; emerging markets; multinationals; case study; sustainability; stakeholder

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## INTRODUCTION

MNEs have become subjects of polarized debates about their responsibilities for running fair and sustainable global operations (Jamali, 2010; Wettstein et al., 2019). Given their managerial capacities and global outreach, some argue that MNEs should play leading roles in driving and implementing sustainability practices (Ghauri, 2022; van Tulder et al., 2021). Studies have also stated their disappointment over the rather reactive nature of MNEs in implementing and diffusing sustainability practices around the world (van Tulder et al., 2021). MNEs with reactive approaches to CSR develop CSR mainly as a response to the public discourse and stakeholder pressure (e.g. Asgary & Li, 2016; Barin Cruz & Pedrozo, 2009; Egels-Zandén, 2014). Such MNEs take actions to comply with laws and standards at minimum levels but are not necessarily convinced about the importance of sustainability actions. In contrast to the reactive CSR approach seen among MNEs, recent studies have requested more research on how MNEs could take on proactive, leading roles in implementing and diffusing sustainability practices around the world (Tarnovskaya et al., 2022b). Some even claim it is our responsibility as international business scholars to investigate in more depth the role MNEs can play in implementing sustainability practices, particularly in an emerging market context (Ghauri, 2022). In this book chapter, we respond to such calls. The purpose of this chapter is to advance the understanding about particular practices pertinent to a proactive approach to CSR.

MNEs operate in multiple different markets across the world. A recurrent challenge for these corporations relates to the cultural and contextual forces. For an MNE with operations in emerging markets, the cultural and contextual challenges tend to become even more pronounced. Earlier studies have emphasized that what is considered to be an ethical and sustainable desired behaviour in a certain market may not correspond with values held by actors in another part of the world (Bondy et al., 2012; Elg et al., 2015). In a study on Tetra Pak's operation in the Indian market, Elg et al. (2015) showed how this MNE struggled with cultural obstacles related to Indian consumers' scepticism towards packaged milk. The MNE needed to increase awareness of the health advantages of the packaging technology for milk within the local market context as well as add trust to the Tetra Pak brand and the packaging technology. In a study on a Swedish fashion MNE's implementation of fair living wages in Bangladesh, it was shown how local suppliers and factories were hesitant to engage in a dialogue about wages with a buyer such as the Swedish MNE. Local suppliers and factories in Bangladesh did not see the business logic of raising wages or even discussing wages, with their buyers (Tarnovskaya et al., 2022a). Based on earlier studies, it is, therefore, clear that cultural differences between an MNE's home market and an emerging market can put severe challenges on the MNE's implementation of sustainability practices.

There is a growing stream of CSR-related studies with MNEs in focus, and these have examined the operations of MNEs' subsidiaries in emerging markets (Kim et al., 2018; Park & Ghauri, 2015; Rathert, 2016; Reimann et al., 2012). Some studies show evidence of MNEs taking on a more proactive CSR approach.

These studies demonstrate how MNEs develop CSR as part of an economically or socially motivated strategy that enables them to become more embedded in local communities and stay ahead of competitors (i.e. a proactive approach) (e.g. [Baumann-Pauly et al., 2013](#); [Beckman et al., 2009](#)). Such MNEs can make social investments in local communities, for example, in education. They could also educate their customers in CSR topics, including safe driving and energy efficiency ([Yin & Jamali, 2016](#)). When taking stock of extant literature, we can discern a research opportunity to study MNEs' proactive CSR practices in greater depth, particularly in an emerging market context. Based on recent international business studies, where scholars have advocated a stronger and more leading role of MNEs in the global economy ([Ghauri, 2022](#); [Wettstein et al., 2019](#)), we suggest that an in-depth understanding of those proactive CSR practices undertaken by MNEs can add useful insights to ongoing international business discussions.

In this study, we will build upon a very recent literature review ([Tarnovskaya et al., 2022b](#)) where the reactive CSR approach and different proactive approaches to CSR have been identified and analysed. We will use the conceptual insights from this study to empirically explore the CSR practices adopted by a global fashion MNE in the context of emerging markets. The chapter contributes to ongoing discussions within the international business field on the role of MNEs in driving and implementing sustainability practices. We add an in-depth understanding on the proactive CSR practices undertaken by an MNE, in an emerging market context.

## THEORETICAL FRAMEWORK

International business literature has often cited legitimacy and stakeholder pressure as the driving forces of a firm's CSR pursuits. Among these pressures are influences of customers ([Luo & Bhattacharya, 2006](#)), employees ([Park & Ghauri, 2015](#)), investors or society as a whole ([Galbreath & Shum, 2012](#)). The underlying view in such studies is that firms pursue a CSR agenda only after they have been exposed or pressured by their external stakeholders and society. Hence, CSR activities are predominately reactive, and stakeholder pressure can be seen as the driving force of a firm's CSR pursuits.

In contrast to this reactive approach, the literature also illustrates firms engaging in CSR for reasons of philanthropy, to increase transparency, enhance firm reputation ([Surroca et al., 2010](#)), develop stronger ties with local governments and, in doing so, enhance firm value through proactive efforts. Value generated from CSR can comprise both a sense of purpose instilled in managers and employees in the company and an enhanced brand value which can, eventually, translate into economic profits. In emerging market settings, it has been shown that MNEs take on such proactive approaches in driving change through initiatives that affect the well-being of local communities and the work conditions in local industries ([Lind et al., 2020](#)).

The focus of this book chapter is to explore in greater depth the proactive CSR approach and specifically those practices used by an MNE in its

sustainability work on an emerging market. To do so, we draw on a recent literature review study, where two proactive CSR approaches have been identified, that is, the stakeholder approach and the strategic approach (Tarnovskaya et al., 2022b). Although these two CSR approaches are not collectively exhaustive, we find that using these conceptual developments will enable us to do an in-depth analysis of those sustainability practices used by an MNE in its work on an emerging market. In this theoretical framework, we will outline the two proactive CSR approaches, as portrayed by Tarnovskaya et al. (2022b). In describing the two proactive CSR approaches, we focus on the (i) stakeholders involved (e.g. a delimited set or broad range of stakeholders, link between stakeholders and value-chain operations) and (ii) CSR practices adopted (e.g. social impact of activities).

In developing the theoretical framework for this book chapter, we will use the concepts of CSR and sustainability as interchangeable. While some scholars suggest the differences between the two concepts need to be sharpened (e.g. Bansal & Song, 2017), others use the concepts interchangeably (e.g. Tarnovskaya et al., 2022b). Similar to the recent literature review (Tarnovskaya et al., 2022b) guiding the framework of this book chapter, we will use the two concepts interchangeably.

#### *A Proactive CSR Approach – The Strategic Perspective*

One proactive CSR approach identified in the recent literature review is the so-called strategic CSR approach (Tarnovskaya et al., 2022b). In relation to a reactive CSR approach, strategic CSR reflects a shift in corporate practices from passive compliance to externally imposed expectations to proactive engagement in social or environmental matters (Husted & Allen, 2009; Yin & Jamali, 2016). Companies pursuing strategic CSR may proactively evaluate a broad range of issues related to CSR where they can outperform competitors, for example, within areas such as human rights, workplace safety, wages, environmental standards (Baumann-Pauly et al., 2013). A strategic CSR approach, however, focusses on those issues that immediately concern business operations of the MNE. If these issues are attended to properly, they could increase the likelihood that companies are favourably evaluated. In this way, the strategic CSR approach can be seen to relate significantly to the arguments made by Porter and Kramer (2006). One of the key arguments of Porter and Kramer is that CSR can be a source of opportunity and competitive advantage for corporations.

In terms of *stakeholder involvement*, strategic CSR implies that MNEs focus their attention on carefully selected stakeholder groups and on particular focus areas for CSR engagement. The development of the strategic CSR orientation is determined by contextual market realities, rather than by a pure interest in CSR and social value creation. For example, the study by Yin and Jamali (2016) focussing on multinationals in a Chinese context showed that CSR was designed with a close fit to the company's mission and objectives. The study showed how multinationals were proactive in assessing economic, technological, social and political trends and proactively engaged with the government, customers,

suppliers and non-governmental organizations (NGOs) to design and evaluate CSR programmes.

*Common CSR practices* have been seen to involve training staff on environmental issues (Child & Tsai, 2005), developing external partnerships with other firms and civil society and negotiating regulations with local authorities (Child & Tsai, 2005; Dang et al., 2020). Studies have also shown that practices can include making social investments in local communities covering, for example, education (Hadjikhani et al., 2016). Furthermore, studies have demonstrated multinationals that make investments in their supply-chains involving training, capacity building and knowledge sharing with suppliers (Yin & Jamali, 2016). The guiding principle for these proactive, strategic-oriented practices is that these are connected directly to the business goals set for a certain country or market area. There is a close integration between the CSR practices and the MNE's corporate strategy. Hence, many activities like construction of schools, education, medical care and community building are closely connected to the firm's business relationships with suppliers, customers and distributors, thus creating valuable outcomes of direct relevance for the MNE's business development.

#### *A Proactive CSR Approach – A Stakeholder Perspective*

In the recent literature review, another proactive CSR approach identified is the so-called stakeholder CSR approach (Tarnovskaya et al., 2022b). Such a CSR approach broadly concerns achieving social and environmental impact through relationships with stakeholders. A stakeholder approach when developing CSR has been described as a more 'authentic' approach in comparison to a reactive CSR approach that has a more instrumental view on CSR and lacks authenticity in stakeholders' eyes (e.g. Beckman et al., 2009). Engaging with stakeholders reflects a 'commitment to contribute to public goods and shape CSR agenda, irrespective of strategic value' (Baumann-Pauly et al., 2013).

In terms of *stakeholder involvement*, firms following such an approach to CSR take a broad range of external stakeholders into account, irrespective of their strategic value for the firms. Engagement in local communities becomes a behavioural feature where stakeholders are viewed as equal partners in the firm's decision-making process (Baumann-Pauly et al., 2013). A stakeholder perspective to CSR involves the organization of different groups and constellations of stakeholders. In these initiatives, social value takes precedence over economic value. As demonstrated by a study of Chilean MNE suppliers (Beckman et al., 2009), the network of stakeholders extended beyond primary stakeholders. It included NGOs (national and transnational), various levels of government, unions, activists (national and transnational), regulatory organizations, police and community organizations. Another study of Nestle in India (Asgary & Li, 2016) demonstrated how the MNE reached out to the 'bottom' stakeholders (local farmers) providing nutrition, medicine, education and technical assistance in interactions with NGOs and local governments. Moreover, the study demonstrated that multinationals need to work closely with stakeholders, to proactively implement CSR principles in their global supply chains.

*Common CSR practices* adopted by MNEs following a stakeholder CSR approach include selective choice of CSR compliant suppliers, continuous monitoring, training and improvement of their working conditions, developing strong relationships among supply chain partners, CSR education in local community schools and employees’ CSR training (Asgary & Li, 2016). Broad development initiatives including educational and social welfare initiatives in local communities have also been identified (Eweje, 2006). Other studies highlight the different types of partnerships with local and global NGOs and the activities aimed at improving the diversity of the workforce through the inclusion of young people (Barin Cruz & Pedrozo, 2009). The guiding principle for these proactive, stakeholder-aimed practices can be seen as engagement, where a continuing relationship provides a base for the practices implemented. As stressed in Beckman et al. (2009), engagement with stakeholders was far more than dialogue. In the study of Chilean MNEs, Beckman et al. (2009) found that the MNE worked closely with stakeholders to learn about their problems and eventually co-created solutions to social challenges.

Table 1 summarizes the conceptual ideas depicted in the two proactive CSR approaches, drawing on insights from Tarnovskaya et al. (2022b). The strategic CSR approach reflects a shift in corporate practices from passive compliance to externally imposed expectations to proactive engagement in social and environmental matters to future-proof economic value generation. This approach serves to proactively engage a broad set of business-critical stakeholders (e.g. customers, suppliers, governments and NGOs) to reach strategic targets related to productivity, profitability and growth in local markets. These issues are of immediate strategic concern for the company and are closely tied to value-chain operations. In comparison to the strategic CSR approach, the stakeholder approach implies a more matured CSR organization and a strategic inclination to organize a broad

**Table 1.** Proactive CSR Approaches.

	Strategic CSR Approach	Stakeholder CSR Approach
Stakeholders involved	Serves to proactively engage a broad set of business-critical stakeholders (e.g. customers, suppliers, governments, NGOs) to reach company strategic targets	Takes a broad range of external stakeholders into account, irrespective of their strategic value to the firm. Even ‘bottom-level’ stakeholders are involved (e.g. local workers and suppliers)
Example of CSR practices	The strategic-aimed practices are closely integrated with corporate strategy and business goals, for example, training staff on environmental issues; developing external partnerships with other firms and civil society; making investment in the supply chain involving training, knowledge sharing with suppliers	The guiding principle for the stakeholder-aimed practices is engagement. For example, selective choice of CSR compliant suppliers, continuous monitoring, training and improvement of their working conditions, developing strong relationships. Different types of partnerships with local and global NGOs among supply chain partners, CSR education in local community schools



range of stakeholders for social impact. In stakeholder CSR approaches, even the ‘bottom-level’ stakeholders, such as workers, suppliers, community members, may be called upon.

## METHOD

This study rests on the premise that there is a need to understand in more depth the proactive CSR practices adopted by MNEs, particularly in an emerging market context (e.g. [Ghauri, 2022](#)). To address the purpose of this study, we considered that aspects related to sustainability and ethics among MNEs are sensitive areas to study. We embraced an exploratory and phenomenological research design ([Ghauri & Grønhaug, 2010](#)) to further our understanding on MNEs’ proactive CSR practices in an emerging market context. We chose to conduct an in-depth qualitative case study that allowed us to explore new insights about proactive CSR practices. We chose to conduct one holistic case study to gain an in-depth understanding and be able to advance theoretical as well as empirical understanding on the topic. We have, therefore, followed a purposeful, theoretical sampling strategy (see [Eisenhardt, 1989](#)). This meant that the case company was chosen for theoretical reasons, and we aimed at choosing a case that enabled us to describe in an in-depth manner, an MNE’s implementation of sustainability practices in an emerging market context.

The case study focusses on a global fashion MNE and its work pertaining to energy efficiency and renewable energy in the production supply chain. This specific fashion MNE is an example of a company that has documented experience of working on sustainability matters for a relatively long time period in emerging markets. One of its largest production markets is located in Bangladesh, and it is also a market where the MNE have been operating for a relatively long time. In order to gain insights into those CSR practices being developed and implemented by an MNE in its operations on emerging markets, this MNE and its operations in Bangladesh have proved both interesting and relevant. The case company was, thus, chosen for the revelatory potential and for the information richness and accessibility. Hence, relevance rather than representativeness was guiding us in choosing a case for this study.

### *Data Collection and Analysis*

The overall design of the data collection involves two phases. In 2019, we entered the first phase of our study. This phase focussed on conducting interviews with managers at the HQ level responsible for tasks and issues related to the company’s sustainability work, including its work on climate and water. The interviews were conducted in physical meetings, and the length of each interview was between 30 and 100 minutes. The aim of this first phase was to investigate the policies and codes of conduct relating to sustainability matters, learning about the company’s overall strategy related to sustainability, and to study the routines for interacting with local offices in emerging markets. In the second empirical



phase, which began in 2020, we have focussed on the actual implementation processes of sustainability targets in emerging markets. In this phase, we have conducted interviews with the local sustainability team in Bangladesh, to learn about their attitudes to sustainability programmes and stories about how sustainability projects have unfolded (e.g. related to climate and water). These interviews also focussed on possible challenges in the implementation of sustainability practices and projects. The interviews conducted with the local sustainability team in Bangladesh were conducted via Zoom or Teams, and for most interviews, we met up with a team of two to four local managers helping us to gain an understanding on the chosen topic. Each interview meeting was between 30 and 60 minutes in length. We experienced that doing interviews via Zoom or Teams facilitated collaboration and coordination with our case company and, thus, gave us access to local-level dynamics which had been more challenging to achieve in a non-online mode.

Primary data, in the form of 10 interviews with managers in the case firm, constitutes the main data source in this case study. In both phases of data collection, we have, however, also used secondary data including company annual reports, sustainability reports, news articles, press releases and websites. The secondary data sources have served as anchor points in preparing the interview questions. The secondary data have also ensured the validity of the interview data and have provided detailed knowledge regarding the sustainability work of the MNE, including knowledge on how sustainability activities are organized and implemented, relationships with different stakeholders, different ethical codes and commitments, etc.

In order to collect relevant secondary data, we have searched documents available through the MNE's website and also used the database Retriever Business. In the Retriever Business database, we have searched for newspaper articles and press releases published from 2011 until 2020, using the keywords such as company name, climate, renewable energy and WWF. The search generated a vast number of items, and those considered most relevant for this study were downloaded and reviewed in more detail.

The interview questions that have guided all our interviews have focussed on how sustainability activities are organized at the headquarters level as well as implemented at the emerging market level. The questions have also covered how the MNE interacts and collaborates with different stakeholders, and how different ethical codes and commitments are developed and implemented throughout the organization and markets. To support rigorous data collection practices, each interview was recorded and transcribed. The transcribed interviews were analysed together with the secondary data documents.

In analysing all the data, we used an open coding strategy anchored in our research question. In this process, we used narrative analysis techniques, which included identifying commonalities and differences, exploring recurring themes and patterns. In line with O'Dwyer (2004, chapter 23), the data analysis was based on an iterative approach and was carried out in parallel with data collection. When coding the data, one category focussed on the specific challenges

experienced in implementation of the environmental agenda and the work on renewable energy and energy efficiency. One category looked into the stakeholders involved. Finally, one category focussed on those activities and practices related to the work on renewable energy and energy efficiency in the Bangladesh region.

## EMPIRICAL FINDINGS

### *A Global Fashion Retailer Aiming to Become Climate Positive*

The fashion MNE was established in 1947 as a single store for women's clothing. The store was located in the city of Västerås in Sweden. The company has experienced a tremendous growth journey and developed into a global fashion retailer with the presence in just over 70 retail markets and 21 production markets.

The basic business idea of this MNE is to sell trendy apparel to affordable prices. As explained by the company, the role of the firm has from the beginning been to democratize fashion. What the company means when highlighting democratization of fashion is to make fashion available to everyone rather than the privileged few. This also implies making it sustainable because, as described in the sustainability report, 'it is the only way the company can make fashion and design available to many people for many years to come' (Sustainability report, 2018).

This MNE is generally viewed as a fast-fashion brand among the likes of Zara, Topshop and Primark. The concept of fast fashion is often criticized as it promotes an unsustainable 'tear and wear' consumption. The production of clothes requires energy, chemicals and water and, thereby, has significant negative effects on the environment. Even though reliable data on fashion's global footprint is scarce, an article in the Guardian described the clothing industry to be the second largest polluter in the world, second only to oil (Gunther, 2016). Others highlight how the fashion industry's carbon emissions are more than those of flights and shipping combined (BCG, 2019).

Fast-fashion companies compete by quickly responding to trends. To do so, production cycles are getting shorter, and the number of collections sold each year is being ramped up which, in turn, accelerates production. The innate unsustainability of this business logic has been widely criticized by media, investors and civil society actors as well as researchers. In a recent study focussing on fast-fashion companies, the scholars question some of the fashion companies' sustainability claims and actions, such as starting to collect used garments in the retail stores (Stål & Corvellec, 2021). The effects of such actions were shown to be more of a symbolic nature rather than of any substantive nature. On a similar note, a recent report emphasized that even though fashion companies have announced new commitments on sustainability, the fashion industry's progress on reducing its environmental impact is not moving fast enough to counteract its rapid growth (BCG, 2019). Moreover, an article in the Guardian stated that if the fashion industry wants to sustain its growth rates, the industry must take more radical action (Gunther, 2016).

To stay relevant as a company in light of more widespread awareness and sense of urgency related to climate change, this fashion MNE has realized it needed to address some of the most harmful aspects of its business model. The sustainability vision makes this attempt explicit as it articulates that the company intends 'to lead the change towards a circular and climate positive fashion industry, while being a fair and equal company'. In this vision statement, the company recognizes the need for change in the fashion industry that it is a part of.

*The Goal – To Become Climate Positive Throughout the Entire Value Chain*

In 2016, the fashion MNE launched a new climate strategy, and the company presented the ambitious goal to become climate positive throughout the entire value chain by 2040. The goal implies removing more greenhouse gas emissions than its value chain emits. For the MNE, the new goal was a bold target. At the time the climate goal was launched, the company explained they did not have all the solutions ready for how to reach the goal of becoming climate positive. The head of sustainability described that

Committing to the target of becoming climate positive was a bold move. We still do not know exactly how to get there, but we rely on that research, technology, collaboration with organizations such as WWF together with our dedication to fulfil this target will take us the way we need to go. (Source: Anonymized industry report, 2018)

Despite not having all the solutions ready, two of the priorities for action that were already set from the start were the following:

- Priority 1 focusses on leadership in energy efficiency, to enable the MNE to use as little energy as possible. The MNE is committed to increasing energy efficiency at all stages of the value chain.
- Priority 2 tackles the 100% renewable energy goal, which will help the MNE to ensure the energy sourced by the group and the supply chain is renewable.

Hence, the stated priorities for action relate to both the MNE's own operations and those across their value chain. In this book chapter, we focus on the activities directed towards the supply chain. In doing so, particular attention is given to the production market of Bangladesh and the work on energy efficiency and renewable energy in this local market context.

*Bangladesh – One of the Largest Production Markets for the MNE*

Ever since the company was established in 1947, the company has outsourced its production. The MNE has subcontracted operations to locally owned or multinational garment manufacturers, based mainly in Asia and Europe. The manufacturers are independent organizations and not owned or managed by the MNE. A common situation is that the fashion MNE shares their suppliers with many other brands and companies. This implies that to work with energy efficiency and renewable energy in the supply chain, the MNE must cooperate with the other brands.

The fashion MNE's ambition is to build strong, long-term relationships with local suppliers and stakeholders. In local production markets, this effort is largely facilitated by the company-owned production office, located in each production market, and their local teams. In 2019, the company operated 21 production offices situated in Europe, Asia and Ethiopia. Most of those who work with sustainability as their core task within the group are not located in the HQ, but in the production markets. The work and implementation of the targets related to energy efficiency and renewable energy is to a large extent taking place in the production markets since emissions are accounted for at the subcontractor level.

One of the largest production markets for the MNE is Bangladesh. This is also one of the production markets where the company has been operating the longest time and where they have come the farthest in their work related to sustainability. In the production office in Bangladesh, the local sustainability team consists of 28 staff. They work solely on sustainability issues in this region and are organized into two teams. The first team is the environmental team, focussing on issues related to water and energy use. The other team is the social team, focussing mainly on issues related to living wages, industrial relations and skills' development. In this chapter, the focus is on the work conducted within the environmental team related to increasing the energy efficiency and the transition to renewable energy.

#### *The Whole Environment Agenda Is Really Challenging in Bangladesh*

Driving the environmental agenda in Bangladesh is challenging in many ways. One challenge relates to the complex policy environment. In Bangladesh, the source of energy has primarily been natural gas. Natural gas is also the fuel used in most of the factories. From a factory perspective, natural gas is both the most available energy source and the most cost-effective choice because it is subsidized by government. The subsidies have almost eradicated the incentives for manufacturers to shift to renewable energy sources. Even the incentives to pursue efficiency programmes (use less energy) are also quite limited among manufacturers because of the low cost of electricity.

Natural gas is, however, becoming depleted. For this reason, the Bangladeshi government is planning to increase the capacity of coal-based energy through the establishment of new coal plants. From the MNE's perspective, this would be a move in the wrong direction, making it more difficult for the company to achieve its targets.

Another challenge, described by the local environmental team in Bangladesh, relates to the leadership position that the fashion MNE aims to take on. The local environmental team emphasizes that the company is way ahead of its competitors, and this situation can make it more difficult to bring everyone else along. The environmental team in Bangladesh articulates that other brands are committed to many sustainability issues, for example, related to chemicals and water. The MNE though stands out from the other brands as it has set the most ambitious targets and has more resources to realize its goals.

At the H&Q level in Sweden, managers explain the leadership position in more detail. It is emphasized that in setting the targets, such as the goal of being climate positive by 2040, the company wants to take on the role of a leader. Comparing with competing brands brings a reminder of what has already been done and where the company is on the development curve. The MNE is constantly setting their targets higher than competitors in an attempt to take a leadership position.

Because of the leadership position this MNE has achieved, the local environmental team in Bangladesh describes a situation where a lot of time and effort is devoted to finding ways to bring others in.

### *The Need to Engage Local and Global Stakeholders*

By the time the new climate strategy was launched in 2016, it was explicitly stated that the company needs to engage other stakeholders to pursue a climate-positive supply chain by 2040. It is clear that the company and other brands need to shoulder responsibility to initiate improvements. In Bangladesh, an aspect of the policy environment that challenges the environmental work by this MNE is that regulatory systems are not considered to be strong enough. Regulatory systems in Bangladesh do not moderate energy use at factory level. It is instead brands who are taking a big responsibility when it comes to any agenda on sustainability. The local sustainability team in Bangladesh is part of country-based discussions with different brands to outline what are the best regulatory framework platforms to promote renewable energy.

Globally, UNFCCC is a platform that supports the fashion MNE in influencing policymakers to develop legislation promoting a low carbon future. The UNFCCC (UN Climate Change) is the United Nations entity tasked with supporting the global response to the threat of climate change. UNFCCC stands for United Nations Framework Convention on Climate Change.

One of the continuing partnerships that supports the climate work of the fashion MNE is WWF. One of the activities that this partnership has focussed on has concerned supplier engagement: to reduce emissions and impacts in line with the MNE's 2030 and 2040 targets, scaling solutions within the sector and business community and exploiting synergies with other partnership streams.

This local environmental team in Bangladesh focusses a lot on implementing improvements in terms of, for example, more effective energy use at the factory level. Much work is done to enrol factories in energy efficiency programs. The efficiency programmes are geared at teaching factories about opportunities related to more efficient energy consumption. Both for the short term and long term, the factories are given action plans for achieving a certain pre-ordained efficiency level. The environmental team can provide the factories with fine-grained insights, such as which machines and which processes are most/least energy efficient.

The team is also working on renewable energy together with the suppliers. The priority is to increase the renewable energy proportion for the supply chain. Given that the factories in Bangladesh mostly depend on natural gas, which is a fossil fuel, the team is working to move this trend to a more renewable one. One way of doing so is to encourage or promote rooftop solar options for the suppliers wherever possible.

The company has collaborated with WWF on how to scale renewable energy among textile suppliers in Bangladesh, focussing specifically on the rooftop solar potential available to the MNE's suppliers. By organizing workshops with key suppliers, the company has, for example, been able to gauge the interest of suppliers in implementing solar rooftop installations at their factories. Such workshops have made it easier to find suppliers with an interest to engage in a pilot project (*Source: Anonymized industry report, 2018*).

The environmental team in Bangladesh also highlights that what makes Bangladesh unique as a market, compared to other emerging markets in, for example, Africa, is that there are largely domestic manufacturers in Bangladesh. The MNE, as a global company, have a lot of insights on what is going on in different parts of the world. The company can, therefore, take on a role in sharing those lessons and in driving improvements in their partner factories. The environmental team exemplify this role with the MNE having knowledge of different technologies and processes, and relatively inexpensive technologies, that can be brought in and used. In this way, the MNE can also drive the change together with the suppliers by bringing in innovation to a sector that is predominantly a local sector with no huge amounts of R&D.

## ANALYSIS

### *A Proactive CSR Approach*

The case company of focus in this study – the global fashion company – operates within an industry where media, investors and civil society frequently have criticized the industry for not moving fast enough in reducing its environmental impact. The case study, thus, illustrates an MNE that is exposed to, and potentially even pressured by, external stakeholders (e.g. consumers and society as a whole) to develop and implement CSR activities. The data indicate that this MNE aims to take on a leadership position by setting its environmental targets higher than competitors. As emphasized in the case, looking at competing brands gives a reminder of what has already been done. In contrast to such benchmarks, the MNE's sustainability vision is: 'to lead the change towards circular and climate positive fashion while being a fair and equal company'. Despite the influence and potential pressure from external stakeholders, the practices adopted by this MNE do not fit a description of passive compliance to externally imposed expectations – they appear more ambitious. The corporate practices demonstrate proactive engagement in environmental matters to future-proof economic value generation (Husted & Allen, 2009; Yin & Jamali, 2016). In line with a strategic CSR approach, the case specifically shows how this MNE proactively engages a broad set of business-critical stakeholders to fulfil its environmental targets. External collaborations with global and local stakeholders (e.g. UNFCCC, WWF, competing brands, local suppliers and local factories) can be regarded as critical in this case as they bring about (economic, social and environmental) change at the market level.

*Strategic-oriented or Stakeholder-oriented Practices?*

Previous studies that have captured the so-called strategic CSR approach have identified common CSR practices, involving, for example, (i) developing external partnerships with other firms and civil society and (ii) negotiating regulations with local authorities (Child & Tsai, 2005; Dang et al., 2020). The case develops our understanding of such practices. This fashion MNE outsources its production and often shares its suppliers with other brands. This implies that for the MNE to reach its targets related to energy efficiency and renewable energy, it must collaborate with other brands. In Bangladesh, the policy environment and regulatory systems do not moderate energy use at the factory level. In such an institutional context, one important strategic-oriented practice is to engage in country-based discussions with other brands to develop a regulatory framework for promoting renewable energy. Hence, from the perspective of this MNE, it seems imperative to be part of developing and negotiating regulations in this local market context, and such regulatory developments and discussions are driven in collaborations with other brands.

Another common CSR practice, identified within the strategic CSR approach, focusses on MNE's training, capacity building and knowledge sharing with suppliers (Yin & Jamali, 2016). The case findings advance our understanding about such practices. The case portrays the local environmental team's work in enrolling factories in energy efficiency programs, where the local team teaches individual factories about opportunities related to more efficient energy consumption and how to achieve a certain pre-ordained efficiency level. Such training activities taking place in direct interaction with individual factories seem crucial for the MNE to reach its environmental targets. A form of knowledge-sharing practice, that in a more indirect way concerns individual suppliers and factories, is also described. The case emphasizes that this MNE, as a global company, has insights on what is going on in different parts of the world. Those insights, which can be about technologies and processes, are transferred to local partner factories in Bangladesh. As highlighted in the case, the company can, in this way, drive change together with suppliers, by bringing in innovation to a sector that is predominantly local with limited resources for R&D. Hence, such knowledge-sharing activities clearly illustrate how MNEs, with their global outreach and managerial capacity, are able to drive and implement sustainability practices to local suppliers and factories in an emerging market.

In contrast to a reactive CSR approach, where external stakeholders typically are involved on an ad hoc basis in situations of crisis (e.g. Baumann-Pauly et al., 2013), the critical stakeholder collaborations described in this case are managed in a more systematic way and often with a long-term perspective. This is illustrated by the MNE's collaboration with its suppliers, where the company aims to build strong, long-term relationships with local suppliers in the region. Also, in enabling local factories in Bangladesh to move towards more efficient energy consumption, the local team set up action plans covering both the short-term and long-term perspectives. The MNE, therefore, seems to engage in a continual dialogue with these business-critical stakeholders. Developing partnerships and collaborations with business-critical stakeholders can be seen as an example



of a key strategy-oriented CSR practice, also portrayed in other studies (Barin Cruz & Pedrozo, 2009; Child & Tsai, 2005). At the same time, in this case, the guiding principle in many of the collaborations, including collaborations with suppliers and local factories, seems to be long-term engagement. The continuing dialogue and interaction that characterize the collaborations rather give a nuance of stakeholder-aimed practices, more in line with the so-called stakeholder CSR approach. Another such example is seen in the MNE's collaboration with WWF. The case indicates that the MNE and WWF intend to work together to co-create solutions needed for the company to reach its target of having a climate-positive supply chain. Drawing on findings from previous studies (e.g. Beckman et al., 2009), the co-creation of solutions to environmental challenges is here a proactive CSR practice of great importance and a practice more in line with the stakeholder CSR approach.

## CONCLUSIONS AND IMPLICATIONS

The purpose of this chapter is to advance understanding about particular practices pertinent to a proactive approach to CSR. To achieve this, we have used the conceptual insights from a recent literature review (Tarnovskaya et al., 2022b) and empirically explored the CSR practices adopted by the global fashion MNE – in the context of emerging markets. Among the key proactive CSR practices illustrated in the case are (i) developing partnerships and collaborations with business-critical stakeholders, involving global NGOs and local suppliers and local factories; (ii) negotiating and developing regulations on the local market and (iii) implementing training, capacity building and knowledge sharing activities with local suppliers and individual factories in the region. The analysis has shown that these practices are conceptually much in line with the strategic CSR perspective (e.g. Tarnovskaya et al., 2022b). On the other hand, the case also shows examples of proactive CSR practices that lean more towards a stakeholder-oriented CSR perspective. In the MNE's collaborations with WWF and local suppliers, the guiding principles seem to be long-term engagement. There are also indications that the parties together aim to co-create solutions to the environmental challenges, which requires continuous dialogue and mutual commitments between the MNE and the involved parties. Despite these indications of more stakeholder-oriented practices, the case does not illustrate any broad stakeholder-oriented practices involving CSR education in local community schools or social welfare initiatives in local communities.

Conceptually, in Table 1, we have summarized the key characteristics of the various CSR approaches, including two proactive CSR approaches. Empirically, the case study presented suggests that the various CSR approaches are not mutually exclusive. Building on both the conceptual discussion and the case findings, we suggest that an MNE develop its CSR practices over time. It might be that an MNE starts out with reactive CSR practices, and as the firm gains more knowledge and a thorough understanding of local culture and local contextual factors, it develops its CSR practices. Strategic CSR practices can here represent

a first step in the development of more proactive CSR practices. As an MNE becomes more embedded in local markets and gains further understanding of local context, their practices may gradually shift from being strategy-oriented to more stakeholder-oriented. The stakeholder CSR approach requires a more matured CSR organization and a thorough understanding of local context and local culture. This study represents an attempt to advance understanding about particular practices pertinent to a proactive approach to CSR, in an emerging market context in one MNE. This study is limited in terms of generalizability to other MNEs, and further empirical research is needed.

To stay relevant as a fashion company, in light of more widespread awareness and sense of urgency related to climate change, an MNE such as the global fashion company portrayed in this study, might need to develop its CSR practices more towards the stakeholder CSR approach. The studied MNE seems to have started such a transition and much effort is put into developing knowledge and understanding about the local context, and the matured CSR organization that is required. We call for further empirical research that can advance our understanding of how an MNE can develop its CSR practices more towards the stakeholder CSR approach.

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