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A Systematic Review of Literature Using Business Systems Theory

Lessons for International Business Research

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A Review of Literature Using Business Systems Theory: Lessons for International Business Research

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Abstract:

Business systems theory (BST) lies at the intersection of organization theory, political economy and sociology. Over the last 25 years, it has been increasingly used to analyse not just firms within national business systems but also the nature of international business and its interactions both with national and transnational institutions. Yet, the field of international business (IB) studies do not tend to borrow much from this approach. This paper therefore provides a systematic review of BST literature and its contribution from 1992 to 2016. As the review suggests, whilst there are certain common questions discussed by both BST analysis and the dominant theoretical trends in International Business, i.e. organizational economics and neo-institutionalism, the different perspective brought by BST opens up new issues for research that can complement and extend the existing dominant approaches. Through a systematic analysis of BST literature, it is argued that four 'broad themes' which we describe as junctures have emerged- we label these (1) comparative business systems, (2) the internationalisation of firms and the nature of management and organization inside MNCs (3) the role of internationalisation in the development of firms' organizational capabilities and innovation, and (4) the emergence of transnational communities and networks in and across firms and societies. Our approach is firstly to describe the contribution of BST to each of these areas, suggesting where conceptual problems and empirical gaps still exist, and secondly to reflect on how these themes complement and extend existing work in IB. The overall goal is to encourage a productive dialogue between existing IB research and the BST approach.

Introduction:

Over two decades' research using business systems theory (BST) has grown in importance. The key focus of this research is on how institutions, usually but not always defined at the national level (hence the centrality of the concept of 'national business system'), provide firms with both constraints and opportunities as they organize their structures and strategies. BST studies have been interested in how variations in institutions (such as finance, the law, education and training, trade unions, state bureaucracies and political representation mechanisms) constitute, change and reproduce varying forms of rationales, mechanisms, and dynamics of organising firms and economic activities in different countries. BST presents a framework that examines how institutions affect firm structures, strategies and capabilities in national as well as cross border situations (Whitley, 2010b, 2007, 2003b, 2000; Hancke, 2002; Redding, 2005; Morgan, 2007; Jackson & Deeg, 2008). Unlike the 'Varieties of Capitalism' framework (Hall and Soskice 2001; Hancké, 2009), BST is centrally concerned with understanding the strategies and structures of firms as active shapers in business systems, not just as channels through which institutional pressures flow in a deterministic way. It is therefore firm-centric, building outwards from the characteristics of firms as productive entities to the way in which institutions shape those characteristics and how those characteristics fit together or complement each other. It is this focus on different types of firms and business models which therefore enables BST to engage with other perspectives in business and management in a way which VOC and similar political economy approaches with their central emphasis on state-business relations at a macro-level and their relative neglect of firm level processes are unable to do. For this reason, this review will concentrate on business systems analysis, rather than research on comparative capitalisms in general, and its implications for the field of international business (for other reviews taking different angles on BST, VOC etc., (see Morgan 2007; Morgan, 2012; Morgan and Kristensen 2015).

Following a section discussing the basic framework of BST analysis, the paper will then provide a systematic review of the BST literature. We start by explaining the methodology used for the review. We then report on the five 'junctures' which are identified in the data as key themes of BST, clarifying the main contributions and discussing the degree to which they have impacted on the field of IB. The four junctures are labelled - (1)

comparative business systems, (2) the internationalisation of firms and the nature of management and organization inside MNCs (3) the role of internationalisation in the development of firms' organizational capabilities and innovation, and (4) the emergence of transnational communities and networks in and across firms and societies. In the final section, we link these themes back to debates within IB literature and suggest pathways for further research which may combine BST with IB.

The Basic Framework of Business Systems Theory

BST shows how interactions between firms and institutions over time may give rise to a particular business system in a society, i.e. a set of systemic logics or rationales that guide firm behavior in that context (See, the basic framework of BS, Figure 11) (Whitley 1992a, 1992b, 1999; Redding, 2005). BST primarily concentrates on how firms are shaped by national level institutions as it is at this level that institutions tend to be strongest. However, it recognizes that there can be regional differences within a nation under certain circumstances related to historical developments, e.g. the degree to which the formation of a modern nation state emerged from a processes of merging together lower level forms of sovereignty that had their own institutional path dependencies that were carried through into the modern era, e.g. as in Germany and Italy compared to states with longer traditions of centralized authority, e.g. as in Japan and France. BST is not therefore inherently methodologically 'nationalist'; the key issue is where are the powerful institutions are reproduced and if that is at the regional level, then this should also be studied (Whitley 2005; for recent work combining BST with regional analysis see Almond 2011).

One distinguishing characteristic of BST is that it uses broader definition and framework of institution entailing dominant institutional characteristics of the society that shape business system characteristics of the firms (Jackson and Deeg, 2008) (i.e. ownership & governance, network relationships, and human resource management dynamics). The evolutionary nature of the BST framework therefore makes it more appropriate to study the changing nature of the BS characteristics'. Unlike the other institutional frameworks, which a stream of IB studies tend to use (e.g. North, 1990; Scotts 2008), scholars in BST continue to improve the framework of institutions that are commonly used in the analysis (see, Table 1).

Table 1: Institutional Frameworks Used in (Neo & New) Institutionalism and BST

(Neo & New) Institutionalism			Business Systems Theory		
Degree of Formality (North, 1990)	Examples	Supportive Institutional Pillars (Scott, 2008)	Key Social Institutions (Whitley, 1992a&b)	Key Institutional Characteristics' Affecting BS (Whitley, 2010b)	Key Inst. Characteristics' Affecting BS (Redding, 2002, 2005)
○ Formal Inst.	Laws Regulations Rules	● Regulative Inst.	○ Proximate Inst.	● State structures, policies (incl. regulations) ● Financial systems ● Labour systems (Education & Training)	○ <i>Role of the State:</i> ● Capital Inst. ● Human Capital Inst.
○ Informal Inst.	Norms Practices Values/ Ethics	● Normative Inst. ● Cognitive Inst.	○ Background Inst.	● Norms governing trust and authority relationships- e.g. Trust in formal institutions and non-kin relationships e.g. Paternalist /Contractarian/ Communitarian justification of authority	○ <i>Role of Civil Society:</i> ● Social Capital Inst. (e.g. trust, network, moral base) ○ <i>Role of Culture (Material Vs Ideational Logics)</i> ● Rationale ● Authority ● Identity

○ = Underpinning institutions

● = Institutions that affect BS

BST, however, is not simply a descriptive account of differences between societies. Instead it aims to provide a framework that can be applied across different contexts by conceptualizing key aspects of institutions and the ways in which institutions shape firms' structures and strategies. It aims for a certain parsimony by offering researchers a shared language and set of concepts around which empirical studies can be framed and debates can be conducted. As the review will show, these debates and concepts have been evolving over the last two decades, reflecting the fact that BST is as much an investigative tool as it is an evolving theoretical framework.

Central to BST analysis is the 'systemic' nature of the institutional system though this has to be treated carefully since it is not an ontological assumption but a potential historical outcome in certain circumstances. Thus an institutional context can be seen as having 'system' like characteristics, in cases where the institutions 'fit' together and reinforce/complement each other. This is not invariably the case; some national contexts lack fit and complementarity and this inhibits their ability to provide a stable and coherent environment in which

firms can grow and develop. In other contexts, there is only partial fit which leads to a positive environment for some firms and a negative one for others, creating an imbalance in the economy e.g. as in the much discussed dominance of the finance sector in the UK at the expense of manufacturing. Also as discussed there may be regional differences which emerge from long-standing historical distinctions or the impact of earlier periods of sectoral specialization, e.g. in Italy and Germany. Therefore, BST is concerned not with static system models that assume coherent ‘national business systems’ in multiple contexts but in change and instability as well as continuity. This is reinforced by the recognition in BST that not all combinations of institutions are either possible or effective in producing firm level efficiencies or national level processes of stable growth. Some societies may lack any sustained system-like characteristics due to disrupted and complex histories, e.g. as in the case of many emerging economies, where the concept of ‘institutional voids’ has been developed to explain this lack and the consequent difficulties for firms (see, Khanna and Palepu, 2010). Other systems may settle into a low performance equilibrium; for example, a number of researchers have discussed in various contexts, societies which have evolved a ‘low skill equilibrium’ model, i.e. the system of skills and training institutions is weak leading to employers having to rely on low skilled workers and therefore production systems with low skilled or technical input and low value added in the production process e.g. apparel sector in Bangladesh. Such low performance equilibria make societies weak in responding to economic changes and have the potential to exacerbate social conflict. On the other hand, moving societies out of low performance equilibria is difficult as actors are invested in particular path dependent ways and reluctant to make changes.

BST aims at addressing these issues in part through constructing typologies of institutional systems that capture a limited number of distinctive institutional formations where forms of complementarity and fit between institutions and between institutions and firm level strategies and structures can be seen. Such typologies are Weberian ideal types in nature, focusing on certain key features that shape the ‘system’. They are not meant to be descriptions of empirical reality but constitute rather a benchmark against which actual contexts and their trajectories (which will likely be more messy and less ‘systemic’ than in the ideal types) can be compared and discussed (see, e.g. Whitley 2007; Witt and Redding, 2014)

As this discussion has made clear, BST begins with a focus on how firms are shaped by national level institutions and this is reflected in the early contributions to BST which took the form of what might be described as comparative management studies, i.e. they focus on describing how firms, management, work relations and networks were shaped within the national institutional environment. There is no doubt that this has been a major contribution of BST and it remains a key strength of the approach. However, as authors working within this approach came to conclude, it is insufficient. It is insufficient precisely because national business systems are not self-contained units and it is this which makes the link with IB discussions so important and relevant. The traditional focus of IB in terms of FDI and MNCs undermines the notion that national contexts can be understood as hermetically sealed off from each other. Instead such contexts have become more and more inter-related, interdependent and inter-active as globalisation has extended. Recognising the validity of this, BST researchers therefore soon began to consider how to incorporate these processes into their analysis without jettisoning the significance of institutions and long term path dependencies and complementarities. Thus the comparative study of the differences between how firms are organized in distinct national contexts has increasingly led BST to focus on forms of international business coordination, particularly MNCs, their structure and strategies, their management and how they relate to different institutional contexts by building networks of subsidiaries, sub-contractors and distributors (Collinson and Morgan, 2009; Morgan, 2001b&c). Why do firms move to different institutional contexts and how do they maintain their competitive advantages when the institutions that have supported their developments are no longer present? What adaptations do they make to their own practices and how do they respond to different institutional contexts; do they seek to insulate themselves, do they seek to change the context, either locally or more broadly or do they change to accommodate to the new pressures and in the process become more innovative? Firms may take with them certain expectations about management, networks and organization derived from their home country experience but they may find that this does not fit a different context, e.g. US firms with traditionally weak trade unions moving into Germany with a strong regulatory framework supporting trade unions and worker involvement (see e.g. discussions in (Almond & Ferner, 2006). Indeed, they may internationalise precisely to get away from the constraints of their home based institutions and to learn new ways of doing things in different locations in order to become more competitive and adaptive on a

global level. The MNC therefore faces challenges to its mode of organization and management as it encounters new forms of institutions and firms. Whilst international business (IB) / international management (IM) research, having its roots in organizational economics (see, Dunning, 1988) tends to focus on this problem from the perspective of transaction costs and internalization, BST is rooted in institutional analysis and sees the issues in terms of how the different actors within the MNC and in the local context negotiate and adapt to these differences, both internally (by reshaping management and work practices) and externally (by the way in which they relate to other firms and to institutions in the host context). In making these changes, the firm itself may become a more complex organization, what has been described as a ‘transnational social space’ (Morgan 2001a) setting up new multiple forms of interaction internally (through processes of transfer of people, knowledge and technologies inside the firm) and externally (through the development of new networks of suppliers and through the interaction with transnational regulatory actors and transnational social movements). Of course, the degree to which MNCs from different locations take on the characteristics of a ‘transnational social space’ will vary. Some MNCs will try to limit such processes and remain in Perlmutter’s terms ‘ethnocentric’ but others may open up to a more limited extent whilst others will allow the formation of such a transnational social space. By ‘following the actors’ in this way, therefore, BST makes a considerable contribution to understanding how these interactions can transform the local context (through facilitating spillover effects in various institutions), the MNC itself (by facilitating a recursive learning process, whereby the centre and other subsidiaries learn from each other and create a transnational social space) and the transnational context (of regulatory agencies and social movements). These themes are explored in detail in the following review.

As can be seen from this description, BST has been generally concerned with process and change as a longitudinal and cross-national phenomenon that occurs within firms and institutions in ways that are often unanticipated and unexpected as actors shape and reshape institutions and firms (Kristensen & Morgan, 2012). For this reason, the predominant methodological approach favours deep case studies at firm, regional or national level with a longitudinal focus on change and process, though in some circumstances, large scale surveys are undertaken (Tregaskis, T. Edwards, P. Edwards, Ferner, & Marginson, 2010; Witt & Jackson,

2016; Iannou & Serafeim, 2014;) . Studies are less likely to be constructed in terms of large-N hypothesis testing quantitative analysis and more likely to be framed as small-N studies where explanations of particular dynamics using a common and developing conceptual language and theoretical framework can be constructed through comparisons. Small-N studies have recently received more methodological attention in order to improve their rigour and increasingly BST researchers are turning towards formalizations of aspects of qualitative research such as Ragin's qualitative case analysis method and the use of process tracing. However there still remains a gulf with standard IB research designs which tend to produce deductive hypotheses with the aim of testing them through either large scale surveys or the manipulation of large scale datasets. In this sense there are methodological and philosophical divides that need taking into account, though these may be narrowing somewhat as many researchers have called for more use of elements of the BST perspective in IB studies (Redding 2005; Tempel and Walgenbach 2007; Morgan, 2007; Jackson and Deeg, 2008; Judge, et al. 2014). This suggests that these divides are not insuperable barriers to theoretical dialogue. Interestingly, two of these calls- Redding (2005) and Jackson and Deeg (2008) – both published in the *Journal of International Business Studies* (JIBS) - have received relatively high citation rates on Google, 227 and 240 citations respectively in 2015 rising to 276 and 310 in May 2016; this indicates that there is increasing interest in making connections between BST studies and the IB field as can be seen from book collections such as Ghoshal and Westney (1991) and more recently Collinson and Morgan (2009) where researchers from both these streams engaged in dialogue and debate.

Our review paper aims to synthesize BST researches in order to scientifically map and assess the trajectories, stock of contributions and the progress of BST research in relation to understanding how IB studies in particular areas can engage in a productive dialogue with BST. In this respect, we do not seek to duplicate recent reviews of the BST approach (e.g. Wood et al. 2014; Morgan and Kristensen 2015) which examine the origins of this approach and the subsequent debates which have emerged about key aspects. Nor do we attempt to synthesize this stream of research as a whole. Instead our aim is to focus specifically on BST as an approach (therefore excluding similar approaches, most obviously the 'varieties of capitalism' perspective) and consider the issues that are relevant to the field of IB and the question of the relationship between institutions and the

internationalization of firms. We aim to map and evaluate this research so that scholars in IB in particular know where and how the BST approach is moving, and therefore what knowledge contribution can be made to the field of IB by engaging in greater dialogue and interaction with BST (Morrison and Inkpen, 1991).

Methodology:

Given that the aim of this review paper is to consolidate the knowledge of a sub-field i.e. BST and present lessons for IB research stream, a systematic literature review methodology was adopted (Petticrew and Roberts, 2006). According to Petticrew and Roberts (2006:2) ‘systematic literature reviews are a method of making sense of large bodies of information, and a means of contributing to the answers to questions about what works and what does not, identifying where little or no relevant research has been done’. The data collection technique employed in this paper was a predefined selection algorithm (Xiao and Nicholson, 2011) in order to derive a search process and critical appraisal of the literature. Thus, we tried to minimize the data collection subjectivity (Ginsberg and Venkataraman, 1985; Transfield et al., 2003). However, a heuristic method was applied for searching the book chapters. The analysis of the results was limited to descriptive statistics and leads to a basic mapping, pattern recognition and explanation-building of the contributions from these studies. Yin (1994:110) points out, pattern matching is not a precise procedure; rather researchers should look for gross matches and mismatches in which ‘even an ‘eyeballing’ technique is sufficiently convincing to draw a conclusion’. Pattern recognition will help us determine the pattern of theoretical lenses used, themes, explanatory rationales, level of analysis, conceptualization of the constructs’, and the complexities investigated by the BST researchers, from which IB studies can learn. It will also illustrate the tendencies of contribution by BST that corresponds to various sub-fields of management, which will help determine the extent to which BST researchers contribute to international business in particular. Findings from the studies will illuminate future researchers in BST and IB to advance their fields.

Method of selecting relevant publications:

In order to see the gradual development of BST research, we use papers published between 1992 and 2016 (end of July) – i.e. twenty-five years. 1992 is the year in which a complete version of BST was published by

Whitley (1992a & 1992b). As a data source, we focus on both peer-reviewed academic journals in English and research based books that use the BST perspective. We employ different methods to find journal papers and books, whilst using the same search criteria for selecting the papers appearing in both journals and books. For the systematic search of journal papers and books we use ABI/Inform Complete (i.e. ProQuest) database, which is the world's most comprehensive and diverse business database. The basic keywords used for search are 'national business system' and 'national business systems' AND/OR 'business system' or 'business systems', while the document type and category included 'article', 'scholarly' and 'peer reviewed'; language 'English', time range from January 01,1992 to July 31, 2016. This yielded 4429 hits in publication. In order to limit the number of papers within business management field, we selected the field 'business' and 'social sciences' and used three different options combining the same key words: 'business system'- 'anywhere in the text'; 'business system and/or national business system'- 'in the title'; 'business system and/or national business system'- 'in the abstract'. The key words used as a selection criterion for title, abstract, and the content resulted in an initial sample of 310 papers. The initial sample was refined further in order to identify papers that use the BST perspective and/or framework in the paper in line with Whitley's BST (Whitley, 1992a, 1992b, 1999), meaning that 'Whitley' as the author of BST is cited. The refinement is done through quick review process, going through the title and the abstract of the paper, resulting in 61 journal papers. However, in the systematic review process we excluded editorials, while keeping in both empirical and conceptual papers. The search process was repeated several times to ensure reliability of the search result.

Systematic search on 'Proquest' also resulted in some book references, but this was not comprehensive enough. We therefore sought for references of books from senior researchers in the BST field. The book references were corroborated by the publication list available in the CV of Prof. Richard Whitley on Manchester Business School website. This is because Whitley has been a driving author of BST since 1992, and thus we can capture the advanced or generic contributions of the lead authors particularly Richard Whitley and his colleagues. The search resulted in 35 book-chapters from 14 books.

This method helps reduce limitation of using journal articles only, since a number of research papers are appearing in the edited volumes. Reading through abstracts of all journal papers (N= 310) and books (N=14) gave a sub-set of 96 papers that includes articles (73%), book chapters and books (monograph) (27 %). These papers form the evidence base of this review. We read them in their entirety and extracted the relevant data, which are synthesized and displayed in the analysis (See: Appendix, Table 3, 4, 5, 6).

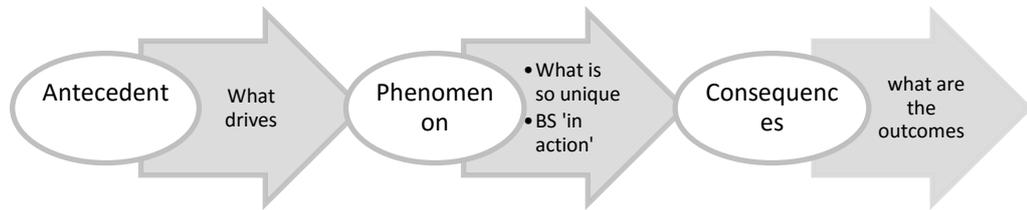
Method of Analysis:

The review was led by a comprehensive protocol, information and codes systematically extracted from the readings were recorded in an Excel spread-sheet following the criteria of the protocol. The database developed in Excel file contains codes and information as per the protocol, which have been analyzed by descriptive statistics. A summary of the content analysis is presented, dividing it in four junctures in the BST trajectory (Fig. 12; Appendix: Table 3, 4, 5, 6). For mapping and pattern recognition of BST literature in terms of ‘themes’ focused and the ‘broader thematic perspective’, we used ‘*Gephi*’, a software that systematically draws the relationships between themes and between themes and the ‘broader thematic perspectives’, here we call them *Junctures*. This provided us with a map, indicating a pattern of relationship between different themes focused in the BST researches and their linkage with four junctures in the BST trajectory since 1992. Thus, it helps us for pattern recognition of the BST literature in systematic way.

Analysis is presented in three steps: first, descriptive statistics of the data are presented; second, pattern recognition and mapping of the ‘themes’ is illustrated in terms of four junctures in BST trajectory; third, content analysis based on antecedent-phenomenon-consequences is presented that forms a discussion on contribution of the papers. Articles grouped under four junctures based on pattern matching and pattern recognition show contributions on the phenomena that determine the antecedents covered and the diffusion of the business system knowledge. This analysis is done following a technique adopted from Schmeisser (2013) (see: Figure 1). This provides a systematic way of presenting major findings of both qualitative and quantitative papers in three dimensions: (a) Antecedent- priori factors that influence the outcome, (b) Phenomenon-

something that is impressive or unique in the paper, (c) Consequences- what are the effects or outcomes of the antecedents i.e. results of the paper.

Figure 1: Protocol for Content Analysis

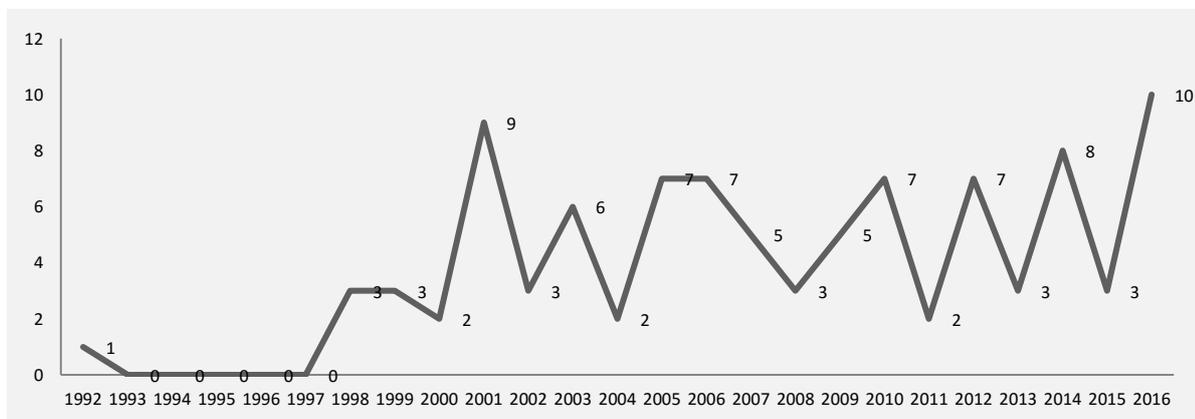


The baseline notion of these articles, as derived from the analysis, is that MNC management, structure and strategy cannot be explained by a single theoretical view; rather we need a comprehensive framework combining internal and external phenomena and contexts (spaces), and that allows other theoretical dimensions to be used in the framework in order to understand complexity and multiplicity at the intersection between society and management. At this point, the BS framework helps explain how and why firms develop different capabilities and strategies in varied contexts of BSs (Whitley, 2007, 2003b; Morgan 2001a; Geppert et al, 2003; Edwards and Kurivilla 2005; Tipton, 2009; Lim et al., 2010; Bachmann and Inkpen, 2011; Ioannau and Serafeim, 2012).

Trends of BST Researches- From 1992 To 2016

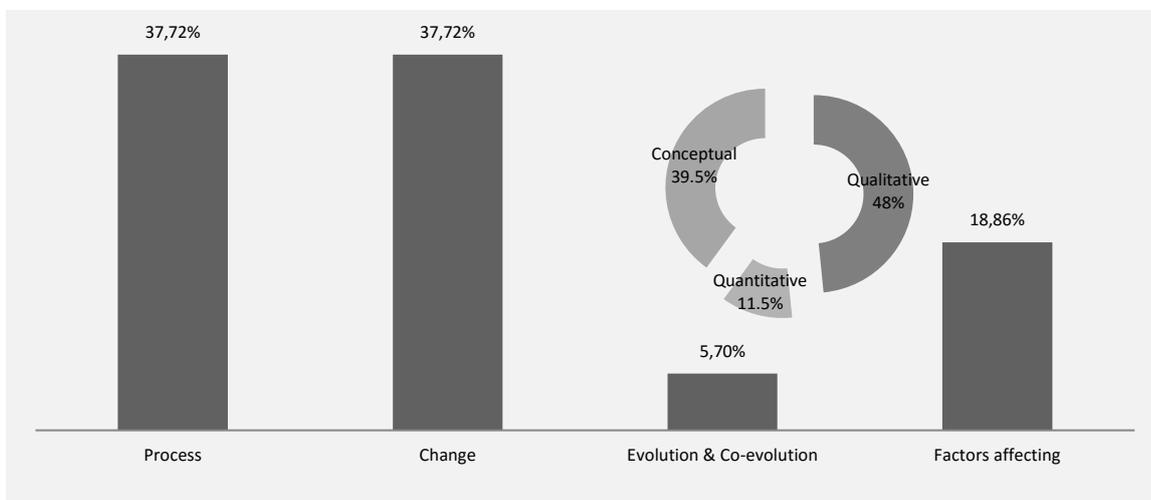
Trends of Publications:

Figure 2: Trend of publications by Year



Since Whitley’s first use of the term in 1992, academic interest in BST started to grow after six years in 1998. This is obvious because a new theory takes time to become familiar to the academic community. Academic interest in publishing papers using BST has grown approximately 171% in the second decade (2002 to 2011) than the first decade (1992-2001), an average of over four papers per year. The rate becomes even higher in the last five years, an average of over six papers per year.

Figure 3: Methodology and Dimensions Used in the BST Researches

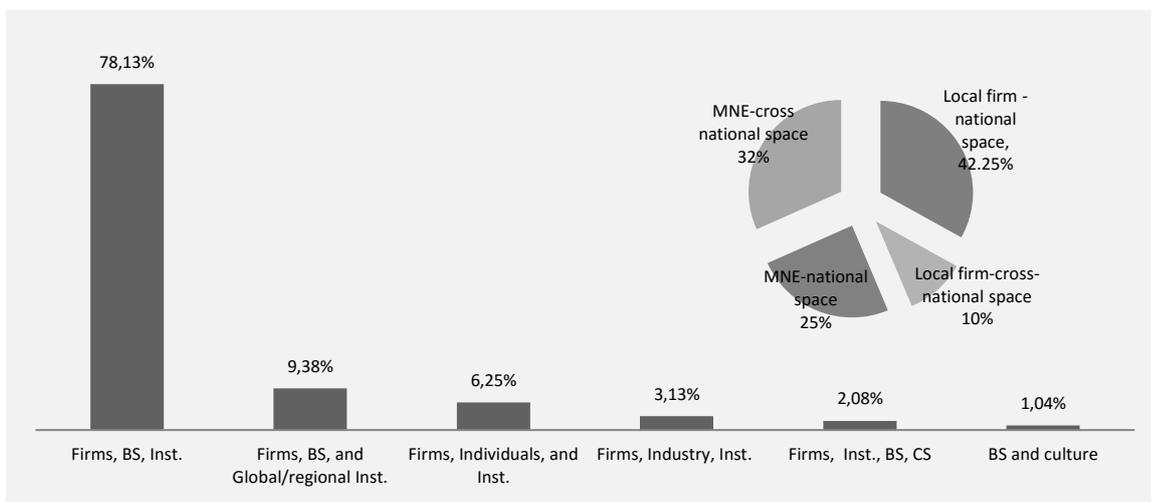


Conceptual papers represent about 39.5% of the total; while empirical papers constitute the largest share 60.5%, of this 48% papers have used qualitative methods with a high focus on case studies, and only 11.5% papers have used quantitative methods (Fig. 3). Interest in quantitative methods has grown in the second decade compared to the first decade. The field, however, is currently dominated by qualitative methods because researchers using BST tend to focus on complexity and multiplicity of the phenomena associated with firms and social institutions at national and global level over time. Static comparisons of ‘factors’ do not fit well this interest though recently authors such as Ioannou and Serafeim (2012), Judge et al (2014) and Walker et al (2014) have begun to use quantitative surveys. As far as research dimension is concerned (Fig. 3), over two third of the papers (over 75%) looked at ‘change’ and ‘process’ of the phenomena associated with firms and contexts, while 18.8% papers looked at different ‘factors’- both organizational and institutional; this tendency

is high particularly in quantitative papers that looked at cause and effect relationships. Around 5.7% papers looked at evolutionary and co-evolutionary dimension of the phenomena. This pattern of BST researches indicates that studies tend to focus on understanding change in organizational behavior, business system characteristics (i.e. ownership, governance, relationships, and internal management dynamics) and institutions.

Level of Analysis:

Figure 4: Level of Analysis by Variations in ‘Interactions’, ‘Types of Firms’, and ‘Types of Contexts’ Used



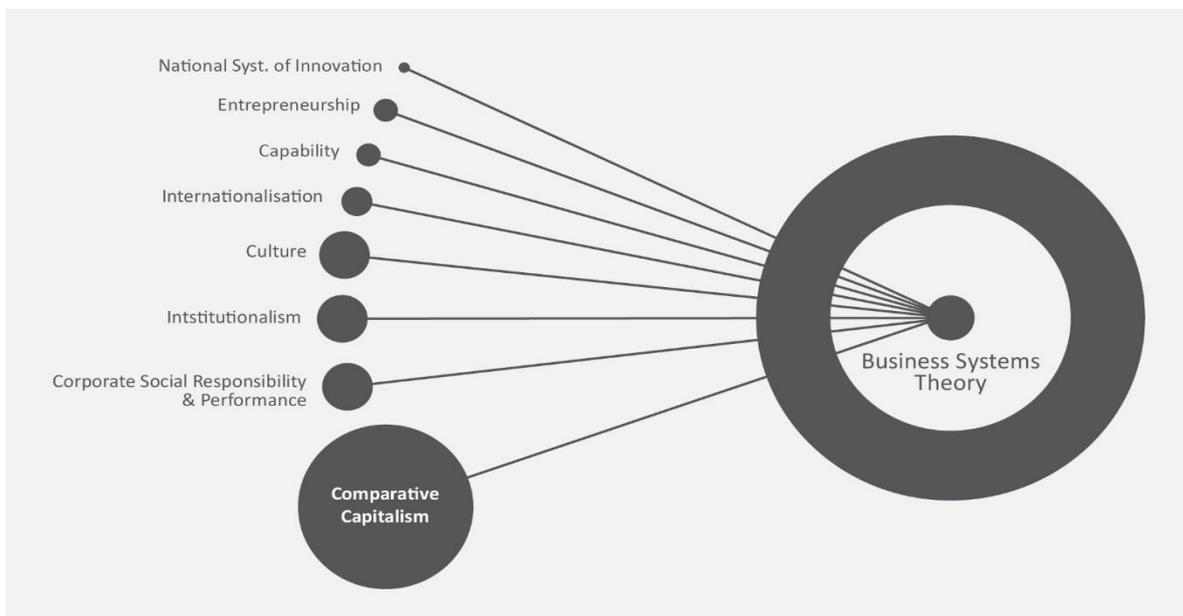
Note: ‘Interaction’ has been common in all types of analysis mentioned

Level of analysis of the BST research (see, Fig. 4) illustrates an interesting picture, revealing that the central tendency of the papers is to focus on the ‘interactions’ between different levels (firms, BS, industry, institutions, civil society, global institutions etc.), instead of a single level of analysis. Figure-4 illustrates the percentage of interactions between various levels of analysis. Over 78% of papers focus on interaction between firms, BS, and Institutions, while 9% papers focus on interaction between firms, BS, national institutions, and global/regional institutions. 6% of papers focus on interaction between firm factors, individuals, and national institutions, while approximately 3% and 2% of papers respectively focus on interactions between firms- industry- institutions and firm- BS-institution-civil society respectively. Thus, the level of analysis of BST research brings together phenomena at several levels, focusing on different social actors into the analysis to understand complexity and multiplicities that affect business and management of organization. Approximately one third of papers focus on strategic issues of management and organization in such complex situations.

Our analysis further reveals that BST researches covered dual contexts - both national and cross-national and both types of firms- local and MNCs (see, Figure 4). 42% of papers focused on the local firm in the national context and 10% of papers used local firms and the cross-national context. However, 32% of papers focused on MNCs and the national context, while 25% of papers focused on MNC and cross-national context. These statistics clearly indicate that BST researches have higher tendency to investigate MNCs in both national and cross-national contexts in addition to local firms and the national contexts.

Focal Theories Used:

Figure 5: Theories used in conjunction with BST



● = The size of the circle indicates frequency of the use of theory in conjunction with BST

Use of BST has been common in all the papers, either in the form of analytical framework, or investigation of the BS characteristics/ BS perspective. Other theoretical angles have also been used in conjunction with BST perspectives, and of them comparative capitalism has the highest frequency (See, fig. 5). As Morgan (2007) has argued, there is increasing interaction between different theories drawing on the same idea of differences between forms of capitalism – varieties of capitalism (Hall and Soskice 2001), regulation theory (Boyer and Saillard, 2002), societal foundations (Maurice et al. 1980) as well as approaches to comparative political economy, all cover some of the same area. The difference with BST is that the key phenomenon to be explained in BST is the strategy, structure and management of the firm, whereas most of these other approaches are

chiefly interested in institutions per se and the firm is an empty box, acted upon by institutions but without agency.

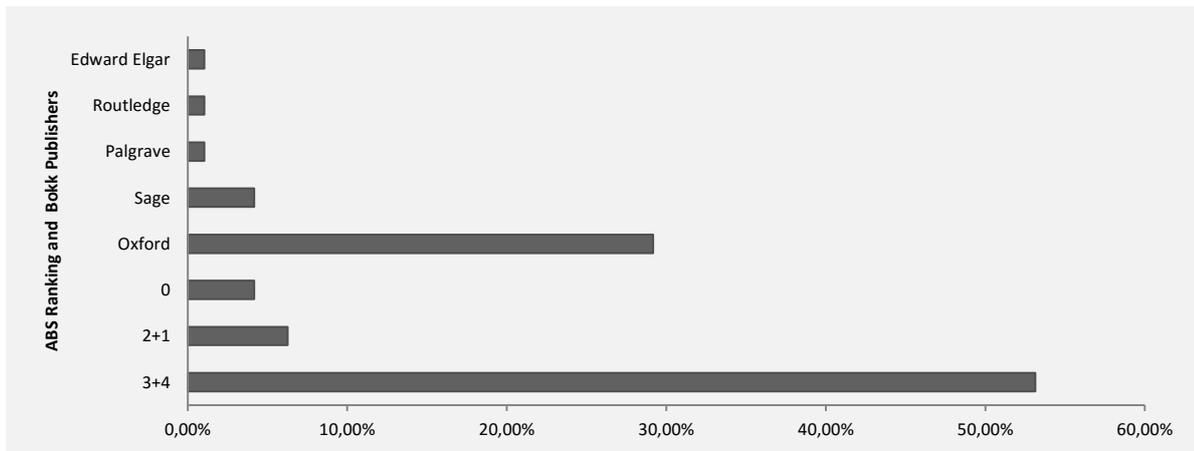
In terms of the papers traced in this survey which explicitly use BST, a range of other theories used in organization and management are drawn on to supplement and complement BST, e.g. capability theory, corporate social responsibility theory, internationalisation perspective, culture perspective. Recently, a few papers have used institutional entrepreneurship (e.g. Dekocker et al. 2012; Morgan and Quack, 2005) and entrepreneurial cognition perspectives (e.g. Lim, et al., 2010) and corporate social performance perspective (e.g. Iannou and Serafeim, 2012). Only one paper looked at the comparison between BST and national innovation system theory from a conceptual perspective (Lundvall, 1999). Thus, a proposition can be drawn that researchers using BST have not only been focusing on BS and comparative capitalism issues, but rather BST as a perspective is being used with other theoretical perspectives for investigating various issues of management and entrepreneurship. BST can provide us with a framework combining institutions and organizational relationships with external actors in multiple contexts.

Impact of BST Literature in Management Studies:

This section presents a descriptive statistics of BST researchers by journal publications as per ABS-2015 (The Association of Business Schools, UK) ranking of academic journals. The idea is that instead of looking at BST through the conventional citation analysis method we illustrate an overall picture of knowledge contribution by BST sub-field and what we might label its ‘impact’, in the domain of business and management, by reference to the key journals in which these publications appeared. The ABS list presents ranking of journals from 4 to 1; of them 4 & 3 rank indicates ‘highly regarded’, producing high level of scientific knowledge in the field. 2&1 are treated as fairly good. Since books do not have any ranking, we illustrate by reference to publishers’ names, so that an impression can be built from the statistics.

53% papers have been published in 3 & 4 ranking journals, while 6% papers are published in 2&1 ranking journals (Fig. 6).

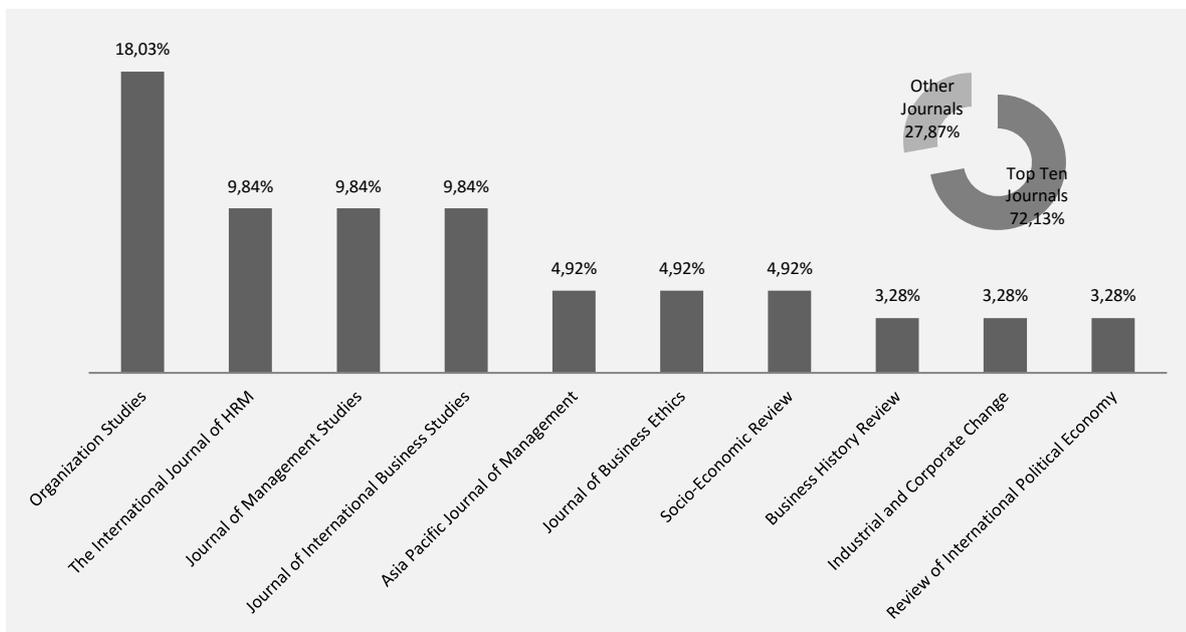
Figure 6: Percentage of Publication by ABS Ranking and Book Publishers



% illustrated is based on total publications i.e. 96 that combine both journals and book-chapters

This indicates that papers using BST perspective makes high level contribution in the field of business and management. However, 4% papers published in the journals not ranked by ABS-2015 are ignorable, because most of them are ranked by Danish BFI ranking. Of books, Oxford University Publisher has the highest percentage i.e. 29%.

Figure 7: Percentage of Top Ten Journals with High Frequency of Publication



As far as the top journals are concerned, 72% of the total journal papers are published in top 4 & 3 ranked journals, while 28% papers are published in 2 & 1 ranked journals and the journals that are not ranked on ABS

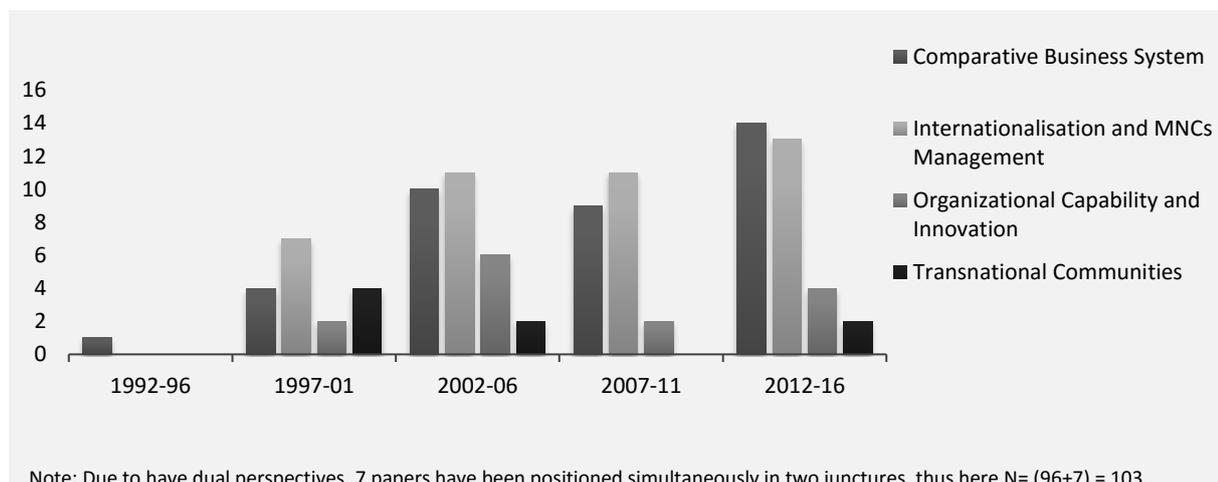
list. (see, figure: 7). Statistics indicates that BST is making a high level of knowledge contribution. Very interestingly, Journal of International Business Studies, a flagship journal of IB, has published around 10% of the journal papers, and this indicates that BST theory is increasingly being used in IB field and becoming fairly visible in IB community.

Junctures and Pattern of BS Research Trajectory:

Pattern of Publication in Different Junctures:

This section synthesizes the contributions of the papers based on the protocol ‘antecedents-phenomena-consequences’. Based on the nature and the pattern of contributions, the systematic analysis has resulted in four major ‘Junctures’ (broader thematic typology) in the trajectory of the BST (Fig. 9). Authors who drive each juncture have been mentioned in the parenthesis with the year of their first publication (Fig. 10). However, it is noteworthy to mention that these four junctures are not separated from each other; rather they overlap with each other. It means one paper often falls into two junctures, and although four junctures have started at different times, they still continue to move simultaneously but with different pace in terms of number of paper publication (See, Figure 8). Since 1998 BST researches have begun to grow in internationalisation and MNC management (Juncture-II), although its initial focus was to understand how different institutional configurations shape variety of business systems (Juncture-I).

Figure 8: Number of Papers by Different Junctures



Since 2000 BST has begun to investigate how and why organisations develop capabilities and innovative competences (J-III). Finally, in 2001, BST researches have begun to focus on transnational phenomena that affect BS and MNC management, particularly related to multilateral institutions, global civil societies, global standards and regulatory frameworks' etc. (J-IV). Despite different junctures, it continued to focus on understanding comparative business systems (Fig.8 & 9). Mapping of the 'themes' focused in different papers will illustrate the central tendency of different junctures in BST research trajectory (see Fig.9).

Mapping and Pattern Recognition of BST Researches:

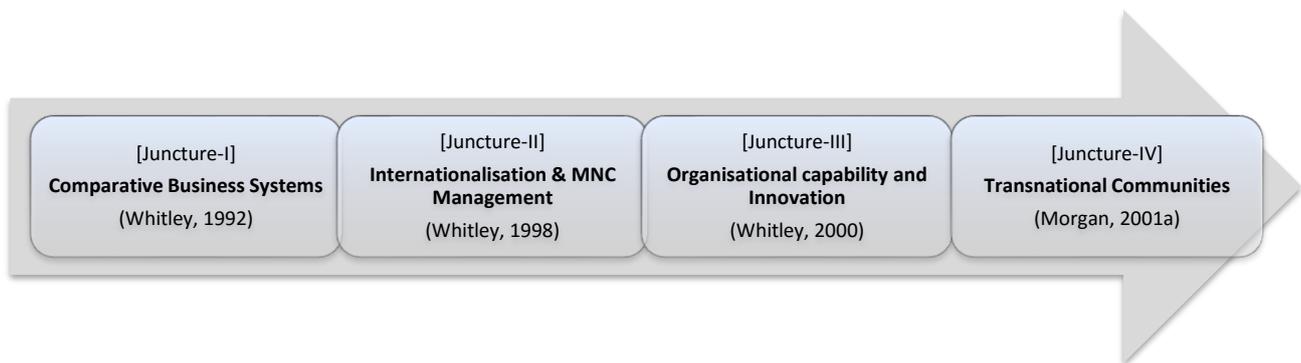
Figure 9 illustrates the clustering tendency of the 'themes' focused in BST literature around the four junctures (i.e. I, II, III, IV). 'Junctures' indicate broader categorization of themes of research, while 'themes' indicate focal research themes in different research papers. The Figure 9 illustrates the frequency of the 'themes' and linear relationships with the junctures and other themes. Sizes of the junctures indicate frequency of publication, while thickness of connection line between themes and junctures and between themes indicates the frequency of the themes. This can be seen as the strength of relationship. Mapping of themes (Fig.9) shows variations in themes focused in BST researches in terms of four junctures. Thus, we can assess the nature of studies i.e. what they investigated that used BST. While clustering tendency of the themes in relation to four junctures reports that 'internationalisation and MNC management' (J-II) has received the highest focus followed by 'comparative business systems' (J-I). 'Organisational capability and Innovation' (J-III) and 'transnational communities' (J-IV) have received less research attention by BST researchers. Three themes e.g. internationalisation, organisational capability, and international HRM in conjunction with BST have received the highest attention in BST sub-field. The mapping shows an interesting proposition that BST researchers focus on themes that are commonly studied in IB research domain. This tendency, therefore, shows a signal for IB researchers to know and understand BST and the literatures that used BST. IB researches can enrich their theoretical frameworks for the investigation of MNC and internationalisation phenomena.

Figure 11: Abbreviations used: Path dependency = PD; Institutional entrepreneurship= Inst.-Entrp.; International-HRM= I-HRM; localisation-globalisation= Local-global; Reverse diffusion= Rev.-diffusion; Business systems= BS; Management-Innovations = Mgt.-Innov.; Nationality effect= Natl.-effect; Comparative business systems= Compa.-BS; Contextual Rationalities= Con.-Ratio.; global-regional impact= glo.-regio.-impact; localisation-HQ pressure= Loc.-HQ-pres.; Financial-internationalisation= Fin-intl.; industry-specific- competitiveness= Ind.-spec.-comp.; institutional -configuration/structure= Inst.-Config.; Corporate-social-performance= CSP; Comparative capitalism= CC; International-business-studies= IB Studies; corporate governance = Corp-Gov.; National innovation system = NIS; Competitive conditions= compet.-cond.; Organisational forms =org.-form; Country-of-origin =COO; Entrepreneurial Cognitions=Entrp.-Cogni.; Transnational communities= TC; Transnational social space= TS-space; Internationalisation= Intl.; Transnational regulatory organisations/standard= TRO-S; Institutional complementarity= IC; Organisational competences= org.-comp.; Organisational capabilities= Org.-capa.; Sustainability= Sust.; Strategies= Stra.; Social embeddedness= Soc.-embed.; Institutional legacies= Inst.-Legacy; Entrepreneurial orientations= Entrp-Orient.; African business systems= Afri.-BS; Structural adjustment= Struc.-Adj.; Fragmentation= Frag.; Multilateral institutions= Mult.Inst.; Civil society= CS; Chinese business system= Chi.-BS; Prior nature of culture= PNC; Rationale of culture= Ratio.-Cult., International firm= Intl.-firm

Stock of Contribution of BST Literature by Junctures:

In this section we synthesis the major contributions of the literature using business systems theory in terms of four junctures in the research trajectory (see, Fig. 10). We can understand what has been researched and found in each juncture, thus BST studies can advance the sub-field by taking into account the contributions and gaps while IB field can learn how this knowledge can help advance IB studies. The coded information of the papers from the systematic review is presented in appendix section in terms of ‘four junctures’ (See, Appendix, Table, 3, 4, 5, and 6).

Figure 10: Trajectory of BST Literature by Junctures



Juncture-I: Comparative Business Systems:

BST begins from a recognition that firms can be organized in a number of different ways in relation to the structure, management, ownership, work relations and use of skills and technology. Rather than seeing these differences as the outcome of management strategy per se or driven primarily by markets, BST argues that the institutions in a society make certain firm patterns more likely than others. The following figure denotes the major dimensions of the business system at the level of the firm and the societal level institutions which have a shaping effect (See, Figure 11). This analysis leads Whitley to create typologies of national business systems (see, Table 2).

This juncture presents the works on comparative business systems and varieties of capitalism, looking into how differences and unique features in background and proximate institutions develop different kinds of business systems in different countries (Whitley, 1992a&b). The major question the studies in this juncture focused on is ‘*how and why BS characteristics at organization, sectors and national level are developed, reproduced, and changed, and also vary within itself and between countries?*’ (See, Table: 3; Appendix). In the early stage of this theory implementation, studies not only focused on national level institutional structures that affect the ways firms organise, control, and coordinate economic activities, alliance integration/non-ownership coordination and organisational capability, but also the sectoral level institutional structures and the rationales that are established at the individual cognitive level and collective/ proximate institutional level (Whitley, 1999; Allen and Whitley 2012). The following figure provides the basic relationships, concepts and processes which are explored in the model:

Figure 11: BST Framework and Institutions

<u>Characteristics of Business System</u>	
1.	<p>Nature of the Firm (i.e. <i>nature of ownership and governance</i>)</p> <ul style="list-style-type: none"> • The degree to which private managerial hierarchies coordinate economic activities • The degree of managerial discretion from owners • Specialisation of managerial capabilities and activities within authority hierarchies • The degree to which growth is discontinuous and involves radical changes in skills and activities • The extent to which risks are managed through mutual dependence with business partners and employees
2.	<p>Market Organisation (i.e. <i>nature of networks and the relationships between the actors</i>)</p> <ul style="list-style-type: none"> • The extent of long-term co-operative relations between firms, within the firm, and between firms and sectors/industries • The significance of intermediaries in the coordination of market transactions • Stability, integration and scope of business groups • Dependence of co-operative relations on personal ties and trust
3.	<p>Authoritative Coordination and Control System Within the Firm (i.e. <i>internal dynamics of management</i>)</p> <ul style="list-style-type: none"> • Integration and interdependence of economic activities within the firm

- Impersonality of authority and subordination relationships
- Task, skill and role specialisation and individualisation
- Differentiation of authority roles and expertise
- Decentralisation of operational control and level of work group autonomy
- Distance and superiority of managers
- Extent of employer-employee commitment and organisation-based employment system

<u>Background Institutions (Informal)</u>	<u>Proximate Institutions (formal)</u>
1. Degree and basis of trust between non-kin	1. Business dependence on strong, cohesive state
2. Commitment and loyalty to collectivities beyond the family	2. State commitment to industrial development and risk sharing (government policy: trade and industry; technology)
3. Importance of individual identities, rights and commitments	3. Capital market or credit-based financial system
4. Depersonalisation and formalisation of authority relations	4. Education and training systems (human capital development)
5. Differentiation of authority roles	5. Strength of skill-based trade unions (labour systems)
6. Reciprocity, distance and scope of authority relations	6. Significance of publicly certified skills and professional expertise

Developed by authors based on Whitley (1992b)

It is assumed that the three components of the business system at the firm level are shaped by the two relevant types of institutions: ‘social background institutions’ and ‘proximate institutions’ (Fig. 3). The former refers to more cultural-cognitive institutions (e.g. trust, authority relation, reciprocity, distance etc.), defining social ‘rationales’ of organising and managing economic activities, while the latter indicates state and state-organised institutions (e.g. role of the state, financial system, labour system, education system etc.) that set the formal structures and logics of doing business in a particular national context.

Most studies focused on the Asian business systems and firm strategies’ (Whitley, 1992a, 2001a; 2013; Whitley et al. 2003; Grainger & Chattarjee, 2007; Redding and Witt, 2009; Tipton, 2009; Witt

and Redding, 2009, 2013; Zhang and Whitley, 2013, Redding, Bond, Witt, 2014; Morgan and Kubo, 2016; Whitley, 2016; Young, 2016), European business systems (Whitley, 1992b; Casper and Whitley, 2004; Edwards et al. 2006; Ercek, 2014) and the US capitalism and business systems (Almond & Ferner, 2006; Whitley 2009) and its comparison with various other countries, e.g. Japan, Germany, Hong Kong, Korea etc. (Witt and Redding, 2009, Witt and Jackson, 2016, Witt and Stahl, 2016). One edited volume dedicated to developing countries business systems and firm strategies postulates that institutional features most particularly the roles of government and the degree of trust in a society distinguish the types of business systems in most of the developing countries, which lead to the nature of fragmentation i.e. poorly coordinated business systems (Whitley 2001a). Pedersen and McCormic (1999) report that lack of coherence between domestic institutions, foreign donor/international developmental institutions, and the firms led to fragmentation of the African business systems, and this caused failure to structure adjustment programme by IMF in 90's (see also Wood & Frynas, 2006; Wood et al. 2011.). Comparative BS studies however begun to combine formal and informal institutional phenomena and structures at both national and international political economic levels, postulating that those institutions are becoming dominant and evolving different patterns of business systems in different countries, and in this case organisations are acting as the key mediating collectivities (Whitley 2003a). Studies on Europe begun to focus mostly on the institutions governing labour market practices & skills and increasing international operations (e.g. liberalisation of economy or continuing domestic recession) and concluded that these features lead to specific skills of MNCs, their competitiveness, coordination and control system, and thus the institutional structures not only affect BS but also the innovation and learning at organisations (Whitley, 2003b, Casper and Whitley, 2004). Unlike Whitley (1992a&b), Redding (2002) stressed on 'rationales' and presumed that culture acts as the prior nature and rationales, while government plays the mediating role that flows between culture and the formation of institutions, which eventually lead to varying nature of

business systems. Focusing on the history, culture, and societal emergence of institutions, Redding (2005) began to advocate for BS theory in international business in order to better understand the comparative natures of MNC structures and strategies with regard to ownership & governance, relationships and networks, and internal dynamics of management. Studies followed this trend and investigated how path dependency and institutional complementarity lead firms, particularly MNCs, to adopt new strategies in order to adapt to institutional complementarity and gain organisational competency, and this eventually leads to change inside the national business systems (Whitley, 2005; Deeg, 2005; Morgan, 2007; Redding and Witt, 2009; Admadjian, 2014;). Studies on comparative dimension and MNC strategies further contribute to four dimensions: *first*, studies looked into the nature of institutional structures and their evolution, and tried to predict how the characteristics' of future business system will resemble compared to other business systems in different countries (Grainger and Chattarjee, 2007; Whitley, 2009; Redding and Witt, 2009; Whitley, 2014). *Second*, studies summarised that informality & multiplicity in institutions, social capital & the role of civil society (Witt and Redding, 2013), historically rooted culture, state capacity and state direction (Tipton, 2009; Carney and Witt, 2014; Redding, Bond, Witt, 2014), and strong 'developmental state' varied in terms of relationships between political elites, senior civil servants and major economic interest groups (Whitley 2013) affect the way investment and strategic choices in different technologies, industries and markets are made and the degree to which firms develop dynamic capacity and control of subsidiaries in international operations (Admadjian, 2014). *Third*, studies reveal that the way institutions shape business systems, the same approach can be used to understand how changing environment of research and management studies in many countries influence research goals and styles (Whitley 2006b). Institutional arrangement underpinning the nature of authority relation and coordination at the firm shape the way knowledge is created in organisation, and in this regard Whitley (2008) finds three conditions in institutions- contextual independence, stability of

internal causal process, and similarity of circumstances that underpin eight different types of knowledge creation firms. *Fourth*, studies begun to emphasis cultural cognitive institution at the individual level, most particularly the ‘meaning’ and the ‘rationales’ (i.e. thinking and logics) of cultures (Witt and Reading, 2009), legal and financial systems (Lim et al. 2010; Young, 2016), inter-personal, institutional, and interaction-based trust (Bachmann and Inkpen, 2011) and conclude that they shape the way managers think and decide on the image of the institution, venture creation, operation and strategy. Several studies in this dimension began to focus on researching management innovation and management patterns (Ercek, 2014), detail of this dimension will be discussed in the next juncture.

This approach has generated a variety of typologies of national business systems, e.g. a study by Redding and Witt (2013) found thirteen different types of capitalism. Whitley has tended to be more limited in his typology but nevertheless emphasizing that even in an era of globalization and multinationals there remain significant institutional path dependencies within national systems that shape firms and their business models. Over the years, the nomenclature he uses has varied somewhat depending on the particular issue and particular countries under consideration. The following table which draws on a number of papers from Whitley et al. summarises some of the linkages between business system characteristics, institutional contexts and firm level business models and strategies. Reference is made to actual country examples but this should be interpreted not as saying that these countries exactly exemplify a particular business system but rather that they can be usefully examined and explained by considering a particular business system model to identify correspondences and differences.

Table 2: Business systems and their impact on Firms

Type of business system	Incoherent and fragmented	State dominated	Market oriented	Cooperative corporatism	Collaborative and inclusive corporatism	Collaborative networks
Example	Greece	South Korea/France	USA/UK	Japan	Germany	Denmark
State organization of the economy	Weak and ineffective	Relatively strong and effective	Arm's length and regulatory	Modest and selective	Limited direct intervention supportive of corporatist regulatory state	State supportive of collaborative social institutions for facilitating growth, especially training in skills
Business coordination of economic action	Weak and poorly coordinated	Relatively robust	Limited	Strong and highly institutionalized amongst large businesses	High – collaboration in formal corporatist arrangements linking large firms and SMEs and labour	Collaboration amongst social partners at local level
Extent of commitment, delegation and inter-dependence	Low commitment and limited interdependence	Limited employer commitment; highly disciplined and controlled workforce	Some delegation but limited employer commitment	Mutually committed and cooperative, particularly in large firms with long-term employment	High - based on high skills and involvement of trade unions and employees	High levels of training and skills coupled with high mobility between firms and jobs
Associated institutional contexts						
Financial systems	Bank based and weakly developed capital markets	State banks providing cheap capital to favoured firms with strong political connections	Developed and differentiated capital markets for different risk profiles	Bank-based combined with capital markets with passive investors	Segmented banking sector; local mutual banks supporting SMEs; large firms using capital markets	
Institutionalized procedures and trust	Low	Low	Limited – reliance on contract and law	Considerable	High	Combination of trust and strong monitoring/sanctioning of opportunism
State structures	Patrimonial: low organizational centralization and coherence; low state support of intermediary associations	Centralized under control of elite and big business with little involvement of labour or public scrutiny	Regulatory state based on maintaining conditions for market competition and guarding against market inefficiencies	Business corporatist: high state support of business associations: some state protection for home industry and constraints on open markets	State supportive of social partners approach – capital, labour and the state in collaboration	State supportive of social partners collaboration in improvements and innovation but not protective of specific jobs/industries
Consequences for firms						

Necessity for sector specialization	Low -	High – export oriented industrialization	Low – diversity of business models	High	High	High
Innovation strategies	Limited	Mass production of standardized goods to create cost efficiencies. Limited home driven innovation – technology imitated or licensed	Market oriented - model works across multiple sectors which are undergoing rapid change in form and function or emerging for the first time but weaker in established product markets	Incremental Cooperative strategies – employees, firms, networks and state – cost efficiency focused	Incremental Cooperative – improved technology	Incremental cooperative in medium scale industries where incorporating new innovations/designs into existing product markets is key
Dominant successful business model	Extracting rents by monopoly power granted by political allies	Fordist Mass production	Discontinuous innovation driven by capital markets, flexible labour markets and changing knowledge/science base	Mass production of differentiated good	Diversity quality production	Flexible customized production

Source: Developed by the authors from Whitley 2002: 2007; 2010a; 2010b.

This table 2 which could be extended somewhat emphasizes that although different forms of capitalism and business systems are found, there is no one optimal model of capitalism; they are based on different social relationships and path dependencies, generate different types of firms and outcomes and are constantly evolving, although their evolution is generally incremental and path dependent and only occasionally, under conditions of extreme crisis, punctuated and sudden (Judge et al. 2014). These in-depth studies of institutional contexts do not claim to be comprehensive and yet they offer a very important resource for IB scholars who wish to go beyond one-dimensional characterisations of societies, e.g. in cultural differences scales (such as those developed by Hofstede) or institutional distance measures. Whilst it may be difficult to handle large numbers of comparisons by drawing on the holistic approach characteristic of the BST approach, and this inhibits the development of statistical models of causality and association which are so dominant in IB, BST seeks to avoid becoming simply the idiographic study of particular societies by developing a set of common concepts and the overall notion that there are only a limited number of ways in which

institutions and firm strategies can cohere to make for economic growth. IB research would therefore be much strengthened by drawing on this comparative literature in which organisational studies meet various institutional contexts (Hotho and Saka-Helmhout, 2016).

Juncture- II: Internationalisation and MNC Management

This juncture combines two major dimensions of IB– internationalization /globalization and the management of multinationals, and has received the highest number of publications. The broad question this juncture covers is: *how and why institutions shape the ways firms (MNCs) internationalise, manage and coordinate their economic activities across national boundaries?*

Related to this is the question of how MNCs seek to reshape institutions in home and host contexts to fit their requirements more closely, (*See, Table: 4 in Appendix*). Studies with a BST perspective focus on internationalisation from the point of view how an MNC’s location in multiple institutional environments creates a more complex set of relationships within the firm than if there is just a single institutional context (See, Young, 2000; Kristensen & Morgan, 2007; Morgan, 2009; Ahmadjian, 2016). Does the firm impose its home based practices in the new context even if they do not ‘fit’ the local institutions – a variant of a global strategy based on economizing on practices and processes by imposing common standards? Does the firm adapt to the local institutional context – creating a form of federal organizational structure with multiple different practices and processes? Does the firm try to influence the local institutional context and change it so that it fits more to its ‘home’ based practices? Answering such questions, of course, can draw on IB studies of the strategies which firms are pursuing in relation to particular contexts – market access, access to valuable resources, access to knowledge clusters – as well as on research into modes of entry into different contexts. In contrast to most IB analysis, however, the BST approach insists that in order to understand how MNCs internationalize and organize across different contexts, it is crucial to forefront firstly their home institutional base and how this has shaped key aspects of their practice (see, Ferner and Tempe, 2006;

Clark and Almond, 2006; secondly the host institutional base and the challenges it sets up to the MNCs' accepted business practices and processes (and the responses of the MNC and the subsidiary to these challenges) (see, Andrews, Htun, and Nimanandh, 2016), and thirdly what sort of collective transnational organizational space has been created by these processes and adaptations (e.g. Morgan et al. 2003; Morgan, 2009). Having a strong model of different institutional systems as described in Juncture I is therefore an essential first step in understanding internationalisation, defining the 'context' from a broader perspective that is usually taken in IB and including the influence of history, culture, institutions, and the role of civil society (see, Redding, 2005; Morgan, 2012). This also facilitates understanding the degree to which the MNC itself changes as a result of these challenges as well as enabling analysis of how host institutional environments are changed by the presence of particular MNCs (for a range of specific studies on this phenomenon, (see Whitley, 1998, 2012; Ferner and Quintanilla, 1998; Yeung, 2000; Taino et al. 2001; Morgan et al. 2003; Hassel et al. 2003; Lamberg and Laurila, 2005; Kristensen and Zeitlin 2001; Kristensen & Morgan, 2007; Kristensen & Zeitlin, 2005 ; Jong et al. 2010; Giroud, 2014; Ahmadjian, 2016).

Our literature search also revealed a range of studies that showed how various aspects of firms changed as a result of internationalisation and adapting to new institutional environments e.g. ownership relation, non-ownership coordination (Whitley, 1998), cross-border authority integration of economic activities (Whitley, 2012), work system, incentive structure, employment practices (Taino et al. 2001), competitive condition and dominant forms and firms of BS (Lamberg and Laurila, 2005), corporate social responsibility (Ali and Batra, 2008; Tengblad and Ohlsson, 2010; Ni, et al. 2015), corporate social performance (Ioannou and Serafeim, 2012), social-responsibility orientation (Witt and Stahl, 2016) and managers perception (Sørensen and Kuada, 2001; Morgan et al. 2003). Other studies have focused on how these characteristics in turn will change the national institutions (Schaumburg-Muller, 2001; Morgan and Quack, 2005) and co-evolve international institutions/

standards (Sluyterman and Wubs, 2010) and distinctive organisational form and corporate governance (Lamberg and Laurila, 2005; Ferner and Tempe, 2006; Stavrou et al. 2010; Giroud 2014). Most studies looked into internationalisation as a phenomenon influencing firm level, business system level (collective practices in an industry & sector) and national level characteristics' but studies found that the nature of internationalisation of firms was shaped by the changes in all these three levels. Thus, it is suggested that studies on internationalisation need to take into account the variety of ways in which MNCs engage in 'rule following' or 'rule affecting' or at the most dramatic, 'rule changing', thereby engaging with the institutional environment not just for their own benefit but also in ways which affect the strategies and competencies of local firms (Whitley and Morgan, 2012). This type of analysis therefore opens up the possibility for the BST approach to explore issues of emerging markets where the nature of institutions may differ due to the influence of colonialism and imperialism, the lack of a long-term and stable system of law and property rights, the absence of aspects of democracy and rational-legal bureaucracy etc. and the existence of what has been termed 'institutional voids', making the role of MNCs as institution-makers and 'political actors' (Scherer & Palazzo, 2011; Scherer, Palazzo, & Matten, 2014)) highly significant across a range of social practices, e.g. education, anti-corruption, human rights etc. in volatile and risky political environments (Whitley and Morgan, 2012).

Studies using the BST approach to focus specifically on the challenges to MNC management in cross-border contexts reveal three important areas of contribution. *First*, studies have contributed significantly to international human resource management (IHRM), postulating that institutional features and legacies affect the way human resource management is conducted across borders (Ferner and Quintanilla, 1998; Whitley and Czaban, 1998; Whitley, 2012; Allen, 2014). Studies suggest that subsidiaries are in a tension of decision making where they need to trade-off between local context and global pressure (Geppert, 2003, Edwards and Kuruvilla, 2005), and thus subsidiaries may

innovate HRM practices and processes by mixing HQ and local models that fit with the organisation and national context (Sayim, 2010). Therefore, this finding questions the use of standardised HRM policies and practices within internationally operating companies (Stavrou et al. 2010). As Almond and Ferner (2006) in their studies of US MNCs in Europe find, various elements of HRM policy may be transferred and adapted in different ways depending on the receiving context.

Second, it is not the case always that HQ pushes and transfers HRM practices and policies to subsidiaries; reverse diffusion from subsidiary to HQ also takes place in MNCs (Edwards and Ferner, 2004; Edwards et al. 2005). Reverse diffusion may be an explicit strategy of the MNC in recognition of its need to learn new practices from contexts which have different strengths or it may emerge informally as managers circulate between headquarters and subsidiaries bringing with them new ideas.

Third, studies further reveal that it is not only the context that shapes MNC characteristics' and management; MNCs— individually or collectively— also change the institutions (Morgan and Quack, 2005; Morgan, 2009)), and thus studies emphasise MNC's 'institutional entrepreneurship' dimension that can facilitate the transfer of management practices beyond national borders by building institutions in the local context that fit those models (DeKocker et al. 2012). For example, in the Chinese context, German auto MNCs have sought to create at the local level links with schools that can provide high quality graduates which can then join apprenticeship schemes with the companies in order to ensure that the German reputation for high quality workmanship is sustained even in a very different institutional environment (Jurgens & Krzywdzinski, 2016)).

Building institutions is not just about activity at local or national level; it can also occur at the transnational level as a way of reducing volatility and risk arising from different national regimes. Some BST studies have therefore begun to look at how transnational institutions and regulations have

been built by MNCs (together with a range of other actors including governments, international organizations and global social movements), ranging from the creation of transnational standards and certificates e.g. the Forest Stewardship Council to reduce trade in illegally logged timber through to corporate codes of conduct for the treatment of labour. Whilst there is debate about the degree to which there are governance and implementation gaps in the actual conduct of such transnational regulations, the inclusion of MNCs within the decision-making frameworks is generally recognised as essential to any success they might have in reforming local institutions. For example, MNCs have signed up to the UN Global Compact. Thus in this case again, the BST approach to ‘context’ can be useful in order to explain MNCs strategies and structures more elaborately (Morgan 2001b, 2009; Jackson and Deeg, 2008; Rana, 2015).

In summary, Juncture II reveals the contribution which BST makes to IB’s interest in understanding how, when and why firms internationalise and how this process relates to accepting, adapting or changing institutions in local, national and transnational contexts in order to reduce risk and volatility.

Juncture III: Organisational Capabilities and Innovation

‘How and why firm capabilities/ competences are shaped by the institutional structures and business systems that lead firms to develop different types of innovation styles and strategies and what role does internationalization play in this?’ (See, Table: 5 in Appendix) is the main question addressed in this juncture. As discussed in the section on Juncture I, Whitley (2003b) argues that the development of competitive competences in firms involves a variety of factors. One set of competences relates to the ability to bring together resources quickly to respond to short-term business opportunities; in institutional terms this means highly flexible, low skilled labour force, flexible capital markets and product markets with low barriers to entry. A crucial variation on this is the larger scale ability to bring together financial risk, capital and highly skilled knowledge workers within an organizational

framework that allows them to work on highly risky projects. Many such projects, e.g. in Silicon Valley, may fail but if projects succeed, large rewards may be earned as flexible capital markets make IPOs and employee share options highly profitable. These models of innovation differ from contexts where the goal is to create the commitment of core employees with high levels of technical skill (which may be firm specific – as in the Japanese case – or occupation specific as in the German case) to collective problem solving and the development of firm specific capabilities. Institutions, e.g. in terms of training, labour market regulation, trade union participation etc. support this commitment which is often reinforced through various forms of authority sharing and managerial delegation inside the workplace as well as through reward systems which incentivise long-term careers inside the firm (Whitley, 2007). So, variations in institutional frameworks that underpin the authoritative coordination of economic activities in BS allow firms to develop distinctive kinds of capabilities, innovation competencies and strategies and this influences how they compete in different sectors and technologies (Whitley, 2000, 2002, 2003a; Hancke, 2002; Casper and Whitley, 2004; Whittaker, Sturgeon, and Song, 2016; Carney, 2016)). Whitley defines organisational capability in line with (Marengo, Dosi, Legrenzi, & Pasquali, 2000 and Teece et al., (2000) building on the concept of organisational nature of competitive advantages (Penrose, 1959) and the critical role of managerial routines in transforming human and material resources into productive resources (Foss and Knudsen, 1996; Lazonick and West, 1998; Teece and Pisano, 1994).

‘By coordinating and directing particular inputs systematically through firm-specific rules and procedures, managers generate idiosyncratic organisational capabilities that provide unique competitive advantages. Such capabilities vary in their flexibility and adaptability from those largely concerned with coordination and control of business activities, through the ability to improve products and processes incrementally by individual and collective learning to those more ‘reconfigurational’ ones that enable firms to transform their competences and knowledge quite

radically' Whitley (2007:147-148). Central to the development of distinctive organisational capabilities is the willingness of employees to commit themselves to joint problem solving and the improvement of employer-specific knowledge and skills, and thus in the case of multinational management this is even more complex because the coordination of authority sharing involves different institutional frameworks and natures of business systems that impinge this mechanism and output. Whitley (2007, 2003b) links three types of capabilities, as Teece et al. 2000 proposed, with authority sharing that lead to collective organisational capability, which eventually determines the innovation styles and strategies at firms:

First, coordinating capabilities involve the development of integrative routines that gather and process information about internal and external processes, connect customer experiences with engineering design choices, and link production facilities with suppliers. These are the keys to realizing economies of scale and scope through managerial hierarchies. *Second*, organisational learning capabilities involve joint problem solving and improvement of production and related processes, both through continuing work experience and the execution of specific projects as well as continually developing the firms understanding of business partners and other external agents. Firms with strong learning skills rapidly codify, diffuse, and apply throughout the organisation new knowledge that is developed by individuals and groups, so that routines and procedures are continuously being updated in a process of cumulative improvement. The best example of this is found in Japanese large MNCs, e.g. Toyota. *Third*, reconfigurational capabilities involve the transformation of organisational resources and skills to deal with rapidly changing technologies and markets. They enable companies to restructure their operations and routines quite radically as knowledge changes, often by acquiring new skills and competences through hiring on external labour markets or buying newly formed firms, as seen in case of Cisco. Such transformations can destroy existing routines and competences; as noticed in macular biology revolution.

Therefore, BS literature postulates that key institutional features and arrangement and the key characteristics' of firms as specified in BS shape 'organisational capabilities' and 'innovation systems' in MNCs, and they tend to vary in terms of variations in cross-national authority sharing, organisational careers, competitive competences and the absorptive capacities of the organisation (Whitley 2000, 2007). Innovation patterns in MNCs here are seen as the products of firm behaviours that in turn reflect their organisational capabilities and strategic priorities, as determined by their governance structures, and these latter characteristics' of firms vary between systems of economic coordination and control or business systems and their institutional contexts, as specified earlier (Whitley 2002; 2006a, 2010a, Allen and Whitley, 2012).

Besides emphasizing the characteristics of particular national contexts, BST has also explored how internationalisation relates to innovation. Whilst there is evidence that most MNCs tend to do their highest level of R+D in their home base where they have created effective relationships with appropriate institutions of science, technology, finance and labour markets, there is nevertheless a growing spread of forms of R+D across different countries within the multinationals' networks. This in part marks the recognition that forms of expertise are clustered not necessarily within firms per se but within networks of firms and institutions that are geographically and socially embedded in particular locations. Therefore, accessing these forms of expertise requires an element of co-presence which is sufficiently networked into these locations that it has the absorptive capacity to access people and knowledge. BST's theory of institutions and innovation therefore provides a framework for analysing this process. Furthermore and linked to IB theories of internal competition within the MNC where subsidiaries compete for capital or to become recognised centres of excellence or even for mandates to be the primary provider of certain forms of knowledge (see e.g. Birkinshaw, 2000). BST has considered how and why particular social actors within the MNC derive from their institutional context the capability to engage successfully in these competitions. In their study of a large MNC,

Kristensen and Zeitlin (2001: 2005) show how the Danish subsidiary, even though it had only recently been taken over and brought into the MNC, was rapidly able to gain a pre-eminent position as a centre of excellence in a particular form of manufacturing. The reasons for this lay in the long term institutional development in the Danish context of a skilled labour force with a high commitment to improvement, innovation and quality. By contrast, plants in the UK and the US found themselves declining in importance as the Danish site grew in reputation and began to be called on by senior managers to travel to other subsidiaries and advice on developments there. BST explains these capabilities in terms of the institutions in the local setting and how these facilitate the development of certain forms of actors. In their study of Nordic capitalism using the BST approach, Kristensen & Lilja, (2011) looked at how local actors responded to the decisions of MNCs and how in some circumstances, local employees in collaboration with local institutions were able to devise new products and processes that they were able to 'sell' to MNC head offices to resist loss of jobs. Even where MNC head offices rejected these plans, the local actors in some cases were powerful enough to negotiate new solutions; in Kristensen and Zeitlin's study, the senior managers and shop stewards had seen that they needed the protection of an MNC to survive and went looking for the MNC which most fitted their vision of the future. They effectively sold themselves to the preferred owner but this was only successful because the owner saw that the skills and knowledge of the Danish plant could also contribute to the upgrading of the MNCs' other sites as well as being valuable in terms of its own production.

In conclusion, BST analysis has a lot to contribute to IB in terms of understanding how innovation occurs in particular settings (e.g. Liu and Tylecote, 2016). It can also contribute to the debate on how MNCs can learn from different locations and use this in terms of developing new expertise. Finally, it can contribute to the debate within IB about competition in the internal market of the MNC as different sites look to win mandates, charters etc. to establish themselves as sites for further capital

investment or for designation as R+D centres of excellence. BST relates these processes to the institutional context of the subsidiaries and in particular how this gives rise to social actors within the local context building networks into local institutions and becoming active participants in reshaping the strategy and structure of the MNC.

Juncture- IV: Transnational Communities (TC)

BST has been primarily concerned with national institutional contexts and their effects on firms. However, as discussed in Juncture II, there is increasing recognition that the last two decades has seen the building of transnational institutions, i.e. the development of norms and rules that have broad relevance for firms from different national contexts. Whitley describes this as a ‘thin’ institutional space, compared to the forms of institutions developed over decades and linked together within national business systems (Whitley 1998; 2012). However as already discussed, one can observe the growing importance of a wide variety of transnational institutions ranging from those which are more embedded in international cooperation and treaties between states such as the WTO and the EU, through sectorally specific transnational systems, e.g. in relation to rules on banking as developed in the Basel accord and the common standards of telecommunication businesses as developed by international telecommunication union to more issue based forms of transnational governance, e.g. in relation to Fair Trade, Fair Labour Practices etc.. These transnational systems may often rely on informal sanctions and private agreements, so-called soft law mechanisms, but often govern firm operations through industry regulators of the respective countries. Drawing on (Faist, 2000) (Vertovec, 2009) that focus on migration and ethnic studies and develop the concept of ‘transnational communities’ (TC), BST emphasizes that this is resulting in the development of various forms of transnational social space in which rules, norms, standards, and cognitive frames are constructed by actors from across different national contexts. These rules influence the organization of economic

activities by firms and the states at the national level by reshaping institutions in what Djelic and Quack (2005) describe as a ‘trickle-down effect’ (Morgan, 2001a,b,c; Djelic and Bensedrine, 2001), i.e. the transnational standards are taken into the national context and reshape institutions there though as Halliday and Carruthers note this is never a straightforward replication but rather a negotiation between the local and the transnational (Halliday & Carruthers, 2009). Djelic and Quack also describe a ‘trickle-up’ effect whereby certain firms and states try to shape the transnational level in ways which reproduce key elements of their own local institutions. In line with them, Clark and Geppert (2006) argue that institutional change in post-socialist settings allowed transnational institution building through political processes that involve significant power holders- notably those representing the western ‘source’ MNCs and the local ‘recipients’ enterprises. This transnational institutional building thus brings new structures and practices, which in turn reflects the process of knowledge acquisition and learning that change the nature of existing management and organization.

The main question this juncture addresses is *‘how and why transnational communities, creating a transnational social space, affect the regulatory standards, MNC strategies, and BS characteristics* (See, Table: 6 in Appendix)?

Although a few papers have appeared in this juncture, TC is increasingly becoming an important dimension to understand the impact of transnational institutions and actors (e.g. multilateral institutions, global standard agencies, transnational diaspora and MNCs) on international business operation and management (Morgan, 2001c; Rana 2015; Seabrooke & Tsingou, 2015; Rana and Maria, 2016). ‘Transnational space’ refers to an arena of social action distinct from that of the ‘national’ context. This is an arena of social interaction where the main nodes of connection between groups cross national boundaries; it is also a space which is not controlled by powerful national actors, either states or firms, though they may play a dominant role. ‘Transnational social space’ implies a

more open-ended set of cross-border connections between multiple nodes in which the forms of interaction become more than simply the sum of interactions between different ‘national’ units, constituting a social space of its own. In this respect, transnational social space constitutes an arena in which new social actors may emerge (Morgan, 2001a). There are two major components or areas emerging from globalisation effect constitute transnational communities that eventually influence the national business system characteristics’ (Morgan, 2001a).

The *first* area is related to the coordination of international economic activities within firms, for example, transnational firms and their global network between subsidiaries and headquarters, between or among subsidiaries and within the global value chain of the subsidiary. TC emerges within this network and that affect the ways local firms organize economic activities and the institutional conditions (see, Morgan 2001b; Geppert et al., 2003; Whitley, 2010a; Clark & Geppert, 2006; 2011). This feeds in to traditional IB concerns with the nature of the multinational firm but it presents a more complex account of the firm by asking how different groups within the MNC exercise power and influence and under what terms. For example, in their study of international management consultancies, Boussebaa et al (2012) question the rhetoric that the firm itself espouses of being global and being able to provide any client anywhere with the best resources and best knowledge available to solve their problem. Instead they show how certain offices within the MNC are highly powerful and receive the highest rewards; consultants in these offices stay mainly within their national contexts as it is too expensive to offer them to clients in some other parts of the world, though some ‘unwanted’ consultants can be shifted around. This idea of the transnational social space also points to the importance of understanding the legal structure of the firm – its subsidiaries and its joint ventures etc. – alongside the real distribution of assets, employees and sales. Another type could be that how group of MNCs develop transnational institutions with a view to ensure sustainable management and value creation; e.g. ‘Accord’ and ‘Alliance’- the two collective networks of European and US apparel

MNCs develop rules, standards, and cognitive frames on hygiene, safety, and work condition in Bangladeshi apparel industry due to the weak institutional condition.

The work of Alan Rugman in IB was also very much directed to undermining the notion of the global firm and identifying its regional nature. By drawing on the theory of transnational space and communities from BST this can be developed further.

The *second* area concerns the development of management, knowledge and education and the creation of shared cognitive and normative frames of reference that is learnt in business schools/educations and reinforced through diaspora communities who live dual lives, practices of business, media, global NGOs, and international professional service organisations (consulting firms), for example, the sphere of ideas, knowledge and certification in ‘ideological’ transnational communities (see, Boussebaa et al. 2012; Seabrooke 2015; Rana, 2014). These transnational actors that create cognitive and normative frames are not confined in any national context rather transnational space, and eventually affect the national business systems (Riddle and Brinkerhoff, 2011, Whitley and Morgan, 2012) and internationalisation of companies (Rana and Maria, 2016).

Conclusion

Our analysis of the four junctures have presented a thick description of what BST stream has contributed and how that knowledge can complement IB studies in terms of using and exploring the framework, conceptualization, spaces, actors and phenomena. Since IB became a multi & cross-disciplinary forum that began to emphasize phenomena-based studies (Doh, 2015), contextualizing (Michailova, 2011) and deeper understanding of the complexity and theorization (Doz, 2011), phenomena and actors in different spaces covered in BST research would therefore be interesting and useful to IB studies. In the following matrix, Figure 12, we summarize our contribution in the paper.

We have put the juncture-themes in the matrix that cover different phenomena and actors in terms of two space-dimensions i.e. national and transnational. In quadrant A, ‘comparative business systems’ research tends to make comparative analysis of how business and management (i.e. value added activities) in different institutional systems are operated and managed. Studies in this area tend to focus on national firms’ behavior and the national contexts and their comparison, and thus making an account of differences and the reasons.

Figure 12: Space dimensions Vs Themes / Phenomena in BST Stream

High	A Comparative Business Systems	B Internationalisation & MNC Management
National Dimension	C Organisational Capabilities and Innovation	D Transnational Communities & BS
Low	Low	High
	International / Transnational Dimension	

So, this can serve as the basis of studying firms behavior in cross-national institutional contexts that IB is interested in. On the contrary, Quadrant B i.e. studies on ‘internationalization and MNC management’ is converging to the IB studies, focusing more on the multinationals behavior, structure, governance, human resources, sustainability and strategic decision making. Yet ‘organizational capabilities and innovation’ research (Quadrant C) tends to focus on firm capabilities & competences, investigating the nationally embedded MNCs in most of the cases. Thus, IB studies can use those findings and conceptualizations to understand the cross-national dynamics of the firms. Whitley’s (2003, 2007) conceptualization of institutional origin of organizational capabilities can serve the recent interest of IB scholars in institutionalism and firm capabilities (see, Dunning, and Lundan,

2008a & 2010). In quadrant D, the ‘transnational communities’ present new phenomena and actors, e.g. transnational civil society- diaspora- MNCs- institutions, that are international and working in transnational social space. Thus, TC framework can surely contribute to IB to capture transnational dynamics and phenomena, which IB scholars have just began to explore.

While IB is increasingly broadening its scope and calling for capturing complexity and depth of the phenomenon emerging from globalization (see, Doz, 2011) different epistemological perspective e.g. social constructionism and social embeddedness would add value to IB researches than what it typically follows e.g. positivistic perspective. Instead of focusing on MNC only as the basic unit of analysis, IB studies can also focus on the interactions between firms (i.e. MNCs and SMEs), the institutional, industry, and civil society actors as well as the emergent social phenomena that BST focuses. Recently, IB scholars although began to embrace institutionalism in their studies (e.g. Dunning and Lundan, 2008a; Peng, et al. 2008; Cantwell, Dunning, Lundan, 2010; Estrin, et al. 2016), but it requires to broaden the notion of institution from merely transaction cost perspective to boarder conceptualization of social construction of institutions that appear to be both enabling and constraining to firm capability, strategy and structure, as advocated in BST. The changing nature of globalization, migration, and technology is making the social phenomena more complex and multiple-factor & context dependent, thus IB stream has much to borrow from BST, whilst BST stream also requires to pay attention to some of its under-focused thematic junctures e.g. ‘organizational capabilities and innovation’ and ‘transnational communities & BS’ as to how it can encourage more and more comparative and cross-national studies in these areas. This review would, hopefully, encourage scholars in both the streams to cross-fertilize their conceptualizations and perspectives in order to advance comparative and international business/ management studies, as has been recently called for in a special issue of Journal of International Business Studies (e.g. Cheng et al. 2014).

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Appendix:

Table 3: ‘Antecedents-phenomenon-consequences’ revealed in the articles focusing on understanding and comparing the variations in business system characteristics: *Juncture-I*

Year	Author	Antecedens	Phenomenon	Consequences
1992b	Whitley	background and proximate institutions, different types of firms, groups of firms, and associations	business systems in European and sectorial	shape firm structures and strategies-ownership & governance, relationships & networks, internal dynamics of management
1999	Whitley	Institutional structures and rationales: both sectorial and national	Coordination and control system: national business system	ownership coordination of economic activities, alliance integration/non-ownership coordination, governance structure, and organisational capability
1999	Pedersen & McCormic	lack of coherence between institutions, foreign donors' activities and the firms	Fragmentation of the African Business Systems	led structural adjustment programmes by IMF that failed
2001a	Whitley	Institutional features- mostly the role of the government and the degree of trust in a society	business systems of developing countries in Asia and Africa	distinguish the types of business systems in developing countries, and leads to the nature of fragmentation
2001b	Whitley	characteristics of environment: (particularistic, collaborative, arm's length) and domestic business systems	Varying organisational complexity of MNCs	leads to organisational change and the pattern of internationalisation
2002	Redding	culture- as prior nature and rationales, mediating role of government that flows between culture and the formation of institution	rationale of the culture and the business systems	leads to varying nature of business systems
2003a	Whitley	Institutional structures: formal and informal/ national and international political-economic institutions	economic organisation of firms and change	evolve different patterns of business systems: organisations are the key mediating collectivities
2003	Whitley et al.	labour market practices, increasing international operations, continuing domestic recession, liberalization of economy	Japanese foreign subsidiaries as a source of innovation and learning	lead to specific skills of MNCs, competitiveness, coordination and control system of subsidiaries
2004	Casper & Whitley	Institutional frameworks, particularly those governing skill formation systems and labour markets influence	Comparative analysis of managing competences in entrepreneurial technology firms in Germany, Sweden, & UK	the relative success of firms in fields with different appropriability and competence destruction risks; they are likely to vary between the three countries with contrasting patterns of labour market organisation & skill formation systems
2005	Whitley	The more states organise and homogenise economic actors, the rules of governing their interaction and the organisation,	states and complementary institutions reshape national business system	the more we would expect them to develop nationally distinctive business systems.
2005	Deeg	Path dependency, institutional complementarity	nature of institutional features	lead firms to adopt new strategies to adapt to institutional complementarity and gain organisational competency, which eventually change the national business system
2005	Redding	History, culture, and societal emergence of institutions	Advocate for BS theory for the study of MNC management in IB	shape MNCs structures and strategies-ownership & governance, relationships & networks', and management
2006b	Whitley	social processes construct and reproduce variety in science and economic organisation	Understanding Differences: Social Processes that Construct and Reproduce Variety in Science and Economic Organization	The way institutions shape business system, the same approach can be used to understand how changing environment of research and management studies in many countries influence research goals and styles.

2006	Edwards, Gunnigle, Quintanilla, Wächter	Although national institutions contexts considerably vary	the distinctive features of the BS in UK, Germany, Ireland, and Spain	each of the countries (i.e. subsidiaries) is likely to be 'receptive' to the adoption of American-style employment practices by MNE HQ.
2006	Wood and Frynas	SBS are characterized by rigid internal divisions between different areas of economic activity.	the institutional basis of economic failure lead to segmented business systems (SBS)	this accounts for their weak track record; this is mitigated— but, in some cases, exacerbated through informal networks of support.
2007	Grainger & Chattarjee	Understanding institutions and BS characteristics' help future investors	Comparison between Indian and Chinese Business systems	Help future investors to formulate strategies
2008	Whitley	Institutional arrangement that underpin the nature of authority relation and coordination at the firms shape the way knowledge is created	Varieties of Knowledge and Their Use in Business and Management Studies	Three conditions in institutions- contextual independence, stability of internal causal process, and similarity of circumstances, underpin eight different types of knowledge creation in firms.
2009	Whitley	Collapse of the U.S. financial system and the current recession	U.S. Capitalism: A Tarnished Model?	Influence of market fundamentalism e.g. US model in many countries will diminish, while state steering of economic development, regulation of markets, and support for particular firms will be widely viewed as legitimate and desirable.
2009	Redding & Witt	Differences in Chinese institutions and business systems	evolution of Chinese business system in future and the changes	lead to the future form of capitalism of China, which could be closest equivalent to the present South Korean BS after 10-20 years
2009	Tipton	Historically rooted culture of the south-east Asian nations, state capacity and state direction	South-east Asia lacks entrepreneurial skills and values	affect the degree to which firms develop dynamic capacity and control of subsidiaries of internationalising firms
2009	Witt & Redding	Linkage between national cultures and institutional structures of national business systems	'thinking', or "rationale", of senior executives of leading German and Japanese firms about the ideal institutions that influence MNCs	There is considerable variation in rationale across the two countries and in comparison with the shape of the business system of the USA. It has implications for the understanding of the meaning of economic activity in different countries and of the evolutionary trajectories of BS.
2010	Lim et al.	Institutional elements: legal and financial systems	venture creation decision, and entrepreneurial experts act as mediator	affect venture arrangements (VA) and willingness features; while VA in turn impacts on individual venture creation decision
2011	Bachmann & Inkpen	Trust plays different roles because of the variations in institutions	development of relationships: face-to-face, institutional-based, and interaction-based relationships	Development of relationships affects trust building process and the cognitive aspects of the trustors (perception, decision making and faith).
2011	Wood et al.	Institutions and business systems	Distinctive Vs homogenization of HRM practices- path dependence	Results indicate diversity of HRM practices between companies, suggesting a segmented business systems.
2013	Witt & Redding	Informality and multiplicity in institutions, social capital and the role of civil society	comparison among 13 major Asian business systems: China, Hong Kong, India, Indonesia, Japan, Laos, Malaysia, the Philippines, Singapore, Korea, Taiwan, Thailand, Vietnam	affect Asian BS. With the exception of Japan, Asian forms of capitalism are fundamentally distinct from Western types of capitalism. So, VOC dichotomy does not apply to understand Asian business systems
2013	Whitley	Strong 'developmental state', although varied in terms of relationships between political elites, senior civil servants, and major economic interest groups between Asian countries, has	Change and continuity in east Asian BSs	coordinated and often directed investments and strategic choices in different technologies, industries, and markets. This brought changes in institutions in South Korea, Taiwan and Japan reshaped business systems
2013	Zhang and Whitley	Dominant institutions of economic governance vary considerably between countries in both Northeast and Southeast Asia	Changing macro-structural varieties of East Asian capitalism	generating four nationally distinct varieties of political-economic organization in terms of varying state direction of the economy and degree of business co- ordination of economic

				activities: co-governed, state-led, networked and personalized.
2014	Ahmadjian	Diversities in histories, legal, political and cultural underpinnings	corporate governance differs between thirteen Asian countries	shape different type of corporate governance in business systems in Asian countries.
2014	Carney and Witt	The role of the state and its nature, as one of the most important underlying factors,	how is state important in BS analysis	shapes the type of business systems.
2014	Ercek	Adoption of globally circulating management innovations in Turkish firms	adoption of three different management innovations: TQM, six sigma and lean production.	depends on the characteristics of national business systems, particular inter-organizational ties developed with transnational or local carriers, and the potential absorptive capacity of the local organizations.
2014	Judge et al.	Model of capitalism/ economic system that best delivers both wealth and equality	determining and comparing the models of capitalism by using BS framework	there is no one optimal model of capitalism. Models of capitalism are constantly evolving, but their evolution is generally slow. The implication for IB study is that it should consider a more holistic context for exploring how multinational enterprises interact with their institutional environment(s).
2014	Whitley	Changing connections between dominant institutions and firms	change and continuity in east Asian business systems	affected the characteristics' of dominant business systems in East Asia.
2014	Redding, Bond, Witt	Cultural variables are the important ingredients of institutions	importance is the culture in Asian business systems	that affect the nature of BS in Asia.
2016	Whitley	Changes and variations in policies of the state, nature of financial systems, and institutions governing labour markets and trust	Changes in institutions and the characteristics' of established BSs in three countries	affect the characteristics' in established business systems in three countries.
2016	Young	State initiatives, dominant coalitions, and power structure and between state and business sectors	change in financial systems and Asian business systems	determined the nature of change in financial systems and this eventually affected BS in Asian countries.
2016	Hotho and Saka-Helmhout	How comparative institutionalism contributes to organisational studies	comparative institutionalism and organisational studies	Organizational scholarship may benefit from greater understanding and consideration of societal institutions and their effects on the collective organizing of work, thus organisation studies should use comparative institutionalism perspective that provides useful insights into these relations.
2016	Morgan and Kubo	little change in institutions and dominant coalition in Japan, Korea	How Japan and Korea responded to deregulation, globalisation, and competition in telecom industry	opted for relatively more changes, though limited, in finance and governance, labour and workplace cooperation. State and Chaebol remain intertwined, but chaebol becomes more independent due to more power.
2016	Witt and Jackson	“beneficial constraints” of opposing institutional logics rather than the self-reinforcing institutional coherence	How do national-level institutions relate to national comparative advantage?	shape the institutional comparative advantage in industries

Table 4: ‘Antecedents-Phenomenon-Consequences’ revealed from the articles focusing on internationalisation phenomenon and MNC management: *Juncture-II*

Year	Author	Antecedens'	Phenomenon	Consequences
1998	Whitley	Historical legacies and current institutional linkage	Internationalisation; divergence of capitalism	Change in BS characteristics- ownership relation, non-ownership coordination and employment- is as a result of internationalisation, which is path-dependent
1998	Ferner & Quintanilla	Pressure from national institutions, business systems, and transnational network of TNCs	effect of nationality on TNCs management, isomorphism and heterogeneity	Two isomorphic pulls appear in MNC management: one is cross-national isomorphism exerted by the national institutions, and two is the 'global inter-corporate isomorphism' exerted by the Anglo-Saxon practices.
1998	Whitley and Czaban	Legacy of the socialist state period,	Institutional transition	Foreign owned firms in Hungary had more authority, responsibility, and less discrimination in skill levels than those in the financially more stable state enterprises.
2000	Yeung	impact of globalisation: link of local institutions, firms, media, NGOs with the global actors networks and global value chain	Dialectical tendencies of globalisation towards homogenization and differentiation	Impact of globalisation on configurations and dynamics of Asian business systems will bring changes, containing both homogenization and differentiation
2001	Schaumburg-Muller	Privatisation, liberalisation, protectionism and link with the global commodity chain and internationalisation	globalisation	Infuse changes in management & organisation of economic activities by firms, which in turn will affect the institutions
2001	Sørensen and Kuada	FDI, deregulation of market and export activities lead to a cross-border interaction of people	Cross-border interaction of people and internationalisation of firms	Affect the way business is traditionally done in Ghana and the perception of the business people.
2001	Tainio et al	Short term-orientation of foreign owners, financial internationalisation	Financial internationalisation of Finish firms	Led to change in board members, key characteristics of management: work systems, incentive structure, employment practices.
2003	Geppert	Rationality of the home country context and the parent company strategies and the host country rationality and subsidiary strategies	Subsidiary trade-off between local context and global pressure	Ability of managers at subsidiary is subject to rationality of the host-home contexts and organisational strategies
2003	Morgan et al.	Internationalisation impacted on the careers and expectations of both Japanese and non-Japanese managers	internationalization and management in Japanese financial institutions	organizations have been fundamentally changed by managers' experiences and have become in varying ways 'transnational social spaces' (TSS). The idea of MNCs as TSS is developed as a way of linking flows of people, practices and ideas inside the firm to broader processes in the development of globalisation.
2003	Hassel et al.	Internationalisation of production activities of firms and internationalisation of finance/ corporate governance of firms	Dimensions of internationalisation	The two dimensions of internationalisation- production activities and finance- do not co-vary, and thus cannot be combined into one index.
2004	Edward & Ferner	internal structure of organisation i.e. standardisation of production or service provision across borders	Reverse diffusion of HRM from subsidiary to HQ	Internal structures raise the scope for diffusion of management practices across sites.
2005	Edward & Kuruvilla	Influence of internal organisational politics, internal division of labour at MNC	Balance between local and global pressures in MNCs management	Absence of focus on internal division of labour weakens the understanding of international HRM from a business system perspective
2005	Edward et al.	Dominant institutions, and established organisational structures and practices in the home country	Reverse diffusion of HRM practices from foreign subsidiaries to HQ	Antecedents affect the extent to which reverse-diffusion occur and impact the employment practices.
2005	Lamberg and Laurila	Pressure from globalisation, patterns of industry, and institutional embeddedness	Co-evolution of distinctive organisational forms in Finland and US	Co-evolve distinctive organisational form, and in the long term, affect the competitive condition and dominant forms and firms in business systems
2005	Morgan and Quack	Entrepreneurial orientation of law firms, ambition for internationalisation of law firms	Institutional entrepreneurship by corporate law firms in the UK and Germany	Dominating role of law firms led changes in legal and professional systems, redefined their organisational and institutional contexts with an aim to positioning in emerging international markets.

2005	Redding	Influence of history, culture, and the emergence of societal emergence of institutions, vis-à-vis business systems	how BS theory helps avoid the weakness of handling 'context' and overcome the myopia of 'culture' in the IB studies	Use of BS theory and the meaning of culture as social institutions can help overcome the shortcomings related to use of 'context' in IB studies
2006	Clark and Almond	Institutional condition and business system in USA	how are the links between embedded features of the US national business system and institutions?	affect the patterns of industrial relations, particularly the divide between welfare capitalist and New Deal firms, and the transferability of management practices in US MNE subsidiaries.
2006	Ferner and Tempe	Interaction between power and institutions at multiple levels- between actors-, both the organizational level of 'micro politics' within multinationals, and at the macro-level of nation states	US MNCs embedded in the home institutional and business systems influence the work-practice of subsidiaries	affect the cross-national transfer of HR policies and practices .
2007	Morgan	Interaction between firms, national contexts, international flows of capital, labour, technology, knowledge, and the international rule systems for coordinating these flows	How to use business systems approach in IB studies	shape the behaviour (structure and strategies) of MNCs and the nature of changes in diverse institutional settings. Thus, BS framework and typologies can help study the strategies and the changes in them.
2007	Kristensen and Morgan	nature of institutional contexts and the pressure by MNCs, depending on the long term or short-term orientation,	How institutional competitiveness and multinationals are mutually enriching concepts?	Affect the institutional competitiveness in which MNCs work
2007	Tempel & Walgenbach	Global Standardization of Organizational Forms and Management Practices	What new institutionalism and the BS Approach can learn from each other	Both approaches emphasize the adaptation of organizations to their institutional environments but come to very different conclusions as to the global standardization of organizational forms and management practices. They cannot learn from each other on the issue of agency and point to structuration theory.
2008	Ali & Batra	MNC activities, strategies, and the socio-economic progress of the host country	How CSR helps MNCs sustain in India	affect the development of social problem for MNCs in the host context, and thus MNCs are advised to develop CSR strategies in view to ensuring sustainability, taking the damages their operations have created and social progress that the country has made
2008	Jackson & Deeg	Different facets of institutional analysis	Role of institutional analysis in IB and the use of BS theory	IB studies take the narrow view of institution as unidimensional – institutions as constraint on rational actions. Instead, CC and BS approach considers institutions that influence identities and interests of actors, affecting dynamic capacity, strategies and the structures of the firm.
2009	Morgan	Institutional diversity within different types of capitalism...	How globalisation, in particular MNCs impact on diversity within national varieties of capitalism?	may evolve under the impact of MNCs and globalisation.
2010	Tengblad & Ohlsson	Globalisation of national business systems has influenced the framing of CSR	To what extent CSR is related to local or international contextual understanding	Understanding CSR has changed from a communitarian view (negotiated view) to an individualistic view (self-regulatory view) of social responsibility. Thus, MNCs should take into account the social expectations and develop capabilities to act more independently as moral agent.
2010	Jong et al.	Institutional legacies- Dutch shareholders rights, financing structures, and networks of directors, and internationalisation of Dutch economy	Co-evolution of corporate governance and financial system of Dutch BS.	Transition from a coordinated market economy to a more liberal system was inspired by the internationalisation motive, reflecting an expansion of Dutch firms beyond the national borders and in the growing number of foreign investors
2010	Stavrou et al.	Business system characteristics and institutions	Whether MNCs should follow the standardisation of HRM policies and practices	The results raise question about the universal applicability of HRM-performance research and put finger on the implication of the standardisation of HRM policies and practices within internationally operating organisations

2010	Sayim	Push strategy and domination of MNC-HQ	Policy transfer by MNC HQ to subsidiaries	Push strategy of US MNC for transferring reward policy to Turkish subsidiaries did not create tension in the local context, and this falsifies the hypothesis that translation or hybridization of management policy either is institutionally established or culturally constraining at the host BS. It is possible where employees are eager to embrace superior policy.
2010	Sluyterman and Wubs	Pressure from globalisation effect	Institutional entrepreneurship by MNCs, and evolution of organisational structure	globalisation effect pressed MNCs to change their organisational structures, simultaneously built international institutions, together that are eventually changing the elements of BS
2012	Dekocker et al.	institutions at national level, sub-national level, and regional level as well as local actors' strategies are important antecedents	Institutional entrepreneurship by MNCs	The use of "institutional entrepreneurship" concept helps understand how coordination mechanisms of MNCs with different levels of institutions facilitate the transfer of employment practice beyond the national borders.
2012	Iaonnau & Serafeim	political system, followed by the labour and education system, and the cultural system	Impact of nation-level institutions on firms' corporate social performance (CSP).	nation-level institutions impact the firms' corporate social performance (CSP).
2012	Morgan	business systems framework	How NBS theory can help explain MNE strategies in IB?	can help explain MNE behaviour and strategies more deeply and comprehensively, and thus can complement IB literature.
2012	Whitley	Internationalisation phenomena change the firm types, organisational capabilities and the homogeneity of BS	Internationalisation and the institutional structuring of economic organisation	Changing institutions, authority relations and forms of international coordination and control. These affect: -cross-border authoritative integration of economic activities, -interdependence of MNCs with domestic institutions, interest groups & collective competition goods, -their interdependence with dominant institutions and groups in host economies.
2012	Morgan & Whitley	Dominant national institutions, multilateral institutions, and the effect of internationalisation	Changing capitalism in twenty-first century	Affect the way capitalism is developed, and change particular patterns of economic coordination, control, competition, innovation, and collective capabilities of firms in BS. Studies need to take into account variety of ways in which rule following involves 'rule affecting' and 'rule changing' affect strategies and competences of different kinds of firms.
2012	Allen and Whitley	Impact of internationalization on firms' strategies and competences	Internationalization & sectoral diversity	Companies based in particular countries i.e. BS will differ in how they deal with internationalization. As internationalization proceeds, the possibilities for increased BS diversity within any single country are likely to be enhanced.
2014	Allen	What affects firm capabilities in internationalisation	Business systems theory and employment relations	Nature of employment relations in different types of business systems e.g. fragmented, specialised network, compartmentalised, centrally hierarchy, collaboratively hierarchy affect firm capabilities and competitiveness in internationalisation.
2014	Giroud	MNEs by developing the new business networks and infrastructure, bringing FDI, and creating knowledge spill over to local companies and institutions	How MNEs impact upon and shape local BS in Asian countries?	change the nature of BS in Asian countries.
2015	Ni, Egri, Lo, and Lin	Cross-societal consistency in patterns of CSR practices	How different CSR patterns are associated with high financial performance?	is associated with high financial performance.
2015	Rana	What affect MNC strategy formulation in international management	Tri-space framework, and international management	Factors and actors from tri-space i.e. - institutions & business systems, civil society, and transnational communities- shape the MNC strategies in emerging markets.
2015	Witt and Stahl	Variations in institutional factors, instead of cultural variables, shape	Exploring the construct of social-responsibility orientation across Germany, Hong Kong, Japan, South Korea, and the US	the Top-level executives in these societies to hold fundamentally different beliefs about their responsibilities toward different stakeholders and the roles of leadership
2016	Ahmadjian	variations and complexity in institutions on a national or societal level	How institutional differences affect MNEs	affect firm structure, capabilities, strategies in both home and host contexts.
2016	Andrews, Htun, and Nimanandh	Homogeneous cultural issues	How homogeneous features in institutions help evolve	helped evolve and transfer management practices in MNE subsidiaries in Thailand and Myanmar.

indigenization of MNC practice?

Table 5: Antecedents-phenomenon-consequences revealed from the papers on organisational capabilities and innovation – *Juncture: III*

Year	Author	Antecedens'	Phenomenon	Consequences
1999	Lundvall	national institutions and interactions between firms	comparison between national business systems and national innovation system	interactions affect the actors' learning process and help accumulate knowledge to develop capability to outperform through innovation
2000	Whitley	Differences in coordination of economic activities vis-à-vis business systems and institutions	Variety of BSs, capabilities, and innovation performances	differences in BS give rise to a different types of governance structures and organisational capabilities, affecting innovation strategies of firms and patterns of innovation performances
2002	Haake	industry environment and the nature of business systems	competitive advantage in communitarian vs individualistic type of environment	in communitarian environment firms tend to have org. specificity of knowledge in the industry because of tightly knitted relationships, while it is low in individualistic environment
2002	Whitley	Institutional frameworks: public science system, involvement with industry collaboration, reliance on specialist skills, and the ability to change collective competences radically.	Developing Innovative Competences	Affect the styles of innovative competences development in organisation and industry
2003a	Whitley	Has been mentioned in I		-----
2003b	Whitley	nature of authority sharing, training systems and incentive structure in organisation are shaped by the business system and institutional condition	development of competitive competence and organisational capability	shape the competitive competency/ capability of organisation or sector in a business system
2004	Casper & Whitley	Has been mentioned in I		-----
2006a	Whitley	Characteristics' that constitute a project based firm	Project-based firms: new organizational form	PBFs differ considerably in a number of respects, notably the singularity of their goals and outputs and the distinctiveness and stability of work roles and task organization. At least four distinct ideal types of PBFs can be distinguished.
2007	Whitley	different types of business systems and institutional structuring, cross-national authority sharing i.e. internationalisation	dynamic capabilities and innovation of MNCs	types of BS, institutional configurations shape the organisational capabilities and innovation systems of MNCs, and this tends to vary in terms of variations in cross-national authority sharing, organisational careers, dynamic capabilities, and the absorptive capacities of the firm.
2010b	Whitley	institutional features and arrangement, and key characteristics of firms	Competitive advantage and organisational capabilities	key institutional features: norms governing trust and authority relations, state structure and policies, financial systems, labour systems shape firm characteristics to develop capabilities and competitive advantage
2012	Allen and Whitley	Impact of internationalization on firms' strategies and competences	Internationalization and sectoral diversity, the role of organisational capabilities and dominant institutions	Responses to internationalization vary significantly between firms in sectors in terms of different kinds of capabilities to compete effectively, which are developed by different institutional regimes and BS.
2016	Carney	State structure i.e. developmental, non-developmental or autocratic government	Changing nature of BS in relation to national innovation systems in east Asia	change the BS characteristics as well as innovation performance of the firms in East Asia.
2016	Liu & Tylecote	State policy change and technology strategies	Three features of current BS evolved during the reform process of China shape the technology strategies of firms	different technology strategies available for latecomer firms are directly connected by firms' work management practices, governance, and alliance coordination, and together they constitute distinctive types of firms and representing different kinds of BS.
2016	Whittaker, Sturgeon, & Song	The importance of timing and agency (of economic and institutional actors) in economic and institutional development	What gives business and innovation systems their character?	shaped the variations in business and innovation systems in China and Japan.

Table 6: ‘Antecedents-phenomenon-consequences’ revealed from the papers on Transnational Communities – Juncture-IV

Year	Author	Antecedens’	Phenomenon	Consequences
2001	Djelic & Bensedrine	Important national actors at the global level i.e. US, Canada, EU and the local actors i.e. civil society, NGOs, media	Transnational regulatory standards affect the business systems and institutions	Important global and local actors co-evolve a global regulatory standard, which in turn affect the evolution of a local regulatory standard.
2001a	Morgan	Global regulatory institutions; development of global cognitive and normative frameworks i.e. global civil society members, global education models, consulting firms; TNCs multiple networks	Transnational communities affect the BS and national institutions	Antecedents affect the nature of cooperation and coordination of the transnational corporations in national business systems
2001b	Morgan	National institutions, web of international institutional context and the international regulations, multiple sites within an MNC i.e. multiple subsidiaries, suppliers, HQ and the managers in these organisations	MNCs as organisations with complex internal processes of contradiction and conflict	MNCs are social constructions, MNCs become a part of national institutions context, simultaneously they are the part of international institutional context and the MNC sites, and thus these all spaces affect MNC strategies.
2001c	Morgan	Powerful global actors e.g. states or group of states, powerful firms, multilateral institutions and civil society groups or social movements	Development of transnational standards and their impact on firms	International institutions that tend to provide standards for economic activities are complex areas because different groups or actors play different roles, reconcile diverse interests, leading to develop transnational communities in which shared standards are developed that TNCs follow.
2003	Morgan et al.	Managers experiences in Japanese MNEs in banking sector have evolved organisations	Global managers and ‘transnational social spaces’	The idea of multinationals as ‘transnational social spaces’ is developed as a general way of linking flows (of people, practices and ideas) inside the firm to broader processes in the development of global political economy.
2006	Clark and Geppert	Political process and social change in the post-socialist transformation	How ventures between indigeneous post-socialist enterprises and western MNCs are institutionally constructed?	Affect the development of transnational social space that is institutionalised, this involved significant power-holders_ notably those representing the western ‘source’ MNC and the local ‘recipient’ enterprises.
2012	Boussebaa et al.	managerial efforts to construct ‘global’ organizations		Multi-dimensional institutional approach is necessary: institutional, transnational institutional and neo-colonial influences, in order to understand how global organisations are constructed.
2012	Whitley & Morgan	Internationalisation shapes the new forms of capitalism	Capitalism	internationalisation of markets, firms, and regulatory institutions change, reproduce, and establish variety of capitalism. Thus the transnational communities have been predominant in changing BSs.
2015	Rana	BS, CS, and Transnational communities	Strategic framework for MNCs	Affect the strategies of MNCs in emerging markets