Introduction

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There is a growing interest on the effects of institutions on how firms manage, and how differences in embedded institutional configurations force firms to adapt how they do business according to context in different parts of the world.

Institutions may be conceived of in rational-hierarchical or relationship terms (Goergen et al. 2009). The former, grounded in rational choice economics assumes that the choices rational actors make is framed by specific institutional incentives and disincentives (North 1990; Peters 2005); it is held that, above all, of central importance is private property rights. Such approaches are dominant in the economics and finance literature (North 1990; La Porta et al. 1999).

In contrast, relationship or socio-economic approaches to institutions reject the view that a single relationship (e.g. private property rights) will overcode all others. Rather, what firms do reflects complex webs of ties, involving not just owners, but also employees, associations, wider society, and directly or indirectly, the state (Peters 2005). The literature on comparative capitalism suggests that the manner in which firms manage – and indeed, conduct other social and economic relations within and beyond the firm – will depend on specific institutional configurations, and the particular complementarities made possible in a particular space and place (Hall and Soskice 2001; Whitley 2005; Hall and Thelen 2009). What in practical terms this means is that a range of different combinations of relationships may prove equally functional: the relative strength of property rights are not necessarily the most important institutional feature in every context, and indeed, there are contexts where weaker property rights may prove more functional than stronger ones (ibid.). Such approaches (most notably the ‘varieties of capitalism’ literature; Hall and Soskice 2001) has been influential in both the literature on comparative political economy, and increasingly within management studies.

Institutional impacts on international business assume many different forms. While institutions in a country affect domestic firms’ strategies, structure and processes, they are equally important for multinationals enterprises’ (MNEs) operation in the country (Whitley 2010). While home country institutions influence MNEs (the way they are created, developed, structured, and governed), host country institutions also determine the
effectiveness of MNEs and their subsidiaries, alliance partners, supply chain providers etc. This is not a one way influence, rather, it reflects the multiple and complex relationship between structure and social action. Depending on national institutional configurations, industrial organisations and their relationship with other actors, in terms of degree of influence and interdependency, role of institutions and institutional factors vary significantly between countries, regions and triad blocks.

Such institutional impacts on international business, which may create liability of foreignness and therefore transaction costs for MNEs and their partners (Demirbag et al., 2007) should be examined for every stage of international business operations and transactions including location choice, entry mode, creating alliances, organizational structure and diversification, internal processes, outsourcing, supply chain and logistics, environment management and CSR, managing innovation.

Despite the influence of each school of thought, there has been remarkably little dialogue between each camp, and indeed, few systematic attempts to compare differences and build on common ground. And, the bulk of the literature within both camps has focused on the most prosperous countries of Western Europe, North America and the Far East. There has been relatively less attention devoted to understanding the nature of Mediterranean capitalism and transitional economies. Finally, there has been increasing attention on the affects of social action on institutional structures.

The present collection brings together the work of leading scholars from a range of different starting points, present recent synthetic work and institutionally-informed accounts from transitional and emerging markets, as well as mature economies.

THE STRUCTURE OF THE BOOK

The book is explicitly multi-disciplinary, encompassing perspectives from a range of the functional areas of management studies. However, all have in common a rootedness in the broad political economy tradition and an interest in the relationship between spatial and temporal differences in institutional framework and firm-level outcomes. The book consists of three parts. Part I contains 11 theoretical chapters examining various institutional approaches. Part II consists of three chapters of more general and developed-country-oriented perspectives, while Part III contains nine chapters related to emerging and developing economies.

In Chapter 1, the editors locate the comparative analysis of business within recent directions in institutional analysis. The editors accord
particular attention to the nature of internal diversity within national institutional archetypes, the open-ended, experimental and sidereal nature of institutional change, and the role of supranational institutions and actors. Finally, they argue that any comparative institutional analysis is incomplete without taking into account structural changes in global capitalism. In particular, they highlight the relationship between the present crisis and a long-term energy transition, with fundamental implications for the deployment of capital.

Morgan, in Chapter 2, focuses on the interaction between multinationals and national business systems. Morgan examines both varieties of capitalism and international business literature and takes a closer look at the interaction between internationalization and national business systems within different types of capitalism. This chapter pays special attention to institutional duality problems and implications of institutional duality and conflicts for standardization, efficiency and learning at subsidiary level.

Allen, in Chapter 3, explores the role of institutions in financing in different countries. The author examines issues of investment and saving, growth, risk sharing, information provision and corporate governance for financial institutions in five different countries. The chapter is particularly path-breaking in its firm foundations in the discipline of finance, but with its broadly encompassing nature, providing a vision and perspective that will enrich the analysis of those working in different subdisciplines of business and management studies.

In Chapter 4, Konzelmann and Fovargue-Davies explore the question of why the four main Anglo-Saxon countries experienced the 2008 financial crisis in different ways. The authors argue that despite their similar cultural attributes, legal origins and institutional configurations, the four main Anglo-Saxon countries experienced the 2008 financial crisis in different ways. This chapter goes on to analyse how political, ideational and historical factors led to different approaches to the regulation of the financial sector, economic liberalization policies and their effect on the evolution of corporate governance. Again, this chapter is path-breaking in that it firmly dispels the view that liberal markets constitute a monolithic and coherent category.

In Chapter 5, Godard contributes to institutional environment approaches and human resource management (HRM) debates and focuses on cross-national variation in HRM practice and the context. The main argument in this chapter is based on the new institutional literature and its relevance to cross-national variation in HRM. Godard develops a framework from an institutional perspective for studying cross-national differences in HRM. The framework developed in this chapter includes the role of history in shaping variations in the national institutional environments
of HRM. What is particularly welcome in this chapter is its nuanced conceptualization of the law that transcends the view that the most important legal function is the protection of private property rights.

In Chapter 6, McSweeney examines the role of subjective culture (values) as the shaper of environments. McSweeney challenges the overarching power of singular cultural classifications and non-diversity arguments. He focuses on three types of imagined communities, namely: civilizations, countries and subnational monocultural groups. McSweeney develops a counterargument and critically examines claims about the cultural unity of these communities. This chapter is particularly valuable for all those scholars who have felt vaguely unhappy with comparative accounts that narrowly focus on culture, but have lacked access to a clear, concise and eloquent critique to disabuse cultural-perspective fanatics.

In Chapter 7, Kedia et al. criticize the treatment of institutions in some of the international business literature and develop a holistic framework exploring the links between institutions, multinational enterprises (MNEs) and levels of economic development. Kedia et al. draw on the works of Douglass North and John Dunning and synthesize both streams of literature via development of a model that explores the rich relationship between institutions and levels of economic development around the world.

In Chapter 8, Haworth and Hughes examine the International Labour Organization (ILO). They focus on the concept of Decent Work by identifying key ILO responses to pressures posed by globalization and market liberalization. The authors also examine the role of Decent Work in the ILO’s continuing attempts to influence other supranational institutions such as the World Bank, World Trade Organization and the G20. This account imparts a welcome nuance to counter those who see these bodies as narrowly monolithic.

In Chapter 9, Cuervo-Cazurra and Genc provide depth to the concept of distance in the international business literature. The authors separate dimensions of environment and their associated distances into three types, namely: obligatory, pressuring and supporting dimensions of environment. Cuervo-Cazurra and Genc argue that the classification developed in this chapter challenges the assumption that distance is symmetric and always has a negative impact on the MNE.

In Chapter 10, Hotho and Pedersen analyse institutional approaches to international business and critically examine the value of these approaches for understanding different aspects of international business activities. First, the authors focus on comparing and contrasting three dominant institutional approaches in international business studies, namely: new institutional economics, new organizational institutionalism and
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c omparative institutionalism. Then the authors test the explanatory power of two of these approaches by using two types of institutional distance which were derived from new institutional economics and comparative institutionalism.

In Chapter 11, McGuinness and Demirbag examine corruption and its impact on MNEs. The authors explore the impact of corruption on MNEs’ strategies by looking at, first, the central role of institutions and institutional environment in the form and functioning of the MNE. This is followed by a review of institutional perspectives and implications for MNEs facing corruption in different institutional contexts.

Part II of the book contains three chapters. In Chapter 12, Conroy and Collings chronicle the application of institutional theory to the MNE and examine its usefulness as a lens for conceptualizing innovation at the subsidiary level. Conroy and Collings focus on the MNE subsidiary environment and argue that there is a diminishing view on the role of headquarters (HQ) in subsidiary innovation. The authors also highlight the institutional duality problem faced by MNE subsidiaries and develop recommendations for improving innovativeness in dual institutional contexts.

Chapter 13 by Arslan and Larimo examines the impact of institutional factors on full or partial acquisition decisions of MNEs when entering emerging and developing economies. Arslan and Larimo operationalize the impact of both formal and informal institutions in their analysis. The empirical setting of this chapter is based on acquisitions made by the Finnish MNEs in the emerging economies of Central and Eastern Europe (CEE), Asia and Latin America during the period of 1990–2006.

One of the recurrent debates within institutionalist analysis has been the relationship between structure and social action. Whilst the latter can range from coherent attempts at institutional redesign to serendipitous discoveries, Chapter 14 by Patrick et al. alerts us to an important dimension of action: improvisation. Based on case study evidence, this chapter offers vital insights into improvisation and the danger of using the term ‘social action’ as a catch-all phrase designed to patch up any shortcomings in institutional analysis.

Part III of this book contains nine chapters which conceptually and empirically examine institutions at emerging regional or country level.

In Chapter 15, Giroud et al. examine the key role of institutions in South–South foreign direct investment (FDI). This chapter focuses on the drives and motives of emerging and developing country MNEs for investing in other developing and emerging economies. Drawing on the recent literature on South–South FDI, and by utilizing various data sources, the authors analyse the constraints and support of the institutional environment on South–South FDI decisions.
In Chapter 16, Allen and Aldred examine the extent to which any one set of institutions is associated with the macroeconomic performance of the new member states of the European Union (EU) in CEE. The authors present a critical analysis of institutional approaches used in the international business and comparative capitalism literature. This chapter is based on country-level data from the new EU member states in CEE and identifies a great deal of institutional diversity between these countries. The findings presented in this chapter indicate that there are no clusters of countries around a specific variety of capitalism or an economic model.

In Chapter 17, Stone et al. examine equity culture in the CEE countries. The authors graphically display ten CEE countries and four benchmarks in terms of their institutional characteristics, and portray the status of their financial system developments and equity culture creation.

In Chapter 18, Croucher and Morrison examine the sources and nature of union functional diversity in Moldova. Croucher and Morrison criticize regulationist accounts and argue that they tend to overstate coherence and overlook contradictions. The authors highlight the lack of coherence in the post-socialist context, and point out that current institutional arrangements in the trade union case are unstable, dysfunctional, fragile and heterogeneous.

In Chapter 19, Upchurch reviews post-Communist transformation and focuses on the persistence of dysfunction and divergence. Upchurch argues that the persistence of dysfunction is a consequence of the adoption of a particular model of labour exploitation. Upchurch further argues that the convergence predicted by neoliberals has not occurred, and that there is a persistence of features of ‘wild’ capitalism such as cronyism, corruption, crime and informal and illegal working in post-Communist transformation.

In Chapter 20, Karademir and Yaprak examine the internationalization of Turkish MNEs. The authors adopt a co-evolutionary perspective and examine the internationalization of these firms in parallel with the co-evolution of the institutional environment in Turkey. Karademir and Yaprak argue that while international business scholars anchored internationalization of emerging market firms in various theories including institutional theory, studying these firms’ internationalization in their co-evolutionary context may provide a better understanding and explanation.

In Chapter 21, Yen and Barnes examine guanxi and provide a comparative overview of this paradigm from Chinese and Western literature. The authors compare Western theories on buyer–supplier relationships with the Chinese guanxi paradigm by highlighting similarities and differences in terms of their origins, concepts and area of focus. Yen and Barnes also
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outline key constructs that are used in the Chinese guanxi and Western relationship management literature.

In Chapter 22, Demirbas et al. explore antecedents of corporate governance development in Russia with a specific focus on the structure, roles and functions of Russian boards of directors. The authors focus on the institutional environment in Russia and critically examine legal aspects of Russian corporate governance in light of pertinent institutional changes and recent macroenvironmental characteristics.

In the final chapter, Chapter 23, Klerck presents a powerful essay on the relevance of regulation theory for operations of firms and markets in sub-Saharan Africa. A key focus of Klerck’s chapter is the notion that there is a simple and direct correlation between labour market regulation and the proliferation of market-determined employment. Klerck examines post-independence Namibia and draws out some of the relevance of the Namibian case for the broader sub-Saharan region.

CONCLUSION

We believe that not only the comparative analysis of what firms do in different settings, but also the specific and changing relationship between embedded yet dynamic rules, and firm-level outcomes, represent the principal research agenda for international and comparative business studies today. The chapters in this volume represent a wide range of different perspectives. However, what they all have in common is not only scholarly rigour, but also pragmatism in attempting to understand the key characteristics of different national institutional frameworks, and the continued viability of alternative models of capitalism.

REFERENCES


