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Guest editorial

Sustainability, institutions and internationalization in emerging markets: role of sustainable innovation for sustainable world development

> I've come here personally as the leader of the world's largest economy and the second-largest emitter to say that the U.S. not only recognizes our role in creating this problem, we embrace our responsibility to do something about it – Mr. Barack Obama, President of the United States of America (2015 Paris Climate Conference of World Leaders).

> Developed countries should honor their commitment of mobilizing $100 billion each year before 2020 and provide stronger support to developing countries afterwards – Xi Jinping, Chinese President (2015 Paris Climate Conference of World Leaders).

> India aims to add 175 gigawatts of wind, solar and other non-fossil fuel capacity by 2022, and to have those sources make up 40% of the country's installed electric power capacity by 2030 – Narendra Modi, Indian President (2015 Paris Climate Conference of World Leaders).

> We are at the foot of a wall built from the sum of our egos, fears and resignation […]. But this wall is not insurmountable – Francois Hollande, French President (2015 Paris Climate Conference of World Leaders).

As the world leaders vowed to curb greenhouse gases and reduce carbon emissions during the 2015 Paris Climate Change Conference (COP21), there was a visible and uncomforting economic divide between developed and developing economies whereby developing countries blamed richest nations for high carbon dioxide emissions and urged them to help prepare poorer countries for greener energy transition and stave off the early effects of climate change (Horobin and Mauldin, 2015). Firm innovation and internationalization in emerging markets are intertwined with sustainability and the need for sustainable world development. Sustainable development can be defined as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (World Commission on Environment and Development, 1987, p. 8). Sustainability is critical for the developing world to ensure long-term business success while significantly contributing toward sustainable world development through a healthy environment and a stable society. Both developed and developing economies are utilizing renewable and non-renewable resources; yet Godfray *et al.* (2010) state that dependency on non-renewable resources is unsustainable even though it may be needed as a path forward to achieving short-term sustainability (Varadarajan, 2014). Firms, today, are trying to slow unsustainability, which is different from creating sustainability (Varadarajan, 2014). Institutions, both formal and informal, facilitate or hinder sustainable business practices. Hence, there is a critical need to incorporate the institutional lens, consisting of regulatory, cognitive and normal dimensions, in exploring sustainable business practices in emerging markets (Scott, 1995).

The sustainability research agenda in emerging markets can focus on varying aspects of sustainable development. The triple bottom line of sustainability focuses on three

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dimensions: environmental dimension encompasses activities to preserve, protect, conserve and restore ecosystems and natural resources (e.g. climate change policies, preservation of natural resources, and minimization and prevention of toxic wastes); economic dimension of sustainability focuses on increased ROI, revenue and market share increases, lower costs, reduced risk, etc.; and social dimension addresses conditions and actions that specifically affect humanity (e.g. poverty, unemployment, education, health, human rights, etc.). Leonidou *et al.* (2013) stated five issues in extant literature considered particularly salient for research in sustainability in emerging markets: external and internal drivers, management, performance outcomes, marketing aspects and consumer aspects. Further, in sustainability research pertaining to the behavior of firms, nine organizational theories (transaction cost economics, agency theory, institutional theory, organizational ecology, resource dependence theory, the resource-based view of the firm, upper echelons theory, social network theory and signaling theory) (Connelly *et al.*, 2011) have been found to be relevant in explaining the significance of sustainability related research. In this special issue of the *International Journal of Emerging Markets*, we raise questions of sustainability, institutions and internationalization in emerging economies akin to those raised by Peng *et al.* (2008): what drives firm strategy in emerging markets? What role do sustainable business practices and innovation play in firm success and failure? and "How to play the game, when the rules of the game are changing and not completely known?" (Peng *et al.*, 2008). In this special issue, we have tried to focus on a diverse portfolio of sustainability research, and highlighted three broad research areas for sustainability with respect to institutions, internationalization and sustainable world development.

Sustainability research area 1: cultural impacts and consequences for sustainability

A significant dimension of sustainability is corporate social responsibility (CSR), which is defined as firm's obligation to protect and improve social welfare (Staples, 2004), though various business and social actions (Sen and Bhattacharya, 2001; Turban and Greening, 1997), ensuring sustainable benefits for the various stakeholders (Alon *et al.*, 2010). It is argued that emerging markets utilize CSR less frequently than their western counterparts (Welford, 2004); and Ewing and Windisch (2007) argued that sustainability and CSR approaches differ across countries and cultures (Alon *et al.*, 2010). Furthermore, studies have shown a significant positive relationship between the CSR and financial performance (Margolis and Walsh, 2003; Orlitzky, 2005).

Rottig's research (in this issue) provides a meta-analytical approach (synthesizing 5,496 acquisitions) on culture and acquisition performance across organizational and national cultures, and discusses the implications of acquisitions in emerging markets. The study highlights the importance of the impact of nationality of the acquirer and target firms, directionality of cultural differences, and the presence of a significant moderating effect of the type of target country (i.e. developed vs emerging) on the relationship between national cultural differences and acquisition performance, especially in the context of emerging markets ascertaining the sustainable performance determinants of acquisitions in these markets (Rottig, 2017).

In the similar vein, Paredes and Wheatley's research (in this issue) examines the impact of national culture and real earnings management (REM) for a sample of firms from 31 countries that include both developed and emerging markets. Their research explores how cultural influence is moderated or enhanced by economic growth. While previous research (Roychowdhury, 2006; Kim and Sohn, 2013; Kim and Park, 2014) have indicated that REM increases long-term costs on shareholders through its negative consequences for future cash flows or an increased cost of capital; Paredes and Wheatley (2017) found a positive relationship between REM and cultural measures of individualism, masculinity and uncertainty avoidance on one hand, and a negative relationship between REM and power distance on the other. Their research helps understand why and how culture impacts accounting actions and decisions, and how, in turn, this aids regulators in determining reporting/disclosure practices across cultures and countries.

Sustainability research area 2: institutional drivers and internationalization for sustainability

Arora (2014) focused on sustainability strategies across global supply chains, and observed that, "sustainability concerns are being echoed not just in business organizations and their supply chains, but even beyond at broader levels of national governance" (p. 33). There is an ever growing body of sustainability related research surrounding the area of "green innovation" or "eco-innovation" but this area of study might result in a myopic view as it fails to take full account of the institutional complexities and drivers which ultimately determine the rate at which sustainable innovation is progressed, hindered and/or diffused; thus impacting sustainability, institutions and internationalization process across firms, countries and cultures. Lopatta and Kaspereit (2014) noted that industries with high environmental and social risks should increase their commitment to corporate sustainability in order to avoid institutional risks and financial crisis.

In response to the growing need to address sustainability from an institutional level, Kittilaksanawong examines (in this issue) three institutional pillars (regulative, normative and cognitive institution) and quantifies the institutional distances that bridge the firm- and country-level influences when determining the choice of host country and entry strategies of overseas affiliates with respect to firms' resources. The study utilizes institutional data from Taiwanese firms in electronics and computer industry, and suggests implications for internationalization. Institutional contexts matter because internationalization of emerging-market firms is slower than developed-market firms as emerging-market firms come from economies with institutional weaknesses (e.g. low-skilled labor, non- (scarce) availability of skilled labor and capital and poorly organized information markets, etc.) while developed-market firms internationalized from far more developed institutional frameworks and contexts (Khanna and Palepu, 2000; Banerjee *et al.*, 2015).

Graça, Doney and Barry explore (in this issue) an institutional view to examine the firms' strategic decision-making process regarding communication flows and trust; and demonstrate how institutions in rule-based vs relation-based countries shape firms' internationalization process across countries (especially, the USA and Brazil). In yet another research in this special issue, Ruiz, Arvate and Xavier observe a significant difference in superior economic performance and persistent superior economic performance sustainability between firms in developed and developing countries by examining panel data from 600 firms in 26 countries (both emerging and developed). There are several lessons learned for emerging-market and developed-market firms in the context of institutions, internationalization and sustainability. Emerging-market firms compete better when the domestic market is opened up for international (developed) market competition. For example, when the Indian economy opened up for international market firms in 1991 (Banerjee *et al.*, 2015), it helped collaboration between emerging-market and developed-market firms providing opportunities for Indian firms to compete with global firms, and overall improved growth. On the other hand, developed-market firms can share knowledge (directly or indirectly) with emerging-market firms, and learn to compete in domestic markets by forging alliances locally with emerging-market firms, which in turn, bolster the economy as a whole.

Sustainability research area 3: knowledge sharing between emerging and developed markets for sustainability

Sustainability research requires knowledge dissemination and sharing between emerging and developed world economies. As stated in the previous section, both emerging-market and developed-market firms can collaborate with each other to assist the internationalization of emerging markets, and grow both domestic and global economies.

The last two papers in the issue focus on knowledge dissemination and sharing across countries and cultures with respect to sustainability. Ganvir and Dwivedi (in this issue) highlight the salient relationship between export intensity and financial performance for Indian Born Global (IBG) firms in their post-entry internationalization period. Their paper empirically tests the effect of the presence of foreign equity on IBG firms for sustainable internationalization efforts. Toward addressing the need to explore cross-cultural differences and similarities that contribute to the global competitiveness of emerging markets, Castro-Gonzales, Espina and Tinoco Egas (in this issue) examine 36 strategy indicators, within the context of three South American countries (Ecuador, Colombia and Peru). Their study makes a significant contribution to understanding strategies that best improve the global competitiveness level of emerging countries for sustainable development.

Conclusion

Emerging markets are changing the global competitive landscape, and management scholars worldwide are trying to deepen their understanding of sustainability research in the context of institutions, internationalization and sustainable world development. Nkamnebe (2011) stated that sustainability behavior among firms and nations has helped "sustainability" emerge as a major determinant of economic and political importance, and mentioned the notion of "sustainability" as: "[…] generally appealing, [yet] its precise content has remained elusive (Schmidheiny, 1992; Goldin and Winters, 1995; World Development Report, 2003). As a result, the discussion of sustainable development to date has become increasingly rhetorical rather than a clear guide to action, leading to a great deal of skepticism about the whole concept" (p. 218). As special issue editors, we have focused on sustainability and provided three broad sustainability research agendas highlighting the importance of continually exploring emerging markets' institutions, internationalization and sustainable innovation for sustainable world development.

On the basis of these sustainability research areas, future researchers may focus on the following research questions for enhancing sustainability research in emerging markets:

RQ1. What are the institutions that foster (or delay) the growth of sustainability in emerging and developed markets?

RQ2. Sustainability requires stakeholder involvement and commitment. Do we have organizations, firms and/or active groups that pursue the goal of creating sustainable world development? What is the nature of these firms worldwide and how do they differ across emerging vs developed markets?

RQ3. Are individual organizations putting any conscious efforts on sustainability research areas? How can the world benefit from these research directions and efforts? What are the lessons learned in the areas of sustainability research which can be used by organizations in emerging vs developed markets?

RQ4. How do the roles and responsibilities of stakeholders (companies, firms, organizations, governments, non-profit organizations, private and public sector, consumers, customers, etc.) differ across developing and developed world with respect to sustainability, sustainability behaviors, sustainability outcomes, and sustainable world development?

RQ5. What will be the focus of sustainability research in emerging vs developed markets? How can a positive sustainable world development be initiated? How can we overcome impediments for sustainability focused research agenda in both developing and developed world?

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