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Institutions, Entrepreneurship and Co-evolution in International Business

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Abstract

A recent and promising trend in international business and international management research has been to consider institutions not only as taken-for-granted constraints that need to be accommodated, but also the outcomes of agency; purposive action by individuals, firms, coalitions and other actors. We elaborate the development of research in this vein, and advocate a more nuanced view of the nexus between agency and institutions of different kinds and residing at various levels of analysis, and the associated co-evolutionary processes. Recent developments from cognate fields — particularly, institutional entrepreneurship and institutional work — offer a theoretical foundation for further insights into the nexus of institutions, agency and co-evolution. We discuss the papers that appear in this special issue and how they further develop and expand our understanding of institutions, agency and co-evolution, and conclude with questions and directions for future research.

Introduction

The fields of international business (IB) and international management (IM) are concerned with business activities transacted by firms across national borders, the interactions between firms and other organisations, how these activities are managed, and the consequences that arise from these phenomena. Institutions – largely taken-for-granted, culturally-embedded understandings of appropriate social arrangements and behaviours – have been central to this heritage. Early perspectives in IB/IM emphasised the power of institutions to determine patterns of action and organisation, thereby explaining the convergence of MNEs and managerial practices within the same institutional environment. That is, firm and individual behaviours were viewed as being shaped and constrained by pre-existing formal and informal institutions that reside at the country or international levels of analysis (e.g. laws, intellectual

property rights protection regimes, financial market institutions, dimensions of national culture). Particularly prominent are studies that examine country-level institutions, how institutional environments determine the most effective strategies and structures for a diversity of firms, how institutions facilitate or impede the diffusion of organisational practices throughout MNEs, and the institutional transformation of transition or emerging economies and its impact on firms.

Institutions, however, do not only constrain, but also are outcomes of human agency (i.e., purposive action by individuals, firms, coalitions, and other actors). Hence, organisational actors are not only bound by institutions, but also enact and reconstruct them. As a corollary, the role that organisations and individuals play in institutional creation, maintenance and change has come to the fore in academic debates, albeit primarily outside IB. The recent concept of 'institutional entrepreneurship', whereby actors purposefully mobilise resources to create new institutions or change existing ones for their own interests (DiMaggio 1988), is illustrative of this shift towards active agency in an institutional context. Similarly, agency is central to co-evolutionary perspectives that connect patterns of institutional change in wider business systems with more micro processes of, for example, variety generation, experimentation and sensemaking within and across individual firms. The substantial institutional contradictions inherent in the international business environment bring to the fore opportunities for agency. This distinctiveness of the international business environment invites longitudinal process-oriented studies. It also holds potential for stronger theory testing and building at the intersection of institutions and agency, and eventually the export of new or refined theories from IB scholarship to adjacent fields and disciplines.

Accordingly, through this special issue we sought to encourage in IB research the more nuanced view of the nexus between agency (as purposeful action) and institutions (of different kinds and residing at various levels of analysis) that we perceived to be emerging.

In this introductory essay, we first briefly elaborate the development of research in IB concerning the interplay of institutions and agency and point to gaps in our knowledge. We suggest that recent developments from adjacent fields offer a theoretical foundation for further insights into the nexus of institutions, agency and co-evolution. In particular, we discuss the concepts of institutional work (Lawrence & Suddaby, 2006) and institutional entrepreneurship (DiMaggio 1988) and refer to representative literature on these topics, from both within and outside the field of IB. This sets the stage for our discussion of how the papers that appear in this special issue further develop and expand our understanding of institutions, agency and co-evolution. We conclude by offering questions and directions for future research.

The Interplay of Institutions and Agency in International Business

An historically early and continuing approach concerning the nexus of institutions and agency considers how (typically) national or country-level institutional environments shape organisations' practices and structures. In this stream of research, the national context is deemed to support economic activity to a greater or lesser extent, according to the particular institutional arrangements in place. Institutions, along with enforcement mechanisms, set the "rules of the game", and include formal rules (e.g. laws and regulations) and informal constraints (norms of behaviour, conventions and self-imposed codes of conduct) (North 1990). Institutional elements considered are typically external to the firm, taken as given, and reside at one or more of the cognitive, normative and regulatory realms (Scott 1995/2008). These institutions are 'captured' or measured as aggregate dimensions of, for example, national culture (Chui, Lloyd & Kwok 2002), political and legal systems (Kang & Jiang 2012), or economic freedoms (Meyer, Estrin, Bhaumik & Peng 2009), among others.

A firm's international success is, to a large extent, prescribed by the extent of alignment between the firm's strategy and the host country institutional context, with conformance to institutional pressures leading to isomorphism. Deviations from institutional norms are counteracted by sanctions or seen as imposing significant costs on the 'offending' firm or individual. Higher degrees of difference between home and host country institutional contexts – or 'institutional distance' (Kostova 1996, cited in Kostova & Zaheer 1999) – is often seen as a complicating factor for a firm's strategy, increasing transaction costs and potential risks. Hence, host-country institutional environments primarily constrain a firm's choices and activities, determining entry mode decisions in international expansion (Ang, Benischke & Doh 2015; Brouthers 2002; Meyer et al., 2009; Peng 2003) as MNEs adapt their strategies to local institutions that themselves may be in states of flux (Meyer 2001); motivations for FDI (Witt & Lewin 2007) and location decisions (Heinsz & Delios 2001; Kang & Jiang 2012); international alliance structure (Ang & Michailova 2008); and subsidiary survival and performance (Dhanaraj & Beamish 2009), among others.

In this choice-within-constraints approach, agency – as purposeful action – is limited. That is, agency is largely relegated to an exercise in accommodating, avoiding or buffering unfavourable host country institutions as foreign firms and entrepreneurs seek to establish and maintain legitimacy and reduce transaction costs. Institutions are typically treated as unidimensional variables, and the prevailing view has been that the direct effects of home-host country differences in regulatory, cognitive and normative institutions explain MNC activity. Recognising this deficiency while remaining within the choice-within-constraints approach, Ang and colleagues' (2015) study of how institutional differences between normative and regulatory domains of home and host countries moderate the mimetic adoption of cross-border governance modes shows that adoption is not prompted by one particular source of institutional pressures, but rather the outcome of the interplay between different

institutional forces. In so doing, earlier notions from institutional theory that institutional pillars and mechanisms operate in concert with each other (DiMaggio & Powell 1983; Scott 1995/2008; Suchman 1995) are revisited. Nonetheless, criticism continues to be levelled at the “thin” view of institutions (Jackson & Deeg, 2008), with such studies in IB relying heavily on summary indicators rather than detailed description.

The more recent influence of new institutional theory (DiMaggio & Powell, 1983; Greenwood et al., 2002) and comparative institutional analysis (Ahmadjian, 2016; Fainshmidt, Judge, Aguilera & Smith 2016; Jackson & Deeg, 2008) in IB/IM, and their melding with strategic (Oliver, 1991; Suchman, 1995) and political behaviour (Hillman & Wan, 2005; Nell et al., 2015) perspectives, has led to the emergence since the mid-to-late 1990s of a richer conceptualisation of institutional complexity, agency and their interplay. For example, in a seminal contribution, Kostova and Zaheer (1999) highlight the complexities for an MNE in establishing and maintaining legitimacy when faced with multiple domains of legitimacy (regulatory, cognitive and normative); across multiple countries with varying levels of institutional distance from the home country (Westney, 1993); and where the MNE must contend with the dual pressures from, at times, competing and incommensurate institutional environments of the host country and the MNE’s internal institutional context. This article foreshadowed the concept of ‘institutional duality’ (Hillman & Wan, 2005; Kostova & Roth, 2002), whereby each foreign subsidiary in a multinational network is confronted with two distinct sets of isomorphic pressures and the need to maintain legitimacy within both the host country and the MNC. Practice transfer, assimilation or adaptation within the MNE is a process of institutionalisation (Clark & Geppert, 2011; Kostova, 1999).

While the traditional emphasis on conformance to institutional norms through, for example, practice transfer and adoption – albeit, at times, only ceremonially (Kostova &

Roth, 2002) – persists in IB, early yet surprisingly enduring assumptions of convergence through isomorphic pressures are increasingly questioned (Greenwood & Hinings, 1996; McGaughey & DeCieri, 1998; Kostova, Roth & Dacin, 2008; Phillips & Tracey, 2009), including related assumptions concerning firms' agency. For example, Collings and Dick (2011) argue that ceremonial adoption of practices or structures by MNE subsidiaries may not simply be a response to competing institutional pressures. Rather, where the motivation for adoption is primarily one of legitimacy-seeking to prevent longer-term losses despite few short-term benefits, "neither the parent nor the subsidiary is concerned with depth of implementation" (p. 3864). Further, institutions are viewed not only as potential constraints, but also as enablers of strategic action and competence development. For example, Kostova and Zaheer (1999) observed that the larger the number of countries, the larger is the variance in the legitimacy requirements that MNEs need address. At the same time, the larger the number of countries, the more likely it is that the MNE will develop a competence in dealing with different institutional environments. Meyer, Mudambi and Narula (2011) also suggest that MNEs may develop unique capabilities in the management of multiple embeddedness that could enable them to achieve firm-specific, possibly sustainable competitive advantages. Ambiguity arising from the diversity of institutional contexts in which MNEs are embedded can create space for experimentation (Lewin, Long & Carroll, 1999) and for strategic responses to institutions that involve imaginative reinterpretations and redeployment of resources for new purposes (Saka-Helmhout & Geppert, 2011).

This 'strategic turn' in the interplay of institutions and agency in IB and IM is exemplified by Regner and Edman (2014). Like many others, these authors challenge the perspective that institutions are fundamental limits to MNE action, suggesting that, rather than "trying to handle" institutions, MNEs may "exploit institutional settings as strategic opportunities" for competitive advantage (p. 297). Reminiscent of Oliver (1991), they

identify four strategic responses of MNEs: ‘innovation’ to create new institutions and/or change prevailing institutions; ‘arbitrage’ via institutional differences; ‘circumvention’ by leveraging ambiguities and outsider social positions; and ‘adaptation’ to local institutional pressures. They describe three MNE-specific enablers of these responses (i.e. multinationality, foreignness and exposure to institutional ambiguity) that point to an MNE institutional advantage over local actors. Also from a strategic perspective, Saka-Helmhout and Geppert (2011) seek to understand the conditions that enable institutionally-embedded actors to engage in strategic actions despite institutional pressures towards stasis. Investigating subsidiary efforts to change product formulations successfully developed at headquarters, these authors construe agency as temporally embedded process of social engagement, informed by the past, but also oriented towards the future and present (Battilana & D’Annuo, 2009), and as either passive (i.e. iterative and practical-evaluative) or active (i.e. progressive) agency that is more likely to challenge existing institutional arrangements. Their findings show the importance of fit between MNE coordination structures shaped by home country characteristics and host-country demands for flexibility and collaboration, and that institutional heterogeneity *per se* is not sufficient to promote active agency among subsidiary managers.

Such studies highlight the need to identify more carefully institutional profiles – that is, issue-specific sets of institutions in a given country (Kostova & Roth, 2002) or at the industry or business specific level (Kostova, Roth & Dacin, 2008; Regner & Edman, 2014) – and to consider “which institutions matter in what ways” (Saka-Helmhout & Geppert, 2011, p.585; also see Boddewyn & Brewer 1994; Jackson & Deeg, 2008; Fainschmidt et al 2016; Rizopoulos & Sergakis, 2010). This approach to institutional analysis includes a more fine-grained consideration of location characteristics, including ‘institutional peculiarities’ (Meyer & Nguyen, 2005, p. 65), and variation and complexity *within* national borders (e.g.

Foulconbridge & Muzio, 2016; Zhang, Zhao & Ge, 2016). For example, Faulconbridge and Muzio (2016) describe how English law firms in Italy, finding that their English professional logic was perceived to be illegitimate in the traditional Italian legal firms, withdrew from regional towns and Rome and relocated to Milan where there is a growing number of transnationally-oriented clients who value the English expertise in financial transactions, and where new commercially focussed universities produce graduates more familiar with and open to the approach of the English law firms. The acute importance placed on national borders in international business to the relative neglect of intra-national institutional diversity thus comes into question. Indeed, Phillips, Tracey and Karra (2009) propose that the very notion of institutional distance in IB/IM should be revisited to better recognise that institutionalisation is a matter of degree and incorporate multiple levels of analysis.

Finally, the co-evolution of institutions and organisation has also more explicitly come to the fore over the past decade (Carney & Gedajlovic, 2008; Child, Rodrigues & Tse, 2012; Dieleman & Sachs, 2008; Lewin & Kim, 2004; Lewin et al., 1999; Meyer & Nyugen, 2005). Co-evolutionary approaches acknowledge that just as institutions can affect organisational forms and behaviour, organisations can effect change in, or create, institutions. For example, MNEs introduce new organisational forms and practices to their subsidiary or network of local affiliates that, sometimes, may be missing in the local environment. In turn, these new practices can diffuse to become part of a wide process of change and taken for granted (Tolbert, David & Sine, 2011), or the MNE may more purposefully seek to effect change more broadly. Examples include firm sponsorship of common technology standards (Garud, Jain & Kumaraswamy, 2002) or political strategies designed to affect the public policy environment (Hillman & Wan, 2005; Nell et al., 2015). Practice transfer is likely to involve some degree of adaptation, and MNEs may also ‘reverse diffuse’ (Edwards, Almond,

Clark, Colling & Ferner, 2005) new practices or adaptations from host countries back to the home country or throughout the MNE network.

Cantwell, Dunning and Lundan (2010) suggest that the presence of institutional voids (Khanna & Palepu, 1997) in emerging economies, in particular, is likely to offer opportunities for institutional entrepreneurship (DiMaggio, 1998) and co-evolution. Experimentation and the generation of variety across the MNE network is needed to not only cope with a changing institutional environment under conditions of profound uncertainty (Cantwell et al., 2010), but also to engage in competence-creation (Cantwell & Mudambi, 2005). As Child and colleagues (2011, p. 1267) astutely observe, co-evolution is “an outcome of relational processes between different actors rather than the product of transcendent deterministic forces.” This perspective demands that we unpack ‘firms’ and ‘environments’ into their relevant actors, relationships and levels of analysis. Similarly, the comparative institutional analysis approach to MNE strategy that is attracting increasing attention underscores institutional complementarities and how institutions are interactively constituted (Jackson & Deeg, 2008).

Despite this increasing richness, revisiting of earlier assumptions and heightened interest in co-evolutionary processes, much of IB/IM literature on institutions, agency and co-evolution remains concerned with questions of efficient strategic, structural or cultural ‘fit’ and related performance. Headquarters and subsidiary management are assumed to be knowledgeable and skilled strategic (almost heroic) actors, capable of resolving the challenges that arise from their multiple embeddedness. Indeed, Regner and Edman (2014, p. 297) describe “imaginative and vigorously proactive MNE subunit managers who purposefully engage with complex local business institutions by shaping, transposing or evading” institutions. Micro-level processes of agency and institutional change or resilience have received comparatively little attention (but see Child et al., 2012; Clark & Geppert,

2011). Acutely needed is more fine-grained, richly contextualised studies that explore *who* does *what* with *whom*, *when* and *how* to effect change in, take advantage of or avoid intra-organisational and broader institutions.

Beginning in the late 1980s, similar considerations and gaps in understanding had prompted scholars in organisation studies to more explicitly explore the role of agency on the part of individual actors and organisations in institutional analysis. This shift in emphasis has generated a rich and growing literature initially on institutional entrepreneurship (Eisenstadt, 1980; DiMaggio, 1988) and, more recently, around the broader concept of institutional work (Lawrence & Suddaby, 2006). This literature on institutional work, in particular, has the potential to inform emerging work on institutions, agency and co-evolution, and is only just starting to be noticed in IB and IM. Accordingly, in the next section, we present a brief overview and the conceptual underpinnings of institutional work with illustrative empirical studies pertaining to institutional work from the IB/IM literatures.

Institutional Work: Creating, Maintaining and Disrupting Institutions

Lawrence and Suddaby (2006, p. 215) defined institutional work as “...purposive action of individuals and organizations aimed at creating, maintaining and disrupting institutions”¹. The work of creating institutions involves reconstructing rules and associated enforcement mechanisms, changing prevalent norms and the belief systems of actors, and altering existing boundaries of meaning systems, potentially enabling new structures to take root (2006, p. 220-221). Work aimed at maintaining institutions emphasises the strengthening of social mechanisms that ensure compliance to existing rule systems, and the reproduction of existing

¹ Due to the large and rapidly growing literature on institutional work, our overview of the concept as well as our sampling of the empirical work is neither exhaustive nor representative. We refer interested readers to Lawrence and Suddaby, 2006; Lawrence, Suddaby and Leca, 2009; Lawrence, Suddaby and Leca, 2011; Lawrence, Leca and Zilber, 2013 (among others) for more comprehensive overviews of this literature.

norms and belief systems (2006 p. 230). Finally, the work of disrupting institutions seeks to formally remove sanctions for noncompliance (and rewards for compliance), discredit the moral foundations and appropriateness of existing rule systems, and undermine core assumptions and beliefs, thereby facilitating de-institutionalisation (2006, p. 235-237). Notwithstanding, these three broad categories of work may be inherently related to one another with actors also having to involve themselves in multiple categories of work simultaneously. For example, institutional entrepreneurs – actors such as individuals, organisations or collectives “who have an interest in particular institutional arrangements and who leverage resources to create new institutions or to transform existing ones” (Maguire, Hardy & Lawrence, 2004, p. 657) – are often associated with the creation of institutions. Yet, in so doing, they may simultaneously need to discredit prevalent institutional practices (i.e., disrupting work) and diffuse their preferred alternatives such that they become taken-for-granted (i.e., maintaining work) (Zietsma & McKnight, 2009).

Founded on the growing interest of institutional theorists in studying agency (e.g., DiMaggio & Powell, 1983; Oliver, 1991; 1992), and a practice perspective (e.g., Bourdieu, 1977; de Certeau, 1984; Lave & Wenger, 1991) that studies the situated actions of knowledgeable actors (Giddens, 1984) as they cope with the social structures underpinning everyday life, the concept of institutional work revolves around three key elements: (1) “the awareness, skill and reflexivity of individual and collective actors”, (2) “an understanding of institutions as constituted in the more and less conscious action of individual and collective actors”, and the realisation that (3) “even action aimed at changing the institutional order of an organizational field occurs within sets of institutionalized rules” (Lawrence & Suddaby, 2006, p. 219-220). Thereby, it seeks the middle ground of embedded agency (DiMaggio & Powell, 1991; Friedland & Alford, 1991; Holm, 1995; Seo & Creed, 2002), neither treating institutions as enduring structures that afford very limited (if any) agency to actors nor

assuming that actors possess unlimited agency in creating or changing institutions (Lawrence & Suddaby, 2006; Batillana & D'Aunno, 2009). Indeed, even within the stream of literature on institutional entrepreneurship that has tended to portray institutional entrepreneurs as heroic actors with seemingly unlimited agency (Lawrence & Suddaby, 2006; Lawrence, Suddaby & Leca, 2009), more recent work has explicitly recognised that such entrepreneurs too are embedded in the very structures that they attempt to change (e.g., see Garud & Karnoe, 2001; 2003; Greenwood & Suddaby, 2006; Garud, et al., 2007; Leca & Naccache, 2006).

While recognising the recursive and mutually constitutive relationship between actors and institutions, the focus in institutional work clearly is on how actors influence institutions (Lawrence, Suddaby & Leca, 2009). While not the dominant approach to institutions and agency in IB, such studies are emerging, especially with reference to the creation or adoption of international and intra-MNE standards and practice transfer – albeit not always with an emphasis on the actual forms of institutional work involved. For instance, Van Tulder and Kolk (2001) show how the voluntary adoption, implementation (especially monitoring and enforcement) and adaptations in codes of conduct by large sporting goods manufacturers evolved due to interactions between the firms and various stakeholders. Ramamurti (2005) recounts how, from the 1980s, Pfizer and its executives, through their engagement with and co-opting of a number of industry associations and government entities, negotiating global trade agreements, spearheaded the initiative towards a global intellectual property protection standard that eventually led to the creation of TRIPS. Helfen and Sydow (2013) show how institutional work associated with inter-organisational negotiation may involve both contestation and joint problem-solving, and lead to institutional outcomes of creation, modification and stagnation. Similarly, McGaughey (1998) describes how even small firms

can help shape and build their interests into international consensus standards that, over time, become the ‘rules of the game’.

Such agency leading to institutional work may be enabled by field-level conditions, including environmental jolts such as social, technological, regulatory changes or changes in the basis of competition (Oliver, 1992; Greenwood, Suddaby & Hinings, 2002); the degree of heterogeneity of practices and norms within the field (e.g., Jepperson, 1991; Seo & Creed, 2002); the existence of competing logics, defined as the socially constructed, historical patterns of material practices, assumptions, values, beliefs and rules by which individuals and organisations give meaning to their daily activity, organise time and space, and produce and reproduce their lives and experiences (Thornton, Ocasio & Lounsbury, 2012); and the degree to which these practices and norms are institutionalised (Tolbert & Zucker, 1996; Dorado, 2005). At the organisational level, the position or status of an organisation within the field might influence its propensity to engage in institutional work. For instance, peripheral organisations are more likely to engage in creation work than dominant, higher status organisations (e.g., Leblebici, et al., 1991; Garud, et al., 2002). Edman (2016), for example, shows how Citibank and other foreign banks in Japan actively employed an outsider or ‘minority identity’ – typically considered a liability of foreignness – to distance themselves from field-level logics and instead align with subordinate logics and practices that enabled them to experiment and introduce a novel arm’s-length lending practice of loan syndication. However, some studies (e.g. Greenwood & Suddaby, 2006; Maguire et al., 2004) find that dominant firms may also engage in creation work because their central position within the field might make them less susceptible to institutional pressures, afford them exposure to alternative arrangements and logics, and provide the legitimacy and resources to pursue innovations. For the same reasons, at the level of the individual actors too, the individual’s social position may influence propensity to engage in institutional work (Battilana, 2006).

Within this literature on institutional work, the conceptualisation of agency is sophisticated and nuanced. Agency is inherent in and arises due to actors' relationships and interactions with other actors and the social/institutional environments. That is, it is distributed and relational (Garud & Karnoe, 2003; Lawrence, Suddaby & Leca, 2009; Battilana & D'Aunno, 2009). This relational character is illustrated by Faulconbridge and Muzio's (2016) study of English law firms in Italy, discussed previously. Although primarily of conformance to institutional pressures by relocating to a more receptive sub-field, they describe the maintenance work by the English law firms which, after relocating to Milan, reinforced this more receptive institutional context by influencing university curricula and programmes, and by joining forces with large Italian law practices to create their own professional association. Further, agency is conceived as being multidimensional and temporal, with actors selectively marshalling the past in everyday practice, imagining future alternatives favourable to their own interests, and evaluating alternatives given the evolving context in the present (Emirbayer & Mische, 1998; Hargadon & Douglas, 2001; Battilana & D'Aunno, 2009). In so doing, institutional entrepreneurs resort to appropriate framing (Rao, 1998; Khan et al., 2007), and discursive strategies (Maguire, et al., 2004; Battilana, 2006; Garud, Maguire, Hardy, 2007; McGaughey, 2013) and, depending on the exigencies, deploy a variety of skills such as social and political skills (Fligstein, 1997; Garud et al., 2002), analytical skills and cultural skills (Perkman & Spicer, 2007).

Given the distributed and relational view of agency, an exploration of institutional work involves a working understanding of various actors (and artifacts) involved, and also the networks, tensions and mechanisms within the wider field. With actions and processes at one level influencing those at others, studies typically cut across multiple levels of analysis (Hargrave & Van de Ven, 2009). Especially, when multiple institutional logics (Thornton, Ocasio & Lounsbury, 2012) exist and compete with one another, institutional work may be

characterised by both contestation and cooperation between actors with different aims (Zilber, 2007). Ferner, Almond and Colling (2005), in their study of US firms' attempts to transfer employment diversity policies to UK subsidiaries, discuss how UK managers resisted such centrally imposed policies, viewing them as inappropriate to the UK and European contexts, and leveraged the contested meaning of the very concept of diversity to negotiate policies more consistent with their own interests and contexts. Likewise, McGaughey (2013) describes the successful maintenance (despite initial disruption) of entrenched technology standards in the US lightning protection industry against challenges from domestic and international proponents of an alternative technology, with the incumbents marshalling precedent and rhetorical history to sustain their cognitive legitimacy. In a different vein, Smets and Jarzabkowski (2013) show how a global law firm created by a merger of English and German law firms was forced to deal with complexities, contradictions and disagreements due to the different legal traditions (common law vs. civil law) in either country, and how reflexive efforts at maintaining both traditions yielded hybrid practices and solutions that reinterpreted the conflicting legal traditions as being complementary.

Institutional work may thus be seen as the management of structural and processual contradictions within and across multiple levels of analysis (Hargrave & Van de Ven, 2009; Seo & Creed, 2002). As Zietsma and McKnight (2009) observed, institutional work may involve experimentation by multiple actors leading to compromise solutions as collaborating actors co-create through a process involving consensus and negotiation, or as competing actors borrow and adapt from one another to mobilise more widespread support for their respective solutions. Accordingly, success is not assured, and institutional work may lead to unintended consequences or outcomes that are different from those desired by the actors involved (Lawrence, Suddaby & Leca, 2009). For instance, as discussed previously, Edman (2016) shows how foreign banks in Japan were successful in forging a minority identity and

using that identity to skirt institutional pressures and innovate by offering arm's-length syndicated loans. However, such success also led to unintended consequences wherein, as the innovation diffused and large local banks too eventually adopted the practice, clients began to forsake foreign banks and return to transacting with the more familiar large Japanese banks, in turn leading to declining business and even exit for foreign banks. Likewise, McGaughey (2013), in her previously-discussed study of lightning protection standards, discusses how concerted efforts by proponents of an alternative technology to remove the entrenched standards had the unintended consequence of strengthening the legitimacy of those very standards they sought to dislodge. At a wider societal level, Khan and colleagues (2007) describe how a good-intentioned (as construed by Western norms) institutional change effected collaboratively by NGOs and industry associations, viz., the elimination of the use of child labour in the manufacture of soccer balls in Pakistan, resulted in the unintended consequences of reducing the participation of women in the workforce and the likelihood of a family earning a living wage.

Finally, the study of institutional work and institutional entrepreneurship holds implications for the research methods most suitable. We believe there is an enormous array of research designs and methods that may be useful, ranging from studies relying on qualitative fieldwork and ethnographic observation through to quantitative techniques such as social network analysis and event history analysis. The long time-frames associated with institutional work with uncertain outcomes, as well as the recursive processes by which institutions and actors co-evolve favour longitudinal processual studies designed to capture such dynamics. Furthermore, the frequently highly contested nature of institutional work and the consequent emphasis placed on framing, legitimacy and the social construction of meaning by actors, as well as their individual and collective reflexivity make for methodological pluralism. Methodological approaches such as discourse analysis (see Grant,

Hardy, Osrick & Putnam, 2004) – including rhetorical analysis with its focus on suasion and influence (Golant, Sillince, Harvey & McLean 2015; Suddaby, Foster & Quinn-Trank, 2010) and narrative inquiry, where temporal chains of interrelated events and meaning making is displayed (Golant & Sillince, 2007) – and semiotics, with an emphasis on mythologising (Suddaby & Greenwood, 2005; Zilber 2006) are particularly appropriate approaches to study institutional work (Lawrence & Suddaby, 2006). Such approaches are, however, yet to make significant penetration in mainstream journals within IB and IM.

As our brief conceptual overview and empirical sampling revealed, there is an emerging body of work in IB/IM exploring institutional entrepreneurship and, more generally, institutional work (implicitly or explicitly). Yet, despite these studies, interest in how actors – whether they be MNEs, small firms, coalitions or even individuals engaged in IB/IM – can exercise agency to create new institutional arrangements and or modify existing ones that are then diffused across organisational fields, and in how organisational and institutional structures co-evolve, remains far less prominent than in adjacent fields of management and organisation science with its emphasis on institutional entrepreneurship and institutional work. It is for this reason that we sought to encourage through this special issue a more nuanced view of the nexus between agency and institutions residing at various levels of analysis.

Papers in this Special Issue

Three papers (Carney, Dieleman & Taussig; Fortwengel & Jackson; Smith, Judge & Pezeshkan) in this special issue discuss successful cases of institutional entrepreneurship, whereas one (Hatani) studies a failed instance of institutional reform. We summarise these papers below, particularly emphasising the institutional work component in our discussion.

Transfer of ‘institutional capabilities’ across borders. Carney, Dieleman and Taussig draw on literatures from institutional economics and institutional theory to theorise ‘institutional capabilities’. These represent heuristics, skills and routines that enable emerging economy MNEs (EEMNEs) to navigate and leverage weak institutions and institutional voids as, with the goal of obtaining or retaining competitive advantage, they engage in the institutional work of creating, maintaining or potentially disrupting institutions. Developed by the EEMNE first in the home country and then transferred across borders to pursue opportunities in other similar contexts, the authors view institutional capabilities as firm-specific advantages that are necessary complements to technical and organisational capabilities, and identify three sequentially activated dimensions on which institutional capabilities are founded – network penetration, relational contracting and, finally, business model innovation.

Carney, Dieleman and Taussig shed light on the origins of institutional capabilities and the actual processes by which they are created and leveraged across borders through and rich, longitudinal case study of how Ciputra Group, a family-owned Indonesian real estate development firm, developed such capabilities in its home country of Indonesia, and deployed these to good effect first in Indonesia and subsequently Vietnam. Specifically, they describe how Ciputra Group saw opportunities in the inability of local governments in Indonesia to offer public utilities and city governance to an emerging middle class, developed the capabilities to integrate an increasingly wide range of public utilities and amenities in the communities and towns it built, and honed these capabilities by replicating them in ever larger-scale projects within Indonesia over three decades. Ciputra Group thereby helped shape Indonesia’s emergent approach to urban planning, infrastructure provision and governance, and contributed to the creation of standard practices adopted by subsequent development firms. The EEMNE’s successful deployment of its institutional capabilities in

Vietnam, similarly characterised by substantial institutional voids, also influenced urban planning practice in this new market and resulted in the co-creation of proto-institutions.

Carney, Dieleman and Taussig allude to a range of institution creation work undertaken first by Mr. Ciputra and his firm, and, with time, other property developers – ‘political work’ to redefine rules, property rights and boundaries (Lawrence & Suddaby, 2006) that enabled private real estate developers to progressively assume the responsibilities of local governments while retaining control over the public infrastructure they built, and ‘reconfiguring prevailing belief systems’ (Lawrence & Suddaby, 2006) by framing private provision/ownership of public infrastructure as being in the society’s interest, and by setting norms in the form of high benchmarks and standards for urban planning and development within Indonesia. Indeed, such institution creation work appears to have been facilitated and reinforced by the close relationships of Mr. Ciputra and other property developers with the Indonesian and local governments, and initiatives to mobilise and maintain support through active involvement in Indonesian politics and the formation of industry associations. When transferring their institutional capabilities abroad, especially key was what Carney, et al., call the Group’s ‘institutional sensitivity’. Whereas the Ciputra Group’s (and its founder’s) institutional portfolio (Viale & Suddaby, 2009) – that is, their long and successful record of urban planning/development and close partnership with their home country government – gave the firm legitimacy and access to “insiders” within Indonesia, reflexive deployment of its institutional capabilities was needed to leverage this access to successfully enter and shape the nascent urban planning/development sector in Vietnam. Such sensitivity ensured that the Group’s activities were seen as institution creation work undertaken by a trustworthy partner to benefit the host-country community, instead of being construed as attempts by an outsider to disrupt prevailing institutions for its own gain.

Finally, the authors speculate that institutional capabilities may have expiry dates, given the actor-specific nature of relational ties and trust in the emerging economy context where institutions are still in-the-making. Indeed, in their depiction of the origins, development and transfer of Ciputra Group's institutional capabilities, Carney and colleagues are careful to avoid characterising Ciputra Group or its founder as either a heroic or an all-knowing institutional entrepreneur. Rather, efforts at institutional entrepreneurship within Vietnam did involve compromises and trial and error learning, and unintended consequences. This contributed to the high level of verisimilitude – or 'life likeness' – captured in their case study and the theoretical refinement in our understanding of the 'institutional capabilities' of EEMNEs.

'Networked institutional entrepreneurship' and practice transfer across borders.

Fortwengel and Jackson examine how MNCs headquartered in Continental Europe transferred the organisational practice of apprenticeship-based training for skilled blue-collar workers to the very different host environment of the United States. Their empirical case study is of an inter-organisational network of eight companies from Continental Europe and North America that partnered with a local community college, the State Department of Labor, and a number of high schools in a metropolitan region in the South of the U.S. Termed 'Apprenticeship Network', the network aimed to collectively offer apprenticeships through a combination of theoretical instruction at the college with practical training and application in the workplace. It thus represents an example of successful practice transfer from Continental Europe to subsidiaries and partner firms in North America.

Institutions in the U.S. do not, however, provide the same rich supply of collective inputs and support that foster relationship-specific investments as found in the coordinated market economies of Continental Europe (Jackson & Deeg 2006), posing particular problems for the transfer of apprenticeship-based training for the European MNCs. Fortwengel and Jackson

thus ask how the firms in Apprenticeship Network successfully transferred the novel practice of apprenticeships to North America. Their answer introduces the notion of ‘networked institutional entrepreneurship’ as an organisational form designed to govern collective action for the purposes of institutional entrepreneurship. They find that the inter-organisational network offers a distinct mode of governance for developing their vision, gathering support, and sustaining the novel training practice among members of the network. Through coordinated effort, the firms successfully created and maintained relationship-specific assets that were absent in the liberal and market-driven institutional environment of the U.S., thereby partially suspending existing market mechanisms and embedding training practices in social relationships built on shared cognitive understandings, strong social norms and enabling forms of regulation.

Through this example of institutional entrepreneurship, Fortwengel and Jackson provide a rich illustration of institutional work as an ongoing accomplishment, involving mutually reinforcing efforts across levels (Hargrave & Van de Ven, 2009) that simultaneously target all three of Scott’s (2008) pillars of institutionalisation – cognitive, normative and regulatory. The case analysis illustrates the construction of ‘normative networks’ (Lawrence & Suddaby 2006) – involving the European MNCs and their subsidiaries, North American partner firms, a local college, high schools and the Federal Department of Labor – through which the apprenticeships became normatively sanctioned. Maintenance of the fledgling practice in North America entailed ‘enabling work’ (Lawrence & Suddaby 2006) that involved the creation of rules to facilitate and support the collective endeavour of apprenticeships (e.g. a social norm against poaching to support firm-specific investments in apprenticeships), ‘deterring’ potential breaches (e.g. through norms of reciprocity and interdependencies), and ‘embedding and routinizing’ the new practice by actively infusing the normative foundations in the participants’ day to day routines (e.g. of

hiring, sharing of expertise in specialised training classes outside the prescribed curriculum, and support between firms beyond training; changing the normative associations of school leavers such that apprenticeships were seen as a viable alternative; and adapting existing and building new federal regulations). Apprenticeship Network was also conceivably sustained through allowing some variation in practice. For example, while members of Apprenticeship Network developed a broadly shared cognitive template closely modelled after the Continental European version of apprenticeships, Fortwengel and Jackson document firm-specific adaptations and variation – even among members of the same home county origins – through processes of compromise, negotiation and adaptation.

Drawing a contrast to social movements that typically seek larger-scale change necessitating potentially significant levels of deinstitutionalisation, Fortwengel and Jackson conjecture that intra-firm networks may be particularly effective in triggering and sustaining more issue-specific institutional change related to practice transfer by leading to the emergence of local proto-institutions (Lawrence, Hardy & Phillips, 2002) that do not directly challenge the dominant, incumbent institutional arrangements. Indeed, successful institutional work may require drawing careful boundaries around, and prescribing limits to, the scope of the institutional project itself to avoid attracting the attention of and challenging powerful incumbents of the institutional order (Thorton, Ocasio & Lounsbury, 2012) so that incremental gains are not undone. Furthermore, Fortwengel and Jackson's comparative capitalisms perspective fosters a more nuanced understanding of institutional distance than studies that use broad, aggregate measures of institutional distance. Their case study is a valuable reminder of the context-specificity of practice transfer across distant institutional environments, and the need for more process-oriented, richly contextualised comparative research.

Enabling entrepreneurship in subsistence economies. In a primarily theoretical discussion, Smith, Judge, Pezeshkan and Nair examine institutional entrepreneurship by a novel class of organisations called Entrepreneurship Enabling Organizations (EEOs) in facilitating the emergence and successful diffusion of entrepreneurial new ventures within subsistence economies. Subsistence economies rarely possess formal institutions or the expertise for entrepreneurial activities to take root and succeed. However, experiences of transition economies have demonstrated the significant challenges and even counterproductive nature of large-scale reforms and rapid transformation of prevailing institutions to facilitate market-based business activity. Given the significant challenges and limited effectiveness of disrupting and transforming institutions overnight through top-down political action – i.e., through overt advocacy, and the construction of new rule systems and mechanisms to support market-based business activities – the authors discuss EEOs as intermediaries that offer a low-key but effective “bottom-up” alternative to locally (or regionally) mitigate institutional voids, thereby enabling market-based venturing among the economically disadvantaged.

Smith, Judge and Pezeshkan discuss how EEOs can act as intermediaries to transmit expert venture scripts – “advanced, sequentially ordered, behaviour-oriented knowledge structures used to create new ventures” for potential entrepreneurs in subsistence economies and, over time, institutionalise these scripts as proto-institutions (Lawrence, Hardy & Phillips, 2002) that “help nurture entrepreneurs, insulate them from a hostile or unsupportive institutional field, and promote new venture creation”. Building on the international entrepreneurship, social networks and social cognition literatures, they theorise that expert venture scripts can be best transmitted to potential entrepreneurs in subsistence economies using a social or relational model involving repeated interactions with, and vicarious learning

from, experts who demonstrate best practices and appropriate action sequences that can lead to venture creation and success.

Given these transmission mechanisms, they identify key attributes that EEOs must possess to successfully perform the institutional work of institutionalising venture scripts and thereby facilitating new venture creation even when formal supporting institutions are absent. Specifically, they propose that EEOs will be more successful to the extent that they possess ‘bridging social capital’ and local embeddedness, and that strong social networks can lead to the *construction* of proto-institutions.. Bridging social capital, i.e., social capital that arises from weak ties of respect and mutuality between dissimilar actors will ensure that EEOs are able to transmit venture scripts that introduce potential entrepreneurs to new ideas and knowledge. Local embeddedness will ensure that the venture scripts are well-adapted to local contexts and that the EEOs (and the experts they rely on) themselves are perceived as being legitimate and trustworthy by potential entrepreneurs. In combination, these two attributes will ensure that venture scripts become proto-institutions that expose potential entrepreneurs to new ideas and innovation that are most appropriate and adapted to local contexts. The authors also view their approach as complementary to the microfinance development model, arguing that microfinance institutions should focus their efforts on improving entrepreneurial expertise as a way to improve venture quality, decreasing “false positive” venture creation decisions, which can cause deep debt and endanger the poor’s wellbeing.

In support of their theorisation, Smith and colleagues provide (in an appendix) illustrative accounts of two EEOs that have successfully facilitated entrepreneurial activity in the areas of dairy farming and craftmaking among thousands of economically disadvantaged individuals in India even before extensive market liberalisation occurred in the early 1990s. These brief accounts offer a window into the institutional work in which these EEOs engaged. Primarily, institutional work appears to have been directed at reconfiguring belief

systems (Lawrence & Suddaby, 2006) that market-based entrepreneurial activity is viable and desirable, and altering the boundaries of prevalent meaning systems (Lawrence & Suddaby, 2006) by providing (through the medium of venture scripts) the knowledge, tools and other resources to succeed.

Failure of institutional reform despite ‘institutional plasticity’. Hatani examines the challenges involved in reforming institutions when both public and private actors are involved in effecting such reform. Following Strambach (2010) and Notteboom, et al., (2013), Hatani identifies a key attribute of established, taken-for-granted institutions to accommodate change, viz. ‘institutional plasticity’. Institutions may exhibit plasticity as actors re-direct existing institutions to new goals in response to emergent problems, layer new patterns on existing institutional arrangements, stretch existing arrangements to accommodate new routines and practices, or recombine resources and functions to redefine existing arrangements. She asks why efforts to change institutions fail despite such potential for institutional plasticity, and especially how the primary actors involved (both public and private) realise the need for institutional change and desire such change.

Using historical institutional analysis, she studies the failed Super Hub Port Project (SHPP) initiative to reform Japan’s container ports during the 2001-2010 period in response to lagging performance and international competition from ports in emerging economies in Asia. As part of this initiative, the Japanese central government intended to select a few ports as super hub ports to concentrate cargo volume through these ports, and encourage public-private partnerships to drive productivity and cost efficiencies. Specifically, she focuses on the failed reform of the Port of Osaka, one of the ports associated with super hub port complexes identified by the Japanese government, and the respective roles played by public actors (viz., the central government of Japan and Osaka’s port authority) and private actors (viz., business logistics firms) in this failed attempts at reform. Hatani’s empirical analysis

reveals interesting dynamics in the interactions between the public and private actors involved in the reform of the Port of Osaka. Despite agreement on the overarching objectives underpinning port reform – i.e., to lower cost through increase efficiency/productivity and to increase cargo volume through the super hub ports – each actor interpreted these objectives, the nature of the challenges faced, and their very roles in effecting change very differently, partly conditioned by their interests and experiences.

Based on her empirical findings, Hatani theorises that institutional plasticity is subject to four limits: deferral (i.e., a delay in responding to environmental changes that necessitate institutional change either due to hubris or due to the potential for loss if change occurs), partiality (i.e., layering of new institutional patterns or arrangements that tend to re-inforce rather than modify existing ones due to different interpretations of environmental change and attendant pressures), rigidity of actors (i.e., the tendency of actors to adhere to traditional norms instead of flexibly interpreting and stretching prevalent institutional arrangements to address emergent problems), and omission (i.e., the lack of consideration of all relevant institutional arrangements during the course of reform or redefinition). Hatani proposes that such limits to institutional plasticity are especially trenchant when both public and private actors (with their different motives and interests) are involved and have the potential to doom reform (especially of prevalent public policy). By exploring failure in institutional work, Hatani's study acts as a valuable counterweight to the dominant emphasis on success in studies of institutional entrepreneurship and, to some extent the continuing, heroic depictions of institutional entrepreneurs.

Concluding Remarks

In this special issue, we set out to offer a platform for emerging research in IB and IM pertaining to institutions, entrepreneurship and co-evolution. In particular we sought to invite richer conceptualisations and conversations around the nexus of institutions – of diverse types and residing at various levels of analysis – and agency as purposeful, albeit not necessary strategic or successful, action. The four papers in this issue clearly offer a glimpse of the exciting possibilities that arise when drawing on richer and more context-specific depictions of institutions and institutional differences than is typical; seeking nuanced understandings of agency and institutional work; and when looking beyond the dominant approaches and concepts in international business studies by drawing on or combining insights from adjacent fields. Together, these papers exemplify the emerging trend in IB/IM research whereby the purposeful action of individual and organisational actors in attempting to create, maintain and disrupt institutions is more explicitly studied. To this extent, we – the guest-editors and the contributors to this issue – can claim partial success in our objectives.

Though there are some allusions in our Special Issue papers to learning and adaptation on the part of institutional entrepreneurs as they engaged in the institutional work of creating institutions, especially across borders (e.g., Carney, Dieleman & Taussig; Fortwengel & Jackson), somewhat absent are explicit and more involved discussions of co-evolutionary dynamics. One reason may be the primary emphasis of institutional entrepreneurship, in particular, on how actors influence institutions, rather than the other way around (Lawrence, Suddaby & Leca, 2009). Another may be a tendency to study micro-processes of institutional work within a specific field, rather than “turning outwards to explore the cumulative and aggregate effects of institutional change across multiple fields”.²

² We thank Michael Carney, contributor to this issue, for sharing this insight.

Clearly, as Cantwell and colleagues (2010) note, more explicit attention needs to be paid to co-evolutionary dynamics – that is, the recursive relationship between actors and institutions across multiple fields. There is also significant scope to employ a wider array of methodologies than those we see here and, inevitably, many more questions than could possibly be explored in this special issue call. Examples of fruitful avenues that could be explored in future research, some of which are highlighted by the papers in this special issue, include:

- When might MNEs or, indeed SMEs, have particular advantages in bringing about change in institutions? For example, does multinationality help overcome the ‘paradox of embedded agency’ by better enabling the reflective capacity of individuals within the firm, the problematisation of current institutional arrangements, and conscious engagement in projective institutional work that imagines alternative futures?
- How does competition among institutional entrepreneurs with different interests unfold within large and small firms and across multiple institutional fields, and what does such ‘institutional work’ look like at a micro-level? What role does emotion, identity, history and imagination play in these micro-level processes?
- What is the nature of ‘institutional capabilities’, and to what extent do they differ across emerging, developing and developed economies in their origins, components, purpose and transferability? At what level, where and with whom within the organisation or relational network do they originate and reside, and how may they be nurtured and made sustainable?
- How does ‘institutional duality’ manifest in international business and management, and how are tensions and opportunities creatively managed as seemingly incommensurable institutions collide? How can we better theorise institutional duality to incorporate

different configurations of ‘institutional distance’, including the effects of both qualitative (type) and quantitative (level) differences in institutional distance?

- How do institutions at various levels – supranational, regional, national, industry, firms and sub-firm levels – and firm strategies interact and co-evolve? How do the (not necessarily coordinated) actions of various actors (e.g., trade blocs, governments, NGOs, interest groups, SMEs, MNEs and managers or employees) influence and, in turn, are influenced by the evolution of these institutions?
- How can we better explore the cumulative and aggregate effects of institutional work by diverse actors across multiple fields, and related contradictory and complementary processes in co-evolution? How should the ensuing transformations be evaluated, and with what consequences for public policy?

As evident from this sample of research questions, the IB and IM contexts provide exceedingly rich and complex settings for exploring institutional entrepreneurship and work. Indeed, IB and IM researchers are in a unique position of being able to do justice to studying the recursive, mutually constituting relationships between institutions and actors at many (even all) levels of institutional analysis identified by Scott (2001) – world system, society, organisational field, organisational population, organisation, and organisational sub-system – and, in addition, individuals within organisational subsystems. This richness of research settings offers the potential for IB and IM scholars to contribute to theory building and testing at the intersection of institutions and agency and, with time, export new and refined theories to adjacent disciplines.

However, this very richness in available research settings, and the complex interactions and co-evolutionary dynamics possible across multiple levels also makes analysis and its representation difficult, and not readily amenable to large-sample empirical studies employing quantitative analysis. The long time frames over which the institutional work of

creating, maintaining and disrupting institutions occurs calls for longitudinal, processual studies that track the interactions and co-evolutionary dynamics across multiple levels, the unanticipated intermediate outcomes and the non-linear, messy paths over time, and the equivocality of much day-to-day institutional work in which individuals and groups engage through their inter-subjective scriptings of reality. Notwithstanding the significant challenges in terms of time, effort and the pressure to publish, such studies are essential for the development of richer theories with more direct implications for practice.

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