

MNE post-entry institutional strategies in emerging markets: An organizational field position perspective

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Abstract

In this paper, we leverage the concept of organizational field, currently under-explored in international business literature, to understand how multinational enterprises (MNEs) from developed markets (DMs) strategically manage their institutional context in emerging markets (EMs). To develop theoretical arguments, we focus on institutional strategies and theorize how and to what extent MNEs in central, peripheral, and intermediate field positions engage with host country institutions in EMs. Using an international business perspective, organizational theory, and illustrations from EMs, we develop a dynamic view of field positions to identify how MNEs' *intermediate repositioning trajectories* in between the field's center and the periphery, driven by environmental and corporate factors, lead to the associated changes in the form and scope of institutional strategies deployed in EMs. In doing so, we offer testable propositions for future research.

KEYWORDS

emerging markets, institutional strategies, multinational enterprises (MNEs), organizational fields

INTRODUCTION

Institutions, or “multifaceted, durable social structures, made up of symbolic elements, social activities, and material resources” (Scott, 2001, p. 49), define the social context in which organizations are embedded and shape organizational actions (DiMaggio & Powell, 1983). Due to their global presence, multinational enterprises (MNEs) span multiple institutional settings, and thus, face complex societal expectations. How MNEs manage these pressures has become a major field of inquiry within international business (IB) scholarship informed by institutional theory (Kostova *et al.*, 2008). Until recently, isomorphism, or compliance with local institutions, was seen as the focal means for MNEs to secure legitimacy and survive in host countries (Wu & Salomon, 2016). As a result of institutional duality (Kostova & Zaheer, 1999), MNE subsidiaries face the pressures for both internal isomorphisms, or expectations for conformity with intra-MNE norms and practices, reinforced by the HQ, and external isomorphism, or

pressures for conformity emanating from the local institutional environment (Davis *et al.*, 2000; Harzing, 2002).

However, in increasingly turbulent socio-political conditions, multinational firms increasingly face rapidly shifting legitimacy requirements (Darendeli & Hill, 2016). As such, international business (IB) research has started to offer insights into why and how MNEs might engage with institutional pressures (see, e.g., Schnyder & Sallai, 2020). What is not yet well understood, though, is why, in dynamic institutional contexts, some companies may be better positioned to deal with institutional pressures more or less proactively (Stevens & Newenham-Kahindi, 2021).

We address this question by arguing that strategies towards institutions are not equally available to all MNEs but will depend on their relative social positions in the local context, defined by neo-institutional scholars as the *organizational field*. Fields are epistemic communities whose members interact “more frequently and more fatefully with one another than with actors outside the field” (Scott, 2001: 84). Organizations occupy different

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field positions, which by virtue of variability in status and resource endowment they entail (Battilana *et al.*, 2009) offer different choices to respond to institutional pressures (Kim *et al.*, 2016), and degree of changing or maintaining extant institutional arrangements (Battilana *et al.*, 2009). Although IB scholars have acknowledged differences in subsidiary size, status, embeddedness, and visibility along with their consequences for non-market strategies in host countries (Hillman & Wan, 2005), few works have problematized subsidiary field positions. As they are associated with different organizational responses to institutions (Kim *et al.*, 2016), we argue that introducing the distinction between *central* and *peripheral* field positions, as well as *intermediate repositioning trajectories*, can provide an in-depth understanding of how and to what extent MNEs engage with host country institutional context.

We focus our analysis on the context of emerging markets (EMs) due to their ever-growing importance for MNEs' global strategy (Meschi, 2005) and idiosyncratic institutional challenges for MNE managers (Meyer & Peng, 2016; Luo *et al.*, 2019). For instance, Luo *et al.* (2002) highlighted the importance of MNE adaptation in China, showing that it was facilitated by the "isomorphic mimicking" of local companies through guanxi adoption. Yildiz & Fey (2012), on the other hand, proposed that in transition economies, where institutional demands are in flux, MNEs might adopt alternative strategies to secure legitimacy from local audiences: reducing local reliance through global procurement strategies, leveraging positive stereotypes against ethnocentrism and using favorability toward foreign direct investment (FDI) to reduce pressures for external isomorphism. Although useful, these strategies are ultimately passive as they do not entail active engagement with institutions that create challenges for MNEs in the first place.

To examine the broader range of ways in which MNEs can engage with institutions in turbulent EMs to pursue their strategic objectives, we draw on the classification of institutional strategies formulated by Marquis and Raynard (2015) and who identify three categories of strategies available in EMs: *relational*, *infrastructure-building*, and *socio-cultural bridging* strategies. Although not specific to foreign companies alone, these strategies may be particularly relevant for MNEs, as they strive for both legitimacy and more favorable FDI conditions in host markets (Meschi, 2005). We argue that different field positions influence configurations of MNEs' post-entry institutional strategies. Our primary contribution lies in a novel dynamic perspective on MNE organizational field positions in host markets by identifying trajectories and circumstances under which MNE field positions may change as a result of external forces and/or internal strategizing in turbulent EM conditions. Our paper, therefore, also contributes to the recent debates on the field positions in neo-institutional theory by proposing an alternative conceptualization of intermediate field

position (cf. Wright & Zammuto, 2013). In doing so, we respond to the calls for more substantially incorporating the concept of organizational fields into the study of MNEs informed by institutional theory (Phillips & Tracey, 2009; Donnelly & Manolova, 2020) and offer a set of testable propositions for future research.

In what follows, we provide a brief overview of the institutional context in EMs and summarize relevant theoretical arguments from neo-institutional theory. We then offer a framework relating MNE organizational field positions to their institutional strategies in EMs. We close with a discussion of contributions and implications for future research.

THEORETICAL BACKGROUND

We develop our theoretical framework by first briefly discussing the nature of institutional context in emerging markets and the implications of their ongoing turbulence for MNEs. We then introduce the core concepts of our paper, namely the organizational field and the typology of institutional strategies available to MNEs in emerging markets, in order to set the scene for our arguments.

Institutional context in emerging markets

The set of institutional strategies that MNEs can deploy is likely to be shaped by the idiosyncrasies of EMs, where periods of radical change have become a regular occurrence (Meschi, 2005). However, the assumptions of malleability and newness of EM context to MNEs no longer hold consistently across all EMs.

First, EMs have changed considerably over recent decades, and historical arguments of their institutional weakness are augmented by rapidly growing sophistication. MNEs themselves are no longer new to EMs, shifting from reliance on global value chains that buffer the local institutional demands (Yildiz & Fey, 2012) to increasingly local bases (Luo, 2007). Where voids remain, they can manifest themselves into institutional risks and impede full utilization of MNEs' strategic competencies and capabilities. This relates closely to the role of state and politics in these countries (Yaprak & Karademir, 2011). MNEs are traditionally portrayed as playing a pivotal role in local economic development (Paul & Barbato, 1985), suggesting that the state apparatuses in EMs are geared toward accepting the contribution made by MNEs to local development. However, this trend is reversing with the recent rise of EM multinationals (EMNEs). EMNEs' growth and improved local competencies have intensified competition in EMs and decreased EMs' reliance on MNEs for knowledge transfer (Luo, 2007). MNEs also face rising skepticism toward globalization and economic nationalism around the

world, not least in EMs. For example, “Made in China 2025” and “Make in India” policies appear to reflect the nationalistic views in these countries (Petricevic & Teece, 2019).

The ease of MNE adaptation and pursuit of strategic goals in EMs should, therefore, not be taken for granted. Uneven institutional change within and across these settings is likely to result in both global and local players being subjected to different institutional pressures. This calls for a more fine-grained examination of post-entry strategies of MNEs in EMs (Meyer & Peng, 2016), which we analyze by employing concepts of organizational field positions and institutional strategies.

Field position and management of institutional context in organization theory

The field concept is a cornerstone in institutional analysis. It draws attention to the actor embeddedness within the network of relationships as the enabling condition for strategies towards institutions (Wooten & Hoffman, 2008). An organizational field is “a collection of diverse, interdependent organizations that participate in a common meaning system” (Scott, 2014, p. 106).¹

Organizational fields are relational spaces characterized by the interconnectedness of their participants, including “key suppliers, resource and product consumers, regulatory agencies and other organizations that produce similar services or products” (DiMaggio & Powell, 1983, p. 148). The relational and networked nature of organizational fields makes them amenable to mapping through concepts developed in social network analysis, including degrees of cohesiveness and centralization. However, by containing patterns of meanings, or shared cognition, fields also act as sites of institutional embeddedness and offer institutional infrastructure to their participants that render their interactions relatively predictable and coordinated (Zietsma *et al.*, 2017). Organizational fields are regarded as the main source of pressures for conformity, or isomorphism, which is a prerequisite for social acceptance (legitimacy), and hence, the success and survival of organizations (Suchman, 1995). Lastly, fields differ with regard to their types. In their recent review, Zietsma *et al.* (2017) distinguished between exchange and issue fields. Exchange fields generally reflect relatively settled boundaries of industries, professions, or social movements, whose members are subjected to the processes of isomorphism and diffusion of set norms. Issue fields emerge when participants of (typically multiple) exchange fields negotiate meanings and practices around an issue or a cause and are therefore less settled.

Organizational theory scholars distinguish between field participants’ peripheral, central, or intermediate field positions, each associated with different degrees of interest and capacity to engage with institutions (Zietsma *et al.*, 2017). This interest is institutionally shaped as a product of the extent of power and control of resources associated with the position that actors can draw upon to enact institutional change or maintain the status quo (Battilana *et al.*, 2009). These resources range from tangible (including financial and human resources) to intangible (such as social capital, legitimacy, and reputation). Thus, *peripheral* actors, who are weakly embedded in the institutional environment and loosely connected to other actors in the field, often possess an awareness of alternative institutional arrangements, a prerequisite for changing institutions (Seo & Creed, 2002). However, they lack social resources (status and legitimacy) and hence comply with field rules. *Central* actors are strongly embedded in the institutional environment and tightly connected to other players in the field. A central position is privileged as the existing institutional arrangements usually serve the interests of predominantly central actors. Their practices, most frequently, are seen as legitimate and dominant within the field (Lawrence, 1999). As a result, they may not be motivated to challenge the existing order (Battilana *et al.*, 2009). However, if and when central actors seek to do so, they can benefit from preferential access to critical financial and political resources (Greenwood & Suddaby, 2006). *Intermediate* actors are positioned relatively between the center and periphery of organizational fields (Wright & Zammuto, 2013). To date, peripheral actors have been narrowly associated with the concept of “middle-status conformity” with dominant institutional prescriptions (Phillips & Zuckerman, 2001). Intermediate position, however, can offer a powerful way of understanding actor transition in between field center and periphery, adding nuance to actors’ manifestations of reflexivity and motivation for proactive engagement with institutions. In this paper, we apply these arguments to the dynamics of MNE experiences in the institutional context of EMs.

There are multiple ways of applying the concept of organizational fields for MNEs—ranging from the analysis of peer groups and interorganizational networks (Meyer & Peng, 2016) to MNEs forming their own field of transnational actors with shared global norms and rules (Kostova *et al.*, 2008). Conceptualizing a field position for the entire MNE as a global actor, although arguably possible, offers a view of subsidiaries as mostly disembedded from the national context. Indeed, Phillips & Tracey (2009, p. 107) critique this standpoint by arguing that seeing an MNE as “being a member in a number of geographically separate fields ... does not lead to the conclusion that [such actors] are members of none.” Rather, it is the action of the local subsidiary that is critical to corporate institutional strategies in local contexts (Hillman & Wan, 2005; Meyer & Peng, 2016;

¹Although organizational fields can share with networks and clusters the element of structural interactions, they differ from these concepts in also being constituted by shared meaning systems or cognition (Coraiola *et al.*, 2018).

Regnér & Edman, 2014). Therefore, MNE subsidiaries join local fields in host countries, as “they increase their interactions with suppliers, customers, and competitors; they participate in common activities such as industry associations” and “come to be mutually aware of the other participants in their field” (Phillips & Tracey, 2009, p. 107). This implies that they also have to contend with pressures for local isomorphism (Phillips & Tracey, 2009; Shi & Hoskisson, 2012; Marano & Kostova, 2016). The literature on embeddedness, for instance, has long recognized that MNE units form relationships with various actors in host countries and that these relationships may vary in strength (Klopf & Nell, 2018).

Based on the above discussion and following previous research, we define a subsidiary field position as the *structural location of a subsidiary within the relevant organizational field* (Wright & Zammuto, 2013; Kim *et al.*, 2016). For the purpose of this paper, we focus on the industry as a means of delineating exchange field boundaries for MNEs in emerging markets. Industry-based fields are a variation of exchange fields (Zietsma *et al.*, 2017). Several features of the industry as an exchange field are relevant to neo-institutional research on MNEs. Industry is characterized by a center-periphery structure, governed by formal governance units such as national regulators, particularly the state (DiMaggio & Powell, 1983). As well, apart from competing, industry participants can collaborate—for instance, through industrial associations, who act as field coordinators, to lobby for their interests (Karabag & Berggren, 2014; Zhang *et al.*, 2016). For these reasons, we contend that an industry-based exchange field analysis provides a useful way of balancing broad field definitions based on national boundaries (e.g., Kostova *et al.*, 2008) and fields based around MNE-specific interorganizational networks, offering a useful starting point for theory-building. Without a doubt, even seemingly stable industries are likely to experience turbulence in developing economies regularly. However, we are guided by recent theorizing (Donnelly & Manolova, 2020) and previous work in international business where the industry has been used to examine key emerging markets phenomena over time, such as FDI spillovers (e.g., Meyer & Sinani, 2009).

Within fields, subsidiaries will likely differ in terms of their access to tangible and intangible resources, such as financial, human, or social capital. Bartlett and Ghoshal (1989) distinguish between subsidiary charters, associated with differences in local resource commitment and strategic behavior. These arguments contribute to our debate to the extent to which some MNE subsidiary is more dependent on local resources than other national sub-units, as well as being indicative of the locus of subsidiaries’ interests (i.e., intra-MNE or externally-focused). As subsidiaries differ in their dependence on local or global resources and the locus of their interests (i.e., intra-MNE or externally-focused), they may follow

either subsidiary- (local) or corporate-focused (MNE) logic, prioritizing local over corporate interests and vice versa (see Luo *et al.*, 2019). We argue that operating at the field center, periphery, or in between the two is associated with different benefits and costs to the MNE subsidiary as it entails prioritizing local or MNE-specific interests and resources, as well as different expectations imposed upon MNE by the local actors through external isomorphic pressures.

Institutional strategies in emerging markets

MNEs have a number of responses to institutions available to them (Luo *et al.*, 2019), ranging from acquiescence to and avoidance of institutional pressures, and active engagement (Stevens & Newenham-Kahindi, 2021). Recent studies have positioned EMs as generally receptive to MNE-initiated institutional change, due in part to institutional weaknesses and voids prevalent in such markets (Doh *et al.*, 2017). For example, Regnér & Edman’s (2014) study shows that the lack of institutions (regulations and/or technical standards) served as a particularly enabling context for the introduction of supportive institutional arrangements by Ericsson in Southeast Asia or AGA in Eastern Europe.

Based on their review of literature on the wide range of ways in which MNE can engage with institutions in EMs to pursue their strategic objectives, Marquis and Raynard (2015) formulated the concept of institutional strategies. By applying an institutional lens to non-market strategy literature, they identify three categories of strategies open to actors in EMs: *relational*, *infrastructure-building* and *socio-cultural bridging* strategies. Although not specific to foreign companies alone, we contend that these strategies may be particularly relevant for MNEs, as they strive for both legitimacy and more favorable FDI conditions in host markets (Luo *et al.*, 2019). It is important to note that institutional strategies complement firms’ market activities (Baron, 1995; Dorobantu *et al.*, 2017). Therefore, although our focus in this paper is on the relationship between MNE field positions and institutional, rather than market, strategies, we return to their relationship in our discussion of boundary conditions.

Relational strategies allow firms to forge and manage relationships with external stakeholders, including national governments, that may control resources pivotal to MNEs’ operations. The importance of relationships with business and government actors EMs to corporate success has been well established in the literature (Peng & Zhou, 2005). Building relations through networking is often cited as a substitute for imperfect or absent EM institutions (Boisot & Child, 1996). In such settings, where the state is usually strongly involved in the economy, companies also need to be able to carefully balance their interests

with crafting links to the local political stakeholder through corporate political activity (Rajwani & Liedong, 2015). Overall, through relational strategies, MNEs cultivate and manage their ties with external stakeholders to secure legitimacy and gain tangible and intangible resources from them (Marquis & Raynard, 2015).

Infrastructure-building strategies address missing or inadequate regulatory, technological, and physical infrastructures in host markets that are directly relevant for MNEs. Although relationships can, to some extent, compensate for imperfect institutions, underdeveloped local norms and regulations often pose challenges to MNEs' ability to transfer best practices and implement intended market strategies, spurring them to construct and promote formal or informal institutional arrangements, such as legislation, standards, and private regulation, along with or alongside other stakeholders (Child & Tsai, 2005; Girschik, 2020). Similarly, MNEs might be challenged by the absence of technology and physical infrastructure in challenging settings, which at times are symptomatic of institutional imperfections, such as corruption (Ramamurti & Doh, 2004). Investing in infrastructure could offer a means for MNEs to not only fill such voids but also to potentially gain legitimacy in the eyes of local audiences (Carney *et al.*, 2016).

Finally, socio-cultural bridging refers to corporate influence upon demographic and cultural dimensions of the host context, including those that affect MNEs' ability to tap into local talent pools. This involves educating not only corporate employees (Björkman *et al.*, 2007) but also stakeholders more generally (Girschik, 2020), as well as appropriately adapting MNEs' own practices to the local environment in order to bridge the differences across home and host countries (Newenham-Kahindi & Stevens, 2018).

Marquis and Raynard (2015, p. 322) suggest that “the target, prioritization, and timing of institutional strategies are likely to vary between contexts.” Following on from this, we argue that not all institutional strategies are equally desirable or available to subsidiaries of multinational firms in EMs. First, there is a pronounced need for subsidiaries to align their strategies with corporate FDI objectives and resource commitments (see, e.g., Dunning & Lundan, 2008). Second, institutional strategies may be less available—or indeed useful—to companies facing particular EM conditions. In the sections that follow, we therefore first develop baseline, static propositions relating field positions to institutional strategies before integrating the nexus of corporate-environmental dynamism into our framework.

MNE FIELD POSITIONS IN EMERGING MARKETS

Based on the above discussion, we argue that operating at the field center or periphery, or between the two, by

following *intermediate repositioning trajectories*, is closely associated with different benefits and costs to the EM-based subsidiary. As subsidiaries prioritize local or MNE-specific interests and resources, local actors impose different expectations upon MNEs, which has direct implications for MNEs' institutional strategies in the context of EMs' environmental turbulence. We theorize these relationships below.

Central position

MNEs positioned close to the field center are likely to be well-established, high-status companies in host markets, with a significant degree of commitment to the local economy, for instance, demonstrated through localization of manufacturing (Dörrenbächer & Gammelgaard, 2006). A central field position is likely to be associated with MNEs expecting greater returns from locally-specific resources and adopting a local logic.² This amplifies their visibility—hence greater scrutiny from external actors (Chiu & Sharfman, 2011) and fuels the need to sustain their conformity to prevalent institutions via external isomorphism.

A long-standing suggestion for MNEs is to prioritize the value of local legitimacy as a key intangible resource in host markets. MNEs suffer from the liability of foreignness (LOF), which results in discriminatory treatment by local actors (Zaheer & Mosakowski, 1997). When LOF is acute, MNEs may consciously prioritize local expectations over corporate interests (Wu & Salomon, 2016) to increase local embeddedness and to maintain themselves at the center of their respective fields. This may be primarily achieved through relational strategies, particularly by fostering relationships with highly legitimate local stakeholders, such as the state or regulatory bodies, state-owned enterprises, NGOs, or private domestic companies. Whilst examining MNE operations in China, Luo (2001, p. 406) highlighted the importance of “cooperative relationships” with the government officials and other field members because “cooperation with host governments mitigates the liability of foreignness as perceived by officials and amplifies the firm's credibility and legitimacy as perceived by the public.” Unilever, for instance, has worked with local NGOs in India to deploy their Shakti project, a rural network that greatly leveraged the legitimacy of the NGOs to foster relationships with local stakeholders (Dahan *et al.*, 2010). To an extreme degree, to gain local legitimacy in institutionally distant countries, MNEs may even engage in corrupt practices that are widely accepted locally but clash with corporate norms, straining their internal legitimacy within the corporate network

²Under certain circumstances, for instance, in strategic and/or highly regulated industries in EMs MNEs might only be able to approach the central position. For brevity, we use the term ‘centrally-positioned’ to describe MNEs in both central and near-central positions.

(Rodriguez *et al.*, 2005). For instance, subsidiaries of Italian manufacturing MNEs could compromise the “local legitimacy resulting in discrimination and adverse treatment from host country stakeholders” (Rabbiosi & Santangelo, 2019: 113) if not engaging in corruption, a practice that yielded “local legitimacy advantages” in developing countries. Subsidiaries, therefore, followed the “autonomy-based dissociation strategy [from the HQ] to minimize potential reputation and legal costs, should the foreign subsidiary be implicated in a corruption scandal” (Rabbiosi & Santangelo, 2019, p. 120).

Field constituents in EMs are most likely to expect centrally positioned companies to prioritize investment in locally-specific, as opposed to MNE-specific, resources as part of MNEs’ local license to operate (Henisz & Zelner, 2005), which may constrain the realization of strategic corporate interests. Therefore, although large and visible MNEs may be motivated to engage in shaping local regulatory and normative infrastructure (Hillman & Wan, 2005), greater expectations from field constituents can limit the extent to which they can emerge as rule-makers as opposed to rule-takers in the host country system (Cantwell *et al.*, 2010). By favoring and fostering local relational linkages, MNEs may be compelled to engage in *joint* initiatives to change extant institutional arrangements championed and led by the local actors, such as governments and NGOs (Boddewyn & Doh, 2011). For instance, MasterCard partnered with the local Dominican micro- and small-scale lender Banco Popular Dominicano and Asociacion para el Desarrollo de Microempresas (ADEMI) to increase the availability of credit cards to micro-enterprises and small entrepreneurs, thus improving the local business community’s financial processes (Dahan *et al.*, 2010). Ciputra Group’s operations in Vietnam emphasized the importance of the infrastructure-building (e.g., city sewage upgrade and urban planning) to appease the government as a vital element of their construction projects in the country because, as the Group’s executive reflected, “the government has to have its say; we sometimes have to do things they want that really don’t make much sense” (Carney *et al.*, 2016, p. 890). MNEs may also be expected to put efforts into maintaining local legitimacy through regulatory and normative compliance or corporate social responsibility (Campbell *et al.*, 2012; Zhang & Luo, 2013), or generate positive local spillovers by leveraging company-specific know-how (Mudambi & Mudambi, 2005).

Given the importance of perception and evaluation of a centrally-positioned MNE by local stakeholders in the host market, we theorize that such central MNEs would favor external over internal isomorphism and propose:

Proposition 1. To maintain external legitimacy, centrally positioned MNEs in EMs will tend to prioritize relational strategies toward

central actors, and their infrastructure-building and socio-cultural bridging strategies will be guided to foster local relationships.

Peripheral position

Peripherally-positioned MNEs position vary in size, resources, and mandates, ranging from large yet niche-oriented (Edman, 2016), small and competence-exploiting companies (Cantwell & Mudambi, 2005), to recent market entrants (Johanson & Vahlne, 2009). They are not embedded within social networks in host markets and are likely to rely on intra-MNE support to develop and exploit capabilities. New entrants may gradually develop local knowledge and relationships (Zaheer & Mosakowski, 1997) but are initially likely to draw on intra-MNE networks. Such MNEs, in effect, are “driven by a corporate-focused logic” and “committed to protecting corporate interests and achieving corporate goals” (Kostova *et al.*, 2018, p. 2628), whether due to integration pressures from HQ, or because they recognize the superiority of MNE practices over local ones (Spencer & Gomez, 2011). For example, operations of an American consumer electronics manufacturer in Brazil showed that “under the condition of having been recently set up in Brazil the subsidiary sought (or perhaps needed) to develop better relationships with its internal counterparts than with its external ones” (Figueiredo, 2011, p. 430). In other scenarios, local actors may deliberately exclude peripheral MNEs from their networks (Zaheer & Mosakowski, 1997). In Mexico, local Grupo Elektra fiercely contested the market against Walmart, which had a limited local presence (Bhattacharya & Michael, 2008; Reuters, 2019). Walmart experienced similar exclusion efforts by the local rivals in the Brazilian market, effectively locking Walmart to the cash-and-carry and membership-only market segments.

With a greater emphasis on corporate interest, such MNEs can expect higher returns from proprietary resources, for example, technology or practices. They can realize corporate interests by purposefully seeking a niche peripheral position in host fields by choice (Edman, 2016), for instance, by actively avoiding participation in local industrial networks (Regnér & Edman, 2014). In Russia, Gideon Richter, a small Hungarian pharmaceutical manufacturer, has been avoiding membership in all professional associations, including the Association of International Pharmaceutical Manufacturers (AIPM), despite its long-standing effectiveness in offering legal, informational, and administrative support to protect the interests of its members in this market (Jacob, 2017). MNEs may, therefore, demonstrate symbolic baseline compliance with local pressures without losing foreign distinctiveness and disrupting its global corporate coherence, which in EMs need not require considerable investment, given the

high heterogeneity of their audiences' expectations (Yildiz & Fey, 2012).

Because of limited engagement and visibility, peripheral MNEs might “fly under the radar” of local audiences (Puck *et al.*, 2013) but still have to meet their baseline expectations for conduct (Suchman, 1995). In the absence of motivation and limited local resource commitment (Rugman *et al.*, 2011), however, peripheral MNEs have a partial understanding of local stakeholders' legitimacy requirements (Luo *et al.*, 2019), which in turn limits the effectiveness of their institutional strategies. They are unlikely, for instance, to invest in substantial physical infrastructure-building projects, which require extensive local commitment and prioritization of local interests. Instead, they could pursue socio-cultural bridging to span institutional distance between home and host countries (Fortwengel, 2017) and achieve and/or maintain internal legitimacy without radically disrupting local institutions by meeting demands for non-negotiable compliance with local regulations or ethical corporate behavior espoused by the regulators and the civil society (Delmas & Toffel, 2004). For instance, a Norwegian MNE operating in the Ugandan utilities industry distinguished itself through outstanding compliance with sectoral benchmarks whilst, despite the close contacts with Norway's diplomatic representation that played a prominent role in designing Uganda's Electricity Act, limiting its political connections in the country. The company also promoted gender equality in the country by hiring a female CEO, “something that was still rare in Africa” (Mbalyohere & Lawton, 2018), providing an example of socio-cultural bridging through human capital development underpinned by HQ-mandated human resource management practices. Since peripheral MNEs are unwilling—and at times unable—to access central actors directly, they leverage co-optation of other non-central actors with links to the central players to influence them if required (Prithwiraj *et al.*, 2012). In Brazil, an American consumer electronics manufacturer was only able to foster “arm's length linkages with some [provincial] universities and research institutes to begin to understand their potential as knowledge suppliers”, having been rejected by the central federal universities working on establishing standards of knowledge partnerships between universities and electronic companies (Figueiredo, 2011, p. 432). Given the importance of MNEs to maintain a global coherence of corporate competencies, hence for the local unit to pursue or strengthen internal isomorphism and attain only a baseline local external legitimacy and status in the host market, we propose that:

Proposition 2. To sustain internal legitimacy, peripherally positioned MNEs in EMs will tend to prioritize socio-cultural bridging strategies at the expense of physical infrastructure-building, and their direct and indirect relationship-building will be oriented

toward local peripheral actors alongside the intra-MNE network.

Towards a dynamic view of MNE positions in host markets: conceptualizing intermediate repositioning trajectories

Litrico and David (2017, p. 1007) noted that organizational research often defines actor positions “in structural terms” and “relatively static over long periods of time.” Yet, although early institutional theorizing often underscored taken-for-grantedness and unconscious reactions to institutional forces' influence, scholars have increasingly developed an appreciation of intentionality and effort in organizations' interactions with their institutional context (Lawrence *et al.*, 2009, 2011). As such, institutional scholarship has recently sought to identify how actors might pursue position change over time through the purposive action of organizational actors themselves and/or shifts in the external environment, which generate new opportunities and institutional hazards (Lepoutre & Valente, 2012). Efforts directed at field position change involve not only identifying opportunities but also enacting them based on the actors' “perception, interpretation, and understanding of environmental forces”, as well as their resources (Wild *et al.*, 2020, p. 353).

Indeed, arguments of managerial intentionality indicate that MNEs may be able to change their positions when they perceive the need or the opportunity to do so through deliberate strategies towards institutions (Santangelo & Meyer, 2011). From this perspective, MNE managers are regarded as “having the power to direct the organization” (Child, 1972, p. 2) and formulate decisions to manage their environment. In their role, MNE managers continuously conduct “evaluation of the organization's position – the expectations placed on it by external resource providers, the trend of relevant external events, the organization's recent performance, how comfortable the decision-makers are with its internal configuration, and so on” and where “the choice of objectives for the organization is assumed to follow on from this evaluation, and to be reflected in the strategic actions decided on” (Child, 1997, pp. 46, 48). For instance, Santangelo and Meyer (2011) show how MNEs might adjust their local commitments in response to institutional uncertainty in host markets, whereas Stevens and Newenham-Kahindi (2021) show that firms operating in Africa use a variety of relational strategies to avoid pressures to engage in corrupt practices deliberately. Such managerial decisions, we argue, can contribute to the ability of MNEs to undertake strategic efforts in changing their field position in line with global or subsidiary strategy.

In addition to these endogenous mechanisms, MNE field positions can change through exogenous shocks.

Although organizational fields also change through evolutionary processes, more radical shifts occur and can result from political turbulence (Carroll *et al.*, 1988), but also as normative and cultural demands emerge and gain traction (Casile & Davis-Blake, 2002), in the wake of structural change induced by policymakers (Reay & Hinings, 2005) and various institutional change strategies of field participants other than the focal actor (Greenwood & Suddaby, 2006). Such field-level institutional change results in shifts in legitimacy demands and access to institutional and material resources for field participants (Aldrich, 1999; Galvin, 2002), which in turn privileges some actors and undermines the position of others (Hardy & Maguire, 2010).

Shifts in local rules and norms that amend legitimacy criteria, spurred by the actions of the government (Murtha & Lenway, 1994; Child & Tsai, 2005) and other local actors, including local competitors (Mutlu *et al.*, 2015) and stakeholders (Zhang & Luo, 2013), as well as the effects of transition and regime change (Schnyder & Sallai, 2020) can cause MNEs' field positions to change through, for instance, severed ties to the state and other powerful political and economic actors, legitimacy loss as a result of changing demands or strengthening local firms. For instance, with the rise of economic nationalism in decolonizing India, the legitimacy of foreign multinationals was challenged by protests against British companies, eventually spilling over into negative perceptions for other MNEs (Lubinski & Wadhvani, 2020).

In the view of the above arguments, a static view of MNE field positions is insufficient to fully capture MNEs' post-entry experience and their leverage of institutional strategies in EMs. We propose that rather than a static attribute, there is a need to capture MNE transition between field center and periphery to theorize an interactive perspective on the field positions and MNE institutional strategies in EMs. Following this rationale, we consider the potential drivers behind intermediate trajectories followed by MNEs. First, instigated by organizational strategy and managerial intent, it denotes the trajectory of an MNE deliberately repositioning between the *original* and the *intended* field positions. Alternatively, given EM turbulence, this position can result from exogenously-driven changes, capturing organizational repositioning between the *original* and the *induced* field positions. We further argue that endogenously- or exogenously-driven intermediate repositioning trajectories will affect the scope and configuration of subsidiary institutional strategies in EMs differently.

Exogenously-driven intermediate repositioning trajectories

We consider two trajectories of MNEs' externally-driven transition, both of which can be a result of actions by

other actors or the structural change: from central to peripheral and from peripheral to central field positions.

From center to periphery

The central position for MNEs in EMs comes with a number of risks. Maintaining centrality can become costly as government and other stakeholder demands become more stringent and sophisticated (Marquis *et al.*, 2011), making institutional maneuvering difficult for MNEs embedded in established structures. For example, after China's WTO accession in 2001 and opening of the mobile telecom market to foreign competition, the government introduced policies favoring the CDMA technology over GSM, which undermined the competitive position of large multinational mobile phone companies in this lucrative market (Luo, 2007). As a further example, in the wind turbine industry, the Chinese government gradually increased preferential treatment for local companies. As they assumed greater dominance, Vestas, the global industry leader, fell from second to 11th place in the local market ranking between 2006 and 2013 (Mathews & Tan, 2015). While Samsung was no match to the market leaders Motorola and Toshiba in the Korean semi-conductor market in 1960s, government support as part of its heavy and chemical industries (HCI) program as well as the firm's internal capabilities development, helped to establish the company as a leading memory chip producer in Korea at the expense of both Motorola and Toshiba (Kim, 1997). The combined effects of economic nationalism and protectionist policies and the strengthened local competition effectively shifted the power balance across a number of industries in EMs.

Several other drivers can push MNEs from the field center to the periphery. Institutional theorists have argued that central actors may be subjected to greater scrutiny and accountability than their low-status peers who engage in similar transgressions—due to a so-called “liability of status” effect (King & Carberry, 2018). Thus, we argue that firms who benefit from the visibility and status associated with the central field position are likely to experience more severe punishment for their transgressions than peripheral peers. In a case of imposition of stakeholder demands in China, local authorities attempted to “catalyze change in the pharmaceuticals market” where bribery was “widespread,” and which involved a crackdown on GlaxoSmithKline's (GSK) subsidiary. In response, GSK introduced the toughest internal regulations on the market, hoping that the industry would follow. The change did not spread to the rest of the field (Financial Times, 2015). GSK was not the only corrupt company in China, but its visibility and size made it a target for state intervention. Similarly, companies like Coca Cola were the target of the Indian government's changing policies regarding equity structure by foreign MNEs, as well as their visibility in the domestic market made them more liable to experience detrimental effects of the policy changes. In this particular case,

though Coca Cola decided to exit the market, other foreign firms decided to stay in the Indian market and chose to either dilute their ownership or reduce presence in this market (Gopinath & Prasad, 2013).

The central position, over time, may also come with the risk of obsolescing legitimacy, whereby MNEs experience a “gradual loss of legitimacy before the local society resulting from the identification of this firm with a previous social and/or political regime ... perceived as illegitimate or archaic” (Bucheli & Kim, 2012, p. 849). Politically-connected Turkish MNEs in Libya experienced a legitimacy loss when the Qadhafi regime, which controlled “nearly every contract” in the industry, was overthrown in the 2011 Arab Spring (Darendeli & Hill, 2016). Similarly, Bucheli and Kim (2012) discuss the case of United Fruit Company’s obsolescing legitimacy across multiple Central American countries as a result of its tight political connections becoming a liability in the aftermath of coups or unfavorable election outcomes. Likewise, British firms faced protests in newly decolonized India (Lubinski & Wahdhwani, 2020). Meanwhile, trade spats between Japan and South Korea rooted in issues of World War II reparations bear risks for Japanese MNEs in South Korea. The South Korean government promotes decreased reliance on Japanese producers by advocating—and supporting—local companies to wrestle a greater market share away specifically from Japanese manufacturers in supplying domestic chip-making giants such as Samsung (Financial Times, 2019b).

In sum, externally-induced changes reduce previously central actors’ scope for institutional strategies in EMs by diminishing their symbolic resources (legitimacy and status) and ultimately reducing the value of their other resources (e.g., tangible, technology, etc.) to field constituents. As a result, in the face of legitimacy loss, central firms might, at least temporarily, face challenges in leveraging or building their relationships with stakeholders. The case of Finland’s Botnia’s pulp mill in Latin America (Joutsenvirta & Vaara, 2009) shows that the loss of legitimacy driven by external stakeholders (Argentinian NGOs, the State, politicians, activists, and the media) was not reversible. As a result of ongoing legal and political battles, the company had to reduce its investment and sell the plant to another forest industry group whilst attempting to build a dialogue with residents and NGOs (Skippari & Pajunen, 2010). Elsewhere, pressures from global NGOs forced Samsung to cancel its involvement in the already approved global projects, such as the Vung Ang 2 coal plant in Vietnam, and to focus on completing only the existing projects. The consolidated position of the interest groups held that “coal undermines Samsung’s reputation as an innovative leader in sustainability at a time of global transition and decarbonization” (Chen, 2020).

With diminishing legitimacy, MNEs on this trajectory to the periphery of the field will likely invest in enhancing

their social fitness through socio-cultural projects at the expense of building institutional or physical infrastructure that would otherwise benefit them. This follows organization theory, where focusing on survival under legitimacy threat causes actors to follow safe, conformity-driven strategies to maintain field membership (Moliterno *et al.*, 2014). In an earlier illustration, GSK enhanced self-regulation, although its attempts at normative infrastructure-building in China failed. United Fruits announced extensive social programs in Latin America to position itself as “the most socially conscious” American company in the region (Bucheli, 2008, p. 448). In Vietnam, Samsung saw benefits of engaging in public education projects in the local Nga My community, even as the decision not to continue mining coal at the Vung Ang 2 plant was reached, centered on employability under the changing economic environment (Samsung C&T, 2020). Decreasing local legitimacy will likely limit MNEs’ local relational strategies. Instead, they may fall back on fostering internal legitimacy and relationships with other intra-MNE actors who may provide strategic advice or knowledge based on prior experience.

For the conditions of obsolescing MNEs’ legitimacy in the host organizational field and increased local scrutiny, we propose that such MNEs would favor internal isomorphism:

Proposition 3a. On a trajectory from the center to the field periphery in EMs due to effects of external changes and prizing internal legitimacy, MNEs will tend to prioritize socio-cultural bridging at the expense of infrastructure-building, and their local relational strategies will be limited in scope, instead re-focusing on the intra-MNE network.

From periphery to center

In an alternative scenario, MNEs can benefit from an institutional change in the host country despite not being directly involved in orchestrating it. First, organization theory scholars observed the phenomenon of “unearned status gain” resulting from external change or action, which refers to actors’ “unexpected and unsolicited increase in relative standing, prestige, or worth attained not through individual effort or achievement but from a shift” in characteristics valued from status-conferring audiences (Neeley & Dumas, 2016, p. 14). As a result, companies can “work with the fluidity in a field to bring about the change they desire,” using changes in the institutional context “to create new opportunities for themselves” (Wild *et al.*, 2020, p. 369).

We have argued that institutional change in EMs often comes with a changing balance of power and loss of status among central actors, but it can also benefit peripheral firms through a post-transition status gain, enabling their advancement towards the center. In China,

in the aftermath of the so-called “melamine scanda,” foreign baby milk formula producers suddenly found themselves perceived as more trustworthy than the traditionally strong performing, government-backed domestic companies (Moon, 2020). Here, social desirability criteria changed so that foreignness unexpectedly became a desirable organizational—and product—feature associated with trustworthiness. Coca Cola underwent a rapid revival in the Indian market in the 1990s with domestic liberalization as well as the affable response from the domestic consumers and policymakers. As a result of gaining an increasingly central field position, the company was able to rapidly build a domestic presence as well as compete with other domestic and foreign brands (Dana, 2000).

Second, the transition from the field periphery to the center can be driven by the changing conditions that privilege MNEs due to their (superior) capabilities and thus heighten the legitimacy of their practices. For instance, Child and Tsai (2005) describe the formation of the environmental protection system field in China. The government-initiated process involved multiple actors, including NGOs, the media, and MNEs, brought on board “by virtue of the technical expertise offered to governmental agencies and the standards transferred from MNEs in developed economies” (Child & Tsai, 2005, p. 1023). Here, some MNEs benefitted from the state’s role as an institutional entrepreneur and were able to become “involved in the ‘relational framework’ ... of institutional development through joining advisory bodies or working parties and assisting regulatory agencies with relevant research” (Child & Tsai, 2005, p. 1024). Notably, it was not the effort of MNEs themselves that changed their position—they indeed became “field makers” in the area of environmental protection on the state’s terms. Tesla benefited from a change in legislation that no longer requires MNEs to create a joint venture with a local partner, a US\$1.6 bn funding from Chinese banks, as well as the “record-fast approvals by the government” to ensure the location of the company’s facility in China. Based on these factors, Tesla was propelled to the center of the field with its market share growth from a mere 6% to 21% of the entire electric vehicle (EV) market in less than 12 months (Nikkei Asian Review, 2020a).

Under these scenarios, MNEs’ market commitment (i.e., physical or technological infrastructure investment) will be perceived as a necessity to expand local corporate interests. MNEs will prioritize infrastructure-building strategies, particularly in the area of norms and regulations, but may also implement physical infrastructural projects, specific to their capabilities and local demands, more so than socio-cultural bridging. In China, Tesla invested into the physical infrastructure through the construction of its giga-factory 3 in Shanghai in 2018, already localized 30% of its supply chain locally to support Chinese suppliers, and is actively benefiting Chinese

domestic EV manufacturers by way of spill-over effects (Gessner, 2020). In these scenarios, MNEs direct relationship-building toward local and corporate (i.e., intra-MNE) actors, leveraging company-specific resources, such as technology and experience, to pursue MNE interests on local terms (Narayan & Fahey 2005). Gradually, intra-MNE relationships and therefore, internal isomorphism may become deprioritized as a strategy as global resources and knowledge undergo local adaptation to enhance MNE legitimacy in the host country. Uniquely to this market, Tesla has retrospectively fitted all China-sold vehicle with the new charging technology in order to comply with China’s State Grid’s GB standard and to enable the motorists to plug into existing charging stations in the country run by other operators (Nikkei Asian Review, 2020b).

Building upon the arguments regarding MNEs’ ‘unearned’ status and legitimacy gains, which would favor external isomorphism, we propose that:

Proposition 3b. On a trajectory from the periphery to the field center in EMs due to effects of external changes and the need to amplify external legitimacy, MNEs will tend to prioritize infrastructure-building over socio-cultural bridging strategies, and their relationship-building strategies will be oriented toward central local actors and gradually less towards global (intra-MNE) actors.

Endogenously-driven intermediate repositioning trajectories

MNE transition in fields driven by the pursuit of corporate strategies can similarly take two forms: from central to peripheral and from peripheral to central field positions. Both trajectories constitute proactive strategic responses to environmental changes, based on managerial perceptions of the resulting opportunities or risks.

From center to periphery

We have argued that occupying a central position may be associated with limited MNE influence over local institutions. Li *et al.* (2008) show a curvilinear relationship between local embeddedness and performance for MNEs in China, emphasizing that strong isomorphic pressures of local over-embeddedness may negatively affect subsidiary competitiveness *vis-à-vis* other (including domestic) firms. To avoid such constraints, MNEs may choose to reposition from field center to periphery to gain greater “institutional freedom” (Kostova *et al.*, 2008). This argument is consistent with Dunning and Lundan’s (2008) classification of efficiency-seeking behavior by MNEs in host markets.

Centrally-positioned MNEs may experience negative effects of dominant local prescriptions, such as

corruption or other poor governance practices still prevalent in many EMs (Zhao *et al.*, 2014) or increased geo-political risks (Schnyder & Sallai, 2020). Institutional scholars note that adopting the tactics of “shying away” from unwanted attention allows organizations to avoid the scrutiny of dominant actors (Sgourev, 2013). MNEs can, for instance, limit their visibility by reducing commitment and project profiles in host markets (Meyer & Thein, 2014). MNEs may also engage in strategic self-marginalization (Edman, 2016), for instance, by strategically adopting locally deviant practices (Shi & Hoskisson, 2012), to escape pressures to engage in HQ-discouraged practices (Spencer & Gomez, 2011), or as a sign of voluntarily embracing the corporate logic (Christmann & Taylor, 2001). The example of BP in Russia demonstrates the company’s greater global focus on renewables and the move to reduce its market share in Russia despite local pressures to maintain existing levels of investment and technology transfer into this market: “BP, which holds a 20 percent stake in Rosneft as a legacy of its investments in Russia, has said it will produce less oil and gas in the future and only invest in the highest returning projects” (Financial Times, 2019a).

Alternatively, as local competitors strengthen (Luo, 2007), MNEs may strategically choose to refocus their operations in the country toward niche positions where they can leverage global competencies. Edman (2016, p. 82) discusses such withdrawals, which “may take the form of a complete exit of the field, or it may be limited to a repositioning, to focus on other sub-segments of the field.” For example, in the Russian retail banking industry, local state-owned and private banks emerged as dominant players due to a roll-out of new products, greater use of technology but also favorable reforms in the sector. Foreign banks, such as HSBC or Barclays, were forced to retreat into the investment banking sector where they could use their global experience and brands to benefit from relationships with multinational clients (Financial Times, 2011). Walmart, for example, reduced its presence in the Brazilian part by selling 80% of its stake in the local business (Bhattacharya & Michael, 2008).

Repositioning from the center to the periphery may also require MNEs to refocus their relational strategies. Organization theory posits that companies dynamically evaluate their stakeholders’ salience and legitimacy (Mitchell *et al.*, 1997) and sever ties with those actors who suffer a legitimacy loss (Jonsson *et al.*, 2009). MNEs might, therefore, de-prioritize ties with actors deemed as lacking legitimacy in the eyes of management and/or advocating unwanted practices. Instead, they will direct relationship-building towards other peripheral actors to justify self-marginalization, increasing integrating HQ-mandated practices, gradually reducing their reliance on central field actors to avoid their retaliation. For example, Meyer and Thein (2014) show that with their home countries imposing sanctions on Myanmar, western

MNEs pursued a “low-profile” strategy in the country, limiting project commitment and relationships to only “critical” stakeholders.

While deliberately de-prioritizing local status, MNEs will likely abstain from making significant infrastructural investments, which would either be unappreciated by field constituents or clash with corporate objectives. Siegel *et al.* (2019, p. 24) find that although weakly locally embedded MNEs saw value in hiring female talent in South Korea, with limited local traction and “counter-reaction from many regulators, customers, business partners, and/or male employees,” these practices remained deviations from the norm. When France’s Alcatel attempted to improve Myanmar’s telecom infrastructure at the time when the country was under the scrutiny of the company’s domestic stakeholders, this effort undermined the MNE’s global legitimacy (Meyer & Thein, 2014). In line with our arguments on the peripheral position, we expect this endogenously-driven transition to entail selectively attending to socio-cultural bridging to maintain the license to operate and addressing sociocultural issues directly related to MNEs’ local operations.

In view of deliberate self-marginalization and de-prioritization of local status—hence, diminishing the emphasis on external isomorphism—and a focus on maintaining and enhancing internal legitimacy by MNEs, we propose that

Proposition 3c. On trajectory from the center to the field periphery in EMs as part of an intended organizational strategy that prioritizes internal legitimacy, MNEs will tend to leverage local relationships with legitimate peripheral or niche actors, will de-prioritize local infrastructure-building, and will only selectively attend to the socio-cultural bridging.

From periphery to center

Organizations can also attempt to enhance their status (Boyle & Shapira, 2012). According to Sgourev (2013, p. 1612), the “advancement from the periphery to the core is aided by the collective action of assembling resources, building coalitions” and “developing institutional infrastructures.” Accordingly, we propose that this trajectory can be driven by MNEs’ increased motivation to improve their local status, especially by seizing opportunities offered by changing institutional conditions—liberalization, the introduction of pro-FDI reforms, and favorable shifts in local practices (Rao-Nicholson & Salaber, 2016) or even, conversely, increased nationalism and political risks. MNEs will be more compelled to gain local legitimacy through participation and compliance. Such strategic isomorphism (Deephouse, 1996) has been linked to “favorable perception” and “formal endorsement by regulatory agencies” (Doh *et al.*, 2010, p. 1464).

As repositioning from the field periphery to the center requires accumulating significant symbolic and physical resources, MNEs will be motivated to invest heavily in infrastructure and socio-cultural bridging to support their intended strategy (Narayanan & Fahey, 2005). They must create demand for such investments by building local relationships. Yet, accessing central actors from a position of limited visibility is challenging. Some of the relational strategies for these MNEs may involve building local alliances (Boisot & Child, 1996), participating in industrial associations to collectively promote subsidiary interests (Zhang *et al.*, 2016), choosing to locate in industry clusters where MNEs can develop linkages with local firms (Birkinshaw & Hood, 2000) or NGOs (Marano & Tashman, 2012). These efforts could enable peripheral MNEs to enhance their position and move closer to the field center by accumulating symbolic resources such as status and visibility. In return for improved social position, they can provide local actors with valuable resources, expertise, and know-how (Narayanan & Fahey, 2005), which can lead to field-wide diffusion of MNE practices. For instance, a small French pharmaceutical manufacturer Servier became the 5th biggest market player in Russia by setting up the International Centre for Therapeutic Research in 1999 and opening a local manufacturing facility in 2007. Technology transfer and physical infrastructure-building (insulin producing plant) reinforced Servier's strategy through alignment with the Russian government's healthcare programs, for example, Pharma 2020, aimed at encouraging foreign pharmaceutical MNEs to become 'domiciled' in Russia and supply modern, effective medicines for its lagging healthcare system. In doing so, Servier fostered working relationships with the Ministry of Economic Development and Trade, which it now leverages to promote its interests among other bureaucratic units within the Russian government (Jacob, 2017). In China, Microsoft was able to advance its position since the initial investment in 1992 by helping to develop the country's IT infrastructure, which in turn enabled it to form closer links with the state actors (Bass & Banjo, 2020). Microsoft's experience in China also suggests that firms can use local alliances and acquisitions to boost institutional strategies. Its infrastructure-building (and indirectly, relational) strategy efforts were further enabled by a tripartite venture with Tata Consultancy Services China and Chinese software parks, aimed at developing and unfurling banking applications for local governments (Khanna, 2007).

In another example from Russia, Remondis, a waste management company, successfully developed alliances with local actors, including German business associations and sympathetic bureaucrats, as well as securing the endorsement of Greenpeace Russia, to enable it to overcome the initial skepticism faced by the company in Mordovia, a Russian region where the company is based. Remondis educated local residents, including schoolchildren, to change environmental norms and

secure acceptance for its business model (Stolica, 2015). In Pakistan, HSBC partnered with Islamic Relief to offer Islamic microfinance in the country. This move helped to make the bank more mainstream as it recognized local needs and requirements (Dahan *et al.*, 2010).

Institutional transitions create uncertainty but can also reduce isomorphic pressures by creating multiple norms in host country fields (Newman, 2000). This creates opportunities for peripheral actors to improve their position by advancing the legitimacy of their practices. For example, Oriflame of Sweden and British Avon entered Russia in the early stages of market transition, but gaining a foothold was not easy. The direct sales mode was new to Russia, so Oriflame engaged in innovative socio-cultural bridging strategies. It recruited men and became the first direct sales company in the country to use TV advertising, even sponsoring a popular soap opera with a door-to-door cosmetics saleswoman as one of the main characters. Avon was the first direct sales MNE to build a local manufacturing plant in Russia. Together they co-founded the Russian Direct Sales Association (RDSA), aimed at popularizing direct sales in Russia (RDSA, 2018). That both companies succeeded in becoming central actors is reflected in the wide acceptance of direct sales as a legitimate practice and successful engagement of the media as a critical stakeholder. Direct sales companies are now thriving in Russia (Jones, 2010; Financial Times, 2012).

For MNEs seeking to acquire greater local legitimacy and status in the host market, which favor local external isomorphism, we propose:

Proposition 3d. On trajectory from the periphery to the field center in EMs as part of an intended organizational strategy that prizes external legitimacy, MNE subsidiaries will tend to use symbolic and tangible resources to indirectly foster stronger relationships with local central actors and pursue both infrastructure-building and socio-cultural bridging.

DISCUSSION

We set out to establish the importance of organizational field positions for developed-market MNEs' ability to manage their institutional contexts, specifically in turbulent EMs. IB scholars have acknowledged that MNEs have a variety of response strategies to institutional conditions, ranging from more passive adaptation to proactive shaping of the institutional environment to overcome its constraints (Marquis & Raynard, 2015; Doh *et al.*, 2017). We propose that this strategic advantage of multinationality (Regnér & Edman, 2014) can be tempered by MNE field position, which dictates the choice and scope of institutional strategies available to MNEs.

By integrating arguments from IB and organization theory, we argue that these strategies are not equally available to all MNEs, nor do they uniformly lead to firms achieving their desired outcomes in the host market. In EMs, firms are faced with HQ performance expectations and local stakeholder pressures to contribute to the local institutional development (Ramamurti, 2001).

We propose that by deploying configurations of institutional strategies inappropriate for their field positions, MNEs will not benefit from either over- or under-commitment to the host market. When losing or willfully sacrificing local legitimacy (e.g., Propositions 2, 3c), MNEs are unlikely to benefit from investing in various types of infrastructure in host markets, as these efforts are likely to be challenged or underappreciated by the local stakeholders. Such strategies place a greater focus on intra-MNE and a limited local relationship-building. Meanwhile, MNEs need to carefully manage local relationships to maintain their license to operate as well as making substantial financial and resource commitment, to improve local legitimacy and status in host markets (e.g., Propositions 1, 3b, 3d). Table 1 summarizes our theoretical arguments by explicating the relationship between field positions and configurations of MNE institutional strategies in EMs.

Our conceptual model and propositions are summarized in Figure 1. Propositions 1 and 2 are associated with static positions of MNEs A and B at the center and periphery of the organizational field. Exogenously-induced trajectories are represented by dotted-line arrows (Propositions 3a and 3b), whereas solid line arrows between central and peripheral positions represent MNEs' transition to the center and periphery driven by intended strategy (Propositions 3c and 3d).

Theoretical contributions

By advancing the concept of organizational field and field positions for MNEs, we respond to the call by Phillips and Tracey (2009, p. 170) for IB researchers to "take the concept much more seriously" and to redefine fields as spaces based around MNE activities. In doing so, we make three theoretical contributions, two of which extend the application of institutional theory in IB, and the third advances the understanding of organizational fields by leveraging the MNE context.

First, we extend the work on institutional strategies in emerging markets (Marquis & Raynard, 2015; Phillips & Tracey, 2009) by relating them to static and more critically, dynamic MNE organizational field positions.

Our primary contribution lies in offering a dynamic nuance to the previously largely static view of MNE organizational field positions and the associated assumption of field structural stability in IB (Edman, 2016; Faulconbridge & Muzio, 2016). Through an organizational field lens, we argue that MNEs can find themselves

in particular field positions as a result of exogenous forces, but also through purposeful work driven by strategic managerial intent. Maintaining a specific position, or repositioning in fields, therefore, involves strategizing, struggle, negotiation, and dynamic trade-offs between local and global interests. Our analysis suggests that position maintenance is resource-intensive—and occasionally not a viable option. Further, MNEs are embedded in networks of stakeholder relations, which they can strategically prioritize as they strive to change their positions. Changing relationships with powerful local stakeholders (e.g., Meschi, 2005) or engaging with peripheral actors will likely have consequences for the firm itself and the structure of the rest of the field (Phillips & Tracey, 2009). Our dynamic perspective on MNE field positions also cautions against the implicit assumption of otherwise resource-rich MNEs' ability to achieve long-term centrality in EMs (Lecraw, 1984; Frynas *et al.*, 2006) by showing how powerful stakeholders, such as governments and state-owned enterprises, may enforce rules and regulations curtailing any opportunities for MNEs to advance toward a central field position. This can effectively curtail the MNEs' possibility to deploy their otherwise preferable institutional strategies. The centrality of MNEs in EM is therefore fragile, whereby corporate wrongdoings or other legitimacy-reducing events can initiate irreversible repositioning trajectory towards the periphery (Gifford & Kestler, 2008; Liu *et al.*, 2019). In sum, by viewing MNEs' field positions as dynamic, we can conceive of fields as interactive and inhabited spaces (Zietsma *et al.*, 2017).

Second, our framework offers a way forward for scholars to understand how MNEs can leverage their institutionally-shaped resources and advantages (Martin, 2014; Regnér & Edman, 2014) to gain or strengthen their foothold in a particular market, or in order to overcome legitimacy challenges. Previous work in IB has acknowledged that ongoing institutional volatility in EMs has varied implications for MNE strategy (Xu *et al.*, 2018; Luo *et al.*, 2019; Stevens & Newenham-Kahindi, 2021). Well established in the literature are such MNE risk mitigation strategies in response to EM turbulence as changes in host country commitments and operational strategies, including enhancement of structural integration (Feinberg & Gupta, 2009). Yet, scholars have also begun to acknowledge that MNEs capitalize on opportunities offered by institutional shifts through responding to the changing conditions proactively to enhance their reputation, build relations with powerful local stakeholders or contributing to local institutional development strengthen local operations (Bucheli *et al.*, 2019; Lubinski & Wadhvani, 2020). We extend these conversations by systematically linking institutional strategies to MNE resources and external and internal isomorphic demands associated with organizational field positions.

Lastly, by using MNEs as a research context (Roth & Kostova, 2003; Pant & Ramachandran, 2017),

TABLE 1 Summary of key arguments

Configurations of institutional strategies in EMs: types of institutional strategies and their relative strengths in support of field positions						
Field position	Impetus for field repositioning in EMs	Type of legitimacy sought in EMs	Infrastructure-building strategies	Socio-cultural bridging strategies	Relational strategies	Key arguments
Center	N/A	External	In support of relational strategies (++)	In support of relational strategies (++)	Prioritizing and fostering relationships with local central actors (++++)	<ul style="list-style-type: none"> Stakeholder scrutiny that comes with over-embeddedness and visibility explains the need for maintaining strong local legitimacy and status. MNEs prioritize and build relationships with highly legitimate local actors (e.g., State, SOEs, NGOs). MNEs conform to prevalent local institutions and pursue extensive market commitment strategies.
Periphery	N/A	Internal	Weak (+)	Selective, to bridge institutional distance (++++)	Prioritizing relationships with local peripheral actors alongside intra-MNE relationships (++)	<ul style="list-style-type: none"> 'Cultivating foreignness' and 'niche-seeking' are explained by the corporate integration pressures or perception of superiority of proprietary practices. No strong local legitimacy or status sought - 'flying under the radar'. MNEs avoid local industrial networks and build relationships with non-central actors to reach central local actors if required. MNEs undertake symbolic (baseline) compliance and pursue low-commitment strategies.
Intermediate repositioning trajectory: center to periphery	External	Internal	Weak (+)	To improve social fitness (++++)	Limited scope for fostering local relationships (+); prioritizing and fostering intra-MNE relationships (++++)	<ul style="list-style-type: none"> Obsolescing local legitimacy are explained by strengthened local competition, 'liability of status' or own corporate transgressions explains the need for MNEs to remedy their social fitness. MNEs become limited in building relationships with local actors and re-focus on intra-MNE relationships for guidance. MNEs are guided by conformity with prevalent local institutions and follow safe (low commitment) strategies.

(Continues)

TABLE 1 (Continued)

Field position	Configurations of institutional strategies in EMs: types of institutional strategies and their relative strengths in support of field positions				Key arguments
	Impetus for field repositioning in EMs	Type of legitimacy sought in EMs	Infrastructure-building strategies	Socio-cultural bridging strategies	
Intermediate repositioning trajectory: periphery to center	External	External	Aligned with local demands (++++)	Weak (+)	<p>Prioritizing and fostering relationships with central local actors (+++); de-prioritizing intra-MNE relationships (+)</p> <ul style="list-style-type: none"> • 'Unearned status gains' and legitimacy gains are explained by the increasing usefulness of corporate practices and capabilities to central local actors (e.g., State, NGOs). • MNEs build relationships with local actors and gradually de-prioritize internal ties as they become more central in host markets. • MNEs become a part of the wider-initiated institutional change and pursue rapidly committing strategies to extend their legitimacy gains.
Intermediate repositioning trajectory: center to periphery	Internal	Internal	Weak (+)	Yes, selective (++)	<p>Building relationships with peripheral/niche local actors (++++)</p> <ul style="list-style-type: none"> • Negative effects of over-embeddedness explain why MNEs forgo local legitimacy and status to preserve intra-MNE legitimacy. • MNEs prioritize self-marginalization by reducing relationships with dominant local actors advocating undesired practices; To delimit retaliation for this uncoupling, MNEs foster relationships with local peripheral/niche actors. • MNEs evade local institutions and pursue low-commitment strategies.
Intermediate repositioning trajectory: periphery to center	Internal	External	Yes, extensive (++++)	Yes, extensive (++++)	<p>Indirectly building relationships with local central actors (++)</p> <ul style="list-style-type: none"> • To seize opportunities in the market, MNEs seek to acquire greater local legitimacy and status. • MNEs indirectly develop relationships with local central actors (e.g., State) by building alliances with local firms, NGOs and using media. • Strategic isomorphism guides MNEs to conform to prevalent local institutions and to pursue expanding market commitment strategies to further their legitimacy.

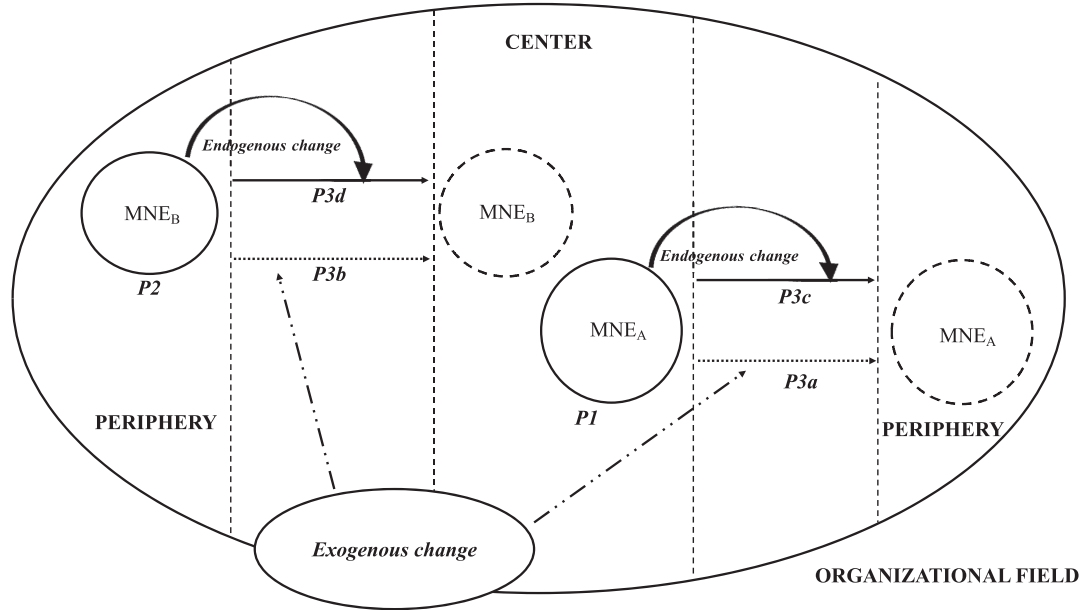


FIGURE 1 Conceptual model

we also contribute to the current debate on the field positions in organization theory. With few exceptions, scholarship on organizational field positions has not systematically addressed their dynamic nature. Recent scholarship has started to remedy this shortcoming, focusing predominantly on deliberate advancement from the periphery to the center of organizational fields (Sgourev, 2013; Wild *et al.*, 2020). These discussions have also largely overlooked intermediately-positioned organizations, often disregarded due to their tendency to conform to the prevalent institutional conventions (Durand & Kremp, 2016). Indeed, Wright and Zammuto (2013) recently proposed that intermediate actors face competition from both high-status and low-status field participants and are often interested in challenging established institutional orders, suggesting the need to challenge the static view of these actors. Leveraging the context of MNEs in EMs, we extend this debate and propose a dynamic view of the intermediate position—the intermediate repositioning trajectories—as resulting from external forces or purposeful strategizing toward institutions, yet not necessarily openly challenging the established institutional order. The context of MNEs is particularly relevant here because they are embedded in multiple institutional environments in their home and host countries (Tashman *et al.*, 2019). As such, despite facing the challenges of institutional duality and, indeed, complexity (Marano & Kostova, 2016), MNEs can also leverage internal resources and intra-MNE legitimacy for their long-term survival in turbulent settings. Although the geographical dispersion may be unique to the MNE setting, we argue that our analysis can offer insights for theorizing on the dynamic positioning of organizations

straddling multiple organizational fields, as opposed to those facing field-level pluralism (Greenwood *et al.*, 2011). Scholars have relatively recently begun examining the opportunities and challenges faced by such organizations in responding to multiple legitimating audiences (Raynard, 2016). Our analysis suggests that such actors may be able to navigate field-level change by dynamically balancing their prioritization of institutional pressures as they move between field positions.

Boundary conditions and future research agenda

Our theorizing comes with a number of boundary conditions. First, our aim in this paper was to provide an institutionally-informed perspective on MNE strategies in emerging economies, drawing on the concept of institutional strategies. Specifically, our goal was to relate such strategies to changes in MNE field positions. Some of the other strategies available to MNEs to address risks in EM settings are therefore outside of the scope of our paper. This includes, for instance, corporate mergers and acquisitions, which IB scholars have considered as one means for MNEs to gain legitimacy in host countries (Lebedev *et al.*, 2015). At the same time, post-entry acquisitions that expand MNEs' existing footprint are not without challenges (Shi *et al.*, 2012; Li *et al.*, 2017). They are still likely to be subjected to regulatory approvals and ownership restrictions, especially in strategically important industries (Erramilli, 1996; Makino & Beamish, 1998). MNEs who find their legitimacy undermined by external events or their own actions are also likely to suffer scrutiny from potential local partners (Liu

et al., 2019). We therefore treat institutional and market strategies as complementary rather than as alternatives to each other. However, future work could more scrupulously examine how ownership and institutional strategies interact, particularly in settings where MNEs face significant ownership restrictions, or when such regulations change.

Second, for clarity and parsimony in this paper, we focus on industry-based exchange fields. Future research could nuance our arguments by extending and applying them in the context of other field types, not least issue fields. This is particularly important as MNEs might be members of multiple fields in the same host country (Phillips & Tracey, 2009), which could provide additional opportunities and challenges for pursuing the types of institutional strategies we discuss in this article. This would validate the *relational* nature of field positioning, whereby movement in one field affects positioning in another one. It would be useful, for instance, to examine how MNCs simultaneously navigate repositioning within exchange and issue fields. The experience of fossil fuel companies like BP, already involved in multiple processes of debate and contestation in global issue fields of sustainability and climate change, could be particularly instructive. It would be useful how these companies might leverage issue field building by activists in emerging economies to pivot back to field center as issue field developments potentially unsettle industry norms that prioritize fossil fuel companies (e.g., Rosneft).

Third, industry and individual firm characteristics, including ownership or nationality, can add further nuance to our arguments. Foreign firms operating in EMs through joint ventures are likely to be subjected to additional legitimacy demands (Lu & Xu, 2006), but might also leverage partner resources in pursuit of institutional strategies. The industry in which a particular firm operates has a number of implications for institutional strategies, not least because it defines the nature of local competition and regulatory and normative demands that the focal MNE would face in the local market. Firms operating within the professional and financial services industries, for instance, tend to be more strongly constrained by industry norms and codes of conduct that are highly specific to the local environment (Faulconbridge & Muzio, 2016), in contrast to novel industries, such as software development. They might also have limited access to infrastructure-building strategies compared to firms operating in heavy industry, manufacturing and other industries of strategic priority to EM governments who possess the relevant resources to tackle relevant challenges in these settings. Sometimes, aligned political ideologies and economic policies between home and host countries can propel certain MNEs into a central position in EMs, such as Soviet firms in Cuba, while displacing other MNEs from the central position (Fagen, 1978). To that effect,

the formalization of diplomatic relations between the Soviet Union and Cuba and the signing of the Soviet-Cuba trade agreement, led to a requirement that US-owned oil refineries in Cuba process the Soviet oil. On failing to comply with this requirement, these US-owned refineries were seized by the Cuban government. Exit from the country may therefore signal a failure of MNEs to deploy the institutional strategies to secure both legitimacy and the favorable FDI conditions in host markets.

Finally, our discussion in this paper has focused on MNEs from developed markets operating in emerging economies. In future research, our arguments may need to be adopted to the circumstances EMNEs operating in developed markets, as demonstrated by the legitimacy struggles by China's Huawei and TikTok in the UK and the US (Williams, 2020), or the success of India's Infosys in securing UK government contracts (The Economic Times, 2011). This could, in turn, extend the debates on liabilities of origin faced by EMNEs as they expand into developed economies (Ramachandran & Pant, 2010).


Pursuing the agenda outlined in our paper requires methodological approaches that could capture the dynamic nature of MNEs' institutional strategies in EMs. We believe that longitudinal qualitative studies could offer the richness of data required for this analysis. We particularly advocate the use of comparative case study design (Rihoux & Ragin, 2009) to capture differences in strategies between differently positioned MNCs proposed in this paper. In doing so, scholars could leverage historical data (Lubinski & Wadhvani, 2020), which offers the possibility of tracing the outcomes of institutional strategies and their long-term consequences for the studied companies' operations. Longitudinal work is particularly necessary for developing an understanding of how local stakeholders respond to MNEs' institutional strategies. Although our dynamic framework provides some initial insights into the ongoing nature of MNE-stakeholder interactions, many questions remain open to further study, such as responses by de-prioritized stakeholders, corporate HQ, and local competitors (see e.g., Mutlu *et al.*, 2015). Lastly, qualitative comparative analysis (QCA) could tease out the role of individual organizational factors, such as ownership structure, in successful or unsuccessful MNE field repositioning (see Fortwengel, 2017).

AUTHORS' CONTRIBUTION

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