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INSIGHTS

@ CENTER FOR EMERGING MARKETS

Insights @ Center for Emerging Markets

About This Issue

We are happy to share the fourth issue of Insights @ Center for Emerging Markets, a twice-yearly publication that translates cutting-edge academic research about emerging markets into manager-oriented briefs that encourage interdisciplinary conversations.

The current issue brings together researchers from Northeastern University and the broader global academic community to explore the topic of sustainability and Corporate Social Responsibility (CSR) in emerging markets. Understanding of these concepts enables managers and policymakers to make ethical decisions, safeguard long-term business success, and effectively handle the unique socio-environmental contexts of these key growth areas.

Contributors to this issue explore the impacts of "misbehavior" by multinational firms in emerging markets, how and why managers should embrace CSR in their supply chains and their global strategy, how sectors such as the construction industry can address natural resource crises, how CSR dynamics are shifting in global value chains, how multinational companies and NGOs can collaborate to promote sustainability practices, and how global brands can set off cascading sustainability practices throughout their supply chains.

The Center for Emerging Markets at Northeastern University

The Center for Emerging Markets (CEM) at the D'Amore-McKim School of Business at Northeastern University conducts and disseminates research on how local and foreign firms can leverage emerging markets for the greater good.

Founded in 2007 by Ravi Ramamurti, University Distinguished Professor of International Business & Strategy, CEM is a leading center of its kind in the U.S., with a reputation for cutting-edge research, particularly on internationalization strategy, technology, and innovation, and corporate governance.

CEM leverages the expertise of over 70 faculty fellows from across Northeastern University, many of whom are thought leaders in their fields and have authored many books, prize-winning articles, and cases on firms in emerging markets. It is guided by a distinguished external advisory board and maintains close ties with practitioners.

CEM strives to integrate emerging markets into the education, research, and work experience of students and regularly disseminates best practices to managers, policymakers, academics, and students.

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Want to learn more about CEM?

Contents

How Multinational Companies Break the Rules and Why It Matters

Interested in learning more?
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In Short

Multinational companies often misbehave, deviating from the expected rules of conduct in different countries. Some exploit the gaps and inconsistencies in regulations, laws, and customs, causing harm to various parties. This misbehaviour requires more attention and responsibility from multinational companies to reduce the negative consequences of their actions, especially in emerging markets.

Multinational companies' misbehavior refers to the actions of companies that operate in multiple countries and violate expected standards of conduct. Unfortunately, recognizing and analyzing such misbehavior is challenging for managers, because ethical and legal standards vary widely across countries. Moreover, a country's laws may not always align with the moral beliefs or preferences of its people, making it even more challenging for multinational companies to navigate the complexities of their diverse markets.

To better understand this phenomenon and identify practical solutions for managers and policy-makers, Cuervo-Cazurra and his colleagues examined all available research about the unethical or improper behavior of multinationals. Through this effort, they identified several relevant trends and common practices.

A Lack of Situational Awareness

Multinationals' cross-border operations make it difficult for managers to monitor and prevent irresponsible conduct, as some managers may take advantage of the differences in national regulations. In emerging markets, where regulations may be less stringent or enforcement may be weaker, multinationals may more easily engage in such misbehaviour. Such a “race to the bottom” can provide multinationals with cost or operational advantages while disregarding the negative impacts on the local communities and workforce.

Understanding the motivation behind the misconduct of large multinationals operating in emerging markets is particularly complex. Misconduct sometimes results from managers deliberately breaking rules overseas, because they expect less oversight. But it can also emerge when managers are unaware that their overseas employees are breaking rules for personal benefit. Misbehavior may even occur where wrongdoing happens unintentionally, such as when workers unknowingly assist clients who are involved in money laundering or employ contractors who use child or forced labor. Some multinational managers may even feel pressured to pay bribes in countries where bribery is common and seen as necessary to secure contracts.

Who is Harmed by Multinational Misbehavior?

The harms caused by multinationals' misconduct affect not only the company's own employees but also the local communities and stakeholders. Moreover, corruption, cronyism, and anti-dumping practices can harm the public by exacerbating social inequalities and depriving governments of the revenue needed for public services. These issues are particularly salient in emerging markets because of the vulnerabilities and gaps in governance systems, which exacerbate the negative corporate impacts on the most vulnerable segments of society.

Managerial Implications

The available research on multinationals' misconduct points to the need for awareness of the behavior of employees in far-flung locations and of the negative impacts on local communities, the environment, and even the local workforce. It suggests that multinational managers must ensure that their employees and business partners uphold ethical and legal standards, as associations with rights violators or corrupt entities can lead to legal repercussions and harm their reputations. With the public increasingly demanding global consistency in ethical behavior, multinationals failing to meet these standards risk criticism and legitimacy challenges, in addition to criminal prosecution of managers abroad and at headquarters.

To navigate these issues, multinational managers should:

- Deepen their understanding of local laws and regulations and cultural norms, especially in emerging markets, through research and stakeholder engagement.
- Implement ethical guidelines addressing challenges specific to emerging markets, ensuring all parties know the expectations and consequences.
- Foster trust by actively engaging with local communities and stakeholders, prioritizing their concerns and well-being.

In conclusion, managers of multinational companies must be aware of the potential opportunities for misbehavior in their foreign operations and the negative consequences it can have on various stakeholders, especially in emerging markets. By taking proactive measures to understand and navigate the local context, they can uphold ethical standards and contribute to more sustainable development in emerging markets and a superior corporate reputation that contributes to competitive advantage.

Original Work

Cuervo-Cazurra, A., Dieleman, M., Hirsch, P., Rodrigues, S. B., & Zyglidopoulos, S. 2021. Multinationals' misbehavior. *Journal of World Business*, 56(5). 101244.

Beyond Compliance: How Global Leaders Create Value through CSR in the Supply Chain

Interested in learning more?
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In Short

How do leaders of global companies face Corporate Social Responsibility (CSR) challenges in their supply chains? Recent research by Sheila Puffer and colleagues at Northeastern University presents a typology of four archetypes of CSR responses and analyzes the benefits and drawbacks of each archetype using real-world examples.

How do global leaders manage social and environmental issues in their supply chains? Recent research by Sheila Puffer and colleagues addresses this question, particularly in the context of emerging markets. To this end, they introduce a typology of four strategic responses to CSR pressures in the supply chain, namely the “neglecter,” the “compliers,” the “disrupter” and the “exemplar.” This typology is important for managers and policymakers because it helps them understand the trade-offs and consequences of different approaches to CSR in the supply chain, and how they can leverage their institutional environments to create value for their companies and stakeholders.

Four Examples of CSR Responses

The “neglecter” is a company that neither leads nor follows in CSR and often ignores regulations and local interests, risking reputational damage. For example, in Peru, US-based Newmont Mining outsourced its mine waste supply chain. When a mercury-laden truck leaked, affecting over 1,000 Choropampa residents, the company denied accountability. Additionally, Newmont leaned on its local partner, Buenaventura, which ignored local Indigenous concerns about mining a sacred mountain. Facing protests, Newmont retaliated, even cutting off water supplies, inciting more backlash. These missteps halted their expansion plans.

“Compliers” are companies that prioritize compliance with laws and regulations but fail to go beyond what is mandated. They often seek to avoid sanctions that could harm their profitability and stock prices, but still outsource unethical practices to other companies in their supply chain. Coca-Cola had strict internal auditing and compliance systems to comply with US and international laws. However, in the 1990s and 2000s, some of Coca-Cola's bottling plant partners engaged in environmental and human rights violations, including the murders of union organizers in Colombia. While independent audits found no wrongdoing by Coca-Cola, the company approached this as a legal rather than ethical issue. Coca-Cola cited court's exoneration as proof of innocence. However, these incidents harmed its reputation, especially with young consumers who were key to its marketing.

The "disrupter" is a company that exhibits qualities of globally responsible leadership while disregarding formal regulatory institutions. It believes that strategic choices benefiting its success are more important than following rules.

Companies such as Airbnb and Uber transformed the hotel and taxi industries by bypassing local regulations. They justified their actions as making the world a better place, despite criticism and legal challenges. Recently, cities such as Barcelona and Medellin have seen rising real estate costs due to Airbnb, displacing locals and increasing hostility towards tourists.

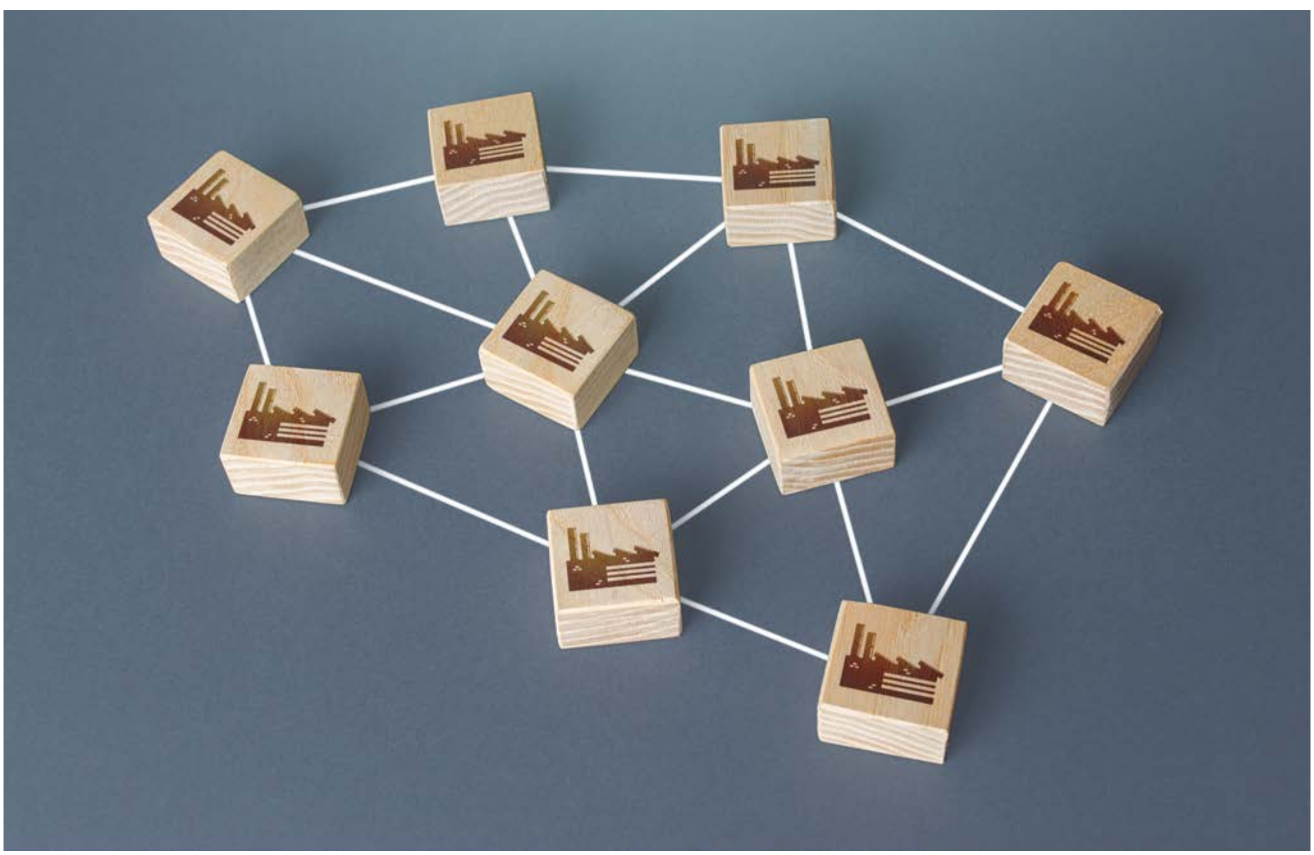
Finally, "exemplars" are companies that act in accordance with formal regulations, but also go beyond requirements to create value for shareholders and stakeholders. Charles River Labs, with its patented flu vaccine process, partnered with Mexico's family-owned ALPES, to produce the vaccines while adhering to strict international regulations. Instead of exploiting Mexico for cheap labor, they viewed it as a lab for world-class biomedicine. They invested $2 million in a state-of-the-art specific pathogen-free (SPF) egg production facility, working closely with Mexican, US, and European regulators. "Exemplars" counter the stereotype of emerging markets offering only low-cost products and demonstrate commitment to their partners.

Managerial and Policy Implications

Managers need to stay knowledgeable about existing regulations and respond appropriately, as some responses may be initially costly but bring long-term benefits. Increasingly this also means paying attention to their companies' environmental and social footprints. Best practices include collaborating with partners who are willing to improve labor and environmental practices and engaging in dialogue with regulators to encourage best practices and listen to community stakeholders.

Original Work

Puffer, S. M., Wesley, D., Dau, L. A., & Moore, E. M. 2020. Responsible Global Leadership in Downstream and Upstream Supply Chains: A Typology of Archetypes of Strategic Responses to CSR Pressures. In Mendenhall, M.E., Žilinskaitė, M., Stahl, G.K., & Clapp-Smith, R. (Eds.) *Responsible Global Leadership:* 80-100. New York: Routledge.



Overcoming Barriers to Sustainable Sand Use in the Construction Industry

Interested in learning more?
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In Short

Sand is a vital material for construction, but it is being depleted faster than nature can replenish it. This poses serious environmental and social problems, such as habitat loss, water pollution, and conflicts over resources. To address this issue, researchers have explored sustainable alternatives to sand, but there are no easy solutions because of availability, performance, price, and demand-related considerations, particularly in emerging markets where population growth and economic priorities will place increasing pressure on this limited resource.

The world is facing a sand shortage. Not in the windswept sand found in deserts around the world, which is too smooth to make concrete and asphalt, but rather in the sand found in rivers, lakes, and oceans. For decades we have been using up this limited resource faster than nature can replace it, and in the process harming the environment and wildlife. The situation is even more dire in emerging markets where rapid population growth and urbanization are increasing the demand for sand and construction materials at an increasingly unsustainable pace. When policymakers have tried to limit this destruction, they have faced criminal cartels, sometimes referred to as the 'sand mafia,' that mine sand illegally and threaten or attack those who try to stop them. Emerging market countries also lack the funds and technology to adopt best practices in sand management.

The world will need to confront this problem by either reducing sand usage or by finding economically and environmentally viable substitute materials. Some researchers have looked into renewable alternatives, but they are not easy to apply on a large scale. These sand alternatives present many challenges, such as lack of information about them, high costs, limited incentives, and low demand. Policymakers need to address these challenges, by making rules for sustainable sand use, raising awareness about the sand crisis, and encouraging responsible behavior among mining and construction companies. And researchers need to continue to look for solutions to these challenges, by exploring how the construction industry can adopt more sustainable methods.

Sustainable Sand Alternatives Attitudes and Barriers

Adel Zadeh and his colleagues at Northeastern University surveyed over 300 professionals in the construction industry including architects, engineers, managers, and academics across the United States and Canada to explore attitudes in the construction industry towards adopting sustainable sand

substitutes. Respondents were asked to rank their top three considerations in areas such as availability, customer demand, environmental impact, performance and price.

The results showed different preferences depending on the background of the participants. Architects, engineers, and academics prioritized environmental friendliness, underlining their conscious efforts towards sustainable construction. In contrast, management's priorities were more oriented to performance, price, and availability, reflecting their strong orientation to strategic business opportunities in the construction industry.

Before sustainable construction can be implemented on a wide scale, these concerns need to be addressed. This includes R&D funding to improve and enhance the performance of sustainable sand substitutes, while implementing guidelines promoting their use. Even if performance limitations can be addressed, cost will remain a barrier. Sustainable materials can become more cost-effective in the long run. For instance, in many locations, the cost of clean energy has fallen to below parity with fossil fuels. However, this requires large-scale adoption. In the interim, construction firms will face cost barriers that can only be addressed by offering financial incentives or by requiring sustainable substitutes in the procurement of public projects. Therefore, understanding and addressing stakeholder priorities and concerns will play a critical role in promoting sustainability in future construction projects.

Original Work

Zadeh, A. A., Peng, Y., & Puffer, S. M. 2023. Sustainability in a Sand-Depleted World: Identifying Barriers to Adoption of Sand Substitutes. *European Journal of Sustainable Development*, 12(3): 91.

Navigating CSR Challenges and Opportunities in Emerging Markets

Interested in learning more?
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In Short

Managers operating in emerging markets face a delicate balance between risks and opportunities. Corporate Social Responsibility (CSR) holds the key to navigating these complexities, as recent research shows its significance in securing competitiveness and credibility. Managers are advised to embrace global CSR standards, engage with local stakeholders, adapt flexible strategies, monitor suppliers, and seek collective action to leverage the opportunities of these fast-growing markets.

In the rapidly changing and inherently uncertain world of emerging markets, managers find themselves facing a delicate balance between potential opportunities and inherent risks. Corporate Social Responsibility (CSR) offers some tools that can help managers navigate these complexities. No longer confined to mere acts of philanthropy, CSR has now become an imperative of strategic importance. Recent research reviews relevant work in the area of CSR in emerging markets and shows that the development and implementation of robust CSR practices can be key to garnering credibility and securing a sustainable competitive edge.

Strategic Approaches and Stakeholder Engagement

In formulating a strategic approach, managers can benefit from the following guidelines. First, it is of utmost importance that companies, regardless of how strictly local regulations are enforced, adopt global CSR standards, such as those outlined by the United Nations' Sustainable Development Goals. By doing so, not only do they shield themselves from potential backlash, but they can also position their companies as forward-thinking leaders. Second, companies should refrain from crafting CSR programs in isolation, but instead, actively engage with host governments, communities, and non-governmental organizations (NGOs) in order to develop initiatives that are culturally sensitive and locally relevant. Third, adaptable organizations are likely to be more effective at meeting the needs of emerging markets by frequently reassessing and modifying CSR strategies, while simultaneously forging alliances with local organizations that offer insights into grass roots sentiments and augment the efficacy of their endeavors.

Supplier Relations and Reputational Risk

Importantly, CSR isn't just about what a company does; it's also about the company it keeps. Local suppliers' CSR performance can have a significant impact on a firm's standing, as their actions can either elevate or tarnish a company's reputation and legitimacy with stakeholders. If local suppliers engage in unethical or unsustainable practices, such as violating human rights, exploiting workers, or polluting the environment, the firm may face the risk of negative spillovers, reputational damage, stakeholder backlash, or legal liability. Therefore, it is important to monitor local suppliers and help them improve their practices by conducting audits, providing training, setting standards, or offering incentives.

Navigating Ethical Challenges through Collaboration

Pervasive corruption or the influence of criminal organisations can create ethical quandaries that challenge one's moral judgments. In such a complex terrain, ethical frameworks and standards such as the Global Compact voluntary code of conduct, the UN Sustainable Development Goals, and ISO 26000, can guide one's decisions. Together they provide comprehensive guidance on how to integrate and implement social responsibility into business strategies and operations.

Lastly, collective action can be a powerful tool in overcoming these challenges. Joining forces with other organizations in CSR initiatives can have a broader impact and help organizations share valuable resources and insights. Such organizations can be broad-based like the UN Global Compact, the World Business Council for Sustainable Development, and Business for Social Responsibility. Others focus on specific industries like the Extractive Industries Transparency Initiative, the Roundtable on Sustainable Palm Oil, or the Alliance for Water Stewardship. Alternatively, firms should consider partnering with local social enterprises or NGOs, such as microfinance institutions, fair trade organizations, or renewable energy providers.

CSR is a useful tool in the complex world of emerging markets. Use it wisely, and you'll not just survive but thrive.

Original Work

Doh, J., Husted, B. & Marano, V. 2019. Corporate Social Responsibility in Emerging Markets. In A. McWilliams, D. Rupp, D. Siegel, G. K. Stahl & D. Waldman (Eds.) *Oxford Handbook of Corporate Social Responsibility: Psychological and Organizational Perspectives:* 637-658. Oxford: Oxford University Press.

How to Manage Supplier Sustainability in Emerging Markets

Interested in learning more?
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In Short

Multinational corporations (MNCs) often have less power over their emerging market suppliers than is commonly believed. New research suggests that MNCs can use various strategies to influence their suppliers' behavior, but these strategies have complex and paradoxical effects on their performance and reputation. MNCs should consider the goals and interests of their suppliers when creating sustainability strategies for their global value chains.

Imagine you are a Bangladeshi garment worker: enduring long hours, low pay, and hazardous conditions with no rights. One day, a fire erupts, trapping many, including you. Escape routes are locked or blocked. You scream for help, but no one comes. This is not a fictional scenario. The Rana Plaza factory collapse in 2013 killed more than 1,100 workers who were supplying garments to major Western fashion brands in unsafe conditions and for low wages. Brands such as H&M, Gap and Walmart faced criticism for their lack of oversight. But how much control do multinationals truly have over suppliers, and how can they guarantee ethical standards?

Large, well-known multinationals are commonly believed to have a powerful influence over their emerging market suppliers. But recent research by Christian G. Asmussen and colleagues challenges this widespread belief, highlighting three shortcomings:

- Firstly, it underestimates the power dynamics of client-supplier relationships. For example, Foxconn— the major supplier to Apple and many other electronics companies—has capabilities of strategic importance to Apple, reducing Apple's bargaining power.
- Secondly, many suppliers are less sensitive to responsible conduct, and their MNC customers are often the ones who suffer reputational damage from their misbehavior. When Bravo Tekstil, a Turkish supplier to Spanish retailer Zara, shuttered its factories and failed to pay workers, Zara's reputation suffered, while the supplier declared bankruptcy overnight with no liability whatsoever.
- Thirdly, suppliers in developing countries may prioritize efficiency over sustainability due to pressure from MNC clients to meet cost expectations.

Managing Risk

Suppliers in global value chains are required to follow the corporate social responsibility demands of their MNC customers. However, these suppliers may have different incentives, capabilities, and constraints that make compliance

with MNC sustainability standards difficult to achieve. If they can engage in undetected unethical practices that reduce costs, they stand to win more contracts than competitors and improve profitability. If exposed, they can threaten to walk away from the relationship unless they are paid more to compensate for the extra cost, thereby shifting some costs of their behavior to the MNC, while keeping most of the benefits for themselves. This can leave MNCs with minimal negotiation leverage, while suppliers enjoy short-term savings.

MNCs can manage these risks by employing specific strategies. First, they can monitor their suppliers' actions and practices to detect and prevent irresponsible behavior. However, monitoring, by providing greater information to the MNC on a supplier's irresponsible conduct, can exacerbate the reputational damage for the MNC and can even incentivize suppliers towards more irresponsible action.

Second, MNCs can announce problems they discover to show transparency and accountability and reduce reputational damage, but doing so can also show vulnerability. Third, they can end ties with irresponsible suppliers as a zero-tolerance measure. Fourth, they can work with suppliers to correct these problems. However, doing so can increase costs and create reputational risks if the supplier fails to deliver on promised improvements.

The strategy multinational buyers choose will depend on the value of the relationship, the cost of correcting the problem, the probability of detection, and the potential for further reputational harm. By choosing the best combination of strategies that suits their situation and goals, they can create value for their company and stakeholders while inducing responsible behavior at the supplier sites.

Original Work

Asmussen, C. G., Fosfuri, A., Larsen, M. M., & Santangelo, G. D. 2023. Corporate social responsibility in the global value chain: A bargaining perspective. *Journal of International Business Studies*, 54: 1175-1192.

Unlocking Sustainable Business in China: Leveraging Cross-Sector Collaborations in Global Supply Chains Between Multinationals and NGOs

Interested in learning more?
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In Short

In China, NGOs often collaborate with multinational companies to promote sustainability among their suppliers. This "two-step influence model" allows NGOs to indirectly influence local firms. The success of these collaborations depends on alignment with government priorities, with stronger impacts where the environment is a lower priority. Multinationals benefit from local knowledge and networks through these partnerships but must carefully manage trust and expectations. Moreover, collaboration with NGOs can help achieve sustainability goals but also invites scrutiny.

Non-governmental organizations (NGOs) often seek to make global supply chains more environmentally friendly. However, in autocratic countries, they often cannot openly pressure local firms to improve their sustainability practices.

Recent work by Professors Liu and Heugens examines a sample of global brands engaged in environmental collaborations with Chinese NGOs and shows that these collaborations helped improve the sustainability of global supply chains, but only if their objectives were filling a gap left by the government. Instead, when the local government was highly committed to the environmental agenda, these partnerships would lose their effectiveness as a sustainability-enhancing governance tool.

The Two-Step Influence Model

Sustainability is important for global supply chains, as it can provide multinational companies (MNCs) with competitive advantages, enhance their reputation, reduce costs, and improve stakeholder relations. However, in China, NGOs face a power imbalance when they try to influence local firms because they depend on the government's support for legitimacy. They can try to reduce this imbalance by collaborating with MNCs to influence their suppliers to adopt more sustainable practices. This "two-step influence model" allows NGOs to indirectly influence local firms without the risk of direct confrontation with the government.

Local NGOs have worked with well-known technology firms like Dell and Apple to influence contract manufacturers to improve the transportation of hazardous goods and avoid wastewater discharges, respectively. Such collaborations are important in promoting corporate sustainability in areas where autocratic regimes see environmental protection as a low priority. The lower the government's priority of environmental policy, the stronger the impact of these NGO-MNC collaborations.

Working with Local NGOs

Regions that have been more influenced by historical trade routes with the West, such as Shanghai, were more likely to have NGOs that were willing to work with foreign MNCs and support the idea that people can organize themselves independently from the government. They were less prevalent in inland regions of China, such as Shanxi, where the Communist Party is often viewed as the only legitimate authority. Inland regions tend to be more isolated, generally less developed and have lower GDP per capita and higher poverty rates. They also suffer more from environmental degradation, natural disasters, and climate change.

Working with NGOs can help MNCs achieve various sustainability goals, but it also entails some difficulties and trade-offs. First, MNCs can improve their sustainability performance in global supply chains by leveraging the local knowledge, legitimacy, and networks of NGOs. They may also provide access to new markets and opportunities for innovation where social and environmental challenges are seen as important. At the same time, working with NGOs requires a high level of trust, commitment, and alignment between the partners, which may not be easy to achieve or maintain given their different goals, interests, and expectations. Managers of MNCs need to carefully select, manage, and evaluate their NGO partners to ensure a mutually beneficial and sustainable relationship. Working with NGOs may also expose MNCs to greater scrutiny, criticism, or pressure from other stakeholders.

For managers of MNCs considering collaboration with NGOs, especially in emerging markets like China, it is crucial to understand the nuances involved. Drawing from these findings, managers are advised to be selective in choosing NGO partners to ensure mutual alignment and benefit. Effective management and continuous evaluation of these partnerships are also vital. Lastly, balancing stakeholder needs, transparent communication of actions and impacts, and tailoring strategies to specific contexts are essential for a successful collaboration.

Original Work

Liu, W., & Heugens, P. P. 2023. Cross-sector collaborations in global supply chains as an opportunity structure: How NGOs promote corporate sustainability in China. *Journal of International Business Studies.*

A Cascading Approach to Sustainability in Emerging Market Supply Chains

Interested in learning more?
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In Short

Global brands increasingly set sustainability standards for their first-tier suppliers in emerging market countries and expect them to ensure that similar standards are met by their lower-tier suppliers. This cascading approach encourages sustainability practices to be adopted throughout the supply chain.

In emerging markets, where legal remedies and enforcement may be lacking, the role of multinational buyers in building sustainable supply chains becomes even more critical. Therefore, by extending sustainability requirements down the supply chain, multinational buyers may improve transparency, accountability, and overall sustainability performance, while mitigating potential reputational risks, ensuring compliance with regulations, and promoting responsible business practices.

Lower-tier suppliers often pose higher environmental and social risks. However, multinational buyers may be less involved with them due to the lack of contractual relations and the sheer complexity of the supply chain. Thus, first-tier suppliers play a crucial role in cascading sustainability standards and practices to lower-tier suppliers. Nevertheless, buying firms cannot blindly rely on first-tier suppliers to do so but need to carefully select first-tier suppliers with the right attributes.

Investigating Sustainable Procurement in Multi-Tier Supply Chains

Miriam Wilhelm and Veronica H. Villena conducted a study with a large European company known for its sustainability practices to uncover the attributes that enable its first-tier suppliers to adopt sustainable procurement practices, thereby making the cascading of sustainability requirements to lower-tier suppliers more likely. They collected data from audits, procurement records, and surveys involving 134 Chinese suppliers who participated in the company's Supplier Development Program.

The study identified three key attributes that enable Chinese suppliers to adopt sustainable procurement. These supplier attributes are: an integrated management system for quality, environment, and health and safety; engagement with relevant stakeholder networks (such as the amfori Business Social Compliance Initiative, the Carbon Disclosure Project, and the Responsible Business Alliance); and their own compliance with the large European company's sustainability requirements. Their findings challenge the assumption that suppliers that violate such requirements are less likely to adopt sustainable procurement. In fact, they show that noncompliant suppliers can adopt sustainable procurement practices when the European firm captures a large portion of their sales. However, suppliers with critical sustainability violations may still resist adopting sustainable procurement practices.

Managerial Implications: Leveraging Buyer Influence for Sustainable Procurement Practices

Multinational buyers should engage with suppliers that have adopted an integrated management system and incentivize those suppliers that are considering this system's adoption. Multinational buyers can also encourage their suppliers to participate in relevant stakeholder networks, as nearly half of the sample in the study did not engage with any network. These networks provide valuable assessment tools and training, helping suppliers improve their sustainability standards.

In some cases, suppliers with critical violations may prioritize cost savings over supply chain accountability, believing that noncompliance with sustainability requirements will be offset by the savings. In these situations, it may prove counterproductive to continue working with resistant suppliers. Instead, multinational buyers should focus on fostering a culture of sustainability and accountability throughout the entire supply chain, ensuring that all suppliers, from the first-tier to the lower tiers, are held to the same high standards. By doing so, they can promote responsible and sustainable business practices, mitigate potential risks, and improve compliance with global standards and regulations.

Original Work

Wilhelm, M.M., & Villena, V.H. 2021. Cascading Sustainability in Multi-tier Supply Chains: When Do Chinese Suppliers Adopt Sustainable Procurement? *Production and Operations Management*, 30(11): 4198-4218.

Recent Highlights at the Center for Emerging Markets

The Center for Emerging Markets at Northeastern University operates in three distinct areas, including a robust research agenda; educational activities for the next generation of leaders; and significant work to influence business practitioners. Here are some recent highlights.

Conference on States, Firms, and Sustainability

In partnership with Brandeis University, Loughborough University London, and the Society for the Advancement of Management Studies, CEM held a conference on States, Firms, and Sustainability on August 6, 2023. Attendees analyzed novel ways in which governments and firms can collaborate to address sustainability challenges around the world.

India Lecture with FedEx CEO and President, Raj Subramaniam

On October 16, 2023, CEM welcomed Raj Subramaniam, President and CEO of FedEx Corporation, and over 150 attendees for a virtual fireside chat to discuss how the transportation company is adapting to AI, globalization, technology and more in an increasingly digital world, as part of its Vivek and Vandana Sharma India Initiative.

Second Annual Vivek and Vandana Sharma India Summit

On October 28, 2023, CEM hosted its second annual India summit, titled "India – The Next Startup Nation?" to explore India's dynamic startup ecosystem. Over 200 in-person attendees and nearly 400 virtual viewers joined to hear from CEOs, founders, investors, and policymakers who shared valuable insights and recounted their journeys to success.

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Africa Business Week

On November 14 and 15, 2023, CEM co-led Africa Business Week, a summit bringing together researchers, entrepreneurs, and talented youth from various industries across the continent. With a focus on sustainability, climate change, and AI, this event explored the latest trends and innovations driving diverse African markets.

Fall Nardone Family Seminar Series

CEM welcomed six academic and professional speakers during the Fall 2023 Nardone Family Seminar Series, made possible by a gift from David R. Nardone, to share insights on topics from family business ethics, to industrial manufacturing in a digital age, to building a medical technology industry.

Faculty Fellows Featured on International Business Today Podcast

Over the third and fourth season of International Business Today, a top-rated podcast started by Northeastern's International Business & Strategy Group, five CEM Faculty Fellows shared their cutting-edge research on topics ranging from digital marketing, to sustainability in construction, to family business in India.

New Srinivasan Family Award Recipients

Through a gift from Venkat and Pratima Srinivasan, CEM provided grants to seven Northeastern students to perform research in emerging markets and solve pressing social and environmental challenges as a part of the fourth iteration of the Srinivasan Family Awards for Projects in Emerging Markets program. Four different Northeastern colleges were represented in this group.

Recognizing the First CEM Student Associates

This fall, CEM launched a new Student Associate program to recognize students dedicated to emerging markets at Northeastern. Five undergraduate students were recognized for their efforts leading the Emerging Markets club, partnering on CEM events, and helping further research on emerging markets across the university.

***Pictured**: **(1)** a presenter at the Conference on States, Firms & Sustainability; **(2)** Raj Subramaniam, FedEx President and CEO gives the fall Vivek and Vandana Sharma India Lecture; **(3 & 4)** speakers and attendees at the second Vivek and Vandana Sharma India Summit **(5)** Michael Ceitlin, CEO of Mundial S/A, gives a Nardone Family Seminar; **(6 & 7)** recent Srinivasan Family Award winners perform research in Kenya and host an International Business Case Competition.*

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