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**“Walking the talk?” ESG goals in multinational corporations: A qualitative study
shared service centers’ roles within organizational ESG goal-setting and performance.**

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Abstract

Multinational corporations (MNCs) have substantial influence on sustainable development worldwide. Accordingly, many MNCs embraced environmental, social, and governance (ESG) goals additionally to financial goals in their strategic agendas. However, how strategic business units responsible for managing integrated support activities within MNCs, also shared service centers (SSCs), participate in organizational ESG goal-setting and goal-relevant activities that contribute to the overall ESG firm performance remains relatively understudied. Therefore, this study aims to explore the SSCs' role within organizational ESG goal-setting, goal-relevant activities that contribute to the overall ESG firm performance, and which factors influence SSCs' motivation and ability to execute these activities. This study employs the Behavioral Theory of the Firm as its research lens, and selects SSCs of European (non)listed MNCs to explore the impact of (non)compliance with the ESG legislation 'Directive 2014/95/EU' on their ESG practices. Findings reveal that SSCs are not involved in the top-down organizational ESG goal-setting, but contribute to ESG firm performance through (in)direct goal-relevant activities, mainly within social and governance pillars. Besides, factors influencing SSCs' motivation to execute these activities appeared more important than ability factors. Notably, no particular differences in abovementioned findings emerged between SSCs of European (non)listed MNCs.

Keywords: *Multinational corporations, Shared service centers, Directive 2014/95/EU, Organizational ESG goal-setting, ESG firm performance, Factors on ESG goal attainment, Behavioral Theory of the Firm.*

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Chapter 1. Introduction

In recent decades, the journey toward comprehensive sustainable development has evolved in response to the severe global societal challenges that affect humanity worldwide (Li et al., 2021; Montiel et al., 2021). Since multinational corporations (MNCs), referring to complex organizations with a corporate headquarter that own and manage significant business operations in or between two or more countries (Sundaram & Black, 1992; Dabic et al., 2014), account for approximately one-third of the total output worldwide, they have potential to significantly influence sustainable development in the global economy (OECD, 2018). To encourage organizations to operate more sustainably, authorities have been seeking to establish regulations (Jackson et al., 2020), like the ‘Directive 2014/95/EU’ which was enforced by the European Union, mandating European listed organizations with over 500 employees to disclose non-financial information in their annual reports since 2014 (European Commission, 2014). Accordingly, to effectively report on their non-financial firm performance, many MNCs expand their activities beyond the objective of profit maximization and increasingly embrace the concept of setting environmental, social, and governance (ESG) goals as key element in their strategic agendas (Li et al., 2021; Nicolò et al., 2021).

With organizational goal-setting, firms can direct their organizational effort by transforming the organizational goals into concrete activities (Shinkle et al., 2019; Locke & Latham, 2020). Examining organizational goal-setting within complex organizations like MNCs, prior research shows that the complexity arises from their organizational structure in which their corporate headquarter and cross-border business activities, also referred to as strategic business units (SBUs) (Richter & Brühl, 2020), simultaneously operate in different social contexts (Ghoshal & Bartlett, 1990; Beugelsdijk et al., 2018). In turn, SBUs can be divided into primary SBUs that manage the core activities related to the product creation process and its sales (Porter, 2001), and secondary SBUs or so-called Shared Service Centers (SSCs) that manage the integrated support activities, like finance, HR, IT, and procurement, and offers these services to other SBUs of the MNC (Richter & Brühl, 2017; Zaporowska & Szczepański, 2022). The MNCs’ operations in different social contexts might lead to conflicting perspectives on how their strategic organizational goals should be constructed (Ghoshal & Bartlett, 1990; Beugelsdijk et al., 2018). Accordingly, scholars indicated distinctive organizational goal-setting approaches that can be utilized within MNCs, like the top-down approach where top executives directly devise and constrain the goals and activities for the managers in the different SBUs (Bowman & Helfat, 2001; Ciabuschi et al., 2012). Contrary, within the bottom-up approach, SBU managers have a considerable degree of

autonomy to devise their own goals and activities locally (Ciabuschi et al., 2012). The hybrid approach refers to a combination of both, where SBUs adopt some goals and activities directly from the corporate-level, and devise additional ones locally (Ciabuschi et al., 2012).

All goal-relevant activities within an organization collectively influence the degree to which a target is attained, which can be defined as organizational performance (Abu-Jarad et al., 2010; Shinkle et al., 2019). In the context of MNCs, the combined goal-relevant activities of the corporate headquarter and multiple SBUs collectively contribute to the overall MNC performance (Lee, 2022). Existing literature indicates that executing these goal-relevant actions needed for goal attainment depend on the motivation and ability of organizational actors (Locke & Latham, 2006). Consequently, multiple factors are identified that influence the motivation and ability of goal attainment (Seijts et al., 2004; Locke & Latham, 2006), such as respectively leadership stimulation and various resources (Alkahtani, 2016; Spyropoulou et al., 2018). Moreover, prior research revealed that including and subsequently attaining ESG goals positively affects organizations' contribution to societal welfare (Li et al., 2021), organizational legitimacy (Linnenluecke, 2022), and financial firm performance (Kim et al., 2022). Conversely, scholars highlighted these effects might be negatively impacted by the potential pitfall of 'greenwashing', where the claims of firms' sustainability goals vary with their actual performance resulting from selectively disclosing positive or partial ESG activities to conceal the negative ones (Pizzetti et al., 2021).

Nevertheless, although many scholars focussed on organizational goal-setting approaches within MNCs and why ESG goal attainment is important for them, limited research particularly investigated the role of SSCs in organizational ESG goal-setting and goal-relevant activities that contribute to the overall ESG performance of their MNC (Ali et al., 2022; Linnenluecke, 2022). This might be due to the recent emergence of SSCs, making them a relatively new concept for many scholars and MNCs (Richter & Brühl, 2017). Also, as the main drivers for creating SSCs are generally building efficiency and reducing costs through standardization and automation of integrated secondary activities (Zaporowska & Szczepański, 2022), these might conflict with the additional costs associated with incorporating ESG goals and activities (Linnenluecke, 2022). Consequently, establishing sustainability strategies that complement SSCs' vision of efficiency building and cost reduction might be perceived as a complex challenge (Ali et al., 2022). However, given the doubling in SSC implementations over the past decade (Richter & Brühl, 2017), their emerging priority of sustainability in their strategic agenda (Ali et al., 2022), and the importance of incorporating ESG goals and activities into SSCs' business model for MNCs'

sustainability development (Bangemann, 2022; Fiandrino et al., 2022), scholars suggest future research to concentrate on their role in organizational ESG goal-setting and performance (Ali et al., 2022; Linnenluecke, 2022). Therefore, this study aims to explore the SSCs' role within organizational ESG goal-setting, the goal-relevant activities that contribute to the overall ESG firm performance, and which factors influence SSCs' motivation and ability to execute these activities. This paper utilizes the Behavioral Theory of the Firm (BTOF)'s assumptions as its research lens and examines the relations from SSC managers' perspective since they are expected to concretize and execute ESG goal-relevant activities at their level (Marker et al., 2014). To obtain new insights into these relations, the research question central in this descriptive exploratory study is: *“What is the role of SSCs within organizational ESG goal-setting, goal-relevant activities that contribute to the overall ESG firm performance, and which factors influence SSCs' motivation and ability to execute these activities?”*.

By generating new insights into these three relations, this study's scientific relevance primarily relates to adding to the existing literature on respectively organizational goal-setting within complex organizations (e.g. Cyert & March, 1963; Bowman & Helfat, 2001; Ciabuschi et al., 2012), on how ESG performance within MNCs is dispersed (e.g. Linnenluecke, 2022), and on the existing literature of motivation and ability factors on goal attainment (e.g. Seijts et al., 2004; Locke & Latham, 2006). Moreover, as few scholars compared sustainability goals and practices across (non)listed European MNCs to examine the impact of (non)compliance with the Directive 2014/95/EU (Linnenluecke, 2022), this study includes SSCs of both groups to explore potential differences in maturity of their roles within organizational ESG goal-setting and performance and hence adds new insights to existing literature on ESG legislation. Additionally, this research has practical relevance for SSC managers as the findings enable them to evaluate as well as compare their ESG practices with those of peers, facilitating social benchmarking for how SSCs' contribution to the overall ESG firm performance can be optimized. Moreover, the identification of factors on SSCs' motivation and ability for executing their ESG goal-relevant activities holds practical relevance for corporate-level managers, as they can capitalize on this knowledge to support their SSCs. These practical relevances are especially crucial today, due to the growing importance of SSCs and their sustainability agendas (Richter & Brühl, 2017; Ali et al., 2022).

This study's next chapter reviews the relevant literature and its connection to MNCs. Chapter three explains the qualitative research methodology, while chapter four compares the data collected. Chapter five and six present the discussion and conclusion.

Chapter 2. Literature review

2.1. Organizational goal-setting and performance

An organizational goal can be defined as: “a desired organization-level outcome usually established by top management (top executives or leaders) to direct organizational effort and/or assess organizational performance” (Shinkle et al., 2019, p. 732). Organizational goal-setting is a widely acknowledged activity that aims for enhanced firm performance, which involves transforming organizational goals into concrete activities (Shinkle et al., 2019; Locke & Latham, 2020). These goal-relevant activities within an organization collectively influence the degree to which a target is attained, which can be defined as organizational performance (Abu-Jarad et al., 2010; Shinkle et al., 2019). Therefore, this study uses the terms firm performance and organizational goal attainment interchangeably.

To explore the relations under investigation, this study draws upon the BTOF’s assumptions as its research lens, since this is a widely recognized theoretical perspective for research settings seeking to understand organizational decision-making (Argote & Greve, 2007). The first assumption holds that organizations are viewed as coalitions of managers, employees, shareholders, and other external stakeholders who all have their own goals which can be incompatible (Cyert & March, 1963). Moreover, the theory assumes that organizations have limited attention and that some coalitions can have greater power in decision-making to weigh and prioritize the relative importance of conflicting interests to establish beneficial organizational goals (Cyert & March, 1963; Kotlar & De Massis, 2013). This prioritization of organizational goals directs and allocates organizations’ time and resources sequentially to avoid potential incompatibilities (Cyert & March, 1963; Yang et al., 2022). Moreover, specific goals lead to higher firm performance than abstract ones (Locke & Latham, 2006), and organizational actors who are consciously aware of the goals show more proactive behavior for engaging in goal-relevant practices than unaware employees (Dar et al., 2021). To increase goal awareness among employees, various communication channels can be used to share information about them, like intranets, websites, written reports, and face-to-face meetings (Brunton et al., 2017).

When firm performance deviates from the aspiration-level, this can be defined as the aspiration-performance gap (APG) (Zhu et al., 2023). According to the BTOF, performance feedback indicates whether and how firm performance deviates from the aspiration-level, and determines how organizations modify their solution-searching behavior and risk preference to undertake strategic actions that improve their firm performance (Cyert & March, 1963). If

firms attain their aspirations and hence receive positive performance feedback, they typically become risk-averse and show little incentive to seek changes in current routines, and vice versa (Cyert & March, 1963; Yang et al., 2017). Nevertheless, the BTOF presumes that firms rather search for incremental than radical solutions (Cyert & March, 1963; Gavetti et al., 2012). Lastly, the theory posits that learning occurs in organizations when processes of search for change solutions result in the adaptation of goal-relevant activities, attention, or resources (Cyert & March, 1963; Gavetti et al., 2012; Shinkle, 2012). Organizational learning is needed to realize the aspired goals, and hence to ‘walk the talk’ (Andersen & Skjoett-Larsen, 2009). In turn, living up to ‘the talk’ positively affects trust in management, organizational legitimacy, and ultimately firm performance (Schons & Steinmeier, 2016; Minbaeva et al., 2018).

Moreover, existing literature indicates that executing goal-relevant actions needed for goal attainment depend on motivation and ability of organizational actors (Locke & Latham, 2006). Consequently, multiple factors are identified that influence the motivation and ability for goal attainment (Seijts et al., 2004; Locke & Latham, 2006). How organizational actors experience the ability for engaging in goal-relevant activities for goal attainment, mainly depends on the availability of various resources like time, materials, money, and human capital (Gagné, 2018; Spyropoulou et al., 2018; Duque-Grisales & Aguilera-Caracuel, 2021). Organizational leadership has been depicted as a factor influencing organizational actors’ motivation for executing goal-relevant activities that contribute to goal attainment (Alkahtani, 2016). The existing literature highlights mainly two leadership styles: transformational and transactional (Alkahtani, 2016). Transformational leaders inspire employees to participate in goal-relevant activities by acting as role models and actively creating a supportive climate, while transactional leaders motivate through rewards contingent upon goal attainment (Alkahtani, 2016). Such monetary rewards can also be leveraged as potential gains at the SBU-level (Besser, 1995; Knight et al., 2001).

Although organizational goals and firm performance can generally be classified into financial and non-financial dimensions (Ali et al., 2022), this study will focus on the latter, specifically within the realm of ESG.

2.1.1. ESG goals

To enhance the journey towards comprehensive sustainable development, many MNCs expand their activities beyond the objective of profit maximization by incorporating environmental, social, and governance (ESG) goals and activities as key elements into their

business models (Li et al., 2021; Nicolò et al., 2021). Since ESG goals are widely recognized as a non-financial index of firm performance (Li et al., 2021), this study uses non-financial, sustainability, and ESG interchangeably (Li et al., 2021).

The three dimensions that form the ESG acronym are: ‘Environmental’ which refers to organizations’ responsibility regarding the natural environment, ‘Social’ which relates to organizations’ treatment of people, and ‘Governance’ which refers to transparent management via a corporate governance system (Kim et al., 2022). As Table 1 shows, the three pillars contain different domains upon which organizations can base their goals (Armstrong, 2020; Li et al., 2021; Kim et al., 2022). Prior research revealed that including and subsequently attaining ESG goals positively affects organizations’ contribution to societal welfare (Li et al., 2021), organizational legitimacy (Linnenluecke, 2022), and financial firm performance (Kim et al., 2022). However, since ESG goal initiatives come along with corresponding costs, they may lead to conflict in resource allocation between financial and non-financial goals (Linnenluecke, 2022). Therefore, setting and attaining ESG goals might be perceived as a complex challenge (Ali et al., 2022). When firms deliberately disclose positive or partial ESG activities to conceal the negative ones, the potential pitfall of ‘greenwashing’ might arise, where the claims of firms’ sustainability goals vary with their actual performance (Pizzetti et al., 2021).

Environmental	Social	Corporate governance
<ul style="list-style-type: none"> - Carbon footprint - Pollution and waste - Water usage - Energy usage - Biodiversity and deforestation 	<ul style="list-style-type: none"> - Workforce engagement and satisfaction - Diversity, gender equality, and inclusion (DE&I) - Education and training - Health and safety (H&S) - Impact on communities 	<ul style="list-style-type: none"> - Board structure and independence - Codes of conduct - Accountability certificates - Sustainability reporting systems - Compliance with law - Risk management - Stakeholder management

Table 1: ESG pillars and domains.

2.2. ESG within the context of MNCs

Examining existing ESG literature within the context of MNCs, research mainly concentrated on the importance of their ESG goals and performance regarding their external stakeholders’ legitimacy and institutional pressures (Linnenluecke, 2022). Contrarily, limited literature investigates the role of SSCs in organizational ESG goal-setting and goal-relevant activities that contribute to the overall ESG performance of their MNC (Ali et al., 2022; Linnenluecke, 2022). To explore these relations, this section starts with providing context about the structure of MNCs.

2.2.1. Organizational structure within MNCs

This study defines MNCs as complex organizations with a corporate headquarter that own and manage significant business operations in or between two or more countries (Sundaram & Black, 1992; Dabic et al., 2014). These cross-border business activities can be established in multiple ways, for example by direct foreign investments in setting up subsidiaries overseas, acquiring existing non-domestic companies, or establishing new operations facilities in the foreign market (Sundaram & Black, 1992). However, since this study will not distinguish between the different forms, for practical purposes the term strategic business units (SBUs) will be used to refer to the cross-border business activities of the MNC (Richter & Brühl, 2020).

At the SBU-level, a further distinction can be made between primary SBUs that manage the core activities related to the product creation process and its sales and secondary SBUs that manage the integrated supporting activities (Porter, 2001). The latter can also be referred to as Shared Service Centers (SSCs), which this study defines as a SBU that manages integrated support activities, like finance, HR, IT, and procurement, and offers these services to other SBUs of the MNC (Richter & Brühl, 2017; Zaporowska & Szczepański, 2022). Hence, the activities carried out by SSCs assist the other SBUs within the MNC. Although shared services can be outsourced to third parties and can be established to serve multiple MNCs (inter-organizational SSCs), this study focuses on captive SSCs, which are kept for in-house usage and hence are fully owned by the MNC (Janssen & Joha, 2006; Richter & Brühl, 2017). Moreover, SSCs may operate from a single location or be dispersed across various locations within MNCs (Davis, 2005). As the main drivers for creating SSCs are generally building efficiency and reducing costs through standardization and automation of integrated secondary activities (Zaporowska & Szczepański, 2022), these might conflict with the additional costs of incorporating ESG goals and activities (Linnenluecke, 2022). Therefore, establishing sustainability strategies that complement SSCs' vision of efficiency building and cost reduction might be a complex challenge (Ali et al., 2022). However, with SSCs' responsibility for providing effective operational support for SBUs, incorporating ESG goals and activities into their business models is important for MNCs' sustainability development (Bangemann, 2022; Fiandrino et al., 2022).

2.2.2. Organizational goal-setting and performance within MNCs

Prior literature indicated that organizational goal-setting and subsequent attainment are often challenging for organizations and that this challenge is amplified when they operate

in an international business context (Spyropoulou et al., 2018). The complexity of organizational goal-setting within MNCs arises from their organizational structure in which their corporate headquarter and SBUs simultaneously operate in different social contexts, which might lead to conflicting perspectives on how their strategic organizational goals should be constructed (Ghoshal & Bartlett, 1990; Beugelsdijk et al., 2018). Accordingly, scholars indicated distinctive organizational goal-setting approaches that MNCs can generally utilize to develop their organizational goals and corresponding activities (Ciabuschi et al., 2012). Firstly, within the top-down approach, MNCs develop a globally centralized strategy, where top executives directly devise and constrain the goals and activities for the managers in the different SBUs (Bowman & Helfat, 2001; Ciabuschi et al., 2012). Although this approach increases MNCs' global coordination, the corporate-level control might be perceived by SBU managers as a lack of confidence in their autonomous decision-making ability (Birkinshaw et al., 2000; Dabic et al., 2014). Moreover, as top executives do not directly operate at SBU-level, they may have limited knowledge essential for making informed strategic decisions (Ciabuschi et al., 2012). Contrary, within the bottom-up approach, MNCs develop locally decentralized strategies, in which SBUs' managers have a considerable degree of autonomy to devise their own goals and corresponding activities locally (Ciabuschi et al., 2012). However, this approach might lead to a lack of global coordination due to goal-conflicting demands from different social contexts (Beugelsdijk et al., 2018). The hybrid approach refers to a combination of both, where SBUs adopt some goals and activities directly from the corporate-level, and devise additional ones locally (Ciabuschi et al., 2012).

Regardless of the approach chosen for organizational goal-setting, all goal-relevant activities of the corporate headquarter and multiple SBUs collectively contribute to the overall MNC performance (Lee, 2022). Nevertheless, how ESG performance within MNCs is dispersed among different SBUs and which factors influence their ESG goal attainment is relatively understudied, especially in relation to their SSCs (Ali et al., 2022; Linnenluecke, 2022), despite that sustainability firm performance is dependent upon their implementation and execution of ESG goals (Fiandrino et al., 2022).

2.3. The current study

So, although existing literature focussed considerably on organizational goal-setting approaches within MNCs, and why ESG goal attainment is important for them, limited research particularly investigated the role of SSCs in organizational ESG goal-setting and goal-relevant activities that contribute to the overall ESG performance of their MNC (Ali et

al., 2022; Linnenluecke, 2022). Moreover, limited is known on factors influencing ESG goal attainment particularly in the MNCs' context (Linnenluecke, 2022). However, given the doubling in SSC implementations over the past decade (Richter & Brühl, 2017), their emerging priority of sustainability in their strategic agenda (Ali et al., 2022), and the importance of incorporating ESG goals and activities into SSCs' business models for MNCs' sustainability development (Bangemann, 2022; Fiandrino et al., 2022), scholars suggest future research to concentrate on this topic. Accordingly, this study aims to explore the SSCs' role within organizational ESG goal-setting, the goal-relevant activities that contribute to the overall ESG firm performance, and which factors influence SSCs' motivation and ability to execute these activities. To do so, the BTOF's assumptions are utilized as guidelines for this research's data process.

To enhance understanding of the relations and corresponding concepts under study, Figure 1 visualizes the conceptual framework of this qualitative study.



Figure 1: Conceptual framework.

Chapter 3. Research method

3.1. Research strategy

The choice of research strategy is guided by the nature of the research question and the subject under investigation (Denzin et al., 2006). Since this study aims to generate a deeper understanding of the SSCs' role within organizational ESG goal-setting, the goal-relevant activities that contribute to the overall ESG firm performance, and which factors influence SSCs' motivation and ability to execute these activities, this research objective is rather exploratory and descriptive than explanatory (Denzin et al., 2006). Besides, this research aims to provide new insights into the aforementioned relations that enriches the existing literature review by understanding human actions and behaviors in their natural surroundings (Myers, 2019). Moreover, qualitative research is particularly suitable for smaller sample sizes (Bleijenbergh, 2015), and allows for generating detailed insights into the context-specific phenomena studied since respondents can formulate authentic responses to the open questions and follow-ups of the semi-structured interviews (Myers, 2019). Consequently, in-depth knowledge can be revealed regarding their actions, motivations, experiences, and opinions about relations under investigation (deMarrais, 2003). By analyzing and carefully interpreting the collected data from the respondents, patterns regarding the examined context-specific phenomena can be discovered (deMarrais, 2003). The qualitative research strategy matches the nature of this study as it can provide an enriched understanding and insights into the understudied relations of this thesis.

3.2. Data collection methods and sample selection

The categories of data collection within qualitative research can generally be divided into interviewing, document analysis, and participant observation (Silverman & Marvasti, 2008). This study includes the first two forms of data collection. For the document analysis, the researcher gathers the integrated annual reports of 2022 from listed MNCs and separate sustainability reports of 2021 from non-listed MNCs, since these were the most recently published documents at the time of this study. By collecting the reports, the corporate ESG goals set within each MNC can be discovered by using the domains of Table 1 as guidelines for goal topics and subsequently can be compared (Appendix C). Also, the identified corporate ESG goals serve to inform the participants at the beginning of the interview to ensure that they have a clear understanding of the MNCs' current ESG objectives in each pillar.

To discover the SSCs' role within organizational ESG goal-setting, goal-relevant activities that contribute to the overall ESG firm performance, and which factors influence SSCs' motivation and ability to execute these activities, interviews are conducted among ten SSC managers employed at different MNCs. Interviews describe a face-to-face dialogue in which the interviewer asks research topic-related questions to the interviewee, to gain rich content about their actions, motivations, experiences, and opinions (deMarrais, 2003). Accordingly, social context-specific phenomena can be better understood by the involved respondents' perceptions (Blijenbergh, 2015). It is specifically interesting to interview SSC managers on the relations studied, since they are expected to concretize and execute ESG goal-relevant activities at their SSC-level (Marker et al., 2014). Moreover, as few scholars compared sustainability goals and practices across (non)listed European MNCs to examine the impact of (non)compliance with the Directive 2014/95/EU (Linnenluecke, 2022), this study includes SSCs of both groups to explore potential differences in maturity of their roles within organizational ESG goal-setting and performance. The respondents' characteristics of the sample are presented in Table 2.

Respondents	Functions of respondents	SSC of EU (non)listed MNC	Industry of MNC	Employees in MNC	Functions in SSC	Establishment of SSC
Respondent 1 (R1)	SSC lead	SSC of listed MNC1	Logistics	ca. 36.000	Finance	20 years ago
Respondent 2 (R2)	SSC manager procurement	SSC of listed MNC2	Consultancy	ca. 36.000	Finance, HR, IT, Procurement	11 years ago
Respondent 3 (R3)	SSC manager finance	SSC of listed MNC2	Retail	ca. 414.000	Finance, HR, Procurement	9 years ago
Respondent 4 (R4)	SSC manager IT	SSC of listed MNC4	Food	ca. 100.000	Finance, HR, IT, Procurement	3 years ago
Respondent 5 (R5)	SSC lead	SSC of listed MNC5	Electronics	ca. 79.000	Finance, HR, IT, Procurement	6 years ago
Respondent 6 (R6)	SSC lead	SSC of non-listed MNC6	Food	ca. 13.000	Finance	2 years ago
Respondent 7 (R7)	SSC manager procurement	SSC of non-listed MNC7	Facilities	ca. 32.000	Finance, HR, IT, Procurement, Legal	2 years ago
Respondent 8 (R8)	SSC lead	SSC of listed MNC8	Healthcare	ca. 76.000	Finance, HR, IT, Procurement	4 years ago
Respondent 9 (R9)	SSC lead	SSC of listed MNC9	Assurance	ca. 102.000	Finance, Procurement	6 years ago
Respondent 10 (R10)	SSC lead	SSC of non-listed MNC10	Administration	ca. 10.000	Finance	2.5 years ago

Table 2: Respondents' characteristics.

The interviews followed a semi-structured scheme and the topic guide covered questions based on the literature and assumptions reviewed in chapter two (Appendix A). The questions were posed in a predetermined sequence to increase the reliability of the data collection, but simultaneously follow-up questions emerged during the interview based on the respondents' replies to build a comprehensive illustration of their perspectives (deMarrais, 2003).

The researcher has selected the sample upon several criteria: MNCs had to be European (non)listed and needed to have a captive SSC. From this captive SSC, the respondent had to be an SSC lead or manager with knowledge of the organizational ESG goal-setting and ESG goal-relevant activities. To recruit the SSC managers, the researcher used network sampling by asking for assistance in contacting the targeted respondents from multiple individuals in her internship who had connections with them (Ahmed et al., 2013). Over four weeks, the approximately 60 minutes lasting interviews have been conducted in English or Dutch, depending on the managers' native. Due to the managers' full agendas and geographically dispersed locations, the interviews have been conducted via Teams to lower the threshold for their participation. Furthermore, the SSC managers were only informed on the subject of the interview beforehand but did not have access to the questions to ensure as authentic answers as possible. One pre-interview was conducted to ensure the developed questions were unambiguous and consequently altered when necessary (deMarrais, 2003).

3.3. Data analysis approach

The content of the annual reports and the authorized interview recordings that were carefully transcribed formed the basis for the analysis process. For the annual reports, the deductive thematic method for qualitative content analysis has been used to identify, analyze and compare patterns within the non-financial goals disclosed (Bowman, 1984; Pearse, 2019). This approach uses the reviewed literature, specifically the domains of Table 1, as reference points for the development of codes, which in turn organize the written content into different categories (Appendix B) (Bowman, 1984; Pearse, 2019).

An inductive coding approach has been applied for the qualitative content analysis of the interviews, which is an appropriate method when there is limited knowledge in the existing literature on the research topic (Bleijenbergh, 2015), which matches this study. The Gioia methodology is suitable for this inductive approach, allowing the researcher to systematically analyze the interviews and establish qualitative rigor (Gioia et al., 2013). This methodology indicates three iterative phases within the analysis process, of which the initial

step was to create the first-order codes that adhere as closely as feasible to the respondents' expressed answers (Gioia et al., 2013). Thereafter, first-order codes were categorized based on similarities and differences into more abstract theoretical themes, which were linked to the relevant literature (Gioia et al., 2013), such as the BTOF's assumptions. In the third phase, aggregated thematic constructs were developed by grouping the second-order codes (Gioia et al., 2013). With the final coding tree for the interviews (Appendix B), the interviews have been analyzed within ATLAS.ti.

3.4. Research ethics

To guarantee integrity and professionalism within this study, the research activities complied with the five general ethical principles established in the Netherlands Code of Conduct: honesty, scrupulousness, transparency, independence, and responsibility (Netherlands Organisation for Scientific Research, 2018).

From the beginning of the interviews, the researcher was completely transparent with the respondents during the entire process and repeatedly emphasized that their voluntary participation allowed them to terminate the interview at any moment without explanation (Blijenbergh, 2015). The researcher took the responsibility of the consent process very seriously, to ensure respondents knew they were participating voluntarily and had complete knowledge of relevant benefits and risks (Smith, 2003). Also, approval was asked to record the interviews and to use relevant information and quotes. Regarding anonymity, the respondents' identifying information was anonymized to ensure their privacy (Smith, 2003). The researcher assured the participants that all information provided would be utilized for the research only and that if they wanted to modify the given responses they could get in touch anytime. After receiving full consent, the interviews were transcribed and coded carefully in the data analysis process, and the recordings have been deleted afterward. The researcher assured that used theories and methods were scientifically grounded, and maintained a professional distance to independently interpret the received information (Netherlands Organisation for Scientific Research, 2018). Additionally, the results were reported accurately by not presenting them more or less favorably than they truly were to ensure validity and were adequately fed back to the participants who expressed interest in them.

Chapter 4. Results

The main findings of the MNCs' annual reports analysis, which were examined before the interviews to reveal their corporate ESG goals set, are extensively discussed and visualized in Appendix C. This chapter discusses the interview results and integrates the report findings into them. The interview results are categorized according to the inductive data analysis, and (translated) quotes of respondents are utilized to provide a more comprehensive description of the findings (Appendix D). Additionally, results are linked to the BTOF's assumptions and are compared between SSCs of (non)listed MNCs.

4.1. Perceived SSCs' role in organizational ESG goal-setting

Firstly, the respondents were asked about the familiarity and specificity of the corporate ESG goals, which organizational actors decided upon them, how these goals were translated to their SSC-level, and how they prioritized the goals within the ESG pillars.

4.1.1. Goal awareness and specificity

Analyzing how the corporate ESG goals were perceived by the SSC managers, all respondents indicated being familiar with all of the corporate ESG goals from the annual reports listed by the interviewer. R7 emphasized that goal awareness is the heart of engaging in ESG: *"Initially, I think that awareness, both among employees and management, is crucial to really arrive at and act on the goals you set."* Most of the respondents emphasized that continuous communication around corporate ESG goals is crucial to establish goal awareness. Through periodic employee meetings where their ESG goals and activities are discussed and updated, most respondents maintain ESG goal awareness within their SSCs. In contrast, R8 and R10 admitted honestly that despite the regular communication from the corporate-level about the organizational ESG goals, within their SSCs the awareness and communication around them is relatively low and should be increased: *"We've noticed that it's just not very much alive there yet. So we've now started communicating about it more."* (R8).

All respondents, except R7 and R10, perceived the corporate ESG goals to be specifically formulated and found this important to effectively work with them: *"I think they're very concrete and very tangible with metrics, I think that's clear."* (R4). The corporate goal metrics can be found in Appendix C. R7 indicated that MNC7 was still in the process of developing their organizational sustainability goals and corresponding metrics, and R10 expressed that their ESG objectives were rather textual initiatives than specific goals as no metrics were assigned to them: *"You could say, are they real objectives that we've*

formulated, or are they more lists of initiatives?”. These findings on goal specificity align with the findings of the MNCs’ annual reports (Appendix C), as MNC7 and MNC10 both did not formulate their corporate ESG goals with specific metrics, like percentages or years.

4.1.2. Actors involved, translation and prioritization of corporate ESG goals

Analyzing the respondents’ answers on which organizational actors are involved and have power within organizational ESG goal-setting, all managers indicated that the corporate ESG goals were determined through a top-down approach, where the boards had all power to decide upon them: *“It all comes from our executive leadership team, so from the top-down, kind of setting our strategy that these are our goals.”* (R2). Consequently, all respondents acknowledged that they did not play a role and had no power within those decisions: *“The SSC has limited involvement in the decision-making process on those goals.”* (R6). The respondents perceived this top-down approach and their lack of involvement as appropriate since it created uniformity of the goals and its definitions among the multiple SBUs. Also, they believed that not everyone could be involved in organizational ESG goal-setting, and considered this area within the boards’ expertise rather than the SSCs’. Although the respondents could not decide upon the goals, the majority did indicate that they could express their concerns or notify potential opportunities on ESG goals to the board: *“I can say if I think that the goals are very high or difficult to achieve, but no, it’s not my function to co-determine the target setting.”* (R3). Besides the board power within the organizational ESG goal-setting, the respondents indicated the presence of an ESG director or team at the corporate-level, which was established to assist the board in defining the corporate ESG goals and managing accountability in that domain.

Analyzing how the corporate ESG goals were translated to the SSC-level, the minority directly adopted the corporate ESG goals, and concretized their own roadmaps upon them. These roadmaps outlined the SSCs’ action planning and timeline to contribute to the corporate ESG objectives: *“The SSC-level has their individual roadmap around how they’re going to move forward on the timeline to contribute to our overall corporate goals.”* (R2). However, these SSCs did not formulate additional ESG targets autonomously. Moreover, the majority did not translate the corporate ESG goals into explicit objectives or a roadmap at all: *“You won’t find specific targets at our level.”* (R5). According to them, they rather contribute implicitly, without formulating specific targets for their ESG practices. However, R4 mentioned that developing an explicit roadmap for their ESG contributions might happen in the future, but this was not the case today due to their recent SSC’s establishment.

When asked about the prioritization of the organizational ESG goals, most respondents perceived that the integrated ESG goals help to define what the MNC stands for and are needed in addition to financial goals to succeed: *“It’s about the balance between the financial business and the ESG goals and you cannot have one without the other, they are completely interlinked together.”* (R4). Additionally, R3 and R6 emphasized that balance-seeking between financials and ESG goals is a consequence of not being able as an MNC to do all things at once. These findings align with the findings of the MNCs’ annual reports (Appendix C), where all MNCs formulated corporate goals within each pillar of ESG, but no MNC formulated goals upon all domains of all pillars. Only R10 noted MNC10’s diminished attention on ESG goals and expressed that financial goals were prioritized instead: *“I think we’re in a moderate range of how seriously we take this, but that we’re particularly focused quite strongly on earnings-before-non-operating-income.”* Furthermore, although the annual reports’ findings show that all MNCs formulated corporate goals within each pillar (Appendix C), R3, R6, and R7 perceived that the environmental pillar was receiving increased attention compared to the other two at the corporate-level. Contrary, when delving deeper into prioritization between the ESG goals at the SSC-level, almost all respondents assigned the lowest priority to the environmental pillar, as the SSCs’ relative impact was perceived as the lowest within that area: *“Environmental is probably the lowest priority because we have only one office building.”* (R2). R5, R6, and R9 added that this environmental pillar was easier for primary SBUs to contribute to than for SSCs: *“When talking about environmental goals, our footprint is not huge compared to the footprint of other business parts of our organization.”* (R9). Rather, seven respondents prioritized the social goals within their SSC-level, as they identified their SSCs as people-driven organizations, and hence could make relatively the highest contribution within the social pillar: *“So that social part, that’s the low hanging fruit so to say. That is where we can best make an impact.”* (R5). The remaining respondents gave the highest priority to the governance goals since they believed their SSC to make a relatively substantial impact in this pillar compared to other SBUs by ensuring an accurate representation of data.

4.1.3. Comparison of the SSCs

Comparing the aforementioned results, although all respondents were aware of the corporate ESG goals, two SSC managers of non-listed MNCs indicated that their corporate ESG goals were not (yet) specifically formulated. Also, one SSC of a non-listed company noted their MNC’s priority on financial rather than ESG goals. However, the role of SSCs

within organizational goal-setting, translation, and prioritization of the corporate ESG goals at their level does not seem to differ particularly between SSCs of (non)listed MNCs.

Furthermore, since the boards had all power within the top-down approach of organizational ESG goal-setting, and the SSCs did not have any power, this finding aligns with the BTOF's assumption that across coalitions some have greater power in organizational goal decision-making. Also, the results align with the BTOF's assumptions that organizations have limited attention and consequently prioritize their efforts: MNCs did not formulate corporate goals upon each domain of each ESG pillar (Appendix C), and in turn, SSCs did not focus on all corporate ESG goals set, but rather weighed and prioritized the relative importance of the social and governance goals within their responsibility. Although the BTOF notes the possibility that organizational coalitions might have conflicting goals, this research's findings did not particularly reveal any goal incompatibilities between the SSCs and corporate-level.

4.2. Perceived SSCs' contribution to ESG firm performance

Next, the respondents were asked about the goal-relevant activities their SSCs performed to contribute to the overall ESG firm performance, and they were asked to evaluate their SSCs' ESG performance. Analyzing the results, a distinction can be made between goal-relevant activities that (in)directly contribute to the organizational ESG goal attainment.

4.2.1. Indirect goal-relevant activities

All respondents shared a consistent perception regarding their main contribution to the corporate ESG goals, occurring indirectly through the standardization and automatization of data management processes that provide foundational information for the MNCs' primary SBUs: "*With that we can indirectly support the big steps which take place more on the business side.*" (R6). R1 and R6 acknowledged their current data to primarily have a financial focus, but expressed that they were exploring integrating ESG data into their management systems, as they considered that to be within their expertise to make a valuable future contribution: "*I think that that's exactly where your strength lies as an SSC, particularly because we're good at managing data.*" (R1). The remaining respondents already include some form of ESG information into their data management, such as measuring the amount of plastic involved within their products sold (R3), the carbon footprint of all SBUs including itself yearly (R7), the (near) accidents for the whole MNC (R9), the energy use per location (R10), and gathering ESG information from their suppliers to explore how responsible they

are (R2, R4, R5, R7, R8): “*We gather that ESG information from them and our SSC is responsible for evaluating that information, either approving the supplier or if they see things that don't align well with our goals, then flagging those up to the SBUs.*” (R2). Overall, due to the indirect nature of the data-related activities that contribute to the ESG firm performance, all respondents perceived their role as facilitative, supportive, and participative rather than leading or owning the ESG performance within the MNC: “*Anything that has to do with supporting accountability, you're not driving it.*” (R5).

4.2.2. Direct goal-relevant activities

4.2.2.1. Direct environmental activities

Aligned with the lowest priority given to the corporate goals within the environmental pillar by the SSCs, the direct goal-relevant activities contributing to them are the least compared to activities in other domains. Although the findings of the annual reports show that all MNCs formulated goals for carbon footprint reduction (Appendix C), only R7 and R8 indicated their SSCs to have goal-related activities to this aspect by respectively purchasing CO₂-neutral clothing and electric vehicles for their employees, and by constructing their building gas-free. Similarly, only R1, R7, and R9 implemented energy-saving equipment within their SSCs, like a B-label, energy-saving lamps, and reduced office spaces now that their employees are working-from-home as a consequence of the pandemic. Also, only R1 and R9 indicated to execute waste reduction activities by constructing their SSCs as a paperless office, where only legally required documents were printed. Furthermore, no respondent mentioned having goal-relevant activities that directly contribute to water-usage reduction or enhancement of biodiversity and forestation. Therefore, the emerging pattern suggests that MNCs disclose more environmental goals in their reports (Appendix C) than SSCs act upon. R1 explained that increasing further environmental contributions within the SSC would come at the detriment of their social goal-relevant activities related to their employees' engagement and satisfaction: “*Then it comes at the expense of the S, because yes then you contribute more to the E, but people won't work in a nice way anymore.*”.

4.2.2.2. Direct social activities

Almost all respondents perceived establishing their SSCs' workforce in which DE&I is safeguarded as a very important goal-relevant activity contributing directly to the corporate social goals: “*I genuinely believe in good mixed teams. So I just want men, women, young,*

old, different backgrounds, and that if you put that together, then you just have an insanely good team.” (R10). Additionally, R5 expressed that this topic was also about including disempowered people: “We have specific hiring tracks where we only hire people from disenfranchised by design. So for us, that's how we contribute.” (R5). Moreover, while not all MNCs formulated corporate goals on the education and training of the employees (Appendix C), almost all informants perceived activities related to this domain as a high priority of their social contribution to the firm performance. The SSCs trained their personnel by providing learnings and knowledge sessions to keep up with the continuous developments on for instance the subjects of legal (ESG) reporting regulations, excel, efficiency or lean, lateral career opportunities, culture programs, and the code of conduct. Only R10 indicated that although within the MNC many (ESG) training were available, these were not mandatory for the SSC employees. Furthermore, only R9 indicated to have direct goal-relevant activities regarding employee engagement and their H&S, by establishing quarterly meetings focused on evaluating these subjects and identifying areas for improvement. Other respondents indicated that activities around this topic primarily occurred at corporate-level for which different affinity groups were established rather than within their SSCs. Lastly, while all MNCs formulated corporate goals on the topic of positively impacting communities (Appendix C), only four respondents emphasized their SSCs’ direct contribution to society by volunteering, donating to charitable causes, and offering pro bono work. The SSC of R9 even allowed their employees a day off for doing volunteer work.

4.2.2.3. Direct governance activities

All respondents except for R9 expressed to directly contribute to the corporate governance goals by having goal-relevant activities within the realm of reporting practices. In turn, these reports served as crucial feedback for the evaluation of the organizational ESG goal-setting and performance: “So that is really our contribution, to report those actuals according to the legislation and according to the guidelines, because otherwise you are looking and steering upon wrong figures.” (R3). Where the SSCs of R2, R3, R7, and R8 already engaged in reporting practices related to ESG information, the main focus of R1, R4, R5, R6, and R10 primarily revolved around reporting the financial dimension. Furthermore, only R5 mentioned having regular check-ins with SSC employees to raise consciousness on speaking up when they see something unacquainted or faulty, which directly contributes to the code of conduct domain of the governance goals. No other directly governance-related activities were found within the respondents’ answers.

4.2.3. Perceived SSCs' ESG performance

When inquired about the SSCs' current contributions to the overall ESG firm performance, many respondents were pleased with their SSCs' ESG performance so far. Only R10 perceived their SSC's ESG performance to be moderate, which aligns with the corporate goals formulated in MNC10's report (Appendix C). Moreover, despite that annual reports of (non)listed MNCs seemed to somewhat differ in maturity (Appendix C), all informants evaluated the SSCs' ESG performance to be in its early stages, subject to numerous changes: *"That's still at a relatively early stage, which is also subject to changes at the moment."* (R6). Accordingly, almost all managers believed that the SSCs' role within the ESG firm performance could be increased in the future, particularly in driving improved progress on the extent of ESG data standardization and automatization: *"I think if you start doing it for all sites in a fixed way, I definitely see opportunities for our role to grow."* (R6). Moreover, only R4 indicated that their SSC's data consumption is huge, and therefore has a future role to play in reducing this. Besides, R10 indicated to believe that their SSC could improve their ESG contribution to the overall ESG firm performance by starting to make it more explicit in the near future.

For increasing SSCs' contribution to the ESG firm performance, all respondents expressed learning on ESG as crucial: *"So for me, learning is imperative."* (R5). Some informants indicated to stimulate this learning process by incorporating regular meetings and reports to evaluate their ESG performance. Moreover, others emphasized that their SSCs should be engaging more in social benchmarking to stimulate this learning process: *"I think we need some benchmarking with peers. So the type of study you're doing is also interesting for us, because we could also find out how other SSCs are already working on this type of ESG topics."* (R4). Besides, ESG learning was perceived to have a more continuous and incremental nature rather than radical, and led to adaptations of goal-relevant activities: *"These activities are getting changed and adjusted as time goes by."* (R4). Furthermore, although some informants perceived their SSCs' ESG learning process as turbulent and complex, most respondents experienced confidence in their sustainability future developments.

4.2.4. Comparison of the SSCs

Comparing the (in)direct goal-relevant activities that contribute to the overall ESG firm performance between SSCs of (non)listed MNCs, no clear patterns emerged in both

informants' answers. Remarkably however is that the two SSCs which did not manage some form of ESG data already, were both SSCs that only integrated financing activities. Moreover, aligned with SSCs' prioritization of the ESG pillars, all SSCs executed the most direct goal-relevant activities within the social pillar, followed by governance and lastly environmental. Furthermore, the abovementioned findings align with the BTOF's assumptions of the search for incremental rather than radical changes to improve performance, and that learning results in adaptation of goal-relevant activities.

4.3. Perceived factors on goal-relevant ESG activities

Lastly, the respondents were questioned about which factors were perceived to influence the SSCs' motivation and ability to execute their goal-relevant activities that contribute to the overall ESG firm performance.

4.3.1. Motivational factors

All respondents perceived the support of their leadership as the most important factor for the SSCs' motivation to execute their goal-relevant ESG activities: *"I think leaders are also choosing to make ESG important, so then their leadership-influence is needed to support and achieve it."* (R3). Without leaders' support, the informants perceived the SSCs' consequential impact on the overall ESG firm performance to be very small. When asked about the influence of a rewards incentive system on SSCs' motivation, only four respondents perceived this as an encouraging factor: *"Without that, we generally would not have the time or the prioritization or whatever to focus on them."* (R4). R2 and R5 both perceived that rewards might be useful, but should not be the main reason why they engage in ESG. Contrarily, the remaining respondents did not value rewards as an important motivational factor, as this contradicted their belief in the intrinsic motivation of their employees to contribute to the overall ESG performance, which formed the first inductive motivational factor that emerged during the interviews. These managers perceived that this factor determined whether organizations are genuinely driven by ESG principles or merely doing it for the appearances: *"You don't do it for a reward, no, you do it because you're convinced yourself that it should be done that way."* (R1). Other inductive motivational factors were recognition from leaders for the SSCs' goal-relevant ESG activities executed (R2 and R9), even as clarity of leaders in terms of how SSCs are expected to contribute to the ESG firm performance: *"So we've a very nice central strategy, but how do you translate it? That's sometimes still unclear."* (R6). Also, the presence and subsequent clarity of ESG legislation

were perceived to influence SSCs' motivation: "*The rules of the EU, they don't excel in clarity, and then I say it very politely.*" (R1). Moreover, multiple respondents believed once that direction was clear, granting SSCs and their employees autonomy to freely determine their own roadmap formed an important motivational factor. Overall, respondents expressed that the importance of motivational factors outweighs the ability ones in contributing to ESG, considering that the latter naturally follows when motivation is present.

4.3.2. Ability factors

Accordingly, only four respondents perceived the SSCs' human capital to be at least equally important as the motivational factor of leadership: "*If we no longer have that human capital and thus their knowledge, or no longer nurture it, then we don't have an SSC to give substance to.*" (R7). Moreover, when asked about time, the respondents related this rather to their manpower to incorporate the amount of additional ESG work on top of their daily activities within the same workweek: "*Not so much in the sense that we are not going to make it in the given timelines, but the time and energy it costs our people to do extra reporting, keep track of data for the roadmap, etc.*" (R8). Moreover, materials and money were perceived to have the lowest influence on SSCs' ability to execute goal-relevant activities, as a lot of ESG activities were perceived to be immaterial, such as DE&I and volunteering. Furthermore, the inductive ability factors that emerged during the interviews refer to collaboration, both within the MNC among different SBUs, within the supply chain, and with peers. Lastly, aligned with the aforementioned unawareness within their SSC about the corporate ESG goals, R8 perceived awareness as an important factor for their SSC's ability to execute ESG goal-relevant activities.

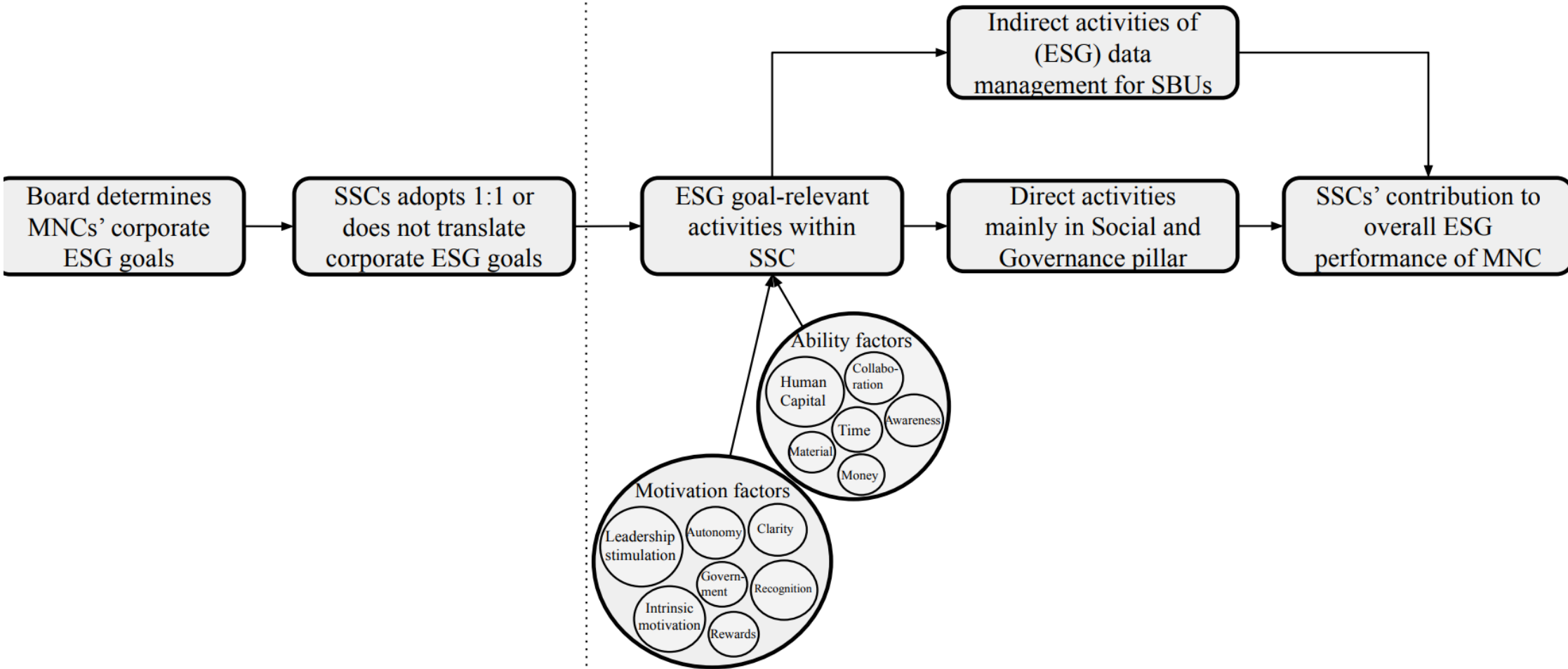
4.3.3. Comparison of the SSCs

Comparing the factors perceived to influence the SSCs' motivation and ability to execute their goal-relevant activities that contribute to the overall ESG firm performance, no particular pattern emerged between the SSCs of (non)listed MNCs.

To summarize and reflect the research's core findings discussed in this chapter, Figure 2 represents a global visualization of them, which has been built upon Figure 1.

SSCs' role in organizational ESG goal-setting

SSCs' role in organizational ESG performance



* Larger circle meaning higher importance

Figure 2: Overview of the research's core findings.

Chapter 5. Discussion

5.1. Discussion of findings and theoretical implications

The central relations addressed in this study focused on the SSCs' role within organizational ESG goal-setting, the goal-relevant activities that contribute to the overall ESG firm performance, and the factors influencing SSCs' motivation and ability to execute these activities.

Reflecting on this study's findings discussed in the previous chapter, firstly, the findings align with the notions of Locke and Latham (2006) and Dar et al. (2021) that respectively specific goals and goal awareness are crucial for engaging in goal-relevant activities that contribute to goal attainment. However, while most MNCs established specific measurable goals, nuances emerged as today two non-listed MNCs constructed rather abstract textual initiatives. Moreover, although Brunton et al. (2017) identify various communication channels for increasing goal awareness, this research's findings primarily confirm the presence of face-to-face meetings on ESG goals and performance.

Besides, Ciabuschi et al. (2012) indicate distinctive organizational goal-setting approaches that can be utilized within MNCs. Research findings show a uniform pattern for the employment of a top-down approach for setting organizational ESG goals, in which the board had all power to determine those goals, and consequently SSCs had no role and power in this. Additionally, findings indicate that the majority did not translate the corporate ESG goals into explicit objectives at the SSC-level, and that the minority who did directly adopted the goals rather than formulating additional targets autonomously. These results confirm the BTOF's assumption that some coalitions can have greater power in decision-making, but could not ascertain whether they possessed incompatible goals (Cyert & March, 1963; Ali et al., 2022). Also, as results showed that MNCs did not formulate goals upon each domain in each pillar, and SSCs prioritized the social and governance goals over the environment goals, these findings align with the BTOF's assumptions that organizations have limited attention and consequently prioritize their efforts (Cyert & March, 1963).

Furthermore, Linnenluecke (2022) states that limited is known about how ESG goal-relevant activities that contribute to the overall ESG performance within MNCs are dispersed. This study's findings generated unique insights by revealing that SSCs' contribution to the overall ESG firm performance is primarily twofold: indirectly through goal-relevant activities in the realm of data management, standardization, and automation needed for facilitating ESG practices in other SBUs within the MNC, and directly via goal-relevant activities

predominantly in the social and governance pillar, related to establishing DE&I, training their personnel, stimulating volunteering activities that impact communities, and engaging in (sustainability) reporting practices. These efforts aligned with the SSCs' prioritization of goals in the social and governance domain over those within the environmental pillar. Moreover, findings show that SSCs' ESG performance was in its early stages and that learning was imperative and led to incremental adaptations of goal-relevant activities. These results confirm the BTOF's assumptions that firms search for incremental solutions rather than radical ones, and modify goal-relevant activities, attention, or resources to improve their performance (Cyert & March, 1963).

Also, the notion of Alkahtani (2016) that organizational leadership influences organizational actors' motivation for executing goal-relevant activities that contribute to goal attainment has been confirmed for leadership stimulation and partly for rewards upon goal attainment. Regarding the factors of time, materials, money, and human capital (Gagné, 2018; Spyropoulou et al., 2018; Duque-Grisales & Aguilera-Caracuel, 2021), findings primarily identified the importance of the last one. Additionally, this study generated unique insights by discovering inductive factors, like intrinsic motivation, recognition and clarity from leaders, (clear) regulations from the government, and autonomy that influenced SSCs' motivation, even as collaboration and ESG awareness that influenced SSCs' ability to execute goal-relevant activities. The findings indicate that motivational factors hold greater importance in contributing to ESG than ability factors, as data suggests that when organizational actors are motivated, the necessary resource allocation would naturally follow.

Lastly, this study's findings revealed that apart from non-listed MNCs who appeared to fall behind in producing integrated annual reports due to limited legislative enforcement, no particular differences between the maturity of SSCs' roles in organizational ESG goal-setting, goal-relevant activities that contribute to ESG firm performance, and factors influencing their motivation and ability to execute these activities. These novel insights contribute to existing literature on the impact of (non)compliance with the Directive 2014/95/EU (Linnenluecke, 2022).

5.2. Practical implications

This study also yielded practical implications for both SSC and corporate managers. Firstly, the SSCs have the opportunity to evaluate their own (in)direct ESG contribution and identify areas where they can potentially increase their goal-relevant activities to enhance the MNCs' ESG performance. Moreover, the results of this research hold the potential to offer

them the chance to gain valuable insights into one another's internal operations. Accordingly, they can identify which goal-relevant activities peers are executing and evaluate whether they can adopt those to enhance their own contribution. This potential matches the SSC managers' expressed interest in social benchmarking to address the complex challenge of establishing sustainability practices that complement the SSC's vision of building efficiency and reducing costs (Ali et al., 2022).

Furthermore, by identifying the factors that managers perceive to influence their SSCs' motivation and ability to execute goal-relevant activities, corporate management can capitalize on the factors found by ensuring they are in place to support their SSCs in their ESG contribution. Also, as the respondents valued ESG goals awareness through active communication as important for executing their goal-relevant activities, corporate managers could further prioritize and increase the frequency of their goal communication via more channels than face-to-face meetings.

5.3. Research limitations

While this study provided new insights into SSCs' role within organizational ESG goal-setting and performance, and factors influencing SSCs' motivation and ability to execute goal-relevant activities, this research also has limitations that should be acknowledged. Consequently, the results should be interpreted with careful consideration.

Firstly, the possibility of socially desirable answers provided by the respondents remains inherent to conducting interviews of qualitative nature (Bergen & Labonté, 2020). However, to reduce this potential limitation the researcher frequently guaranteed complete confidentiality and anonymity of their information. Besides, the researcher's interpretation of the semi-structured interviews poses a potential limitation (Noble & Smith, 2015). Also, although the researcher carefully selected the participants, only one respondent per SSC was included to provide information, which limits the interpretations' generalizability to the SSC as a whole (Myers, 2019).

Moreover, as the topic investigated is subject to many changes, this might imply that the information provided becomes outdated as time progresses and the environment evolves. Consequently, there is a possibility that the information provided by the respondents upon the SSCs' role transforms alongside.

Another limitation refers to the unequal distribution of the (non-)listed European MNCs included in this research. Due to the practical constraints of both a smaller range of SSC managers from non-listed European MNCs and their limited availability, despite the

significant extensive time and effort invested into the recruitment of these participants, the endeavor for equal distribution proved unsuccessful. This also partly entails the researcher's responsibility for possible misjudgment of the feasibility of the selected respondent groups.

Lastly, the sample encompasses managers from SSCs that included diverse functions, varied in maturity regarding their years of establishment, operated in MNCs that had dissimilar sizes related to their number of employees, and were active in various industries. These differences might have affected the perceptions of the respondents and their provided answers and hence might have influenced the results.

5.4. Future research

This study reveals new avenues for future research as there is ample opportunity for further investigation within the field of ESG in both the MNC and SSC context. Firstly, to establish generalizability of this research's results, it might be interesting to conduct a greater quantitative study on this study's relations so that more respondents per SSC and an equal distribution of SSCs from (non)listed MNCs can be included.

Furthermore, since this study focuses only on the SSCs' role within the realm of ESG in MNCs, it might be fruitful to explore the role of primary SBUs within the organizational ESG goal-setting and goal-relevant activities that contribute to the overall ESG firm performance. In this way, additional insights can be acquired regarding how ESG practices are dispersed among the different SBUs within MNCs.

Lastly, since the respondents indicated that ESG is rather in the beginning phase, and hence no proper information could be gathered on the APG, it might be interesting for future studies to examine the actual firm performances upon the goals formulated in a while. By doing so, deeper knowledge could be gained about how SSCs' role evolved over time, how they evaluate their actual firm performance upon their ESG goals, and how they can respond to potential APGs.

Chapter 6. Conclusion

This exploratory study aimed to scrutinize and answer the following research question: “*What is the role of SSCs within organizational ESG goal-setting, goal-relevant activities that contribute to the overall ESG firm performance, and which factors influence SSCs’ motivation and ability to execute these activities?*”.

By synthesizing this study’s findings, the research question can be answered as follows: SSCs do not seem to play a role in the top-down organizational ESG goal-setting, but contribute to the ESG firm performance mainly indirectly by facilitating other SBUs with (ESG) data management, and through direct goal-relevant activities regarding DE&I and training of their workforce, positively impacting communities, and (ESG) reporting practices. Besides, mainly the factors of leadership stimulation, recognition, intrinsic motivation, and autonomy, even as the factors of human capital, collaboration and awareness were perceived to respectively influence SSCs’ motivation and ability to execute their goal-relevant activities. The SSCs’ roles within the organizational ESG goal-setting, goal-relevant activities that contribute to the overall ESG firm performance, and the factors influencing the SSCs’ motivation and ability to execute these activities did not appear to differ particularly between SSCs of (non)listed MNCs, despite that the annual reports and corporate ESG goals of the non-listed MNCs seemed less mature due to non-compliance with the legislative enforcement of the Directive 2014/95/EU.

With these findings, this research has generated new insights into SSCs’ role within organizational ESG goal-setting and performance as requested by several scholars (e.g. Ali et al., 2022; Linnenluecke, 2022). However, since this study represents only an initial step due to the dynamic advancements within the realm of ESG in an international business context, multiple avenues for future research were presented. Pursuing such research will enable an enhanced understanding of how SSCs and hence their MNCs can further develop their sustainability journey.

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Appendices

Appendix A: Interview guides

English version

Introduction:

First of all, thank you for taking the time to let me interview you! I would like to shortly introduce myself and my research. I am Eva Hooyman, a master's student in Strategic Management at Radboud University and I am currently following an internship at the FBS department within KPMG. At this moment I am writing my master's thesis for which I am conducting research about how SSC managers perceive the organizational ESG goal-setting, their ESG contribution, and which influences they perceive to impact their motivation and ability for establishing their ESG contribution. To generate new insights into these relations, I am interviewing ten SSC managers of different MNCs.

Before I start, I was wondering whether you would approve of me recording this interview, so I can later transcribe and analyze it? Your information will be kept private as only my reviewers and I will have access to it. The interview will approximately take 60 minutes and contains several general and content-specific questions. Please know that we can stop anytime you like and that you can always contact me afterwards if you like to modify a given response. Do you have any questions beforehand?

General questions:

1. Can you briefly explain who you are and what your function is?
2. When was your SSC established and how many people work there approximately?
3. Which activities are integrated into the SSC (finance / hr / procurement / it)?
4. Is your SSC a separate subsidiary within the company or rather a business unit?
5. Is your SSC located in a central physical location or is it rather decentrally organized?

Before the interview, in preparation, I analyzed the most recent annual report in order to identify the targets related to ESG within your MNC. If you do not mind, I would like to briefly list them first for clarification.

- *Regarding the "Environmental" goals → ...*
- *As for the "Social" goals → ...*

- As for the "Governance" goals → ...

Organizational ESG goal-setting and SSC's ESG contribution questions:

6. Which of the ESG goals just mentioned are known to you?
7. How specific do you perceive the formulation of the ESG goals just mentioned to be?
 - a. Do you think this is important: why/why not?
8. Who comes up with and decides upon the ESG goals just mentioned within the MNC?
 - a. Is anyone from the SSC involved in this process: why/why not, and what is your opinion about that?
9. How does your SSC contribute to achieving the corporate ESG goals just mentioned?
10. Does your SSC have set specific goals that directly relate to the E/S/G: why/why not?
 - a. If so: what are these goals, how is the progress upon those goals measured, and how are subsequent adjustments made to the goals or the plan?
11. How would you prioritize the three pillars regarding to where you believe the SSC can best make a contribution to the overall ESG firm performance: environmental, social or governance, and why?
12. How would you prioritize the three pillars regarding to where you believe the SSC can make the least contribution to the overall ESG firm performance: environmental, social or governance, and why?

Factors on ESG contribution of SSC questions:

13. Which of the following factors do you perceive to be the most important for achieving your SSC's ESG contribution: 1. money, 2. time, 3. human capital, 4. materials, or 5. leadership? Why do you think these would have the greatest influence?
14. And which factor would you perceive to be the least important for achieving your SSC's ESG contribution: 1. money, 2. time, 3. human capital, 4. materials, or 5. leadership? Why do you think these would have the least influence?
15. How do you perceive leadership to influence the achievement of ESG goals?
 - a. Do you believe in a reward system as an incentive that depends on the ESG contribution: why/why not?
 - b. How do you think about their influence on a stimulating culture within the MNC to contribute to ESG?

16. Are there any other influences that you perceive to be important for the motivation and/or ability of the SSC to contribute to the overall ESG firm performance?
 - a. If so, which ones and why those?

Closing questions on the evaluation of the SSCs' ESG performance:

17. What is your personal opinion on the SSC's current contribution to the overall ESG firm performance?
18. How do you envisage the future SSC role regarding their ESG contribution?
 - a. If larger role: What do you believe to be necessary in order to achieve this?
 - b. If not a larger role: Why not?
19. In general, how do you personally experience the ESG learning process within your SSC?

These were all my questions! Do you have any additions or comments regarding some questions or how the interview has been conducted? Would you like to receive the results of my research? Finally, I would like to thank you so much for taking the time and effort to engage in this interview. I am sure it will contribute a great deal to my research!

Dutch version

Introductie:

Allereerst bedankt dat u de tijd heeft genomen om u te laten interviewen! Graag wil ik mijzelf en mijn onderzoek kort introduceren. Ik ben Eva Hooyman, masterstudent Strategisch Management aan de Radboud Universiteit en ik volg momenteel een stage op de afdeling FBS binnen KPMG. Op dit moment schrijf ik mijn masterscriptie waarvoor ik onderzoek doe naar hoe SSC managers hun organisatorische ESG goal-setting, ESG contributie, en welke factoren de motivatie en vermogen voor het maken van hun ESG bijdrage beïnvloeden. Om nieuwe inzichten in deze relaties te genereren, interview ik tien SSC-managers van verschillende MNC's.

Voordat ik begin, ben ik benieuwd of u het goed vindt dat ik dit interview opneem, zodat ik het later kan transcriberen en analyseren? Uw informatie zal anoniem blijven, aangezien alleen mijn beoordelaars en ik er toegang tot hebben. Het interview zal ongeveer 60 minuten duren en bevat verschillende algemene en inhoudelijke vragen. Weet dat we tijdens het interview op elk moment kunnen stoppen als u dit wilt en dat u achteraf altijd contact kunt opnemen wanneer u een bepaald antwoord wilt wijzigen. Heeft u vooraf vragen?

Algemene vragen:

1. Kunt u in het kort uitleggen wie u bent en wat uw functie is?
2. Wanneer is uw SSC opgericht en hoeveel mensen werken er ongeveer?
3. Welke activiteiten zijn in uw SSC geïntegreerd (finance / hr / procurement / it)?
4. Is uw SSC een aparte dochtermaatschappij binnen het bedrijf of een business unit?
5. Is uw SSC gevestigd in een centrale fysieke locatie of eerder decentraal ingericht?

Voor het interview heb ik ter voorbereiding het meest recente jaarverslag geanalyseerd om zo de doelen die betrekking hebben op ESG binnen uw MNC vast te stellen. Als u het goed vindt zou ik die graag eerst even kort op willen noemen ter verduidelijking.

- *Wat betreft de "Environmental" doelen → ...*
- *Wat betreft "Social" doelen → ...*
- *Wat betreft de "Governance" doelen → ...*

Organisatorische ESG goal-setting en SSC's ESG bijdrage vragen:

6. Welke van de zojuist genoemde ESG doelstellingen zijn bij u bekend?
7. Hoe specifiek ervaart u de formulering van de zojuist genoemde ESG doelstellingen?
 - a. Vindt u dit belangrijk: waarom wel/niet?
8. Wie bedenken en besluiten over de zojuist genoemde ESG doelen binnen het bedrijf?
 - a. Wordt daar ook iemand van het SSC bij betrokken: waarom wel/niet en wat vindt u daarvan?
9. Hoe draagt uw SSC bij aan het behalen van de zojuist genoemde corporate ESG doelstellingen?
10. Heeft u specifieke doelstellingen binnen het SSC geformuleerd die direct betrekking hebben op de E/S/G, waarom wel/niet?
 - a. Zo ja: welke zijn dit, hoe wordt de progressie per doel gemeten en hoe worden er vervolgens aanpassingen gemaakt aan het doel of plan?
11. Hoe zou u de drie pilaren prioriteren als u kijkt naar waar u gelooft dat het SSC het beste een bijdrage aan de totale ESG firm performance kan maken: environment, social of governance, en waarom?

12. Hoe zou u de drie pilaren prioriteren als u kijkt naar waar u gelooft dat het SSC het minste een bijdrage aan de totale ESG firm performance kan maken: environment, social of governance, en waarom?

Factoren die invloed hebben op SSCs' ESG bijdrage vragen:

13. Welke van de volgende factoren zijn volgens u het belangrijkste voor het bereiken van de ESG bijdrage van uw SSC: 1. geld, 2. tijd, 3. menskracht, 4. materiaal, of 5. leiderschap? Waarom zou deze volgens u de grootste invloed hebben?
14. En welke factor zou je dan het minst belangrijk vinden voor het bereiken van de ESG bijdrage van uw SSC: 1. geld, 2. tijd, 3. menskracht, 4. materiaal, of 5. leiderschap? Waarom zou deze volgens u de minste invloed hebben?
15. Hoe beïnvloedt leiderschap het behalen van de ESG-doelstellingen volgens u?
- a. Gelooft u in een beloningssysteem afhankelijk van de ESG bijdrage voor het bereiken van de doelen, waarom wel/niet?
 - b. Hoe denkt u over hun invloed op een stimulerend klimaat in het bedrijf om bij te dragen aan ESG?
16. Zijn er nog andere niet-genoemde invloeden die u van belang vindt voor de motivatie dan wel het vermogen van het SSC om bij te dragen aan ESG?
- c. Zo ja, welke en waarom die?

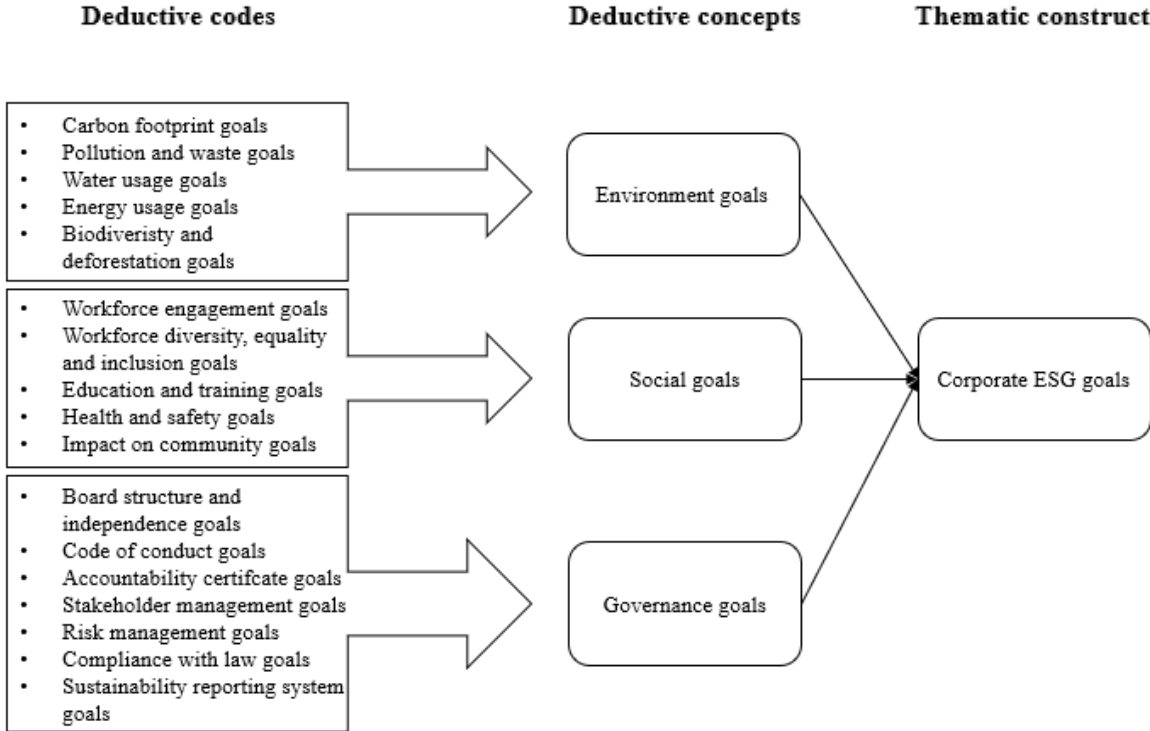
Afsluitende vragen over het evaluatie van SSCs' ESG performance:

17. Wat is uw persoonlijke mening over de huidige bijdrage van het SSC aan de overall ESG firm performance?
18. Hoe ziet u de toekomstige rol wat betreft de bijdrage van het SSC in het gebied van ESG voor zich?
- a. Indien grotere rol: Wat is er volgens u noodzakelijk om dit te verwezenlijken?
 - b. Indien geen grotere rol: Waarom niet?
19. Hoe ervaart u persoonlijk over het algemeen het ESG leerproces binnen uw SSC?

Dit waren al mijn vragen! Heeft u nog aanvullingen of opmerkingen over sommige vragen of over hoe het interview is verlopen? Zou u de resultaten van mijn onderzoek willen ontvangen? Tot slot wil ik u hartelijk bedanken dat u de tijd en moeite heeft genomen voor dit interview. Ik weet zeker dat het veel zal bijdragen aan mijn onderzoek!

Appendix B: Coding trees

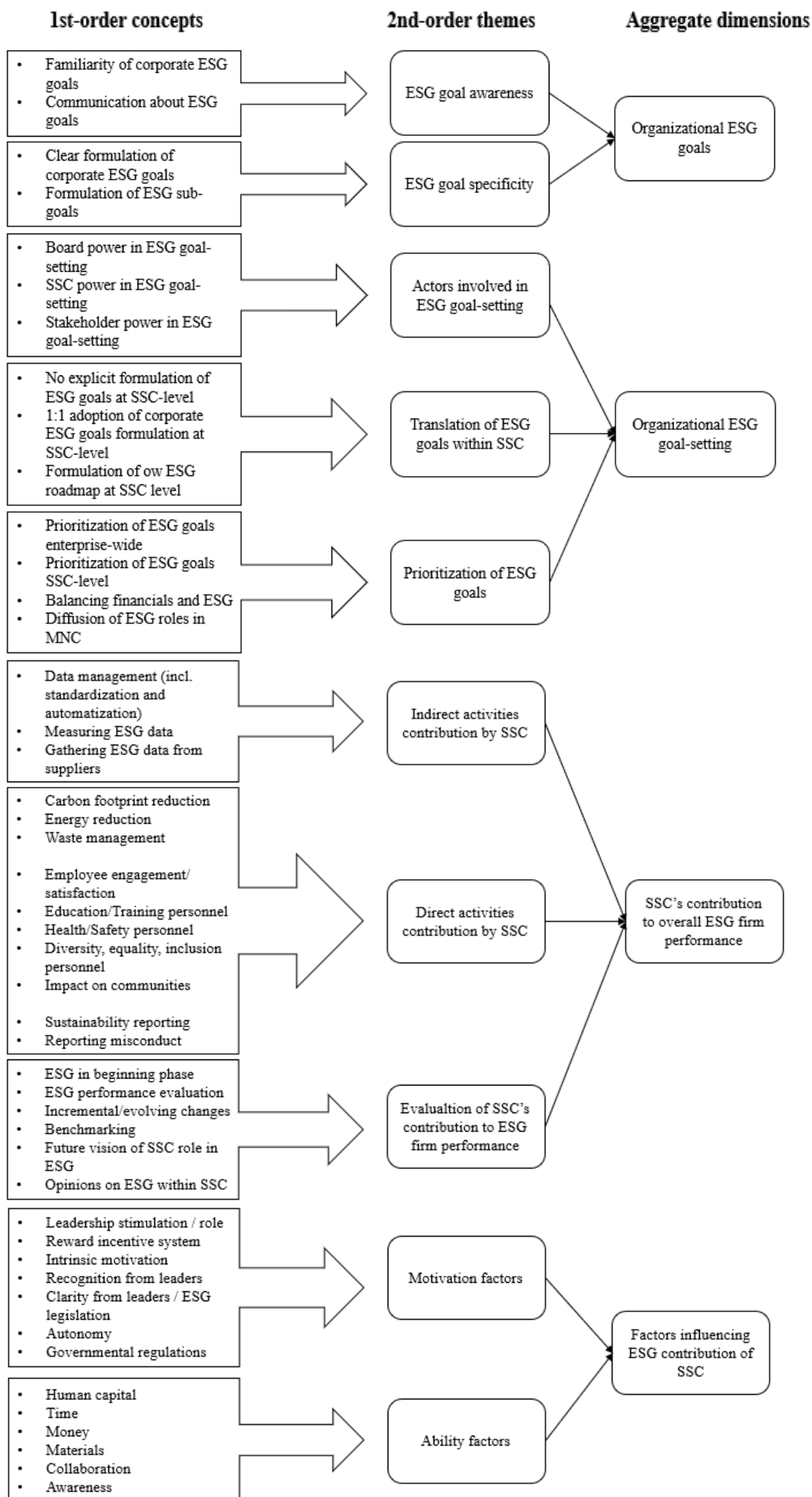
Coding tree annual reports:



* based on existing literature: Armstrong, 2020; Li et al., 2021; Kim et al., 2022

* see Appendix C for frequency tables of these codes

Coding tree interviews:



Appendix C: Results annual reports analysis

Results: Corporate ESG goals within the MNCs’ annual reports

1. Environmental goals

While the targeted year varied, all reports demonstrated environmental goals related to the MNCs’ carbon footprint reduction. Only MNC5 is already CO2 neutral within their own operations, while the other MNCs all focus on reducing the CO2 emissions of their own operations and outsourced activities, respectively defined as scope 1 and 2. Besides, all MNCs also strive to demand CO2 emission reduction of their suppliers’ operations, also known as scope 3, as well. MNC4 additionally also focuses on a reduction of their methane emissions. The manner in which MNCs want to decrease their carbon footprint and the targeted years differ. Besides, MNC4, MNC6 and MNC7 formulated goals for a yearly water usage reduction in their operations. Regarding waste management, MNC3, MNC4, and MNC6 both declared to strive for 100% recyclable packaging in 2030, and the first two MNCs also aim for respectively net-zero food waste in their production by 2040 and to halve their food waste in 2030 compared to 2020. MNC5 aims for a zero waste to landfill in 2025. Looking at the goals formulated on energy usage, MNC2 aims to maintain their use of 100% renewable electricity within their operations, MNC4 wants to improve their energy efficiency by 30% in 2025, and MNC5 strives for 75% renewable energy in their operations in 2025. Moreover, MNC8 aims for a reduction of 5% of their overall energy consumption by 2023. MNC9 and MNC10 both strive to reduce energy usage within their buildings. Besides, MNC3 and MNC4 mentioned to strive for a deforestation-free supply chain in 2025, and MNC6 in 2030. MNC1 mentioned working on a deforestation-free supply chain as well, but did not indicate a specific year. Although almost all MNCs indicated to contribute to biodiversity directly by providing for birds, insects, plants and regenerative agriculture or indirectly via respectively advising clients upon the matter, no specific goals for the MNCs were formulated within this domain. Moreover, MNC5 and MNC7 declared to include biodiversity goals in the future. Table and Figure C1 provides an overview of the identified number of MNCs that formulated goals upon the environmental domains discussed in chapter 2 (Table 1).

Environmental goals	Number of MNCs
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Carbon footprint goals	10
Pollution and waste goals	4
Water usage goals	3
Energy usage goals	6
Biodiversity and deforestation goals	3

Table C1: Frequency of MNCs identified per environmental goal domain.

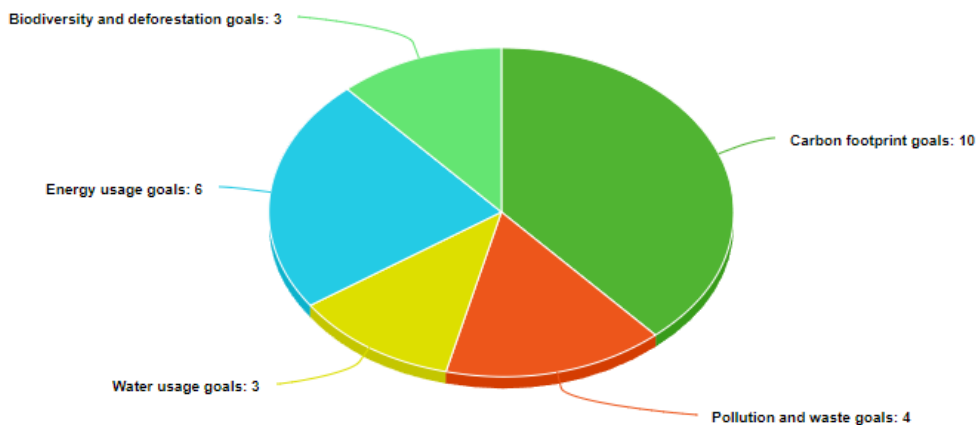


Figure C1: Frequency of MNCs identified per environmental goal domain.

2. Social goals

MNC1, MNC3, MNC9, and MNC10 both formulated a target for an employee engagement rate equally or higher than the year prior. MNC6 only declared to target a lower absenteeism rate, while MNC2 and MNC8 only formulated the goal to improve the employee engagement rate and MNC5 wants to keep their engagement rate above their industry benchmark. Additionally, MNC2 is the only firm that strives to reduce the voluntary staff turnover rate in the upcoming year. MNC4 and MNC7 did not formulate a goal related to their workforce engagement. However, MNC7 did declare to focus on diversity, by including people with a distance to the labor market into their workforce, and also aim like MNC4, MNC5, MNC8, and MNC9 to incorporate more women in their Executive Board. MNC4 has the target to close their gender pay gap by 2025, and MNC2 wants to include more women in their overall workforce. Besides, MNC3 and MNC4 strive for an inclusive workplace score of 80% and 86% or higher. MNC1, MNC6 and MNC10 have little specific information disclosed in their reports on their gender equality and diversity. Furthermore, MNC3, MNC5, MNC4, MNC8, and MNC9 formulated a target related to the health and safety of their

employees, where the first two MNCs strive for zero accidents resulting in injuries, the third by aiming to cover all employees with healthcare coverage of major risks, and the latter two by reducing respectively 15% and 20% of their work-related accidents by 2023. Remarkably is that MNC6 only mentioned that this was an important topic for them without formulating a target. Notably, although all MNCs mention to engage in training their employees, only MNC4, MNC8 and MNC9 explicitly formulated corporate social goals related to education and training of their personnel, namely by striving for 100% availability of skilling programs for all employees in 2025, and the latter two by aiming for 10% increase of by work-related training in 2023. However, MNC2 and MNC5 (and the three MNCs mentioned before) did have goals on training their employees on Code of Conduct (see governance part). Lastly, by setting goals related to donating to local non-profit firms (MNC2, MNC3, MNC6, MNC10), collaborating or doing pro bono work for NGOs (MNC4, MNC7, MNC8, MNC10), sponsoring the 2024 Olympic Games (MNC4), providing healthcare for 400 million people in disadvantaged communities with their own healthcare foundation (MNC5), establishing a Special Moment Fund (MNC1), increasing volunteering activities (MNC5, MNC9), the firms strive to positively impact society. Additionally, MNC3 and MNC4 aim to increase their healthy food sales, and additionally these two plus MNC8 all invest in science research or university collaborations to establish a positive impact on society. Table and Figure C2 provide an overview of the identified number of MNCs that formulated goals upon the social domains discussed in chapter 2 (Table 1).

Social goals	Number of MNCs
Workforce engagement and satisfaction goals	8
Diversity, gender equality, and inclusion goals	7
Education and training goals	5
Health and safety goals	5
Impact on community goals	10

Table C2: Frequency of MNCs identified per social goal domain.

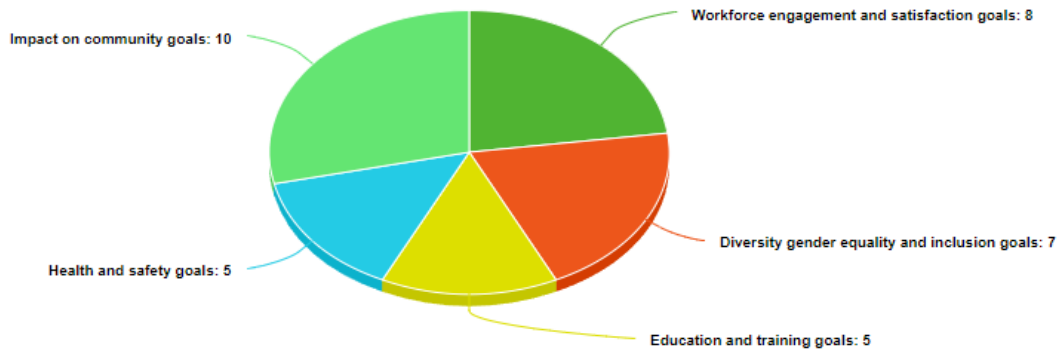


Figure C2: Frequency of MNCs identified per social goal domain.

3. Governance goals

All MNCs have a two-tier board, where the Supervisory Board supervises and advises the Executive Board, to strive for an independence structure. Additionally, without formulating it as a specific year target, all MNCs declared to comply with the law, to conduct yearly risk analyses and to be accountable and transparent towards their stakeholders by including them in developing and improving their sustainability topics. While MNC7 stated in their report that they aim to include GRI as their non-financial reporting method, and to further specify their final sustainability themes with corresponding Key Performance Indicators (KPIs), all other MNCs except for MNC10, already used this guideline and defined their themes and KPIs. Also, MNC4, MNC7 and MNC8 only formulated their own code of conduct, while the other MNCs also adhere to the Dutch Corporate Governance Code in addition to their own. Some MNCs formulated a specific goal upon their governance code, namely 90% of total employees need to pass their Code of Conduct training (MNC2), 100% of the employees will be trained on their Human Rights Policy (MNC4), yearly Code of Conduct e-learnings for all employees (MNC5, MNC9, MNC10), and providing all sites with an ethic-officer by 2023 (MNC8). Lastly, MNC3, MNC4, and MNC6 formulated specific goals on their accountability for their product safety, integrity and quality, based upon different licensed certificates. MNC4 was the only firm that even certified 74,2% of their global net sales as B-corp, which indicates a leading position in their non-financial firm performance worldwide, and wants to become a 100% globally certified B-corp in 2025. Table and Figure C3 provide an overview of the identified number of MNCs that formulated goals upon the governance domains discussed in chapter 2 (Table 1).

Governance goals	Number of MNCs
Board structure and independence goals	10
Codes of conduct goals	6
Accountability certificate goals	3
Sustainability reporting system goals	1
Compliance with the law goals	10
Risk management goals	10
Stakeholder management goals	10

Table C3: Frequency of MNCs identified per governance goal domain.

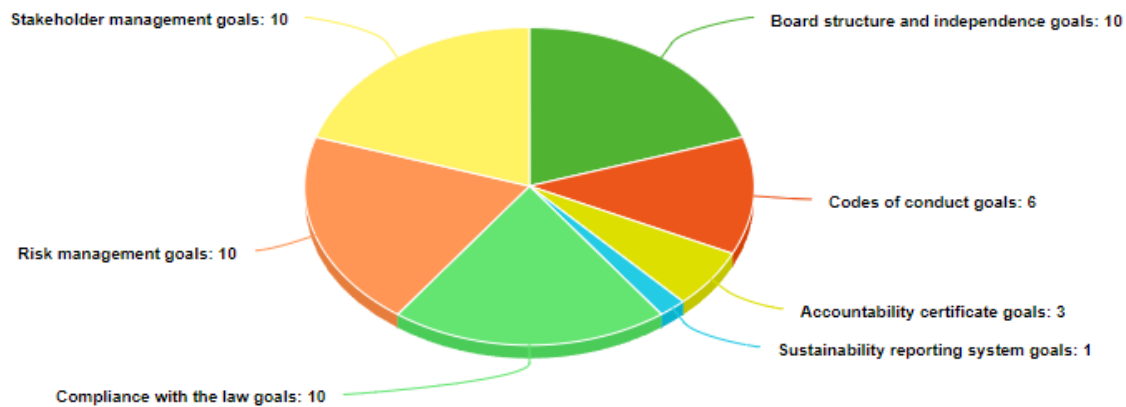


Figure C3: Frequency of MNCs identified per governance goal domain.

4. Comparison of MNCs' corporate ESG goals in their annual reports

As can be seen in the tables and pie charts above, not every ESG goal domain has been taken into account as often by the MNCs. This aligns with the BTOF's assumption that organizations have limited attention. Nevertheless, all MNCs did formulate goals upon each pillar of ESG, whether it was upon one domain or more per pillar. Therefore, the findings of the annual reports indicate that the pillars of environmental, social and governance form all three areas upon which the MNCs are focusing attention in addition to their financial goals, and subsequently are aiming to enhance their non-financial organizational performance. Which pillar is prioritized higher than the other by the MNCs cannot be identified based upon the corporate ESG goals formulated in the annual reports.

Furthermore, clear differences or similarities in the chosen corporate ESG goals cannot particularly be distinguished between listed and non-listed MNCs' annual reports, as they rather vary per firm. However, MNC7 and MNC10 were the only two firms who did not have specific metrics upon their corporate ESG goals, such as percentages or a particular year in which the goals have to be achieved. Another key contrast is that listed MNCs have one integrated report with their financial and non-financial information, while non-listed MNCs have separate documents in place for both at the time of this study. Moreover, two of the three non-listed MNCs were not engaged yet in reporting according to the GRI. However, they did declare in their reports to work on an integrated version for the near future. So a pattern seems to exist in a small maturity difference between the listed and non-listed MNCs annual reporting practices.

Appendix D: Translation of quotes

Theme	Respondent	Original quote (Dutch)	Translation (English)
Perceived organizational ESG goals and goal-setting	R7	“Ik denk dat in eerste instantie echt die awareness, zowel bij medewerkers als bij het management, cruciaal is om echt te komen tot en te handelen naar de doelen die je stelt.”	“Initially, I think that awareness, both among employees and management, is crucial to really arrive at and act on the goals you set.”
	R8	“We merken dat het daar gewoon nog niet heel erg leeft. Dus we zijn nu juist gestart dat we het ook juist meer moeten gaan communiceren.”	“We’ve noticed that it's just not very much alive there yet. So we’ve now started communicating about it more.”
	R10	“Je zou kunnen zeggen, zijn het echte doelstellingen die we geformuleerd hebben, of zijn het meer opsommingen van initiatieven?”	“You could say, are they real objectives that we’ve formulated, or are they more lists of initiatives?”
	R6	“Het SSC heeft met de besluitvorming over die doelen niet zoveel te maken.”	“The SSC has limited involvement in the decision-making process on those goals.”
	R3	“Ik kan wel zeggen als ik denk dat de doelen heel erg hoog of moeilijk haalbaar zijn, maar nee, dat is niet mijn functie om mee te bepalen over de target setting.”	“I can say if I think that the goals are very high or difficult to achieve, but no, it’s not my function to co-determine the target setting.”
	R10	“Ik denk dat wij in een soort van medium range zitten hoe serieus we dit nemen, maar dat we met name vrij hard op het earnings-before-non-operating-income gefocust zijn.”	“I think we’re in a moderate range of how seriously we take this, but that we’re particularly focused quite strongly on earnings-before-non-operating-income.”
Perceived SSCs’ contribution to ESG firm performance	R6	“En daarmee indirect de grote stappen ondersteunen, die meer plaatsvinden aan de business kant.”	“With that we can indirectly support the big steps which take place more on the business side.”
	R1	“Ik denk wel dat juist daar je kracht ligt als shared service center, omdat wij ook goed zijn in het managen van data.”	“I think that that’s exactly where your strength lies as an SSC, particularly because we’re good at managing data.”
	R1	“Dan gaat wel weer je S naar de gallemeizen, want ja dan draag je wel meer bij aan de E maar dan werken mensen niet meer op een leuke manier.”	“Then it comes at the expense of the S, because yes then you contribute more to the E, but people won’t work in a nice way anymore.”
	R10	“Ik geloof oprecht in goede gemixte teams. Dus ik wil gewoon mannen, vrouwen, jong, oud, verschillende achtergronden, en dat als je dat bij elkaar brengt, dan heb je gewoon een	“I genuinely believe in good mixed teams. So I just want men, women, young, old, different backgrounds, and that if you put that together, then you just have an insanely good

		waaninnig goed team.”	team.”
	R3	“Dus dat is echt onze bijdrage, om die actuals volgens de wetgeving en volgens de richtlijnen te rapporteren, want anders zit je naar verkeerde cijfers te kijken en dan stuur je ook op basis van verkeerde cijfers.”	“So that is really our contribution, to report those actuals according to the legislation and according to the guidelines, because otherwise you are looking and steering upon wrong figures.”
	R6	“Dat zit nog in een relatief vroeg stadium, dat dat ook wel een beetje onder gegeven is en verandering nog op het moment.”	“That’s still at a relatively early stage, which is also subject to changes at the moment.”
	R6	“Ik denk dat als je dat gaat doen voor alle sites op een vaste manier, zie ik daar absoluut mogelijkheden toe dat onze rol groter wordt.”	“I think if you start doing it for all sites in a fixed way, I definitely see opportunities for our role to grow.”
Perceived influences on ESG activities	R3	“Ik denk dat leadership er ook voor kiest om ESG belangrijk te maken, en dus dan is er dus ook leadership-invloed nodig om dat te supporten en te verwezenlijken.”	“I think leaders are also choosing to make ESG important, so then their leadership-influence is needed to support and achieve it.”
	R1	“Dus dan doe je het niet voor een beloning, nee, dat doe je dan omdat je zelf overtuigd bent dat het zo moet.”	“Then you don’t do it for a reward, no, you do it because you’re convinced yourself that it should be done that way.”
	R1	“Alle regels van de Europese Unie, die blinken niet uit in duidelijkheid, en dan zeg ik het heel netjes.”	“The rules of the EU, they don’t excel in clarity, and then I say it very politely.”
	R8	“Niet zozeer in de zin van dat we het niet gaan redden in de bepaalde tijdslijnen, maar de tijd en energie die het onze mensen kost om extra te rapporteren, data voor de roadmap bij te houden, etcetera.”	“Not so much in the sense that we are not going to make it in the given timelines, but the time and energy it costs our people to do extra reporting, keep track of data for the roadmap, etc.”
	R6	“Dus we hebben centraal een hele mooie strategie, maar hoe vertaal je die? Dat is soms nog wel onduidelijk.”	“So we’ve a very nice central strategy, but how do you translate it? That’s sometimes still unclear.”
	R7	“Als we dat menselijk kapitaal en dus hun kennis niet meer hebben, of niet meer koesteren, dan hebben we geen Shared Service Center om meer invulling aan te geven.”	“If we no longer have that human capital and thus their knowledge, or no longer nurture it, then we don’t have an SSC to give substance to.”