

## Social value creation in international business – introduction to the special issue

### 1. *The context and ambition of the special issue*

Twenty-first century global dynamics involve game-changing events, trends and systemic disruptions that are transforming the world beyond recognition. [Guillén and Ontiveros \(2012\)](#) enumerated economic, socio-demographic, geopolitical and political dimensions which trigger substantial uncertainty and complexity and challenge existing paradigmatic views on business and society in the contemporary world. In fact, the socio-ecological challenges which society faces are no longer prophecies of possible futures but can be experienced and felt today ([Sinkovics and Archie-Acheampong, 2019](#)). The Stockholm Resilience Centre's approach to assessing global sustainability identifies nine planetary boundaries – including climate change, ocean acidification, stratospheric ozone depletion, global phosphorus and nitrogen cycles, biodiversity loss, global freshwater use, land system change, aerosol loading and chemical pollution – that define a safe operating space for humanity ([Rockström et al., 2009a](#); [Rockström et al., 2009b](#)). Empirical evidence is now abundantly available showing that several of these safe boundaries have already been exceeded ([Steffen et al., 2015](#)). International businesses (IBs), intrinsically tied into the socio-economic system within which they operate, are thus charged to revisit their business models to future-proof their global value chains and operations in view of the social value that they can create now and address contemporary global challenges ([Elkington and Braun, 2013](#); [Limmenluecke et al., 2016](#); [Sinkovics et al., 2015](#)).

*Critical Perspectives on International Business*, as a journal, seeks to aid and hurry along this development by encouraging research that focusses on “progressive alternatives to issues of crucial concern to the world, groups of countries or stakeholders” ([Dörrenbächer and Gammelgaard, 2019](#) 254). In this special issue, we approach the challenge of future-proofing the IB landscape by investigating the notion of social value creation. Social value creation is seen as “social constraint alleviation” ([Sinkovics et al., 2015](#)), i.e. the distinctive way in which social problems or issues are resolved and remedied. Social value creation, understood in this way, goes beyond cosmetic social-responsibility narratives and aims at tackling underlying root causes. As such it offers an alternative lens to investigate MNEs' current and potential strategic action to business model (re)design that is attuned to the grand challenges of the twenty-first century ([Buckley et al., 2017](#); [George et al., 2016](#)). By representing one of their most significant facilitating mechanisms, the MNEs are central to the contemporary global economy. Through their worldwide reach and vast resources, they have been pinpointed as being crucial for accomplishing social value creation ([Auerwald, 2009](#); [Sinkovics et al., 2016](#); [Sinkovics et al., 2014](#); [United Nations General Assembly, 2015](#)). The MNE, as legitimate actor, is expected to make positive contributions with respect to societal or environmental outcomes that arise from its engagement with its stakeholders. With this special issue, we are keen to advance our understanding of social value creation in IB and MNEs to add to contemporary and critical deliberations in IB regarding developmental issues in general and the role of MNE activities in relation to societal development in particular.

The theme of the special issue was identified because of the ongoing debate about a set of fascinating but ambiguous features of the modern MNEs, which may have significant ramifications for future IB research and scholarship. First, the MNE is an extraordinary



vehicle for creating economic wealth. The economic prosperity of the past decades has been driven largely by corporate success in national and international markets. However, increasingly, it is recognized that this success also sparks increasing inequality, inappropriate technological choices and environmental destruction (Wilks, 2013). Second, the MNE operates within the market and follows market principles. But in itself it is organized as a political hierarchy, and as the MNE grows, there is potential to subdue and dominate markets, which lead to a “corporatization of the market” (Harrod, 2006) and a potential for reduced consideration of the requirements and demands of the societies in which the MNE operates. Third, in its progression from a historical position in which corporations were licenced by the state, MNEs have evolved to institutions that are increasingly characterized as footloose (Yamin and Sinkovics, 2009) or “externalization machines” (Bakan, 2004). Recent developments in the political economy suggest that a politically induced decline of MNEs is taking place. In the USA, under the current Trump administration, they stand accused of “unleashing ‘carnage’ on ordinary Americans by shipping jobs and factories abroad” and are confronted with aggressively protectionist tones (The Economist, 2017a; The Economist, 2017b). These issues add to legitimization pressures and make considerations of social value creation ever more important.

Issues of corporate social responsibility (CSR) have begun to resonate with the corporate sectors and government and non-government organizations over the past decades. We now witness increased attempts to draw attention to issues of “corporate citizenship” or “corporate stewardship” (Crane, Matten and Moon, 2008; Hoffman, 2016) and corporate social innovations (Mirvis *et al.*, 2016), specifically when environmental and societal considerations are concerned. However, to achieve breakthrough innovations that can address twenty-first century challenges, business leaders need to adopt a new paradigm (Elkington and Braun, 2013). To this end, the MNE can no longer be conceived purely as economic and political actor. Its role has to be assessed in terms of a social institution. Reimann *et al.* (2012), for instance, investigated how the MNE acts as a legitimate actor within the institutional settings in which it operates. The extent to which MNEs are concerned with generating profits and genuinely interested to contribute to the creation of social value is also highlighted by Sinkovics *et al.* (2014).

This special issue illuminates and contributes to the broader roles and responsibilities of MNEs in society that goes beyond traditional CSR. It also aims to develop a theoretical base upon which future empirical research in IB can potentially be built. The papers included in this special issue deliver in this respect, building on and analyzing the literature systematically, drawing from the “business network” perspective and the “business-society” interface and examining emerging views on and approaches to “social value”. Papers included also link the social value concept to the particular issue of human rights and social value creation on a strategic and policy level.

## *2. Contributions to the social value creation theme*

The special issue comprises three sections, each of them entailing two or more papers. It concludes with an invited viewpoint paper summarizing key points of the respective papers and outlining implications for future research.

The first section includes two theme-setting papers. Sinkovics and Archie-Acheampong advance our understanding of the issue of social value creation in IB with a cross-disciplinary, systematic literature review of academic articles. The review identifies how different disciplinary areas have engaged with social value creation in MNEs and in what ways this fragmented knowledge can be integrated to build further lines of inquiry. Their analysis reveals 15 main thematic areas spanning 37 research fields with most of the articles

originating from 13 fields. However, while IB journals represent the second largest field home to publications related to the social value creation of MNEs, they only account for 12 per cent of the sample. This finding highlights that the investigation of social value creation is still at the periphery of the discipline. The second paper by Rygh discusses the viability of social value creation in the context of MNEs as one of the next “big questions” for IB research. This conceptual piece can be seen as a feasibility study to move the study of social value creation from the periphery of the discipline to a more central position. The author argues that there are several reasons for why the “mainstream IB research” so far has been reluctant to address this topic and examines these reasons through a tripartite lens of the “responsibility” of IB research, the “capabilities” of IB research and the “focus” of IB research. The section concludes with a viewpoint paper by Jonathan Doh. He critically examines these two introductory papers and offers an appraisal of their merits and thoughts for further development of research on social value creation, critical IB and on work that can conceivably contribute to scholarship on global grand challenges.

The second section deals with strategic perspectives on social value creation and social innovation by MNEs and human rights. The paper by Holmström Lind, Kang, Ljung and Forsgren discusses how contemporary MNEs suffer from a liability of newness in terms of their involvement in social value creation. Based on theoretical approaches to the MNE, the knowledge-based MNE, differentiated MNE and political MNE, the authors develop a broader understanding of MNE knowledge, networks and power for their involvement in social innovations activities. They give special attention to how the assumptions within these perspectives may serve or constrain MNEs involvement in social innovation activities. When social innovations are embraced by MNEs, the way that these corporations use their knowledge, networks and existing power relations needs to be adapted to the new conditions present in the social innovation arena. Lashitew and van Tulder’s paper argues that MNEs attempting to create social value in base of the pyramid economies are facing unique market and institutional barriers. Rather than solely focussing on social embeddedness as a mechanism of overcoming inefficient formal institutions, the authors suggest to develop “proto-institutions”. Proto-institutions are seen as a useful concept for the way in which MNEs can engage in co-designing efficient and inclusive institutional forms, aimed at long-term social value creation. The authors suggest three distinct forms of proto-institutions to enhance coordination among local actors, to reduce transaction cost and facilitate market exchange and to improve organization principles and education. The final paper in this section by Zagelmeyer deals with the issue of social value creation from a human rights’ perspective. The author argues that while there is a substantial literature on the interactions of public and private regulation of firm behaviour in the global economy, little is known about the emergence of local institutional environments aimed at creating social value from MNE activities. To conclude the section, Giuliani and Neri offer a viewpoint on the negative consequences of contemporary global capitalism on society. They review and situate the papers by Holmström Lind, Kang, Ljung and Forsgren; Lashitew and van Tulder; and Zagelmeyer against the current scholarly discussion on the social role of MNEs. They argue that despite the economic growth experienced across the world over the past century, the so-called grand challenges, which include, for instance, rising inequality, global warming, modern slavery and child labour, are becoming endemic phenomena also in high-income countries. They encourage further research to come up with radical ideas to fix “bad” capitalism. Specifically, they posit that “attempts to fix ‘bad’ capitalism that do not involve rethinking of the way companies reward corporate elites and redistribute their gains will lead, most probably, to the perpetuation of the current system and not its improvement over time.”

The final section includes two papers, which address social value creation in rising power countries and offer policy implications. Bergman, Teschemacher, Arora, Sengupta, Leisinger and Bergman present the case of the Government of India, which dramatically pushed for a change in the dynamics between business and society by introducing the Companies Act 2013. This mandated firms to expend at least 2 per cent of average net profits on corporate responsibility (CR) programmes. The authors show how this institutional reconfiguration of social value creation may serve as a template for a closer and participatory relationship between the private sector and the government in emerging economies and beyond. By using a content configuration analysis of the mainstream print media in India, the authors discuss how CR programmes are constructed in the media discourse and the extent to which these are framed as a voluntary or mandatory component of corporate behaviour. Braun-Munzinger explores social value creation in a China standard-setting context. While there is a substantial literature on the interactions of public and private regulation of firm behaviour in the global economy, little is known about the emergence of local institutional environments aimed at creating social value from MNE activities. The author draws on the literature studies on global production networks and on institutional approaches to CSR to grasp the local institutional environment for social value creation in MNEs and their suppliers in China. The paper provides evidence of that the emergence of CSR standards in China needs to be seen in the context of changing industrial policy objectives to enhance both the social and economic values of participation in global production networks. The final viewpoint paper for this section and in this issue by Chang-Hoon Oh compares the two different government-driven institutional approaches related to social value creation by Bergman *et al.* in India and Braun-Munzinger in China. Compared to the regulation-compliance-driven approaches that have been used in the early stages of CSR in developed countries, these two approaches provide unique attempts at CSR. Oh suggests future research to investigate challenges in MNEs' strategic decision to create social values when there is a discrepancy between the pressure of regulatory (or political) compliance and the needs of local stakeholders. In his view, there is great opportunity for research on social value creation and CSR in international business to focus on how MNEs can obtain social licences from a society to which they belong.

### *3. Reviewer acknowledgement*

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