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## **Co-evolution of emerging economy MNEs and institutions: A literature review**

### **Abstract**

This paper provides a review of the existing literature about the co-evolution of emerging economy multinational enterprises (EMNEs) and institutions and proposes directions for future study. We find that many existing studies involving the institution-EMNE relationship focus on the impact of institutions on EMNEs, and the research on their co-evolution is very limited in terms of emerging economies involved and theories and research methods applied. Given varieties of the institution-EMNE relationship we call for more studies by applying more contextualized theoretical perspectives and innovative and multiple research methods to advance our knowledge about the topic.

**Key Words:** Institutional entrepreneurship; Institutional work; Emerging economy MNEs (EMNEs); Institutions; Co-evolution.

### **1. Introduction**

The notion of co-evolution can be traced back to Darwin's "entangled bank" of species which interact and affect one another's evolution. Co-evolution is an established research framework in biological and evolutionary sciences (Porter, 2006), and hence the study of co-evolution is multidisciplinary, as it combines many facets of ecological and evolutionary thinking (Ridenhour, 2014).

In the business management field, co-evolution analysis of institutions and organisations implies a consideration of institutions not only as taken-for-granted constraints that need to be accommodated, but also the outcomes of purposive action by individuals, firms and other organisations (McGaughey et al., 2016). Not all institutions are exogenous to organisations (Cui, 2016). Rather, they can shape each other so that it is important to understand possible co-evolution of institutions and organisations. Co-evolution analysis will lead to fundamental changes in our understanding of organisations (White et al. 1997) as it enables us to study a dynamic process of how organisations may destabilise existing arrangements and shape new conventions (Haveman and Rao, 1997), and capture the full sequence of institutional building, maintenance, and destruction (Jepperson, 1991).

In line with Eisenstadt (1980), DiMaggio (1988) suggest that institutional change in the co-evolution of organisations and institutions occurs through agency, i.e., actions of institutional entrepreneurs. By definition, an institutional entrepreneur is an actor who leverages resources to create new institutions or transform existing institutions (DiMaggio, 1988; Maguire et al., 2004). Closely related to the notion of institutional entrepreneur is institutional entrepreneurship which is the adoption by individuals or organisations of leadership roles in episodes of institution building (Colomy, 1998). The introduction of the notions of institutional entrepreneurs and institutional entrepreneurship in co-evolution analysis allows us to emphasise more on the role of organisations and agency, and represents “a new avenue of research into endogenous explanations of institutional change” (Battilana et al. 2009).

Since the 1980s, scholars in organisation studies have produced many studies about institutions, agency and co-evolution (Lawrence & Suddaby, 2006; Lawrence et al. 2013). In the international business and management (IB/IM) field, while there are a number of studies about the impact of institutions on firm internationalisation, co-evolution analysis of MNEs and institutions is still very limited (McGaughey et al., 2016). Cantwell et al. (2010) present a theoretical framework for co-evolution of MNEs and institutions where three forms of engagement involving MNEs and institutions are identified: institutional avoidance, institutional adaptation and institutional co-evolution. These types of the MNE-institution relationship are so generic that they are applicable to both developed and emerging economies. However, compared with developed economies, emerging economies are characterised by weakly developed markets, active government involvement and high uncertainty (Hoskisson et al., 2013; Banalieva et al., 2015). For instance, some emerging economy governments act not only as regulator and contractor, but also owner of major enterprises (Meyer, 2018). As a result, the nature of the interactive relationship between firms (state or privately owned) and institutions in emerging economies can be very different from that in developed economies. Therefore, specific variables and mechanisms involved in the interplay between internationalising firms and institutions in emerging economies can be very different from those in developed economies. García-Cabrera and Durán-Herrera (2016) develop a dynamic model of the co-evolutionary process of MNEs and the institutional environment based on cases of given MNEs and their environments in host developing country settings, but our focus is co-evolution of emerging economy MNEs (EMNEs) and their institutional environments.

In addition to the above two general theoretical frameworks for MNE-institution co-evolution, there are a few case studies about the topic. For instance, Clark and Geppert (2006) examine how an MNE and local managers are involved in microeconomic institution building on transnational sites, and Manning et al. (2012) investigate how MNEs shape institutional conditions in emerging economies. On the other hand, the co-existence of institutional voids and institutional support offers great opportunities for studying co-evolution of emerging economy firm internationalisation and institutions (Cantwell et al., 2010), but such studies are

still very limited. As some exceptions, Horner (2015) reports how emerging economy firms challenge MNEs' patent agenda and establish their practices to deal with and leverage local conditions in their international expansion, and Carney et al. (2016) explain how EMNEs transfer institutional capabilities to foreign markets. The existing case studies give insight into the dynamic co-evolutionary processes of some MNEs or EMNEs and some institutions, but little is known about the development and current status of the research on the interplay between emerging economy firm internationalisation and institutions. While emerging economies as a group are significantly different from developed economies, they are diverse and dynamic (Meyer and Peng, 2016). How much research has been carried out on EMNE-institution co-evolution? Which constructs, concepts, variables and mechanisms have been involved in the research? What theories and methodologies have been applied? Do these studies reveal diversity of the interplay between EMNEs and institutions? What may be the directions for future research?

To address the above research gaps, the present paper reviews the literature about the interplay between institutions and emerging economy firm internationalisation or EMNEs using a combined method of comprehensive identification of papers and a narrative review (Vazquez, 2018). To the best of our knowledge, this is the very first literature review about the interactive relationship between, and especially co-evolution of, emerging economy firm internationalisation or EMNEs and institutions. Specifically, we have identified more than 100 papers involving firm internationalisation, MNEs, institutions and emerging economies, published in refereed journals between 2000 and 2019, and analyse the general trend of the research, critically discuss various issues involved in the concepts, theories and methodologies used in the studies, and propose future research directions. We find that the limited truly co-evolutionary studies reveal diverse co-evolutionary processes of EMNEs and institutions. Therefore, we call for theoretical and methodological diversity of future co-evolution research while encouraging more comparative studies.

We contribute to the literature in the following ways. Firstly, we provide a full picture of the development and current status of the research on the interactive or co-evolutionary EMNE-institution relations. Secondly, we critically discuss the conceptualisation, theorisation and methodology particularly in those co-evolutional studies, and their implications for theory and method development. Thirdly, we suggest directions for future research in order to advance our knowledge about the topic.

The paper is organised as follows. Section 2 explains the review methodology. Section 3 discusses the research trend of the firm internationalisation – institution relationship in emerging economies. Section 4 focuses on co-evolution analyses of institutions and EMNEs, reviewing the concepts, theories and methods used in these analyses. Section 5 proposes directions for future research. Finally, section 6 concludes.

## 2. Review Methodology

The main purpose of a literature review is to assess the existing intellectual territory and identify a research question to advance our knowledge (Tranfield, et al., 2003). There are three types of literature review, including narrative, qualitative systematic, and quantitative (meta-analytic) systematic (Hodgkinson and Ford, 2014). As the main form of narrative literature review, a narrative overview often describes the history or development of an issue and presents a comprehensive narrative synthesis of the existing knowledge and a broad perspective on a topic to stimulate scholarly dialog (Green, et al., 2006). A systematic review “aims to comprehensively locate and synthesize research that bears on a particular question, using organized, transparent, and replicable procedures at each step in the process” (Littell, et al., 2008, p. 1). A systematic review involves a search of all formally published and unpublished papers by searching in multiple databases and contacting individual authors, and each paper is often reviewed by several independent reviewers (Green, et al. 2006). By comparison, a narrative review often does not specify the methodological process for selecting and evaluating papers, and hence can lead to biased results (Barczak, 2017).

Based on the knowledge of the authors and a preliminary literature search, we determined that the research about the co-evolution of institutions and EMNEs has just been emerging. There are very limited focused studies on the topic. As a result, at this stage it may be more appropriate to narratively discuss the development of the literature about the co-evolution of MNEs and institutions, assess the existing concepts, theories and methodologies for the co-evolution analysis of EMNEs and institutions, and provide suggestions for future research, rather than prematurely conduct a systematic review.

To minimise possible bias of a narrative literature review, we selected eligible literature for review using a modified procedure similar to Vazquez (2018). (1) We searched the relevant articles using the databases of Business Source Premier (EBSCO) and ProQuest ABI/Inform Global. (2) As in the case of Papanastassiou et al. (2019), we did not rely on top journal articles only in order for us to avoid restricting the coverage of useful sources. However, we restricted our search to papers from scholarly (peer reviewed) journals, as they are the most credible sources we can find. (3) Given that our focus is on emerging economies and not all studies about the relationship between firm internationalisation and institutions use the co-evolution framework, we used the combination of keywords “MNE or firm internationalisation”, “institution” and “emerging economy” to carry out an initial search, and found 109 papers published between 2000 and 2019. After reading the abstracts and in some cases main contents of full papers by two researchers, we removed 33 papers among which some are not written in the English language, and the remaining are not very relevant to the topic. For instance, some

papers discuss the development of financial or research institutions in emerging economies, rather than the interaction between firm internationalisation and institutions, although such papers contain some key words we used for the literature search.

However, all current studies are built on previous research. In line with Papanastassiou et al. (2019), we embrace “insights and conceptualisations from complementary streams of literature” by including Oliver (1991), Cantwell et al. (2010) and Lawrence et al. (2013) who are highly cited in institutional co-evolution analysis. Although these papers are not directly focused on EMNEs or even firm internationalisation, their conceptualisation and theorising about institutional entrepreneurship, institutional work and co-evolution have significantly influenced the current EMNE-institution relationship studies. By so doing we can better assess theory applications in the analysis. We also include one recent and relevant paper we identified in addition to the initial search: Yan et al. (2018) who discuss how the interaction between the Chinese government and domestic firms leads to the development of China’s OFDI arrangements.

We provide the summary information about the 80 sampled papers in chronological order in table 1, including the author name(s), source of publication, direction of firm internationalisation, firm-institution relationship, and emerging economies involved, for an initial bibliometric and content analysis similar to Luo et al. (2019), to identify the general study trend for the relationship between firm internationalisation and institutions in section 3, and we then focus on analysing the development of co-evolution analysis of EMNEs and institutions in section 4. We concentrate on the theories and methodologies used in the research.

### **3. MNE-Institution Relationship Research in Emerging Economies**

We first review the general trend of the MNE-institution relationship research in emerging economies. Our discussion includes the journal and year distribution, internationalisation directions, and relationships between firm internationalisation and institutions. We will also briefly discuss the emerging economies involved in the sampled publications in this section. We will then focus on the discussion of conceptualisation, theorisation and research methodologies of the interplay or co-evolution studies of emerging firm internationalisation and institutions selected for this research in the next section. This approach is somewhat similar to that of Luo et al. (2019) where both bibliometric methods and content analysis are applied to review selected articles.

#### ***Journal and year distribution***

As presented in table 1 and illustrations 1 and 2, contributions to MNE-institution research in emerging economies are published in a wide range of outlet including traditional IB/IM

journals such as JIBS, JWB and IBR, and general management (e.g. SMJ, JMS, European Management Journal, Management and Organisation Review, Management Decision, Asia Pacific Journal of Management and Latin American Business Review), development (e.g. Economic Development Quarterly), ethics (e.g. Journal of Business Ethics), history (e.g. Business History), and human resource management (e.g. IJHRM) journals. Our sample also shows that JIBS published 8 papers about MNEs and institutions in emerging economies, followed by JWB (7), IBR (6), MIR (5), Multinational Business Review (MBR) (4), SMJ (3), JMS (3) and Critical Perspectives on International Business (CPIB) (3). The result suggests that given its importance, the relationship between MNEs and institutions in emerging economies is not only a topical issue in the IB/IM area, it has also attracted attention from economics, management and organisation sciences. In terms of the year distribution, if we divide the sample period into 4 equal intervals, then the number of publications increases from just 1 in the first period (2000-2004), to 11 in the second (2005-2009), 22<sup>1</sup> in the third (2010-2014) and 45 in the final period (2015-2019). The evidence suggests that there is a rapid upward trend of interests in the topic.

<Table 1 and Figures 1 and 2 are about here>

### ***Internationalisation directions***

The focus of the current study is the relationship between institutions and emerging economy firm internationalisation or EMNEs. However, in table 1 we deliberately include inward firm internationalisation into emerging economies. A comparison of the interactive relationship between MNEs and institutions (thereafter inward relationship) and that between EMNEs and institutions in emerging economies (thereafter outward relationship) may enable us to better understand the uniqueness of the latter pattern. Among the 80 sampled publications there are 34 papers focusing on the inward relationship, while 40 concentrating on the outward relationship. The remaining 6 papers are about theories related to strategic responses to institutional processes (Oliver, 1991) and institutional work (Lawrence et al. 2013), strategy research in emerging economies (Peng et al., 2008, and Hoskisson et al., 2013), and literature review about general international strategy research without differentiating between developed and emerging economies (Hitt, 2016, Hitt et al., 2016). This suggests that the inward and outward relationships have attracted a similar level of attention. If we divide the sample period into 2 equal intervals, we can find that out of 13 publications there is only 1 outward

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<sup>1</sup> Lawrence et al. (2013) does not count as its focus is on institutional work, but not firm internationalisation in emerging economies.

relationship study in the first period (200-2009). In the second period (2010-2019), more than half of the papers discuss the outward relationship. As a result, there is an increasing interest in the interactive relationship between EMNEs and institutions in emerging economies. This may not be a surprise given the growing importance of emerging economies in the international scene (Pesce, 2017).

### ***Relationships between firm internationalisation and institutions***

The 80 selected publications address various issues involving interactions between firms and institutions. In the case of inward relationship research, the themes include home and/or host country institutions influencing multinational enterprise entry mode choice (Bhaumik and Gelb, 2005; Álvarez and Marín, 2010; Li and Xie, 2016; Hobdari et al., 2016), R&D activity (Li and Yue, 2005; Sun et al. 2018), international strategy (Hitt, 2016), partner choice (Li, 2009), international human resource management (Haak-Saheem et al., 2017), behaviour (Yang and Rivers, 2009; Zhang et al. 2019), CSR (Wrana and Revilla Diez, 2017; Becker-Ritterspach et al., 2019), and profitability or performance in emerging economies (Bodur et al., 2000; Chan et al., 2008; Chan et al., 2010; Chen et al., 2015; Li et al., 2018; Jean et al., 2018). So the performance study is the most popular, followed by entry mode choice in emerging economies.

In the case of outward relationship research, themes include home and/or host country institutions affecting emerging-economy firm internationalisation (Gao et al., 2010; Li, 2013; Li and Ding, 2013; Sun et al., 2015; Chen et al., 2015; Ngo et al., 2016; Ma et al., 2016; Hobdari et al., 2016; Li and Ding, 2017; Marlon Monticelli et al., 2017; Mendy and Rahman, 2019), entry or governance mode choice or shift (Polesello et al., 2012; Gaur et al., 2014; Ang et al., 2015; Hitt, 2016), EMNEs' OFDI (Amal et al., 2009; Chan et al., 2010; Gubbi et al., 2010; Stal and Cuervo-Cazurra, 2011; De Beule and Duanmu, 2011; Buckley et al., 2011; Andreff and Balcet, 2012; Zhou et al., 2016; Chen et al., 2016; Carney et al., 2016; Oliveira et al., 2017; Buckley, 2018; de Jesus Ferreira de Almeida et al., 2018; Deng and Zhang, 2018; Casson and Wadeson, 2018; Kottaridi et al., 2019<sup>2</sup>; Gao et al., 2019), strategy (Santangelo and Meyer, 2011; Buckley et al., 2016; Cui, 2016; Wei and Nguyen, 2017; Sun et al., 2017; Rodgers et al., 2019), OFDI policy making (Yan et al. 2018), international human resource management (Wang et al., 2013; Geary and Aguzzoli, 2016; Colovic et al., 2019), competitiveness, profitability or performance ( Kim et al., 2010; Narula and Kodiyat, 2016), and impact (Wang et al., 2013; Clougherty et al., 2017). It is clear that the most popular theme of the outward relationship research is the determinants or motivations of OFDI, followed by firm internationalisation from emerging economies. Firm internationalisation and especially OFDI

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<sup>2</sup> Kottaridi et al. (2019) define Greece as a developed economy. We follow Hoskisson et al. (2000) and regard it as an emerging economy).



from emerging economies are relatively new phenomena in IB/IM, and this may explain why there are currently many more studies on the determinants than the performance of EMNEs.

One common feature of the above inward and outward relationship research papers is that institutions are largely taken for granted and scholars discuss how they affect firm strategy and behaviour. However, the research that endogenises institutions is emerging. While institutions can shape and constrain patterns of action and organisation, purposive actions by individuals, firms and other actors can enact and reconstruct institutions (McGaughey et al., 2016). In our sampled publications about MNE activities in emerging economies, Child and Tsai (2005) note that MNEs influence environmental policies, Clark and Geppert (2006) find that MNEs and local managers are both involved in microeconomic institution building in international joint ventures, Becker-Ritterspach et al. (2017) report that MNCs engage in different patterns of institutional entrepreneurship, Manning (2008) and Manning et al. (2011) reveal that MNEs shape institutional conditions. On the other hand, Funk and Treviño (2017) observe a very interesting phenomenon: instead of co-evolution, there is co-devolution between MNEs and emerging economy institutions at the macro, meso, and micro-levels.

By comparison, the research on how EMNEs shape or co-evolve with institutions is very limited. Among the selected papers regarding firm internationalisation from emerging economies, McGuire (2013) finds that EMNEs take advantage of and expand existing global governance structures, while Carney et al. (2016) discuss how emerging economy firms can develop and transfer institutional capabilities to foreign markets with similar institutional conditions. One interpretation of the apparent lack of reports about agency by EMNEs in institution transformation or building is that the current global economic governance suits many emerging economy firms and hence EMNEs have little incentive to mobilise resources to make any institutional change which would bring them few gains (McGuire, 2013). A second reason is related to the lack of sound institutions in emerging economies, and this provides MNEs with great opportunities for institutional building. The opposite would be true for EMNEs entering developed economies with sound institutions. A final possible reason is related to the power balance between developed and emerging economy actors at least at the micro-level. As Clark and Geppert (2006) suggest, in a transnational institutional site such as international joint venture between an MNE and an emerging economy firm, the balance of power is normally weighted in favour of the MNE. Therefore, the MNE would play a major role in institutional transformation or creation.

### ***Emerging economies involved***

25 individual emerging economies or regions are involved in the studies carried out by the sampled publications. They include Arab Gulf States, Bangladesh, Brazil, Central and Eastern Europe, China, Egypt, Greece, Hungary, India, Indonesia, Latin America, Lithuania, Malaysia,

Mexico, the Philips, Poland, Romania, Russia, South Africa, Taiwan, Thailand, Turkey, Ukraine, and Viet Name. China is the most studied emerging economy as more than 30 papers in the sample address some IB/IM issues using China as the institutional context, followed by India (10), Brazil (6) and South Africa. It is a bit surprised to note that only one paper uses Russia as the institutional context, while it is part of the BRICS.

This section reviews the evolution of the literature about the relationship between firm internationalisation and institutions in emerging economies, and the results can be summarised as follows. Since 2000, the study of interactions between institutions and firm internationalisation in emerging economies exhibits a rapid upward trend, especially in most recent years. The main research outlets are mainstream IB/IM journals, including JIBS, JWB, IBR, MIR and MBR. Within this upward trend, there has been a shift in interests from firm internationalisation into emerging economies to that from emerging economies. As for themes, scholars are most interested in the MNE subsidiary performance, followed by entry mode choice, international strategy and then IHRM, when studying firm internationalisation into emerging economies. However, when exploring outward internationalisation from emerging economies, the most popular theme is the determinants of OFDI, followed by general firm internationalisation, strategy, entry mode choice, IHRM and then performance. The most researched emerging economies include China, India, Brazil and South Africa.

From this general trend analysis, we can see that the literature which considers institutions as constraints, but also as the outcomes of institutional entrepreneurship, has just been emerging in the IB/IM area. In the next section we go beyond the general trend analysis, and carry out a detailed assessment of the development of co-evolution research in the IB/IM area, including the theories and methodologies used, to identify what we already know, and what we still need to know in order to advance our understanding of EMNEs.

#### **4. Co-evolution analysis of emerging economy firm internationalisation and institutions**

As revealed in the previous section, although there has been an increasing interest in emerging economy firm internationalisation or EMNEs, many studies still take institutions for granted, examining how institutions shape firm strategy and behaviour. Consistent with Peng et al.'s (2008, p. 930) observation, we find limited research on simultaneous evolution or coevolution of organisations and their environments in emerging economies.

In our sampled papers as listed in table 1, two types of studies are relevant to our analysis of the co-evolution of EMNEs and institutions. The first type consists of theory or perspective papers. Oliver (1991), Cantwell et al. (2010) and Lawrence (2013) provide their insights about conceptualisation and theorisation of strategic responses to institutional change, co-evolution of MNEs and their institutional environments, and institutional work respectively, and Meyer

and Peng (2005) discuss how emerging economy research influences theory development. These studies are highly influential and hence are included in our co-evolution analysis of emerging economy firm internationalisation and institutions. The second type of studies contains four EMNE-institution co-evolution case analyses. McGuire (2013) observes EMNEs taking advantage of and expanding global trade governance structures, Carney et al. (2016) discuss the co-evolution of EMNEs and national and foreign institutions, Horner (2015) investigates how MNEs, local firms and national and international institutions interlay in the processes of India's intellectual property environment development and local firms' global expansion, and Yan et al. (2018) attribute China's OFDI policy system development to the interaction between the Chinese government and local firms in their internationalisation processes. Table 2 summarises the theories/perspectives and methodologies used, emerging economies involved, and key arguments developed in these 8 papers which form the main basis of our review of co-evolution analysis of emerging economy firm internationalisation and institutions.

<Table 2 is about here>

### *Theories/Perspectives*

Co-evolution involves feedback, interdependence, and mutual causality (Baum and Singh, 1994), and is a dynamic, interactive, and longitudinal process (Olsen, 2017). However, co-evolution itself is a phenomenon or research framework, but not a theory, although the relationship between organisations and their environments is an ideal setting for co-evolution approaches (Porter, 2006). The past 25 years or so is the age of institutions as scholars have rejected individualism and emphasised the importance of strategic interaction between organisations and formal and informal rules (DiMaggio, 1998).

However, institutional theory is not a single integrated theory (Xu and Meyer, 2013) but a broad category of perspectives with different assumptions, focuses and theorising (Meyer and Peng, 2016; Cui, 2016). Not all institutional perspectives underpin co-evolution analysis. For instance, traditional institutional economics (e.g., North, 1990) treats institutions as "rules of game" that are outside the control of decision-makers, while traditional sociological institutional theory (e.g., Scott, 2003) regards institutions as pressures for legitimacy. In both cases institutions are regarded as exogenous constraints and both perspectives focus on how

institutions shape firm behaviour and strategy. A third perspective is comparative institutionalism which suggests that there are varieties of institutional arrangements that are associated with comparative institutional advantages for different types of activities (e.g., Hall & Soskice, 2001; Jackson and Deeg, 2008), and MNE agency can contribute to processes of institutional change (Jackson and Deeg, 2019). A fourth perspective is co-evolution analysis which regards institutions as social technologies and “economic growth results from the co-evolution of physical and social technologies” (e.g., Nelson and Sampat, 2001). Nearly half of the sampled papers in table 1 adopted institutional theory, but most of them follow the two traditional perspectives and discuss how institutions shape firm internationalisation strategy in emerging economies, and hence are not involved in any co-evolution analysis.

In addition to institutional theory, organisational economics (especially transaction cost theory) and resource-based theories applied to the analysis of IB/IM issues in emerging economies (Meyer and Peng, 2005). Among our sampled papers in table 1, a few papers use these two lines of theorising. Transaction cost theory assumes well-developed market mechanisms, and suggests that where the transaction costs of markets are high, there is an incentive to internalise the markets (Williamson, 1975; Hoskisson et al, 2000; Meyer and Peng, 2005). If a national firm internalises such markets across national boundaries, an MNE is created (Rugman et al., 2011). Resource-based views attribute a firm’s competitive advantage to idiosyncratic resources, but there is a need to specify which resources form a basis for competitive advantage in an emerging economy context (Peng and Heath, 1996; Meyer and Peng, 2005). Given their assumptions and focuses, the organisational economics and resource-based theories and hence the sampled papers which use these theories do not pay much attention to the co-evolution of MNEs and institutions. Co-evolution study is believed to be comparable to IB strategy research as the latter is very much interested in how firms play the game, when the rules of the game are not completely known and changing (Peng et al. 2008). As Meyer and Peng (2005) observe, one early application of institutional theory in the IB analysis of the interplay between MNEs and institutions is the obsolescing bargaining model (OBM) developed by Vernon (1971), Fagre and Wells (1982) and Lecraw (1984). This model regards institutions (such as terms of MNE entry and operation) as the outcome of bargaining between an MNE and a developing country government. The initial bargain favours the MNE but over time the bargaining power shifts to the developing country government after the MNE’s capital is sunk in the host country. The political bargaining model (PBM) suggested by Eden et al. (2004) includes the traditional OBM as a special case and treats MNE-host government relations as “iterative political bargains negotiated between MNEs and governments over a wide variety of government policies” (p. 2). The PBM describes de facto co-evolution of MNEs and institutions.

This is consistent with Lawrence et al.’s (2013) observation that initial institutional studies in organisational research are actually concerned with actors’ agency, but early neo-institutional theory concentrates on the role of institutions in shaping organisational life (Dacin et al. 2002)

and overlooks the role of actors in institutional change (Battilana et al., 2009). Recent neo-institutional theory however refocuses on the interaction between organisations and institutions. For instance, Eisenstadt (1980) argues that it is “major elites” or “institutional entrepreneurs” who enable the change of some traditional social and political systems. DiMaggio (1988) further elaborates the concept of institutional entrepreneur and more explicitly discusses the role of agency of individuals and organisations in relation to institutions. To broaden research on institutional dynamics, Lawrence and Suddaby (2006, p. 217) put forward the concept of institutional work defined as “the broad category of purposive action aimed at creating, maintaining, and disrupting institutions and businesses”. While research drawing on institutional entrepreneurship focuses on institutional creation, that on institutional work allows scholars to understand the varieties of work as defined above within the same context (Lawrence et al., 2013).

While institutional theory has been dominant, other theories have been incorporated into the analysis of co-evolution in the business and management field. In the selected co-evolution analysis papers, Oliver (1991) suggests that institutional theory can accommodate interest-seeking, active organizational behaviour, but the resource independence theory helps us understand how organisations may vary in their strategic responses. Applying the convergent insights of both institutional and resource dependence theories Oliver (1991) develops a typology of strategic responses to institutional processes. These responses include acquiescence, compromise, avoidance, defiance, and manipulation. While acquiescence clearly represents one-way influence from institutions to organisations and hence does not lead to co-evolution, manipulation involves not only the influence of institutions on organisations, but also organisations’ shaping values and criteria, and dominating institutional constituents and processes. This two-way feedback, and interdependence clearly leads to co-evolution.

Given that the IB/IM field has its own discipline-specific theories and perspectives, co-evolution analysis for MNEs and institutions is sometimes carried out by a combination of institutional theory with an IB/IM perspective. For instance, Dunning and Lundan (2008a) suggest that institutional factors are linked to all the three components of the OLI paradigm and hence can be incorporated into the paradigm to explore and evaluate “how both country and firm specific institutions might affect the value adding opportunities of MNEs and how the attitudes and actions of MNEs might affect the content and significance of these institutions over time” (p. 588).

Cantwell et al. (2010) present an integrative framework combining evolutionary and institutional views in the context of Dunning’s OLI paradigm to examine the co-evolution of MNE activities and institutions external and internal to these MNEs. They distinguish between three forms of engagement involving MNEs and institutions: (1) institutional avoidance i.e. MNEs take the external institutional environment for granted and make choices between

different institutional environments; (2) institutional adaptation i.e. MNEs treat the institutional environment as given and adjust their own structures and policies to better fit the environment; (3) institutional co-evolution i.e. MNEs regard the institutional environment as partly endogenous and are engaged in institutional entrepreneurship, changing local formal or informal institutions, leading to the co-evolution of institutions and MNEs. These three forms of engagement are consistent with Oliver's (1991) avoidance, acquiescence and manipulation respectively.

As can be seen from table 2, in the four case studies of the interaction between emerging economy firm internationalisation and institutions, three use institutional theory with two clearly indicating the application of the concept of institutional work. McGuire (2013) is the only selected paper which has not specified the adoption of any theory. However, given his focus on international relations, economics and politics, his discussion is in line with international political economy. In his analysis of interactive political and economic relations among MNEs, EMNEs, the WTO, NGOs, and national governments, McGuire (2013) observes that while EMNEs take advantage of existing institutional structures, they use non-market strategies to expand. Specifically, since most EMNEs are not truly global, they focus on regional initiatives, and direct their political activity towards regional market creation. Given the disaggregated nature of world supply chains, EMNEs also play a role in ISO compliance, and social and environmental standards-setting bodies in terms of learning and helping home countries to improve the relevant standards. All this is the agency by EMNEs at the international level involving de facto institutional adaptation and manipulation, although no application is made of the concept of institutional entrepreneurship or institutional work.

Applying institutional theory, Horner (2015) explains how home and host governments, developed economy pharmaceutical MNEs and emerging economy pharmaceutical firms interact with each other to shape institutional change in India and South Africa. During the dynamic process of institutional change, local Indian firms campaigned for the reduction of the length and scope of pharmaceutical patent protection, while pharmaceutical MNEs lobbied for strong IP protection. Because of no pharmaceutical product patent protection and short process patents in the period 1972 – 2005, Indian domestic pharmaceutical firms appropriated technologies and produced many drugs at internationally competitive prices. As the author concludes: "When given the opportunity, as in the Indian generic pharmaceutical industry, local firms can establish practices and orientations to deal with local conditions, which they may also leverage in their international expansion" (p. 296). This is another case of agency by emerging economy firms in relation to institutions in their process of internationalisation. However, by comparison, South Africa maintained relatively strong patent laws in line with MNE interests as there was a lack of domestically owned industry to challenge MNE requests. So, there is a need to recognise heterogeneity of institutional arrangements across international contexts (Nasra and Dacin, 2009).

Carney et al. (2016) apply organizational capabilities, internationalisation process, and institutional work literatures to analyse how an Indonesian property firm develops and leverages its institutional capabilities via performing institutional work in Asian emerging economies. Organizational capabilities include transferable organizational and technical knowledge, while institutional capabilities consist of network penetration, relational contracting, and business model innovation. Both organizational and institutional capabilities are intangible firm-specific assets, and can be accumulated over time. The focal firm develops its institutional capabilities through partnerships with local bureaucrats, adapts its business model to fit local needs, convinces and negotiates with government players, offers social, physical, and regulatory infrastructure, and combines properties with missing public infrastructure. The firm then uses these institutional capabilities to enter Vietnam and influence its urban planning practice. The firm has also expanded to other Asian economies with similar institutional voids and needs arising from rapid urbanisation. This case study clearly shows how an emerging economy firm can interact and co-evolve with both local and foreign institutions for its development and internationalisation into other emerging economies.

Yan et al. (2018) adopt an institutional work approach and provide a focused discussion of the co-evolution of EMNEs and institutions in China. Particularly, they argue that China's OFDI institutional environment is embedded within the agency of both institutions (government departments for OFDI) and actors (firms in the process of internationalization). Chinese MNEs and the OFDI institutional environment co-evolve via three mechanisms: Establish & modify, Respond, and Communicate. Driven by national and political interests, the Chinese government established new economic policies and regulations, monitored internationalization activities of domestic firms, and modified policies and regulations. Domestic firms actively communicated with the government authorities via business symposia or private negotiations to create new institutional arrangements so that a more advantageous institutional environment could be established that favours their self-interests. The development of China's OFDI policy system was an interactive and dynamic process within which the government departments played a major role.

From the above discussion, the dominant theory for the current co-evolution research of emerging economy firm internationalisation and institutions is the co-evolutionary institutional perspective, although McGuire (2013) adopts an implicit international political economy approach. Carney et al. (2016) use the organisational capabilities literature to develop their notion of institutional capabilities, the internationalisation process theory to describe the focal firm internationalisation, and the institutional work literature to analyse the agency by the focal firm in relation to local stakeholders and institutions in the firm's expansion into major Indonesian cities and then other Asian emerging economies.

One interesting theoretical issue is when the concept of institutional entrepreneurship or institutional work should be used. As discussed before, institutional work involves not only the transformation and creation, but also the disruption of institutions. While Carney et al. (2016) and Yan et al. (2018) both use the concept of institutional work, the former authors note that the focal firm in their case study “play(s) a game of ‘creating’ new and appropriate institutions with its business model, rather than one of disrupting old ones, which would likely invite resistance from local stakeholders” (p. 891). If this is the case, would it be better to use the relatively narrowly defined notion of institutional entrepreneurship than institutional work?

The above discussion reveals several interesting points. Firstly, not all institutional perspectives (such as traditional institutional economics and sociological institutional theory) are relevant for co-evolutionary analysis. Secondly, other theories or paradigms (such as resource dependence theory, OLI paradigm, organizational capabilities and internationalisation process theory) can be relevant to the analysis. Thirdly, the limited case studies included in the co-evolutionary analysis confirm that emerging economies are diverse (Meyer and Peng, 2016) and therefore the extent to which EMNE-institution co-evolution happens, and the variables and mechanisms involved in the co-evolution are different. For instance, local Indian pharmaceutical firms acted as strong institutional entrepreneurs while their South African counterparts did not, and the Chinese government played a more important role in institutional formation than that in Indonesia, India and South Africa. There can be varieties of the EMNE-institution relationship.

### ***Methodologies***

It is interesting to note that the four co-evolution case studies of emerging firm internationalisation and institutions address different issues and at different levels. While McGuire (2013) examines global economic governance issues, Horner (2015) investigates pharmaceutical industry IPP systems, Carney et al. (2016) focus on firm level cross-border institutional capabilities transfers, and Yan et al. (2018) study the country level OFDI policy system. This confirms the complexities for the interplay between EMNEs and institutions as EMNEs face multiple domains of legitimacy (regulatory, cognitive and normative) (Kostova and Zaheer, 1999), across multiple countries (Westney, 1993), and at different levels (Phillips et al., 2009).

In the four co-evolution studies of EMNEs and institutions, McGuire (2013) does not specify his methodology, and his analysis is based on secondary data, especially academic journal articles. The remaining three papers adopt a case study approach. Carney et al. (2016) devote a whole section to the discussion of their longitudinal single-case study design. Their multiple data sources include interviews, news articles and videos, annual reports, and company-commissioned books. By comparison, Horner (2015) and Yan et al. (2018) do not provide any



detailed discussion of their methodology, although they both use secondary data from multiple sources, including archival data (Yan et al., 2008, footnote no. 7 on p. 686). As mentioned earlier, a study of co-evolution is multidisciplinary, involving dynamic and evolutionary thinking. The co-evolutionary approach is actually consistent with the nature of IB research which is “multidisciplinary in scope and interdisciplinary in content and methodology” as indicated by the Aims and Scope of the Journal of International Business Studies<sup>3</sup>. The longitudinal case study method used in some sampled co-evolution papers is suitable, but there are other methods suitable for evolutionary and ecological processes (Monge et al., 2011). There can be varieties of methodology for co-evolutionary study of firm internationalization and institutions, and there is a need for methodological diversity for future IB research (Cantwell and Brannen, 2011), including co-evolution research.

## 5. Directions for Future Research

In sections 3 and 4, we have assessed the general research trend about the firm internationalisation – institution relationship in emerging economies, and the co-evolution of EMNEs and institutions. We now understand that in the IB/IM field, many studies follow traditional institutional economics and sociological institutional theory and examine how institutions as exogenous constraints or incentives shape firms’ internationalising strategies without taking into consideration the possible endogenous relationship between institutions and firms. The limited co-evolution studies reveal that the EMNE-institution relationship is diverse. To enhance our understanding of the dynamic and complex EMNE-institution relationship, we call for more comparative research of varieties of the possible dynamic interplay between emerging economy firm internationalisation and institutions, and endeavour to apply and develop new theoretical perspectives and methodologies.

### *Varities of EMNE-institution relations*

Given diversity of emerging economies, the relationship between government institutions and firm internationalisation varies across different emerging economies. For example, while the Chinese government clearly encourages its local firms to go global, Latin American government policies of support to their firm internationalisation are equivocal (Hennart et al., 2017). It will be very interesting to know how differently local firms interact with very interventive and supportive governments (such as the Chinese government) and with less interventive and supportive governments. Compared to China where international acquisitions are undertaken mostly by SOEs and often obstructed because of concerns over national security

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<sup>3</sup> <https://www.palgrave.com/gp/journal/41267/authors/aims-scope>, accessed 30/12/2020.

by developed host countries, Indian acquisitions tend to be made by private firms and hence are more receptive (Hoskisson et al. 2013). These examples show that there are varieties of the EMNE-institution relationship in the world, and the processes of institution change vary across national and regional contexts so that we need to recognise and study the heterogeneity of institutional arrangements across borders (Nasra and Dacin, 2010). Furthermore, is co-devolution between MNEs and emerging economy institutions observed by Funk and Treviño (2017) rare or not? What are the reasons for such co-devolution?

The limited co-evolution studies of EMNEs and institutions reviewed in this paper cover limited co-evolutionary processes in China, India, South Africa and Indonesia, so that more research is needed not just for these countries but also for many other emerging economies. This will enable us to know whether there is wide evidence of co-evolutionary processes for EMNEs and institutions in emerging economies in general. If so, what are the similarities and differences across emerging economies nationally or regionally? If not, why is the case? This will also help us to understand more about the differences and similarities of the firm-internationalisation – institution relationship between emerging and developed economies. For example, is the fact that many existing EMNE-institutions relationship studies still take institutions for granted and discuss how institutions shape emerging economy firm internationalisation strategy and behaviour due to an actual lack of agency by emerging economy firms in relation to institutions, or scholars' implicit assumption of exogenous institutions to simplify the research? If there is wide evidence of co-evolution of EMNEs and institutions as predicted by Cantwell et al. (2010), what constructs, concepts or variables and mechanisms are involved? Are there any general patterns of the co-evolution in emerging economies? Of course, given variations in emerging economies, it is a challenge to generalise among emerging economies (Meyer and Peng, 2016). More study of different emerging economies and therefore different EMNE-institution relations as compared with developed economies enables us to better understand the boundary conditions of any theory about co-evolution of EMNEs and institutions.

Fainshmidt et al. (2018) go beyond the “varieties of capitalism” (VOC) and the “national business system” (NBS) typologies by considering additional unique institutional aspects to establish “varieties of institutional systems” (VIS) in order to capture the diverse and unique institutional context of understudied emerging and developing economies. Their framework focuses on the role of state such as direct state dominance, indirect intervention in the private sector and the type of state. Different from this VIS typology, the co-evolution analysis needs to consider agency of individuals and organisations in addition to the role of state. A study of general patterns or typologies of the co-evolution of EMNEs and institutions will certainly help capture the commonalities and diversity in emerging economies.

### *Varieties of theories*

As noted in Luo and Zhang (2016), a variety of theories have been attempted to explain emerging economy firm internationalisation. Our review of the selected papers also reveals that institutional theory, resource-based views, internalisation theory and Dunning's OLI paradigm among others have been applied to the analysis of the relationship between firm internationalisation and institutions in emerging economies, with institutional theory being dominant. We first explain the issues institutional theory faces when it is used to analyse the co-evolution, and then discuss future applications of this and other existing theories and possible development of alternative theories for the topic.

A complete theory contains four elements (Gligor et al. 2016; Whetten, 1989): what (constructs to be considered), how (relationships between the constructs), why (explanation of relationships), and who, where and when (boundary conditions). As mentioned earlier, institutional theory is not a complete theory but a collection of different theoretical arguments about why and how institutions matter (Xu and Meyer, 2013) of which only the co-evolutionary argument and comparative institutionalism are relevant to the co-evolution of EMNEs and institutions. Furthermore, institutional entrepreneurship and institutional work are just two concepts, i.e., the "what" element of a complete theory. Further research in the institutional theory tradition needs to clarify and discuss the specific theoretical logic and assumptions used, and the dynamic mechanisms through which institutional entrepreneurship or institutional work leads to the co-evolution of EMNEs and institutions. By so doing, we can improve the "how", "why" and "who, where and when" elements of a complete theory.

Furthermore, while the notion of institutional entrepreneurship or more generally institutional work is sometimes believed to offer a theoretical foundation for our deeper understanding of the links between institutions, agency and co-evolution (McGaughey et al., 2016), Jackson and Deeg (2019) suggest that an application of such concepts as universal schema to specific cases without considering historical time, place or specific economic activities is a "grand theorizing" approach, and can lead to a bias toward systemic de-contextualization. As a result, they suggest theorising "the meso-level linkages between institutions and firms, while comparing these linkages across boundaries of different times and places" (Jackson and Deeg, 2019, p. 15). This call for meso-level theorizing is somewhat consistent with Buckley and Lessard's (2005) observation that IB scholars have identified important issue-driven characteristics of the world economy but explained them with theories outside the domain of IB/IM directly and hence there is a "missing middle" of international business theory. They imply that their internalisation theory drawing mainly on transaction cost economics and geographical location theory provides an example of such intermediation.

As discussed earlier, in addition to institutional theory, resource dependence theory and OLI model are used for general co-evolution analysis (Oliver, 1991; Cantwell et al., 2010), and organizational learning theory and internationalisation process theory for the co-evolution of

emerging economy firm internationalization and institutions (Carney et al., 2016). Furthermore, among the co-evolution studies which are not included in table 2, Hung and Tseng (2017) claim that they draw on institutional theory and entrepreneurship to explain the innovation, transformation and internationalisation of one EMNE from Taiwan in the context of Mathews' (2006) linkage, leverage, and learning (LLL) framework. Nevertheless, they define institutional entrepreneurship as the efforts of efficient utilization of institutions to leverage resources for innovation and hence internationalization, rather than activities of actors who leverage resources to create new institutions or transform existing ones (Hardy and Maguire, 2008). Child et al. (2012) develop a political perspective on corporate co-evolution, suggesting that co-evolution is the outcome of relational processes between relevant actors. Potentially relevant theories for co-evolution analysis of EMNEs and institutions may also include social capital theory, the guanxi perspective and springboard perspective. Social capital theory suggests that networks of relationships of individuals and organisations are a valuable resource that facilitates collective actions (Inkpen & Tsang, 2005) and guanxi is ties with business partners and government authorities (Luo et al. 2012). Such networks and ties are useful for smooth interaction and co-evolution of firm internationalization and government institutions. The springboard perspective (Luo and Tung, 2017) suggests that one of the unique capabilities of EMNEs is their ambidexterity in co-orientation, co-competence, co-opetition, and co-evolution. Co-evolution means that EMNEs "often perform both local compliance and local influence at the same time when dealing with institutional forces in a host country" (p. 141).

The above examples imply that many other theories may be helpful for explaining co-evolution of EMNEs and institutions. However, as in the case of institutional theory, when applying any of these alternative theories to a special co-evolution case independently, we need to consider whether this theory provides sufficient insights about the meso-level linkages between institutions and firms. Of course, there are different interpretations of the meso-level institutional analysis. For instance, Volberda and Lewin (2003) argue that transaction cost economics, industrial organisation economics, institutional theories and evolutionary economics are all meso level theories that link the firm to the macro or institutional environment. Future research is therefore required to investigate how these discipline-based theories can be intermediated for co-evolution analysis of EMNEs and institutions.

Given varieties of potentially relevant theories, future research may continue trying the combination of theories to explain co-evolutionary processes of emerging economy firm internationalization and institutions, as this approach can "facilitate the development of interdisciplinary concepts, theories and ideas that synthesize and interrelate arguments taken from different disciplinary perspectives" (Cantwell and Brannen, 2011, p. 3) and may produce new perspectives and new research agendas (Cairney, 2013). However, as Okhuysen and Bonardi (2011) suggest, although a multiple-lens explanation helps bridge isolated silos of

specialized knowledge within and across disciplines, we need to clearly define the relationship between the theories to be combined by specifying the degree of compatibility of the underlying assumptions and the conceptual distance between phenomena in the original theories.

More importantly, as suggested by Kenworthy and Verbeke (2015) and Verbeke et al. (2017), in future research, a gradual shift needs to be encouraged from borrowing existing theories to developing indigenous theories for co-evolutionary analysis of EMNEs and institutions. The very different institutional, philosophical and cultural backgrounds and managerial practices between developed and emerging economies (Barkema et al., 2015) provide IB/IM scholars with great opportunities to develop new theories which may be more suitable for co-evolution of emerging economy firm internationalization and institutions than traditional Western theories.

### ***Varieties of methods***

Co-evolution of firms and institutions involves a historical context of firms and their environment over a long period of time, multidirectional causalities at different levels, mutual, simultaneous, lagged and nested effects, and path dependence (Volberda and Lewin, 2003). The current dominant empirical IB research methods are survey and secondary data (Yang et al. 2006). To capture such evolutionary relationships, IB research methodology needs to be diversified. A number of methods have been applied to study evolutionary and ecological processes in organisation studies, including event history analysis, sequence methods, time series analysis, network analysis, computational models and simulations, graphics as tools for analysis, and qualitative methods of analysis such as in-depth, open-ended interviews, case studies, historical search and ethnography (Monge et al. 2011). Most of such methods are relevant for co-evolutionary analysis of EMNEs and institutions, and a combination of several research methods may be helpful.

As IB research is interdisciplinary in content and methodology, new methodological contributions need to be encouraged, including novel measurement methods, simulation tools, and statistical techniques to enhance validity, reliability, replicability and generalizability (Verbeke et al., 2017) of co-evolution analysis.

## **6. Conclusions**

MNEs from emerging economies have been playing an increasing role in the global economy in the 21st century, and hence attracted much attention from scholars recently (Meyer, 2018). As this rapid growth of firm internationalization occurs in emerging economies characterized with co-existence of institutional support and institutional voids, there are great opportunities

for agency by EMNEs and hence co-evolution of EMNEs with their institutional environments. The purpose of this paper is to assess the current status of the EMNE-institution co-evolution literature and provide suggestions for future research.

The review was carried out in two steps. We first identified the general trend of the MNE-institution relationship research in emerging economies in order to assess the relative position of the EMNE-institution co-evolution study in this literature. We then focused on the discussion of the current status of the EMNE-institution co-evolution research. We find that in the past two decades, there has been a shift in interests from firm internationalisation into emerging economies to that from emerging economies. The most researched emerging economy is China, followed by India, Brazil and South Africa. A large number of studies take institutions as granted, and discuss how home and host institutions shape EMNEs' motivation, strategy and performance, and the literature about co-evolution of EMNEs and institutions is just emerging. Institutional theory is the dominant theory used for the analysis of the MNE-institution relationship in emerging economies, followed by resource-based views and internalisation theory.

Among the very limited number of studies focusing on EMNE-institution co-evolution, emerging economies of Indian, South Africa, Indonesia, Vietnam and China are involved. The concept of institutional entrepreneurship or institutional work is often applied, and the longitudinal case study approach is employed in some of the studies. These studies help shed lights on mechanisms and processes of the co-evolution in a small number of industries and economies only, but at the same time reveal that emerging economies are diverse, and hence the EMNE-institution relations vary across emerging economies. Based on our literature review, we have suggested directions for future research in the following three aspects. Firstly, there are varieties of EMNE-institution arrangements, and we need to conduct studies for many more emerging economies in order to understand the diverse and unique EMNE-institution relationship in emerging economies. Secondly, there are varieties of theories. We need to examine how to develop the meso linkages between EMNEs and institutions in the specific context. We also need to "clearly specify assumptions and discuss their integration" (Okhuysen and Bonardi, 2011, p. 11) when we combine theories. More importantly, given the unique institutional, philosophical and cultural contexts and managerial practices in emerging economies as compared with developed economies as a group, great efforts need to be made to develop new theories more suitable for emerging economies. Thirdly, there are varieties of research methods. We need to apply multiple methods and develop innovative ways to address the topic. There are great opportunities, but we face huge challenges for each of such opportunities. If we seize the opportunities and take up the challenges, our future research will be very fruitful.

Given the limited literature on EMNE-institution co-evolution<sup>4</sup>, this review might be seen as premature. However, an early-bird literature review may encourage early novel research, enabling early progress in theory building and theory testing about the topic.

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<sup>4</sup> Of course, there is a possibility that a few relevant papers might have been unfortunately omitted from our literature search, although we have tried our best to carry out as comprehensive search as possible.

**Table 1: General Trend of MNE-Emerging Economy Study**

No.	Authors	Journal	Internationalisation Direction	Firm - Institution Relationship	Emerging Economy Involved
1	Oliver (1991)	AMR	-	Firms' responses to institutions range from passive conformity to proactive manipulation	-
2	Bodur et al. (2000)	AIM	DMNEs in emerging economies	Institutions influence MNE performance in emerging economies	Turkey
3	Child and Tsai (2005)	JMS	DMNEs in emerging economies	MNEs influence environmental policies in emerging economies	China, Taiwan
4	Bhaumik and Gelb (2005)	EMFT	DMNEs in emerging economies	Institutions influence MNE entry mode choice in emerging economies	South Africa and Egypt
5	Li and Yue (2005)	TASM	DMNEs in emerging economies	Institutions influence MNE R&D strategies in emerging economies	China
6	Meyer and Peng (2005)	JIBS	DMNEs in emerging economies	Call for study of co-evolution between institutional change and organisational change	Central and Eastern Europe
7	Clark and Geppert (2006)	JIM	DMNEs in emerging economies	MNE and local managers are involved in microeconomic institution building on transnational sites	Transition economies
8	Peng et al. (2008)	JIBS	IB Strategy in emerging economies	Call for study of co-evolution between foreign entrants and institutions	Emerging economies
9	Li and Kozhikode (2008)	APJM	EMNEs catch up with the multinational incumbents	Emerging economy governments assist indigenous MNEs to develop	China



10	Manning (2008)	EDQ	DMNEs in emerging economies	Wester MNEs promote formation of science and engineering clusters in emerging economies	Emerging economies
11	Chan et al. (2008)	SMJ	MNEs in both developed and emerging economies	Host country institutions affect foreign affiliate performance	Emerging economies
12	Amal et al. (2009)	LABR	OFDI from emerging economies	OFDI from emerging economies is positively related to institutional variables	Latin America
13	Yang and Rivers (2009)	JBE	MNEs in both developed and emerging economies	Social and organizational variables determine whether multinational subsidiaries adapt to local practices to legitimize themselves	Emerging economies
14	Cantwell et al. (2010)	JIBS	MNEs in both developed and emerging economies	Institutional avoidance, adaptation & co-evolution	Both developed & emerging economies
15	Li (2010)	ITEM	DMNEs in emerging economies Learning perspective	host country institutional environment affects MNEs' R&D partner choice	China
16	Gao et al. (2010)	JIBS	Export from emerging economies	Institutions affect export behaviours of foreign and local firms	China
17	Gubbi et al. (2010)	JIBS	Acquisitions from emerging economies	Target firm's institutional environment affects the value of its acquisition by an emerging economy firm	India
18	Kim et al. (2010)	JIBS	Acquisitions from emerging economies	Institutional change affects the profitability of international acquisitions	South Korea
19	Chan et al. (2010)	SMJ	DMNEs in the US and China	National and subnational institutions affect foreign affiliate performance	US and China
20	Álvarez and Marín (2010)	JIM	MNEs in both developed and emerging economies	Institutional framework affects foreign entry modes	Emerging economies

21	Stal and Cuervo-Cazurra (2011)	LABR	OFDI from emerging economies	Institutions accelerate FDI from developing countries	Brazil
22	Santangelo and Meyer (2011)	JIBS	Firm internationalisation from emerging economies	Institutions affect subsidiary strategy implementation	Hungary, Lithuania and Poland
23	De Beule and Duanmu (2011)	EMJ	International acquisitions from emerging economies	Institutions are important for overseas acquisitions	China and India
24	Manning et al. (2012)	RS	DMNEs in emerging economies	MNEs shape institutional conditions in emerging economies	Romania and China
25	Buckley et al. (2012)	BH	FDI in emerging economies	Institutions affect FDI	India
26	Andreff and Balcet (2012)	EJCE	OFDI from emerging economies	Institutions matter for OFDI from emerging economies	India and China
27	Polesello et al. (2012)	BASE	Firm internationalisation from emerging economies	Institutions are relevant for foreign entry mode choice	Brazil
28	Wang et al. (2013)	IBR	MNEs in emerging economies	Local institutional development enhances positive impacts of FDI	China
29	McGuire (2013)	IA	EMNEs from emerging economies	Emerging market firms take advantage of and expand existing global governance structures	Emerging economies
30	Li (2013)	JIE	Firm internationalisation from emerging economies	Institutions influence entrepreneurial firm internationalisation	Emerging economies
31	Lawrence et al. (2013).	OS	–	Organisations purposively create, maintain and disrupt institutions	Both developed & emerging economies
32	Li and Ding (2013)	APBR	Firm internationalisation from emerging economies	Institutional pressures influence internationalisation intensity	China

33	Hoskisson et al. (2013)	JMS	Strategy research in emerging economies	Call for study of co-evolution of institutions and factor markets and its effects on business strategy in emerging economies	Emerging economies
34	Wang et al. (2013)	IJHRM	Firm internationalisation from emerging economies	Institutions moderate the personal traits - cross-cultural competence relationship	China
35	Gaur et al (2014)	JWB	Firm internationalisation from emerging economies	Firms use unique institutional advantages to shift from export to FDI	India
36	Sun et al. (2015)	JWB	Firm internationalisation from emerging economies	Institutional open access at home promotes merging economy firm internationalisation	China
37	Chen et al. (2015)	MD	MNEs in emerging economies	Subnational institutions moderate the firm internationalisation - performance relationship	China
38	Horner (2015)	CPIB	MNEs in emerging economies and firm internationalisation from emerging economies	Emerging economy firms challenge MNEs' patent agenda and establish their practices to deal with and leverage local conditions in their international expansion.	Indian and South African MNEs
39	Ang et al. (2015)	SMJ	Firm internationalisation from emerging economies	Institutional pillars interact to shape EMNEs' cross-border governance mode choices	China, India, Indonesia, Malaysia, the Philippines, and Thailand
40	Chen et al. (2015)	MBR	Firm internationalisation from emerging economies	Sub-national institutions help emerging market firms enter developed country markets.	China

41	Hitt et al. (2016)	JWB	International strategy research	Call for more research on co-evolution between MNEs and environments	Emerging economies
42	Zhou et al. (2016)	MD	Firm internationalisation from emerging economies	Multi-level institutional contingencies influence cross-border acquisitions	China
43	Li and Xie (2016)	MIR	DMNEs in emerging economies	Home-host country cultural distance affects MNEs' choice of EJVs as a risk-mitigating mechanism	China
44	Ngo et al. (2016)	JIE	Firm internationalisation from emerging economies	Domestic institutional attributes affect emerging economy firm internationalisation	Viet Name
45	Hitt (2016)	CCSM	Firm internationalisation	Formal and informal institutions are interrelated to affect firm strategies.	Emerging economies
46	Liou et al. (2016)	JWB	Firm internationalisation from emerging economies	Formal and informal institutions have different effects on EMNE ownership strategy	Brazil, China, India, Indonesia, Mexico, Russia, South Africa, Thailand, and Turkey
47	Chen et al. (2016)	JEESR	Firm internationalisation from emerging economies	High tax rate encourages local firms to invest abroad	Malaysia
48	Ma et al. (2016)	JWB	Firm internationalisation from emerging economies	Subnational institutions are related to firm internationalisation	China
49	Buckley et al. (2016)	MOR	Firm internationalisation from emerging economies	Both home and host country institutions influence location strategies of cross-border M&As	China
50	Cui (2016)	MOR	Firm internationalisation from emerging economies	Pitfalls in research may cause overestimation of institutional effects on firm strategic behaviours.	China

51	Narula and Kodiyat (2016)	MBR	Firm internationalisation from emerging economies	Home country weakness constrains EMNE competitiveness	India
52	Geary and Aguzzoli (2016)	JIBS	Firm internationalisation from emerging economies	Institutions interplay with many other factors to affect HRM practice transfer	Brazil
53	Carney et al. (2016)	JWB	Firm internationalisation from emerging economies	EMNEs transfer institutional capabilities to foreign markets with similar institutional conditions	Indonesia
54	Hobdari et al. (2016)	APJM	Firm internationalisation from emerging economies	Domestic business eco-system influences firm internationalisation strategies	Emerging economies
55	Chen et al. (2017)	GSJ	MNEs in emerging economies	Institutional dynamics lead to variations in MNE entry strategies.	Africa
56	Clougherty et al. (2017)	JMS	MNEs and their efficiency/market power effects	OFDI from EMNEs involve substantial efficiency effects and minimal market-power effects	Emerging economies
57	Li and Ding (2017)	MBR	Firm internationalisation from emerging economies	Institutional support and constraints promote firm internationalisation	China
58	Becker-Ritterspach et al. (2017)	CPIB	MNCs in emerging economies	MNCs engage in different patterns of institutional entrepreneurship	Emerging economies
59	Funk and Treviño (2017)	CCSM	MNEs in emerging economies	MNE/emerging economy institutional co-devolution occurs at the macro, meso, and micro-levels	Emerging economies
60	Marlon Monticelli et al. (2017)	RBGN	Firm internationalisation from emerging economies	Institutions influence Brazilian winery internationalisation	Brazil

61	Wei and Nguyen (2017)	IBR	Firm internationalisation from emerging economies	Home country institutions affect global integration strategy of EMNE subsidiaries	China
62	Haak-Saheem et al. (2017)	IJHRM	DMNEs in emerging economies	MNE HRM is influenced by both Western practices and UAE institutional features	Arab Gulf States
6	Oliveira et al. (2017)	ITJ	Firm internationalisation from emerging economies	China's unique institutional environment shapes its firms' OFDI	Emerging economies
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64	Sun et al. (2018)	IBR	Firm internationalisation from emerging economies	Home country institutional obstacles influence firms' strategic exit	Central and Eastern Europe
65	Buckley (2018)	MIR	Firm internationalisation from emerging economies	Internalisation theory plays a crucial role in the domestic institutions approach to OFDI from EMNEs	India and China
66	Wrana and Revilla Diez (2017)	JCP	MNEs in emerging economies	Regional institutions rather than MNEs positively influence the spread of global CSR certificates	Viet Name
67	Sun et al. (2018)	ITEM	MNEs in emerging economies	Subnational institutions have more salient impact on R&D intensity in indigenous than foreign firms	China
68	de Jesus Ferreira de Almeida et al. (2018)	IRENIE	EMNEs to emerging economies	Host emerging economies' formal and informal institutions are important for Brazilian franchise chains' location choice	Brazil
69	Deng and Zhang (2018)	JBR	Firm internationalisation from emerging economies	Institutional quality is negatively (positively) related to the propensity of SMEs to go overseas (their overseas sales growth)	China

70	Casson and Wadeson (2018)	IBR	EMNEs from emerging economies	EMNEs internalise and exploit knowledge utilising home-country cost advantages	Emerging economies
71	Li et al. (2018)	MIR	MNEs in emerging economies	Sub-national institutions moderate the relationships between industry agglomeration and foreign firm profitability	China
72	Jean et al. (2018)	MIR	MNEs in emerging economies	Political ties enhance MNE product innovation performance	China
73	Yan et al. (2018)	JWB	OFDI from emerging economies	Governments and firms purposively shape OFDI policy system	China
74	Kottaridi et al. (2019)	IBR	MNEs from developed economies	Escapism FDI can occur from developed economies	Greece
75	Mendy and Rahman (2019)	TIBR	Firm internationalisation from emerging economies	People - oriented cultural barriers influence SME internationalisation	Bangladesh
76	Becker-Ritterspach et al. (2019)	CPIB	MNEs in emerging economies	MNEs can mitigate exacerbated negative environmental externalities via CER responses	Emerging economies
77	Zhang et al. (2019)	IBR	MNEs in emerging economies	Certification can be an effective legitimacy strategy for foreign firms in emerging markets	China
78	Gao et al. (2019)	CMS	Firm internationalisation from emerging economies strategy tripod perspective	Home and host country institutions are important for strategic asset seeking EMNEs to choose their locations	China
79	Rodgers et al. (2019)	MIR	MNEs in emerging economies	MNEs enact corporate political strategies to mitigate market costs and develop legitimacy in emerging economies	Ukraine

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Colovic et al.  
(2019)

MBR

MNEs in emerging economies

MNEs are less likely to violate their  
employees' human rights than local firms  
are

Mexico

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**Table 2: Co-evolution Analysis of EMNEs and institutions**

<b>Authors</b>	<b>Economies involved</b>	<b>Theory/perspective used</b>	<b>Methodology used</b>	<b>Key Arguments</b>
Oliver (1991)	Not specified	Institutional and resource dependence perspectives	Integrating literatures to develop hypotheses	Strategic responses to institutional pressures vary according to organisation's agency and resistance
Meyer & Peng (2005)	Central and Eastern Europe (CEE)	Organisational economics, resource-based & institutional theories	Comprehensive literature review of theoretically driven CEE research in IB and management	Call for a study of how rapid institutional change co-evolves with organisational change.
Cantwell et al. (2010)	Both developed & emerging economies	Evolutionary and institutional theory in the context of Dunning's OLI.	Historical, contextual and multidisciplinary approach	The increasing autonomy of MNE subsidiaries facilitates institutional entrepreneurship and co-evolution with local institutions.
Lawrence (2013)	Not specified	Institutional work lens	Review of the evolution of institutional work as a scholarly conversation	Institutional work research focuses on how institutional work occurs, who does institutional work, and what constitutes institutional work.
McGuire (2013)	Both developed & emerging economies	Not specified, but in line with international political economy	Not specified, but focus on global governance research	Emerging market firms take advantage of and expand existing global governance structures

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Horner (2015)	India and South Africa	Institutional literature, including concepts such as institutional voids and intellectual property legal protection	Comparative case study	Indian firms can establish practices to deal with and leverage local conditions in their international expansion.
Carney et al. (2016)	Indonesia, Vietnam	organisational capabilities, internationalisation process, and institutional work literatures	Longitudinal single-case study design	Emerging economy firms can develop and transfer institutional capabilities to foreign markets with similar institutional conditions.
Yan et al. (2018)	China	Institutional work lens	Case study	Both government and firms take purposive actions to shape institutional arrangement dynamics for OFDI

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