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

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ABSTRACT

Since 1992, the national business systems (NBS) approach has been increasingly used to analyse not only firm characteristics, structures and strategies within NBS, but also the nature of international business and its interactions with both national and transnational institutions. In reviewing 25 years of NBS literature, we heed calls in IB journals urging researchers to use NBS notions and findings in IB research. Our systematic review of 96 articles analyses the patterns and contributions of NBS literature, revealing four thematic junctures: (1) comparative business systems, (2) firm internationalisation and the management/organisation inside MNCs, (3) the role of internationalisation in the development of organisational capabilities and innovation and (4) the emergence of transnational communities in and across firms and societies. Themes are described in terms of (a) the research questions (RQ) they focus on, (b) how NBS approach investigates the RQ and what are the major findings, (c) how IB frames and approaches the same RQ, (d) how does the NBS approach extend the perspectives of IB and (e) what are the problems faced by NBS in terms of developing further insights into the RQ. Our review contributes to the recent endeavour of IB research to institutionalism, encouraging a productive dialogue between IB and NBS research.

1. Introduction

In recent years, international business (IB) scholars have reaffirmed their commitment to the interdisciplinary nature of their research field (e.g. Cheng, Birkinshaw, Lessard, & Thomas, 2014; Chabowski, Samiee, & Hult, 2017). In particular, they have embraced institutionalism, as a theoretical perspective embedded in a variety of disciplines and forms of analysis (see Morgan et al., 2016; Morgan & Kristensen, 2015; Scott, 2013), as a necessary complement to more traditional modes of economic analysis (see Dunning & Lundan, 2010; Dunning & Lundan, 2008b; 2008b; 2009; 2016; Eden & Dai, 2010; Estrin, Meyer, Nielsen, & Nielsen, 2016; Luo & Zhang, 2016; Peng, Wang, & Jiang, 2008; Wood & Demirbag, 2015). However, the diversity of institutional theory means that specific variants and their distinctive contributions may get lost or diffused in this process. In particular, we argue that the actual and potential contribution made by one strand of the institutionalist approach – that which is generally labelled the ‘national business systems’ approach (hereafter NBS) – is particularly helpful for IB research. While there have been calls for integrating the NBS approach into IB studies (see Collinson & Morgan, 2009; Ferner & Tempel, 2006; Ioannou & Serafeim, 2012; Judge, Fainshmidt, & Brown, 2014; Jackson & Deeg, 2008; Morgan, 2012; Redding, 2005), IB researchers have tended not to systematically review literature using NBS nor to consider how it can advance the understanding of IB issues. The purpose of this paper is to show through a systematic literature review what knowledge this research stream has consolidated since 1992 and what contribution it can make to debates in IB.

The paper proceeds in the following steps. First, we discuss institutionalist approaches in general and identify five approaches in particular. We seek to show that of these five approaches, NBS has the most obvious relevance and value for IB scholars because it has the clearest focus of all the approaches on the firm as a dynamic and creative actor and on institutions as defining differences in national contexts. In these respects, NBS follows similar questions to IB literature about how and why firms internationalise, how they are structured, how they learn and develop across national borders and how they interact with institutions in home and host contexts. Second, the paper demonstrates these questions through a systematic analysis of journal papers and books/book chapters published between 1992 and 2016. This analysis reveals that NBS has four main thematic junctures emerging from interlinked NBS research streams that specifically foreground four broad themes relevant for international business. We call these...
‘thematic junctures’ because NBS studies tend to highlight one broad theme for a certain period of time, then make a turn to another broad theme; thus we call every turning point a ‘juncture’ where a study on a new theme begins leading to four broad themes that we discuss here. Third, we explore the four broad themes in detail in the central part of the paper: (1) comparative business systems, (2) the internationalisation of firms and the nature of management and organisation inside MNCS, (3) the role of internationalisation in the development of firms’ organisational capabilities and innovation and (4) the emergence of transnational communities and networks in and across firms and societies.

For each thematic juncture, we seek to identify, first, the research question driving the NBS approach; second, the findings from the NBS approach; third, how IB has approached the research question; fourth, how NBS extends the IB approach; and finally, what problems remain for the NBS approach. In our conclusion, we summarise our findings of the contribution of the NBS approach and reiterate the case for a more intense dialogue between the fields of IB and NBS (Morrison & Inkpen, 1991).

2. Varieties of institutionalism and their relevance for IB scholars

Institutionalism is a broad theoretical field with a number of variants (see e.g. the discussion in Djelic et al., 2010). However, in our view, it is only the NBS approach that places the firm at the centre of analysis, rather than institutions per se. This is an important distinction that justifies our object of analysis and our argument that NBS can provide a substantial complement to existing IB approaches. The key to this distinction lies in two areas: first, the degree to which the theory focuses on institutions at the national level and the idea of a coherent and relatively systematic national institutional framework that impacts firms, and second, the degree of agency that the firm possesses, and therefore the degree of importance given to the strategies and organisational structures of firms and the variety of ways in which they respond to institutional and market pressures in a global context. Most institutionalist analysis whether it stems from neo-institutionalist analysis such as North (1991) or the more organisational institutionalism of Scott (2013) focuses on institutions per se, how they emerge and how they constrain firms (Hotho & Pedersen, 2012). However, these approaches pay little attention to the national level as a coherent institutional system, and therefore have difficulty offering a framework for comparative analysis. Nor do they examine in detail how firms per se respond to institutional pressures. Even Hall and Sokicke (2001), while providing a systematic framework of national-level institutions and claiming a firm-centred approach, present firms as the expression of institutions, lacking agency in themselves. They therefore have very little interest in how globalisation and internationalisation might change firms and institutions. Firms as dynamic, creative collective responses to markets and institutions are rarely considered in these approaches; their focus is on how institutions evolve. In our view, it is only NBS that, in the words of its key proponent, Whitley, understands the need for ‘taking firms seriously as economic actors’ (Whitley, 1987) (see Table 1).

This distinction is particularly obvious in the way the various institutionalist traditions deal with the internationalisation of firms. These issues are relatively absent in North-inspired neo-institutional economics, where, in terms of international issues, focus is placed on how institutions can be built across national boundaries and how economic actors participate in this process as a way of developing markets and trust (see, e.g. the classic discussion in Grief, 2006). The multinational firm as a distinctive object of analysis for institutional theory does not appear. Similarly, the sort of organisational institutionalism discussed by Scott and others has provided some limited impetus within IB literature for the study of MNCS and their subsidiaries, most obviously in the work of Kostova and Roth (Kostova & Roth, 2002; Kostova, 1998), where issues of institutional isomorphism between home and host contexts is a key conceptual framing for how local subsidiaries are organised. In terms of their analysis of institutions, however, Kostova and Roth draw on measures of institutional distance, which in turn rely on cultural contrasts. As Jackson and Deeg (2008) point out, this type of analysis is a thin and ahistorical approach to institutions, lacking a comparative societal framework. It is important to note, however, that outside IB itself, this form of organisational institutionalism has been influential in the world society theories of Meyer (2010), where it has been developed through the idea of ‘globalization’, i.e. global processes and local variations (see Drori et al., 2014), and patterns of ‘translation’ as ideas, structures and processes are diffused across national boundaries by a range of actors, including MNCS. However, within this tradition, there is no strong version of comparative national institutional contexts, as the driving force is that of globalisation, in the form of the rationalisation and scientization of knowledge that impacts all societies. The methodology tends to be ethnographic and case-study based, with emphasis on local-level negotiation and interpretation of global pressures. Hall and Sokicke’s ‘varieties of capitalism’ approach overcomes some of these problems through a systematic comparative account of institutions and how they work to shape firms (Hall & Sokicke, 2001). However, its focus is so strongly on national institutions that it leaves no space for the agency of firms and ignores the issue of firm internationalisation in terms of how home institutional contexts affect the ways firms internationalise, what impact they have on the institutions of their host country, what learning is created from this and how it is communicated through the firm.

By contrast, NBS has increasingly placed these issues at the centre of its research programme. It has developed a robust analysis of how different national institutional configurations shape the capacities and capabilities of firms and has then gone further, identifying what this means for firms as they grow and develop into MNCS working in the global economy (Whitley, 2007).

In summary, seven points highlight how NBS is distinguished from other institutionalism frameworks in terms of its fit and usefulness for IB research:

(i) NBS is considered a setting shaped by the interactions between institutional features and firms. It, therefore, focuses on both parties (institutions and firms) – their resources, constraints, motivations and complementary opportunities – leading to understanding of complexity and multiplicity in NBS as well as the plurality of NBS in a national context. By contrast, IB considers institutions as national manifestations; thus IB studies do not look at the variations among institutions that affect NBS, for example, provincial institutional differences would lead to variations in business systems in China.

(ii) NBS puts its focus on firms, allowing researchers to examine whether changes in strategies and behaviours are caused by firms or institutions. As a result, the NBS perspective allows researchers to consider two-way influence – ‘rule follower’ and ‘rule/norm/value changer’ – on firms’ strategies, instead of only structuration (i.e. rule follower) by institutions.

(iii) NBS is the only framework in the institutionalism field that helps explain the logical and causal relationship between firm-level constructs and institutional-level constructs in comparative institutional settings. In this respect, NBS literature has operationalised the key firm-level constructs (e.g. ownership, governance, relationship and networks, and internal dynamics of firms) and the key institutional features affecting firm strategies (see Table 3; Whitley, 1992a, 1992b; 2010b, 2010b).

(iv) In NBS, institutions are considered as both constraints and opportunity providers instead of only as constraining factors, as North-based institutionalism advocates. Moreover, IB scholars have tended to use thematic categorisation of national institutions (Scott, 2013; North, 1991) while NBS studies have incorporated global institutional phenomena with national institutional features.
into their framework of analysis; this approach could advance IB analysis beyond national-level analysis (see the discussion in Juncure-JV, 4.4).

(v) Apart from the thick definition of institutions (see Redding, 2005; Whitley, 2010b, 2010b), NBS researchers follow an evolutionary path and continuously revise institutional frameworks with an aim to incorporate new and dominant institutional phenomena affecting firm strategy and management that stem from changing social contexts and globalisation. As a result, NBS framework offers key organs of institutions that researchers can use in order to examine a firm’s particular behaviour (e.g. types of trust, state roles, hierarchy and reciprocity, financial and labour institutions; role of civil society and diaspora, ideology, logic and rationales, as part of a cognitive institutional construct that affects business, management and entrepreneurship).

(vi) The NBS research domain provides ample research findings highlighting firm behaviour in comparative and cross-national institutional settings. This presents two unique benefits to IB: first, it offers findings related to different country contexts that have been compared to others. Second, in cross-country research, studies demonstrate the influence of one country’s institutions on firms in another country context. Therefore, both dimensions of NBS research contribute to advancing the study of firms in different institutional settings, contributing to IB studies in a unique way.

(vii) NBS follows the principle that institutions are historically and culturally rooted, primarily advocating the in-depth logical analysis of firms’ behaviour in comparative and cross-border institutional settings. As a result, studies using the NBS perspective can lay the foundation for in-depth studies of large local firms in IB. Researchers can follow changes in evolution and co-evolutionary paths before developing a robust model based on a large-scale survey, which is a mainstream research tradition in IB.

In this way, NBS is distinguished from other institutionalist approaches; it is much more aligned with the IB research agenda. This is not to deny that there are fuzzy boundaries here, particularly between certain proponents of the varieties of capitalism approach and the NBS approach (see, e.g. Jackson & Deeg, 2008). Some authors draw on both these approaches in various ways and are unconcerned about aligning strongly with either camp. However, we aim to show that there is a specific coherent and consistent NBS approach to issues of international business that can valuable connect with existing IB literature and debates. For these reasons, our review focuses specifically on NBS and IB literature.

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

3. Methodology and pattern recognition

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

3.1. Method of selecting relevant publications

We focus on peer-reviewed academic journals and research-based books that use an NBS approach or business systems theory (BST). We employed various methods to find journal papers and books while using the same search criteria for selecting the papers appearing in both journals and books. For the systematic search of journal articles and books, we used the ABI/Inform Complete (i.e. ProQuest) database, which is the world's most comprehensive and diverse business database. The basic keywords used for the search were ‘national business system’ and ‘national business systems’ AND/OR ‘business system’ or ‘business systems’, while the document type and category included ‘article’, ‘scholarly’ and ‘peer reviewed’; language ‘English’; and a date range from January 01, 1992 to July 31, 2016. This yielded 4429 hits in publication. In order to limit the search to business management articles, we selected the fields ‘business’ and ‘social sciences’ and used three different options combining the same keywords: ‘business system’ – ‘anywhere in the text’; ‘business system and/or national business
system’ – ‘in the title’; ‘business system and/or national business system’ – ‘in the abstract’. The keywords used as selection criteria for title, abstract, and content resulted in an initial sample of 310 papers. The initial sample was refined further to identity papers using an NBS perspective and/or framework in line with Whitley’s NBS (Whitley, 1992a; 1992b, 1999) because we found several papers on information systems that used the term ‘business system’ to refer to a completely different concept. We limited the results to those employing Whitley’s NBS by filtering for articles citing ‘Whitley’ as the author of NBS. The refinement was completed through a quick review process of scanning the title and abstract, resulting in 62 journal articles. However, in the systematic review process, we excluded editorial and review articles that used empirical and conceptual papers. The search process was repeated in the systematic review process, we excluded editorials while retaining empirical and conceptual papers. The search process was repeated several times to ensure reliability of the search result.

The systematic search of ProQuest also resulted in some book references, but these were not comprehensive enough. We, therefore, sought references to books by senior researchers in the NBS field (e.g. Richard Whitley, Gordon Reading, and Glenn Morgan) and consulted their publication lists, available on university websites and Google Scholar citations. A manual search of Google Scholar’s database with their publication lists, available on university websites and Google Scholar citations, was also conducted to verify the validity of the book list. The search resulted in 34 book chapters from 14 books.

This method helps reduce the limitation of using journal articles only since a number of research papers appear in edited volumes. Reading through the abstracts of all journal articles (N = 310) and books (N = 14) gave a subset of 96 works, which include journal articles (64.6%), book chapters and books (monographs) (35.4%). These works form the evidence base of this review (see Table 2). We read them in their entirety and extracted the relevant data, which are synthesised and displayed in the analysis and appendix.

3.2. Content analysis and pattern recognition

We followed a two-step analysis. In the first step, we coded information from the selected literature found through the systematic search in order to extract descriptive information on the following dimensions: research question (RQ) and thematic focus, type of methodology and theory used, level of analysis, and major findings of the research in terms of ‘antecedents’, ‘phenomena’ and ‘consequences’. We then put the coded information on a timeline between 1992 and 2016, particularly the information on themes, level of analysis, and major phenomena, in order to reveal patterns of turning points or changes in the trajectory of NBS research. ‘Comparative and national business systems’, which was Whitley’s focus in his seminal book (1992a; 1992b, 1999) was considered to be the first turning point in pattern-matching and recognition exercise (Yin, 1994). Our pattern analysis led us to identify another three thematic junctures along the timeline, which are ‘Internationalisation and MNC management’ in 1998 (see Whitley, 1998), ‘Organisational capability and innovation’ in 2000 (see Whitley, 2000), and ‘Transnational communities and NBS’ in 2001 (see Morgan,
In the second step, we grouped all the themes emerged from different papers into thematic junctures in terms of their fit with the juncture dimension. In order to develop the thematic pattern-recognition map, we identify the information based on the following characteristics: (i) how a theme in a paper is commonly studied with other themes in different papers, showing us the overlapping connections between themes covered in two or more junctures, (ii) how frequently the theme is focused on by other studies, yielding the frequency of themes in the form of thickness of the connection line and (iii) how many papers a juncture covers that embrace all the themes under that group, which visualizes the size of the juncture.

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

Following the visual thematic map (see Fig. 1), our content analysis follows a protocol called antecedents (a priori factors) – phenomena (something impressive or unique) – consequences (effects and outcomes of antecedents) (see Schmeisser, 2013) in order to extract contributions from every paper (see appendix). We synthesise them in four broad themes and discuss them in contrast with relevant IB literature. We present content analysis as follows: (i) research question focused in the thematic junctures, (ii) NBS approaches and findings relating to RQ, (iii) IB approaches to RQ, (iv) how NBS extends IB research and (v) problems in NBS and future extensions. By answering these questions, we aim to contribute to both NBS and IB, demonstrating how NBS research can advance IB research.

### 3.3. Mapping and pattern recognition of NBS studies

Fig. 1 illustrates a clustering tendency of the central themes in NBS literature around the four thematic junctures. Mapping and pattern recognition reveal that J-II (internationalisation and MNC management) received the greatest focus, followed by J-I (comparative business systems), J-III (organisational capability and innovation) and J-IV.
Table 3
Institutional Features Affecting Firm Capacities and Capabilities in Business Systems.

<table>
<thead>
<tr>
<th>Institutional features</th>
<th>Key dimensions</th>
<th>Impact on firm capacities and capabilities (i.e. ownership and governance, dynamics of management)</th>
<th>Impact on inter-firm relationships</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trust, authority and hierarchy</td>
<td>High trust/low trust</td>
<td>Low-trust firms are high on supervision and hierarchy to control workforce; high-trust firms delegate and share information with employees</td>
<td>In high-trust contexts, willingness to share information, people, technology, and processes are higher than in low trust</td>
</tr>
<tr>
<td>Financial system</td>
<td>Capital market-based or bank-based</td>
<td>Capital market-based financing more dependent on short-term decisions of shareholders; bank systems have longer-term orientations</td>
<td>Bank-based funding makes diversified conglomerates more likely, in which risk is spread across different actors; in capital market systems, shareholders want to know the specific risk of investment, which discourages high levels of inter-firm cooperation. Also impacts ownership and governance.</td>
</tr>
<tr>
<td>Law and property rights</td>
<td>Individualistic vs communitarian, natural law/civil law basis to property rights vs state as the source of property rights</td>
<td>Precarious nature of private property rights where state is not trusted; impact of this on investment and how profit is shown in accounts</td>
<td>Issues of competition law and degree to which firms can collaborate without being accused of becoming anti-competitive</td>
</tr>
<tr>
<td>Education and training system</td>
<td>Spread of institutions among low skill, high skill and professional skill</td>
<td>High-skill institutions lead to more involved workforce and higher levels of quality and innovation; focus on professional skill leads to centralisation of knowledge and expertise standardised into processes carried out by low-level skilled workers in production processes</td>
<td>Firms need to cooperate to establish high-skill systems, otherwise they lead to poaching and lose potential to develop firm or occupation-specific skill assets. In low skill systems, firms compete to keep wages down. Professional workers are highly mobile as skills are transferable.</td>
</tr>
<tr>
<td>State, policy, and regulation</td>
<td>Three types:</td>
<td>Under conditions of market coordination, firms have power to set their own prices, wages. In state-regulated systems, firms take prices set by the state. In state-delegated systems, firms participate in shaping the market.</td>
<td>State delegation systems encourage development of intermediary associations and cooperation between firms over a range of issues. In state-regulated systems, firms look to establish their own relations with the state to the detriment of other firms. In market-based systems, in theory, firms are on a level playing field competing with each other.</td>
</tr>
</tbody>
</table>

Institutional complementarity (transnational communities) have received less attention from NBS researchers. Three themes – internationalisation, organisational capability and international HRM in conjunction with NBS – received the most attention until 2016.

4. Discussion

Our analysis of the data shows a distinct clustering of NBS-influenced IB research around four thematic junctures (Fig. 1), which we discuss in terms of the (i) research question (ii) NBS approaches to and findings on the RQ, (iii) IB approaches to RQ, (iv) how NBS extends IB research and (v) problems in NBS and future extensions.

4.1. Juncture I: comparative business systems

4.1.1. Research Question

The major question the studies in this thematic juncture focus on is, ‘How and why are BS characteristics at the organisational, sectoral and national levels developed, reproduced and changed, and how do they vary both within and between countries?’ These studies focused primarily on the national- and sectoral-level institutional structures that affect the ways firms organise, control, and coordinate economic activities; alliance integration/non-ownership coordination and organisational capability; and the impact of these on sectoral specialisation (Allen & Whitley, 2012; Whitley, 1992a; 1992b; 1999). Table 3 illustrates the key institutional contexts that concern NBS. In the NBS approach, each institutional feature can be organised in at least two ways; which way they are organised impacts firm capacities and capabilities, as shown in Table 3.

4.1.2. NBS approaches to and findings for RQ

NBS research goes further, and argues that there are a limited number of ways in which these institutional choices can cohere together effectively and produce ‘national business systems’. In Milgrom and Roberts (1995), this is described as ‘institutional complementarity’, i.e. when these institutions are co-present, they reinforce and support each other, making the system more productive as a whole. A number of authors have pointed out the difficulties of defining complementarities. Does complementarity mean that institutions are working along the same lines and therefore reinforce each other’s efforts (e.g. in discussions about the link between long-term finance and long-term employment), or does it mean that institutions are different but complementary (e.g. in the Danish model of flexicurity, where there are few measures of job protection and workers can be got rid of easily, but the welfare system offers them the security of high levels of replacement pay and opportunities to retrain) (Crouch, 2005; Crouch et al., 2010; Deeg, 2005; Morgan, 2007; Whitley et al., 2005)? Other issues about complementarities relate to how they change over time so that what seemed to be essential complementarities, e.g. in Weber, the Protestant ethic and the spirit of capitalism, become disconnected, so that religion in general or particular religious beliefs are no longer an essential institution complementing entrepreneurship. Such complementarities may lie dormant but can be revived, e.g. as Thatcher revived free market institutions after decades of managed capitalism under Keynesianism. Combining institutions into complementary patterns is a complex process for any society, but NBS suggests it is possible to build a set of ideal types that roughly approximate to particular examples and help us understand how firms from different institutional contexts develop their capacities and capabilities in a global context. In light of over two decades of research, mostly in the US, Australia, Europe and Asia (see Casper & Whitley, 2004; Edwards, Guniggle, Quintanilla, & Wächter, 2006; Redding & Witt, 2009; Whitley, 1992a; 1992b; 2001b; 2003a; 2003b; 2009; 2010a; 2010b; 2014; Zhang & Whitley, 2013), most NBS researchers have developed a broad consensus on the following typology of national business systems, as summarised in Table 4.

Whitley et al. sought to demonstrate the value of this typology through detailed attention to a wide range of societal contexts that had not previously been compared in this way (see Witt & Redding, 2009, 2013; Witt & Jackson, 2016; Witt & Stahl, 2016). Studies focused on
Table 4
Business Systems and Their Impact on Firms.
Source: Developed by the authors

<table>
<thead>
<tr>
<th>Type of business system</th>
<th>Incoherent and fragmented</th>
<th>State dominated</th>
<th>Market-oriented</th>
<th>Cooperative corporatism</th>
<th>Collaborative and inclusive corporation</th>
<th>Collaborative networks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Example</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>State organisation of the economy</td>
<td>Weak and ineffective</td>
<td>Relatively strong and effective</td>
<td>Arm's length and regulatory</td>
<td>Japan</td>
<td>Limited direct intervention supportive of corporatist regulatory state</td>
<td>Germany</td>
</tr>
<tr>
<td>Example</td>
<td></td>
<td>South Korea/France</td>
<td>US/UK</td>
<td>Japan</td>
<td>Strong and highly institutionalised amongst large businesses</td>
<td>Japan</td>
</tr>
<tr>
<td>Business coordination of economic action</td>
<td>Weak and poorly coordinated</td>
<td>Relatively robust</td>
<td>Limited</td>
<td>Strong and highly institutionalised amongst large businesses</td>
<td>High – collaboration in formal corporatist arrangements linking large firms and SMEs with labour</td>
<td>Denmark</td>
</tr>
<tr>
<td>Associated institutional contexts</td>
<td>Low commitment and limited interdependence</td>
<td>Limited employer commitment; highly disciplined and controlled workforce</td>
<td>Some delegation but limited employer commitment</td>
<td>Mutually committed and cooperative, particularly in large firms with long-term employment</td>
<td>High – based on high skills and involvement of trade unions and employees</td>
<td>State supportive of social partners approach – capital, labour and the state in collaboration</td>
</tr>
<tr>
<td>Financial systems</td>
<td>Bank-based and poorly developed capital markets</td>
<td>State banks providing cheap capital to favoured firms with strong political connections</td>
<td>Developed and differentiated capital markets for different risk profiles</td>
<td>Bank-based combined with capital markets with passive investors</td>
<td>Segmented banking sector; local mutual banks supporting SMEs; large firms using capital markets</td>
<td>State supportive of social partners approach – capital, labour and the state in collaboration</td>
</tr>
<tr>
<td>Institutionalised procedures and trust</td>
<td>Low</td>
<td>Low</td>
<td>Limited – reliance on contract and law</td>
<td>Considerable</td>
<td>High</td>
<td>Combination of trust and strong monitoring/sanctioning of opportunism</td>
</tr>
<tr>
<td>State structures</td>
<td>Patrimonial: low organisational centralisation and coherence; low state support of intermediary associations</td>
<td>Centralised under control of elite and big business with little involvement of labour or public scrutiny</td>
<td>Regulatory state based on maintaining conditions for market competition and guarding against market inefficiencies</td>
<td>Business corporatist: high state support of business associations, some state protection for home industry and constraints on open markets</td>
<td>State supportive of social partners approach – capital, labour and the state in collaboration</td>
<td>State supportive of social partners approach – collaboration in improvements and innovation but not protective of specific jobs/industries</td>
</tr>
<tr>
<td>Consequences for firms</td>
<td>Necessity for sector specialisation</td>
<td>Low</td>
<td>High – export-oriented industrialisation</td>
<td>Market-oriented – model works across multiple sectors, which are undergoing rapid change in form and function or emerging for the first time but weaker in established product markets</td>
<td>High</td>
<td>Incremental cooperative – improved technology</td>
</tr>
<tr>
<td>Innovation strategies</td>
<td>Limited</td>
<td>Mass production of standardised goods to create cost efficiencies. Limited home-driven innovation – technology imitated or licensed</td>
<td>Fordist mass production</td>
<td>Discontinuous innovation driven by capital markets, flexible labour markets and changing knowledge/ science base</td>
<td>High</td>
<td>Incremental cooperative in medium-scale industries where incorporating new innovations/ designs into existing product markets is key</td>
</tr>
<tr>
<td>Dominant successful business model</td>
<td>Extracting rents by monopoly power granted by political allies</td>
<td>Fordist mass production</td>
<td>Market-oriented – model works across multiple sectors, which are undergoing rapid change in form and function or emerging for the first time but weaker in established product markets</td>
<td>Mass production of differentiated good</td>
<td>High</td>
<td>Incremental cooperative in medium-scale industries where incorporating new innovations/ designs into existing product markets is key</td>
</tr>
</tbody>
</table>

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

4.1.3. IB approaches to RQ

References in this section draw on papers that focus on comparative and cross-national analysis published in IB journals to see how IB studies contribute to the dimensions NBS focuses on, as explained in earlier sections. Focusing on firm behaviour and decision making in cross-national contexts, IB tends to consider cultural dimensions (Beugelsdijk, Kostova, & Roth, 2016) and, most importantly, the role of state institutions as exogenous factors affecting firm ownership, performance and internationalisation capability (Cui & Jiang, 2012; Wang, Hong, Kafouros, & Wright, 2012). Though IB traditionally focused on comparative studies, investigating how variations in phenomena affect business decisions and performance differently in different countries, as viewed in Management International Review (MIR) (Cavusgil & Das, 1997; Culpán & Kucukemiroglu, 1993; Holmzüller & Kasper, 1990; Schöllhammer, 1973), this has become increasingly rare. In most cases, IB studies tend to view cultural and institutional dimensions as taken-for-granted and constant variables; thus they miss the explanatory logics and background mechanisms of the manifested cultural dimensions and institutions that create the conditions for which firms shape their capability, performance and strategies. IB analysis, therefore, explains the causality between the cultural/institutional dimension and a firm’s internationalisation capability and performance. Traditional IB studies have not paid adequate attention to some of the key institutions that shape MNC strategies and performance, such as skill development and financial institutions, to which NBS studies contribute significantly; as a result, IB studies can benefit from the NBS literature in this regard. Moreover, as explained in 4.1.2, NBS studies contribute to the understanding of ‘institutional complementarity’ and ‘path dependency’ in firms’ strategic choices (Jackson & Deeg, 2008); IB studies lack this view in their theoretical framework. IB studies, therefore, can use this theoretical view in examining firms’ strategic choices for internationalisation, location section, ownership and governance. IB studies can also go one step further to investigate how institutional configuration in one country produces complementarity for firms to grow and internationalise compared to firms from and in other institutional arrangements.

4.1.4. How NBS extends IB

The in-depth studies of institutional contexts as presented in findings (4.1.2) do not claim to be comprehensive, yet they offer a very important resource for IB scholars who wish to go beyond one-dimensional, static characterisations of societies, e.g. in cultural difference scales (e.g. Hofstede) or institutional distance measures. While it may be difficult to handle large numbers of comparisons by drawing on the holistic approach characteristic of the NBS, as this inhibits the development of statistical models of causality dominant in IB, NBS seeks to avoid becoming simply the idiographic study of particular societies by developing a set of common concepts around types of institutions and business systems. This offers a framework helpful to IB in terms of identifying different models of firm organisation and how they find places in global markets, drawing on this comparative literature in which organisational studies meet various institutional contexts (Hotho & Saka-Helmhout, 2016). Moreover, IB studies can benefit from the findings of comparative business systems studies as they present information on firm governance, networking, management, capability and internationalisation in different institutional contexts. Therefore, NBS studies can be a complementary resource enabling IB studies to advance.

The following suggested areas of complementarity, explained in detail below, are derived from our systematic review of NBS studies: (i) comparative institutional analysis of firms’ strategic choices, (ii) long-term vs short-term orientations, (iii) trust between firms and between individuals affecting IB and international entrepreneurship and (iv) knowledge creation and diffusion.

First, as the comparative study is still used in international management and international marketing research (see Poon, Evangelista, & Albaum, 2005; Teagarden et al., 1995), IB studies, building on comparative institutional and business systems analysis, can focus on human capability development (i.e. skill formation) and its influence on location selection decisions, internalisation, and the ownership configuration of firms. Answers to question on how skill formation can affect firms’ decisions in internationalisation are rooted in comparative business systems analysis, which has links to some fundamental questions IB theoretical frameworks attempt to explain, e.g. OLI and AAA (arbitrage, adaptation and aggregation) (Dunning, 2000; Ghemawat, 2003). For example, skill formation, which is institutionally conditioned, determines how and to what extent a firm can develop its internal capability (technological and managerial) to grow and internationalise. This dimension also affects how firms access new and rare skills, knowledge and competencies (e.g. in the case of internationalisation of R&D units) (Allen, Allen, & Lange, 2017). Therefore, understanding this dimension leads firms to decide whether to internalise the skill development system (i.e. through internal training and coaching mechanisms) or externalise it by collaborating with organisations/institutions or buying out the skills. Inability to access required skills would negatively affect a firm’s internationalisation process and competitiveness in the global market. Similarly, unavailability of the required skills in one context may push companies for arbitrage to another institutional context; thus firms would require adaptation and complex management of diverse kinds of cross-border human resources, factor endowments and organisational structures (Hotho & Saka-Helmhout, 2016; Saka, 2004; Sorge, 1995).

Second, IB studies tend to focus on the effects of long-term and short-term orientations primarily from the cultural dimension perspective, assuming that this is a constant exogenous factor affecting a firm’s strategic orientation (see Hofstede & Minkov, 2010). IB studies thus miss, for example, how capital markets are organised in a certain institutional context, which supports certain types of ownership structures, which in turn influences a firm’s strategic orientation (i.e. long or short term) (e.g. Tao, Liu, Gao, & Xia, 2017]). Future studies on cross-border mergers and acquisitions in relation to ownership and control (see Aguilera & Dencker, 2004; Angwin, 2001; Baysinger, Kosnik, & Turk, 1991; Ficici & Aybar, 2009) can use the long/short-term orientation dimension arising from ownership in the NBS perspective to examine the strategic orientation and its effects on the nature of
control, management of human resources in M&A, and assessment of values.

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

Fourth, the phenomena of knowledge-creation and knowledge-diffusion institutions, and their contributions to SMEs and multinationals’ capability development and growth in comparative institutional contexts constitute an interesting research agenda for IB (Whitley, 2008). Although we shall discuss this phenomenon extensively in Juncture III, we shed a little light on it here. From one perspective, MNCs need to manage global production networks/value chains. Thus, MNCs need to consider the quality of knowledge creation/diffusion institutions in different business systems and how that quality affects the management and sustainability of and their performance in global value chains (Ernst & Kim, 2002; Zhu & Morgan, 2018). However, this phenomenon is not yet well addressed in IB studies, with the exception of a paper by Kamoche and Harvey (2006), who argue that MNCs are going to African markets for investment and marketing, expecting to transfer knowledge without considering the underlying institutional mechanisms and their historical roots. This indicates that comparative business systems and institutionalism can be useful in understanding research problems where institutional complementarity and path dependency affect comparative advantage of industries and firms (Deeg, 2005; Witt & Jackson, 2016; Whitley et al., 2005).

4.2. Juncture II: internationalisation and MNC management

4.2.1. Research Question

The big question this thematic juncture covers is: How do institutions shape the ways firms (MNCs) internationalise (modes of entry, etc.), manage and coordinate their economic activities across national boundaries? Related to this is the question of how MNCs seek to reshape institutions in home and host contexts to fit their requirements more closely. We can summarise this set of questions under three headings:

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

4.2.2. NBS approaches to and findings for RQ

The NBS approach insists that in order to understand how MNCs internationalise and organise across different contexts, it is crucial to first understand their institutional home base and how it has shaped key aspects of their strategy and organisation (see Clark & Almond, 2006; Ferner & Tempel, 2006). As discussed in the previous broad theme, institutional contexts in NBS shape different sorts of firms with different sorts of competitive capabilities. As a result, NBS research has been particularly interested in how the competitive capability affects decisions on whether to internationalise, where to locate and what mode of entry to undertake. A key influence here, which reflects the central role of institutional complementarities to NBS discussions (see Morgan, 2012; Redding, 2005; Rana, 2015; Rana & Elo, 2017), concerns the link between different institutions in the home context, the sorts of capacities they generate in firms and the ways in which they influence decisions about internationalisation. For example, NBS emphasises that the competitive advantages of German companies in mechanical and auto engineering emerge from the combination of a highly qualified workforce (derived from the education and training institutions present in Germany) that is likely to be long-term employed in a particular occupation and firm and highly experienced in a particular area of technology and production, with a financial system of patient capital that supports incremental product improvement and innovation. ‘Patient capital’ also encourages long-term involvement with suppliers and the development of joint programmes of upgrading and innovation. This set of firm-level advantages derived from institutional-level structures was highly location specific, as reflected in the clustering of middle-sized German firms around larger exporting firms. As a result, German manufacturing firms until the 1980s were highly dependent on (and successful in) exporting their products and were low on FDI. Cost pressures inside Germany, the rise of new competitors and market access requirements started to change the balance of advantages and lead to more FDI. At this point, however, German firms internationalised in ways that would maintain some of their home institutional advantages in host contexts. They preferred to set up Greenfield operations or, where they engaged in acquisitions, to intensively restructure the acquired company using a German model of high investment in the latest technology and operating procedures. In particular, they continued to rely on their home-based suppliers, bringing them to new locations. They also tried to ensure that their new employees were highly skilled, either by selective recruitment in an area of existing skilled manufacturing workers or by upgrading local host educational institutions so that non-German employees could produce a high level of performance.

Japanese firms in capital-intensive manufacturing that started to engage in FDI followed a similar track (Morgan, Kelly, Sharpe, &
drawing in their Japan-based suppliers, using them to help develop a locally based supply network and training employees up. In both cases, although they learned some new skills from operating in different institutional environments, the firms have continued to depend on the intensive networks and institutions of their home base for the development of their most advanced products. Therefore, the home and host institutional contexts affected their modes of entry and the sorts of strategies in which the companies engaged in the new location. By contrast, US MNCs came from an institutional context where market relationships with labour, supplier firms and the financial markets dominated. They were much more willing to take risks and enter foreign contexts by M&A, restructuring acquisitions in order to cut labour costs, change suppliers and contracts, and drive short-term profitability. They were therefore cautious about entering institutional contexts such as France and Germany, where labour rights were well protected, labour costs were high, and supply chains were captured by big local firms.

These institutional factors also influence how MNCs are structured and, in particular, the degree to which they are centralised. NBS research suggests that German and Japanese companies tended to keep tight control over technologies and production, with overseas subsidiaries and their managers kept tightly linked to the home base for advice and servicing, as they were essentially selling the same products with minor modifications in most overseas markets. Control was exercised by common operating procedures and the frequent presence of managers and engineers from the home base since these had deep knowledge of the distinctive competences of the MNC. US MNCs tended to be more concerned about common financial and accounting procedures in their subsidiaries, in order to make clear their contribution to shareholder value; where this could not be achieved, subsidiaries would be reorganised at the regional level or sold off, and other units would be bought that could be integrated to increase scale and profitability. Certain HR procedures were standardised in US MNCs related to institutional home conditions such as a general reluctance to deal with trade unions and the resulting focus on highly developed individual appraisal and reward systems (Almond and Ferner, 2006). In R&D terms, US MNCs were more decentralised than German or Japanese firms, scanning loose networks of suppliers, specialist firms and scientific institutions to identify possible new developments and using their access to developed financial markets to gain entry to risk capital. Institutional contexts, therefore, affected the structure and organisation of MNCs and their degree of centralisation or decentralisation.

NBS authors have also been interested in how MNCs change host institutional contexts and how firms and sectors evolve in those contexts (Ahmadjian, 2016; Ferner & Quintanilla, 1998; Giroud, 2014; Hassel, Höpner, Kurdelbusch, Rehder, & Zugehör, 2003; Jong, Röell, & Westerhuis, 2010; Kristensen & Zeitlin, 2001; Lamberg & Laurila, 2005; Morgan et al., 2003; Morgan & Quack, 2005; Morgan & Kristensen, 2009; Schaumburg-Muller, 2001; Tainio, Huolman, & Pulkkinen, 2001; Whiteley, 1998, 2012; Yeung, 2000). MNCs, when they internationalise, engage in ‘rule following’, ‘rule affecting’ or, at the most dramatic, ‘rule changing’, thereby engaging with the institutional environment not just for their own benefit but also in ways that affect the strategies and competencies of local firms (Rana, 2014; Rana & Sorensen, 2014, 2016; Whiteley & Morgan, 2012). This is particularly important where ‘institutional voids’ exist, making the role of MNCs as institution-makers and ‘political actors’ (Scherer & Palazzo, 2011; Scherer, Palazzo, & Matten, 2014) highly significant across a range of social practices, e.g. education, anti-corruption, human rights etc. in volatile and risky political environments (Whiteley & Morgan, 2012). German and Japanese MNCs, for example, have tended to engage with host-country institutions and voids in terms of skilled workforces, competent suppliers and the institutions capable of producing them; they have tried to ensure that labour and supply chains in such contexts match some of the quality and cost criteria of their home-based employees and suppliers. Recent studies of German car firms in China, for example, have shown that they have been involved in developing apprenticeship schools based on the German model as a source of labour for their locally based plants (Jurgens & Krzywdzinski, 2016). In the UK, Japanese auto firms have been influential in building formal and informal networks of local suppliers and upgrading their standards.

By contrast, in European economies, US firms tended until the last two decades to adapt to institutional conditions even if this meant accepting the power of labour, e.g. in industry-level wage bargaining enforced by the state. However, more recently, they have tended to opt out of the employers’ associations engaged in such top-level bargaining and have started to develop their own firm- or plant-level bargaining, contributing to the weakening of host-based institutions in this area (see the discussions in Baccaro & Howell, 2017 on Germany). Baccaro and Howell see this as part of a wider pressure on the institutions that have in the past bolstered labour in many European countries; the pressure to increase employer discretion derives from a more intense and focused pressure to deliver returns to shareholders, rather than sustain the stakeholder model of the firm that has existed in many European contexts over the last 50 years. US-based investors have become more involved in ownership in some key European companies, and the result has been a decline in the degree of ‘patient capital’ supporting these companies and pressure towards more short-term results for shareholders, which in turn often threatens compromises with labour (Goyer, 2013). There are multiple studies of how institutions of corporate governance in particular institutional contexts have been changed by various sorts of multinational actors (Ferner & Tempel, 2006; Giroud, 2014; Goyer, 2013; Lamberg & Laurila, 2005; Suijs & Wubs, 2010; Stavrou, Brewster, & Charalambous, 2010).

NBS theory, therefore, has offered a range of insights on how institutions influence international strategy and modes of entry that is a rich source of complementary knowledge to IB research. It also reveals how organisational structure is shaped by the pressures of operating in different institutional environments (Andrews, Htun, & Nimanandh, 2016) while showing that MNCs engage actively with host institutions in ways that can lead to broader changes and impact the social context.

4.2.3. IB approaches to RQ

The question of the impact of institutions on MNCs has appeared in the IB literature; thus we will discuss some leading IB scholars’ contributions in applying institutionalism to IB theory and models. One of the most important contributors to this literature was John Dunning, particularly in his later publications. In a range of papers (Dunning & Lundan, 2008b; 2010), he sought to integrate more clearly the concept of ‘institutions’ into his OLI model eclectic paradigm, thereby encompassing the themes of strategy, mode of entry and organisation of the MNC discussed in the previous section. He identified ownership advantages derived from institutional contexts in terms of ‘part of the governance structure of a firm which underpins the wealth-creating process...at any given moment of time, such a governance structure comprises a galaxy of both internally generated and externally imposed incentives, regulations and norms’ (Dunning & Lundan, 2009, p. 99).

Locational advantages reflect the institutional contexts that make different home and host countries attractive places to invest. Dunning identifies a range of institutions that are relevant to these advantages. He emphasises the importance of good governance mechanisms in the society, including strong property rights protections. In terms of internalisation (‘I’) advantages, Dunning and Lundan (2009, p. 106) argue that ‘a great deal of the received wisdom on ‘I’ is directly or indirectly institutional in its approach....institutions play an important part in determining the complementarity or substitutability of the different operational modes [intra-firm or inter-firm value-added activities and transactions]....The costs of motivating the decision-taking agents within the firm, even if lower than the costs of transacting in the marketplace, are dependent on the incentive structures and enforcement mechanisms devised and implemented by the firm and thus the formal and informal institutions therein’. Dunning’s focus on
First, as an example of the sort of research agenda this can generate, one could look at the debate on how institutional features and legacies affect the way human resource management is conducted across borders (Allen, 2014; Ferner & Quintanilla, 1998; Whitley & Czabán, 1998; Whitley, 2012; Sayım, 2010). While Kostova and Roth (2003) develop a useful conceptual model of these tensions from within the IB tradition, studies that build on NBS (see for example Ferner, 1997, which first explicitly made these connections) suggest that subsidiaries are engaged in a trade-off between local context and global pressure (Edwards & Kuruvilla, 2005; Geppert, Williams, & Matten, 2003); both of these contexts need to be located in ‘thick’ institutional analysis of the home and host contexts rather than thin, variable-type approaches. Thus, subsidiaries may derive the capacity to innovate HRM practices and processes by mixing HQ and local models where their local institutional contexts facilitate the creation of powerful social actors (Kristensen & Morgan, 2007, 2012) that can act independently and effectively against head office management (see also Kristensen & Zeitlin, 2005a, 2005b). This finding questions the use of standardised HRM policies and practices within internationally operating companies (Stavrou et al., 2010), as Almond and Ferner (2006), in their studies of US MNCs in Europe, find that HRM policy can be transferred and adapted in different ways depending on the receiving context.

Despite the perception that HQ pushes and transfers HRM practices and policies to subsidiaries, reverse diffusion from subsidiary to HQ also takes place (Edwards & Ferner, 2004; Edwards, Almond, Clark, Colling, & Ferner, 2005). Reverse diffusion may be an explicit strategy of the MNC, in recognition of its need to learn new practices from contexts that have different strengths, or it may emerge informally as managers circulate among headquarters and subsidiaries, bringing with them new ideas.

Second, our systematic literature search has revealed a range of studies that show how various aspects of firms changed as a result of internationalisation and adaptation to new institutional environments, e.g. ownership relation, non-ownership coordination (Whitley, 1998), cross-border authority integration of economic activities (Whitley, 2012), work system, incentive structure, employment practices (Tainio et al., 2001), competitive condition and dominant forms and firms of BS (Lamberg & Laurila, 2005), corporate social responsibility (Ali & Batra, 2008; Ni, Egri, Lo, & Lin, 2015; Tengblad & Ohlsson, 2010), corporate social performance (Ioannou & Serafeim, 2012), social-responsibility orientation (Witt & Stahl, 2016) and managers’ perception (Morgan et al., 2003; Sørensen & Kuada, 2001). Other studies have focused on how these characteristics in turn change national institutions (Morgan & Quack, 2005; Schaumburg-Muller, 2001) and co-evolve international institutions/standards (Sluyterman & Wubs, 2010) and distinctive organisational forms and corporate governance (Ferner & Tempel, 2006; Lamberg & Laurila, 2005; Stavrou et al., 2010; Giroud, 2014). Thus, we suggest that studies on internationalisation need to take into account the variety of ways in which MNCs engage in ‘rule following’, ‘rule affecting’ and ‘rule changing’, thereby engaging with the institutional environment not just for their own benefit but also in ways that affect the strategies and competencies of local firms (Rana, 2014; Whitley & Morgan, 2012). This type of analysis, therefore, opens up the possibility for the BST approach to explore issues in emerging economies where the nature of institutions is likely to differ due to the influence of colonialism and imperialism, the lack of a long-term and stable system of law and property rights, and the absence of democracy and rational-legal bureaucracy, anti-corruption, human rights etc. (Whitley & Morgan, 2012). This is the dimension that IB scholars have begun to investigate under the term ‘institutional void’ (Khanna & Palepu, 2010).
host contexts has been developed in IB, its thin. Variable-based approach is less helpful to understanding these processes than more detailed case-study analyses, which provide more holistic accounts of how institutions in host contexts come together to resist the efforts of MNCs to introduce institutional change or, alternatively, how possibilities for change open up as institutional complementarities decline for various reasons, allowing new possibilities to emerge (see, e.g. Dekoeck et al., 2012; Kristensen & Lilja, 2011; Morgan & Quack, 2005).

4.2.5. Problems for NBS and further development

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

Secondly, IB has been much more ambitious than NBS in terms of developing insights into MNCs from emerging economies (for exceptions, see Cooke et al., 2015; Cooke, 2014; Jurgens & Krzywdzinski, 2016). Compared to discussions in the existing IB/IM literature (e.g. Williamson et al., 2013) there is very little on, for example, Chinese MNCs and their organisation, or their impact overseas from this perspective (though there are relevant discussions in Drahoňoupil, Andrijevic, and Sacchetto (2016) and Smith & Liu, 2016).

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

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

Finally, it is clear that methodologically, NBS research needs to broaden its approach and consider the degree to which quantitative analysis can serve a useful function within this framework. Although many NBS researchers have been sceptical of quantitative approaches based on large-scale surveys of managers or the analysis of data reported in annual reports, there has been a renewed effort by scholars committed to this approach to see how it might be possible to develop more rigorous conclusions. Two approaches have been suggested. The first is to formalize comparison of cases more carefully by using Ragin’s qualitative comparative analysis (QCA) and fuzzy set analysis on small N samples (see Kogut, 2010; also Witt & Jackson, 2016; the second is to develop the analysis of large-scale datasets in ways that focus less on particular variables and more on the interactions among variables (what is described as configurational analysis; e.g. Fainshmidt, Judge, Aguilera, & Smith, 2018; García Castro, Aguillera, & Arifo, 2013; Judge et al., 2014). Methodological developments in this context can bring NBS closer to IB expectations of theoretical rigour.

4.3. Juncture III: organisational capabilities and innovation

4.3.1. Research question

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

4.3.2. NBS approaches to and findings for RQ

NBS argues that the development of competitive competences in firms involves a variety of factors (see Whitley, 2003b). One set of competences relates to the ability to bring together resources quickly to respond to short-term business opportunities; in institutional terms, this means a highly flexible, low-skilled labour force; flexible capital markets; and product markets with low barriers to entry. A crucial variation on this is the larger-scale ability to bring together financial risk, capital and highly skilled knowledge workers within an organisational framework that allows them to work on high-risk projects. These models of innovation differ from contexts where the goal is to create commitment among core employees with high levels of technical skill to collective problem solving and the development of firm-specific capabilities. Thus, as with developments in institutional and evolutionary economics (Foss & Knudsen, 1996; Lazonick & West, 1998; Marengo, Dosi, Legrenzi, & Pasquali, 2000; Penrose, 1959; Teece, Pisano, & Shuen, 2000; Teece & Pisano, 1994), NBS argues that variations in institutional frameworks allow firms to develop distinctive kinds of capabilities, innovation competencies and strategies, and that this influences how they compete in different sectors and technologies (Carney, 2016; Casper & Whitley, 2004; Haake, 2002; Hancké, 2002; Hancké, 2009; Whitley, 2000, 2002, 2003a; Whittaker, Sturgeon, & Song, 2016).

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

First, coordinating capabilities involve the development of integrative routines that gather and process information about internal and external processes, connect customer experiences with engineering design choices, and link production facilities with suppliers. These are the keys to realising economies of scale and scope through managerial hierarchies.

Second, organisational learning capabilities involve joint problem solving and improvement of production and related processes, both through continuing work experience and the execution of specific projects as well as continually developing the firm’s understanding of business partners and other external agents. Moreover, there is reverse diffusion of knowledge from subsidiaries to MNC HQ in international business (Edwards & Ferrier, 2004), while at the same time subsidiaries also learn in the local context, develop the capability to gain access to foreign knowledge-generating assets but that depends on the nature of institutional context it is operating in (Allen et al., 2017).

Third, reconfigurational capabilities involve the transformation of organisational resources and skills to deal with rapidly changing technologies and markets. They enable companies to restructure their operations and routines quite radically as knowledge changes, often by acquiring new skills and competencies through hiring in external labour
markets or buying newly formed firms. Such transformations can destroy existing routines and competences, e.g. in the impact of the internet across a wide variety of areas that had been traditionally organised (Amazon, Uber, Airbnb, Spotify, Netflix etc.).

While NBS research supports the broader finding that most MNCs tend to do their highest level of R&D at their home base, where they have created effective relationships with appropriate institutions of science, technology, finance and labour markets (Herrigel, Wittke, & Voskamp, 2013), there is nevertheless a growing spread of forms of R&D across different countries within the multinational’s networks. This in part marks the recognition that forms of expertise are clustered not necessarily within firms per se but within networks of firms and institutions that are geographically and socially embedded in particular locations (see Lundvall, 1999). Therefore, accessing these forms of expertise requires an element of co-presence that is sufficiently networked into these locations that it has the absorptive capacity to access people and knowledge, but also to link these developments with other relevant locations inside the MNC or connected to the MNC’s global value chain (e.g. Birkinshaw, 2000).

4.3.3. IB approaches to RQ

IB studies have long been focused on how organisational attributes and capabilities facilitate creation, adoption and diffusion of innovation in product, process and internationalisation (Ghoshal & Bartlett, 1988; Kotabe & Murray, 1990). IB uses a dynamic capability concept to examine how MNCs possess, deploy and upgrade capabilities that affect a firm’s international expansion, competitive advantage and sustainability (Cantwell, 2014; Luo, 2000). Recently IB studies have combined capability with firm innovation in internationalisation and have used two perspectives, one focused on linkage and knowledge sharing with firms across geographical borders, and the other focused on linkage with local innovation systems that enables firms to tap into rare and unique knowledge (Cantwell & Zhang, 2009). Studies have mainly considered technological capability development and the transfer of knowledge that affects the upgrading of global supply chains, industrial clusters and firms’ operations (Cantwell & Zhang, 2009; Cantwell, 2017; Ernst & Kim, 2002; Kafouros, Buckley, Sharp, & Wang, 2008). In addition to the understanding of these factors, Dunning and Lundan (2010) have included an institutional perspective from which they have argued for the co-evolutionary nature and institutional origins of the dynamic capabilities of MNCs. They assert that MNCs not only draw resources from institutions to develop dynamic capability but also co-create institutions using that dynamic capability across global operations. At this point, the IB perspective meets the NBS perspective in terms of how organisational capability influences the competitive competency, innovation and internationalisation that Whitley (2007) proposes. However, IB studies have not paid due attention to investigating the organisational learning perspective with a focus on knowledge diffusion between subsidiaries and HQ, and vice versa. Thus, they have neglected the issues of coordination of complex networks and MNCs’ reconfiguration capabilities, as well as how variations in institutions in different contexts can push MNCs to develop different types of competencies that lead to varied innovation styles in subsidiaries, as NBS studies have stressed (see 4.3.2).

4.3.4. How NBS extends IB

NBS has considered how and why particular social actors within the MNC derive from their institutional context the capability to engage successfully in these competitions and spread their influence more widely within itself, its value and in the sector more generally. In a series of studies (Kristensen & Zeitlin, 2001, 2005a, 2005b; Kristensen & Lilja, 2011), Kristensen looked at how local actors responded to the decisions of MNCs and how, in some circumstances, local employees, in collaboration with local institutions, were able to devise new products and processes that they were able to ‘sell’ to MNC head offices to resist loss of jobs. Even where MNC head offices rejected these plans, the local actors in some cases were powerful enough to negotiate new solutions. Local actors played in ‘global games’ because they had the knowledge, skills and local support to become essential to the multinationals, and they were able to carry knowledge across subsidiaries and facilitate learning and upgrading. NBS, therefore, provides a framework for understanding how transnational diffusion, learning and innovation (Liu & Tylecote, 2016) take place inside MNCs. It points to the importance of understanding the social embeddedness of the subsidiary, the skills and networks that are developed locally, and the roles that different sorts of managers (home-based, host-based or third-country nationals) might play in sustaining and developing this knowledge. NBS also allows us to investigate how the meso-structures of the MNC (i.e. whether subsidiaries are organised into geographical or product divisions, which functions are delegated to subsidiaries and which are kept at the meso or headquarters level) impact the ability of particular subsidiaries to become active in innovation processes, whether locally, within the MNC structure or within a wider global value chain.

4.3.5. Problems for NBS and further development

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

4.4. Juncture IV: transnational institutions and transnational communities (TC)

4.4.1. Research Question

There are two themes that are highlighted by this thematic juncture. The first relates to the question, ‘How do transnational institutions impact international business and multinational companies, and how are they in turn affected?’ The second considers the MNC as a transnational social space and asks what sort of social space this constitutes. NBS has been primarily concerned with national institutional contexts and their effects on firms. However, there is increasing recognition that the last two decades have seen the building of transnational institutions, which have a significant influence on MNCs in terms of entry modes, market and asset seeking, location decisions, organisation and management structures, and innovation and learning capabilities. Moreover, the transnational social space encompassed by the institutional boundaries of the MNC or organised through its supply chains has become more complex. Whitley has described these transnational phenomena as a ‘thin’ institutional space (Whitley, 1998, 2012) in comparison to the influence exerted by national institutional contexts. However, as NBS has developed, it has come to investigate the development of the multinational social space and the transnational institutions, norms, rules and social movements at this level in more detail because they have become more influential, both in national-level institutions and the ways firms grow and develop.

4.4.2. NBS approaches to and findings for RQ

In their 2006 introduction to a special issue of the journal Human Relations, Geppert, Matten, and Walgenbach (2006) suggest a framework for the analysis of transnational institution building and MNCs that consists of the following points.

First, they argue that MNCs are not just shaped by transnational institutions, but play a significant role in actively shaping them (see e.g. Morgan’s discussion of the role of MNCs in shaping regulatory standards in Morgan, 2001b; also Djelic & Bensedrine, 2001; Djelic & Quack, 2005 on what they term ‘trickle-down’ and ‘trickle-up’ effects between transnational institutions and national institutions).
Second, they argue that MNCs operate transnationally or globally and institutionalise management practices and structures at the corporate-wide level (2006, p. 1455).

Third, MNCs consist of subsidiaries with various forms of local embeddedness that translate and adapt transnational practices in light of various interests, powers and political activities within and between levels in the MNC. These latter two phenomena are linked together in Morgan’s notion of the MNC as a specific kind of transnational social space creating transnational communities within the firm (2001a) as well as drawing on transnational identities and processes from outside the firm (including diasporic identities) in order to encompass and connect groups, but also to erect boundaries and create distinctions between groups.

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

Transnational institutions have become particularly important in a number of areas as a way of reducing transaction costs and facilitating shared understandings. Morgan (2001b), for example, distinguishes between transnational institutions, which regulate product standards, ‘proper person standards’ and ‘standards of fair dealing’. Financial markets, which are highly international, are the sites of much debate and discussion about what sorts of standards should be imposed and how they should be monitored (see also Morgan, 2008). Brunnsson and Jacobsson (2000) refer to what they call ‘a world of standards’. A growing body of research has linked home institutional contexts and transnational institutions and their effects on multinationals, e.g. in the growth of corporate social responsibility standards and measures and in the monitoring of standards of sustainability etc. in various fields, such as forestry, marine conservation and fair trade in clothes, coffee and agricultural products. (For NBS-driven analyses see Djelic & Quack, 2003, 2010; Djelic & Sahlin-Andersson, 2006). NBS research emphasises that transnational institutions are not simply efficiency-enhancing ways of economising on transaction costs but emerge from processes of power and politics (Bartley, 2014; Clark & Geppert, 2006; Distelhorst, Locke, Pal, & Samel, 2015).

NBS theory has also been concerned with the nature of the transnational social space inside the MNC, and in particular the relationship between subsidiaries and head offices. On the one hand, MNC head-quarters impose a variety of forms of control in order to create coherence and consistency within organisational boundaries; as discussed previously, these mechanisms depend on national institutional contexts and reflect strategies for accessing markets, locations and strategic assets. However, NBS theory also emphasises that the ability of MNCs to impose these processes and strategies depends on issues of power and politics arising from the nature of the social embeddedness of the subsidiary. Morgan and Kristensen (2006, 2012) argue that actors within subsidiaries may have the power and capability to develop their own goals, separate from those of headquarters, where they are well connected to local institutions such as trade unions, government, training institutions etc. Some subsidiaries have no such capabilities because they lack local embeddedness; if the MNC withdraws investment, these subsidiaries have no alternative strategies to draw on. Most of the dynamics between subsidiaries and head offices fall between these two extremes, and many NBS studies have engaged in deep qualitative research to understand how power and politics work within this transnational social space (Becker-Ritterspach, Blazejewski, Dörrenbächer, & Geppert, 2016; Boussebuaa, Morgan, & Sturdy, 2012; Dörrenbächer & Geppert, 2011; Kristensen & Zeitlin, 2005a, 2005b; Morgan et al., 2001; Rana, 2014; Rana & Elo, 2016; Seabrooke & Tsingou, 2015).

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

In conclusion, NBS has started to explore a range of interactions between transnational institutions and processes of regulation, standardisation and migration, and how MNCs develop their strategies by building on their home institutional context. The concept of ‘transnational social space’ refers to an arena of social action distinct from that of the ‘national’ context. This is an arena of social interaction where the main nodes of connection between groups cross national boundaries. It is also a space that is not controlled by powerful national actors (either states or firms), though they may play a dominant role. ‘Transnational social space’ implies a more open-ended set of cross-border connections among multiple nodes, in which the forms of interaction become more than simply the sum of interactions between different ‘national’ units, constituting a social space of their own. In this respect, transnational social space constitutes an arena in which new social actors can emerge (Morgan, 2001a).

4.4.3. IB approaches to the RQ

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

On the idea of the MNC as a transnational space, IB has been much more productive. It was after all Bartlett and Ghoshal (1989) who first identified the ‘transnational dilemma’ and the issue of the relationship between national institutional contexts and the strategies of the MNC to make use of, standardise and eventually learn from differences. IB also developed discussions of the role of subsidiaries acting separately from the MNC HQ, e.g. Birkinshaw’s (2000) analysis of the entrepreneurial firm, built on earlier work on subsidiary autonomy. Through the concept of institutional distance, IB explored the differences between contexts and the impacts these had on management and organisation inside the MNC. However, IB has tended not to link these conflicts with institutional conditions and the ways in which they empower different groups to different degrees, instead focusing, on the one hand, on issues of costs (Foss, Foss, & Nell, 2012) as determinants of subsidiary conflicts. On the other hand on the attention paid by HQ to the subsidiary and how the subsidiary might make itself more present and more important in the eyes of HQ (Bouquet & Birkinshaw, 2008). Similarly, although the idea of global management is frequently invoked in IB, there is very little discussion of how it is constituted: who these global managers are, and what processes turn them into this specific sort of identity, distinct from their home institutional context’s construction of what it means to be a manager. Although there have been some attempts to link issues of diaspora with MNC choices about location and markets (e.g. Tung, 2008), these have been limited. In these respects, therefore, the early promise that existed in Bartlett and Ghoshal’s formulations has not come to fruition (though the collection by Ghoshal and Westney (2005) offers further glimpses of how this might be developed).

### 4.4.4. How NBS extends IB

The first area of extension is related to the coordination of international economic activities within firms, for example, transnational firms and their global network between subsidiaries and headquarters, between or among subsidiaries and within the global value chain of the subsidiary. In NBS, these relationships are understood in terms of institutional contexts and how these contexts shape and empower actors in their ability to interpret and adapt to head office demands. Transnational communities emerge within this network and affect the ways local firms organise economic activities and institutional conditions (see Clark & Geppert, 2006, 2011; Geppert et al., 2003; Morgan, 2001c; Whitley, 2010b). This feeds into traditional IB concerns about the nature of the multinational firm, but NBS presents a more complex account of the firm by asking how different groups within the MNC exercise power and influence, and on what terms (e.g. Boussebaa et al., 2012).

The second area concerns the development of management, knowledge and education, and the creation of shared cognitive and normative frames of reference that are learned in business schools/educations. These are then reinforced through diaspora communities that live dual lives and through the practices of business, media, global NGOs, and international professional service/consulting organisations, for example, the sphere of ideas, knowledge and certification in ‘ideological’ transnational communities. The development of these concepts of TC and transnational space is based on a continuing recognition of the role of national institutional constraints and opportunities but is now linked to the notion that there are other spatial levels of institution-building and social action. This concept raises questions about how the internal social space of the multinational is organised, and about the flows within that space of people, knowledge, technologies and capital. It also links to discussions of global value chains, how they are connected across national boundaries, and what difference this makes (Lakhani, Kuruvilla, & Avgar, 2013). It also connects to discussions about how different levels of transnational institution-building frame the context for MNC strategies and how MNCs try to influence this space, which is also occupied by state regulators, international organisations, consumer groups, transnational social movements etc.

#### 4.4.5. Problems for NBS and further development

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

### 5. Conclusion

Our aim for the review is to initiate a productive dialogue between the NBS approach and IB in order to advance IB studies using institutionalism. The analysis of four thematic junctures constitutes a thick description of what NBS has contributed and how this contribution can complement IB in terms of using the frameworks, concepts, research questions and findings related to various spaces, actors and phenomena. IB is a cross-disciplinary forum emphasising phenomena-based studies (see Doh, 2015) and contextualisation (Michailova, 2011), therefore deeper understanding of the complexity and theorisation (Doz, 2011) of the phenomena is of interest for IB studies.

Briefly, as highlighted in analysis, IB lacks sufficient research on comparative analysis of management and organisational phenomena and how they are shaped by institutional dynamics and distance (Casper & Whitley, 2004; Edwards et al., 2006; Redding & Witt, 2009; Whitley, 1992a, 1992b, 2001b, 2003a, 2003b, 2009, 2010a, 2010b, 2014, 2016; Witt & Redding, 2013; Zhang & Whitley, 2013) (see J-I). Although IB has made strong contributions to studies of internationalisation of firms, location selection and marketing strategy (Collinson & Morgan, 2009; Erçuk, 2014; Ioannou & Serafeim, 2012; Morgan, 2001c; Sayım, 2010), it has paid less attention to organisational and management implications arising from different institutional contexts, i.e. centralisation, decentralisation or regionalisation as intermediate structure. IB has overlooked the empirical examination of the institutional entrepreneurship of MNCs or the co-evolution of institutions in adapting and changing the institutional context (Andrews et al., 2016; Dekoker et al., 2012; Giroud, 2014; Jong et al., 2010; Morgan & Quack, 2005; Morgan et al., 2003), while it has also paid less attention to the study of reverse diffusion and circulation of management elites within an MNC’s internal network and between MNCs across the world (Edwards & Ferner, 2004; Edwards & Kuruvilla, 2005; Edwards et al., 2005; Geppert et al., 2003) (see J-II). Although dynamic capability has been a core focus of IB research for decades, IB has not paid adequate attention to investigating the organisational learning perspective by focusing on knowledge diffusion between various actors.
within the MNC’s value chain, how that is shaped by different institutional contexts (Clark & Almond, 2006; Ferner & Tempel, 2006; Lambreg & Laurila, 2005; Morgan & Kubo, 2016; Whitley, 2007) (see J-III). IB studies have made strong contributions on how global institutions and global NGOs affect the MNC’s operation and performance and how the MNC as a transnational network is managed across the global operation. However, what IB can borrow from NBS literature is the way NBS examines the coordination of international economic activities within transnational firms and their global networks, and explains the relationships between two or more institutional contexts that shape and empower multiple actors in their ability to change and adapt in different contexts. These abilities eventually affect the ways local firms organise economic activities in national contexts. In addition, the development of management, knowledge and education and the creation of shared cognitive and normative frames of reference as an ideational transnational community, and their impact on the MNC’s performance and capability has been completely overlooked in IB studies (J-IV). In these areas, NBS theory can contribute to IB literature.

We summarise our contribution in Fig. 2, combining broad themes (i.e. phenomena) with space dimensions; this can help both IB and NBS pinpoint their strengths and weaknesses in research focus. The four quadrants indicate the nature of the phenomena in terms of complexity/overlapping and segmented/concentrated features within the national or comparative/cross-national space. This is because NBS studies both focus on national contexts and compare two or more countries and cross-national contexts. In each case, the phenomena and actors involve either a complex/overlapping dimension or a segmented/concentrated dimension.

This can serve as the basis for studying a firm’s behaviour in cross-national and comparative institutional contexts, while the findings and conceptualisations presented in the four thematic junctures serve as the basis for understanding cross-national and comparative dynamics of firms. The institutional framework developed by NBS offers a rich content combining culture, history (Redding, 2005) and proximate formal institutions (Whitley, 1992b, 2010b, 2016); thus IB can use it to move beyond unidimensional analysis to more complex analysis of institutional impacts on firms’ management, capability and performance, thereby overcoming shortcomings rooted in the neo-institutional economics (North, 1991) that IB tends to follow. Whitley’s (2003b; 2007) conceptualisation of the institutional origin of organisational capabilities can also serve the interest of IB scholars in institutionalism and firm capabilities (see Dunning & Lundan, 2008b, 2008b, 2010). In addition to considerations related to national institutions, IB can benefit from the ways in which NBS has begun to examine the emergence of transnational institutions and transnational communities that affect MNC structures and strategies in international business operations, e.g. the rise of new levels of institution-building, such as regional trade blocs like the EU and NAFTA, and public/private regulatory bodies such as the Basel accords, Fair Trade and similar labelling systems, etc. (see Djelic & Quack, 2005, 2010; Morgan, 2001a, 2001c). This dimension presents new phenomena and actors (e.g. ‘transnational institution’, ‘civil society’, ‘diapora’, ‘MNC’) that belong to supranational space but affect firm characteristics in national space.

Internationalisation and MNC management cover both comparative and cross-national space; these phenomena are complex and overlapping in nature (see Fig. 2).

As IB is increasingly broadening its scope and calling for research to capture the complexity and depth of the phenomena emerging from globalisation and anti-globalisation (see Doz, 2011), the more qualitative approach of NBS would add value to IB research. Instead of focusing only on the MNC as the basic unit of analysis, NBS suggests that IB studies should also focus on the interactions between firms and institutions, industries, civil society actors and emergent social phenomena, such as transnational communities. The use of institutional theory in IB remains limited. Ideally, the greater incorporation of institutional perspective/features should serve to broaden the understanding of institutions in IB research, moving away from the conception of institutions as merely a way to reduce transaction costs towards a recognition of the social construction of institutions that can be both enabling and constraining to firm capability, strategy and structure, as advocated in NBS. The changing nature of globalisation, migration and technology is making these social phenomena more complex, multifactorial and multi-context dependent; thus IB has much to borrow from NBS, while NBS must pay attention to its relatively disregarded themes, such as ‘organisational capabilities and innovation’ and ‘transnational communities and BS’, to explore how they can encourage more comparative and cross-national studies, as called for by Cheng et al. (2014).

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