

Institutional Strategies in Emerging Markets

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Abstract

We review and integrate a wide range of literature that has examined the strategies by which organizations navigate institutionally diverse settings and capture rents outside of the marketplace. We synthesize this body of research under the umbrella term *institutional strategies*, which we define as the comprehensive set of plans and actions directed at leveraging and shaping socio-political and cultural institutions to obtain or retain competitive advantage. Our review of institutional strategies is focused on emerging market contexts, settings that are characterized by weak capital market and regulatory infrastructures and fast-paced turbulent change. Under such challenging conditions, strategies aimed at shaping the institutional environment may be especially critical to an organization's performance and long-term survival. Our review reveals that organizations engage in three specific and identifiable sets of institutional strategies, which we term *relational*, *infrastructure-building*, and *socio-cultural bridging*. We conclude by highlighting fruitful avenues

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for cross-disciplinary dialogue in the hope of promoting future research on emerging markets and defining the next frontier of institutional theory in organizational analysis.

Institutional Strategies in Emerging Markets

In an increasingly complex and integrated global economy, a significant challenge for organizations is navigating institutionally diverse contexts—each posing a different set of opportunities and challenges. Scholars over the past decades have articulated the multifaceted influence of institutions on organizations and competition, with some traditions foregrounding formal and legal aspects (Hall, 1986; North, 1990; Williamson, 2000), while others focusing more on informal and socio-cultural aspects (DiMaggio & Powell, 1983; Meyer & Rowan, 1977). North (1991, p. 87) defined institutions as “humanly devised constraints that structure political, economic and social interaction”. For Scott (2014, p. 56), institutions are the “regulative, normative, and cultural-cognitive elements that, together with associated activities and resources, provide stability and meaning to social life”. While extensive research has focused on the effects of institutional variation on organizations (Greenwood, Raynard, Kodeih, Micelotta, & Lounsbury, 2011; Peng, Wang, & Jiang, 2008), less attention has been paid to examining the ways in which organizations purposefully and strategically shape their institutional environment to enhance their competitive advantage. Yet, as recent research has shown, the effective management of socio-political and cultural institutions is no less important to organizational survival than marketplace success (Hillman & Hitt, 1999; Lounsbury & Glynn, 2001; Marquis & Qian, 2014; Seelos & Mair, 2007).

In this paper, we review and integrate recent literatures that have documented a variety of strategies by which organizations attend to institutionally diverse settings and capture rents outside of the marketplace, including collective mobilization strategies that seek to influence the public policy arena (Henisz & Zelner, 2003; Hillman, Keim, & Schuler, 2004), to transform institutions (Campbell, 1998; Hillman & Hitt, 1999; Lawrence, 1999), and to engage with key stakeholder groups (Freeman, 1984; Galaskiewicz, 1985; Mitchell, Agle, & Wood, 1997). While these efforts have shed light on the complexity of organizational behaviors, our understanding of the diversity and contextual relevance of different types of *institutional strategies* remains balkanized and selective.

We focus our review of institutional strategies on emerging market economies—countries characterized by rapid industrialization, economic liberalization and increased integration into the global economy. In these contexts, the society and economy are rapidly co-evolving, such that the onus is often on organizations to pursue and promote not only economic, but also social

development (Hoskisson, Eden, Lau, & Wright, 2000; Luo, 2006; Mair, Marti, & Ventresca, 2012). In the last decade, emerging markets have assumed a prominent position in the global economy and they are projected to account for more than half of world GDP on the basis of purchasing power by the end of 2014 (see Figure 1). The rapid rise and development of countries such as China, India, Brazil, and South Africa in the twenty-first century has attracted tremendous interest from managers and investors, yet our theories have not kept pace (Davis & Marquis, 2005). As Wright, Filatotchev, Hoskisson, and Peng (2005, p. 27) convincingly argue, research with a focus on emerging economies is both an opportunity and a necessity—as they are “fertile grounds not only for testing existing theories but also for developing new ones”. Accordingly, we propose that research in emerging economies feature more prominently in organizational studies as we move forward.

While the specific context that we examine is emerging economies, our intention is to review and synthesize various streams of research in order to identify and map the complex array of institutional strategies that firms undertake—which can then be generalized to business organizations in other contexts as well. To date, strategies that can be considered part of firms’ institutional strategizing have been variously referred to as non-market or political strategies (Baron, 1995; De Figueiredo & Tiller, 2001; Hillman & Hitt, 1999; Hillman et al., 2004), collective action (King & Pearce, 2010; Schneiberg & Lounsbury, 2008; Walker & Rea, 2014), resource dependence (Mizuchi, 1989; Oliver, 1991; Pfeffer & Salancik, 1978), and stakeholder management (Freeman, 1984; Mitchell et al., 1997). Although these literatures are not traditionally considered under the institutional theory ambit, a common feature is that they address how organizations strategically manage their broader

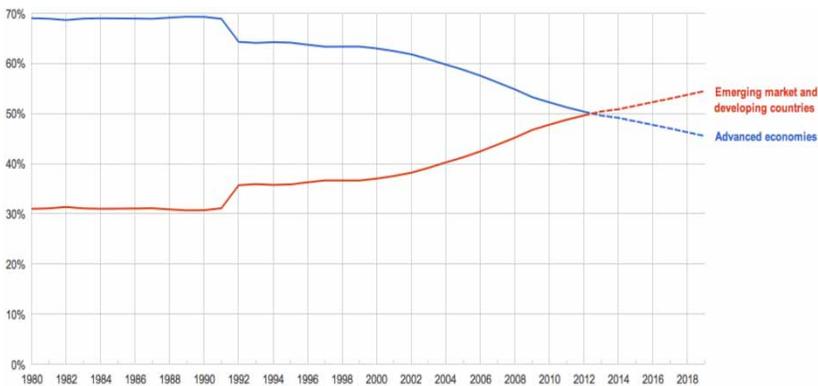


Figure 1 World GDP Trends for Advanced and Emerging Market Economies.

Note: GDP based on PPP share of world total.

Source: International Monetary Fund, April 2014 World Economic Outlook Database.

external environments; and, as such, provide important insights for theorizing about institutional processes. Conceptualizing strategies as “institutional” provides an opportunity to integrate these rich, yet disparate streams of research—and, thus, offers a more accurate identification of the overarching conceptual domain. Furthermore, while studies have examined emerging market contexts from a variety of different theoretical perspectives, we argue that an institutional lens is particularly useful in these contexts because they are undergoing large-scale economic and social changes that are still little understood (Roland, 2000).

We define the term institutional strategy as “the comprehensive set of plans and actions directed at leveraging and shaping socio-political and cultural institutions to maintain or improve an organization’s competitive position”. Our review of the literature reveals that organizations engage in three specific and identifiable sets of institutional strategies, which we term *relational*, *infrastructure-building*, and *socio-cultural bridging*. Relational strategies involve networking efforts to cultivate and manage dependency relationships with the government and key stakeholder groups (Marquis & Qian, 2014; Siegel, 2007). Infrastructure-building strategies address missing or inadequate regulatory, technological, and physical infrastructures that support business activities (Mair & Marti, 2009; Rao, 1998; Schneiberg & Lounsbury, 2008). Socio-cultural bridging strategies tackle socio-cultural and demographic issues that can hinder economic development and trade—for example, political and social unrest, illiteracy, poverty, and ethnic or religious conflicts.

In unpacking the concept of institutional strategies in this way, we aim to develop an integrative framework that outlines a more interactive and reciprocal view of institutional processes—one that highlights the agentic and intent-driven nature of organizations’ engagement with institutions, and the importance of institutional perspectives in firms’ strategic action in a globalizing economy. We argue that such a perspective is an important new frontier of institutional research in organizational studies. Accordingly, we focus our review on highlighting fruitful areas for cross-disciplinary dialogue, and on providing a roadmap for future scholarship on navigating the complexities of diverse institutional environments.

Institutional Strategies as the New Frontier of Institutional Research in Organizational Studies

Beginning in the 1970s, scholars from various disciplines including economics, political science, and sociology began focusing on how institutions—or the formal and informal “rules of the game”—affected organizational and economic activity (North, 1990; Scott, 2001). In organization studies, the research that built on this tradition tended to emphasize the capacity of institutions to control and constrain organizational behavior by “defining legal, moral,

and cultural boundaries and distinguishing between acceptable and unacceptable behavior” (Scott, 2014, p. 58). Significant empirical work in this area, for example, focused on how social and cultural expectations exerted pressures on an organization to conform to “legitimate practice” within a given institutional field (e.g. Davis, 1991; Fligstein, 1985; Galaskiewicz & Wasserman, 1989). This early work in institutional theory was powerful in demonstrating the substantial isomorphic forces in organizational fields—thus, addressing DiMaggio and Powell’s original question of “why do organizations look so similar?”

Later streams of research within organization studies shifted the focus from examining continuity and constraint in social structures to exploring how actors exercise agentic behavior and instigate change (cf. Hirsch & Lounsbury, 1997; Thornton, Ocasio, & Lounsbury, 2012). Drawing upon resource dependence arguments, Oliver (1991) argued that organizations do not passively conform to homogenizing institutional pressures. Instead, some organizations actively resist these pressures by challenging them, dismissing them, or co-opting the sources of the pressures (Marquis & Lounsbury, 2007). And research on institutional entrepreneurship and institutional work has documented how actors leverage material and symbolic resources to create new institutions or to transform existing ones (Battilana, Leca, & Boxenbaum, 2009; Lawrence, Suddaby, & Leca, 2009; Maguire, Hardy, & Lawrence, 2004). Despite offering considerable insights into how actors engage in proactive agentic behaviors to instigate broad transformational change, existing models have typically assumed a field-level perspective—with less attention being paid to how organizations strategically shape their institutional contexts to further their own individual ends.

Scholars in strategy and international business have also increasingly advocated taking an “institution-based” approach. With the changing competitive landscape confronting firms as globalization has progressed, there is increasing recognition that research needs to investigate and understand how contextual factors affect competition, performance, and the development of sustainable competitive advantages (Ahuja & Yayavaram, 2011; Oliver, 1997; Peng, Sun, Pinkham, & Chen, 2009; Peng et al., 2008). For instance, Ingram and Silverman (2002, p. 20) contend that “institutions directly determine what arrows a firm has in its quiver as it struggles to formulate and implement strategy”. While this stream of research has tended to point to legitimacy and reputational pressures for social conformity, there has been growing recognition that organizations act strategically when confronted with institutional constraints—both those related to variation across global contexts generally and the particularities of local contexts.

Building on the widespread interest in institutional processes, we review a series of literatures that explore how organizations interact with, navigate, and shape their external environments. While these literatures stem from

different legacies and antecedents, taking stock of this growing body of research is critical to our capacity to think comprehensively about the institutional conditions confronting organizations. We integrate this work under a common heading by adopting a broad definition of *institutional strategies*—one that includes all plans and actions taken by an organization to strategically manage socio-political and cultural institutions, and/or leverage them to its competitive advantage. The term institutional strategy was first considered by Lawrence (1999, p. 161), who identified two basic types: “(1) membership strategies that involve the definition of rules of membership and their meaning for an institutional community; and (2) standardization strategies that are concerned with the establishment of technical legal or market standards that define the ‘normal’ processes involved in the production of some good or service”. While we agree that these are important, they may only scratch the surface of what is possible and necessary in today’s global environment. Our main point is that organizations need to be proactive about diagnosing and shaping their external environments. Contrasting with earlier perspectives that viewed institutions as top-down pressures that constrain social and organizational behavior, our perspective foregrounds the strategic interaction between organizations and their institutional environments. In doing so, our review aims to showcase institutional theory as a theory of action for the twenty-first century.

In the following section, we outline the critical features that differentiate emerging markets from developed and developing markets, and draw attention to the importance of these differences in affecting an organization’s operations, strategic focus, and overall competitive landscape. In the discussion, we offer recommendations for future research that examines how the institutional strategies that we identify may vary *across* different emerging economies.

Why Institutional Strategies are Essential in Emerging Markets

As locations of future growth for firms, emerging markets have attracted increasing scholarly attention (Li, 2001; Xu & Meyer, 2013)—with emphasis being placed on examining the role of institutional factors in channeling organizational attention, decision-making, and actions. This growing interest is clearly reflected in two recent special issues on strategic management in emerging markets. In Hoskisson et al.’s (2000) *Academy of Management Journal* special issue, the editors highlighted institutional theory as one of the key theories used in the special issue papers. Then, five years later, in a special issue of the *Journal of Management Studies*, Wright et al. (2005) noted that institutional theory “has indeed risen, as predicted by Hoskisson et al. (2000), to become a new dominant theory guiding strategy research on emerging economies”.

As scholarship on emerging markets has developed over recent decades, researchers have pointed to a number of important differences among emerging economies. Most notable is the difference between countries in Asia, Latin America, Africa, and the Middle East that were formerly classified as developing economies *and* transition economies in the former Soviet Union, Eastern Europe, and East Asia (Hoskisson et al., 2000; Khanna & Palepu, 2010; Wright et al., 2005). This latter group of countries is uniquely characterized by a shift from centrally planned economies to market economies—reflected in increased privatization, the changing role of government, and legal and institutional reforms.

Although emerging economies differ in their pace of political and economic change and growth, they share a number of characteristics that not only differentiate them from the more traditionally studied developed markets, but also create a set of general challenges for navigating their business environments. Thus, for the purposes of our review, we focus more on the similarities across emerging markets in terms of economic, market, and institutional conditions. We also highlight key sources of variation between emerging markets and developed and developing market contexts. In many ways, emerging markets occupy an intermediate position between developed and developing markets—specifically in terms of the extent of market liberalization, the degree of integration into the global economy, and the level of economic development (Hoskisson, Wright, Fitatotchev, & Peng, 2013). Identifying the similarities and differences between these contexts is an important first step to better understanding how organizations can strategically manage or alter aspects of their institutional environment to obtain or retain competitive advantage.

Economic and Market Conditions

A defining feature of emerging market economies is that they are “low-income, rapid-growth countries using economic liberalization as their primary engine of growth” (Hoskisson et al., 2000, p. 249; see also Arnold & Quelch, 1998). The importance of such markets to global corporations and investors is demonstrated by the proliferation of emerging market typologies, such as BRICS, CIVITS, and EAGLES,¹ and the development of lists of emerging economies by key market actors including the IMF, FTSE, MSCI, S&P, Dow Jones, and Russell. [Table 1](#) provides a list of countries considered emerging economies across current categorizations—importantly, it shows general convergence on which countries are included.

[Figure 2](#) plots the major countries of the world along the dimensions of economic growth rate and per capita GDP—key dimensions by which emerging economies are identified. As the figure shows, countries that are typically considered emerging economies are clustered in the middle of the graph, occupying a prime spot with respect to future growth prospects: relatively high GDP

Table 1 Emerging Markets Identified by Major Investment Classification Sources

Country	IMF ^a	FTSE ^b	MSCI ^c	S&P ^d	Dow Jones ^e	Russell ^f
Argentina	•				•	
Brazil	•	•	•	•	•	•
Bulgaria	•					
Chile	•	•	•	•	•	•
China	•	•	•	•	•	•
Colombia	•	•	•	•	•	•
Czech Republic		•	•	•	•	•
Egypt		•	•	•	•	
Estonia	•					
Greece			•			•
Hungary	•	•	•	•	•	•
India	•	•	•	•	•	•
Indonesia	•	•	•	•	•	•
Latvia	•					
Lithuania	•					
Malaysia	•	•	•	•	•	•
Mexico	•	•	•	•	•	•
Morocco		•		•	•	•
Pakistan	•	•				
Peru	•	•	•	•	•	•
Philippines	•	•	•	•	•	•
Poland	•	•	•	•	•	•
Romania	•					
Russia	•	•	•	•	•	•
South Africa	•	•	•	•	•	•
South Korea			•		•	•
Taiwan		•	•	•	•	•
Thailand	•	•	•	•	•	•
Turkey	•	•	•	•	•	•
Ukraine	•					
UAE		•				•
Venezuela	•					

^aSee IMF world economic outlook update, <http://www.imf.org/external/pubs/ft/weo/2012/update/02/index.htm>.

^bSee FTSE country classification, September 2010, http://www.ftse.com/Indices/Country_Classification/Downloads/Sept%202010/FTSE_Country_Classification_Sept_2010_Update.pdf.

^cSee MSCI Emerging markets list, http://www.msibarra.com/products/indices/international_equity_indices.

^dThe S&P global broad market index, 31 December 2010, p. 2. https://www.sp-indexdata.com/idfiles/citigroup/prc/active/factsheets/Factsheet_SP_Global_BMI.pdf.

^eSee Dow Jones indexes country classification system, http://www.djindexes.com/mdsidx/downloads/brochure_info/Dow_Jones_Indexes_Country_Classification_System.pdf.

^fSee Russell global indexes—Construction and methodology, <http://www.russell.com/documents/indexes/construction-methodology-global-indexes.pdf>.

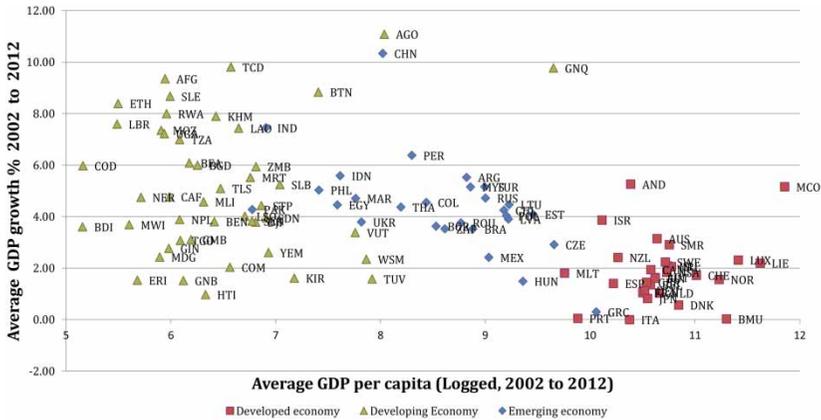


Figure 2 Average GDP Growth and Average GDP Per Capita of Major Countries of the World.

growth rates and moderate GDP per capita. These economies are often characterized by active consumer markets, increased competition, and decreasing trade barriers. Developed economies, in contrast, are clustered on the bottom right side of the graph, reflecting a relatively low average GDP growth rate and high GDP per capita. These economies have typically reached a relatively mature state of industrial development and are characterized by a service-oriented market, low trade barriers, and minimal government intervention in business.

As for developing economies, the average GDP growth rate varies considerably and the average GDP per capita is low—leading to a clustering of these countries on the left side of the graph. These developing countries tend to have high levels of poverty and unemployment, accompanied by moderate to high trade barriers. They typically suffer from stifling bureaucracy and government policies that provide little incentives for entrepreneurship, trade, or investment. Thus, unlike emerging economies, economic growth in these locations is heavily constrained by barriers that hinder firms’ ability to participate in the global economy.

There are also critical differences in the business mix between emerging, developed, and developing markets. For example, emerging economies typically have a higher proportion of manufacturing, labor-intensive, and large-scale heavy industry sectors (Murrell & Wang, 1993; Sit & Liu, 2000). Such characteristics are in many ways the hallmark of their growth trajectories, as lower labor costs tend to drive growth in manufacturing and exports. This pattern, however, has been shown to shift over time as industrialization and modernization progress. Rising household incomes, for example, have fueled discretionary purchases among burgeoning middle-class consumer sectors—thus increasing the demand for both services and a variety of consumer products. Such shifts are readily apparent in Indonesia and

the Philippines, which have now transitioned into strong domestic economies.

Capital markets also tend to be less developed in emerging economies than in developed ones, making financial exchanges more volatile, trading less liquid and inflation particularly problematic. Moreover, because key financial intermediaries such as accounting firms, financial analysts, and venture capitalists are either absent or only marginal present (Li & Atuahene-Gima, 2002; Peng & Heath, 1996), firms are free to exploit information asymmetries within the markets. Not only does this increase the potential for opportunism because of the prohibitively high costs monitoring, but it also makes legal contracts difficult to enforce (Hiatt & Sine, 2014b; Marquis & Qian, 2014). Overall, the conditions imply that while emerging markets provide promising opportunities for growth, their market environments may be relatively tumultuous and uncertain compared to those of their more developed counterparts.

Institutional Conditions

In addition to baseline economic differences, numerous political, legal, socio-cultural, and technological factors differentiate the business environments of emerging economies from those of developed and developing economies. One critical factor is the strong influence of the government and the prevalence of state-owned firms (Douma, George, & Kabir, 2006; Evans, 1995; Musacchio, & Lazzarini, 2014; Ralston, Terpstra-Tong, Terpstra, Wang, & Egri, 2006). Highlighting the strong government presence in emerging markets, Kowalski, Büge, Sztajerowska, and Egelandet (2013) note that the shares of state-owned enterprises (SOEs) among the Forbes Global 2000 companies currently exceed 50% for China, India, and Indonesia; and are at 39% and 19% for Russia and Brazil, respectively.

Emerging markets are characterized by greater informality and less developed government and regulatory infrastructures, suggesting that market regulation, corporate governance, transparency, accounting standards, and intellectual property protection may not be as reliable or mature as those in more advanced economies (Marquis & Qian, 2014; Marquis, Zhang, & Zhou, 2011). To further complicate matters, emerging market governments have been shown to be particularly susceptible to external conflicts, coups, and internal tensions, which increases the risk of unstable resource exchanges and information flows (Hiatt & Sine, 2014a). Figure 3 documents the different types of political regimes that exist across emerging economies, and note that with a few notable exceptions, such as China, most emerging market economies are democracies.

Beyond differences in political and legal institutions, there are critical differences in the socio-cultural environment of emerging, developed, and developing economies. Unlike most developed economies, emerging

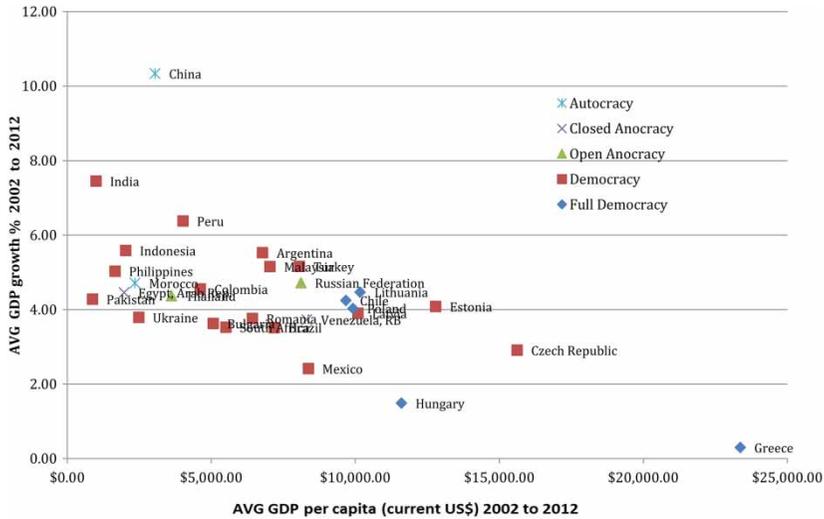


Figure 3 Emerging Markets by Political Regime Type.

Note: Countries classified based on the “polity score”, a scale that ranges from +10 (strongly democratic) to -10 (strongly autocratic). http://en.wikipedia.org/wiki/Polity_data_series. Autocracy = -10 to -6; closed anocracy = -5 to 0; open anocracy = 1 to 5; democracy = 6 to 9; full democracy = 10. An anocracy is defined as “a regime-type where power is not vested in public institutions but spread amongst elite groups who are constantly competing with each other for power” (<http://en.wikipedia.org/wiki/Anocracy>).

economies tend to be characterized by a young population, an expanding workforce, and rapid urbanization. In addition, many socio-cultural issues in emerging economies are ideologically fueled—suggesting that some of the parties involved may have an interest in sustaining rather than resolving conflicts (Lamertz, Martens, & Pursey, 2003; Mahon, Heugens, & Lamertz, 2004). The potential for social turmoil and upheaval suggests that being aware of, and attentive to, issues such as income inequality and poverty, gender inequality, and ethnic and linguistic factionalization is an important part of navigating these contexts (Ault & Spicer, 2014). While similar issues are also prevalent in developing economies, the challenges are compounded by poor educational systems, high illiteracy, and a lack of adequate health care.

As this discussion clearly shows, there are important differences in the economic and institutional conditions of emerging, developed, and developing market economies. In many ways, as noted earlier and illustrated in Figure 1, emerging economies can be thought of as occupying a sweet spot between these two extremes. Crucially, they have the needed infrastructure and systems to allow for productive business activity, yet are still at an early enough stage of development to allow for high growth rates.

While we recognize that there are substantial differences between emerging markets, our review focuses on identifying the key institutional challenges that are generalizable across these contexts. In doing so, we aim to classify the types of strategies that have been advanced for addressing these challenges—focusing on “indigenously” developed strategies as well as strategies from developed market contexts that have been adapted and reconfigured to address the idiosyncratic conditions of emerging economies. We foreground the importance of institutional strategies in emerging markets because the rapid co-evolution of the economy and society (Luo, 2006) suggests that organizations need to adopt a strategic perspective that encompasses both market imperatives *and* social and cultural concerns. As Hoskisson et al. (2000, p. 252) point out, “government and societal influences are stronger in these emerging economies than in developed economies”.

Table 2 describes in more detail the key dimensions by which emerging contexts vary from developed and developing economy contexts. These critical variations, and the attendant challenges and opportunities they create, have important implications for the competitive landscape that organizations must navigate.

Institutional Strategies in Emerging Markets

Since the 1990s, organizations have increasingly been exposed to a diverse set of political, social, and cultural environments. This exposure has led organizations to not only become more sensitized to local environments and their idiosyncratic institutional demands, but also more strategic in how they “capitalize on the strengths of particular locations” (Khanna, Palepu, & Sinha, 2005, p. 15). Yet theory, until recently, has mainly focused on how such environments become increasingly similar owing to the homogenizing pressures of globalization (Meyer, Boli, Thomas, & Ramirez, 1997). Our perspective is that local and regional differences will persist, creating variegated challenges for organizations as they expand into new markets and engage in cross-border partnerships (Marquis & Battilana, 2009).

After reviewing literature spanning various disciplines including strategy, international business, political science, entrepreneurship, and organization studies, we found that institutional strategies can be broadly categorized along three dimensions: *relational*, *infrastructure-building*, and *socio-cultural bridging*. While our identification of these different strategies emerged from our review of the literature, we note that they also generally correspond to prior typologies of institutional variation (e.g. Busenitz, Gómez, & Spencer, 2000; Scott, 2014). Yet, a key difference between our conceptualization and this prior work is that our typology is focused on mapping the array of strategic actions organizations adopt to address institutional constraints—as opposed to describing or categorizing the institutional environment. In the following

Table 2 Key Economic and Institutional Differences Between Types of Markets

Developed markets	Emerging markets	Developing markets
<i>Economic conditions</i>		
<ul style="list-style-type: none"> • Developed capital markets with moderate to high levels of liquidity • “Meaningful” regulatory bodies • High levels of per capita income • Dominance of industrial and service sector • Minimal trade barriers • Low GDP growth rates 	<ul style="list-style-type: none"> • Marginally developed capital markets with low levels of market liquidity • Low levels of per capita income and high income inequality • Rapid economic growth and development • Volatility in financial capital inflows • High levels of inflation • Modernization of infrastructure • Dominance of manufacturing and labor-intensive industries • Decreasing trade barriers • High GDP growth rates 	<ul style="list-style-type: none"> • Poorly developed capital markets with low levels of market liquidity • Low levels of per capita income and high levels of poverty • Stagnant productivity • Stifling bureaucracy hinders entrepreneurship, trade, and investment • High dependence on agriculture • Moderate to high trade barriers • Unfavorable balance of trade • Low GDP growth rate
<i>Institutional conditions (political, legal, socio-cultural, and technological)</i>		
<ul style="list-style-type: none"> • Formal regulatory infrastructure in place (e.g. market regulation, corporate governance, transparency and accounting standards) • Moderate to high standard of living <p data-bbox="153 1150 207 1180">High</p> <ul style="list-style-type: none"> • Moderate to high Human Development Index (HDI) levels (education, literacy, and health) • Advanced technological and commercial infrastructure • High degree of political freedom • Little government intervention in business 	<ul style="list-style-type: none"> • Non-transparent political and regulatory environment • Improving standard of living • Young population and expanding working population • Moderate to high Human Development Index (HDI) levels • Increasing urbanization • Burgeoning middle class • Growing demand for consumer goods • Prevalence of state-owned firms • Low to moderate degree of political freedom • Moderate to high levels of government intervention in business 	<ul style="list-style-type: none"> • Absence of specialized intermediaries and regulatory systems • Low standard of living • Low Human Development Index (HDI) levels • Poor education system and high illiteracy • High unemployment • Lack of adequate health care • Low degree of political freedom • Moderate to high risk of social unrest and war • Constraining government policies hinder economic develop and global integration

section, we develop the conceptualization of the three types of strategies further, detailing how they have been discussed in the literature and the relative appropriateness of particular strategies in emerging economy contexts.

Relational Strategies

A critical dimension of an organization's institutional strategizing relates to how it interacts with and manages important referent audiences. Through effective management of relationships with both internal and external actors, an organization can not only enhance its competitive position in the market (Berman, Wicks, Kotha, & Jones, 1999; Heugens, van den Bosch, & van Riel, 2002; Hillman, Zardkoohi, & Bierman, 1999), but also ensure the stability and certainty of its resource exchanges (Casciaro & Piskorski, 2005; Pfeffer & Salancik, 1978). Three interrelated streams of research have provided strong empirical support for these claims: stakeholder management, resource dependence, and corporate political strategy. Common among these streams is the belief that "organizations require more than material resources and technical information if they are to survive and thrive in their social environment" (Scott, Ruef, Mendel, & Caronna, 2000, p. 237)—that is, they also require social approval and legitimacy.

Research on stakeholder management suggests that an organization should take a broad view of its dependence relationships—to include "any group or individual who can affect or is affected by the achievement of an organization's objectives" (Freeman, 1984, p. 46). Ample anecdotal and empirical evidence suggests that effective management of primary stakeholder groups has a positive impact on financial performance (Berman et al., 1999; Laplume, Sonpar, & Litz, 2008; Waddock & Graves, 1997), organizational learning (Harting, Harmeling, Venkataraman, & Arnold, 2006; Heugens et al., 2002), and the development of intangible assets (Hillman & Keim, 2001). Conversely, failure to attend to key stakeholder concerns has been shown to irreparably damage an organization's legitimacy, and threaten its profitability and growth potential (Berman et al., 1999; Clarkson, 1995; Donaldson & Preston, 1995; Freeman, Wicks, & Parmar, 2004). Harrison, Bosse, and Phillips (2010) argue, for example, that satisfying the needs and demands of an organization's legitimate stakeholders does more than simply retain their willful participation in the firm's productive activities, it also helps spur information sharing and innovation. Similarly, Henisz, Dorobantu, and Nartey's (2014) study of the global mining industry showed that companies carefully manage external relations as a means to "reduce opportunistic hold-up by stakeholders" with whom the firm has no direct ties, but whose cooperation is needed for the firm to create and capture value.

Resource dependence theory echoes these arguments by stipulating that the focus of much organizational action is on assessing and managing relationships

with external actors that control critical or scarce resources (Oliver, 1991; Pfeffer & Salancik, 1978). Research from this tradition conceptualizes an organization's external environment as comprising other organizations with diverse agendas and interests—whose support and approval are vital to the organization's ongoing operation (Wry, Cobb, & Aldrich, 2013, p. 442). To address the various demands placed upon an organization, resource dependence scholars have advanced a number of strategies to absorb, diffuse, and co-opt external constraints. Studies have shown, for example, that organizations can diversify sources of supply (Pfeffer & Salancik, 1978), shift board composition or create interlocks (Boyd, 1990; Hillman, Cannella, & Paetzold, 2000; Marquis, 2003), and engage in inter-organizational partnerships and agreements (Casciaro & Piskorski, 2005; Pfeffer, 1972) to shift the balance of power in their favor.

While the previous two streams of research take a broader view of dependency relationships, research on corporate political strategy tackles a more specific dependence relationship—that between business and government. Recently, there has been growing scholarly interest in the area of corporate political activity (CPA), defined as a set of activities aimed at shaping or producing public policy outcomes that are favorable to a firm's continued economic survival and success (De Figueiredo & Tiller, 2001; Keim & Baysinger, 1988; Schuler, 1996). Indeed, a proliferation of studies have documented the antecedents of CPA (for a review, see Hillman et al., 2004; Lux, Crook, & Woehr, 2011), the types of political strategies and tactics organizations deploy (e.g. Jia, 2014; Oliver & Holzinger, 2008; Walker & Rea, 2014; Zhao, 2012), and the resultant outcomes of CPA on public policy (Choi, Jia, & Lu, 2015; Holburn & Vanden Bergh, 2008; Ramirez & Eigen-Zucchi, 2001) and firm performance (Cook & Fox, 2000; Hiatt & Park, 2013; Shaffer, Quasney, & Grimm, 2000).

Insights from this body of research suggest that firms direct their CPA to react to, anticipate, defend against, or proactively shape public policy arenas and political demands (Oliver & Holzinger, 2008; see also Bonardi, Holburn, & Vanden Bergh, 2006; Hillman et al., 2004). As the magnitude and scope of government policies expand into the business sphere, effective and strategic management of government relations is becoming a key determinant of a firm's current *and* future competitive position (Hillman & Hitt, 1999; Keim & Hillman, 2008; Yoffie, 1988). Increasing evidence suggests that by strategically managing business–government relations, firms can enhance political legitimacy, receive preferential policy status, and gain access to critical state resources (Hillman et al., 2004; Marquis & Qian, 2014; Zhao, 2012). Weidenbaum (1980, p. 46) noted decades earlier that public policy was no longer a “spectator sport for business”, Barley (2007, p. 201) now warns that organizations “wield inordinate political power”, enabling them to “undermine representative democracy and the public good: promoting legislation that benefits

corporations at the expense of individual citizens”. Thus, it is becoming increasingly clear that relational strategies have important implications not only for the organization that employs them, but also for society at large.

Relational strategies in emerging economies. Much of the literature to date in these areas has explicitly focused on developed market economy contexts—with little attention paid to the relative applicability of these strategies in emerging market contexts. Relational strategies that are effective in developed economy contexts may be ill-suited for, or misaligned with, the idiosyncratic conditions of an emerging market context. Peng et al. (2008, p. 930), for example, argue that while research in developed economies indicates that some firms actively seek to shape the “rules of the game” in their favor, such political strategies may be less effective in emerging economies, given their “generally nontransparent political and regulatory environment”. That is, rather than proactively seeking to influence public policy, organizations may focus their political strategies on furthering their own self-interests—for example, getting government subsidies, licenses, and tax exemptions (Hillman et al., 2004; Okhmatovskiy, 2010). In short, where the government has a high degree of control over key factors of production, access to the market, or valuable natural resources, effective management of resource dependencies may be especially critical to an organization’s performance and long-term viability (Peng & Heath, 1996; Peng & Luo, 2000).

A nascent, but growing, body of research has highlighted the importance of interpersonal networks, social capital, and informal institutions in contexts of “institutional uncertainty”, wherein social norms, trust, and personal ties are critical in facilitating cooperation and the regulation of social behavior (Chung, 2006; Kostova & Roth, 2002; Luo & Chung, 2005; Peng, Sun, Pinkham, & Chen, 2009; Peng et al., 2008; Puffer & McCarthy, 2007; Zhu & Chung, 2014). Peng and Luo (2000) found that managers relied heavily on interpersonal networks as informal substitutes for weak market structures—using alliances and inter-organizational agreements to both grow the firm and assure that the terms of a transaction would be met by the parties involved. Similarly, Nee (1992, p. 10) documented that in socialist states many private firms depended upon informal sources of credit and close ties with local governments in order to compensate for “restrictions on factor resources and the continuing pariah-like status of capitalists and merchants”. Such political savvy has been found to be particularly consequential in emerging economies, where rule of law is absent, regulations can change quickly, and the risk of expropriation and government intervention is relatively high.

These studies suggest that the integration of corporate political strategies with market strategies is of critical importance in emerging economies because boundaries between the government and business spheres are often blurred (Keim & Hillman, 2008; Li, Peng, & Macaulay, 2013; Sun,

Mellahi, & Wright, 2012; Wang, 2014). As Melewar, Badal, and Small's (2006) study of Danone's entry into China showed, political sensitivity toward power relations and the need to win (and keep) the goodwill of influential people in business and politics was crucial in gaining market acceptance. Puffer, McCarthy, and Boisot (2010), similarly, found that entrepreneurs relied heavily upon "blat" and "guanxi"—that is, informal connections and relationships based on reciprocity and exchange of favors within Russia and China, respectively—to help reduce uncertainty, protect private property and ownership rights, and facilitate business transactions.

While up to this point, we have emphasized the benefits and advantages of close ties with the government and other political actors, there is a growing body of research suggesting that such ties are also associated with a number of vulnerabilities and constraints. Recent studies have shown that direct ties to the government may expose an organization to strong pressures to divert its resources to advance political goals and agendas (Marquis & Qian, 2014; Okhmatovskiy, 2010). Nee and Oppen (2010) point out that state-owned firms with connections to political elite often perform worse than private firms because they are pressured to maintain higher employment levels (see also Fan, Wong, & Zhang, 2007; Shleifer & Vishny, 1994). Similarly, Child and Lu (1996) showed that the economic reform of large SOEs in China was hindered by constraints associated with close ties to the government. Such findings echo those of Kozhikode and Li (2012), who revealed that commercial banks in India that were either owned or dependent on the government were not able to take advantage of political opportunities to the same extent as their private counterparts. Thus, while politically connected firms may enjoy a number of advantages over their peers, these advantages may come at a cost—particularly, if the value of such connections depreciate or become negative after unexpected political shocks (Sun, Mellahi, & Thun, 2010, p. 1162).

On a broader stakeholder level, studies of advanced market economies have highlighted various strategies that firms use to gain stakeholder support, manage stakeholders, and balance stakeholder interests (for a review, see Laplume et al., 2008). Yet, questions remain of "both the desirability and feasibility of introducing or even imposing American-type approaches in emerging economies" (Hoskisson et al., 2000, p. 263). For instance, while the strategy of balancing the claims of primary stakeholder groups has been argued to optimize firm welfare in developed market economies (Donaldson & Preston, 1995; Harrison & St. John, 1996; Walsh, 2005), such a strategy may not be effective or feasible in emerging economies. This is likely the case in labor-intensive industries, where profit margins are so narrow that simultaneously attending to the demands of multiple audiences may threaten an organization's financial performance and survival as a going concern (Campbell, 2007). Such situations may lead organizations to prioritize the concerns and interests of shareholders above those of customers and the wider public. Julian and

Ofori-dankwa (2013), for example, note that while studies undertaken in developed economies posit a positive relationship between firm financial resource availability and corporate social responsibility (CSR) expenditures, the reverse may be true in emerging economies because the government is focused more on economic development and job creation than promoting CSR. Thus, in emerging economies, the prioritization of stakeholder groups may not be an issue of stakeholders' power or legitimacy (c.f. Mitchell et al., 1997), but rather the "sticks and carrots" inherent in the competitive market environment.

A managing-for-stakeholders approach may require further adjustments in authoritarian regimes such as China and Turkey, which not only exercise strict media and Internet censorship, but also suppress the development of NGOs and consumer watchdog organizations. These conditions leave few outlets for stakeholders to express their frustrations and concerns—save for boycotts and other forms of private politics (Rodriguez, Siegel, Hillman, & Eden, 2006). Consequently, there is often a need to develop alternative negotiation and communication channels other than those used (and taken for granted) in democratic countries. For instance, in the absence of a well-developed NGO sector, Internet activism has become an important mechanism for civil society expression (Luo, Zhang & Marquis, 2014).

For multinationals operating in emerging economies, another important consideration relates to home country stakeholder concerns. Soule, Swaminathan, and Tihanyi (2014) found that pressure from home country stakeholders played a greater role in multinationals' divestment decisions in Burma than did financial considerations or unrealized business opportunities. In particular, the nation's human rights abuses and brutal repression of the pro-democracy movement had damaging effects on both the image and the credibility of multinationals operating in Burma. For multinationals, then, strategic management of stakeholders may require a broader scope, encompassing groups and concerns from both home and host countries.

In sum, an organization's relational strategies are inextricably tied to political conditions as well as the relative quality and reliability of market and regulatory infrastructures. Where government involvement in business is pervasive and contract-enforcing mechanisms are weak, relational strategies become especially critical to an organization's ability to secure resources, support, and social legitimacy from important external audiences (Hillman et al., 1999; Hoskisson et al., 2013; Khanna et al., 2005).

Infrastructure-Building Strategies

Core to economic and sociological approaches to markets is the importance of commercial, technological, and physical infrastructures to facilitate market interactions and transactions. When such infrastructures are absent or

limited, there are a number of challenges that need to be overcome. Research has posited various mechanisms to address this lack of institutional infrastructure, including informal mechanisms such as collective organization and networks, and formal processes such as developing or following international standards.

There are many examples of institutional entrepreneurs engaging in collective mobilization processes to create new organizational forms or arrangements as a means to overcome limited institutional infrastructures (Mair & Marti, 2009; Schneiberg & Lounsbury, 2008). Rao (1998), for example, traced how the absence of well-defined consumer protections in the early twentieth-century USA led social entrepreneurs to establish consumer watchdog organizations to advocate for consumer interests. Clemens (1997), similarly, documented how successive waves of mobilization by unions, farmers, and women's groups altered the face of American politics by institutionalizing lobbying and legislative monitoring. More recently, Thelen (2004) detailed how skill formation in the early industrial period interacted with the development of collective bargaining institutions, labor unions, and employer organizations to spawn different vocational training systems in Britain, Germany, Japan, and the USA.

Other studies from the non-market strategy literature have pointed to the development of self-regulation schemes promoted by industry groups such as the chemical industry's Responsible Care Program (Gunningham, 1995; King & Lenox, 2000); as well as to the myriad of cases where businesses have informally organized or created networks to develop or refine the formal regulatory environment (Davis & Thompson, 1994; Walker & Rea, 2014). In all of these cases, groups of actors worked to establish a set of rules, guidelines, or policies to better define and guide future business interactions.

In addition to highlighting the development of new organizational arrangements and the promotion of informal or formal regulatory structures, research in this tradition has identified the importance of standardization strategies that are "concerned with the establishment of technical, legal or informal standards that define what is 'normal' for a practice, product, or service" (Lawrence, 1999, p. 177). One well-known set of global standards was developed by the International Standards Organization (ISO), whose goal is to facilitate global commerce through defining consistent standards for business to follow across a wide array of product categories and business processes (Guler, Guillén, & Macpherson, 2002). Another important international project is the Global Reporting Initiative (GRI), which promotes a standard set of environmental, social, and governance metrics for corporations—as a means to encourage companies to report on these items, and to raise awareness of these issues on a global level (Etzion, & Ferraro, 2010; Marquis & Qian, 2014).

Infrastructure-building strategies in emerging economies. A significant research thrust of the work on emerging economies focuses on how many elements of the institutional infrastructure needed to facilitate commercial activities are not present, marginally developed or highly ambiguous (Khanna & Palepu, 2010; Mair et al., 2012; Uzo & Mair, 2014). Where key market information is not readily available or reliable, and formal rules are not established or well defined, organizations face additional uncertainty and challenges (Ault & Spicer, 2014). For instance, research has discussed how a lack of advertising and marketing research makes it difficult to accurately assess consumer interests and consumption patterns. In addition, the lack of well-established intellectual property protection regulations poses a significant threat to the competitive advantage of firms, as piracy and patent infringements can “siphon away revenue and damage brand image” (Bird, 2006, p. 431). Summarizing these challenges, Arnold & Quelch (1998, p. 9) note that in emerging economies “there is little or no reliable market data, nonexistent or poorly developed distribution systems, relatively few communication channels, and both a lack of regulatory discipline and a propensity to change business regulations frequently and unpredictably”.

Another important consideration in emerging economies is underdeveloped physical and commercial infrastructures, such as inadequate communication technology, transportation infrastructure, power generation capabilities, and distribution channels (Hitt, Dacin, Levitas, Arregle, & Borza, 2000; Miller, 1998). Luthra, Mangaleswaran, and Padhi (2005), for example, note that companies doing business in the Indian market need to overcome the challenges of poor roads and underdeveloped seaports, which can make it difficult to transport goods and to work with suppliers. Hoskisson et al. (2013, p. 1300) similarly note how India’s poor transportation infrastructure has hindered the development of its automobile industry, because “traffic problems in Indian cities create congestion” and “narrow and underdeveloped streets are a constraint”.

To address these issues, firms frequently develop and rely more heavily on a number of informal and collective mechanisms (Hoskisson et al., 2000; La Porta, Lopez-de-Silanes, & Shleifer, 1998; Peng & Heath, 1996). Khanna et al. (2005) described how in countries such as China where food safety problems are endemic, supermarket chain Metro has fostered networks between farmers and distributors in rural areas in order to improve the quality and reliability of its meats and vegetables. Indeed, a long-standing set of research on institutional voids has shown the importance of developing business groups to minimize opportunistic behavior and transaction costs (Khanna & Palepu, 2000a, 2000b; Khanna & Rivkin, 2001; Nachum, 2004). Bruton and Ahlstrom (2003) found that venture capitalists in settings with weak regulatory institutions were more likely to fund geographically proximate firms because monitoring was easier and more important in such settings. In all of these cases, firms are engaging in collective action to overcome problems associated

with a lack of adequate or reliable information, or underdeveloped physical and commercial infrastructures.

A number of studies have also highlighted the importance of developing intermediary institutions and processes as a way to address uncertainty. These could include institutions such as credit agencies and standard setting bodies (Khanna & Palepu, 2010), as well as programs to develop intermediary skills, human capital, and relevant expertise. Marquis, Yin, and Yang (2013), for instance, analyzed how the Chinese government and large companies participated in the creation of a new set of China specific CSR reporting standards and training programs to help Chinese companies implement this new global practice. More generally, London and Hart (2004) found that successful MNCs often incorporate local capacity building such as training programs and advisory services directly into their business models. Other studies have identified the importance of business processes to better manage increased uncertainty. Hiatt and Sine's (2014a) study of entrepreneurship in Columbia showed that the uncertainty caused by violence and unrest could be offset by formal business planning. In general, the lack of intermediaries and intermediary business processes in emerging economies creates a significant constraint on firm activities—often requiring creative action to overcome.

Another type of infrastructure-building strategy that is increasingly common in emerging economies is the use of existing global standards that foster a common language and understanding of business practices and outcomes (Guler et al., 2002). The importance of global standards has attracted international attention as global consumers increasingly focus on labor and environmental conditions in supply chains. Bartley (2003, 2007) has a series of studies that examine the evolution of the Forest Stewardship Council, an example of “market-oriented, nongovernmental standards and monitoring systems as a supplement to state regulation” (O'Rourke, 2003, p. 5). Likewise, Tarnovskaya (2012) showed how Ikea worked directly with World Wildlife Fund, a global nonprofit, to develop responsible forestry management and certification of its wood suppliers in Russia and China—two contexts where such standards did not exist. The result was a set of practices and tools for not only educating and training suppliers, but also raising awareness throughout the rest of society. However, while global standards such as the GRI have dramatically increased the uptake of environmental reporting, there remain questions about whether these standards and practices make it easier for organizations in emerging markets to only “symbolically” comply with global norms (Marquis & Qian, 2014; see also Okhmatovskiy & David, 2012; Tilcsik, 2010).

While one set of strategies helps firms deal with the uncertainty of emerging markets, the other set helps them build greater legitimacy in the eyes of key stakeholder groups such as consumers, governments, and civil society. When firms compete in non-home country markets, they frequently face an “illegitimacy discount” (Zimmerman & Zeitz, 2002), which shapes how they approach

the given market (Kostova & Zaheer, 1999). A common strategy to raise legitimacy is to promote economic and social development (Marquis et al., 2011; Zhang & Luo, 2013), which not only helps with the specific brand and image of a particular firm, but also of multinationals in general. It is important to recognize that consumer preferences in emerging markets may be different from those of consumers in home country markets such that corporations must first establish the legitimacy of an entire product category before they can effectively market their specific products. Tarnovskaya (2012), for instance, showed that to succeed in markets such as China, where the concept of modular and consumer-assembled furniture was uncommon, Ikea had to conduct a number of media and marketing campaigns to educate consumers about this type of product.

Thus, where key commercial, technological, and physical infrastructures are missing or underdeveloped, savvy global businesses may step in and build these infrastructures in ways that create competitive advantage. Alternatively, they may bring with them the “missing” infrastructure—transposing it from home to host countries (Miller, 1998). For businesses, then, it is critical to consider infrastructural gaps and necessities. Yet, at the same time, it is important to keep in mind that emerging economies are undergoing continual and rapid change—such that it may be “misguided short-termism to base corporate strategy on structural conditions that may be subject to rapid change” (Arnold & Quelch, 1998, p. 12).

Socio-cultural Bridging Strategies

Research has shown that market transactions “do not happen in a vacuum, but in specific social, cultural, and political contexts” (Okhmatovskiy, 2010, p. 1039). By adopting *socio-cultural bridging* strategies, organizations both attend to and shape the socio-cultural and demographic characteristics of their competitive environment—for they are not merely subject to socio-cultural and demographic issues, but also active participants. As Khanna et al. (2005, p. 16) point out, many multinationals are either powerful enough to alter the contexts in which they operate, or their products and services are valued enough to force dramatic changes in local markets. Studies in international business and strategy have underscored the importance of appreciating local conditions when embarking on international diversification and cross-border partnerships (Hitt, Hoskisson, & Kim, 1997; Hitt, Tihanyi, Miller, & Connelly, 2006). In particular, factors such as population demographics and local norms have been shown to affect an organization’s ability to obtain physical and human resources, to market their products or services, and to expand their operations. Higher education levels, for example, have been shown to influence hiring and retention practices because they affect employee expectations as well as job mobility (Campion, Cheraskin, &

Stevens, 1994; Fallick, Fleischman, & Rebitzer, 2006). In addition, the aging workforce in most developed economies has placed businesses at risk of not only losing critical knowledge and skills when employees retire, but also diminished productivity in physically demanding jobs (Khanna et al., 2005).

While the importance of appreciating the socio-cultural and demographic landscape is well recognized, much of the literature in strategy has “paid less attention to normative and cognitive institutions in favor of studying the regulatory environment” (Hitt et al., 2006, p. 847). The emphasis, in other words, is typically placed on examining factors such as country portfolio analysis, political risk assessment, corruption ratings, and governance indicators as opposed to the “soft infrastructures” that support market activity (Khanna et al., 2005). Yet such soft infrastructures have been found to both constrain and enable organizational behavior by influencing what constitutes “appropriate” behavior as well as the criteria for legitimacy (Greenwood et al., 2011; Scott, 2014). Greenwood, Diaz, Li, and Lorente’s (2010) study on Spanish manufacturing firms revealed how local institutional pressures constrained the willingness of manufacturing firms to downsize their workforce as a response to market exigencies. Similarly, Molotch, Freudenburg, and Paulsen (2000) found that historical processes generated a distinctive “lash-up” of character and tradition that fundamentally shaped the business landscapes of Santa Barbara and Ventura—influencing the types of organizations that flourished, the consumption of goods, and the dynamics of local organizations (Marquis, Davis, & Glynn, 2013).

Kostova and colleagues’ work on multinational enterprises (MNEs) suggests that the difficulty of understanding and correctly interpreting local institutional requirements is a function of the “institutional distance” between the home and host countries (Kostova & Roth, 2002; Kostova & Zaheer, 1999; see also Busenitz et al., 2000). Put differently, firms typically find it easier to do business in countries where the social climate is similar to their own because the greater the distance, the more adaptation is required to better align practices, strategies, and operations with host country contexts (Kostova & Roth, 2002). Arnold & Quelch (1998, p. 12), similarly, note that managers frequently based decisions to expand operations “not on objective market screening but on their own comfort level, choosing a predictable sequence of markets beginning with those closest in ‘psychic distance’ to their home culture”. Research on cultural entrepreneurship echoes these arguments, suggesting that organizations can bridge institutional divides by leveraging social and cultural resources to legitimate new organizational structures and practices (Hargadon & Douglas, 2001; Johnson, 2007). Lounsbury & Glynn (2001, p. 545) convincingly argue that cultural entrepreneurs are able to craft a new venture identity that serves as a “touchstone upon which legitimacy may be conferred by investors, competitors, and consumers”, opening up access to new capital and market opportunities.

While existing research has provided important insights into the institutional variation across developed nations (e.g. Hall & Soskice, 2001; Whitley, 1999), few studies have systematically examined institutional variation between developed and emerging market economy contexts. This paucity has led to a limited understanding of the applicability of cultural bridging strategies across these contexts.

Socio-cultural bridging strategies in emerging economies. In emerging economies, organizations are faced with a set of complex demographic and socio-cultural issues. As noted earlier, demographic challenges such as a young workforce, lack of available skilled workers, and increasing urbanization are especially problematic in these contexts (Hiatt & Sine, 2014b; Mahon et al., 2004). To combat these challenges, organizations have been found to invest heavily in employee training and development, to bring over experts and managers from the organizations' home countries, and to make location decisions based on the availability of skilled labor (Arnold & Quelch, 1998; Kostova & Roth, 2002; Puffer et al., 2010). Ready, Hill, and Conger (2008) argue that as more companies peg their prospects for growth on emerging markets, the "war for talent" intensifies—leaving companies with the challenging task of recruiting and retaining a local workforce that now has more options and higher expectations. Indeed, there is growing empirical evidence that establishing a core group of local talent is critical to understanding regional conditions and cultural norms. Reinforcing this point, Boxenbaum and Battilana (2005) note that transporting managerial practices from one social context to another requires adaptation and, at times, the combination with local practices.

In terms of socio-cultural issues, emerging economies often face a number of challenges including demographic disparities, ideologically fueled social unrest, and local hostility toward growing migrant worker populations (James, 2011; Lamertz et al., 2003). Underscoring the importance of understanding local socio-cultural conditions, London & Hart (2004, p. 364) advocate the need for *social embeddedness*, which refers to "the ability to create competitive advantage based on a deep understanding of and integration with the local environment" (see also Chung & Luo, 2013). Similarly, Luo & Peng (1999, p. 272) note that local knowledge and experience can provide MNEs with a significant competitive advantage—reflecting an "ownership-specific, intangible asset which can generate economic rents". In short, Melewar et al. (2006, p. 408) suggest that companies seeking to expand their operations abroad need to "alter their modes of operation to suit prevailing cultural and market conditions".

Another important consideration in terms of cultural bridging—particularly in transition economies—is the enduring legacies of past Soviet-style market economies and Communist regimes (Child & Markóczy, 1993;

Kriauciunas & Kale, 2006; Li et al., 2013; Murrell & Wang, 1993; Pop-Eleches, 2007; Spicer, McDermott, & Kogut, 2000). Traces of these legacies can still be seen in the excess physical and human resources characterizing many state-owned, or recently privatized, firms. Peng and Heath (1996) attribute this pattern to the residual Socialist ideology of full employment, which has generated strong normative pressures on managers to find uses for excess human resources rather than downsizing. Relatedly, there are still strong societal expectations from the labor force and the wider public that organizations provide health care, education, and accommodation for employees and their families (Han, Zheng, & Xu, 2014; Kriauciunas & Kale, 2006; Zu & Song, 2009). Addressing these residual expectations is often challenging for an organization because they typically run counter to the logic of capitalism, which stresses the primacy of markets and competition (Tilcsik, 2010). Shaking off these Socialist legacies often requires more than changes in market and regulatory infrastructures. It requires fundamental shifts in normative understandings and value systems regarding business–employee relationships, private ownership, and profit.

A greater appreciation of these legacies is critical for understanding how local norms, values, and expectations continue to enable and constrain organizational behavior and strategic action in emerging economies (Han et al., 2014; Kriauciunas & Kale, 2006). Raynard, Lounsbury, and Greenwood (2013), for example, found that the legacies of China’s past political regimes continued to shape how organizations conceptualized, experienced, and implemented government-led CSR initiatives—such that some organizations focused on employee welfare and social initiatives, while others focused on corporate governance or environmental concerns. In another study, Stark (1996, p. 995) documented how the persistence of routines, practices, and networks of affiliation could become “assets, resources, and the basis for credible commitments and coordinated actions in the postsocialist period”.

In sum, navigating between diverse institutional environments can present a number of challenges and opportunities for organizations (Kostova, 1999; Kostova & Roth, 2002; Xu & Shenkar, 2002). For scholars, appreciating the consequential role of local socio-cultural conditions is important because, as Peng et al. (2008, p. 922) point out, the “treatment of institutions as background is insufficient to gain a deep understanding of strategic behavior and firm performance . . . its deficiency becomes even more striking when probing into emerging economies”. Oftentimes, the formal and informal rules of the game differ between emerging and developed economy contexts. As such, knowledge of local institutional conditions may be a critical factor in influencing a firm’s competitive position.

Taking stock of the rich literature on the similarities and differences across institutional contexts provides a more holistic understanding of the unique pattern of social and cultural factors that shape business–society interactions.

For organizations, a better understanding of socio-cultural differences is critical in helping to bridge cultural divides that may hinder international expansion and growth. As organizational theorists have long contended, responding appropriately to socio-cultural expectations is critical for gaining access to resources, legitimacy, and social approval (Oliver, 1991; Pfeffer & Salancik, 1978).

Table 3 summarizes and provides examples of the three institutional strategies our review uncovered.

Discussion and Conclusions

This review focused on identifying the critical factors that enable and constrain institutional strategizing in emerging economy contexts in order to provide an integrated perspective on institutional strategies that can be applied to diverse contexts. Synthesizing a wide range of literature from strategy, international business, political science, entrepreneurship and organization studies, our review highlighted the agentic and intent-driven nature of organizational responses to institutional pressures; and, the critical importance of such responses in emerging economy contexts. Our intended contribution was to provide a framework for mapping the wide array of strategies organizations deploy to leverage and shape socio-political and cultural institutions to their competitive advantage. In so doing, we directly address Mahon et al.'s (2004, p. 170) critique that current research "has little to offer in the way of a truly integrated perspective on the management of non-market forces".

Bringing Emerging Markets Research to the Center of Organizational Studies

Despite growing scholarly interest in examining emerging markets, there are few conceptual models that provide a comprehensive picture of the unique challenges and opportunities facing organizations in these contexts. In drawing attention to this lacuna, we are, in a sense, recommending a sea change in organizational theories—namely, a shift from an emphasis on traditional developed markets and contexts to integrating emerging economies in how organizational behavior is conceptualized. As Figure 1 clearly shows, emerging market economies are quickly rising to the center of global markets. This important trend reinforces Hoskisson et al.'s (2013, p. 1297) observation of emerging markets: "Empirically they are interesting because of their increasing economic significance. Theoretically they are interesting as they involve hybrid cases between developed and emerging economies." Future research on emerging markets promises to not only shed new light on existing management theories and practices, but also extend our understanding of how organizations navigate diverse institutional landscapes.

Table 3 Types of Institutional Strategies in Emerging Markets

Institutional strategy definitions	Importance in emerging markets
<p><i>Relational strategies:</i> The actions and activities taken to interact with and strategically manage important referent audiences, including political bodies and key stakeholder groups</p>	<ul style="list-style-type: none"> • Cultivate interpersonal networks and social capital as “substitutes” for weak market structures and underdeveloped regulatory and legal infrastructures • Engage in political strategies focused on furthering organizational self-interests instead of directly influencing public policy—for example, government subsidies and tax exemptions, access to key factors of production and valuable natural resources, etc. • Leverage informal connections and relationships to reduce uncertainty, protect private property, and regulate social behavior
<p><i>Infrastructure-building strategies:</i> The actions and activities taken to address marginally developed markets, and underdeveloped social, technological, and physical infrastructures</p>	<ul style="list-style-type: none"> • Engage in collective organizing to pursue and promote infrastructure development • Develop informal mechanisms and standardization strategies for addressing “institutional voids” • Develop or promote global standards to foster a common language and understanding of business practices and outcomes
<p><i>Socio-cultural bridging strategies:</i> The actions and activities taken to address the socio-cultural and demographic issues/challenges, which shape the competitive environment</p>	<ul style="list-style-type: none"> • Develop knowledge and experience of local conditions and features—for example, partnering with local firms, hiring local senior managers and consultants, investing in field investigations, learning from local competitors, and building local talent and capacity • Recognize that the legacies of past political regimes may continue to shape the business environment, particularly in transition economies—for example, excess physical and human resources, strong societal expectations for organizations act as “mini welfare states”, etc.

We reviewed work that can be considered part of a firm's institutional strategizing, and identified three distinct sets of strategies that can be used to manage relationships with important stakeholders, to address missing or underdeveloped infrastructures, and to tackle demographic and socio-cultural challenges. Unlike prior research that has mainly focused on regulatory or political contexts, our review suggests the need for a broader conceptualization of the institutional environment—requiring a synthesis of ideas and insights from various research domains, as well as greater attention to the institutional underpinnings of firms' strategies (Peng et al., 2009).

From our review, it is clear that while there has been a proliferation of research on relational strategies in emerging markets, less attention has been paid to examining infrastructure-building and socio-cultural bridging strategies in these contexts. Yet these latter sets of strategies are particularly important for navigating emerging markets because there are typically strong institutional pressures on organizations to promote and support economic development and market liberalization—that is, through the development of physical and commercial infrastructures, improving quality and safety standards, and attending to demographic disparities. Moreover, engaging in these types of activities may be in the best interest of an organization because they help facilitate day-to-day operations, mitigate uncertainty, and stabilize resource exchanges. Thus, by helping countries fully develop their potential, multinationals can create a win-win situation for the country and the company (Khanna et al., 2005). Unfortunately, however, there is quite a bit of evidence suggesting that some organizations are more interested in exploiting demographic and cultural factors to further their own interests at the expense of the wider public. Studies have found, for example, that companies have often exploited the cheap labor, lax environmental and consumer protection policies, and ambiguous intellectual property rights in emerging markets (Campbell, 2007; Marquis et al., 2011; Raynard et al., 2013). Beyond such opportunistic behavior, there is also evidence that organizations have strong-armed governments in emerging economies to develop regulations and policies that enhance their competitive position (Puffer et al., 2010; Zhao, 2012). This type of “regulatory capture” creates an uneven playing field, benefiting some organizations to the detriment of others.

To better understand the complex interplay between organizations and local contexts, future research could examine how the strategy formulation and implementation processes of firms operating in emerging markets differ from those of firms in developed markets. Because of their prominent role in stimulating economic and social development, for instance, firms in these contexts may be more inclined to involve broader stakeholder groups in their strategy formulation processes. It would be interesting to see whether and how an “inclusive” stance on stakeholder management affects the socio-cultural and demographic landscape of emerging markets. Alternatively,

studies could examine how and why the repertoire of institutional strategies is modified as a firm shifts from developed to emerging market contexts—or vice versa. For instance, under what conditions are specific institutional strategies more effective in emerging markets than developed ones? Are politically directed relational strategies more important in authoritarian regimes than democratic ones? How does the transition to a more market-oriented economy affect the types of strategies selected? Unpacking the contextual factors that influence the applicability of particular institutional strategies will provide important insights into the interrelationship between organizations and local institutions.

Another area that may be potentially ripe for future research is how entrepreneurs navigate inadequate or missing market and regulatory infrastructures to gain access to critical start-up capital and resources (Hiatt & Sine, 2014a). Whereas studies in developed economies have shown that property protection and intellectual property rights regulations are “essential to entrepreneurship” (Puffer et al., 2010, p. 443), studies in emerging markets suggest that entrepreneurs rely on alternative strategies such as developing informal connections to local government officials and accessing informal sources of credit to overcome underdeveloped market infrastructures (Khanna & Palepu, 1997; Nee, 1992; Peng & Luo, 2000). More research is needed to better understand the full repertoire of strategies that help facilitate entrepreneurial activity in emerging market contexts.

A crucial next step is to better define how the institutional capacity of an emerging economy to support corporate activity differs from that of developed economies. While we created a baseline set of differences in Table 2, there is significant room for more specific questions. For example, how do the socio-political and demographic conditions of emerging and developed economies enable or constrain the repertoire of institutional strategies available to firms? Are some strategies more urgent in emerging economies than in developed ones? Furthermore, assuming that not all emerging economies follow Western-style patterns of economic development, how do differences in their developmental trajectories affect the types of institutional strategies selected?

Beyond examining how institutional strategies differ between emerging and developed countries, future research could examine how and why particular institutional strategies are more (or less) effective *across* different emerging economies. As we noted in the outset, while emerging economies share a number of similarities as compared to their more developed counterparts, they are not a homogenous group. It is thus important to avoid the potential pitfall of making broad generalizations across these contexts. As Hoskisson et al. (2013, p. 1316) recently noted,

... it is time to move beyond a simple dichotomy that divides the world into emerging and developed economies. There is a need to consider

more fine-grained notions of institutional context with varying degrees of institutional development and infrastructure and factor market development.

We second this call and suggest that one fruitful line of research could examine the strategic implications of operating in former developing economies versus transition economies—as it is “not clear whether experience from centrally planned economies in transition applies to those emerging economies that have not followed this trajectory” (Wright et al., 2005, p. 27). As Figure 3 shows, there are a variety of different political systems, each of which could create another layer of variation across these contexts.

Along these lines, future studies could examine the added challenges of implementing relational strategies in transition economies, wherein the previously closed nature of these economies has led most MNCs to have few links to business networks (Arnold & Quelch, 1998, p. 9). Related to this, is the question of how legacies of past Socialist and Communist regimes continue to affect the competitive landscape facing organizations in transition economies—as opposed to those emerging economies that were formerly developing economies (Kriauciunas & Kale, 2006; Raynard et al., 2013). For instance, how is the competitive landscape changing as state-owned companies shed their traditional roles as “mini welfare states”, responsible for employee healthcare and education? Similarly, what are the implications for organizations’ relational strategies as governments retract or extend their influence in the business sphere? While such considerations are especially important in contexts where the state serves as a gatekeeper to critical resources, they may be less so in settings with weak states (Khanna et al., 2005). In these latter contexts, the repertoire of relational strategies is likely to be very different from that of firms operating in contexts where the state’s influence pervades nearly every aspect of business and society.

The answers to such questions will be important to understanding global competition moving forward—for globalization has opened up a “two-way street”, wherein businesses from advanced economies are not only expanding and diversifying into emerging markets, but businesses in emerging economies are also increasingly entering developed markets (Li, 2010; Luo & Tung, 2007; Zhang, Duysters, & Filippov, 2012). Illustrating this point, Guillén & García-Canal (2009, p. 27) argue that because multinationals from emerging economies are “more used to dealing with discretionary and/or unstable governments in their home country, they are better prepared than the traditional MNEs to succeed in foreign countries characterized by a weak institutional environment”. Huawei, for example, was able to leverage a number of creative relational strategies developed in China to become a major supplier to European telecommunications operators (Zhang, 2014).

We encourage future research to delve deeper into the differences between emerging and developed economies as well as differences across emerging economies. Doing so requires more cross-country comparative studies relying on both quantitative and qualitative methods. While most studies to date have employed quantitative approaches to examine emerging market contexts (Hoskisson et al., 2000; Wright et al., 2005), research using qualitative methods could prove useful in capturing the richness and diversity of these institutional landscapes. In-depth interviews, ethnographies, and participant observation, for example, would provide an up-close, “on-the-ground” look at how firms develop and adapt their institutional strategies as they move from one market context to another. We would also encourage more longitudinal research to capture the changes in strategies that are unfolding as emerging markets evolve and mature. Future studies, for instance, could explore whether and how improvements in commercial infrastructures alter the effectiveness of particular relational or socio-cultural bridging strategies. In a similar vein, studies could examine the appropriate temporal sequencing of strategies as the institutional landscape changes to incorporate elements of a free-market economy.

Overall, the aforementioned discussion sets out new research directions aimed at promoting cross-disciplinary dialogue, and exploring how organizations strategically navigate and manage the increasing complexities of their institutional environments. Integrating different theoretical lenses to explore emerging economies will enable us to extend existing organizational theories and challenge conventional wisdom in academic thinking that has been dominated by examinations of developed market contexts (Wright et al., 2005).

Institutional Theory: A New Frontier

Our conceptualization of institutional strategies has important implications for defining a new frontier of research on institutional theories. As globalization proceeds and emerging markets continue their remarkable growth trajectory, institutional theory is increasingly being drawn upon to provide crucial insights into the effects of institutional variation on organizational behavior and performance (Greenwood et al., 2011; Wright et al., 2005). For, as Hoskisson et al. (2013, p. 1317) point out, “Incorporating an institution-based view provides a more contextualized perspective, suggesting that the resources that firms need to achieve competitive advantage depend upon the type of host economy in which they are competing compared to their home country”. Indeed, strategy scholars have underscored the importance of both understanding and adapting to institutional variations when embarking on joint ventures and entering new markets (Ahuja & Yayavaram, 2011; Peng et al., 2009)—yet, the implication of our review is that organizations may need to undertake a greater variety of strategies to align their practices and operations with different host country contexts (Kostova & Roth, 2002).

Such a shift in emphasis requires movement away from top-down, passive conceptualizations of institutions to a more bottom-up interactive perspective that recognizes that organizations must be strategic in shaping their external contexts. Several streams of research have moved in this direction—including institutional entrepreneurship (Battilana et al., 2009), cultural entrepreneurship (Lounsbury & Glynn, 2001), institutional logics (Greenwood et al., 2011), and institutional work (Lawrence, Suddaby, & Leca, 2009, 2011). Research from the institutional logics perspective, for instance, adopts a dynamic constructionist stance, wherein actors exposed to heterogeneous institutional arrangements have the “reflective capacity to innovate and create institutional change” (Thornton et al., 2012, p. 110). These streams of research have provided important insights into how organizations maintain their existing position in current institutional structures, while managing and building upon the institutions around them (Battilana & D’Aunno, 2009; Hargadon & Douglas, 2001).

In this review, we adopted a different approach by highlighting a more interactive view of institutional processes that complements traditional perspectives. Because the prior literatures that we have reviewed have not typically been considered under the institutional theory ambit, they have not been shaped by implicit assumptions that actors are constrained in their institutional actions. In reviewing and synthesizing these literatures, our intention was to identify the agentic and intent-driven nature of organizational strategies by which corporations help shape and construct institutional contexts.

Our focus on emerging economy contexts drew attention to two key areas for future research. First, it highlighted the need to be open to challenging long-standing assumptions, testing existing theories, and developing new theories to account for the diversity of the contemporary global market. In many ways, our theoretical toolkits have been dominated by observations of, and insights derived from, developed market contexts—leading them to be somewhat misaligned with the current reality facing corporations. As organizations increasingly expand their operations into institutionally diverse contexts, the relative appropriateness and feasibility of transposing institutional strategies as “ready-made” solutions become more dubious (Hoskisson et al., 2000; Peng et al., 2009; Wright et al., 2005). In particular, the target, prioritization, and timing of institutional strategies are likely to vary between contexts. For instance, in contexts where there is frequent state intervention in business, the prime target of relational strategies may be political actors as opposed to NGOs. Similarly, when the state controls local financing, licensing, and/or access to raw materials and energy, relational strategies with the state may be prioritized not only over those with other stakeholder groups, but also over infrastructure-building and socio-cultural bridging strategies. In terms of timing, it is likely that organizations will direct their attention to these strategies first, before implementing other strategies because political legitimacy and

support are pre-requisites to conducting business in these contexts. As we noted earlier, more research is needed to fully tease apart the factors that influence how an organization's repertoire of institutional strategies varies across different market economies.

Second, our review revealed the need for more dynamic conceptual models of the institutional pressures exerted on organizations. For the most part, current institutional theorizing has been grounded in rather static "snapshots" of a particular organizational or industry context over a relatively short period of time (Davis, 2010). Such snapshots may be inappropriate, or worse, misleading, when applied to emerging economies—which are characterized by fast-paced turbulent change. We, thus, encourage future studies to explore how organizations develop dynamic strategy repertoires, which enable them to learn, reconfigure, and adapt strategies in response to rapidly changing conditions (Eisenhardt & Martin, 2000; Wright et al., 2005). In doing so, we echo Tilcsik (2010), who argues that future research should examine organizational "responses and the actors who implement them *in motion*, exploring how responses are formulated, contested, and altered over time" (p. 1493, emphasis original). Such research would likely require a "boots on the ground" approach to not only capture the unfolding processes in situ, but also gain a more fine-grained understanding of the complex decision-making processes that underpin them.

In advocating this new frontier of institutional scholarship, we aim to highlight the importance of collaboration and discussion across disciplines, and the need to appreciate the myriad of institutional landscapes that organizations currently face. Thus, while our review focused on institutional strategizing in emerging economy contexts, we believe that the insights generated herein have broader applicability for theorizing about developed economies—and for building institutional theory more generally. For example, as the global economy becomes more integrated and the conditions in emerging economies move closer to those of developed economies, organizations' repertoires of institutional strategies are likely to evolve and possibly converge—blurring the lines between strategies tailored for emerging and developed economy contexts. Similarly, it is likely that as government intervention in business expands in some contexts and contracts in others, the relative effectiveness of relational strategies may extend across previously differentiated markets. These, however, are empirical questions that require further research to confirm. We encourage further cross-fertilization of research from emerging and developed market contexts—as a means to build more general and practical theory.

Conclusion

By bringing together diverse streams of research under the umbrella of "institutional strategies", we draw attention to a number of important research

opportunities. The core contribution of this paper is that it maps the field of research on institutional strategies, and highlights potential avenues for future research. As our review showed, there is a biased selection and focus in current research—namely, a disproportionate emphasis on developed markets. This raises some concern regarding the applicability of current models and theoretical toolkits in the context of emerging markets. To address this concern, we offer up a comprehensive framework of institutional strategies that not only provides a more realistic account of the diverse institutional conditions that organizations confront, but also highlights the importance of expanding the current focus from developed markets to a more global perspective. Our hope is that by outlining future research directions and raising provocative research questions, our review will encourage scholars to challenge and test existing theories, and to engage in more fruitful cross-disciplinary dialogue.

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Note

1. The BRICS are Brazil, Russia, India, China, and South Africa; CIVITS are Columbia, Indonesia, Vietnam, Egypt, Turkey, and South Africa; EAGLES are Brazil, China, India, Indonesia, South Korea, Mexico, Russia, Taiwan, and Turkey.

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