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ANALYTICAL DIMENSIONS OF INSTITUTIONS AND THEIR APPLICATIONS IN INTERNATIONAL BUSINESS STUDIES

ABSTRACT

In this paper we investigate the literature that links research investigating institutions with international business studies, identifying dimensions of analysis and areas of application. We conducted a search of the Web of Knowledge database and used the results to assemble taxonomy of International Business research that refers to institutions. We identified 714 articles and analyzed the 30 most-cited articles in depth. These 30 articles account for over 40% of all citations for the whole sample. We propose that this body of work can be classified into two dimensions - the dimensions of *formality* and *behaviour* - and we identified three major areas of application: *decision-making behaviour*, *dynamics of change*, and *political influences*. We observed that some authors employ the term institutions for a number of meanings and that this variety of meanings is liable to constrain comparative and longitudinal studies adopting institutionalist approaches. We conclude that there is a tendency for institutional perspectives and international business studies to converge in order to answer certain questions of a political nature, but without incorporating the institutionalist perspectives that have their roots in political science.

Keywords: Institutions; International Business; Strategy; International Strategy.

ANALYTICAL DIMENSIONS OF INSTITUTIONS AND THEIR APPLICATIONS IN INTERNATIONAL BUSINESS STUDIES

INTRODUCTION

This article analyzes literature that links research investigating *institutions* with *international business* (IB) studies. The objective is to elucidate which dimensions of the interrelationship have been investigated, and the types of applications for which this approach has proved useful. Mudambi and Navarra (2002) analyzed this connection some time ago and found it to be an extremely diverse subject.

The literature on strategic and institutional approaches has a very wide scope. This literature often highlights similarities and disparities between institutional approaches, challenging researchers to understand why and how management studies approaches these fields (Suchman, 1995). The phenomena of globalization and emergence of a variety of different institutional environments present a challenge to managers' international strategies. Paradoxically, it is "institutions that represent the major immobile factor in globalized markets" (Mudambi & Navarra, 2002, p.636) while the markets themselves are constantly changing (Peng, 2003). The problem for theory is that it is not clear in which situations the institutional approach has been useful for expanding theory, since researchers working in the fields of economics, sociology and politics have different conceptions of the institutional environment (Mudambi & Navarra, 2002).

In a bid to shed light on this interconnection of meanings, we conducted research using the Web of Knowledge website to assemble a list of the taxonomies most commonly employed by researchers in IB when they refer to institutions. Although our research includes some aspects of a bibliometric study, this is not our primary objective. We have attempted to

conceive of how we could extend research taking this approach, since there is no going back to studying IB without taking institutional considerations into account.

We believe this research will prove useful for a number of reasons. We aim to establish some analytical criteria for future research that approaches the international insertion of organizations from an institutional angle. Although the volume of articles covering the subject highlights the importance of the connection between institutional approaches and international business, the approach that many researchers take to the subject is nebulous and lacks definition. Our findings should have applications in empirical research and implications for theoretical research. In the first case, the taxonomies we have identified could be of help for defining analysis categories for use in future empirical studies; while our suggestion for theoretical research is that a greater understanding of political influences could be achieved by applying the political sciences branch of neo-institutionalism.

In the next section, we present a concise review of the theory in order to depict how institutional approaches have served to expand IB studies. In the third section, we describe the procedures we employed to achieve our objectives. The fourth section presents an analysis of the 28 most-cited articles focused on two aspects: dimensions and applications. The article closes with final considerations and a discussion of the study's limitations and avenues for future research.

2 INSTITUTIONAL APPROACHES & INTERNATIONAL BUSINESS

As a conceptual construct, institutions have only become an element of interest to IB studies in the last two decades. Up to the 1980s, IB studies were heavily influenced by neoclassical economic theory, based on equilibrium of economic factors, such as prices and outcomes (Mudambi & Navarra, 2002). Recent studies have begun to consider the connections between institutions and international business in depth. For example, Deng and Yang (2014) investigated the level of cross-border mergers and acquisitions by emerging

market firms both in developed and developing markets. Sun, Peng, Lee, and Tan (2014), observed in emerging economies how institutional environments in firms' home countries influence them to internationalise by exporting. In this section, we trace the path that institutionalism followed before it was definitively introduced into IB studies.

2.1 Institutional Theory

The institutionalist perspective has been recognized as a useful approach for analyzing organizations. Institutionalism is an advance on contingency theory, not only because it predicts the interaction between organizations and the environment for obtaining resources but also because it offers an explanation. Institutionalism offers an explanation of how social legitimation of the structure and the institutional processes take place (DiMaggio, Powell, 1983; Scott, 2001).

2.1.1 The economic approach to institutional theory

Institutional theory based on an economic perspective has a long history, going back to at least 1899 with work by Veblen (2008), who was later followed by Commons (1934) and Mitchell (1914). "Institutional Theory" describes a field of research that aims to understand the relationship between business and society.

For North (1990) the institutions are the rules of the game. Some rules are clearly defined, like laws, contracts and formal agreements, whereas others are informal regulations that influence the environment. These tacit elements are subjective and concern social, behavioural and cultural issues. Scott (1995:33) defined institutions as "cultural-cognitive, normative and regulative elements that, together with associated activities and resources, provide stability and meaning to social life". Scott (1995) states that *cultural-cognitive* elements are beliefs and values that are taken for granted by people and organizations that share a context. *Normative* elements are rules that are accepted informally, including

professional conduct and organizational practices. *Regulative* elements are laws, agreements, and other formally-defined regulations.

2.1.2 The sociological approach to institutional theory

Sociological institutionalists have received greater attention within management studies. These researchers focus on the interdependence of individuals and their institutional behaviour (Parsons, 1967), the self (Mead 1934), and social structure (Berger & Luckmann, 1967). This approach dates back to the late nineteenth century and early twentieth century with Émile Durkheim (Durkheim, 1915) and Max Weber (Weber, 1904, 1978).

2.1.3 The political approach to institutional theory

In the field of political science, institutional theory began in America, during the last decades of the nineteenth century and the beginning of the twentieth. Its most important exponents were JW Burgess (Burgess, 1891), Woodrow Wilson (Pestritto, 2005) and WW Willoughby (Willoughby & Willoughby, 2004). It focussed on the legal systems and formal administrative structures formulated by government institutions to demonstrate the normative principles of institutions, mainly in a positivist manner, rather than in order to test propositions.

Studies by DiMaggio and Powell (1983) and Meyer and Rowan (1977) can be considered landmarks of the division between institutionalism and neo-institutionalism. The transition from one to the other was driven by adoption of a sociological perspective, but the result of the shift still exhibits symmetries as well as dissonances. The original institutionalist approach and neo-institutionalism both reject organizational models based on assumptions of rationality and both highlight interactions between firms and their environments. However, institutional theory conceives of a much more restricted environment than neo-institutional theory which defines the institutional environment as an arrangement of populations of

organizations, industries, professions and government entities (DiMaggio & Powell, 1991; Greenwood & Hinings, 1996)

2.2 Neo-institutionalism

The neo-institutionalism perspective seeks to explain why organizations arise, become stable or are transformed (Fligstein, 1996), as well as how action and culture are structured in organizations (DiMaggio & Powell, 1991). Neo-institutional theory is capable of explaining patterns of organizational interaction and adaptation that develop through forms, processes, strategies, perspectives, and different skills (Selznick, 1996). Neo-institutionalists describe the process through which organizations are institutionalized (North, 1990). Neo-institutionalism assumes that the political and social environment is organized through institutions (March & Olsen, 1984). Neo-institutionalism tries to explain the impact of structures on the behaviour and economic performance of organizations (Hoskisson, Eden, Lau, & Wright, 2000; North, 1990).

2.2.1 Economic neo-institutionalism

The neo-institutionalism approach geared to economic studies - also called rational choice or New Institutional Economics - assumes that individuals shape institutions, influencing their creation, operation and context in relation to standards and rules. The greatest exponents are Williamson (1985) and North (1990). Additionally, this approach also highlights the concept of property rights, efforts to reduce transaction costs and actions of regulatory agencies (Hall & Taylor, 1996). According to North (1990), the institutional environment exists to minimize uncertainties and to generate increasing returns, establishing the standards of what is acceptable and desirable by the group, which has the objective of creating favourable conditions for carrying-out certain activities.

2.2.2 Sociological neo-institutionalism

The sociological branch of neo-institutionalism is centred on the phenomenon of isomorphism. This concept is key to understanding the theoretical stance that unites these studies, based on the tendency to conform with environmental characteristics (DiMaggio, Powell, 1983). This approach identified with the social sciences focuses on routines, cognitive frameworks, the effects of socialization, the logic of adaptation to institutional structure and rituals, symbols, myths and ceremonies. Its main representatives include Meyer and Rowan (1977), DiMaggio and Powell (1983; 1991), and Scott (1995, 2001). Managers and organizations share a sort of institutional environment. National, regional, and local spheres all involve constraints at the institutional level (Markusen, 1996). These barriers induce managers to act through similar mechanisms, replicating isomorphic changes. DiMaggio and Powell (1983) defined three types of isomorphic change: *coercive*, *mimetic* and *normative*. *Coercive isomorphism* occurs when the organization changes in response to political influences to gain legitimacy. *Mimetic isomorphism* occurs when an organization mimics other organizations that have been successful to avoid uncertainty. *Normative isomorphism* refers to similarities resulting from the influence of professions.

2.2.3 Political neo-institutionalism

Historical neo-institutionalism, from the Political Sciences, explains institutional change as the result of events and the consequences of actors and of the environment around them, drawing on the concept of path-dependence. March & Olsen (1984) and Hall (1986) have taken this approach. In political neo-institutionalism, institutions carry the historical legacy of the political and social forces that shaped them, making institutional arrangements according to their temporal trajectory (Theilen & Steinmo, 1992).

However, political neo-institutionalism itself is not a single homogenous approach. According to March & Olsen (1984) the contributions made by the political sciences to neo-institutionalism can be classified into five research streams: *contextual, reductionist,*

utilitarian, functionalist and *instrumentalist*. In the *contextual* approach, politics is seen as an integral part of society, and politicians as its representation. In a given context in which relationships are established, the influences of geography, classes, climate, language, culture, economic conditions and technological level, for example, are reflected in the politicians who in turn mirror society (March & Olsen, 1984). *Reductionist* approaches see the political phenomenon as the consequence of individual behaviours. Individuals interact, representing their own interests and individual characteristics, forming collective behaviour. *Utilitarians* see politician events as primarily the result of calculated decisions. Notwithstanding, these decisions are themselves dependent on the level of information available and on the sources chosen for this information. In *functionalist* work on the subject, the discussion is focused on the relationship between history and politics. These texts consider whether a historical sequence of choices or events affect decisions and negotiation tactics in the present, which would increase the efficiency of institutions, or could even be understood as a process of evolution. Finally, from an *instrumentalist* perspective, the role of politicians is to educate citizens and improve cultural values. This view also allows for interpretation of the examples set by politicians as inducing social behaviour (March & Olsen, 1984). By publicly supporting certain positions, politicians influence the institutional environment. (Scott, 2008)

2.3 Institution-based view

As a conceptual construct, institutions had formerly been seen as independent variables and the institution-based view offered a shift from this perspective. The institution-based view focuses on the dynamic interaction between institutional conditions and transitions and organizations. The institution-based view also takes into account the strategic choices that result from such relationships (Peng, Wang, & Jiang, 2008).

In Peng's papers up to 2003, industrial and organizational issues were given the same level of importance. It was only in 2006 (cited in Peng et al., 2008) that Peng conceived of

the idea of a strategy tripod. He identified three sets of variables that managers constantly take into account when they are defining strategic plans: industry-based competition, firm-specific resources and capabilities, and institutional conditions and transitions. Later, Peng *et al.* (2008) theorized about how such a triple-based scheme could contribute to understanding complex environments, such as emerging markets.

The role of the institutional scenario becomes decisive in the private sector of the economy, especially regarding the protection of property rights, transactions in capital markets and laws that reduce uncertainty and promote the development (Khemani, Banerjee, Duflo, Banerji, & Glennerster, 2006). By reducing uncertainty, a safe institutional environment also reduces transaction costs and eliminates information gaps related to the economy, especially in developed countries, creating stable structures that attract investors and sources of investment, fosters gains in scale, improves the performance of applied technologies and/or optimizes the flow of information for decision making (Meyer, 2001b; Mudambi & Navarra, 2002; Williamson, 1985).

Figure 1 summarizes the ways in which institutions have been studied and incorporated into strategy studies.

---------- FIGURE 1 GOES ABOUT HERE ----------

Both institutional theory and neo-institutionalism contradict organizational models based on rationalistic conceptions, highlighting interactions between firms and their environments. However, on closer analysis it becomes clear that the organizational environment conceptualized within institutional theory is very restricted in comparison to the environment considered by neo-institutional theory.

Recently, Delios (2011) enlisted institutional theory as a means for understanding how international experience can afford global strategies. Also recent is a proposal by Cantwell, Dunning, and Lundan (2010) to take a co-evolutionary approach to understanding the

international business activities of multinational enterprises and institutional environments, drawing the two areas together.

2.4 From a broad view of International Business to international strategic decisions

Traditionally, researchers in IB studies were interested in how countries utilised their advantages, such as geographical position, stage of economic development, climate and the resources they have access to (see David Ricardo's and Adam Smith's classic analyses). However, work by Hymer (1976) put IB studies on a new path and set significantly different research agenda. Hymer studied how Foreign Direct Investment (FDI) flows between countries as multinational enterprises decide how to invest.

Dunning (1980; 1988) later proposed the Eclectic Paradigm, partially built on the foundations laid by Hymer (1976) and on earlier work by Coase (1937), but expanding the object of study considerably. According to the Eclectic Paradigm, FDI investment decisions are made on the basis of a three-way comparison between *Ownership* (O), *Location* (L) and *Internalization* (I).

In parallel to the rationalist interpretation of internationalisation underlying Dunning's studies, researchers from Uppsala University developed a behavioural approach to the subject. The more they learned, the more they were able to invest in markets abroad (Johanson & Wiedersheim-Paul, 1975). Also, the fears induced by dealing with unknown environments was mitigated as they gained experience in foreign markets (Chetty, Eriksson, & Lindbergh, 2006; Eriksson & Johanson, 1997; Forsgren, 2002).

Both approaches, the rationalist and the behaviourist, recognise that internationalisation is a process of acquiring knowledge about institutional environments that contrast with those organizations encounter at home. On one hand, Cantwell et al. (2010) argue that international business activity is related to the environment, based on the Location element of the Eclectic Paradigm, stating that the "attractions of countries have increasingly come to comprise some

endogenous (local) network-specific advantages, in addition to the exogenous advantages that lie beyond any given business network" (Cantwell et al., 2010:573). This approach also considers that it is not only capabilities that multinationals may seek in host countries, since the appropriation of returns from innovation are also strongly related to the institutional environment (Dunning & Lundan, 2009).

Mike Peng proposed a tripod model (Peng, 2006, cited in Peng et al., 2008) of international business strategy. This model emphasizes an institutional-based view for understanding emerging economies. Peng *et al*. (2008:3) called for "new theoretical tools, such as what we now call the institution-based view, to capture the complex and rapidly changing relationships between organizations and environments in emerging economies".

Having demonstrated the growth in importance of the interface between institutional approaches and international business research, in the next section we describe how we conducted our research.

3 RESEARCH PROCEDURES

In order to trace the theoretical connections between work on institutions and IB studies, we searched for predefined terms on the Web of Science (2015) website, on January 29, 2015, and selected citations up to 2014. In this section, we describe the research procedures involved in data collection and categorisation. Analysis and results are presented in section 4.

The first step was to select two groups of keywords, to locate references to institutions and to work on IB respectively. For the first group (G-Inst), we selected the terms *institution** and *institutional*, from the Web of Science database topics. For the second group (G-IB), we chose four terms: *global strategy*, *entry mode*, *internationalisation* (both British and American spellings) and *international business*. We chose these terms to avoid missing relevant documents. We found 1,634 documents with publication dates up to 2014 in the Web of Knowledge databases that combined these groups of words. We only selected articles from

these initial results (rather than articles, book chapters, editorials, etc.), in order to avoid duplication of data, since some articles could have been presented in congresses before publication. This reduced the total to 1,299 articles. We then further restricted the sample to articles published in Social Sciences domains, leaving 1,173 articles. Finally, since the Web of Knowledge does not have a specific Strategy category, we selected two main areas: Business Economics (BE) and Operations Research Management Science (ORM). This cut reduced the total to 714 articles, of which just 523 had been cited at least once. The total number of citations was 10,971.

Although the Web of Knowledge contains data going back to 1945 on Business research, the earliest article we found combining G-Inst and G-IB was published in 1991. Figure 2 shows how the subject has evolved since then. In 2000, there were just 39 citations; in 2005, 181 citations; in 2010, 1,048 citations; and, by 2014, 2,086 citations.

---------- FIGURE 2 GOES ABOUT HERE ----------

Still with relation to data collection, we identified the most cited articles and chose for analysis the 30 top-cited from the list of 523 articles with at least one citation. These 30 top-cited articles had been cited from 72 to 572 times each. The first ranked paper received 5.2% of all citations and the thirtieth-ranked paper received 0.7% of total citations. The 30 top-cited articles account for just 6% of the total number of articles. Nevertheless, they received 43% of all citations. The 30 top-cited articles received 4,694 citations from the overall total of 10,971. These articles are listed in Table 1.

---------- TABLE 1 GOES ABOUT HERE ----------

During the reading process we excluded a further two articles. The first of these took international business as an example in a discussion of the problematic nature of academic ranking systems (Adler & Harzing, 2009). While the second article mentioned institutional investors and institutional owners, there was no connection to institutionalism (George,

Wiklund, & Zahra, 2005). Finally, we analyzed 28 articles in-depth, looking for dimensions and applications.

4 ANALYSIS OF THE MOST CITED ARTICLES

We organized the remaining 28 articles according to two main categories: *dimensions* and *applications*. *Dimensions* refer to how authors interpret the conceptual construct of institutions, usually based on work by DiMaggio and Powell (1983) and North (1990) and/or Scott (1995). As dimensions, we considered formal and informal mechanism subcategories, using North's categorization (North, 1990). *Applications* refer to the objectives that authors aimed to achieve and the level of analysis they researched when they chose to investigate international involvement of organizations from institutional perspectives. Once more, we took the 28 articles and observed how the authors applied institutionalist approaches. We classified applications into the subcategories *dynamics of change, decision-making behaviour,* and *political influences.* We describe the applications sub-categories in subsection 4.2.

4.1 Institutional dimension categories

We observed that there were two primary classifications being applied. The first dimension is based on North (1990), is divided into *formal mechanisms*, including rule systems and enforcement instruments sanctioned by the government, and *informal mechanisms*, such as informal constraints (customs, norms, cultures), which are frequently associated with the isomorphic changes described by DiMaggio and Powell (1983). We defined such mechanisms as belonging to a category we labelled the *Formality Dimension*.

Scott's (1995) work is the major reference for the second category; which we labelled the *Behavioural Dimension*. The Behavioural Dimension refers to the origin of the what is known as institutional behaviour, in regulative, normative, and cognitive structures that give meaning and stability to social (Scott, 1995). It is worth noting that this classification is not

intended to break groups down. As we categorised articles in terms of the dimensions discussed, it was sometimes possible to include the same article under both dimension headings. Figure 3 shows a summary, listing only those articles that referred explicitly to one of the two dimensions.

---------- FIGURE 3 GOES ABOUT HERE ----------

4.2 Institutional applications

In order to construct this categorization, we first read the articles and matched them to the institutionalist research perspectives listed in Figure 1. On the basis of this analysis, we then decided to categorize them into the following three applications: *dynamics of change*, *decision-making behaviour*, and *political influences.* The *dynamics of change* application is related to the economic branch of institutionalism, since it is linked to the strategies that managers adopt to enact or react to environmental changes. In a comprehensive sense, *decision-making behaviour* is associated with the sociological branch of institutionalism. In turn *political influences* may refer to the effects of interaction with the world of politics on the institutional environment and also, on the micro level, internal politics directed at avoiding opportunistic behaviour that could attenuate legitimacy gains.

Dynamics of change: Meyer and Peng (2005) and Peng (2003) studied institutional change and showed that sometimes it can be rapid and unpredictable, for example when regulatory frameworks are changed. The same perspective on dynamics of change also revealed that, in contrast, other changes are slow and often subjective, like a foreign cultural influence on the behaviour of a population or the emergence of local subcultures (Child & Tse, 2001; Meyer & Peng, 2005). Other applications of the perspective have shown that isomorphic changes can also occur rapidly or slowly and Davis et al. (2000) describe how isomorphic pressures may be brought to bear on a subsidiary unit by its parent organization

or vice-versa, while Harzing and Sorge (2003) have discussed the isomorphic pull exerted by terms of competition in markets and by regulation.

Decision-making behaviour: Articles dealing with decision-making behaviour have drawn attention to the influence of institutional context on decision-making. Hillman and Hitt (1999) observed how government regulations affect decision-making, provoking levels of dependence. They examined how political strategy formulation has been processed by examining the particular decisions that managers made by formulating political strategy. They have also explored firm and institutional variables that affect these decisions. According to Hillman and Hitt (1999), managers may react to regulations or try to influence them in several ways, including through lobbying pressure. On the other hand, many authors have shown that decision makers tend to take into account how institutional environments may help or restrain entry mode decisions in certain markets (Brouthers, 2002; A; Delios & Henisz, 2003b; Meyer, Estrin, Bhamik, & Peng, 2009; Meyer, 2001a; Peng, 2003).

Political influences: compared to domestic contexts, firms acting in international markets face dissimilar scenarios that involve unusual political forces and, as Rodriguez, Uhlenbruck and Ellen (2005) state, "Pervasiveness and arbitrariness of corruption can affect an MNE's organizational legitimacy and strategic decision-making". Such forces demand firms to reconfigure their plans when investing in corrupt environments (Uhlenbruck, Rodriguez, Doh, & Eden, 2006). Even legal perceptions can diverge from home-country norms and in poorly developed countries legislation may encourage or allow unlicensed commerce with primitive legal control systems and other mechanisms for selling intellectual property (Gastanaga, *et al*., 1998). In a broad sense, the political influences application is related to the political branch of neo-institutionalism. We grouped the articles for analysis purposes according to these three applications. Indeed, we found that these categories did not occur in isolation. For example, the political influences application is related to studying the strategies

that managers adopt when choosing entry modes, as mentioned in Rodriguez et al. (2005). Furthermore, environmental changes always challenge decision-makers, as stated by Peng *et al*. (2008). We have summarized these applications in Figure 4.

---------- FIGURE 4 GOES ABOUT HERE ----------

5 DISCUSSION OF RESULTS

While analysing the body of research, we noticed that some authors employ the term institutions for a number of meanings, such as for example, institutional environments, institutional behaviour, institutional rules, or even as a conceptual construct. This variety of meanings is liable to lead to incomplete interpretations of the several different institutionalist approaches. Our analysis leads us to agree with Peng (2002, 2003), Peng et al. (2008), and Peng and Pinkham (2009). The usual methods of strategy formulation – checking organizational resources and industry implications – are no longer sufficient. It is becoming essential for decision makers, particularly those involved with emerging economies, to consider the institutional environment (Peng et al., 2008).

Nevertheless, as emphasized by Scott (2008), there is a risk of referring to institutions indiscriminatingly, mixing or lacking the perspectives adopted by the seminal authors on institutionalism. The dynamic nature of the institution-based view has allowed the implications of institutionalism to be applied to strategy. For instance, there were 28 papers dealing with this connection, fifteen of which cited North (1990), nine of which mentioned DiMaggio and Powell (1983, 1991), and six of which cited both. Our research also found that applications involving political influences are often the subjects of research, but that they are usually approached from the sociological and economic perspectives. There was no mention of some seminal neo-institutional papers (e.g., Hall, 1986; March & Olsen, 1984) that could make substantial contributions to explaining some institutional phenomena.

FINAL CONSIDERATIONS

Initially, we aimed to assemble an overview of literature that considers the roles of institutions in investigations of IB, attempting to identify which dimensions of this interface have been investigated and in what types of applications they have been useful. Despite the convergence between strategic and institutional approaches to understanding symmetries and restraints mediated by organizational legitimacy (as in Suchman, 1995), we believe that there is still a vast field yet to be investigated, particularly within IB studies.

Our analysis followed two paths, dimensions, and applications. Our analysis of dimensions revealed that four seminal papers are driving most of the articles we identified. For example, DiMaggio and Powell (1983) have provided the inspiration for many articles that attempt to explain changes, particularly isomorphic changes, and the concept of the organizational field that they proposed is also mentioned a number of times in the articles reviewed. Scott (1995) is also frequently cited. His conceptualisation of institutional pillars (regulative, normative, and cognitive) has been employed as a tool for understanding the antecedents of institutional aspects influencing decision-making and strategy formulation. These two publications and the web of related publications and citations that they spawned support our proposal of a *behavioural dimension* of institutions. North (1990) was cited by the third of these papers, usually describing aspects related to the institutional environment or associated with transaction costs theory (Williamson, 1985; Williamson, 1975). North (1990) proposed analysing institutions in terms of their formal and informal aspects and is heavily cited, on which basis we grouped these articles into the *formality dimension*.

Our second analytical objective was to identify the applications of this theoretical combination. We found three predominant types of application in the 28 articles we analyzed,

which brought the institutionalist perspective to bear on problems relating to *dynamics of change, decision-making behaviour*, and/or *political influences*.

Although the highly-dispersed list of publications indicates how the study of IB in the light of institutional insights has been accepted in high-impact factor journals, our research also reveals that room remains for investigation of the three applications we have identified, particularly with reference to one crucial aspect, political influences. Political influence is a black-box for decision-makers, whether the decisions involved are formal or informal, since they have to formalize and implement strategies that will be implemented in alien markets and will be subject to uncertain and dynamic institutional environments. It is also clear that the institution-based view is the theoretical space in which to frame such investigations, but room remains to expand the framework, mainly with respect to dealing with political issues.

With particular reference to the political perspective, it was observed that space remains for advances in the institution-based view. As a rule, the phenomena investigated in international business studies are affected by political actors. By taking into consideration the theoretical approaches developed within political science (contextual, reductionist, utilitarian, functionalist and instrumentalist) along the lines recommended by March and Olsen (1984), it would be possible to ally the political perspective to the economic and sociological approaches, further strengthening the multidimensional nature of the institution-based view.

During our investigation we noted a dearth of quantitative and longitudinal studies. We hypothesise that this gap might be caused by the lack of conclusive categories derived from common sense taxonomies. As we have shown in this paper, the convergence between institutional approaches and IB studies helps to understand new scenarios. Nevertheless, there are other riddles left to be answered. One such puzzle is to determine the level of institutional influences in large countries like the BRICS, where local, regional and national institutional issues are constantly interwoven. A second question is derived from Peng's tripod, "How do

interactions between the legs of the tripod influence strategic choice?" Of course, the three legs must not be considered in isolation of each other when researching international business.

We believe that this research should contribute to theoretical and empirical studies involving the role of institutions in international strategy, without closing off avenues for further research. The 28 top-cited articles that we analyzed have not only been influencing international business studies, but the whole area of strategy studies. This is an attractive avenue for researchers of strategy and international business for the next years.

Our findings show that although the institution-based view explains how the confluence of firm-specific resources and capabilities, industrial-based competition, and institutional conditions and transitions (Peng et al., 2008) have been influencing international business, there is a tendency for institutional perspectives and international business studies to converge in order to answer certain questions of a political nature, but without incorporating the institutionalist perspective that has its roots in political science.

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	Institutionalist perspectives			
	Period of time	**Economic**	**Sociological**	**Political**
Institutional Theory	early XIX century	Thorstein Veblen John Commons Westley Mitchell	Émile Durkheim Max Weber	Woodrow Wilson
	late XIX century			J. W. Burguess WW. Willoughby
	1930-1970	Ronald Coase	G. H. Mead Philip Selznick Talcott Parsons Berger & Luckmann	
Neo -Institutional Theory	1971 to present	Oliver Williamsom Douglas North	Meyer & Rowan Zucker DiMaggio & Powell Scott	March & Olsen Hall Moe Shepsle
Institution -based view	2000 to present	Mike W. Peng Klaus E. Meyer		

Figure 1: Institutionalist Perspectives
Source: The authors

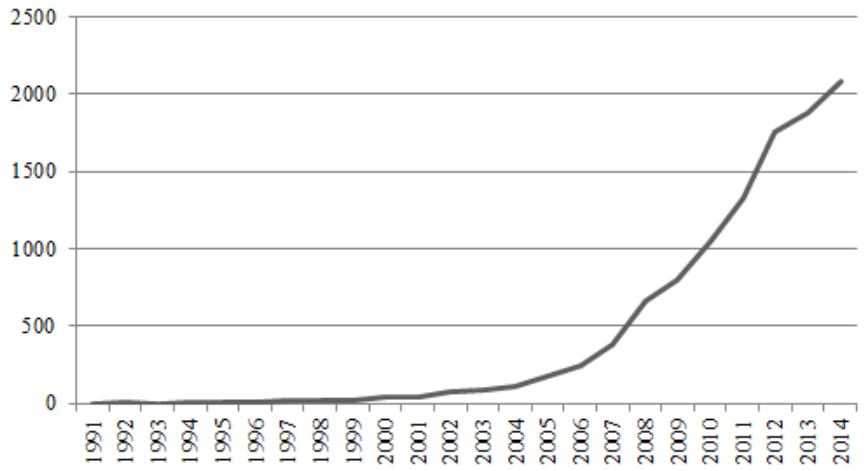

Figure 2: Evolution of citations combining G-Inst and G-IB.
Source: Constructed by the authors based on ISI of Knowledge reports (Web of Science, 2015)

Table 1: 30 top-cited articles crossing G-Inst X G-IB

Authors	year of publishi	Journal	citatio
Peng, MW	2003	ACADEMY OF MANAGEMENT REVIEW	572
Peng, Mike W.; Wang, Denis Y. L.; Jiang, Yi	2008	JOURNAL OF INTERNATIONAL BUSINESS STUDIES	328
Henisz, WJ	2000	JOURNAL OF LAW ECONOMICS & ORGANIZATION	305
Brouthers, KD	2002	JOURNAL OF INTERNATIONAL BUSINESS STUDIES	249
Hillman, AJ; Hitt, MA	1999	ACADEMY OF MANAGEMENT REVIEW	238
Meyer, Klaus E.; Estrin, Saul; Bhaumik, Sumon Kumar; Peng, Mike W.	2009	STRATEGIC MANAGEMENT JOURNAL	186
Meyer, KE	2001	JOURNAL OF INTERNATIONAL BUSINESS STUDIES	189
Meyer, KE; Peng, MW	2005	JOURNAL OF INTERNATIONAL BUSINESS STUDIES	179
Delios, A; Beamish, PW	1999	STRATEGIC MANAGEMENT JOURNAL	177
Yiu, D; Makino, S	2002	ORGANIZATION SCIENCE	170
Adler, Nancy J.; Harzing, Anne-Wil	2009	ACADEMY OF MANAGEMENT LEARNING & EDUCATION	158
Delios, A; Henisz, WJ	2003	STRATEGIC MANAGEMENT JOURNAL	155
Child, J; Tse, DK	2001	JOURNAL OF INTERNATIONAL BUSINESS STUDIES	149
Lu, JW	2002	JOURNAL OF INTERNATIONAL BUSINESS STUDIES	131
Carlsson, B	2006	RESEARCH POLICY	124
Meyer, KE; Nguyen, HV	2005	JOURNAL OF MANAGEMENT STUDIES	108
Rodriguez, P; Uhlenbruck, K; Eden, L	2005	ACADEMY OF MANAGEMENT REVIEW	108
Rui, Huaichuan; Yip, George S.	2008	JOURNAL OF WORLD BUSINESS	102
Husted, Bryan W.; Allen, David B.	2006	JOURNAL OF INTERNATIONAL BUSINESS STUDIES	104
Harzing, AW; Sorge, A	2003	ORGANIZATION STUDIES	105
Davis, PS; Desai, AB; Francis, JD	2000	JOURNAL OF INTERNATIONAL BUSINESS STUDIES	102
Tihanyi, L; Johnson, RA; Hoskisson, RE; Hitt, MA	2003	ACADEMY OF MANAGEMENT JOURNAL	101
Meyer, Klaus E.; Mudambi, Ram; Narula, Rajneesh	2011	JOURNAL OF MANAGEMENT STUDIES	94
Gastanaga, VM; Nugent, JB; Pashamova, B	1998	WORLD DEVELOPMENT	96
Delios, A; Henisz, WJ	2003	JOURNAL OF INTERNATIONAL BUSINESS STUDIES	85
Filatotchev, Igor; Strange, Roger; Piesse, Jenifer; Lien, Yung-Chih	2007	JOURNAL OF INTERNATIONAL BUSINESS STUDIES	82
Uhlenbruck, K; Rodriguez, P; Doh, J; Eden, L	2006	ORGANIZATION SCIENCE	77
George, G; Wiklund, J; Zahra, SA	2005	JOURNAL OF MANAGEMENT	76
Luo, Yadong; Xue, Qiuzhi; Han, Binjie	2010	JOURNAL OF WORLD BUSINESS	72
Cantwell, John; Dunning, John H.; Lundan, Sarianna M.	2010	JOURNAL OF INTERNATIONAL BUSINESS STUDIES	72
Total of citations:			4694

Institutional Dimensions	Taxonomies	Articles
Formality Dimension Based on North (1990) and DiMaggio and Powell (1983)	• Formal • Informal	• (Peng, 2003) • (Carlsson, 2006) • (Child & Tse, 2001) • (Peng et al., 2008) • (Davis et al., 2000) • (K. E. Meyer, 2001a) • (K. E. Meyer & Nguyen, 2005) • (K. E. Meyer, Mudambi, & Narula, 2011) • (K. E. Meyer & Peng, 2005) • (Davis et al., 2000) • (Cantwell et al., 2010) • (Rodriguez, Uhlenbruck, & Eden, 2005)
Behavioural Dimension Based on Scott (1995) and DiMaggio and Powell (1983)	• Regulative; • Normative; • Cognitive.	• (Peng, 2003) • (Peng et al., 2008) • (Child & Tse, 2001) • (Brouthers, 2002) • (Davis et al., 2000) • (K. E. Meyer & Nguyen, 2005) • (Meyer, Estrin, Bhaumik, & Peng, 2009) • (Rodriguez, Uhlenbruck, & Eden, 2005) • (Cantwell et al., 2010) • (Uhlenbruck et al., 2006)

Figure 3 – Dimensions of Institutional Approaches in International Business Studies
Source: The authors

Applications	Subjects	Authors
Dynamics of change	Institutional changes	(Peng, 2003; Meyer & Peng, 2005)
	Isomorphism pressures	(Davis et al., 2000; Harzing & Sorge, 2003
	External environment, including competitors and internal peer groups (parent units, organizational)	(Husted & Allen, 2006)
	Transaction costs	(Lu, 2002; K. E. Meyer, 2001)
	Multiple network embeddedness	(K. E. Meyer et al., 2011; Cantwell et al., 2010)
	Corporate social responsibility (CSR)	(Husted & Allen, 2006)
	Path dependence	(Peng et al., 2008)
Decision-making behavior	Level of dependence on government regulations	(Hillman & Hitt, 1999)
	Strategic choices in family firms	(Filatotchev et al., 2007)
	Domestic institutional asymmetries in host countries	(K. E. Meyer & Nguyen, 2005)
	Influence of investors	(Delios & Beamish, 1999; Tihanyi et al., 2003)
	Rational behavior in foreign acquisitions	(Rui & Yip, 2008)
	Choice of entry modes in different contexts	(Brouthers, 2002; Davis et al., 2000; A; Delios & Henisz, 2003a; Andrew Delios, 2011; K. E. . Meyer et al., 2009; K. E. Meyer, 2001; Peng, 2003)
Political influences	Accumulated experience	(Delios & Henisz, 2003a)
	Uncertainty over policy environment	(Delios & Henisz, 2003b)
	Influence of innovation systems	(Carlsson, 2006)
	Intellectual property	(Gastanaga, Nugent, & Pashamova, 1998)
	The role of corruption	(Rodriguez et al., 2005; Uhlenbruck et al., 2006)
	Participation of government during decision-making	(Luo, Xue, & Han, 2010)
	Political hazards in entry mode selection	(Henisz, 2000)

Figure 4: Applications of Institutionalism in IB

Source: Authors