

11 Multinationals and corporate environmental strategies

Fostering subsidiary initiative

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Introduction

Research on international environmental management shows that most multinational corporations (MNCs) employ reactive global environmental strategies. Reactive firms rarely manage to develop valuable environmental capabilities and stand to gain little more than cost reductions and efficiencies, which are not sources of competitive advantage for them. In contrast, the corporate sustainability literature shows that organizations stand to gain a lot more if they adopt a proactive approach to their corporate environmental strategies. These are essentially two different paths firms choose, and they lead to radically different outcomes.

In this chapter we construct an argument that MNCs can use proactive environmental strategies as a source of competitive advantage if they build valuable capabilities, transferable throughout the organization. This argument is founded on the natural-resource-based view of the firm. Drawing from the corporate entrepreneurship literature, we additionally propose that valuable capabilities at the level of the MNC are built through effective fostering of subsidiary initiatives. The chapter contributes by showing that subsidiary initiatives act as a moderating variable improving the environmental and financial performance of the MNC. We illustrate our points through a comparative look at two subsidiaries of Royal Dutch Shell, with radically different experiences.

The international sustainability literature has not typically focused on the role of subsidiaries as potential reinforcers of the MNC's commitment to proactive environmental strategy. But in a global climate where, increasingly, firms invest in their fringe resources for competitive advantage, the subsidiary can play an important part in improving environmental and social performance, both locally and globally.

The general topic of this chapter is the moderating role of subsidiaries regarding corporate environmental strategies. This topic fits within the broader theme of the book in several ways. First, we discuss how MNCs approach an important aspect of their operations, with ramifications beyond the host developing country. Second, we challenge the notion that constraints in the local environment should be associated by MNCs with threats. Third, and consistent with