

Strategic Choice under Institutional Uncertainties: How do MNCs Interact with Weak Regulative Institutions?

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Introdução

The role of the institutional environment is to reduce uncertainty by establishing formal rules and informal norms. However, since formal rules can be absent, MNCs in countries of weak institutions tend to rely on relationships and networks more intensely. Co-evolutionary theory presents a broad view of this dynamic, considering a firm's environment as a complex set of relationships amongst its supply chain partners, competitors, industry associations. However, how this process happens in an environment characterized by weak institutions is still uncharted.

Problema de Pesquisa e Objetivo

This study was guided by the following questions using the framework of co-evolutionary theory: (RQ1) How do MNCs adapt their operations strategies to an uncertain institutional environment? (RQ2) How do MNCs build influence over weak institutions through their strategic choices? Thus, this research aims to understand how MNCs develop their operations strategies to adapt to uncertainty caused by weak institutions and how they can build influence over those institutions.

Fundamentação Teórica

Our research combines institutional and co-evolutionary theory to better understand an expanded mutual dynamic in an environment characterized by uncertainty, including MNCs, their supply chain partners, and weak regulative institutions. Institutional theory provides a useful lens to understand institutional uncertainty (Kelling et al., 2020) and the changes in the institutional environment (Khavul et al., 2013). On the other hand, co-evolutionary theory offers a better understanding of mutual and complex relationships in MNCs, supply chain, industry, and institutional levels.

Metodologia

We conducted a multiple case study with seven leading MNCs from four representative industries in Brazil: automotive, beverage, cosmetics, and tobacco. We interviewed a total of 29 managers, with an average duration of approximately 40 minutes per interview.

Análise dos Resultados

Our findings suggest that companies identified different threats that emerged from the same institutional environment. Although institutional uncertainty can affect them directly, it also serves as a source of relational uncertainty reflected in their supply chains and markets. Besides, we reveal that higher uncertainty can result in internal resource improvement, causing an MNC to have a significant influence over its supply chain members and their institutional environments. Last, the findings show how market composition can determine an MNC's channels of influence over its institutions.

Conclusão

We contribute to the literature by addressing four gaps. First, our findings expand knowledge about institutional uncertainty by explaining how it affects MNCs and their supply chains in environments with weak regulative institutions. Second, our study contributes to co-evolutionary theory by objecting to the four mechanisms approach that describe a possible path that might drive co-evolution. Third, we highlight the role of weak regulative institutions in reducing institutional uncertainties. Last, our study examines the role of other agents in the environment in the MNCs' co-evolution.

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