ARTICLE 10

Kolk, A. and Pinkse, J. (2008)

A perspective on multinational enterprises and climate change: Learning from "an inconvenient truth"

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Explanatory note

The authors develop two theoretical frameworks for considering firm-specific advantages (FSAs) and country-specific advantages (CSAs) respectively, in relation to the global issue of climate change. They then apply the frameworks to MNEs' approaches to climate, taking into account several key industries which are directly impacted, including oil and gas, the automotive industry and electric utilities. MNEs face a moving target in confronting climate change, requiring dynamic capabilities, allowing them to modify, extend or even re-invent their FSAs, in light of changing technology and markets. Future developments such as regulation, both internationally and in individual countries, remain uncertain, posing challenges for international managers. Moreover, managers are not looking 'purely' at environmental issues, but at societal dimensions. With societal and regulatory attention on the increase, this article illuminates the strategic choices facing MNEs seeking to benefit from both FSAs and CSAs. The approach taken in this article offers a contrasting perspective with that of the book, which emphasizes a CSR approach to climate change.

Some notes on terms

The key terms in this article are **firm-specific advantages** (FSAs) and **country-specific advantages** (CSAs), often referred to as location-specific advantages. FSAs are linked to the resource-based theory of the firm (see Chapter 7). The FSA consists of both proprietary knowledge and capability (p. 1362). The concept is also linked to ownership advantages (featuring the OLI paradigm, Chapter 2).

Chapter link

This article is of relevance to chapters 2, 7, 10, 12, 13, 14 and 15.

Questions

Part A: Grasping key points

1. What are the alternative patterns highlighted in the framework on the nature and development of climate change induced FSAs?
2. What are the main factors which determine climate change CSAs?
3. In what respects does the oil and gas industry provide examples of climate-induced changes in FSAs?

Part B: Building skills in critical thinking

1. In what circumstances and why will firms develop climate-induced FSAs?
2. Why are radical, competence-destroying FSAs limited to only a few industries and only over the long term, although climate change is an urgent issue?
3. In your view, would a CSR strategy help to reconfigure FSAs to promote more urgent responses to climate change?