



Journal of World Business
Call for Papers for Special Issue on

Multinational Enterprises and Sustainable Development in the Extractive and Natural Resource Sectors

Submission Deadline: June 1, 2016
Special Issue Workshop: Spring 2017

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For much of the past four decades, extractive and natural resource sectors' firms increased their global reach, particularly in the developing world. However, these industries¹ largely escaped the scrutiny of business academics, perhaps driven by a sense that they are specific industries with limited strategic options and issues that are not generalizable across the range of topics considered by international business scholars. However it is now clear that the extractive and natural resource sectors raise issues that are central to both international business and international development. For instance, the issues that extractives raise and the developmental challenges the sector poses have been approached in the non-business literature from a wide range of perspectives, from local-level, in-depth anthropological studies of community impacts (Barney, 2009; Horowitz, 2011), and surveys that explore the links between national economic resource dependence, and developmental progress and growth (Sachs & Warner, 2001; van der Ploeg & Poelhekke, 2009; Ville & Wicken, 2012; Ticci & Escobal, 2015; Dadush, 2015), to institutional and political science concerns with the links between resources, governance and conflict (Collier & Hoeffner, 2004; Robinson et. al., 2006, Banks, 2008). Given the strong political and policy issues associated with these industries, it is perhaps not surprising that much research related to the sector has been in the domain of political science and economics rather than international business. The purpose of this special issue is to examine many of these same issues through the lens of international business.

Extractives and natural resources play a limited role in the current mainstream international business literature. However, it is sometimes forgotten that the earliest literature on MNEs was often driven by the experience of natural resource-based firms (Vernon, 1971; Rugman & McIlveen, 1985). In addition, the bargaining power approach to understanding political risk was initially developed and applied in the extractives sector (Vernon, 1971; Moran 1974; Makhija, 1993) before being extended to similar industries characterized by large amounts of fixed assets (Doh and Ramamurti, 2003). A search of original research articles published in four leading

¹ For the purposes of this Special Issue, we define the extractive and natural resource sectors to include firms grouped in Code 11 (agriculture, forestry, fishing and hunting) and Code 21 (mining, quarrying, and oil and gas extraction) of the North American Industry Classification System (NAICS).

international business journals over the period 2000-2015 (836 in *Journal of International Business Studies*, 609 in *Journal of World Business*, 320 in *Management International Review* and 739 in *International Business Review*) reveals that less than 1% of articles focused on the extractives and natural resource sectors. A similar picture emerges from top tier management journals. At the same time there is growing recognition of the role of extractives and natural resources as part of the growth process of both developed and developing countries, particularly the latter. For instance recent reports suggest that many, if not most, developing and emerging markets rely on the extractive sectors for a considerable portion of their GDP (McKinsey, 2013; ICM, 2014; Dadush, 2015), much of which is produced by foreign multinationals.

We believe that there are significant opportunities for improving our understanding of extractive and natural resource industries, in ways that also advance theories of the multinational enterprise and their impact on developed, developing (emerging) and least developed countries. It is therefore the purpose of this special issue to look at these industries, in particular the oil & gas, mining and minerals, and forestry sectors, with a view to adding to our understanding not only of FDI, but also of a number of issues of relevance to strategy and IB scholars. Consequently, we are soliciting empirical, both large quantitative studies and case-based analysis, and theoretical work addressing the complex issues highlighted in these industries. This special issue provides an opportunity to bring together the research of scholars from a diverse range of disciplinary traditions such as economics, management and political science. As such, the following list of potential research questions is merely illustrative of the broad range of studies that could fit in the special issue of *Journal of World Business*:

- **Understanding the impact of MNEs on sustainable economic development.** We seek to revisit the debate over the role and impact of MNEs on sustainable economic development (Ghauri & Yamin, 2009; Kolk & van Tulder, 2010) and inclusive growth (Gerrard et al, 2012) through the lens of the extractive and natural resource industries. In particular what are the nature of spillovers in these industries in developing countries (Oetzel & Doh, 2009)? How, exactly, can we measure the impact of these sectors' activities on economic development (Ticci & Escobal, 2015)? Do MNEs contribute to poverty reduction and inclusive growth, and, if so, in what ways? The development agenda is increasingly focusing on depicting corporations as part of the approach to addressing social problems such as poverty (Prieto-Carrón et al., 2006). Should MNEs explicitly align their actions with the new Sustainable Development Goals, especially as they relate to inclusive growth and poverty reduction? Extant research shows that MNEs active involvement in poverty reduction differs markedly across sectors (Kolk et al., 2006). These differences are driven by societal and sector specific pressures. Extractive and natural resource industries constitute a stage where public scrutiny and reputational risks are extremely high. Do extractive MNEs contribute more to poverty reduction?
- **Understanding emerging market MNEs and FDI.** Although most resource extraction activity is dominated by developed country MNEs, one of the largest companies, VALE, is from Brazil, and there is an increasing amount of FDI in Africa from Chinese firms (UNCTAD, 2005). In addition, many oil and gas firms from emerging market countries are state-owned or controlled and operate across borders (e.g. Petronas). Do these firms follow the same strategies as developed country firms (Li et al, 2013)? Do they have the same capabilities, notably in the areas of political risk assessment, stakeholder relationships, and CSR?
- **Understanding international strategy, industry structure and competitive advantage in the extractive and natural resource industries.** A lot is known about the relationship between firm strategy and industry structure in a broad range of industries, such as telecommunications, airlines, biotech, etc. Yet, this link remains relatively under-researched in extractives and natural resources. It is often believed that strategy choices in these industries are limited to cost minimization. However, evidence suggests that, for instance, large mining firms exhibit a fair degree of strategic heterogeneity in terms of both product and geographic distribution. (Shapiro, Russell & Pitt, 2007). How do strategies differ among major MNEs? Most of the active firms in the mining sector, large and small originate in resource rich, mostly Anglo Saxon law countries (Canada, UK, Australia, US, and South Africa). Is

competitive advantage based on country-specific advantages (CSAs) or are there other factors (Rugman, 1981)? Developing country resource companies are more likely part of diversified business groups. Does this lead to differences in strategic decision-making? The industries have a complex supply chain that begins with exploration and ends with commodities. This supply chain raises significant challenges in terms of collaborative planning, forecasting and replenishment, and in particular with choices regarding vertical integration (for a survey, see Kraemer & van Tulder, 2009).

- **Understanding the influence and effects of governance regimes for effective resource management of extractive operations and industries, and provision of local collective goods.** Firms in extractive and natural resource industries have a long tradition of working with local institutions and communities where resources are located (Boddewyn & Doh, 2011). The evidence suggests not only that these arrangements are complex and that the form of governance arrangements is likely to be heavily influenced by local forms of ‘path dependency’, but also that it is imperative to look beyond the institutions and mechanisms of the state for the establishment of new, effective institutional forms (Ville & Wicken, 2012; Kraemer & van Tulder, 2009). Does corporate governance contribute to or mitigate community engagement (Lin, Li, & Bu, 2015)? What governance modes, such as alliances, contracting or assistance, are the optimal avenues for provision of collective goods necessary for MNEs’ operations (Boddewyn & Doh, 2011)?
- **Understanding the role of the state.** The context of poverty has increasingly been seen as an opportunity for both market expansion and positive social impact (Battilana and Dorado, 2010; Bruton, Khavul, & Chavez, 2011). Yet, the literature is in its infancy, with the need to engage in analysis of global opportunities for low-income business models to reach the poor around the world (Ault and Spicer, 2014). Researchers who examine the role of business in alleviating global poverty often portray business as an effective substitute for the state. Commercial organizations are sometimes able to deliver needed goods and services to the poor in locations where government-led programs to serve the poor have persistently failed (London & Hart, 2010; Prahalad, 2005). Yet, depicting business solely as a replacement for the state risks overlooking the complementary nature of the state in economic development. International business researchers have identified numerous positive state functions, such as property rights protection, third-party contract enforcement, policy stability, and the provision of a general rule of law, that reduce the institutional hazards of private investment and organization (Hermelo & Vassolo, 2010; Meyer, *et al.*, 2009; Slangen & Beugelsdijk, 2010). From this perspective, the market does not operate independently of the state. Instead, the capacities of the state to provide market-supporting institutions influence the types of risks and opportunities that private actors face across national settings. Extractive firms work often in fragile states, which in itself is a multidimensional concept. Are there individual dimensions of state fragility that matter more for poverty reduction than others? How does institutional context of poverty vary across countries (Ault & Spicer, 2014)? What are roles of extractive industry MNEs in reducing state fragility and improving poverty reduction?
- **Understanding and managing political risk.** Resource industries have been instrumental in developing early theories of political risk (Vernon, 1971). Yet, the concept of political risk is complex, multifaceted and evolving. In fact, resource industries MNEs typically operate in some of the most risky countries in the world, with correspondingly fragile and diverse institutions (Peng, Wang, & Jiang, 2008). The early, power-based theories of political risk are not enough to understand the complex nature of political risk. A legitimacy-based framework proposed in the literature (Steven *et. al.*, 2015) explicitly takes into account the complex relationship between multinationals, and home and host governments and stakeholders. This holistic approach makes a firm’s political risk function of both its home and host country contexts. Can we learn more and develop further theories of political risk from the innovative relationships between firms and host countries in extractive and natural resource industries? How do they manage risk, and what can other firms learn from them? Do extractive industries develop specific types of capabilities in the absence of host country institutional quality and stability? To what extent

have changes in global governance influenced firm strategies and how well do we understand corporate nonmarket activities as they extend across the geographic space in which MNEs operate (Doh, McGuire, & Ozaki, 2015)? How do MNEs engage with local nongovernmental organizations (Oetzel & Doh, 2009, Rivera-Santos et al., 2012)? How do they manage in environments that often involve conflict (Kolk & Lenfant, 2015; Oetzel & Getz, 2012)?

- **Understanding CSR and sustainability.** Extractives and natural resource firms have had a significant impact on their communities in areas ranging from environmental impact, human rights and labor practices, to community involvement and development. They have therefore engaged to a significant degree with these communities and other stakeholders. Can we learn from their experiences to better understand community relations, working with indigenous peoples, and social performance measurement, among other things (Kapelus, 2002; Kolk & van Tulder, 2010; Selmier, Newenham-Kahindi, & Oh, 2015)? How can CSR be integrated in business models (Slack, 2012)? What is required for CSR to be effective in different locations? How do companies build local legitimacy? What is the role of NGOs and other stakeholders in this process (Gifford, Kestler, & Anand, 2010; Kolk & Lenfant, 2013)? How do firms manage home country institutional pressures and challenges to their legitimacy (Kolk & Fortanier, 2013; Meyer & Thein, 2014)? These questions can be extended to sustainability issues, where an increasingly important concern for the extractive and nature resources industries relates to climate change. MNEs in these sectors must increasingly account for their activities that contribute to climate change and must plan to adapt to and mitigate the potential consequences of climate change (for example, water shortages). How do MNEs in these sectors respond to the challenges of climate change (Pinkse & Kolk, 2012).

All papers are to be submitted online through the EES system by **June 1, 2016**. **No late submissions will be accepted.** The format of submissions must comply with submission guidelines posted on the *JWB* website. Please indicate that your submission is to be reviewed for the Special Issue on Extractive Industries (choose “S.I.: Extractive Industries” during the submission process).

Papers will be double-blind peer-reviewed. We will make initial editorial decisions before September 2016. Authors whose papers are successfully evaluated after a second invitation to revise and resubmit will be invited to present the papers at a *JWB* Special Issue workshop to be held in Vancouver, Canada in spring 2017 at which the editorial team will provide additional feedback. Every effort will be made to cover hotel and local expenses for one author of each paper that is invited to the workshop. Attendance at the workshop is not a prerequisite for the acceptance of papers. Presentation at the workshop does not necessarily guarantee publication in the special issue.

For questions about the special issue, please contact Bersant Hobdari, Special Issue Co-Editor, at bh.int@cbs.dk.

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