

MANAGING RESPONSIBILITIES

The formation of Swedish MNC's firm-society policies and practices

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The role of multinational corporations (MNCs) in society is a frequently debated topic among academics and practitioners. Still, knowledge is lacking in how demands from MNCs' stakeholders and corporate discretion combine to form MNCs' firm-society policies and practices. Additionally, while firm-society issues have gone global, empirical research has rarely expanded beyond North America and Europe. To address these shortcomings and improve our understanding of how firm-society policies and practices are formed, I analyze how institutional pressures and corporate discretion combine to form an MNC's firm-society policies and practices.

In analyzing this, the thesis draws on new institutional theory and an empirical study of a recognized global leader in firm-society issues – a Swedish multinational corporation anonymized as “Nordix” – and its operations in distant institutional environments. Based on interviews, document analyses and observations, four key settings that contributed to shaping Nordix's firm-society policy and practices are described: i) Nordix's historical experience in South Africa; ii) the process of adopting Nordix's firm-society policy; iii) the extension of this policy to suppliers' factories; and iv) the creation of a joint venture with a state-owned enterprise in China.

The findings in the Nordix study show that six different aspects have to be added to our existing understanding of how institutional pressures and corporate discretion combine to form an MNC's firm-society policies and practices. By adding these, this thesis starts to address the need in the field of firm-society research to examine how institutional pressures and corporate discretion combine and the role of operating in distant institutional environments. More specifically, this thesis contributes to firm-society research by: i) introducing the concept “responsibility boundaries”; ii) adding labor unions and imagined institutional pressures to the list of stakeholders exerting institutional pressures related to firm-society issues; and iii) complementing the existing discrete campaign model of how institutional pressures are exerted with a bargaining model. It also contributes to new institutional literature by providing a more elaborate understanding of: iv) how companies respond to institutional pressures; v) how to divide an MNC to capture the entry points of institutional pressures; and vi) how legitimacy challenges stemming from operating in distant institutional environments manifest themselves.

Taken together, these six aspects of how institutional pressures and corporate discretion combine to form an MNC's firm-society policies and practices show that an MNC is influenced by its home, host and transnational institutional environments. As such, it matters that Nordix is a Swedish company, which implies that there will be sustained variation in the firm-society policies and practices of MNCs from different home institutional environments.

Key words: multinational corporation, stakeholders, case study, new institutional theory, labor union, supply chain, joint venture, CSR, corporate social responsibility, sustainability.