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## **Twenty-five years of business systems research and lessons for international business studies**

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# 25 Years of Business Systems Research and Lessons for International Business Studies

## Abstract:

*Since 1992 business systems theory (BST) has been increasingly used to analyse not just firm characteristics, structures and strategies within national business systems (NBS) but also the nature of international business and its interactions both with national and transnational institutions. Reviewing 25 years of NBS literature, we attend calls in IB journals suggesting to use BST notion and findings in IB research. Our systematic review of 96 articles analyses the pattern & contributions by NBS literatures and reveals that it makes the highest contribution to international management and MNC-strategy. Contributions are presented in four broad thematic-junctures: (1) comparative business systems, (2) firm's internationalisation and the management/organization inside MNCs (3) the role of internationalisation in the development of organizational capabilities and innovation, and (4) the emergence of transnational communities in and across firms and societies. Thematic-junctures are described in terms of (a) research questions, (b) NBS approaches and findings for RQ, (c) IB approaches to RQ (d) how does NBS extend IB and (e) what are the problems in NBS and future extension. Our review contributes to the recent endeavor of IB research to institutionalism, encouraging a productive dialogue between IB and the NBS research.*

## Introduction:

In recent years, international business (IB) scholars have reaffirmed their commitment to the interdisciplinary nature of their research field (e.g. Cheng et al. 2014; Chabowski et al. 2017). In particular, institutionalism as a theoretical perspective which is embedded within a variety of disciplines and forms of analysis (see Morgan et al. 2010; Morgan and Hauptmeier 2015; Scott 2013) has been embraced by IB scholars as a necessary complement to more traditional modes of economic analysis (see, Estrin, et al. 2016; Wood and Demirbag, 2015; Dunning, and Lundan, 2010; Cantwell, Dunning, and Lundan, 2010; Eden and Dai, 2010; Dunning, and Lundan, 2009; Dunning, and Lundan, 2008a, 2008b; Peng, Wang, Jiang, 2008; Luo and Zhang 2016). However, the diversity of institutional

theory means that specific variants and their distinctive contribution may get lost and diffused in this process. In particular, we argue that the actual and potential contribution made by one strand of the institutionalist approach – that which is generally labelled ‘the national business systems’ approach (hereafter NBS) is particularly helpful for IB research. Whilst there have been calls for integrating the NBS approach into IB studies (see, Judge, Fainshmidt, and Brown, 2014; Ioannou, and Serafeim, 2012; Morgan, 2012; Collinson and Morgan, 2009; Jackson and Deeg, 2008; Ferner and Tempel, 2006; Redding, 2005), IB researchers have tended not to pay attention to systematically reviewing literature using NBS and considering how it can advance the understanding of IB issues. The purpose of this paper is through a systematic literature review to show what knowledge this research stream has consolidated since 1992 and what contribution it can make to debates in IB.

The paper proceeds in the following steps. Firstly, we discuss institutionalist approaches in general and identify five approaches in particular. We seek to show that of these five approaches, NBS has the most obvious relevance and value for IB scholars because it has the clearest focus of all the approaches on the firm as a dynamic and creative actor and on institutions as defining differences in national contexts. In these respects, it follows similar questions to IB literature about how and why firms internationalize, how they are structured, how they learn and develop across national borders and how they interact with institutions in home and host contexts. Secondly, the paper demonstrates this through a systematic analysis of journal papers and book chapters published between 1992 and 2016. This reveals that NBS has four main thematic junctures emerging from NBS studies, which specifically foreground themes relevant for international business. Thirdly, we explore the four thematic junctures in details in the central part of the paper and they are (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.

For each juncture, we seek to identify first the research question driving the NBS approach, secondly the findings from the NBS approach, thirdly how IB has approached the research question, fourthly, how NBS extends the IB approach and finally what problems remain for the NBS approach. In our conclusion, we summarise our findings about the contribution of the NBS approach and reiterate the case for a more intense dialogue between the field of IB and that of NBS (Morrison and Inkpen, 1991).

### **Varieties of Institutionalism and their relevance for IB scholars**

Institutionalism is a broad theoretical field and there are a number of variants (see e.g. the discussion in Djelic 2010). However, in our view, it is only the NBS approach that places the firm at the centre of analysis rather than institutions per se. This is an important distinction that justifies our object of analysis and our argument that NBS can provide a substantial complement to existing IB approaches. The key to this distinction lies in two areas; firstly the degree to which the theory focuses on institutions at the national level and the idea of a coherent and relatively systematic national institutional framework which impacts on firms, and secondly the degree of agency that the firm possesses and therefore the degree of importance which is given to the strategies and organizational structures of firms and the variety of ways in which they respond to institutional and market pressures in a global context. Most institutionalist analysis (whether it stems from neo-institutionalist analysis such as North (1991) or the more organizational institutionalism of Scott (2013), focuses on institutions per se, how they emerge and how they constrain firms (Hotho and Pedersen 2012). However, these approaches pay little attention to the national level as a coherent institutional system and therefore have difficulty offering a framework for comparative analysis. Nor do they examine in

detail how firms *per se* respond to institutional pressures. Even Hall and Soskice (2001), whilst providing a systematic framework of national level institutions, and claiming a firm-centred approach, present firms as the expression of institutions, lacking agency in themselves. They therefore have very little interest in how globalization and internationalization might change firms and institutions. Firms as dynamic, creative collective responses to markets and institutions are rarely considered in these approaches and the focus is on how institutions evolve. In our view, it is only NBS, which in the words of its key proponent, Whitley, understands the need for ‘taking firms seriously as economic actors’ (Whitley 1987) (See, Table 1).

This distinction is particularly obvious in the way in which these different institutionalist traditions deal with the internationalization of firms. These issues are relatively absent in North inspired neo-institutional economics where in terms of international issues, focus is given to how institutions can be built across national boundaries and how economic actors participate in this process as a way of developing markets and trust (see e.g. the classic discussion in Greif 2006). The multinational firm as a distinctive object of analysis for institutional theory does not appear. Similarly, the sort of organizational institutionalism discussed by Scott and others has provided some limited inspiration within IB literature to the study of MNCs and their subsidiaries, most obviously in the work of Kostova and Roth (Kostova 1998: Kostova and Roth 2002)) where issues of institutional isomorphism between home and host contexts is a key conceptual framing for how local subsidiaries are organized. In terms of their analysis of institutions, however, Kostova and Roth draw on measures of institutional distance which in turn rely on cultural contrasts. As Jackson and Deeg (2008) point out this type of analysis is a thin and ahistorical approach to institutions, lacking a comparative societal framework. It is important to note, however, that outside IB itself, this form of organizational institutionalism has been influential in the world society theories of John W. Meyer (2010) where it has been developed

through the idea of ‘glocalization’, i.e. global processes and local variations (see Drori et al. 2014) and patterns of ‘translation’ as ideas, structures and processes are diffused across national boundaries by a range of actors including MNCs. However, within this tradition, there is no strong version of comparative national institutional contexts as the driving force is that of globalization in the form of rationalization and scientization of knowledge that impacts on all societies. The methodology tends to be ethnographic and case study based with the emphasis on local level negotiation and interpretation of global pressures. Hall and Soskice’s Varieties of capitalism approach overcomes some of these problems through developing a systematic comparative account of institutions and how they work to shape firms (Hall and Soskice 2001). However, its focus is so strongly on national institutions, it gives no space for the agency of firms and ignores the issue of firm internationalization both in terms of how home institutional contexts affect the ways firms internationalize, what impact they have on the institutions of their host country and what learning is created from this and how is it communicated through the firm.

By contrast, NBS has increasingly placed these issues at the centre of its research programme. It has developed a robust analysis of how different national institutional configurations shape the capacities and capabilities of firms but then it has gone further to identify what this means for firms as they grow and develop into MNCs working in the global economy (Whitley, 2007). In this way, NBS is much more aligned with the IB research agenda than the other institutionalist approaches do. This is not to deny that there are fuzzy boundaries here particularly between certain proponents of the varieties of capitalism approach and the NBS approach (see e.g. Jackson and Deeg 2008). Some authors draw on both these approaches in various ways and are unconcerned about aligning strongly with either camp. However, we aim to show that there is a specific coherent and consistent NBS

approach to issues of international business that can valuably connect with existing IB literature and debates. For these reasons, our review focuses specifically on NBS and IB literature.

Table 1: Varieties of institutionalism and their relationship to issues of internationalization

<b>Varieties of institutionalism</b>	<b>Approach to institutions</b>	<b>Approach to firms</b>	<b>Approach to international issues</b>
<b>Neo-institutionalist economics</b> (North 1990)	Constraining, negotiated order at level of particular market institutions	Constrained but creative	Focus primarily on negotiated orders across distance and frontiers, e.g. Grief
<b>Organizational institutionalism version 1</b> (Scott, 2013)	Constraining negotiated order: Focus on particular fields where institutions cohere – little interest in constructing typologies of comparative national institutional systems	Constrained but creative in detailing with institutional dualism and problems of institutional isomorphic pressures	Focus on tensions between host and home institutional settings for multinational firms (Kostova and Roth)
<b>Organizational institutionalism version 2</b> (Drori et al. 2014)	Focus on global institutions of rationalization and scientization impacting on local contexts	Firms as sites of conflicts between globalizing pressures and local adaptations - glocalization	Focus on locally based interpretation of meanings and adaptation to global pressures
<b>Varieties of capitalism approach</b>	Structured approach to key societal institutions and how they fit together (complement each other) to strongly constrain action of firms	Firm strategy and structure as expressions of societal logics – firms as passive; little interest in how firms change and innovate other than in terms of institutionally determined routes.	Limited theoretical interest in internationalization of firms; some empirical studies of MNCs primarily from the point of view of how they impact on host and home country institutions.
<b>National Business systems approach</b> (Whitley 2010, Redding 2005)	Structured approach to key societal institutions and how this shapes the capacities and capabilities of firms	Focus on the firm as possessing capacities and capabilities that enable or constrain it to be creative and innovative in relation to institutions.	Central focus on internationalization of firms, how this impacts on strategy and structure, on innovation and change and on institutions in home and host contexts.

In the following sections we analyse how this NBS perspective has been developed in relation to issues of international business and therefore where it might contribute to IB scholarship and increasing efforts to bridge the divide (Redding 2005; Tempel and Walgenbach 2007; Morgan, 2007; Jackson and Deeg, 2008; see also Ghoshal and Westney 1991; Collinson and Morgan 2009).

### **Methodology and Pattern Recognition:**

We adopt a systematic literature review method to make sense of large bodies of information (Petticrew and Roberts, 2006), identifying where little or no relevant research has been done and what contributions NBS literature can make to IB field. The data collection technique followed a predefined selection algorithm (Xiao and Nicholson, 2011) in order to derive a search process and critical appraisal of the literature, and thus we minimized the data collection subjectivity (Ginsberg and Venkataraman, 1985; Transfield et al., 2003). However, a heuristic method was applied for searching monographs and book-chapters. The idea is to make an authoritative and comprehensive review of NBS literature for 25-year period since 1992, this being the year in which Richard Whitley first published a complete version of NBS (Whitley, 1992a;b).

#### ***Method of selecting relevant publications:***

We focus on peer-reviewed academic journals and research based books that use BST perspective/theory. 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 criteria for title, abstract, and the content resulted in an initial sample of 310 papers. The initial sample was refined further to identify papers using BST perspective and/or framework in line with Whitley’s BST (Whitley, 1992a, 1992b, 1999), meaning that ‘Whitley’ as the author of BST is cited, because we found several papers in information system that used business system term but they meant completely different concept than what Richard Whitley presented. The refinement is done through quick review process, going through the title and the abstract, 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 BST field (e.g. Richard Whitley, Gordon Reading, and Glenn Morgan) and thus consulted with their publication list available on university site and google scholar’s citation. A manual search on google scholar’s database with similar key words was also conducted to verify the validity of the book list. 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 (see, Table 2). We read

them in their entirety and extracted the relevant data, which are synthesized and displayed in the analysis and appendix.

Table 2: List of papers used in systematic review

Journals/Books	Authors	No
Oxford University Press: Book	Andrews, Htun, and Nimanandh (2016); Carney (2016); Liu and Tylecote (2016); Morgan and Kubo (2016); Whitley (2016); Whittaker, Sturgeon, Song (2016); Young (2016); Ahmadjian, (2014); Allen (2014); Giroud (2014); Carney and Witt (2014); Redding, Bond, Witt (2014); Whitley (2014); Whitely (2013); Whitley and Morgan (2012); Whitley (2012); Whitley (2010); Whitley (2007); Whitley (2005); Clark and Almond (2006); Edwards, Gunnigle, Quintanilla, Wächter (2006); Ferner and Tempel (2006); Deeg (2005); Djelic & Bensedrine (2001); Morgan (2001b); Morgan (2001c); Tainio et al. (2001); Whitley (2001);	28
Organisation Studies	Hotho and Saka-Helmhout (2016); Bachmann & Inkpen (2011); Boussebaa et al. (2012); Whitley (2008); Whitley (2006b); Morgan and Quack (2005); Lamberg & Laurila (2005); Haake (2002); Whitley (2003); Whitley (2000);	10
Journal of International Business Studies	Witt and Jackson (2016); Judge et al. (2014); Ioannou and Serafeim (2012); Jackson & Deeg (2008); Witt and Redding (2009); Redding (2005);	6
The International Journal of Human Resource Management	Stavrou, et al. (2010); Edwards & Kuruvilla (2005); Morgan et al. (2003); Sayim (2002); Ferner & Quintanilla (1998); Whitley & Czaban (1998).	6
Journal of Management Studies	Ahmadjian (2016); Tempel & Walgenbach (2007); Edwards, et al. (2005); Geppert, et al. (2003); Hassel, et al.(2003); Whitley, et al.(2003);	6
Sage Publishing: Book	Whitley (2001); Sørensen and Kuada (2001); Schaumburg-Muller (2001); Whitley (1992);	4
Journal of Business Ethics	Witt and Stahl (2015); Ni, Egri, Lo, and Lin (2015); Tengblad & Ohlsson (2010);	3
Asia Pacific Journal of Management	Tipton (2009); Redding & Witt (2009); Redding (2002)	3
Socio-Economic Review	Witt & Redding (2013); Zhang and Whitley (2013); Wood and Frynas (2006)	3
Business History Review	Jong, et al. (2010); Sluyterman & Wubs (2010)	2
Industrial and Corporate Change	Whitley (2002); Whitley (2006a)	2
International Studies of Management & Organization	Whitley (1999); Lundvall (1999)	2
Review of International Political Economy	Yeung (2000); Whitley (1998);	2

Entrepreneurship Theory and Practice	Lim, et al. (2010)	1
Journal of World Business	Wood, et al. (2011)	1
Research Policy	Casper and Whitley (2004)	1
Journal of International Management	Clark and Geppert (2006)	1
Management International Review	Edwards & Ferner (2004)	1
International Business Research	Dekocker et al. (2012)	1
Journal of Business Economics and Management	Ercek (2014)	1
Regulation and Governance	Kristensen and Morgan (2007)	1
Global Networks	Morgan (2001a)	1
Scandinavian Journal of Management	Morgan (2007)	1
Organization	Whitley (2003)	1
Academy of Management Perspectives	Whitley (2009)	1
The Journal of Modern African Studies	Pedersen & McCormic (1999)	1
Competition Forum	Ali and Batra (2008)	1
South Asian Journal of Management	Grainger & Chattarjee (2007)	1
Economy and Society	Morgan (2009)	1
Palgrave Macmillan: Book	Rana (2015)	1
Edward Elgar: Book	Morgan (2012)	1
Routledge: Book	Allen and Whitley (2012)	1

***Content Analysis and Pattern Recognition:***

We followed a two-step analysis. In the first step, we coded information from the selected literature found from the systematic search in order to extract the descriptive information on following dimensions: Research Question (RQ) and thematic focus, type of methodology and theory used, level of analysis, major findings of the research in terms of ‘antecedents’, ‘phenomena’, and ‘consequences’. We then put the coded information on a timeline between 1992 and 2016, particularly the information on ‘themes’, level of analysis, and the major phenomena focused, to draw a pattern based on the turning point or change in the trajectory of BST research. ‘Comparative and national business systems’ that Whitley (1992a&b) had focused in his seminal book was considered to be the

first turning point in pattern matching and recognition exercise (Yin, 1994). Our pattern analysis led us to identify another three junctures along the timeline, which are ‘internationalisation and MNC management’ in 1998 (see, Whitley, 1998), ‘organizational capability and innovation’ in 2000 (see, Whitley 2000), and ‘transnational communities and NBS’ in 2001 (see, Morgan, 2001a). In the second step, we have grouped all the themes into four junctures in terms of their fit with the juncture dimension. In order to develop the thematic pattern recognition map, we identify the information on the following characteristics: (i) how a theme is commonly studied with other themes in different papers, showing us the overlapping connections between themes covered in two or more junctures, (ii) how frequently the theme is focused on by other studies, presenting us the frequency of themes in the form of thickness of the connection-line, and (iii) how many papers a juncture covers that embraces all the themes under that group, which visualizes the size of the juncture.

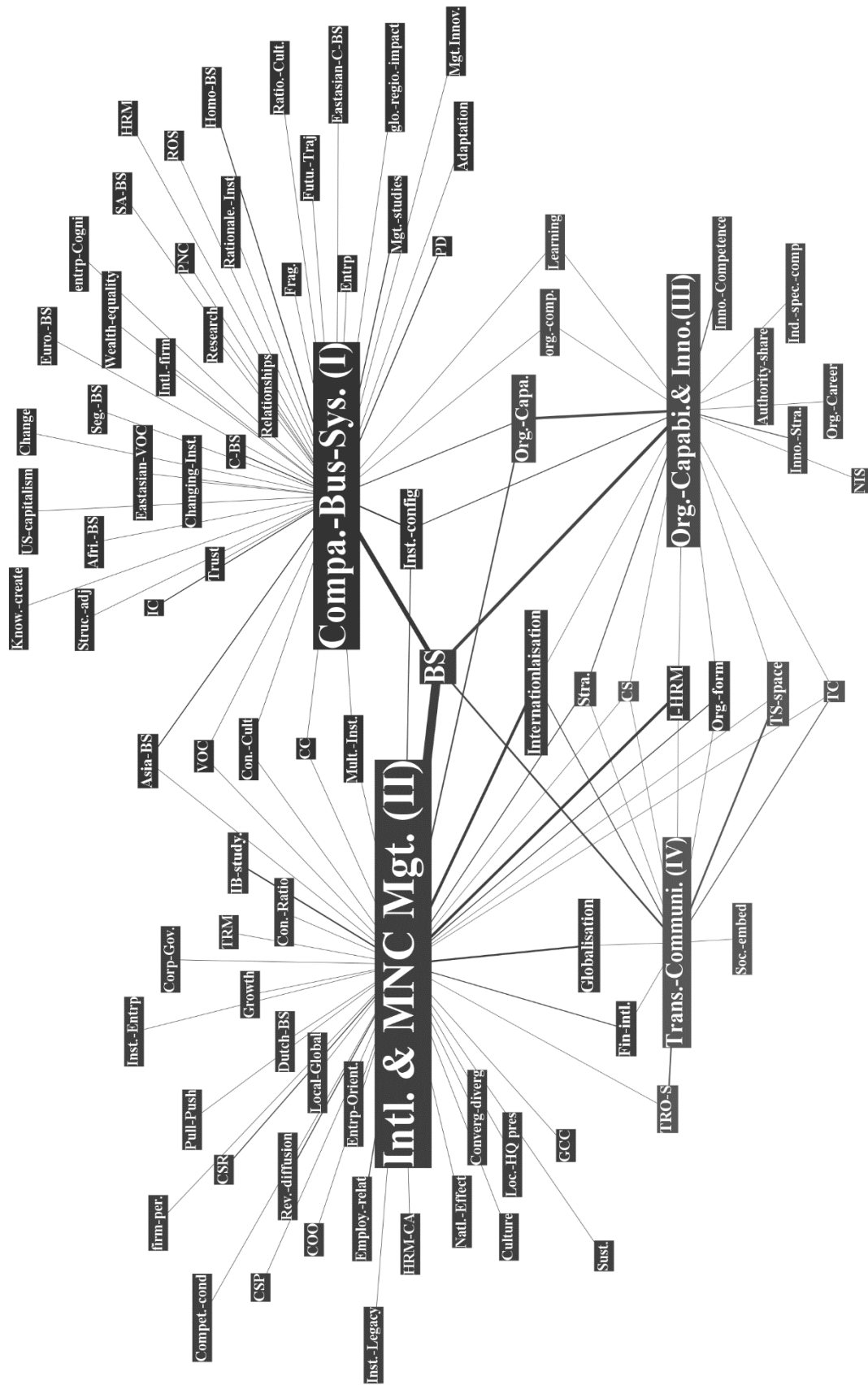
We put codes and numbers against each theme and juncture on the above-mentioned dimensions into ‘Gephi’ software. *Gephi* systematically draws relationships between textual variables (i.e. themes) in order to map and recognize patterns. This revealed four *junctures* consisting of themes, which are distinct but overlapping and indicate a change in BST research trajectory as new areas of interest come more clearly into focus.

Following the visual thematic map (see, Figure 1), our content analysis follows a protocol called, *antecedents* (prior factors affecting) – *phenomena* (something impressive or unique) – *consequences* (effects and outcomes of antecedents) (see, Schmeisser, 2013) in order to extract contributions from every paper (see, appendix). We synthesise them in four thematic-junctures and discuss them in contrast with relevant IB literature. We present content analysis as follows: (i) research question focused in the juncture, (ii) NBS approaches and findings to RQ, (iii) IB approaches to RQ (iv) How does NBS extends IB (v) What are the problems in NBS and future extensions.

***Mapping and Pattern Recognition of NBS Researches:***

Figure 1 illustrates a clustering tendency of the 'themes' focused in NBS literature around the four junctures. Mapping and pattern recognition reveals that J-II (Internationalisation and MNC management) received the highest focus followed by J-I (comparative business systems). J-III (Organisational capability and Innovation) and J-IV (Transnational communities) have received less research attention by NBS researchers. Three themes e.g. internationalisation, organisational capability, and international HRM in conjunction with NBS have received the highest attention in this research study.

Figure 1: Mapping and Pattern Recognition of the Themes Focused in NBS Literature



**Note (Fig.1):** (i) 'Sizes of four junctures' indicate their frequency in terms of paper publication; (ii) 'Thickness of connection lines' between themes, and themes and junctures, indicate the frequency of the themes focused in several papers. (iii) 'Connection lines' indicate how one theme or juncture has been commonly used with other themes as well as juncture topics.

## Discussion:

Our analysis of the data shows a distinct clustering of NBS influenced IB research around four broad thematic-junctures (Fig.1), which we discuss in terms of the research question, the findings, their potential contribution to IB, and possible difficulties and problems with the approach.

### *Juncture-1: Comparative Business Systems*

**Research Question:** The major question the studies in this juncture focus on is ‘*how and why BS characteristics at organization, sectors and national level are developed, reproduced, and changed, and vary within itself and between countries?*’ These studies focused primarily on the national level and then sectoral level institutional structures that affect the ways firms organise, control, and coordinate economic activities, alliance integration/non-ownership coordination and organisational capability and the impact of this on sectoral specialization (Whitley, 1992a&b, 1999; Allen and Whitley 2012). Table 3 illustrates the key institutional contexts that concern BST; in the BST account, each institutional feature can be organized in at least two ways; which way they are organized impacts on firm capacities and capabilities as shown in the table 3.

Table 3: Institutional Features Affecting Firm Capacities and Capabilities in Business Systems

<b>Institutional Features</b>	<b>Key Dimensions</b>	<b>Impact on firm Capacities and capabilities (i.e. Ownership &amp; governance, dynamics of management)</b>	<b>Impact on inter-firm relationships</b>
Trust, authority and hierarchy	High trust-low trust	Low trust firms are high on supervision and hierarchy to control workforce, High trust firms delegate and share information with employees	In high trust contexts, willingness to share information, people, technology, processes higher than in low trust
Financial system	Capital market based or bank based	Capital market based financing more	Bank based funding makes diversified conglomerates

		dependence on short term decisions of shareholders; bank systems longer term orientations	with more likely in which risk is spread across different actors; in capital market systems, shareholders want to know specific risk in investment – discourages high levels of inter-firm cooperation. Also impacts on ownership and governance
Law and property rights	Individualistic vs communitarian, natural law/civil law basis to property rights versus state as source of property rights	Precarious nature of private property rights where state is not trusted. Impact of this on investment and how profit is shown in accounts.	Issues of competition law and degree to which firms can collaborate without being accused of becoming anti-competitive
Education and training system	Spread of institutions between building low skill, high skill and professional skill	High skill institutions lead to more involved workforce and higher levels of quality and innovation; focus on professional skill leads to centralisation of knowledge and expertise standardised into processes carried out by low level skilled workers in production processes	Firms need to cooperate to establish high skill systems; otherwise this leads to poaching and loses potential to develop firm or occupation specific skill assets. In low skill systems, firms compete to keep wages down. Professional workers are highly mobile as skills are transferable.
State, policy, and regulation	3 types: <ul style="list-style-type: none"> <li>• State intervenes directly to set prices and wages</li> <li>• State sets up institutions to make sure that markets work effectively</li> <li>• State delegates to intermediary associations to develop regulation of markets</li> </ul>	Under conditions of market coordination, firms have power to set their own prices, wages. In state regulated systems, firms take prices set by the state. In state delegated systems, firms participate in shaping the market	State delegation systems encourage development of intermediary associations and cooperation between firms over a range of issues. In state regulated systems, firms look to establish their own relations with the state to the detriment of other firms. In market based systems, in theory, firms are on a level playing field competing with each other.

Developed by authors based on Whitley, (2010b; 1992b) and Redding, (2005).



***NBS Approaches and Findings for RQ:*** NBS research goes further and argues that there are a limited number of ways in which these institutional choices can cohere together effectively and produce ‘national business systems’. Drawing on Milgrom and Roberts, this is described as ‘*institutional complementarity*’, i.e. when these institutions are co-present, they reinforce and support each other, making the system more productive as a whole. A number of authors have pointed out the difficulties of defining complementarities; does it mean that institutions are working along the same lines and therefore reinforce each other that way (e.g. in discussions about the link between long term finance and long term employment); or does it mean that institutions are different but by being different they complement each other, e.g. in the Danish model of flexicurity where there are few measures of job protection and workers can be got rid of easily quickly but then the welfare system offers them the security of high levels of replacement pay and opportunities to retrain (Crouch 2005: 2010; Deeg 2005; Whitley 2005; Morgan 2007). Other issues about complementarities relate to how they change over time so that what seemed essential complementarities e.g. in Weber, the Protestant ethic and the spirit of capitalism, become disconnected so that religion in general or particular religious beliefs are no longer an essential institution complementing entrepreneurship. Such complementarities may lie dormant though they can be revived e.g. as Thatcher revived free market institutions after decades of managed capitalism under Keynesianism. Combining institutions into complementary patterns is a complex process for any society but NBS suggests it is possible to build a set of ideal types which roughly approximate to particular examples and help us understand how firms from different institutional contexts develop their capacities and capabilities in a global context. In the light of over two decades of research mostly on the America, Australia, Europe and Asia (see, Whitley 1992ab, 2001b; 2003; 2003a; 2009, 2010ab, 2013, 2014, 2016; Casper and Whitley, 2004; Edwards et al., 2006; Redding and Witt, 2009, 2013; Zhang and Whitley, 2013), most NBS researchers have

developed broad consensus on the following typology of national business systems as summarised in Table 4.

Table 4: Business Systems and Their Impact on Firms

<b>Type of business system</b>	<b>Incoherent and fragmented</b>	<b>State dominated</b>	<b>Market oriented</b>	<b>Cooperative corporatism</b>	<b>Collaborative and inclusive corporatism</b>	<b>Collaborative networks</b>
<b>Example</b>	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 interdependence	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
<b>Associated institution</b>						

<b>al contexts</b>						
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
<b>Consequences for firms</b>						
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

Whitley et al. sought to demonstrate the value of this typology through detailed attention to a wide range of societal contexts that had not previously been compared in this way (Witt and Redding, 2009, Witt and Redding 2013; Witt and Jackson, 2016, Witt and Stahl, 2016).. Studies focused on building typologies out of a comparison of European business systems (Whitley, 1992b; Casper and Whitley, 2004; Edwards et al. 2006; Ercek, 2014), the US system (Almond & Ferner, 2006; Whitley 2009), Asian business systems (Whitley, 1992a, 2001a; Zhang and Whitley, 2013; Whitley et al. 2003; Grainger & Chattarjee, 2007; Redding and Witt, 2009; Tipton, 2009; Witt and Redding, 2009, 2013; Zhang and Whitley, 2013: 2016; Redding, Bond, Witt,

2014; Morgan and Kubo, 2016; Whitley, 2016; Young, 2016) and some recent applications to African systems (Wood and Frynas, 2006; Wood et al. 2011).

NBS in Juncture 1 tended to emphasize that there remain significant institutional path dependencies within national systems that will shape firms and their business models into the future (Deeg, 2005; Grainger and Chattarjee, 2007; Whitley, 2009; Redding and Witt, 2009; Whitley 2014). Change in national business systems was generally seen as incremental and path dependent and only occasionally, under conditions of extreme crisis, punctuated and sudden (Judge et al. 2014). What NBS achieved in this Juncture was to establish a robust typology of how institutions could fit together and create a distinctive form of capitalism with firms having particular strengths arising from this context. This typology therefore offers the basis for comparisons between the capacities and capabilities of firms from different contexts. At this stage, however, NBS did not confront directly the issue of what impact the internationalization of firms would have on these institutional settings and how such settings would impact on strategies and structures as firms became multinationals.

***IB Approaches to RQ:*** Focusing on firm behavior and decision making in cross-national contexts IB tends to consider cultural dimensions (Beugelsdijk, Kostova, and Roth, 2016) and most importantly the role of the state institution as exogenous factor affecting firm ownership, performance, and internationalization capability (Wang, et al. 2012; Cui, and Jiang, 2012). Though IB had a tradition to focus on comparative studies, understanding how variations in phenomena affect business decisions and performance differently in different countries, as viewed in management international review (MIR) (Cavusgil, and Das, 1997; Culpan and Kucukemiroglu, 1993; Holzmüller and Kasper, 1990; Schöllhammer, 1973), this has become rare. In most cases, IB studies tend to view cultural and institutional dimensions as taken-for-granted and constant variable, and thus they miss out the explanatory logics and the background mechanism of the manifested cultural dimension and

institution that create a condition to which firms shape their capability, performance and strategies. IB Analysis therefore explains the causality between cultural/institutional dimension and firm's internationalization capability and performance. Traditional IB studies have not paid adequate attention on some of the key institutions that shape MNE strategies and performance, for example, skill and training development institution and financial institution.

***How Does NBS Extend IB :*** The in-depth studies of institutional contexts as presented in findings do not claim to be comprehensive and yet they offer a very important resource for IB scholars who wish to go beyond one-dimensional and static characterisations of societies, e.g. in cultural differences scales (e.g. 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 NBS, as this inhibits the development of statistical models of causality dominant in IB, NBS seeks to avoid becoming simply the idiographic study of particular societies by developing a set of common concepts around types of institutions and business systems. Therefore, this offers a framework helpful to IB in terms of identifying different models of firm organization and how they find places in global markets, and thus drawing on this comparative literature in which organisational studies meet various institutional contexts (Hotho and Saka-Helmhout, 2016). Moreover, IB studies can benefit from the findings of the comparative business systems researches as they present information on firm governance, networking, management, capability and internationalisation in different institutional contexts. Therefore, BST studies can be a complementary resource for IB studies to advance. The following are suggestive of areas of complementarity.

First, as the comparative study is still used in international management and international marketing research (see, Pisani, 2009; Poon, 2005), IB studies, building on comparative institutional and business systems analysis, can focus on human capability development (i.e. skill formation) and its

influence on location selection decision, internalisation, and ownership configuration of firms. Answers to question on how skill formation can affect firm's decision in internationalisation is rooted in comparative business systems analysis, which links to some fundamental questions IB theoretical frameworks attempt to explain, e.g. OLI and AAA (arbitrage, adaptation, and aggregation) (Dunning, 2000; Ghemawat, 2003). For example, skill formation, which is institutionally conditioned, determines how and to what extent a firm can develop internal capability (i.e. technological and managerial) to grow and internationalise. This dimension, however, affects how firms access new and rare skills, knowledge, and competencies (e.g. in case of internationalisation of R&D units) (Allen, Allen, Lange, 2017). Therefore, understanding this dimension leads firms to decide whether to internalise the skill development system (i.e. by internal training and coaching mechanism) or externalise it by making collaboration with organisations/institutions or buying out the skills. Inability to access required skills would negatively affect firm's internationalisation process and competitiveness in global market. Similarly, unavailability of the required skills in one context may push companies for arbitrage to another institutional context, and thus firms would require adaptation and complex management of diverse natures of cross border human resources, factor endowments, and organisational structures (Hotho and Saka-Helmhout, 2017; Saka, 2004; Sorge, 1995).

Second, IB studies tend to focus on the effect of long-term and short-term orientation primarily from the cultural dimension perspective, assuming that this is a constant exogenous factor affecting firm's strategic orientation (see, Hofstede and Minkov, 2010). Studies thus miss out, for example, how the nature of capital market is organised in a certain institutional context that supports certain types of ownership structure, which in turn influences a firm's strategic orientation i.e. long/short term orientation (e.g. Tao, et al. 2017). Future studies on cross border mergers and acquisitions in relation to ownership and control (see, Ficici and Aybar, 2009; Aguilera, and Dencker, 2004; Angwin, 2001; Baysinger, Kosnik, and Turk, 1991) can use long/short term orientation dimension arising from

ownership in the NBS perspective to examine the strategic orientation and its effects on the nature of control, management of human resources in M&A, and assessment of values.

Third, Trust between firms and between individuals is widely used in international business/entrepreneurship literature (Alzahrani, Al-Karaghoul, Weerakkody, 2017; Labarca, C. 2014), and this is again considered as a taken for granted construct emerging from the cultural context. The IB literature, traditionally, uses trust as an explanatory variable for explaining decisions on make or buy and related issues of contracting (Madhok 1995), as well as on issues such as the delegation or centralisation of decisions. Comparative institutional analysis on trust development brings a new dimension to the examination of cross-border phenomena (Zaheer, and Zaheer, 2006), by linking trust with incoherent and weak institutional features and fragmented business systems (Whitley, 2001a). Thus IB studies can go beyond the unidimensional analysis of trust to a more complex analysis of institutions and business systems, and their arrangements and historical roots that cause trust between economic actors to develop in particular ways.

Fourth, the phenomena of knowledge creation and knowledge diffusion institutions and their contributions to SMEs and multinationals capability development and growth in comparative institutional context is an interesting research agenda for IB (Whitley 2008). Although we shall discuss this phenomenon elaborately in juncture III, we shed a little light on it. One perspective of it is, MNEs need to manage global production networks/ value chains, and thus they need to consider how is the quality of knowledge creation/diffusion institutions in different business systems and how that quality affects management and sustainability of and performance in global value chain (Zhu and Morgan, 2017; Ernst, and Kim, 2002). However, yet this phenomenon is not well addressed in IB studies with an exception of a paper by Kamoche and Harvey (2006) who argue that MNEs are going to African market for investment and marketing and expecting to transfer knowledge without



considering the underpinning institutional mechanism and their historical roots. This indicates that comparative business systems and institutionalism can be useful in understanding such research problem where studies can look into institutional complementarity and path dependency affecting comparative advantage of industries and firms (Witt and Jackson, 2016; Whitley, 2005; Deeg, 2005).

***Problems for BST and Further Development:*** There are two main problems with this approach. The first is, the range of forms of capitalism studied is relatively limited. In particular, there have been few efforts to systematically apply this framework to emerging economies in Latin America, Africa and Asia (other than China, Japan, South Korea, Taiwan and Singapore). Exceptions to this include the chapters in Witt and Redding (2014), Zhang and Whitley (2016) and Morgan & Whitley (2012). Over the next decade there needs to be more NBS research on these different countries in order both to provide a knowledge base for further work and to analyse the degree to which there are particular forms and types of business systems in emergent economies that can be compared to models in the developed economies.

The second problem discussed in the literature is that of change (Djelic and Quack 2005; Jackson 2010; Kristensen and Morgan 2012; Morgan, Whitley & Moen, 2005). To what degree are these types of national business systems reproducing, evolving or changing and with what effects on firms and their strategies? Whilst issues of institutional change may be analysed in terms of endogenous processes (e.g. Streeck and Thelen 2005), much of this discussion relates to the role of exogenous factors, in particular, firstly, multinationals (Morgan, Kristensen, & Whitley 2001; Morgan 2009; Morgan & Kristensen, 2009; Kristensen & Lilja, 2011) and their impact on NBSs, secondly, technology and knowledge diffusion across national boundaries, and thirdly, transnational regulation. It is to these themes, which we now turn.

## ***Juncture- II: Internationalisation and MNC Management***

**Research question:** The broad question this juncture covers is: *how do institutions shape the ways firms (MNCs) internationalise (modes of entry etc.), 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. We can summarise this under three headings:

- Internationalisation strategy: how do institutions influence where MNCs locate and what sort of entry mode they use.
- How do MNCs organize their structures in order to meet the challenges of managing across different institutional contexts, e.g. how does this impact on the balance between centralisation and standardisation, or homogenisation and divergence inside the firm? What are the key institutional factors, which influence these decisions?
- Under what conditions do MNCs actively engage with host institutions in order to adapt or reshape them and learn from them?

**NBS Approaches and Findings to RQ:** The BST approach insists that in order to understand how MNCs internationalize and organize across different contexts, it is crucial to forefront their home institutional base and how this has shaped key aspects of their strategy and organization (see, Ferner and Tempel, 2006; Clark and Almond, 2006). As discussed in the previous Juncture, institutional contexts in BST shape different sorts of firms with different sorts of competitive capabilities. As a result, BST research has been particularly interested in how this affects the decision to internationalise, where to locate and what mode of entry to undertake, A key influence here which reflects the central role of institutional complementarities to BST discussions (see, Redding, 2005;

Morgan, 2012; Rana, 2015; Rana and Maria, 2017) concerns the link between different institutions in the home context, the sorts of capacities they generate in firms and the way in which they influence decisions about internationalization. For example, BST emphasizes that the competitive advantages of German companies in mechanical and auto-engineering emerge from the combination of a highly qualified workforce (deriving from the education and training institutions present in Germany) that is likely to be long-term employed in a particular occupation and firm and highly experienced in a particular area of technology and production with a financial system of patient capital that supports incremental product improvement and innovation. ‘Patient capital’ also encourages long-term involvement with suppliers and the development of joint programmes of upgrading and innovation. This set of firm level advantages derived from institutional level structures was highly location specific reflected in the clustering of German middle sized firms around larger exporting firms. As a result, German manufacturing firms to the 1980s were highly dependent on (and successful in) exporting their products and were low on FDI. Cost pressures inside Germany, the rise of new competitors and market access requirements started to change the balance of advantages and lead to more FDI. At this point, however, German firms internationalised in ways that would maintain some of their home institutional advantages in host contexts. They preferred to set up Greenfield operations or, where they engaged in acquisitions, to intensively restructure the acquired company using a German model of high investment in the latest technology and operating procedures. In particular, therefore, they continued to rely on their home-based suppliers, bringing them with them to new locations. They also tried to ensure that their new employees were highly skilled, either by selective recruitment in an area of existing skilled manufacturing workers or by upgrading local host educational institutions so that non-German employees could produce a good level of performance. Japanese firms in capital intensive manufacturing that started to engage in FDI followed a similar track (Morgan et al. 2003), drawing in their Japan based suppliers, using them to help develop a

locally based supply network and training employees up. In both cases, although they learnt some new skills from operating in different institutional environments, the firms have continued to depend on the intensive networks and institutions of their home base for the development of their most advanced products. Therefore, the home and host institutional contexts were affecting the mode of entry and the sorts of strategies in which the companies engaged in the new location. By contrast, US MNCs came from an institutional context where market relationships dominated with labour, supplier firms and the financial markets. They were much more willing to take risks and enter into foreign contexts by M+A, restructuring acquisitions in order to cut labour costs, change suppliers and contracts, and drive short term profitability. They were therefore cautious about entering institutional contexts such as France and Germany where labour rights were well protected, labour costs were high, and supply chains were captured by local big firms.

These institutional factors also influenced how the MNC was structured and in particular the degree to which it was centralised. BST research suggested that German and Japanese companies tended to keep tight control over technologies and production with overseas subsidiaries and their managers kept tightly linked to the home base for advice and servicing as they were essentially selling the same products with minor modifications in most overseas markets. Control was exercised by common operating procedures and the frequent presence of managers and engineers from the home base since these had deep knowledge of the distinctive competences of the MNC. US MNCs tended to be more concerned about common financial and accounting procedures in their subsidiaries in order to make clear their contribution to shareholder value; where this could not be achieved, then subsidiaries would be reorganised at the regional level, or sold off and other units would be bought that could be integrated to increase scale and profitability. Certain HR procedures were standardized in US MNCs related to home institutional conditions such as a general reluctance to deal with trade unions and

instead a focus on highly developed individual appraisal and reward systems (Almond et al. 2006). In R+D terms, US MNCs were more decentralised than German or Japanese firms, scanning loose networks of suppliers, specialist firms and scientific institutions to identify possible new developments and using their access to developed financial markets to gain entry to risk capital. Institutional contexts therefore affected the structure and organization of the MNC and their degree of centralisation and decentralisation.

BST authors have also been interested in how MNCs change host institutional contexts and how firms and sectors evolve in those contexts (Whitley, 1998, 2012; Ferner and Quintanilla, 1998; Yeung, 2000; Taino et al. 2001; Morgan et al. 2003; Morgan and Quack 2005; Hassel et al. 2003; Lamberg and Laurila, 2005; Kristensen and Zeitlin 2001; Morgan and Kristensen, 2009; Jong et al. 2010; Giroud, 2014; Ahmadjian, 2016 ;Schaumburg-Muller, 2001). MNCs when they internationalise 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; Rana, 2014; Rana and Sørensen, 2014; Rana and Sørensen, 2016). This is particularly important where ‘institutional voids’ exist, 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). German and Japanese MNCs, for example, have tended to be concerned to engage with host country institutions and voids in terms of skilled workforces and competent suppliers and the institutions capable of producing them in terms of trying to ensure that labour and supply chains in such contexts match some of the quality and cost criteria of their home based employees and suppliers. Recent studies of German car firms in China, for example, have shown that they have been involved in developing apprenticeship schools based on the German model as a source of labour for

their locally based plants (Jurgens and Krzywdzinski 2016). In the UK, Japanese auto firms have been influential in building formal and informal networks of local suppliers and upgrading their standards.

By contrast, in European economies, US firms tended until the last two decades to adapt to institutional conditions even if this meant accepting the power of labour, e.g. in industry level wage bargaining enforced by the state. However, more recently, they have tended to opt out of the employers' associations engaged in such top level bargaining and have started to develop their own firm or plant level bargaining contributing to the weakening of host based institutions in this area (see the discussions in Baccaro and Howell 2017 on Germany). Baccaro and Howell see this as part of a wider pressure on the institutions that have in the past bolstered labour in many European countries; the pressure to increase employer discretion derives from a more intensive and focused pressure to deliver returns to shareholders, rather than sustain the more stakeholder model of the firm that has existed in many European contexts over the last 50 years. US based investors have become more involved in ownership in some key European companies and the result has been a decline in the degree of 'patient capital' supporting these companies and a pressure towards more short term results for shareholders which in turn often threatens the compromises with labour (Goyer 2011). There are multiple studies of how institutions of corporate governance in particular institutional contexts have been changed by various sorts of multinational actors (Lamberg and Laurila, 2005; Ferner and Tempel, 2006; Goyer 2011; Stavrou et al. 2010; Giroud 2014; Sluyterman and Wubs, 2010).

BST therefore has offered a range of insights on how institutions influence international strategy and modes of entry. It also reveals how organizational structure is shaped by the pressures of operating in different institutional environments (Andrews, Htun, and Nimanandh, 2016), whilst showing that MNCs engage actively with host institutions in ways which can lead to broader changes and impacts on the social context.

***IB Approaches to RQ:*** The question of the impact of institutions on MNCs has appeared in the IB literature. One of the most important contributors to this literature was Dunning particularly in his later publications. In a range of papers (Dunning and Lundan 2008a, 2010), he sought to integrate more clearly the concept of ‘institutions’ into his OLI model eclectic paradigm, thereby encompassing the themes of strategy, mode of entry and organization of the MNC discussed in the previous section. He identified ownership advantages derived from institutional contexts in terms of ‘part of the governance structure of a firm which underpins the wealth creating process...at any given moment of time, such a governance structure comprises a galaxy of both internally generated and externally imposed incentives, regulations and norms’ (Dunning and Lundan 2009: 99). Locational advantages reflect the institutional contexts which make different home and host countries attractive places to invest. Dunning identifies a range of institutions that are relevant to this. He emphasizes the importance of good governance mechanisms in the society, including strong property rights protection. In terms of Internalization (I) advantages, Dunning and Lundan (2009: 106) argue that ‘a great deal of the received wisdom on ‘I’ is directly or indirectly institutional in its approach....institutions play an important part in determining the complementarity or substitutability of the different operational modes [intra-firm or inter-firm value added activities and transactions]....The costs of motivating the decision-taking agents within the firm, even if lower than the costs of transacting in the marketplace are dependent on the incentive structures and enforcement mechanisms devised and implemented by the firm and thus the formal and informal institutions therein’. Dunning’s focus on institutions and MNCs has also been followed up in various ways by prominent authors such as Cantwell 2009; Cantwell et al. 2010, Eden and Dai 2010, Meyer et al. 2009; Meyer, Mudambi, Narula, 2011, Peng 2008; Regner and Edman 2014; Voss et al 2010.

Kostova and Roth have taken a more micro-oriented approach to the influence of institutions and have emphasized more the impact of what they term ‘institutional duality’ in MNC subsidiaries (Kostova and Roth 2003). They see management as torn between conforming to the requirements of the local host institutional context on the one hand or imposing the home country institutional expectations on the other, as filtered through head office management into the host institutional environment. This creates a space of potential conflict and uncertainty. In their analysis, they draw on the idea of institutional distance which in turn emerges from discussions in the Uppsala approach to internationalization. In this perspective, internationalization is a staged process whereby firms move first into institutional environments which are similar to their home contexts; this may mean moving into nearby countries as an initial strategy but it may also mean a large degree of geographical distance but a small degree of institutional difference, e.g. UK companies moving early into Commonwealth countries such as Australia where there are substantial similarities of institutions derived from long historical ties. The important feature, therefore, is institutional distance and the degree of ‘strangeness’ and difference in institutions, which in turn contributes to the liability of foreignness (Xu and Shenkar 2002; Zaheer 1995; Regner and Edman 2014). According to the Uppsala approach, firms gradually learn how to manage institutional distance and overcome the liability of foreignness. Institutional distance in this approach is also linked to ideas of cultural differences as for example measured in Hofstede’s work or presented more qualitatively in Redding (2005) (see e.g. Estrin et al. 2009; Tihanyi et al 2005).

***How does BST Extend IB:*** In their 2008 paper, Jackson and Deeg argue that the use of concepts of institutions in International Business literature is characterised by ‘thin’ analysis of institutions. They discuss this in relation to two main issues compared to what they label as ‘comparative capitalisms’ research. Firstly, much of the analysis of institutions, culture and ideas of distance is based on efforts to build on and extrapolate from large-scale surveys of individuals and organizations. An obvious



problem with this approach is that it ends up having a very static notion of institutions and can provide little insight into how institutions might emerge, grow and change. However, this is a key issue for understanding globalization and the role of multinationals in relation to national institutional contexts. Jackson and Deeg relate this to a second weakness, which is the way in which institutions are treated as discrete phenomenon separated from each other. On the contrary, they argue that it is the relationship between institutions that is crucial and what they describe as institutional complementarity, i.e. the way in which institutional patterns in one area reinforce patterns in other areas. They suggest this more 'holistic' approach is a better way of understanding how institutions impact on firms than what they describe as a 'variable' based approach though by implication it also requires a methodological shift away from surveys or time based data sets of aggregated data towards more historically informed case study research.

As an example of the sort of research agenda, which this can generate one could look at the debate on how 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; Sayim 2010). Whilst Kostova and Roth (2003) develop a useful conceptual model of these tensions from within the IB tradition, studies which build on BST (see for example Ferner 1997 which first explicitly made these connections) suggest that subsidiaries are engaged in a trade-off between local context and global pressure (Geppert, Williams & Matten 2003, Edwards and Kuruvilla, 2005), but both of these contexts need to be located in 'thick' institutional analysis of how the home and host contexts rather than thin, variable type approaches. Thus subsidiaries may derive the capacity to innovate HRM practices and processes by mixing HQ and local models where their local institutional contexts facilitate the creation of powerful social actors (Kristensen and Morgan 2005: 2012) that can act independently and effectively against head office managements (see also Kristensen and Zeitlin 2005). 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 that HRM policy may be transferred and adapted in different ways depending on the receiving context.

Similarly although the idea that MNCs are capable of changing institutions in host contexts has been developed in IB, its thin, variable based approach is less helpful to understanding these processes than more detailed case study analyses which provide more holistic accounts of how institutions in host contexts fit together to resist efforts of MNCs to introduce institutional change or alternatively how possibilities for change open up as institutional complementarities decline for various reasons allowing new possibilities to emerge (see e.g. Morgan and Quack 2005; Kristensen, Moen and Lilja 2012; Dekocker et al. 2012).

***Problems for BST and further development:*** On the other hand, IB research can contribute to BST in a number of ways. Firstly, the focus of IB on firm level strategy and markets is by its nature dynamic and therefore counters what can sometimes be an over-determinism in BST where institutions appear to shape all action. Whilst BST has begun to be more actor-centred (see Morgan et al 2005; also contributions in Morgan et al al. 2010), it needs to go further to incorporate the dynamic of firm formation, strategy making and market shaping. A specific area here might be the debate within IB about ‘born global’ MNCs, an important topic which is not considered in BST research.

Secondly, IB has been much more ambitious than BST in terms of developing insights into MNCs from emerging economies (for exceptions, see Cooke et al 2015; Cooke 2014; Jurgens and Krzywdzinski 2016). Compared to discussions in the existing IB/IM literature (e.g. Williamson et al. 2013) there is very little, for example, on Chinese MNCs and their organization or their impact

overseas from this perspective (though there are relevant discussions in Drakhoupil et al. 2016 and Smith and Liu 2016).

Thirdly, another set of weaknesses in BST that might benefit from closer collaboration with IB is that there are still few systematic analyses of top management teams in different multinationals and how diversified these have become. BST suggests that managerial skills are strongly shaped by national institutional contexts and therefore German managers have different skill sets, usually based on more technical expertise than their Anglo-American equivalents, where general management skills often gained through MBA courses are more likely to be the norm. However, as ownership and activity has internationalized, we might expect top management teams to become more diverse. Detailed empirical research on the origins and qualifications of top management teams in the largest multinationals would be of interest and might also be related to changing corporate strategies. Exploring these questions would be a useful bridge between top management team research, multinationals and their strategies and BST. If it could reach down deeper into the management of subsidiaries and more detailed comparisons of the use of expatriates and third country nationals, this would also be interesting.

Fourthly, this could be related to more detailed research on the structure of MNCs. For example, Prechel (1997) has pointed to the large numbers of subsidiaries, branch offices and other locations outside the home base, which now characterises US corporations, related in part to issues of manufacturing location but also to maximizing tax and legal arbitrage activities. This fits with the model of US driven shareholder value capitalism and although there is now more research on how MNC structures are shaped by tax and legal arbitrage stimulated by IB authors such as Eden, this has rarely been considered from an institutional context in terms of how particular patterns of ownership and governance might lead to differential use of these strategies.

Finally, it is clear that methodologically, BST research needs to broaden its approach and consider the degree to which quantitative analysis can serve a useful function within this framework. Although many BST researchers have been sceptical about quantitative approaches based on large-scale surveys of managers or the analysis of data reported in annual reports, there has been a renewed effort by scholars committed to this approach to see how it might be possible to develop more rigorous conclusions. Two approaches have been suggested. The first is to formalize more carefully comparisons by cases using Ragin's qualitative comparative analysis (QCA) and fuzzy set analysis on small N samples (see Kogut 2010; also Jackson and Witt 2016; the second is to develop the analysis of large scale data sets in ways which focus less on particular variables and more on the interaction between variables (what is described as configurational analysis; e.g. Judge et al. 2014; Garcia Castro et al. 2013; Fainshmidt et al 2016). Methodological developments in this context can bring BST closer to IB expectations of theoretical rigour.

### ***Juncture III: Organisational Capabilities and Innovation***

***Research Question:*** *'How and why are firm capabilities/ competences shaped by institutional structures and business systems and what role does internationalization play in this?'* is the main question addressed in this juncture. The focus is on how firms learn through internationalisation and produce innovation in various ways building on their abilities to combine knowledge from different sources.

***NBS Approaches and Findings to RQ:*** NBS argues that the development of competitive competences in firms involves a variety of factors (See, Whitley, 2003b). 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. These models of innovation differ from contexts where the goal is to create the commitment of core employees with high levels of technical skill to collective problem solving and the development of firm specific capabilities. So, similar to developments in institutional and evolutionary economics (Marengo et al 2000; Teece et al. 2000, Foss and Knudsen 1996; Lazoniuck and West 1998; Teece and Pisano 1994; Penrose 1959), NBS argues that variations in institutional frameworks 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; Haake, 2002; Hancké, 2002, 2009; Casper and Whitley, 2004; Whittaker, Sturgeon, and Song, 2016; Carney, 2016).

Whitley (2007, 2003b) links three types of capabilities with authority sharing that leads to collective organisational capability, eventually determining the innovation styles and strategies at firms (see, Whitley 2002; 2006a, 2010a, Allen and Whitley, 2012).

*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. Moreover, there is reverse diffusion of knowledge from subsidiaries to MNE HQ in international business (Edwards and Ferner, 2004), while subsidiaries also learn in the local

context, develop capability to gain access to foreign knowledge-generating assets but that depends on the nature of institutional context it is operating in (Allen, Allen, Lange, 2017).

*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. Such transformations can destroy existing routines and competences, e.g. as in the impact of the internet across a wide variety of areas which had been traditionally organized, e.g. Amazon, Uber, AirBnB, Spotify, Netflix etc.

Whilst NBS research supports the broader finding 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 (Herrigel et al. 2013), 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 (see, Lundvall, 1999). 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 but also to link these developments with other relevant locations inside the MNC or connected to the MNCs global value chain (e.g. Birkinshaw, 2000).

**IB Approaches to RQ:** IB studies have long been focusing on how organisational attributes and capabilities facilitate creation, adoption, and diffusion of innovation in product, process and internationalisation (Ghoshal and Bartlett, 1988; Kotabe and Murray, 1990). IB uses dynamic capability concept to examine how MNEs possess, deploy, and upgrade capabilities that affect firm's

international expansion, competitive advantage, and sustainability (Cantwell, 2014; Luo, 2000). Recently IB studies have combined capability with firm innovation in internationalisation, and studies have used two perspectives, one focuses on linkage and knowledge sharing with firms across the geographical borders, while the other focuses on linkage with the local innovation systems and thereby tap into rare and unique knowledge (Cantwell and Zhang, 2009). Studies have paid attention to understand mainly the technological capability development and transfer of knowledge that affect the upgrading of global supply chains, industrial clusters, and firms' operations (Cantwell, 2017; Cantwell and Zhang, 2009; Kafouros, et al. 2008; Ernst and Kim, 2002). Additional to this understanding is the inclusion of institutional perspective in which Dunning and Lundan, (2010) urged for the co-evolutionally nature and institutional origins of dynamic capabilities of MNEs. They assert that MNEs not only draw resources from institutions to develop dynamic capability but also co-develop institutions by that dynamic capability across global operations. At this point IB perspective meets BST perspective on organisational capability that Whitley (2007) proposes. However, IB studies have not paid due attention to investigate the organisational learning perspective with a focus on knowledge diffusion between subsidiaries and HQ and vice versa and neglected the coordination of complex networks and reconfiguration capabilities of MNEs, and how variations in institutions in different contexts can affect MNEs to develop different types of competencies that lead to various innovation styles in subsidiaries.

***How Does NBS Extend IB:*** NBS has considered how and why particular social actors within the MNC derive from their institutional context the capability to engage successfully in these competitions and spread their influence more widely in the MNC, its value and in the sector more generally. In a series of studies (Kristensen and Zeitlin 2001: 2005; Kristensen and Lilja 2011), Kristensen has 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. Local actors played in ‘global games’ because they had the knowledge, skills and local support to become essential to the multinational’ and they were able to carry knowledge across subsidiaries and facilitate learning and upgrading. NBS therefore provides a framework for understanding how transnational diffusion, learning and innovation (Liu and Tylecote 2016) takes place inside MNCs. It points to the importance of understanding the social embeddedness of the subsidiary, the skills and networks, which are developed locally, the role that different sorts of managers (home-based, host-based or third country nationals) might play in sustaining and developing this knowledge. It also allows us to investigate how the meso-structures of the MNC (i.e. whether subsidiaries are organized into geographical or product divisions, which functions are delegated to subsidiaries and which are kept at meso or headquarters level) impact on the ability of particular subsidiaries to become active in innovation processes, either locally or within the MNC structure or within a wider global value chain.

***What are the Problems in NBS and further development:*** This research can contribute to debates in IM/IB about forms of learning and innovation by placing institutional contexts more centrally in the analysis; not just as constraints but as arenas within which social actors can develop new forms of activity and networking both locally and within the MNC and its global value chain. However, this requires NBS to develop the research agendas that focus more directly on innovation and learning across divisions and levels in multinationals. This in turn requires more detailed work inside multinationals to understand these processes.



## **Juncture- IV: Transnational Institutions and Transnational Communities (TC)**

**Research Question:** There are two main themes that are addressed by this juncture. The first considers *‘how do transnational institutions impact on International business and multinational companies and how are they impacted on?’* The second considers the MNC as a transnational social space and asks what sort of social space this constitutes. BST has been primarily concerned with national institutional contexts and their effects on firms. However, there is increasing recognition that the last two decades has seen the building of transnational institutions, which have significant influence on MNC in terms of entry modes, market and asset seeking, location decisions, organization and management structures, innovation and learning capabilities. Also the transnational social space encompassed by the organizational boundaries of the MNC or organized through its supply chains of subcontractors etc. has become more complex. Whitley has described these transnational phenomena as a ‘thin’ institutional space (Whitley 1998; 2012) in comparison to the influence exerted by national institutional contexts. However, as BST has developed it has come to investigate the development of the multinational social space and the transnational institutions, norms, rules and social movements at this level in more detail because they have become more influential both on national level institutions and the ways firms grow and develop.

**NBS Approaches and Findings to RQ:** In their 2006 introduction to a special issue of the journal *Human Relations* Geppert et al (2006) suggest a framework for the analysis of transnational institution building and MNCs that consists of the following. Firstly, they argue that MNCs are not just shaped by transnational institutions but play a significant role in actively shaping them, (see e.g. Morgan’s discussion of the role of MNCs in shaping regulatory standards, Morgan 2001c; also Djelic and Bensedrine 2001; and Djelic and Quack 2005 on what they term ‘trickle down’ and ‘trickle up’ effects between transnational institutions and national institutions). Secondly they argue MNCs

operate transnationally or globally and institutionalize management practices and structures at a corporate wide level (2006: 1455). Thirdly, MNCs consist of subsidiaries with various forms of local embeddedness that translate and adapt transnational practices in the light of various interests, powers and political activities within and between levels in the MNC. These latter two phenomena are linked together in Morgan's notion of the MNC as a specific kind of transnational social space creating transnational communities (2001a) within the firm as well as drawing on transnational identities and processes from outside the firm (including diasporic identities) in order to encompass and connect groups but also to put boundaries up and create distinctions between groups.

The idea that MNCs are shaped by transnational institutions and play a role themselves in shaping these institutions is now well researched within the BST Framework. Examples include the development of global accounting standards and the role of the big accounting firms in this process (Botzem and Quack 2006; Botzem and Quack 2009; Botzem 2012;). Halliday and Carruthers (2009) in their study of bankruptcy law, accountancy firms and the role of international agreements show that the effects of these agreements 'trickled down' into the Asian societies which they studied in the forms of laws and regulations which in turn were shaped by existing national institutional contexts. The rules and regulations emanating from transnational institutions needed to be interpreted and translated by actors in national institutional contexts, leading to very different forms of implementation in the countries involved where national institutional contexts were very different.

Transnational institutions have become particularly important in a number of areas as a way of reducing transaction costs and facilitating shared understandings. Morgan (2001c), for example distinguishes between transnational institutions, which regulate product standards, 'proper person standards' and standards of fair dealing. Financial markets that are highly international are sites where there has been much debate and discussion about what sort of standards should be brought in and

how should they be monitored.( see also Morgan 2008) Brunsson and Jacobsson (2000) refer to what they call ‘a world of standards’. There has been increasing research linking home institutional contexts and transnational institutions and the effect this has on multinationals e.g. in the growth of corporate social responsibility standards and measures as well as the monitoring of standards of sustainability etc. in various fields such as forestry, marine conservation and fair trade in clothes, coffee and agricultural products (for BST driven analyses see Djelic and Quack 2003; 2010; Djelic and Sahlin-Andersson 2006). BST research emphasizes that transnational institutions are not simply efficiency enhancing ways of economizing on transaction costs but emerge from processes of power and politics (Clark and Geppert 1996; Reinecke and Donaghey 2015, Locke 2015, Bartley 2015).

BST has also been much concerned with the nature of the transnational social space inside the MNC and in particular, the relationship between subsidiaries and head offices. On the one hand, MNC headquarters impose a variety of forms of control in order to create coherence and consistency within the organizational boundaries; as discussed previously, these mechanisms depend on national institutional contexts and reflect strategies for accessing markets, locations, and strategic assets. However, what BST also emphasizes is that the ability of MNCs to impose these processes and strategies depends on issues of power and politics arising from the nature of the social embeddedness of the subsidiary. Morgan and Kristensen (2006; 2012) argue that actors within subsidiaries may have the power and capability to develop their own goals separate from those of the headquarters where they are well connected to local institutions such as local trade unions, local government, local training institutions etc.. Not all subsidiaries have such capabilities because they lack local embeddedness so that if the MNC withdraws investment, they have no alternative strategies to draw on. Most of the dynamics between subsidiaries and head offices occur between these two extremes and many BST studies have engaged in deep qualitative research to understand how power and politics works within this transnational social space (Kristensen and Zeitlin 2005; Dorrenbacher and

Geppert 2011; Becker-Ritterspach et al. 2016; Whitley, Kristensen and Morgan 2001; Boussebaa et al. 2012; Seabrooke 2015; Rana, 2014; Rana & Maria, 2016).

A development of this discussion is an increasing interest in the impact of the development of a cadre of global managers in some MNCs. These global managers may be from third country contexts or they may have undergone long socialization into global management as a set of identities and practices. They are carriers of global management ideas and procedures across the MNC. Kristensen and Zeitlin (2005) showed how within the MNC they studied, these global managers were highly finance oriented, they had little knowledge of the detail of the subsidiaries and focused almost entirely on particular financial metrics. Their networks were primarily with the City of London and their shareholders rather than with local networks within subsidiaries. There is little research on this category of global managers and how they might be organized across the multinational though HR talent management programmes are interesting examples of how MNCs seek to lift some managers into this category. These global actors create cognitive and normative frames that are not confined in any national context rather they occupy transnational space, and eventually affect national institutional contexts and the internationalisation of companies (Riddle and Brinkerhoff, 2011, Whitley and Morgan, 2012; Herrigel et al. 2013). A related issue of transnational social space in the MNC is the idea of diasporas as means of accessing certain skills in overseas settings and/or creating networks of suppliers and supporters (e.g. Rana and Maria, 2017; Morgan et al. 2003). In turn, this draws on social processes of defining boundaries and connectedness on the basis of national and ethnic networks and how this is used inside MNCs, (see e.g. Frenkel 2008) to differentiate and exercise power within the transnational social space.

In conclusion, BST has started to explore a range of interactions between transnational institutions and processes of regulation, standardisation and migration and how MNCs develop their strategies

building on their home institutional context. The concept of ‘transnational social space’ which has been developed 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).

***IB approaches to the RQ:*** To what degree has IB incorporated and considered the idea of transnational institutional building? In his later writings, Dunning referred to this problem. He suggested that the main costs of institutional distance ‘can be overcome or lessened by some kind of transnational concord at either a corporate and company level – or both. It is here where one gets into evaluating the relative merits of coordinating or harmonizing such informal institutions as codes of conduct, global reporting initiatives, standardizing standards, and the idea of a common corporate ethic; and those of upgrading more formal institutions....How can any attempt to impose global standards be reconciled with L (location) – specific cultural and ideological mores?’ (Dunning 2009: 27). Dunning’s approach reflects some spasmodic interest in IB literature about the development of transnational institutions, e.g. Brewer and Young (2001), but this tends to be based on (a) public transnational institutions (rather than the growing array of private ones), (b) institutions based around trade barriers between countries (rather than in social issues and social responsibility of corporations and (c) a transaction cost approach emphasizing that such institutions arise as means of economizing on costs and ignoring the political and power dimensions of these struggles.

On the idea of the MNC as a transnational space, IB has been much more productive. It was after all Bartlett and Ghoshal (1989) that first identified the ‘transnational dilemma’ and the issue of the relationship between national institutional contexts and the strategies of the MNC to make use of differences, to standardize differences and to eventually to learn from differences. IB also developed discussions of the role of subsidiaries acting separately from the MNC HQ, e.g. Birkinshaw’s analysis of the entrepreneurial firm built on earlier work on subsidiary autonomy. Through the concept of institutional distance, IB explored the differences between contexts and the impact this made on management and organization inside the MNC. However, IB has tended not to link these conflicts with institutional conditions and the ways in which they empower different groups to different degrees, instead focusing on the one hand on issues of costs (Foss et al. 2012) as determinants of subsidiary conflicts and on the other hand looking at the attention paid by the HQ to the subsidiary and how the subsidiary might make itself more present and more important in the eyes of the HQ (Bouquet and Birkinshaw 2008). Similarly although the idea of global management is frequently invoked in IB there is very little discussion of how this is constituted, who are these global managers, what processes turn them into this specific sort of identity distinct from their home institutional context’s construction of what it means to be a manager. Although there have been some attempts to link issues of diaspora with MNC choices about location and markets (e.g. Tung 2008), these have been limited. In these respects, therefore, the early promise, which existed in Bartlett and Ghoshal’s formulations has not really come to fruition (though the collection by Ghoshal and Westney 2005 offers further glimpses of how this might be developed).

***How does BST Extend IB?*** 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. In BST, these relationships are understood in terms of institutional contexts and how these contexts

shape and empower actors on their ability to interpret and adapt to head office demands. Transnational communities emerge within this network and 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 (e.g. Boussebaa et al 2012).

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/consulting organisations, for example, the sphere of ideas, knowledge and certification in 'ideological' Transnational Communities. The development of these concepts of TC and transnational space is based on a continuing recognition of the role of national institutional constraints and opportunities but now linked to the notion that there are other spatial levels of institution building and social action. It raises questions about how the internal social space of the multinational is organized, the flows within that space of people, knowledge, technologies and capital. It also links to discussions of global value chains and how these are connected across national boundaries and what difference this makes (Lakhani et al. 2013). It also connects to discussions about how different levels of transnational institutions building frame the context for MNC strategies and how MNCs try to influence this space, which is also occupied by state regulators, international organizations, consumer groups, transnational social movements etc.

***Problems for BST and Further Development:*** BST has developed a number of these themes but there are still issues to be addressed. A major focus needs to be the multinationals and their internal dynamics. One of the problematic elements is that it requires detailed qualitative case studies to understand the dynamic and development of transnational communities inside multinationals. Whilst some understanding can be derived from examining the careers, work experience and backgrounds of top management teams through the publicly available data, more qualitative and quantitative research is required. Some efforts have been made to achieve this through studies of subsidiaries in different countries within the same firm (e.g. Belanger et al 1999; Kristensen and Zeitlin 2005) but the level of access and the amount of resources to do this for a large MNC has proved beyond researchers at the moment. Another way into this problem, however, has been to study business elites (Morgan et al. 2015) and the degree to which networks are international in scope and how they embed into international structures such as the EU or the UN Global Compact. Further work linking the development of transnational regulations and standards on business education, financial market, and international management consultancy with particular sets of MNCs along the lines suggested by Seabrooke and Tsingou (2015) would be useful for IB studies.

## **Conclusion**

Since our aim of the review is to initiate a productive dialogue between BST and IB in order to advance the IB studies using institutionalism, the analysis of four thematic-junctures present a thick description of what NBS has contributed and how that knowledge can complement IB in terms of using the framework, concept, research questions, findings related to various spaces, actors and phenomena. IB is a cross-disciplinary forum emphasizing phenomena-based studies (See, Doh, 2015) and contextualizing (Michailova, 2011), therefore deeper understanding of the complexity and theorization (Doz, 2011) on the phenomena is of the interest for IB studies.



Briefly, as highlighted in analysis, IB lacks sufficient research on comparative analysis of management and organizational phenomena and how they are shaped by institutional dynamics and distance (Whitley 1992ab, 2001b; 2003; 2003a; 2009, 2010ab, 2013, 2014, 2016; Casper and Whitley, 2004; Edwards et al., 2006; Redding and Witt, 2009, 2013; Zhang and Whitley, 2013) (See, J-1). Although IB has made strong contribution to studies on internationalisation of firms, location selection and market entry strategies (Morgan 2001b, Collinson and Morgan, 2009, Sayim, 2010; Iannou and Serafeim, 2012, Ercek, 2014), it has paid less attention to organizational and management implications arising from different institutional contexts i.e. centralization, decentralization or regionalization as intermediate structure. IB has overlooked the empirical examination of the institutional entrepreneurship of MNEs or the co-evolution of institutions in adapting and changing the institutional context (Andrews, Htun, and Nimanandh, 2016; Giroud, 2014; Dekocker et al. 2012; Jong et al. 2010; Morgan and Quack, 2005; Morgan et al., 2003), while it has also paid less attention to the study of reverse diffusion and circulation of management elites dimension within MNC's internal network and between MNCs across the world (Edward and Ferner, 2004; Edward and Kuruvilla, 2005, Edward et al., 2005; Geppert, 2003) (see, J-II). Although dynamic capability has been a core focus of IB research for decades, IB has not paid adequate attention to investigate the organisational learning perspective by focusing on knowledge diffusion between various actors of MNCs in its value chain and how that is shaped by different institutional context and how that leads to various styles of innovation in subsidiaries (Clark and Almond, 2006, Ferner and Tempel, 2006; Lamberg and Laurila, 2005; Whitley, 2007; Morgan and Kubo, 2016) (See, J-III). IB studies have made strong contribution on how global institutions and global NGOs affect the MNCs operation and performance and how MNC as a transnational network is managed across the global operation. However, what IB can borrow from BST literature is the way BST examines the coordination of international economic activities within transnational firms and their global networks

and explain these relationships from multiple institutional contexts, which shape and empower multiple actors on their ability to change and adapt in different contexts, while that eventually affects the ways local firms organize economic activities in national contexts. In addition, development of management, knowledge and education and the creation of shared cognitive and normative frames of reference as an ideational transnational community and their impact on MNCs performance and capability has been completely overlooked in IB studies (J-IV). In these areas, BST can contribute to IB literature.

We summarize our contribution in figure 2, combining juncture-themes (i.e. phenomena) with space-dimensions and this can help both IB and BST to pinpoint their strength and weakness in research focus. The four quadrants can indicate the nature of the phenomena in terms of complexity/overlapping and segmented/concentrated features within the national or comparative/cross-national space. This is because BST studies focus on both national contexts but then compare between two or more countries and cross-national context. In each case, the phenomena and actors involve either complex/overlapping dimension or segmented/concentrated dimension.

Figure 2: Phenomena / Themes Vs Space dimensions in NBS Literature

<b>Phenomena and their Interactions</b>	Complex and overlapping	<b>Transnational Communities &amp; NBS (J-IV)</b>	<b>Internationalisation &amp; MNC Management (J-II)</b>
	Segmented / Concentrated	<b>Organisational Capabilities and Innovation (J-III)</b>	<b>Comparative Business Systems (J-I)</b>
		National	Comparative / Cross-National

**Space**

This can serve as the basis of studying firm’s behavior in cross-national and comparative institutional contexts while the findings and conceptualizations presented in the four junctures serve as the basis of understanding cross-national and comparative dynamics of firms. Institutional framework

developed by BST offers a rich content combining culture, history (Redding, 2005) and proximate formal institutions (Whitley, 1992b, 2010; 2016), thus IB can use it to go beyond the unidimensional analysis to more complex analysis of institutional impacts on firms management, capability, and performance, thereby overcome shortcomings rooted in neo/new institutional economics (North, 1991) that IB tends to follow. Whitley's (2003, 2007) conceptualization of institutional origin of organizational capabilities can also serve the interest of IB scholars in institutionalism and firm capabilities (see, Dunning, and Lundan, 2008; 2010). Apart from national institutions, IB can benefit from the ways in which NBS has begun to examine the emergence of transnational institutions and transnational communities that affect MNE structures and strategies in international business operations, e.g. the rise of new levels of institution-building such as regional trade blocs like EU and NAFTA and public/private regulatory bodies such as the Basel accords, Fair Trade and similar labelling systems etc. (see Duina 2015; Morgan, 2001a,c; Djelic and Quack, 2005; Djelic and Quack 2010). This dimension presents new phenomena and actors (e.g. 'transnational institution', 'civil society', 'diaspora', 'MNC') that belong to supranational space but affect firm characteristics in national space.

Internationalization and MNC management cover both comparative and cross-national space and the phenomena are more complex and overlapping in nature (see, figure 2).

Whilst IB is increasingly broadening its scope and calling for capturing complexity and depth of the phenomena emerging from globalization or anti-globalization (see, Doz, 2011), the more qualitative approach of NBS would add value to IB researches. Instead of focusing on MNC only as the basic unit of analysis, NBS suggests that IB studies should also focus on the interactions between firms and the institutions, industry, civil society actors as well as emergent social phenomena such as transnational communities. Use of institutional theory in IB remains limited, and ideally, this should

broaden out from the notion of institution as a way to reduce transaction costs to a recognition of the social construction of institutions that can be both enabling and constraining to firm capability, strategy and structure, as advocated in NBS. The changing nature of globalization, migration and technology is making these social phenomena more complex, multi-factor and multi-context dependent, thus IB has much to borrow from NBS, whilst NBS requires to pay attention to the less focused themes, such as ‘organizational capabilities and innovation’ and ‘transnational communities & BS’, as to how they can encourage more comparative and cross-national studies, as called for by Cheng et al. (2014).

## NOTE:

1. Abbreviations of Figure 1: Path dependency = PD; transnational regulatory standard= TRS, 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; Transfer of reward management=TRM; 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.; context of culture= con.-cult.; future trajectory = Futu.-traj.; global commodity chain= GCC; HRM- Competitive advantage= HRM-CA; firm performance= firm-per.; Dutch Business system= Dutch-BS; Southeast-Asian Business systems= SA-BS; Entrepreneurship= Entrp.; European Business systems= Euro-BS; Varieties of capitalism= VC

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