External influences on MNE subsidiary’s ESG strategy and performance consequences: A strategic fit approach

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Abstract

Anchored on Contingency Theory, we develop a model of external environmental factors driving ESG strategy adaptation by MNEs' subsidiary units in foreign markets, and the impact of this adaptation on both market and financial performance. The model was tested with input provided by a sample of 311senior executives of MNE subsidiary units operating in three key focal markets, namely the US, the UK, and China. The results indicate that differences in both macro- and micro-environmental differences between the home and host market are instrumental in adapting the unit's ESG strategy. We also show that the impact of this strategy on achieving superior market and financial performance outcomes is determined by the extent that there is co-alignment between external environmental forces and the level of the subsidiary unit's ESG strategy adaptation. Our findings offer important theoretical and managerial implications and suggest new venues of research focusing on ESG.

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