Emerging Market Multinationals’ Home Non-Market Advantages and their Subsidiaries’ Strategic Responses to Institutions in a Host Emerging Country Environment

By

Khaled Fourati

Submitted in partial fulfillment of the requirements for the degree of Doctor of Business Administration at the Gordon Institute of Business Science

University of Pretoria

Supervisor: Professor Florian Becker-Ritterspach

May, 2018

In memory of my father, H Fourati

Abstract

This study examines the link between emerging market multinationals' home non-market advantages and their affiliates' strategic responses to institutions in a host emerging country. Drawing on the agency perspective in organisational institutionalism, strategic management and theories on emerging market multinationals in international business, my analysis sought to capture the actions of the studied firms in relation to institutions rather than assess the pressuring effects of structures. Based on a comparative case study of infant emerging market multinational enterprises (EMNEs), I expose the types of institutional constraints the subsidiaries faced as they sought to access resources in the product and service, labour, and capital markets, highlight the strategic responses deployed, the organisational factors explaining their actions, the mechanisms used as well as outcomes.

The findings indicate that EMNEs' subsidiaries differ in their capacity to deal with weak institutional arrangements in a host emerging market context. Their response will vary from reactive, seeking adaptation and institutional fit, to proactive, seeking influence and institutional change. I argue that this variation can be explained by the nature of their parent companies' non-market advantages rooted in proactive or reactive institutional capabilities developed as result of their experience in dealing with the institutional arrangements of their home market industry. The nature of these non-market advantages will influence the capabilities endowment of the affiliates. Building on a multidimensional view of embeddedness, I suggest that proactive strategies leverage deeper and wider social embeddedness mechanisms, while reactive strategies rely much more on corporate embeddedness mechanisms. I also propose that proactive responses secure an advantage in the host emerging market context while reactive responses enable the survival of the affiliate.

This study provides insights into the scholarly debate on EMNEs' advantages by explaining the interplay between the institutional capabilities developed at home and the strategic responses to host emerging market institutions. The findings refine earlier arguments suggesting that EMNEs have an advantage in other emerging markets. In addition, this research contributes to the agency perspective in the study of the

multinational enterprise by linking the enabling resources and capabilities, the types of embeddedness mechanisms and the nature of responses to institutions.

Acknowledgement

Gaining access to firms is probably the most daunting challenge during a qualitative enquiry. This work would not have been possible without the full engagement of respondents from the two selected companies as well as other contributors who kindly agreed to meet face to face and have graciously shared their knowledge. They were responsive in answering emails and following up with phone calls and introductions when necessary. Several friends, and friends of friends, leveraged their networks, made introductions to potential informants, and helped during fieldwork with access to housing, transport and other logistics. I would like to thank Mustapha Makli, Salah Chouaki, Mebrouk Djerba, Rim Ben Aissa, Sarra El Kassar, Ziad Oueslati, and Rafik Kanoun. I am grateful to all of them.

Special thanks to my supervisor whom I met for the first time four years ago or so in his office in Cairo to discuss what was still an idea in its embryonic stage. At that time, I was lost in the literature and unsure how I should take my research interest forward. He helped me focus and guided the journey all the way to this stage. The continuous support of the doctoral programme at GIBS made a huge difference. Its structure enables students to develop their ideas through several collaborative and knowledge-sharing sessions and offers a safe space for mutual learning and peer support. My thanks to Professor Helena Barnard for her valuable input and interest in this research. I would like also to acknowledge Vivienne Spooner, Lerushka Barath, and Mamello Ngwenya for their guidance in meeting documentation requirements and agreements.

I thank my family and friends, who have not seen much of me since I've embarked on this journey. I missed many gatherings and weekend getaways. My thanks for their patience, continuous support and encouragement.

Declaration

1. I understand what plagiarism is and am aware of the University's policy in this regard.

2. I declare that this thesis is my own original work. Where other people's work has been used (either from a printed source, Internet or any other source), this has been properly acknowledged and referenced in accordance with departmental requirements.

3. I have not used work previously produced by another student or any other person to hand in as my own.

4. I have not allowed, and will not allow, anyone to copy my work with the intention of passing it off as his or her own work.

SIGNATURE:

Khaled Fourati

Table of Contents

List of Tables

List of Figures

Chapter One: Introduction

Research Problem

The rising expansion of emerging market multinational enterprises (EMNEs) has attracted the interest of international business (IB) scholars and practitioners (Hashai & Ramamurti, 2011; Ramamurti, 2012a). Perceived as lacking the resources and capabilities to compete effectively against more mature multinational enterprises (MNEs), these firms have in many instances outmanoeuvred their competitors in other markets (Contractor, 2013; Ramamurti, 2009a). As EMNEs expand to other emerging countries, they face not only local firms but also more mature multinationals. Regardless, they are increasingly shaping competition, innovating and imposing the rules of the game in their industries (Guillén & García-Canal, 2009; Mathews, 2006).

International business scholars have advanced that EMNEs have an advantage in emerging markets given their capacity to operate in difficult institutional environments; having developed in their own home country, the non-market advantages enabling them to operate within weak and challenging institutional arrangements (Contractor, 2013; Cuervo-Cazurra, 2006; Cuervo-Cazurra & Genc, 2008; Cuervo-Cazurra & Genc, 2011; Guillén & García-Canal, 2009; Kothari, Kotabe, & Murphy, 2013; Ramamurti, 2012a). Non-market advantages include the capacity to operate in contexts where legal regimes and regulations are weak, the ability to deal with institutional constraints making access difficult to supporting resources in the labour or financial markets, the ability to deal with heavy bureaucracy, government and political risks, and the ability to manage informal business practices to serve customers and to deal with suppliers among others (Kothari & al., 2013). However, the above proposition fails to take into consideration a few factors that may influence the capacity of EMNEs to operate effectively in a host emerging country context.

First, as advanced by international business scholars, although home market institutions influence the multinational's resources and capabilities, EMNEs are not a homogeneous group and may differ when it comes to the nature of these resources and capabilities (Gammeltoft, Barnard, & Madhok, 2010; Ramamurti, 2009a). Besides, EMNEs that originate from the same home market may differ still. There may be heterogeneity in the capacity of firms to access and leverage home non-market advantages, because some may be more effective than others at dealing with and shaping the institutional context to their advantage (Ramamurti, 2012a).

Second, international business scholars that have explored the influence of institutions on the multinational enterprise, have predominantly focused on macro-level factors when in reality firms compete within an industry and may face different industry level arrangements (Regnér & Edman, 2014). This institutional difference at industry level in a country may influence the nature of EMNEs' non-market advantages.

Third, when it comes to understanding the interaction between institutions and the multinational enterprise in a host market context, international business scholarship has predominantly focused its analysis at the level of the MNE. But it is actually the subsidiary that deals with the host market environment on a daily basis (Regnér & Edman, 2014). Shifting the analysis to the behaviour of the affiliate may reveal a difference in its capacity to leverage the parent company's home based non-market advantages. For instance, some parent companies might find it difficult to export their resources and capabilities, and some subsidiaries might be challenged to tap into these and deploy them in the local environment (Geppert, Williams, & Matten, 2003). So, the capacity of the EMNE to build non-market advantages as it deals with weak institutions in its home market does not necessarily mean that its subsidiary will be able to build on the experience of its parent company to secure an advantage in a host emerging country context.

Fourth, scholarship in international business has mainly conceived institutions as constraining the actions of the multinational (F. Becker-Ritterspach, Lange, J. Becker-Ritterspach, 2017; Jackson & Deeg, 2008; Saka-Helmhout, Deeg, & Greenwood, 2016). Work that has built on institutional economics defines institutions as the rule of the game incorporating informal (culture and social norms) and formal rules (laws and regulations). According to this view, institutions, formal and informal, shape the economic activity, the interaction, and attitude of firms and social actors in general (North, 1990). In order to secure an advantage, the multinational should seek to reduce the transaction costs emanating from institutions (Gelbuda, Meyer, & Delios, 2008). Work that has built on organisational institutionalism draws on a three-pillars framework defining institutions as "cultural-cognitive, normative, and regulative elements that, together with associated activities and resources provide stability and meaning to social life" (Scott, 1995, p. 33). This perspective suggests that the institutional pillars will pressure actors towards stasis and constrain their actions within an environment. Through isomorphic behaviour, embedded actors will gain legitimacy, thus increasing their chances to access the resources they need to operate in that environment (Hotho & Pedersen, 2012). So, regardless of the perspective used, international business has predominantly built on the constraining dimensions of institutions, emphasising their effect on the behaviour and the strategic choices of the multinational, and has paid little attention to how the multinational responds to its institutional context (Jackson & Deeg, 2008; Regnér & Edman, 2014).

However, scholars in IB have started to question the emphasis on institutional pressure and influence on the firm, calling for the incorporation of an agency perspective in the study of the multinational enterprise (Cantwell, Dunning, & Lundan, 2010; Kostova, Roth, & Dacin, 2008). Agency refers to the ability of actors to engage with their institutional environment and to dissociate themselves from the constraining effects of structure (Battilana & D'Aunno, 2009). Work that has bridged strategic management and institutional theory, has suggested different forms of agency, varying from passive to more active responses, whereby actors can deploy a reactive strategy with the objective of fitting within an institutional context, to a proactive strategy with the objective to change the rules of the game (Lawrence, 1999; Oliver, 1991; Oliver & Holzinger, 2008).

Building on an agency perspective of the firm, some IB scholars have called for the incorporation of concepts such as institutional entrepreneurship to better understand how multinationals shape their institutional environment (Becker-Ritterspach et al., 2017; Kostova, Roth, & Dacin, 2009; Phillips & Tracey, 2009; Phillips, Tracey, & Karra, 2009; Ramachandran & Pant, 2010). Others have sought to understand the range of strategic responses the multinational adopts, from actions seeking to shape and influence to other forms of agency that could include adaptation or avoidance (Doh, Rodrigues, Saka-Helmhout, & Makhija, 2017; Regnér & Edman, 2014). There is nevertheless an overwhelming recognition that future work should probe the antecedents and factors enabling agency and understand the strategic institutional choices and mechanisms the MNE deploys to pursue its strategic goals (Cantwell et al., 2010; Doh et al., 2017; Regnér & Edman, 2014; Saka-Helmhout & Geppert, 2011). Though recent work has sought to understand how a home country environment influences firms' behaviour and strategic choices in a host country context (Buckley, Forsans, & Munjal, 2012; Cuervo-Cazurra & Genc, 2008; Cuervo-Cazurra & Genc, 2011; Jackson & Deeg, 2008; Morgan & Kristensen, 2006; Wright, Filatotchev, Hoskisson, & Peng, 2005), linking home-based institutionally rooted resources and capabilities to types of agency and non-market advantages in a host market context, needs further investigation.

Building on the four points outlined above, there is little understanding of how the EMNE's capacity to deal with its institutional environment in its home market translates into subsidiary agency in a host emerging market context. In addition, there is little understanding of how differences in the nature of non-market advantages of EMNEs built in their home market translate into differences in affiliates' institutional strategic response and non-market advantages in the host emerging market context.

Research Objectives

The main purpose of this study is to understand the difference in the capacity of emerging market multinationals' subsidiaries to deal with weak institutions when they operate in emerging market contexts. The study seeks to explain the type of strategic responses these affiliates put forward and the organisational factors explaining their behaviour in a host country environment. Specifically, the aim is to illustrate the way in which the resources and capabilities the parent company developed as it dealt with home market industry arrangements, influence the agentive behavior and strategic institutional responses of the affiliate. Therefore, this research provides a better appreciation of parent company home non-market advantages and subsidiary's institutional strategic actions and advantages in a host emerging market context.

Drawing on the agency perspective in organisational institutionalism, strategic management, and theories on emerging market multinationals in international business research, I argue that the capacity of EMNEs' subsidiaries to deal with weak institutional arrangements in a host emerging market environment will differ depending on the nature of the non-market advantages the parent multinational develops as it deals with home market industry institutional arrangements. The research contributes to the theoretical debate in IB on the nature of emerging market multinationals' non-market advantages, and how these translate into patterns of agentive behaviour and advantages in a host emerging market context. This work extends the agency perspective in organisational institutionalism to the study of the multinational enterprise and provides deeper insights on the capacity of emerging market multinationals to deal with the institutional conditions they face in weak institutional environments.

The following research question and sub-questions guided the enquiry:

How and why do EMNEs' subsidiaries operating in the same host emerging country differ in the way they deal with institutional arrangements in their host market industries?

What type of institutional constraints do EMNEs' subsidiaries face?

How do they respond to these constraints?

What are the organisational factors explaining their response?

What are the advantages and competitive outcomes given the subsidiaries' strategic actions?

Scope and Context of the Research

The research was carried out within two firms originating from the same home market, present in the same host market, and operating in two different industries. The institutional arrangements of the selected countries reflect those of an emerging economy undergoing institutional transition or reforms. The research setting involved firms with a first international experience.

Structure of the Thesis

The thesis is structured as follows. Chapter 1 introduces the study. Chapter 2 reviews the literature and provides definitions of relevant terms. Chapter 3 outlines the research methodology including research design, data collection and analysis methods. Chapter 4 discusses the analysis of the first case. Chapter 5 discusses the analysis of the second case. Chapter 6 compares the cases, suggests some propositions, and develops a framework explaining EMNEs' subsidiaries strategic responses in a host emerging market context and the resultant competitive outcomes. Chapters 7 and 8 discuss the findings and conclude the thesis respectively.

Chapter Two. Literature Review

Introduction

The review is structured as follows. After the introduction, the second section probes the extant literature that has discussed the characteristics of emerging market multinationals in order to better understand their advantages as they compete in emerging markets. In this thesis, emerging markets refer to developing countries in transition embracing economic liberalisation, undergoing institutional change and evolving from informal business practices to more market based formal institutions (Hoskisson, Eden, Lau, & Wright, 2000; Peng, 2003). The section highlights the influence of EMNEs' home market underdeveloped institutions on the resources and capabilities they develop and notes that international business research has explored the nature of the multinational's market advantages but has paid less attention to the nature of its non-market advantages (Cuervo-Cazurra & Genc, 2011). Besides, the literature fails to link the resources and capabilities EMNEs develop in their home market to possible differences in their capacity to manage the institutional environment and to effectively compete in another emerging market context.

Since EMNEs' advantages are institutionally imprinted (Cuervo-Cazurra & Genc, 2008; Ramamurti, 2009a, 2012b), the third section discusses how institutional theory was applied to understand the interaction between the MNE and its context. Three main bodies of literature are discussed: institutional economics, which could be considered as the dominant theoretical perspective when it comes to studying institutions in IB, the varieties of capitalism literature, and organisational institutionalism. Where applicable, the review probes specific lenses that have focused on understanding the interaction between MNEs and institutions in the context of emerging markets. The review notes, however, that the above institutional perspectives have mainly provided answers to how institutions influence the actions of the MNE and have therefore not expanded on issues of agency or on how the MNE responds to institutional pressures or constraints it faces (Hotho & Pedersen, 2012; Jackson & Deeg, 2008; Regnér & Edman, 2014). Studies that have started to explore the MNE's response, focused on adaptation to the local context as a way to secure a competitive advantage and have not given attention to the variety of responses at the subsidiary level (Doh et al., 2017; Regnér & Edman, 2014). Highlighting the institutional complexity of the MNE, IB scholars have called for the incorporation of agency to study the strategic actions of the multinational (Kostova et al., 2008; Kostova et al., 2009; Phillips & Tracey, 2009; Phillips et al., 2009; Regnér & Edman, 2014). Since this research is interested in understanding differences in the strategic responses of EMNEs' subsidiaries, the agency perspective is reviewed next.

The fourth section discusses firm's agency and strategic responses from the perspective of organisational institutionalism as applied in international management and strategic management. Since informal institutions are prevalent in emerging countries, organisational institutionalism was chosen as the overarching institutional framework in this study. This institutional perspective has traditionally probed the pressuring effects of the three institutional pillars: regulative, normative, and cognitive (Regnér & Edman, 2014). In addition, this agency perspective offers insights on the dimensions this study used to investigate how and why EMNEs' subsidiaries differ in the way they experience and respond to the institutional environment of a host emerging market context. The review points out that the extant literature has sought to understand the institutional conditions constraining the actions of actors, the factors influencing their strategic response, the mechanisms they use, and the outcomes of their actions.

The fifth section concludes the literature review and introduces a figure outlining the analytical framework used; it is revised and enriched in the following chapters through the incorporation of the research findings.

The Advantages of Emerging Market Multinationals

Over the past decade, and aside from earlier work on third world multinational enterprises (Lall, 1983; Wells, 1983), there has been an increasing interest in the study of emerging market multinationals (Jormanainen & Koveshnikov, 2012; Ramamurti, 2009a). Coined a puzzle, the behaviour of EMNEs has taken international business scholars by surprise (Gaffney, Kedia & Clampit, 2013; Mathews 2006; Ramamurti, 2012a). Scholarship has contended that these multinationals do not follow the internationalisation patterns of their counterparts from developed markets (Mathews 2006). They tended to internationalise rapidly and aggressively, in both developed and developing markets, and to choose riskier modes of entry such as mergers and acquisitions (Gammeltoft et al., 2010; Gaur & Kumar, 2010; Ramamurti, 2012a). The predominant view was that foreign direct investment (FDI) flows from developed to developing markets, and that EMNEs did not have strong assets such as technologies, marketing know-how, or brands, enabling them to retain exclusive rent and supporting their sustained competitive advantage (Cuervo-Cazurra & Genc, 2011; Kothari et al., 2013; Madhok & Keyhani, 2012; Ramamurti, 2009b). Extant theory in international business was derived from the study of the behaviour of multinationals in developed economies, but some scholars studying emerging market multinationals, have suggested that their behaviour contradicts the predictions of international business theories such as the international product life cycle (Vernon, 1966), the investment development path (Johanson & Vahlne, 1977) and the OLI model (Kothari et al., 2013; Luo & Tung, 2007; Madhok & Keyhani, 2012; Mathews 2006). While internationalisation patterns and entry modes questions are not of interest to this research, understanding the debate on the nature of advantages of EMNEs is of particular importance.

Therefore, the rest of this section focuses on reviewing the literature on emerging market multinationals that sought to identify their resources and capabilities, and how these relate to their competitive advantage. The review engages with the literature to identify the characteristics of EMNEs, and the resources and capabilities developed in their home countries, which will influence their behaviour as they deal with a host country environment.

Scholars that have focused on understanding EMNEs can be classified into three main groups. There are those who have argued that new theories are needed to probe their behaviour (Gaur & Kumar, 2010; Luo & Tung, 2007; Mathews, 2002; Mathews, 2006); those who have maintained that a better understanding of the nature of their resources and capabilities will help improve the explanatory power of current theories (Guillén & García-Canal, 2009; Ramamurti, 2009b); and those who have contended that some modifications in the scope and boundary conditions of current theories are warranted to include, for example, the institutional factors (Dunning & Lundan, 2008b, pp. 116-144).

The first view criticised the assumption of IB theories arguing that in order to compete successfully in foreign markets, firms must have some monopolistic assets or ownership advantages enabling them to capture extraordinary rent (Madhok & Keyhani, 2012; Mathews 2006). EMNEs do not have the sophisticated resources of more mature multinationals and lack the tangible and intangible assets or ownership advantages that were perceived as supporting a sustained competitive advantage (Gammeltoft et al., 2010; Cuervo-Cazurra & Genc, 2008; Cuervo-Cazurra & Genc, 2011; Ramamurti, 2009b, 2012b). Madhok and Keyhani (2012) point out that EMNEs' resources are ordinary. But if EMNEs' resources are ordinary, how are they able to compete successfully against more established firms in foreign markets?

Mathews (2002, 2006) argues that EMNEs internationalise to seek resources and may have developed appropriate organisational forms and strategies to tap into these resources in foreign markets. He suggests that through linkages, leverage, and learning (LLL), EMNEs are able to expand abroad servicing incumbent multinationals and developing their own assets. Madhok and Keyhani (2012) build on the asymmetric-based view to argue that EMNEs have unique characteristics compared to more mature multinationals from developed economies. Contrary to the advantage perspective, this view posits that ordinary resources can be converted into advantages as firms seek future opportunities through entrepreneurial behaviour to create something out of nothing. The authors assert that as EMNEs pursue future opportunities to capture resources, they turn their disadvantages into advantages. They tend to have a global view, to be more agile, flexible, and entrepreneurial, to perceive the world full of resources they need to leverage, and to see risky environments as opportunities to expand their business operations. Luo and Tung (2007) subscribe to a springboard perspective whereby EMNEs internationalise to seek resources abroad to overcome their latecomer status, to reduce their disadvantage in technology, branding and international reputation, to surmount the constraints of their home market institutional context, and to build their competitive position against more mature multinationals. The authors argue that EMNEs tend to be more entrepreneurial and less risk averse. They have, however, less international and managerial experience and poorer governance. As latecomers trying to establish their products and services, EMNEs might be more attuned to partnerships and alliances when they seek to establish their presence in foreign markets (Kothari et al., 2013).

While Luo and Tung (2007) introduce yet another framework to better understand the behaviour of EMNEs, they do also recognise that current theories might well explain the behaviour of these multinationals when they compete in developing markets. According to the authors, EMNEs do leverage some advantages when they compete in economies similar to their home country. These include mass and efficient production capabilities, business models enabling them to address the needs of consumers in those countries, and superior organisational skills and know-how helping them to tap into complementary resources in emerging economies. Andreff (2002) points out that IB scholarship has overemphasised the importance of technology at the expense of other factors that might better explain the advantages of EMNEs. In their study of Chilean FDI in Latin America, Del Sol and Kogan (2007) demonstrate that generic capabilities highlighted in current theories are not sufficient to gain a competitive advantage in emerging markets. Regardless, Narula (2006) questions the need for new theories. He posits that since EMNEs leverage linkages and networks, as argued by Mathews (2006), they must have some preliminary resources and assets developed in their home country context.

The second view submits that having advantages is a precondition for expansion and effective competition abroad (Ramamurti, 2012b). This is because firms have to compensate for the liability of foreignness they face when they compete in a host country and need to leverage some assets to compensate for costs (Ramamurti, 2009b). Two types of advantages have been highlighted in the literature: country specific advantages (CSAs) and firm specific advantages (FSAs). If EMNEs lack firm specific sophisticated advantages, they must be leveraging their home country advantages (Rugman, 2009). These include natural resources, low cost of skilled and unskilled labour, and low cost of capital. However, as Ramamurti (2012a) points out, not all firms can equally tap into their CSAs and those able to do so must have developed some preliminary FSAs or ownership advantages enabling them to leverage these CSAs. Ramamurti (2012b) notes that EMNEs do have assets; they are just different from those developed by mature multinationals and as such, research should build on current theories to identify them and better understand their origin. So, what are these advantages exactly?

Cuervo-Cazurra and Genc (2011) distinguish between market firm specific advantages and non-market firm specific advantages. While market advantages relate to resources developed to compete against other firms in an industry, non-market advantages relate to resources developed to deal with a country's institutional environment (Cuervo-Cazurra & Genc, 2011). EMNEs' market advantages include organisational and operational flexibility (Bonaglia, Goldstein, & Mathews, 2007; Guillén & García-Canal, 2009); efficiencies in production and project execution through reliance on cheap labour and lean structure; the capacity incrementally to improve and adapt products, services, and appropriate technology to address the needs of price sensitive consumers in emerging markets (Guillén & García-Canal, 2009; Govindarajan & Ramamurti, 2011; Ramamurti, 2012a, 2012b); and the ability to leverage networks and cooperative relationships (Elango & Pattnaik, 2007; Guillén & García-Canal, 2009). While EMNEs can develop the capacity to capture other market advantages, non-market advantages are not that easy to develop since they are rooted in the multinational's home country context (Cuervo-Cazurra & Genc, 2008; Cuervo-Cazurra & Genc, 2011; Kothari et al., 2013). Non-market advantages have not been widely explored in the literature (Cuervo-Cazurra & Genc, 2011; Kothari, et al., 2013) and include, for example, the ability to operate in weak institutional environments and uncertain legal regimes and regulations; the ability to cope with absent supporting resources such as infrastructure and legal protection; and the ability to deal with heavy bureaucracy, governments and political risks (Cuervo-Cazurra & Genc, 2008; Guillén & García-Canal, 2009). EMNEs had to learn how to operate and develop the capabilities to survive in their home country uncertain environment and can therefore leverage these capabilities when they compete in other similar markets (Cuervo-Cazurra & Genc, 2008; Kothari et al., 2013).

The two perspectives highlighted above differ in their assumptions and therefore reach different conclusions. Though they have both identified similar firm level characteristics, the main debate remains whether EMNEs rely on pre-existing home-based advantages they leverage when they go abroad, or whether they develop these advantages as they operate in foreign markets. While the second view seeks to identify EMNEs' advantages, there is a danger of ending up with a list of resources and capabilities defined ex-post without any theoretical underpinning (Jormanainen & Koveshnikov, 2012; Narula, 2010). The third view – which this thesis embraces – proposes to extend the scope of current theories and to rethink their suggested underlying relationships (Buckley et al., 2007; Dunning & Lundan, 2008a; Stoian, 2013). Given the study's objectives, not all attempts at rethinking current paradigms will be discussed. Instead, the focus will be on efforts that have sought to probe the relationship between the institutional environment and multinationals' non-market advantages.

The realisation that EMNEs might be leveraging different resources and capabilities from those which more established multinationals traditionally leverage, motivated a few scholars to rethink current models and theories. The institutional perspective, in particular, became the focus of attention given the peculiarities of EMNEs' home market context (Tan & Meyer, 2010). Wright et al. (2005) argue that understanding how formal and informal institutions might affect business operations is a precondition for grasping how firms can compete in emerging markets. Dunning and Lundan (2008a) propose an extension of the OLI paradigm in order to take the institutional perspective into consideration. They note that institutions affect the nature of firms' ownership (O) advantages and recognise that the peculiarities of emerging market multinationals have challenged current concepts.

The OLI paradigm has traditionally distinguished asset specific advantages (Oa), and advantages that arise from the capacity of the firm to manage its international operations efficiently (Ot) (Dunning, 1988). Dunning and Lundan (2008b, pp. 116-144) extended the framework to include institutional ownership advantages (Oi) that arise from the ability of the firm to manage non-market resources. They pointed out that there is little knowledge about how firms exploit, enhance, or reorganise their institutional advantages in an environment.

Lundan (2010) links the nature and content of ownership advantages to their respective anticipated outcomes suggesting a framework that brings them together. The integrated framework highlights that the Oi influence both the Oa and the Ot. The Oa explain efficiency and market power and relate to property rights and/or intangible asset advantages. These include product innovation, production capacity, marketing and efficiencies in managing inter-firm transactions. The Ot, or advantages of common governance, explain organisational effectiveness and relate to the ability to manage operations across borders. The Oi or institutional advantages explain legitimacy and trust and include the formal and informal institutions that support interactions and relationships within the firm and outside the firm. Norms, corporate culture, and incentive systems are among the internal institutions Lundan (2010) highlights. Stoian (2013) notes the importance of the institutional perspective and suggests that EMNEs' institutional ownership advantages might explain why they are able to reduce their liability of foreignness or disadvantages when they compete in markets similar to their home country context. The foreignness concept captures the social costs of operating in foreign markets given the institutional and geographical distance between the home and the host country environments (Eden & Miller, 2004). So, as it sought to better understand the institutional advantages or non-market advantages that firms develop in their home market, this view has also called for further work on how these translate into advantages the multinational could exploit in the host market context (Cantwell & al., 2010).

This section reviewed the literature that has sought to assess the characteristics and advantages of EMNEs. The analysis highlighted clearly the importance of the home market context, which shapes EMNEs' respective market and non-market advantages. While the literature in general has expanded on the nature of MNEs' market advantages, non-market advantages have not been studied widely. In addition, there is agreement among International business scholars that EMNEs do leverage their non-market advantages in other emerging markets. However, there is little work on how these translate into firm behaviour and competitive outcomes in the host market, and on whether EMNEs are equally capable of using their home-based resources and capabilities to effectively operate in other weak institutional arrangements.

In order to better understand the behaviour of the multinational within an institutional context, the next section reviews the institutional perspective in IB and explores the nexus between the MNE and its environment.

Institutions and the Multinational Enterprise

Institution theory has gained prominence in international business research (Tihanyi, Devinney, & Pedersen, 2012). Institutions, formal and informal, guide the behaviour and attitude of actors and provide working rules for daily activities (Martinez & Williams, 2012; Peng, Wang, & Jiang, 2008). The theory is particularly relevant to the study of firms in emerging markets given the evolutionary nature of the formal rules and the predominance of more informal rules of the game (Hoskisson et al., 2000; Michailova & Ang, 2008; Tracey & Phillips, 2011).

There is an overwhelming consensus that institutions influence and shape the organisational behaviour of the multinational enterprise (Dunning & Lundan, 2008a; Peng et al., 2008; Peng 2002). International business scholarship suggests that firms' strategy is rooted in their home country institutional environment (Chacar, Newburry, & Vissa, 2010; Stoian, 2013). Thus, research has sought to understand how the home country influences firms' behaviour in a host country environment (Buckley et al., 2012; Cuervo-Cazurra & Genc, 2008; Cuervo-Cazurra & Genc, 2011; Dunning & Lundan, 2008a; Morgan & Kristensen, 2006; Wright et al., 2005). Still, very few studies have chosen to probe the interaction between the home and host country institutional contexts and the effects on MNEs' strategy (Cantwell et al., 2010; Gammeltoft, Filatotchev, & Hobdari, 2012).

There has been a tendency for international business research to perceive institutions as constraining the behaviour of the MNE (Jackson & Deeg, 2008). Yet, they can also be viewed as resources that enable firms' activity rather than constrain it (Wan, 2005; Wan & Hoskisson, 2003). For example, firms might be able to leverage home resources to support their operations in a host country. They might be able to rely on cheap financing, on the quality of the judicial system, the rule of law, or the quality of the education system to develop human capabilities and advantages. So, from this perspective, institutions can support the supply of factor markets such as capital and labour. Firms' resources and capabilities are not only idiosyncratic to the firm; they are also influenced by the external environment (Dunning & Lundan, 2008a; Jackson & Deeg, 2008; Meyer, Estrin, Bhaumik, & Peng, 2009). Moreover, most studies in international business have looked at how institutions affect the behaviour of the multinational and have paid less attention to how the multinational shapes its institutional context (Becker-Ritterspach et al., 2017; Peng, Sun, Pinkham, & Chen, 2009; Regnér & Edman, 2014; Wright et al., 2005).

Generally speaking, IB has conceptualised institutions as broad single variables that influence the MNE's response (Jackson & Deeg, 2008). Institutional distance, for example, is among the most widely used concept aggregating the normative, cognitive, and regulative institutional pillars into a single measure, making it difficult to assess the intricacies of the underlying institutions (Jackson & Deeg, 2008). Scholarship is yet to establish proper linkages between home based institutionally rooted resources and capabilities that could support the multinational's actions and competitive advantage in a host country context (Cuervo-Cazurra & Genc, 2008; Jackson & Deeg, 2008). Scholars have therefore called for further work on how home and host country informal and formal institutions enable or constrain the multinational's behaviour and the type of strategic responses deployed (Dunning & Lundan, 2008a).

What follows is a review of the institutional perspective as applied to the study of the multinational enterprise with a particular focus on emerging market contexts. The institutional economics view, the institutional voids and institutional hazards literatures in particular, are discussed first. The comparative capitalism and the organisational institutionalism perspectives are discussed next. Given the questions this study is seeking to address, this section explores how international business research has understood the way institutions influence the behaviour of the multinational and, where applicable, how this literature has understood the way the multinational deals with its institutional environment to secure an advantage. Highlighting the limited role of the agency perspective in international business research, the review notes that the regulative pillar has traditionally been the focus of enquiry. Yet, in emerging economies, informal institutions are more prevalent and may have more influence on the behaviour of the multinational. As noted by Puffer, McCarthy, and Boisot (2010), the focus on the formal pillar underpins a bias towards a convergence hypothesis; the argument being that there is a path towards formalising the institutional environment and converging institutions. But as the authors highlight, a process of "crossvergence'', that is to say convergence in some institutions and divergence in others, might be at play in emerging markets. Though countries in transition implement various regulatory reforms, the informal rules, rooted in norms and cognition, take more time to change (Gelbuda et al., 2008).

Institutional economics. Researchers who have investigated the role of institutions in international business, have tended to use the institutional economic lens predominantly (Gelbuda et al., 2008). Rooted in transaction cost economics, this view contends that institutions influence the economic exchange among actors and guide the way markets function (Jackson, 2010). This view argues that efficient institutions will facilitate transactions by ensuring the respect of contractual agreements and private property, while inefficient institutions will increase uncertainty, complicating decisions and constraining transactions (Hotho & Pedersen, 2012). The institutional economics perspective in IB discusses both formal and informal institutions and uses the concept of the institutional environment defined as the political, social, and legal rules that guide interactions among actors (Davis & North, 1971, pp. 6-7). Despite this, the view's focus of analysis has remained predominantly at the macro level, along the regulative pillar, or the formal rules of the game (Hotho & Pedersen, 2012).

Scholarship that has used the institutional economics lens has been interested mainly in understanding the effects of the external environment on the behaviour and competitiveness of the multinational. Scholars probed the effects of home country institutions, noting that they shape the exchange of input and output factors in the labour, financial, and product markets, which will influence firms' advantages (Chacar et al., 2010; Wan 2005). Scholars also examined the effects of host country institutions, noting that the multinational will be sensitive to the quality and efficiencies of the local context in particular (Coeurderoy & Murray, 2008; Gelbuda et al., 2008; Luo, 2002). Since inefficient institutions increase uncertainty and transaction costs, the multinational will tend to choose investment locations, mode of entry, and governance structures that reduce these costs (Gelbuda et al., 2008; Hoskisson et al., 2000; Meyer et al., 2009). For instance, markets with more efficient institutions will facilitate the exchange of information and will reduce the costs of transactions. Therefore, firms will tend to establish subsidiaries rather than rely on export, licence agreements, or joint ventures (Buckley & Ghauri, 2004; Gelbuda et al., 2008;

Hoskisson et al., 2000; Meyer et al., 2009). Building on the institutional distance concept, or the institutional difference between the home and the host country, scholars have argued that high distance will increase transaction costs and will influence the multinational's strategic decisions, such as modes of entry and post entry operations (Gelbuda et al., 2008). Overall, when it comes to dealing with weak contexts, IB has traditionally focused on strategies that reduce transaction costs through avoidance or adaptation (Jackson & Deeg, 2008).

Two main bodies of literature in particular, rooted in institutional economics, have focused their attention on understanding how the multinational behaves in weak institutional environments. The institutional hazards literature pays particular attention to political risks (Delios & Henisz, 2003; Henisz, 2000), while the institutional voids literature investigates broader constraints (Carney, Gedajlovic, Heugens, Van Essen, & Van Oosterhout, 2011).

The institutional hazards literature sought to understand how the institutional differences between the home and the host country could result in increased risks and costs of operations abroad (Delios & Henisz, 2003; Henisz & Zelner, 2004; Henisz & Swaminathan, 2008). It helped shed some light on factors that can support the multinational to better manage political risks. Past experience with political hazards helps reduce firms' sensitivities towards investing in countries with such risks (Delios & Henisz, 2003; Feinberg & Gupta, 2009). Holburn and Zelner (2010) link the variance in the capacity of MNEs to deal with policy risks to differences in organisational level capabilities. The authors argue that multinationals that have developed capabilities to manage political rent-seeking behaviour in their home market will be less sensitive towards policy risks in a given host country and will actually seek to be present in such environments, where they can leverage these capabilities.

Generally, however, the literature has tended to emphasise the multinational's passive institutional response towards institutional hazards. Higher political and institutional hazards would result in tendencies to avoid market entry or in low equity involvement as a way to circumvent high risks and transaction costs (Delios & Henisz, 2003). Though an emergent hazards literature is starting to probe firms' proactive responses – strategies that seek to shape the context – the focus of analysis remains in the sphere of political actions and efforts to shape the regulative pillar (Henisz & Swaminathan, 2008). These actions include lobbying, providing financial incentives to decision makers or political parties, or interventions in the political process via several stakeholders such as suppliers, employees and civil society organisations (Feinberg & Gupta, 2009). Jormanainen and Koveshnikov (2012) stress the need to better understand how multinationals manage not only the political context but also other institutional arrangements in a host emerging country. The institutional voids literature is particularly interested in these questions.

The voids literature probed the barriers that inhibit business transactions in weak institutional contexts and the types of strategic responses the multinational enterprise deploys (Doh et al., 2017). According to this literature, voids can result from weak legal regimes and regulations, weak enforcement mechanisms, government interference, or absence of key institutions enabling the functioning of markets (Khanna & Palepu, 2000). Some scholars explored the weaknesses in labour and financial institutions preventing adequate access to skilled labour resources or capital resources; others looked at absence of market intermediaries; and others at deficient legal regimes (Carney et al., 2011). This literature posits that in order to deal with weak institutional arrangements, firms will internalise market transactions and organise in business groups (Khanna & Palepu, 2000). By internalising activities, firms reduce uncertainty and risks and provide their group members with the necessary resources not available in the external environment (Carney, 2008; Carney et al., 2011).

The literature explored other strategies firms use to cope with weak institutional contexts such as leveraging informal practices (Ahlstrom & Bruton, 2006; Puffer & McCarthy, 2011). In their study on the impacts of institutional voids in China and Russia, Puffer et al. (2010) found that business people rely on trusted networks and leverage the exchange of favours or relationships based on reciprocity referred to as “blat” and “guanxi” in Russia and China respectively. Similarly, Ahlstrom and Bruton (2006) found that in order to secure the rights of shareholders, venture capitalists in East Asia rely on social network ties to manage uncertainty resulting from the absence of strong legal regimes, regulations, and market corporate control. In emerging markets, firms may need to rely on context specific resources and adopt more flexible strategies (Gelbuda et al., 2008). In their meta-analysis on business groups, Carney et al. (2011) find support for the internalisation thesis. However, they recommend that researchers establish a better link between the types of voids and firms' behaviour. They also recommend that researchers provide a better perspective linking the types of voids the multinational faces to the types of resources and capabilities leveraged to deal with them. The authors note that firms with different capabilities might be interpreting and seeing voids differently.

The institutional voids literature was criticised for the way it has conceptualised voids. Most studies understood voids as absence of efficient formal rules of the game that facilitate market transactions. Yet, in emerging market contexts, informal institutions play a very important role (Puffer et al., 2010; Puffer & McCarthy, 2011). Overall, this literature has provided some insights on the strategic actions of MNEs in weak institutional environments. However, it has analysed adaptation strategies predominantly and has paid less attention to responses that seek to shape or alter the institutional context (Doh et al., 2017).

To sum up, to a large extent, the institutional economics perspective has mainly focused on efficiencies arguments with a particular interest in understanding the effects of the regulative pillar on the behaviour of the multinational. Yet, given the prevalence of informal rules of the game in emerging markets, efficiency concerns might not be the main factor influencing firms' decisions. This view has also provided some answers as to the factors that enable firms to deal with weak institutional arrangements. These include past experience with challenging institutional contexts, which will enable firms to develop appropriate resources and capabilities. But aside from some attempts within the voids and hazards perspectives, this view has mainly focused on reactive strategic responses or passive behaviour, suggesting that firms will either adapt their structure to fit the context in search of higher performance or avoid that environment completely. Yet, as firms increasingly seek to operate in emerging markets, they may need to commit resources, leverage their non-market advantages to mitigate market inefficiencies, and actively manage the host market context (Becker-Ritterspach et al., 2017; Jackson & Deeg, 2008). So, this literature is yet to offer a comprehensive explanation linking the nature of the multinational's resources and capabilities to the variety of agentive behaviour and strategic responses.

The next section discusses another institutional perspective that has paid particular attention to how the institutional context can support the development of firm level capabilities and advantages.

Comparative capitalism (CC). The CC view suggests that national economies organise themselves differently along different institutional domains (Becker-Ritterspach et al., 2017; Doh, Lawton, & Rajwani, 2012; Hall & Gingerich, 2009; Jackson & Deeg, 2006; Jackson & Deeg, 2008). By understanding how various institutional configurations are organised at the national level, this view seeks to explain the patterns of firms' strategies and the origins of economic performance (Terjesen & Hessels, 2009). CC stresses the complementarity of institutional domains shaping the development of firms' competences in the areas of finance, labour, and product and service markets (Goyer, 2006). Institutional complementarity enables economic actors to capture the necessary resources, reducing firms' efforts to coordinate these resources across different institutional arrangements (Goyer, 2006; Hall & Gingerich, 2009). The theory embraces a relational view of the firm. Accordingly, in order to succeed and secure an advantage, firms must engage with other actors and coordinate multiple relations in the financial, labour, and product and service markets (Hall & Gingerich, 2009; Jackson & Deeg, 2008). The complementarity of institutional domains result in patterns of institutions at the national level, which influence the multinational's strategic behaviour at the micro level (Hall & Thelen, 2009; Morgan & Kristensen, 2006).

Theories of competitive advantage have established that macro institutions can offer a comparative advantage that could translate into firms' specific advantages (Buckley et al., 2012). Studies that have looked at the linkages between countries' advantages and firms' specific advantages have explored institutional macro level factors that could translate into firms' advantages, including cheap access to capital and skilled labour resources among others (Buckley et al., 2012). Jackson and Deeg (2008) argue that firms that are able to secure an advantage would tend to deploy their resources differently from their competitors. They point out that differences in the way institutional domains are configured could explain differences in firms' resources and capabilities. Therefore, the CC view links the supply-side perspective of institutions to the resource-based view of the firm, extended to include resources that are outside the firm (Jackson & Deeg, 2008).

The literature posits that national institutional configurations create distinctive types of capitalism. Three main typologies are regularly referenced. Hall and Soskice (2001) suggested that economies are organised around two main production systems: liberal market economies (LMEs) and coordinated market economies (CMEs). Whitley (1999) introduced more factors influencing the emergence of national business systems and suggested six classifications. The CC governance view, in contrast, moved away from national level classifications to focus on how different national systems introduce divergent governance systems within sectors (Jackson & Deeg, 2006, 2008). Though different, these typologies have some commonalities in that they are all interested in understanding the institutional configurations of economies. They also conceptualise institutions as resources that could facilitate the capability of the firm to coordinate its activities across various institutional arrangements. The interaction and complementarity among these institutions influence the behaviour of actors and engender patterns of action (Hall & Gingerich, 2009).

How does the CC literature understand the linkages between the institutional environment and the behaviour of the multinational enterprise? Morgan (2009) notes that CC has been interested in probing how a home country institutional context shapes the strategic actions the MNC. The literature argues that variations in institutional structures of a multinational's home country explain the variations in firms' endowments and resources. CC suggests that institutions shape the supply of input available to firms such as labour and capital and shape the interaction within labour, financial, and product markets (Jackson, 2010). Morgan and Kristensen (2006) note that multinationals develop practices, routines, and capabilities in their home market and take these with them when they go to another country. Therefore, they tend to look for environments where their capabilities and strategies fit or where the institutional environment is weak, enabling them to reproduce their home-based business model. The authors argue that home country institutions influence the strategic patterns of the MNC. While the CC literature has provided some insights on how various institutional configurations from financial, labour, and industrial relations influence the capabilities and the strategic actions of the multinational, it has overemphasised the constraining elements of institutional structures on firms' behaviour (Carney, Gedajlovic, & Yang, 2009). CC was therefore criticised for its overemphasis on institutional resistance and for not incorporating institutional change (Goyer, 2006).

The literature acknowledges institutional change but sees it as path dependent and a slow process (Jackson & Deeg, 2008). This is mainly because CC builds on a complementarity assumption underlying the interdependence of institutional domains, making change difficult to happen (Goyer, 2006). Deeg and Jackson (2007) criticise the CC view for forgoing action and agency and for stressing determinism and convergence of market institutions. The theory suggests that as institutions diffuse, environments will tend to converge towards either liberal or coordinated economies. However, the argument does not take into consideration the agency of actors who, given their context, could seek to shape the transferred institutions as they pursue their own interest (Campbell, 2004, p. 124). So, the diffusion of market institutions will not happen homogeneously (Campbell, 2004, p. 127; Caney, 2008; Peng, 2003).

Carney et al. (2009) note that the dynamics of emerging markets capitalism have not been widely explored in the literature. They advance that emerging markets might be considered as new forms of capitalism given the structure of their institutions. They argue for a bi-directional approach to enquiry whereby the researcher tries to probe the interaction between institutions and firms in order to better understand how they coevolve. The authors note the importance of bringing agency back to international business research. They distinguish three ways in which firms can shape their institutional context: "filling institutional voids" by internalising transactions to reduce transaction costs; "retarding institutional innovation" as dominant business groups in emerging markets might pursue strategies seeking to maintain the status quo and discourage new entrants; and "deploying institutional escape" strategies through institutional entrepreneurship or bricolage. Hall and Thelen (2009) argue that actors continuously examine their economic interest and assess how established institutions allow or prohibit them from pursuing these interests. They note that political economies incorporate many entrepreneurial actors who seek to improve their condition by shaping established institutions. Thus, the importance of understanding the types of relations firms develop within an economy in order to accomplish their goals.

More recent work in CC has sought to integrate the role of agency (Becker-Ritterspach et al., 2017). While CC offers good insights on the interaction between home market institutions and the multinationals' capabilities that could be leveraged in other markets (Jackson & Deeg, 2008), it has traditionally focused its analysis on the effects of macro level institutions. In addition, the literature is yet to offer comprehensive answers linking home capabilities and advantages to agentive behaviour in a host market context.

The organisational institutionalism view is reviewed next to explore how this perspective in IB has conceptualised the behaviour of the multinational as it deals with the institutional environment.

Organisational institutionalism. The organisational institutionalism view focusses on issues of legitimacy rather than effectiveness. The theory suggests that institutional pressures influence the actions of organisations (DiMaggio & Powell, 1983). In order to survive in an environment, organisations will need to adopt the practices and behaviours that are accepted within an institutional context. Through isomorphism, organisations are able to acquire legitimacy and capture resources (DiMaggio & Powell, 1983). Isomorphism refers to the "constraining processes that force one unit in a population to resemble other units that face the same set of environmental conditions" (DiMaggio & Powell, 1983). Scholars that have focused on this institutional approach have criticised institutional economics which, in their view, has overemphasised the influence of the regulative pillar at the expense of understanding other social forces, such as norms and cognitions that could influence the behaviour of actors (Heugens & Lander 2009).

As a unit of analysis, the theory has traditionally adopted the organisational or institutional field: a number of organisations such as key suppliers, customers, and regulatory agencies that share established ways of organising transactions (DiMaggio & Powell, 1983). Organisational institutionalism distinguishes between mature and emerging fields (Greenwood & Suddaby, 2006). In mature fields, practices are well established and actors tend to be familiar with one another. In emerging fields, practices and behaviours are not well established, so actors seek to understand the main players and to develop rules that govern interactions (Greenwood & Suddaby, 2006). The theory suggests that when organisations face highly uncertain environments, they tend to conform to accepted practices as conformity helps to reduce uncertainty and to ensure the legitimacy to operate in those environments (Tracey & Phillips 2011).

Drawing on this institutional perspective, IB scholars analysed the behaviour of the MNE when it faces institutional challenges in the host market different from those faced in the home market. Scholars were interested in better understanding the capacity of the MNE to transfer its practices from the home country to the host country context (Hotho & Pedersen, 2012). Building on the concept of institutional distance, they argued that the higher the distance, the more difficult it becomes for the MNE to transfer its practices to its subsidiary (Kostova, 1999; Kostova & Roth, 2002; Kostova & Zaheer, 1999; Tracey & Phillips, 2011). In addition, IB sought a better understanding of how MNEs embedded in different institutional environments cope with institutional pressures and contradictions. The concept of institutional duality was suggested to describe the dilemma subsidiaries face as they seek to gain legitimacy within the host country institutional context and within the MNE network at the same time (Kostova & Roth, 2002). The literature suggested that the higher the institutional distance, the more likely it is for the subsidiary to respond to the institutional pressures it faces from the host country environment (Kostova & Roth, 2002).

There is, however, little empirical research into how actors deal with and manage the contradictory pressures emanating from multiple institutional environments (Kostova et al., 2008). Just like the institutional economics perspective, this view anticipates that MNEs will tend to avoid weak environments or will seek to reduce their exposure to uncertainty by choosing lower equity modes of investments and by collaborating with a local partner (Heugens & Lander, 2009). Where it has ventured beyond questions of entry modes to look into the behaviour of the multinational in managing a host country institutional context, this view has mainly advanced the multinational's passive agency (Kostova et al., 2008). By probing issues of transfer of practices between the home and the host country environment, this perspective in IB was able to provide some understanding of the interaction between home and host country institutions through the transfer of resources and capabilities from the parent company to the subsidiary. How this translates into the capacity of the subsidiary to strategically respond to the institutional arrangements in the host country context, however, needs further investigation (Kostova et al., 2008; Saka-Helmhout & Geppert, 2011).

The tendency to focus on passive agency is perhaps the result of an analytical focus on convergence as a way to explain the diffusion of practices and market institutions (Carney, 2008). Yet, what seems to be missing, argues Carney (2008), is a better assessment of what exactly happens when institutions are introduced in an organisation or a country. Interested actors may work on adapting them as they seek to diffuse them within that environment. Beckert (2010) suggests that the mechanisms DiMaggio and Powell (1983) identified to argue for isomorphic pressures can also be used to justify divergence and change.

The main challenge remains in understanding the conditions under which these mechanisms will result in actions towards change rather than isomorphism. So, when drawing on organisational institutionalism, scholars in IB have incorporated the position of structuralism much more and have not given proper attention to arguments from agency theorists. Structuralism argues that organisations become increasingly isomorphic since behaviour is influenced by structure; agency theorists point out that the isomorphic argument does not leave any space for actors to respond differently including through actions seeking to change the institutional arrangements they experience (Heugens & Lander, 2009). While agency theorists accept the influence of structure, they also focus on the potential for change and see signs of isomorphism as temporary whereby opportunities for action and change may actually be the result of isomorphic pressures (DiMaggio, 1988). Actors may reject situations of pressure and deploy responses seeking to change them (Dacin, Goodstein, & Scott, 2002; Schneiberg, 2005). Saka-Helmhout and Geppert (2011) note that the argument suggesting that legitimacy can only be pursued through isomorphic behaviour needs to be revisited especially in the case of the multinational enterprise, since it has to deal with multiple contexts and various actors with different interests.

Scholarship has started to question this overemphasis on passive agency and adaptation, calling for more attention to how the multinational shapes its institutional environment (Cantwell et al., 2010; Kostova et al., 2008). As advanced by Heugens and Landers (2009), organisations present in the same institutional field might experience institutional structures differently. As such, they may pursue different forms of agency. Multinationals need to explore how to behave in an environment and the types of responses that might be successful. They may also leverage different capabilities to be able to interpret their institutional context and identify the proper strategic actions that could advance their interest (Ramachandran & Pant, 2010). Drawing on concepts such as institutional entrepreneurship, scholars using the organisational institutionalism perspective called for further research on the multinational's strategic responses (Kostova et al., 2008; Phillips et al., 2009; Ramachandran & Pant, 2010).

Organisational institutionalism offers an overarching institutional framework to study the richness and peculiarities of institutional pressures that multinationals face as they compete in emerging markets. In fact, this view has traditionally explored the constraints of the three institutional pillars. Agency seeks to understand the responses of actors when faced with institutional constraints and the types of factors that explain these actions. The next section will therefore explore the agency perspective rooted in organisational institutionalism and will discuss the insights it offers to understand firms' behaviour.

The Agentive Behaviour of the Multinational

Section 2.3 discussed three institutional perspectives that have been used to study the interaction between the multinational and its environment. The review demonstrated that regardless of the theoretical lens, the institutional perspective in IB has not sufficiently explored the role of agency and how and why multinationals differ in their response to the institutional constraints they face. Section 2.2 also pointed that further research is needed to understand the relationship between the non-market advantages that emerging market multinational enterprises develop in their home market and agency in a host emerging market context. This section builds on the above to explore how the agency perspective has been applied to understand firms' institutional strategic behaviour. The review focuses on scholarship that has studied agency from the perspective of organisational institutionalism since the normative and cognitive dimensions of institutions are critical to explain the strategic actions of firms in emerging markets (Marquis & Raynard, 2015; Peng et al., 2009). Misunderstanding the nature of informal institutional constraints may have important consequences on the capacity of firms to access needed resources, to reduce costs of operations, and to gain legitimacy to operate within an environment (Marquis & Raynard, 2015; Oliver, 1991; Orr & Scott, 2008). The review starts with a discussion of agency research in organisational institutionalism. There follows a discussion of the strategic management and international business scholarship that drew on this institutional perspective to study the strategic responses of firms.

The agency perspective in organisational institutionalism sought to move away from the constraining factors of structure to suggest a theory of action and institutional change (Leca, Battilana, & Boxenbaum, 2008). Understanding the agentive behaviour of actors was very much present in the thinking of old institutionalism. However, under the influence of neo-institutionalism, scholarship ended-up overemphasising the pressure of structure as a way to explain the stability and homogeneity of institutional arrangements (Dacin et al., 2002; Garud, Hardy, & Maguire, 2007). DiMaggio (1988) criticised this trend and underscored the need to explain institutional change phenomena. He coined this stream of enquiry institutional entrepreneurship defined as “the activities of actors who have an interest in particular institutional arrangements and who leverage resources to create new institutions or transform existing ones” (Maguire, Hardy, & Lawrence, 2004, p. 657). Scholars who have built on this concept sought to explain the process of institutional entrepreneurship by identifying the institutional conditions constraining the actions of actors, the factors or enabling conditions influencing their actions, the mechanisms used, and the outcomes of these actions (Battilana, Leca & Boxenbaum, 2009; Leca et al., 2008).

Researchers studied different types of institutions actors sought to change. Pacheco, York, Dean, and Sarasvathy (2010) noted that while most studies looked at efforts around standards and practices in areas such as accounting, financial services or corporate social responsibility, less attention has been paid to efforts seeking policy change. Two main enabling factors were the focus of scholarship, field level and organisational level conditions (Battilana & D’Aunno, 2009). It was argued that two field level characteristics were needed to trigger the institutional entrepreneurial behaviour of actors. First, uncertainty, problems or crises – whether social, political, technological or competitive disruptions – can encourage actors to seek institutional change (Greenwood, Suddaby, & Hinings, 2002; Hardy & Maguire, 2008). Uncertainty relates to “the degree to which future states of the world cannot be anticipated and accurately predicted” (Pfeffer & Salancik, 2003, p. 67). Second, field level contradictions and tensions can also motivate the institutional entrepreneur to seek change (Dorado, 2005; Seo & Creed, 2002).

As for organisational factors, scholarship has mainly focused on the position of actors within the field (Battilana & D’Aunno, 2009). The majority of studies noted that organisations at the periphery of the institutional field are more likely to engage in institutional entrepreneurship because they are able to have a different perception of the institutional arrangements and therefore more likely to question them than actors at the centre of the field (Leca et al., 2008; Pacheco et al., 2010). Discursive tactics were the focus of interest when it comes to understanding the mechanisms institutional entrepreneurs use (Phillips, Lawrence, & Hardy, 2004). Other work explored how actors mobilise allies, develop alliances (Garud, Jain, & Kumaraswamy, 2002; Lawrence, Hardy, & Phillips, 2002), or use political tactics (Levey & Scully, 2007). As for outcomes, they vary from success to failure in changing institutions and from limited to field-wide institutionalisation (Battilana et al., 2009; Hardy & Maguire, 2008; Pacheco et al., 2010).

The literature on institutional entrepreneurship has been criticised on several fronts. First, the scholarship tended to portray the heroic actions of the institutional entrepreneur without seriously considering the pressures other embedded field actors resisting change may exercise (Delmestri, 2006; Lawrence, Suddaby, & Leca, 2011; Marti & Mair, 2009; Meyer, 2006). The focus on the heroic institutional entrepreneur may be problematic in emerging country settings. Agentive behaviours seeking to change the institutional context may require subtle and unaggressive strategies, since some governments may not necessarily welcome direct dissent and may go as far as intervening in business operations (Marti & Mair, 2009; Marquis & Raynard, 2015).

Second, Institutional entrepreneurship was criticised for its focus on institutional change as the outcome of agentive behaviour (Orr & Scott, 2008). The literature tended to perceive agency as the actions of actors seeking to alter existing institutional arrangements without considering behaviours not intended to change institutions but to cope with the pressuring constraints of structure (Battilana & D'Aunno, 2009). According to Battilana & al. (2009), institutional field actors pursuing divergent change are institutional entrepreneurs, while those pursuing non-divergent change are not. This understanding of agency may not be adequate to study the responses of actors in emerging markets. As discussed in section 2.2, the heavy bureaucracy, the high level of institutional uncertainty, the importance of informal business practices, may discourage the pursuit of proactive strategies seeking to alter the institutional arrangements in place, as change in these environments may take time and effort. Some scholars argued that because the institutional arrangements are unstable and still emerging, agentive behaviour might rely more on constant sense making, exploration of alternative arrangements, experimentation, and trial and error (Mai & Marti, 2009). So, divergent change might not necessarily be the primary intention of interested actors. Instead, incremental change might be pursued, which might not necessarily contradict current institutional settings (Mahoney & Thelen, 2010).

Other scholars argued that firms faced with non-transparent political and regulatory environments, as it is the case in emerging markets, might prefer strategies that seek to further their own interest and enable them to access resources that harness their advantage, such as tax subsidies or exclusive licence agreements (Marquis & Raynard, 2015; Peng et al., 2008; Peng & Luo, 2000). Besides, the focus on divergent change might actually result in disproportionate attention towards certain types of actors and the possible neglect of actors who leverage resources to maintain existing institutions (Garud et al., 2007; Lawrence & Suddaby, 2006). Marti and Mair (2009) challenge the agency versus no agency dichotomy and argue that agentive behaviour "goes beyond new ways of doing things and implies new ways of seeing things". So, extending agency to include actions and strategies not intended to produce institutional change is very important in understanding the behaviour of actors in resource-constrained environments (Marti & Mair, 2009).

Third, the literature on institutional entrepreneurship was also criticised for focusing its attention on the institutional field and on organisational level factors that emphasise the influence of the position of actors within the field. Some scholars in IB argued that the institutional field as defined in organisational institutionalism is not adequate to study the multinational enterprise (Kostova et al., 2008). As a response to these critiques, Lawrence and Suddaby (2006) introduced the alternative concept of institutional work to probe the interaction between institutions and actors.

The concept of institutional work builds on a practice view of agency and is defined as "the purposive action of individuals and organisations aimed at creating, maintaining and disrupting institutions" (Lawrence & Suddaby, 2006, p. 215). Rather than the institutional field, the actions of actors become the unit of analysis so that the responses to institutional pressures can be captured and assessed (Lawrence, Suddaby, & Leca, 2009). This does not mean that the literature embodies a disembedded view of agency; on the contrary; it tries to balance between the structuralism perspective emphasising the pressuring and constraining effects of institutions and the voluntarism perspective of agency emphasising the free will of actors (Lawrence et al., 2009). Embeddedness "refers to the social, cultural and cognitive structuration of decisions in economic contexts. It points to the indissoluble connection of the actor with his or her social surrounding" (Beckert, 2003, p. 769). Social embeddedness is a central concept in institutional theory. The degree of actors' embeddedness was suggested to influence institutionalisation (Battilana & Leca, 2009).

However, the concept was a matter of discussion among institutional scholars who debated the paradox of embedded agency or how can actors rise above institutional pressures to pursue institutional change (Battilana, 2004; Battilana & Leca, 2009; Battilana et al., 2009; Leca et al., 2008). To address this dilemma, a relational view of agency was suggested where embedded actors are not only influenced by institutions but are also able under certain conditions to respond and to deploy strategies to manage, shape, and change the constraints they face (Battilana & Leca, 2009). While embeddedness can limit the ability of actors to deviate from the institutional constraints, it also offers opportunities for influence (Battilana & D'Aunno, 2009; Battilana & Leca, 2009).

Therefore, institutional work underscores a multidimensional view of agency where knowledgeable actors are influenced and informed by their institutional environment but are capable at the same of rising above the constraining pressures of structure to pursue their interest (Battilana & D'Aunno, 2009). Scholarship on institutional work helped provide a better understanding of the agentive behaviour of actors, broadening the analysis to include not only actions seeking change but also actions of disruption and maintenance. But mainly it has focused on the different forms of institutional work, and not paid much attention to the organisational resources and capabilities that could enable these responses (Battilana & Leca, 2009; Mair & Marti, 2009).

Whether using the concepts of institutional entrepreneurship or institutional work, scholars using the organisational institutionalism view to study the agentive behaviour of actors have focused on how institutions influence the utilisation of resources, with less attention paid to how actors strategically leverage their organisational resources and capabilities (Battilana & Leca, 2009). Noting the importance of understanding the organisational factors enabling agentive behaviour, researchers highlighted that firms may vary in their capacity to deploy and leverage their resources, which will influence the nature of agency and value creation (Mair & Marti, 2009). For example, the resources and capabilities needed to seek institutional change will differ from those used to maintain institutions (Battilana & Leca, 2009).

The strategic management literature attempted to bridge this gap, suggesting first of all a broader view of agency and attempting to understand the types of organisational factors enabling firms' strategic responses to institutional constraints (Oliver, 1991; Oliver 1997; Oliver & Holzinger, 2008). Oliver (1991) defined strategic responses as "the strategic behaviours that organisations employ in direct response to the institutional processes that affect them" (p. 145) and proposed different types of strategies firms deploy in the face of institutional constraints. These vary and include acquiescence, compromise, avoidance, defiance and manipulation. Oliver and Holzinger (2008) suggested four types of strategies: reactive, anticipatory, defensive and proactive. They reflect a variation in agentive behaviour from more passive to more active.

This research study adopted a broader view of agency so that passive responses could also be considered when exploring the behaviour of the selected multinationals. A broader view of agency was used as a way to refrain from anticipating actors' strategic responses in emerging market settings. While the literature bringing together strategic management and organisational institutionalism started to address the relationship between the types of organisational resources and capabilities and the types of agentive behaviours, efforts were limited to the area of political strategies and focused on developed country settings (Oliver & Holzinger, 2008). Besides, limited work has gone into exploring MNEs' strategic responses to institutional constraints (Regnér & Edman 2014; Saka-Helmhout & Geppert, 2011).

As discussed in the above sections, the IB literature has suggested the use of the institutional entrepreneurship concept to study the agentive behaviour of the multinational enterprise (Kostova et al. 2008; Phillips et al., 2009; Ramachandran & Pant, 2010). But this study is interested in capturing the multinationals' strategic responses that could include but are not limited to institutional change. Other scholars in IB proposed a typology describing the agentive behaviour of the MNE. Cantwell et al. (2010) suggested three main strategies that could be deployed to deal with the institutional arrangements in an environment. These are institutional avoidance, where firms decide not to engage, institutional adaptation, where the multinational seeks to fit, and institutional co-evolution, where the multinational deploys active agency to change the institutional arrangements in place. As for factors influencing these responses, the IB literature argued that the MNE's experience in dealing with the institutional arrangements in its home market context will influence not only the nature of its advantages but also the interpretation of the institutional arrangements within a host market context (Cantwell et al., 2010; Dunning & Lundan, 2008a). So, depending on its experience, and the nature of its advantages, the patterns of MNEs' responses will differ. Scholarship has pointed to the need for further work to comprehend better how the subsidiary strategically deals with the constraints it faces in the host market (Cantwell et al., 2010; Edman & Regnér, 2014). Marquis and Raynard (2015) noted that most research on institutional strategies has tended to focus on developed market contexts. The authors argued that future work should examine the organisational responses to institutional arrangements in emerging markets and how these are formulated and deployed. As discussed in section 2, understanding the behaviour of emerging market multinationals in particular is warranted, given the debate around the nature of their non-market advantages and whether these translate into advantages in a host emerging market context. As noted by Lawrence (1999), “the potential for organisational actors to manage institutional structure depends both on the nature of the institutional context and on the resources held by interested actors” (p. 163).

This section discussed the agentive behaviour of interested actors as they deal with the institutional constraints they face. Organisational institutionalism provided some insights on the factors explaining agency, the mechanisms actors use to address institutional pressures and the outcomes of their actions. However, the literature has not adequately explored the organisational level conditions that may explain the strategic responses of firms, specifically the nature of the resources and capabilities they leverage. In addition, the scholarship has traditionally focused on agentive actions seeking institutional change. This analytical attention towards responses that are intended to produce institutional change outcomes might not be adequate to study the variety of strategic actions emerging market multinationals’ subsidiaries could deploy in resource constrained environments. The literature on strategic management and international business suggested other types of agentive behaviour and strategies varying from passive to more active responses. However, these perspectives are yet to offer a comprehensive explanation linking patterns of strategic responses to organisational factors, mechanisms and outcomes that can explain the behaviour of multinationals operating in challenging institutional arrangements. This study sought to address this gap, with a focus on the agentive behaviour of emerging market multinationals’ subsidiaries.

Conclusion

This research is interested in exploring how and why EMNEs' subsidiaries operating in emerging market contexts differ in the way they deal with institutional arrangements in their host market industries. This chapter discussed the debate on the characteristics and advantages of emerging market multinationals rooted in their capacity to deal with weak institutional contexts. The review noted that understanding the experience of EMNEs as they interact with the institutional arrangements in their home country is important in order to appreciate the nature of their non-market advantages and capabilities that could be leveraged to compete in other emerging markets. The review highlighted that while IB scholarship in general has explored the nature of the multinationals' market advantages, non-market advantages have not been studied widely. International Business scholars have advanced that EMNEs do exploit their non-market advantages when they compete in other emerging markets, but little work has gone into understanding how the nature of these non-market advantages translates into patterns of strategic actions and competitive outcomes in the host market. As a matter of fact, IB has tended to pay more attention to understanding the constraining effects of structure and less to probing the agentive behaviour of actors.

In order to explain the strategic responses of EMNEs' subsidiaries, this research built on the agency perspective in organisational institutionalism. This view has traditionally analysed the three institutional pillars, whether regulative, normative or cognitive, enabling a broader assessment of the complexities faced when dealing with the institutional challenges in emerging markets. In addition, this view provided this research with some analytical dimensions to structure the enquiry. As such, the study sought to understand the institutional constraints, the types of strategic responses, the organisational level enabling conditions, the mechanisms used as well as outcomes. The research used a broader view of agency, drawing from strategic management and international business literatures in order to capture the possible strategic responses that could be deployed in resource-constrained environments. The study did not limit itself to agentive responses seeking institutional change as is usually the focus of organisational institutionalism.

Building on this discussion, the research used an overarching analytical framework to guide the enquiry. The logic of this framework suggests that given emerging market multinationals' experience in dealing with home market institutional constraints, whether regulative, normative or cognitive, they will develop the non-market advantages needed to operate in resource-constrained environments. These advantages will influence the behaviour and patterns of strategic responses of the subsidiary operating in an emerging host country context, which will result in some competitive outcomes. The figure below provides a representation of the framework. This study's research findings were used to extend, enrich, and introduce some nuances to this simplified analytical framework. The final induced framework is represented in figure 4.

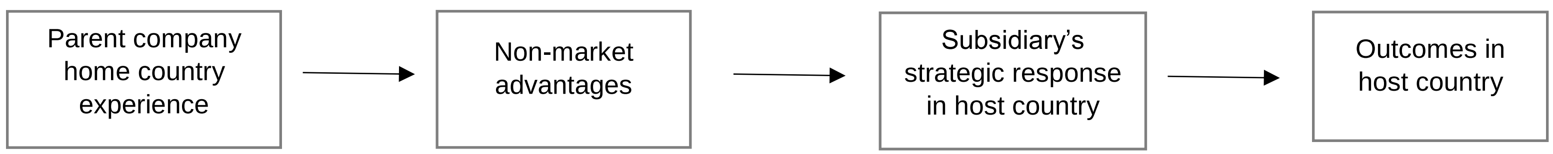

Figure 1. Simplified analytical framework

Chapter Three: Research Design and Methodology

Introduction

This chapter describes the overall approach to ensure research quality. The research philosophy, research design and strategy, the sampling approach, data collection methods and analysis are discussed. Research validity, reliability and ethical considerations are highlighted as well. The approach follows the suggested steps and questions outlined in Cuervo-Cazurra, Andersson, Brannen, Nielsen and Reuber (2016) to ensure the trustworthiness of a qualitative enquiry.

Research Philosophy

The research philosophy speaks to the researcher's view of the world and to practical research considerations (Ponterotto, 2005; Saunders, Lewis, & Thornhill, 2011, p. 108). Critical realism is the research philosophy underpinning this work. Several considerations motivated this choice. Critical realism fits the inductive reasoning and the purpose of this research seeking to probe existing theory to uncover new relationships (Morais, 2011). Critical realists hold the view that actors experience sensations of the real world (Saunders et al., 2011, p. 115), which is relevant to what was discussed in the literature review chapter and to the notion that firms will experience context differently. Context is very important to critical realists who posit that researchers will only be able to grasp the phenomena they are studying if they are able to understand the social structures that underpin them.

The philosophy is suited to the study of agentive behaviour. Critical realists argue that the social world is changing continuously and the role of the researcher is to understand the relationship between structure and human agency; that is to say how structure variety interacts with the variety of agentive behaviour (Morais, 2011; Saunders et al., 2011, p. 115). Leca and Naccache (2006) argue that critical realism offers a way to address the issue of embedded agency since structures and actors' actions are separated ontologically but related at different levels of reality. Critical realists distinguish between three domains of reality (Leca & Naccache, 2006; Morais, 2011). These are the empirical domain, where actors perceive and experience events; the actual domain, where actors may or may not observe events, and may experience them as result of agency; and the real domain, composed of structures and mechanisms that induce what is happening in the domain of real. In order to grasp the real domain of reality, the researcher aims to understand the structures and social powers that generate events (Leca & Naccache, 2006). The philosophy stresses the importance of understanding the mechanisms leading to the emergence of a phenomenon (Morais, 2011).

As such, from an ontology perspective, the researcher's view of the nature of reality is objective but influenced by sensations. Epistemologically the researcher believes that a phenomenon needs to be explained within its specific context.

Sampling Process

The sampling process was theoretical (Eisenhardt, 1989) and followed a multilevel approach (Fletcher & Plakoyiannaki, 2011).

Country selection. In order to address the research questions, variation at the country level was controlled. The study sought to compare firms originating from the same home market and operating in the same host market. The institutional arrangements of the selected countries had to reflect those of an emerging economy undergoing institutional transition or reforms. The two selected countries are located in the Middle East and North Africa (MENA) region. The majority of studies on emerging market multinationals have focussed on firms from Asia or Latin America (Cuervo-Cazurra, 2011). Very few studies have explored the behaviour of MNEs from MENA and investigated their strategies in dealing with the institutional arrangements they face as they expand their operations in Middle Eastern markets (Cuervo-Cazurra, 2011; Mellahi, Demirbag, & Riddle, 2011).

Algeria was selected as the host country since it offers a unique environment to study the behaviour of MNEs. The country shifted its state-led development model and opened its economy to foreign investment only recently. After independence in the early 1960s, Algeria embarked on a nationalisation path and developed institutions enabling the emergence of a socialist economy. The state became the main economic actor and adopted central planning. Algeria initiated some liberalisation efforts in the early 1990s but suffered major political unrest leading to civil war that lasted over a decade (African Development Bank (AfDB) Group & Development Centre of the Organisation for Economic Co-operation and Development (OECD), 2003, pp. 55-65). The Algerian government revived these liberalisation initiatives in the late 1990s and launched a new economic plan in 2001 aiming at encouraging private enterprise in different sectors of the economy (AfDB & OECD, pp. 55-65). The country fits well what the literature describes as an economy in transition, displaying as it does social regime legacies, a high involvement of the state, and the existence of informal institutions in parallel (Gelbuda et al., 2008, Marquis & Raynard, 2015). As suggested by International Business research that drew on organisational institutionalism, the co-existence of institutions rooted in socialism and in a more liberal economy should result in contradictions that offer multinationals operating in the country opportunities to exercise active agency (Kostova et al., 2008).

Tunisia was selected as the home country. Although Tunisia started its economic liberalisation earlier than Algeria, the state remained very much present in major sectors of the economy and rent-seeking behaviour developed between the state and private business groups. Tunisia invested heavily in education and skills development and supported the competitiveness of the private sector through dedicated programmes. But the pervasiveness of cronyism, and governance issues, as well as social and regional inequalities, triggered in 2011 what became known as the Arab Spring revolution (AfDB, 2012; Rijkers, Freund, & Nucifora, 2017).

The World Bank’s ease of doing business ranking in 2017 placed Tunisia 77th out of 190 economies, while Algeria was ranked 156th. Tunisia became an official World Trade Organization member in 1995. Algeria has the status of observer.

Industry selection. The study sought to have variation at industry level because firms primarily interact with the institutional arrangements structuring their industry (Kostova et al., 2008; Phillips et al., 2009; Regnér & Edman, 2014). As they compete and deploy their operations, companies interact with customers, suppliers, banks, and other stakeholders on a daily basis. Institutions guide these interactions, whether through contractual agreements, laws, regulations, norms, standards and procedures, shared beliefs or logic of actions. Firms may face the effects of such institutions, to which they would need to respond. Efforts were made to select firms from the service and industrial sectors. The primary sector was avoided given the influence of country level comparative advantage. The following industries with Tunisian firms present in Algeria were considered: financial, automotive parts, plastic processing, agri-food, construction and garment and textile.

Firms selection. Theory guided the selection of the firms as well. The study considered firms engaged only in market seeking foreign direct investment (FDI). Firms pursuing this aim will have to deal with the institutional arrangements in the host market and interact with customers, suppliers or competitors, among others (Cuervo-Cazurra, Maloney, & Manrakhan, 2007). Market seeking firms will need to leverage their respective home-based resources and capabilities to effectively operate in the host market. Natural resources or strategic assets seeking firms were not considered (Dunning, 2000). The research sought to control for differences in experience both internationally and in the host market as a way to rule out these factors as possible explanations for differences in behaviour (Marquis & Raynard, 2015). As the influence of the home country diminishes with international expansion, the study sought to select firms in early stages of internationalisation (Cuervo-Cazurra, 2012; Narula, 2012). The research considered greenfield FDI only whereby the selected companies had total control over their subsidiaries, ruling out firms that were present in the Algerian market through export or licensing.

Seven Tunisian companies from different industries that had total control of their Algerian subsidiary were identified and fitted the above requirements. The researcher contacted the seven firms. Three replied, agreeing to a face-to-face meeting to discuss the research objectives. Two firms accepted participating in the study, ATF and GALO.

ATF is a Tunisian leasing service company, operating in the financial sector, present in Algeria through a wholly owned subsidiary ATFsub. GALO is a Tunisian firm operating in the plastic processing industry, present in Algeria through a wholly owned subsidiary, GALOsub. Algeria was the first greenfield investment for both firms, though during the research process, ATF was in the midst of expanding in sub-Saharan Africa, while GALO was exploring the possibility of investing in West Africa.

Table 1

Key Dimensions of the Selected Cases

Dimensions	ATF-ATFsub	GALO-GALOsub
Industry	Finance	Plastic processing
Age	30 years	25 years
Size in Tunisia	130 employees	150 employees
Size in Algeria	79 employees	50 employees
International experience	Algeria was the first international investment.	Algeria was the first international investment.
Number of years in Algeria at the time of interviews	9	7

Respondents selection. A snowball or chain sampling strategy was followed to select the respondents (Fletcher & Plakoyiannaki, 2011). The first interview was conducted with a senior executive from each firm who thereafter introduced the researcher to other head office respondents. A similar process was followed at the subsidiary. The first interview was conducted with the general manager from each subsidiary, who in turn introduced the researcher to other respondents from different departments. These respondents facilitated introductions to customers and suppliers. Business associations in Tunisia and Algeria were contacted and helped with introductions to various experts. The data collection section below provides further information on respondents' background and motivates the decision to conduct interviews within and outside the selected firms. The analysis of the two cases helped to explain relationships between investigated concepts and offered an opportunity for analytical generalisation (Miles & Huberman, 1994).

Level of Analysis, Unit of Analysis and Investigated Institutional Interactions

The level of analysis is the subsidiary since the primary interest is to analyse agentive behaviours in a host emerging market context. Recent studies have highlighted the relevance of this level of analysis when the intention is to study how an MNE deals with a host country institutional environment (Kostova et al., 2008; Regnér & Edman, 2014).

The unit of analysis is the subsidiary's response to the institutional constraints faced in the host market. The study sought to understand the agentive behaviour and strategic responses of the studied subsidiaries as they sought to access resources within three main institutional domains, the markets for labour, capital, and products and service. As firms seek to operate within a context, they need to access skilled labour, deal with financial institutions to access financing, establish relations with customers and suppliers. As they interact with actors within these institutional domains, firms will have to deal with institutional arrangements rooted in regulative, normative and cognitive pillars. These institutions will guide their behaviour but may also constrain their actions as they pursue their interest.

To sum up, the research sought to understand the agentive behaviour of the studied firms and to compare and contrast their responses to labour, capital, and product and service markets institutions.

Data Collection Methods

Data collection was conducted over a period of seven months and involved site visits in Tunisia and Algeria. Multiple methods were used, enabling triangulation and strengthening research validity (Marschan-Piekkari & Welch, 2004; Yin, 2014).

Semi-structured interviews were conducted in Tunisia and Algeria within and outside the selected firms. Interviews within the firms involved respondents from the head office and the subsidiary, including senior management, sales, finance, human resources and other departments. For example, the parent company's finance manager and his counterpart in the subsidiary were interviewed, and so forth for each department. Interviewing head office respondents enabled a better assessment of the nature of the resources and capabilities developed to deal with the Tunisian context; a better understanding of head office employees' perspectives on the institutional challenges in Algeria; and a better appreciation of relations between the parent company and the subsidiary. Interviews conducted in the host market sought to understand the behaviour of the subsidiaries as they experienced and dealt with the institutional constraints faced in the three institutional domains. Having respondents from various departments enabled the validation of the information obtained as it offered opportunities for follow-up to address any contradictions and to clarify specific points. Saturation was reached as more interviews were added and no new institutional constraints or strategic responses were mentioned.

The semi-structured interviews were standardised to discuss the three main institutional domains. The discussion centred around the institutional constraints to accessing resources in these markets, whether regulative, normative or cognitive; the actions deployed to address these challenges; how the firms responded and the mechanisms used; why the firms responded as they did; and the results. For example, interview sections dealing with firms' experience in the labour market centred on efforts to seek a skilled labour force. For the product and service market, discussions focused on the interactions the firms had with customers, suppliers, and the administration. For the capital market, discussions spotlighted interactions with banks and, where relevant, other financial institutions. Interviews were adapted to respondents' knowledge. For instance, interviews with senior management or the finance director addressed all institutional domains, but some respondents from sales were only comfortable speaking about relations with customers or suppliers. Some respondents from production were comfortable to speak about customers, suppliers, relations with workers, but interactions in the financial market were not addressed. Some respondents were comfortable speaking about both the Tunisian and Algerian contexts, while others preferred to focus on either Tunisia or Algeria. Some interviews with top management took place over several face-to-face meetings as they addressed the three institutional domains in both countries and it was not feasible to discuss everything in one session.

Interviews outside the firms involved suppliers and competitors on the one hand, and experts on the other hand. In Tunisia, expert interviews included a representative from a business association; a business leader who was also a member of an employers' organisation; and a sales manager with a bank who was also overseeing the bank's labour union. In Algeria, they involved a representative from a business association; an international business lawyer; and an executive from a training centre. These interviews provided a good general perspective on the nature of the institutional challenges facing multinationals in the three institutional domains. As with the interviews conducted within the firms, the discussion was adapted according to the respondent's knowledge and expertise and focused on the appropriate institutional domain. These interviews added another layer of validation to the information collected within the firms. A total of 48 interviews were conducted, including 17 for the ATF case and 25 for the GALO case. The respondents' tables, in an appendix, provide further details about each interview.

Most of the interviews were conducted in French; three were in English; and six in Arabic. The interviews were recorded and transcribed verbatim. Those not in English were carefully and fully translated into that language. During the interviews conducted in French, some respondents tended to use a few words in Arabic sporadically throughout. This did not pose any problems, as the researcher is fluent in Arabic, French and English. In order to maintain conceptual equivalence, the meaning-based approach to translation relied on decentring (Chidlow, Plakoyiannaki, & Welch, 2014; Marschan-Piekkari & Reis, 2004). Contrary to back-translation, decentring uses a combination of paraphrasing and interpretation of the local context as a way to ensure equivalence of meaning with the original transcribed text (Chidlow, Plakoyiannaki, & Welch, 2014; Marschan-Piekkari & Reis, 2004). The final translated quotes used in this dissertation were checked and discussed with a reviewer (Marschan-Piekkari & Reis, 2004). All interview transcripts were standardised and included the respondent's title, interview date, interview location, transcription date, and translation date where applicable.

Besides semi-structured interviews, the study relied on observations. For example, since GALOsub's factory was located on the outskirts of the city of Algiers, the researcher lived on site among factory employees for two weeks. During this period, the researcher was embedded in the daily activities of the subsidiary, interacting with staff, sharing meals, and social activities. Informal conversations and the way employees interact among each other were therefore witnessed. In addition, during interviews, the researcher was careful to note changes in tone and expressions, especially when the discussion ventured into sensitive topics such as how the firms experienced and dealt with informal economy practices.

The research used company annual reports; internal documents the firms supplied, such as customer satisfaction surveys; published newspaper articles; and studies that industry associations, international organisations and consultancy firms conducted on the investment environment and on the leasing and plastic industries in Algeria and Tunisia.

Following Eisenhardt’s (1989) recommendation, field notes were maintained throughout to capture impressions and learning. The researcher reflected on the interviews at the end of each interviewing day to record first impressions, what worked and what did not, and to highlight topics and issues that needed further clarification.

The following tables describe the respondents and discussed themes. Appendix A provides a semi-structured interview sample.

Table 2

Interviews at ATF

Document ID	Interview date	Department	Nationality	Interview location	Discussed themes
P1	20-05-2015	Development and organisation	Tunisian	Head Office (HO) Tunisia	Behaviour of ATF across the three institutional domains in Tunisia. A historical perspective of the company. ATFsub's institutional challenges and behaviour in the product and service market as well as labour market in Algeria discussed briefly.
P2	24-04-2015	Top management	Tunisian	HO Tunisia	Institutional challenges and behaviour of ATF in Tunisia and that of ATFsub in Algeria. All institutional domains discussed. Interactions between the head office and the subsidiary.
P3	20-05-2015	Legal and collection	Tunisian	HO Tunisia	Mainly challenges and behaviour in the product and service market. Institutional challenges in the product and service market in Algeria discussed briefly.
P4	18-05-1015	Commitment	Tunisian	HO Tunisia	Challenges and behaviour of ATF in the three institutional domains in Tunisia. The behaviour of ATFsub in the product and service market and capital market in Algeria discussed briefly, as well as interactions between the head office and the subsidiary.
P5	20-05-2015	Human resources	Tunisian	HO Tunisia	Behaviour of ATF in the labour market in Tunisia. Behaviour in the product and service market discussed briefly.
P6	20-05-2015	Information technology	Tunisian	HO Tunisia	Behaviour of ATF in the product and service market and labour market. The behaviour of ATFsub in the product and service market and labour market in Algeria as well as the relationships between the head office and the subsidiary.
P7	19-05-2015	Production (back office)	Tunisian	HO Tunisia	Institutional challenges and the behaviour of ATF in the three institutional domains in Tunisia.
P8	22-05-2015	Business development	Tunisian	HO Tunisia	Institutional challenges and the behaviour of ATF in the three institutional domains in Tunisia. Some challenges and the behaviour of ATFsub in the product and service as well as labour markets in Algeria discussed briefly.

Table 3

Interviews at ATFsub

Document ID	Interview date	Department	Nationality	Interview location	Discussed themes
P9	03-06-2015 (first interview)	Top management	Algerian	Subsidiary Algeria	Institutional constraints in the three institutional domains in Algeria and behaviour of ATFsub. Interactions between the subsidiary and the head office.
P10	22-09-2015 (second interview)	Top management	Algerian	Subsidiary Algeria	Checking and verifying Information across all institutional domains as well as interactions between the head office and the subsidiary.
P11	22-09-2015	Business development	Algerian	Subsidiary Algeria	Institutional constraints and behaviour of ATFsub in the product and service market mainly. Brief discussion on the other institutional domains and on the relations between the head office and the subsidiary.
P12	21-09-2015	Commitment	Algerian	Subsidiary Algeria	Institutional constraints and ATFsub's behaviour across the three institutional domains in Algeria. Interactions between head office and the subsidiary.
P13	21-09-2015	Legal and collection	Algerian	Subsidiary Algeria	Institutional constraints and ATFsub's behaviour in the three institutional domains in Algeria. Interactions between the head office and the subsidiary
P14	22-09-2015	Information technology	Algerian	Subsidiary Algeria	Institutional constraints and ATFsub's behaviour in the labour market and product and service market in Algeria. Interactions between the head office and the subsidiary.
P15	22-09-2015	Human resources	Algerian	Subsidiary Algeria	Institutional constraints and ATFsub's behaviour in the labour market in Algeria.
P16	21-09-2015	Finance	Algerian	Subsidiary Algeria	Institutional constraints and ATFsub's behaviour in the capital market in Algeria.
P31	21-09-2015	Production (back office)	Algerian	Subsidiary Algeria	Institutional constraints and ATFsub's behaviour in the labour market and product and service market in Algeria. Interactions between the head office and the subsidiary.

Table 4

Interviews at GALO

Document ID	Interview date	Department	Nationality	Interview location	Discussed themes
P33	06-04-2015 (first interview)	Top management	Tunisian	HO Tunisia	Institutional constraints and GALO's behaviour in all institutional domains in Tunisia.
P34	28-04-2015 (second interview)	Top management	Tunisian	HO Tunisia	Institutional constraints and GALOsub's behaviour in all institutional domains in Algeria. Interactions between the head office and the subsidiary
P35	03-11-2015 (third interview)	Top management	Tunisian	HO Tunisia	Checking and verifying Information across all institutional domains as well as interactions between the head office and the subsidiary.
P36	27-04-2015	Finance and administration	Tunisian	HO Tunisia	Institutional constraints and GALO's behaviour in the three institutional domains in Tunisia. Interactions between the head office and the subsidiary. Institutional constraints and GALOsub's behaviour in the product and service market as well as in the labour market in Algeria.
P37	15-05-2015	Information technology	Tunisian	HO Tunisia	Institutional constraints and GALO's behaviour in the product and service market in Tunisia. Institutional constraints and GALOsub's behaviour in the product and service market in Algeria. Interactions between the head office and the subsidiary.
P38	29-04-2015	Sales	Tunisian	HO Tunisia	Institutional constraints and GALO's behaviour in the product and service market in Tunisia.
P39	28-04-2015	Production	Tunisian	HO Tunisia	Institutional constraints and GALO's behaviour in the product and service market and labour market in Tunisia. Some comments on the institutional context in Algeria.
P40	29-04-2015	Sales	Tunisian	HO Tunisia	Institutional constraints and GALO's behaviour in the product and service market in Tunisia.
P41	27-04-2015	Finance and administration	Tunisian	HO Tunisia	Institutional constraints and GALO's behaviour in the three institutional domains in Tunisia. Interactions between the head office and the subsidiary. Institutional constraints and GALOsub's behaviour in the product and service market and labour market in Algeria.

Table 5

Interviews at GALOsub

Document ID	Interview date	Department	Nationality	Interview location	Discussed themes
P42	01-06-2015	Top Management	Tunisian	Subsidiary Algeria	Institutional constraints and GALOsub's behaviour in the three institutional domains in Algeria. Interactions between the head office and the subsidiary.
P43	02-06-2015	Purchasing	Algerian	Subsidiary Algeria	Institutional constraints and GALOsub's behaviour in the product and service market in Algeria. Interactions with the head office.
P44	02-06-2015	Finance and Administration	Algerian	Subsidiary Algeria	Institutional constraints and GALOsub's behaviour in the three institutional domains in Algeria. Interactions between the head office and the subsidiary.
P45	04-06-2015	Sales	Algerian	Subsidiary Algeria	Institutional constraints and GALOsub's behaviour in the product and service market in Algeria.
P46	28-04-2015	Production	Tunisian	HO Tunisia	Institutional constraints and GALOsub's behaviour in the product and service market as well as labour market in Algeria. Interactions between the head office and the subsidiary.
P47	08-06-2015	Production	Tunisian	Subsidiary Algeria	Institutional constraints and GALOsub's behaviour in the product and service market as well as the labour market in Algeria.
P48	04-06-2015	Production	Algerian	Subsidiary Algeria	Institutional constraints and GALOsub's behaviour in the product and service market as well as the labour market in Algeria. Interactions between the head office and the subsidiary.
P49	09-06-2015	Supplier; sales	Algerian	Supplier's office, Algeria	Algerian institutional environment. Challenges in the three institutional domains. Institutional interactions with GALOsub.
P50	10-06-2015	Supplier; senior management	Algerian	Supplier's office, Algeria	Algerian institutional environment. Challenges in the three institutional domains. Institutional interactions with GALOsub

Table 6

Interviews at AP Algeria

Document ID	Interview date	Department	Nationality	Interview location	Discussed themes
P63	05-10-2015	Finance and administration	Algerian	AP offices, Algeria	Institutional constraints and AP Algeria's behaviour in the product and service market and capital market.
P64	05-10-2015	Purchasing	Algerian	AP offices, Algeria	Institutional constraints and AP Algeria's behaviour in the product and service market.
P65	05-10-2015	Sales	Algerian	AP offices, Algeria	Institutional constraints and AP Algeria's behaviour in the product and service market and labour market.
P66	05-10-2015	Planning	Algerian	AP offices, Algeria	Institutional constraints and AP Algeria's behaviour in the product and service market.
P67	05-10-2015	Production	Algerian	AP offices, Algeria	Institutional constraints and AP Algeria's behaviour in the product and service market and labour market.
P68	05-10-2015	Human resources	Algerian	AP offices, Algeria	Institutional constraints and AP Algeria's behaviour in the labour market.
P69	05-10-2015	Quality	Algerian	AP offices, Algeria	Institutional constraints and AP Algeria's behaviour in the product and service market.

Table 7

Algerian Institutional Environment

Document ID	Interview date	Department	Nationality	Interview location	Discussed themes
P71	11-06-2015	Top management	German	Business association office, Algeria	Institutional arrangements and challenges in the three institutional domains in Algeria.
P72	06-10-2015	Top management	Algerian	Law firm offices, Algeria	Institutional arrangements and challenges in the three institutional domains in Algeria.
P73	29-09-2015	Top management	Algerian	Training center offices, Algeria	Institutional arrangements and challenges in the labour market in Algeria. Informal economy challenges in the product and service market.

Table 8

Tunisian Institutional Environment

Document ID	Interview date	Department	Nationality	Interview location	Discussed themes
P74	24-04-2015	Top management	German	Business association office, Tunisia	Iinstitutional arrangements and challenges in the three institutional domains in Tunisia.
P75	26-06-2015	Sales (head of a labour union branch)	Tunisian	Bank offices, Tunisia	Institutional arrangements and challenges in the capital market and labour market in Tunisia.
P76	04-08-2015	Top management (member of the organisation of employers)	Tunisian	Respondent's company offices, Tunisia	Institutional arrangements and challenges in the three institutional domains in Tunisia.

Data Analysis Methods

Data analysis in a qualitative enquiry involves a process of preparation and organisation, a process of data reduction through coding in order to generate categories or themes, and a process of representation through the use of figures, tables, or reports (Creswell, 2013). The analysis is an iterative process where the researcher reflects on the data throughout the research cycle (Miles & Huberman, 1994). A computer-aided software for qualitative data analysis was used to support this process.

The organisation and preparation of the data involved cleaning the transcripts and saving them into a rich-text format. A consistent protocol was followed in naming the documents and listing company name, location (headquarter or subsidiary), and date of interview. These transcripts, as well as other documents, were then added to the software and organised into document families. The ATF data were grouped into one family and those related to GALO into another. Other families were created to separate subsidiary from head office data and external from internal firm data. This preliminary process helped with data query.

The researcher transcribing, translating, and cleaning up the interviews ensured a greater familiarly with the data and assisted with the reduction process. A memo of codes was created to document reflections and the evolution of the coding scheme.

Coding framework. The dimensions employed by organisational institutionalism scholars to study the agentive behaviour of actors were used as the overarching framework for the classification of codes. As discussed in the literature review, these dimensions helped to structure the discussion with respondents during the data collection phase as well. Going through the transcripts, quotes were coded as institutional constraints, institutional responses, organisational enabling conditions, mechanisms, and outcomes. The institutional constraints reflect the impeding effects of institutions. The institutional responses capture the way the firms reacted as they faced these constraints. The enabling conditions reflect the factors explaining these responses and the outcomes capture the results of these actions.

The coding process continued with the use of descriptive and attribute coding strategies (Saldana, 2013). Codes were used to indicate whether the quotation related to the head office; the subsidiary; Tunisia; Algeria; capital market; product and service market; or labour market (Saldana, 2013). Versus coding (Saldana, 2013) was used to contrast quotes and to compare Tunisia to Algeria, or subsidiary to the head office. This first cycle coding prepared the ground for a second cycle where categories and subcategories were generated (Saldana, 2013). This involved a process of back and forth between data and theory, where the coding scheme progressed through a process of augmentation and reduction.

Constructs operationalisation and category building. Although the coding process started with a theoretical framework to reduce and organise the data, the rest of the coding scheme was inductive since there were no indications before the empirical work as to how the studied firms would behave, the mechanisms they would use, or what would be the results of their actions. Interviews conducted to generate data relied on open-ended questions. The rest of the categories and subcategories were therefore induced through an iterative process, the use of causation and pattern coding, and by comparing the generated concepts to existing theory (Saldana, 2013). Some categories were built from the bottom up, others from the top down (Friese, 2014). These induced codes were allocated to the coding framework categories. As the analysis advanced the coding scheme became stable, and the categories and subcategories were used to generate relationships between concepts.

The generation of categories and the operationalisation of core constructs are discussed below. The coding and analysis helped to revise the simplified guiding framework outlined in figure 1 to generate figures 2, 3 and 4.

<u>The institutional constraints theme</u> was subdivided into three categories, regulative, normative and cognitive institutions that may impede and limit the actions of actors. Institutions were defined as the shared common frameworks that guide social behaviour (Scott, 1995). Building on Orr and Scott (2008), the regulative code was used to indicate

formal rules such as laws; the normative code was used to indicate practices and standards; and the cognitive code referred to shared beliefs and mental models.

The strategic responses theme refers to strategies used in reaction to the institutional constraints. The reactive strategic response code describes actions seeking to fit and adapt to the institutional constraints (Buysse & Verbeke, 2003; Lawrence, 1999; Oliver & Holzinger, 2008). The proactive strategic response code refers to actions seeking to shape and change the institutional constraints (Buysse & Verbeke, 2003; Lawrence, 1999; Oliver & Holzinger, 2008). Institutional experience was induced to coin the institutional constraints and the strategic responses categories.

The organisational enabling conditions theme was built through codes that sought to induce the capabilities explaining the responses of the studied firms. The institutional influence capabilities code was derived from Lawrence (1999) and Oliver and Holzinger (2008) to reflect the ability to shape the formal and informal rules of the game. The resource and process reconfiguration capabilities code referred to the ability to restructure and reallocate resources in the process of shaping and developing new institutions in the external environment. The institutional technical competence code was based on the work of Lawrence (1999) and Lawrence and Suddaby (2006) to refer to the capacity of actors to provide technical or legal expertise as they interact with decision makers to create new institutions. Together, these three codes formed the proactive institutional capabilities category.

Coding for Institutional management capabilities was based on the work of Orr and Scott (2008) to refer to the capacity to identify and deploy solutions through a process of sense making and trial and errors in order to address the regulative, normative or cognitive constraints. Coding for local institutional learning competence was based on the findings from Cuervo-Cazurra and Genc (2008) to reflect the ability to acquire institutional insights through a process of learning by doing over time, and to use the acquired knowledge to inform future actions. Finally, adaptive capabilities described the capacity to achieve a better fit with the external environment (Cantwell et al., 2010). Together these three codes formed the reactive institutional capabilities category. These reactive and proactive institutional capabilities reflected the nature of the non-market advantages developed by the studied firms.

The mechanisms theme was built by coding for the ways the proactive or reactive actions were deployed. The influence mechanisms code described the ways in which actions seeking to influence were deployed. The adaptive mechanisms code described the ways in which actions seeking to fit within a context were deployed. Coding for embeddedness mechanisms relied on the work of Heidenreich (2012) and resulted in the development of three sub-categories. Social embeddedness mechanisms referred to the use of social interactions and networks to conduct business transactions. Business embeddedness mechanisms referred to the use of social interactions to build close relations with customers and suppliers primarily. Corporate embeddedness mechanisms referred to the use of structural elements internal to the MNE that guide the decisions of actors. These include training, incentive systems, and management style.

The outcomes theme was structured around three main categories to indicate the results of the strategic responses. Institutional outcomes were subdivided into two categories, one describing the creation of institutions and the other indicating failure to create new institutions. Financial outcomes were subdivided into gains through increased efficiencies and losses through increased costs. Competitive outcomes reflected either an advantage secured through the creation of value and better market position vis-à-vis the competition (Cuervo-Cazurra et al., 2007; Oliver & Holzinger, 2008), or institutional survival reflecting difficulties to operate within the institutional environment with no clear improvements in market position.

The following table summarises the core constructs and their definition.

Table 9

Core Constructs and their Operationalisation

Theme	Category	Definition
Institutional experience		Induced to coin the institutional constraints and strategic responses.
Institutional constraints		The impeding effects of institutions on the actions of actors as they seek to exercise agency.
	Regulative	Formal rules such as laws (Orr & Scott, 2008).
	Normative	Informal rules such as practices standards, conventions (Orr & Scott, 2008).
	Cognitive	Informal rules such as shared beliefs, logic of actions and mental models (Orr & Scott, 2008).
Strategic responses		Comprehensive set of plans and actions to address the institutional constraints.
	Proactive response	Actions that are primarily seeking to shape and change the institutional environment (Buysse & Verbeke, 2003; Lawrence, 1999; Oliver & Holzinger, 2008).
	Reactive response	Actions that are primarily seeking to fit and adapt to the institutional environment (Buysse & Verbeke, 2003; Lawrence, 1999; Oliver & Holzinger, 2008).
Organisational enabling conditions		Factors explaining the strategic response.
	Proactive institutional capabilities	Data driven concept to coin the combination of institutional influence, resource and process reconfiguration and institutional technical capabilities.
	Institutional influence	The ability of actors to shape the formal and informal rules of the game (Lawrence, 1999; Oliver & Holzinger, 2008).
	Resource and process reconfiguration capabilities	Refers to the ability to restructure and reallocate resources in the process of shaping and developing new institutions in the external environment.

Theme	Category	Definition
	Institutional technical competence	Inspired from the work of Lawrence (1999) and Lawrence and Suddaby (2006). Refers to the capacity to provide technical or legal expertise to decision makers in the process of shaping and developing new institutions.
	Reactive institutional capabilities	Data driven concept to coin the combination of institutional management, local institutional learning, and adaptive capabilities.
	Institutional management capabilities	Inspired from the work of Orr and Scott (2008) to refer to the capacity to identify and deploy solutions through a process of sense making and trial and errors in order to address the regulative, normative, or cognitive constraints.
	Local institutional learning competence	The ability to acquire institutional insights through a process of learning by doing over time and to use the acquired knowledge to inform future actions (Cuervo-Cazurra & Genc, 2008).
	Adaptive capabilities	The capacity to achieve a better fit with the external environment (Cantwell et al., 2010).
Mechanisms		Ways in which the responses were deployed.
	Social embeddedness mechanisms	Refers to the use of social interactions and networks to conduct business transactions (Heidenreich, 2012).
	Business embeddedness mechanisms	Refers to the use of social interactions to build close relations with customers and suppliers primarily (Heidenreich, 2012).
	Corporate embeddedness mechanisms	Refers to the use of structural elements internal to the MNE that guide the decisions of actors (Heidenreich, 2012).
	Influence mechanisms	Data driven. An overarching concept to coin the way in which actions seeking to influence are deployed.
	Adaptive mechanisms	Data driven. An overarching concept to coin the ways in which actions seeking to fit within a context are deployed.

Theme	Category	Definition
Outcomes		Results of the strategic response.
	Institutional	Subdivided into subcategories. Referring to creating institutions (regulations, norms, cognitive elements) to access resources on the one hand, and failure to create new institutions on the other hand.
	Financial	Subdivided into subcategories. Referring to increased efficiencies on the one hand given the strategic response, and increased costs on the other hand given the strategic response.
	Competitive	Subdivided into subcategories. Referring to securing an advantage vis-à-vis the competition given the response, or competitive survival given the response.

Overall analytical process. The final coding scheme was consolidated through the writing of the case chapters using within-case analysis (Eisenhardt, 1989; Miles & Huberman, 1994). The ATF case (chapter 4) and the GALO case (chapter 5) analysed the data within each institutional domain in order to understand the agentive behaviour of the two firms in the product and service market, labour market, and capital market. The analytical process proceeded with the writing of the cross-case analysis (chapter 6). Data display and comparative tables were used to help draw conclusions and summarise findings (Miles & Huberman, 1994).

The within-case analysis started with an assessment of the parent companies' experience in their home market context. The types of institutional constraints, whether regulative, normative or cognitive, which the two firms faced as they sought to access resources in the product and service, labour and capital markets were analysed. The analysis proceeded with the types of actions that were deployed to address these constraints, the resources and capabilities used to address these constraints as well as the results of these actions. A similar analytical process was followed to analyse the experience of the subsidiary in the host market.

The cross-case analysis probed the data across the institutional domains and contrasted the experience of both firms in their home country, the nature of their non-market advantages, the behaviour of the respective subsidiaries in the host country, and the competitive outcomes. The comparison helped to bring together the concepts developed during the within-case analysis into an overarching framework (Eisenhardt, 1989; Miles & Huberman, 1994). Some generative propositions were introduced to explain the guiding logic of a theory indicating the divergent strategic responses of EMNEs' subsidiaries as they deal with the institutional arrangements of a host emerging market context and suggesting different competitive outcomes given these responses. The suggested framework answers the "what", the "how", and the "why" research questions that guided this study (Eisenhardt 1989; Miles & Huberman, 1994; Yin, 2014).

Research Quality and Ethical Considerations

Research quality is ensured throughout the enquiry and includes reflections on the context, the design and the empirical analysis (Cuervo-Cazurra et al., 2016). This chapter discussed these dimensions to safeguard the validity and the reliability of the research findings. Besides what was discussed thus far, various steps were taken to ensure construct, internal and external validity as highlighted in Yin (2014, pp. 45-48).

Construct validity speaks to the ability to identify an operational set of measures to assist with data collection and to ensure that the phenomena under study are well captured. The concepts used in this research were defined drawing on the literature to ensure consistency in their use. Internal validity was addressed during the analysis by exploring and eliminating competing explanations. External validity was ensured through a process of context description; corroborating evidence through triangulation efforts and different collection methods; and by developing a cohesive framework grounding the used concepts in both data and theory (Eisenhardt, 1989; Creswell, 2013). Reliability, which relates to the possibility of other researchers coming to the same findings and conclusions if they were to replicate the study (Yin, 2014, p. 49), was addressed through constant documentation and standardisation. A case study protocol was written before the data collection phase; was used as part of the ethical clearance process; and guided the research enquiry thereafter. Standardisation was followed, as discussed in the previous sections. In addition, the use of a computer-aided qualitative data analysis software ensured that everything gathered was filed in the same database.

Ethical considerations included the pursuit of appropriate permissions to undertake the study, safeguarding confidentiality and anonymity, and maintaining high levels of integrity and objectivity (Saunders et al., 2014, pp. 183-200). The research proposal included a methodology section; a case study protocol; a permission letter from the participating companies to use the collected data; and a sample of an informed consent form. It was submitted to the university’s research ethics committee and ethical clearance to conduct the study was granted in March 2015. All respondents were introduced to the purpose of the research and were asked to sign a consent form. They had the possibility of withdrawing from the study at any time (Saunders et al., 2014, pp. 183-200). Steps were taken to ensure confidentially and anonymity. The study did not use the real company names and quotes remained anonymous. In addition, the research followed the permissions the participating firms provided for data collection.

Chapter Four: ATF Case Analysis

Introduction

This within-case analysis chapter is organised in four parts. After the introduction, the next section discusses the experience of ATF in Tunisia and its agentive behaviour as it dealt with the institutional constraints faced in the product and service, labour and capital markets. As the company sought to access resources and deploy its services to compete in its industry, it faced regulative, normative and cognitive challenges it needed to address. Explaining agency in the context of the home market is not the primary focus of this research. However, the rich analysis of ATF's experience provides a better understanding of the nature of its non-market advantages rooted in capabilities developed to deal with home market institutional arrangements. Section three discusses the experience of the subsidiary (ATFsub) with the institutional arrangements in Algeria and explores its agentive behaviour in the host market. The analysis explains how the non-market advantages and capabilities the parent company developed in Tunisia supported the subsidiary's patterns of strategic response in Algeria. The final section summarizes the main findings of this within-case analysis chapter.

Experience in the Home Market

> "ATF invented leasing in Tunisia […]. Leasing was actually under the common law, there was no legal text concerning leasing" (P1: 32:32).

The above statement provides a good perspective on ATF's pioneering role in building the practice of leasing in Tunisia. Several respondents described how the company was able to support the emergence of institutions necessary to develop the industry. The rest of this section discusses the actions of ATF in the product and service market, labour market and capital market, the mechanisms used to create institutions, the organisational factors or enabling conditions supporting its actions, and the outcomes.

Product and service market. When ATF launched its operations in Tunisia in the 1980s, the practice of leasing was nascent and the rules and regulations were not well established. As it dealt with customers, suppliers, and the Tunisian administration in the product and service market, the company faced various regulative, normative and cognitive constraints since leasing services were not well known as yet. ATF adopted a proactive strategic response. Proactive strategies seek to redefine laws and regulations and to develop the standards and the norms that will guide behaviour (Oliver & Holzinger, 2008). One respondent described the company as the inventor of leasing services in the country (P1: 32:32), another described ATF's chairman as the "founder of leasing in Tunisia" (P8: 80:80).

Up to 1994, common law guided the behaviour of actors in the industry (P8: 66:66). But this regulatory framework restrained the possibility for lessors to commercialise a wide range of products and services. For instance, ATF was mainly involved in the finance of equipment and did not venture into real estate leasing since regulations were not conducive to that activity (P8: 70:70). In order to address this situation, ATF leveraged its institutional influence capabilities and used influence mechanisms such as lobbying as well as social embeddedness mechanisms to inform the development of a regulatory framework for the leasing industry. Institutional influence capabilities refer to the ability of actors to influence the formal and informal rules of the game (Lawrence 1999; Oliver & Holzinger, 2008). Social embeddedness mechanisms refer to the use of social interactions and networks to support business transactions (Heidenreich, 2012). ATF worked through an embedded actor, the Tunisian Professional Association of Banks and Financial institutions (APTBEF). For a long time, ATF executives chaired the leasing chamber within the APTBEF (P8: 80:80). Through the professional association, the company was able to interact with government officials and other stakeholders in the financial sector to influence the 1994 law and to lobby for tax advantages promulgated to benefit leasing companies. The new regulatory framework was much more conducive to the development of the industry (P8: 70:70).

Respondents highlighted how ATF worked on shaping the normative and cognitive institutions guiding relations with the Tunisian administration. Two examples were provided: efforts to establish a municipal office located at ATF's head office and efforts to change customs procedures.

In order to differentiate itself from other financial institutions, banks in particular, ATF relied on innovation, speed of service, and customer proximity (P8: 108:108). The company developed some internal processes to ensure it is able to provide loan decisions within 48 hours and to issue contractual agreements quickly. Banks are not able to compete on speed of service since they tend, when they have a leasing department, to process loans with a banking logic (P8: 108:108). However, ATF faced some challenges in the external environment that inhibited the effective deployment of its services. Cumbersome bureaucratic practices were not conducive to speedy service delivery and threatened the capacity of the company to leverage its advantages and retain customers. ATF sought to change this situation by convincing the municipal authorities to establish a municipal service office within its premises (P7: 19:19). The company leveraged its institutional influence capabilities, relying on influence as well as embeddedness mechanisms.

The process of issuing a contractual agreement involves several steps. The client has to make a few trips between ATF's office and the municipal service office to generate official documents with authenticated signatures. This process can be quite cumbersome and may cause delays and frustrations:

> "As you know, the administration and the municipality, you need to stand in line there and sometimes when you send the client for signature authentication, for a new contract for example, he will go, he will stand in line, he will be fed up and eventually he will tear the file and leave. He will say leasing is not worth it. We can lose a client" (P7:72:72).

The idea of securing a municipal service at ATF was discussed during a strategic meeting. Senior management was reluctant to house a government service for fears of possible cultural clash and negative consequences for the company's image (P7: 73:73). But the manager who suggested the idea was able to convince his colleagues and started the initiative. The respondent described the influence mechanisms he used including meeting with decision makers face-to-face to negotiate and build ties. His dialogue with the authorities enabled him to understand what needed to be done in order to convince public officials. He was advised to submit a written request and to seek the support of embedded actors such as the governor of Tunis, who backed the company eventually (P7: 78:78). These efforts were successful and ATF was able to house a government service within its premises, which enhanced its capacity to offer a better service to customers, to differentiate itself from the competition, and to secure an advantage as expressed below:

> "I always think customer service, always. I think about what would be the thing with which we can improve. What is the thing which will be specific to us comparatively to the competition? Because after all, all companies are about financing…How will I differentiate?" (P7: 68:68)

The work of ATF to change import customs procedures is another example demonstrating its proactive response when faced with an institutional constraint in the product and service market. Clients approved for a lease to finance the import of equipment receive a commitment letter that they use to open a letter of credit with their bank. The equipment is imported under the client's name. Normative practice, since 1996, was for customs to clear equipment arriving at the port of Tunis under the name of the leasing company. The lessor therefore becomes the owner and can proceed with the rental. Customs undertake what is known as a transfer of ownership at the dock (P7: 113:117). The procedure became established practice in the industry even though it is based on a loose interpretation of the law. In 2007, customs suddenly stopped this practice, arguing that it was unlawful. Leasing companies panicked as the whole import process was stopped, affecting all actors in the industry. Everyone looked towards ATF for guidance:

> "Everybody was stopped, and they were lining up behind us waiting to see what we will be doing" (P7: 122:122).

Institutional organisation theory has advanced that in times of uncertainty, actors turn to leading organisations (DiMaggio & Powell, 1983; Lawrence, 1999). ATF decided to coordinate a consolidated response bringing together all industry actors and relied on institutional influence and embeddedness mechanisms to resolve the situation. ATF researched practices followed in other countries and started to interact with customs officials to raise their awareness of the seriousness of the situation. This respondent described the difficulties he faced in initiating a discussion with customs and opening a channel for dialogue:

> "I went to see customs, their general management uh…general customs directorate (GCD) or I don't know what, in any case, I forgot, the third floor at Mont Plaisir, not at Mont Plaisir uh….at Azdrubal, at Lafayette (K: okay, okay). I went there and I started. I wanted to meet them to talk to them. When you go there to customs, no one knows you there. What do you want? Wait, I will come to see you… no, now I cannot, come to see me tomorrow etc. It started like this, and I insisted. Come to see me tomorrow? Okay I come back tomorrow. Sorry come back to see me tomorrow, I come back tomorrow. Till the gentleman was ashamed. Okay come in… and I very nicely, if you want me to come back tomorrow, I come back tomorrow. Wait, okay I wait. Now you can't? No problem, I will come back, I showed a lot of patience. Come, come back, and then god showed him the right way… Come, come see me, what is the problem. I started to explain the problem and I started talking to him…" (P7: 117:118).

The company leveraged the support and the influence of embedded actors such as the professional association. ATF organised several face-to-face meetings with decision makers, with different stakeholders such as forwarders, bankers, and leasing companies to brainstorm and discuss possible solutions and to organise a response. A consensus emerged on the need to submit an official document indicating how the clearance process should happen drawing on the state of current regulations in Tunisia and what is being practised in other countries. All stakeholders within the industry provided input and endorsed the document ATF put together. Finally, the company's senior management met with senior customs officials to present and explain the submission on behalf of the whole industry (P7: 122:134).

So, in this situation ATF not only leveraged its institutional influence capabilities but also demonstrated its institutional technical competence, given its mastery of the technical practices, laws, and norms of leasing. ATF was therefore able to propose an institutional solution, a procedure, which the authorities ended up adopting. Customs officials took the submitted document, translated it into Arabic and started applying what was proposed without making any changes (P7: 126:126). Lawrence (1999) and Lawrence and Suddaby (2006) referred to institutional technical competence in their writing to describe the capacity of actors to provide technical or legal expertise as they seek to lobby for regulative or normative change. The above discussion clearly demonstrates ATF's capability to shape and influence the standards and the norms that guide behaviour in its industry, as further highlighted below:

> "This is a project we were leading, I mean the event of customs procedures change was uh… it is true, it was I mean a strong change uh…because it is not something easy to do that with customs, simply put, to go to customs and to change their laws, believe me!" (P7: 134:134).

Other respondents discussed the proactive response of ATF when faced with normative and cognitive constraints related to customers' practices in the informal economy. Leasing offers SMEs and micro enterprises a financing alternative since they usually have more difficulties obtaining loans through the banking system (P4: 44:45). In the Tunisian context, smaller companies tend to generate a portion of their revenues in the informal economy. Financial institutions are therefore challenged to confirm the veracity of the information submitted to motivate a loan application. During the first years of operations, ATF faced some difficulties in controlling the quality of its portfolio (P6: 20:20). It was important for ATF to address the situation so that it could access cheap refinancing in the capital market. Here, the company leveraged its resource and process reconfiguration capabilities and relied on embeddedness mechanisms.

Resource and process reconfiguration capabilities were reflected when respondents indicated ATF's efforts to build an information system to empower operations, monitor and analyse the portfolio of clients, and develop a scoring system. The system also enabled ATF to redeploy resources to separate debt collection responsibilities from sales, create a department bringing together three separate services (amicable collection, litigated collection, and legal services), and establish a commitment department dedicated to analysing and assessing loans (P6:20:20; P3: 21:21; P4: 17:17). Processes were revisited and the flow of decision making for a loan was structured around a sales department focusing on bringing in business, a commitment department concentrating on analysing loans, and a credit committee taking decisions. The back office, or the production office, was also centralised for more efficiencies in issuing contractual agreements (P4: 13:14). ATF continued its investments in information management and implemented a workflow process for credit management (P4: 45:46). The company developed specific applications to connect all departments to a centralised system, from the back office to accounting to the payment of suppliers (P6: 29:30). Litigation files are systematically analysed to inform credit policy, and while the branches have autonomy to make loan decisions within certain thresholds, their behaviour is analysed ex post (P4: 16:16).

As for embeddedness mechanisms, ATF relied on continuous environmental scanning and close relations with customers. The company conducts regular visits to clients and acts as an advisor, encouraging dialogue and sharing of information (P2: 98:98). The company was able to establish relationships based on trust with clients, who tended to be very committed, relying on its support and financial advice (P5: 145:145).

All these efforts had a direct impact on the company's balance sheet. It was able to rely on relevant information to anticipate difficulties and make appropriate changes to its credit policy (P6: 21:21; P4: 16:16). Among the other outcomes highlighted when discussing the strategic response of ATF in the product and service market, respondents mentioned an increase in reputation among clients and other stakeholders (P7: 104:104). Returning clients account for 70% of ATF's portfolio (P8: 162:162). A respondent noted that ATF strengthened its image as a "unique" company:

> "Even the clients and the suppliers tell us you are unique, you are unique, you are unique" (P7: 170:170).

However, the success of ATF in the product and service market engendered some imitation and unfair competition. Some competitors, for example, would take short cuts. They would target ATF's customers, who are pre-approved for a loan, and offer them a better price. As such, they avoid spending time and resources in the analysis phase, since they trust ATF's assessments (P4: 51:51). Discussing ATF's historical efforts in the product and service market and how the company was able to promote a more conducive institutional environment for leasing, a manager noted that, generally speaking, the institutional arrangements guiding the behaviour of actors in the industry are well structured today:

> “Here, everything is mastered now, everything is oiled, it’s a machine which works to perfection almost” (P3: 88:88).

Labour market. Respondents highlighted that labour regulations in Tunisia were not flexible and tended to favour employees (P5: 98: 95). However, this situation did not seem to affect the capacity of ATF to access the resources it needed to deploy its operations. Practices related to staff turnover were not an issue. On the contrary, the company could count on the dedication of a stable team (P6: 128:128). ATF lost a few people to market entrants, but overall, turnover was not a constraint (P5: 45:45). Cognitive elements seemed instead to be an issue, and that is where ATF has focused its strategic response. While university graduates with a financial background are widely available in the market, some respondents noted that they tended to be generalists with limited knowledge of leasing; others mentioned a drop in the quality of university training (P1: 128:128; P5: 17:17; P7: 150:150).

To address these cognitive elements, ATF’s strategy was proactive, leveraging its institutional influence capabilities. The company relies on corporate embeddedness mechanisms to ensure its employees assimilate its practices and the way it conducts business. Hiring practices are among the mechanisms respondents highlighted. ATF prefers to hire candidates with little experience. As a market leader, ATF feels that young graduates would be a better fit and would assimilate its practices and methods better:

> “Look, to be honest, we have difficulties finding good profiles today, to be honest. We mainly, though there are exceptions, we mainly take people I mean, who have graduated recently, young graduates. We don’t ask for a big experience because we have our work methods, our procedures.
>
> Since ATF is the leader in the market, I mean the methods with which we work, the others are copying us. So, if we bring someone with experience, he will not really bring us something more. I am talking at the level of managers, maybe for positions with big responsibilities, maybe we will take someone with experience and all. But young graduates constitute the majority of our recruitment, so we need someone who has

> solid basic training, who has the capacity to learn, to join a team" (P5: 15:15).

In addition, the company relies on internal mobility and on its employees' network before it seeks external candidates in the labour market through a university network it has developed over time (P5: 15:15). Internal training was another corporate embeddedness mechanism respondents mentioned. ATF takes the development of its employees seriously and dedicates important resources to ensure they are well trained. New recruits go through an integration period of at least three months, and shadow work practices in different departments before they take up the position for which they were hired (P5: 33:33). This respondent highlighted the importance of training as follows:

> "The people are the one who will safeguard the system, they are the one who will retain the customer and the service and all. You can have performing systems, but if the people don't follow uh… With one word, a person can completely sabotage a system that you built and I don't know what, with one word, he can sabotage everything. So, at the end of the day, true we worked the systems, but the personnel are our bread and butter. We need uh…we today we have the human resource department is working a lot on training, internal training, this is good. We work on everything. I mean this is something extraordinary. The evaluation happens at the end of the year, we put our needs, they take our needs, they work on those, and then they start doing the training and all uh…actions. This is a very important thing, this is something very important" (P7: 239:239).

Respondents highlighted other embeddedness mechanisms including a competitive incentive system, and a management style encouraging mutual respect, trust and personal initiative (P5: 141:141; P4: 110:110; P7: 239:239). These internal efforts had external effects since they increased the reputation of the company enabling it to retain employees and customers. Clients tended to remain faithful to ATF as expressed by this respondent:

> "I mean do you see what I told you, even the customers feel it, they feel there is something, a trustworthy climate. This climate I mean, since the employees trust their company, the client feels it, he has the same feeling, he has trust because the people after all today, even when you

> go to buy clothes, you feel, you are not comfortable, you don't trust the seller, even if he gives you a lower price, you will not buy from him, this is not uh… (K: yes) […].
>
> We had a few years where no sales person left. But it happened to us during a period where there were many leasing companies that entered the market. They offered a lot of money to get sales people, so there were people who left. But even then, the portfolio was not affected much. There was a short period of disturbance, we can say. But then everything went back to normal, we recovered our clients, because they came back to the company actually. The sales person can go and see him and encourages him to do a contract, he follows and all, but then if he has a need you find that he comes back to ATF on his own" (P5: 145: 146).

Capital market. ATF intervenes in the capital market to finance its activity. Three main sources of financing are available to leasing companies: medium-term loans through the banking system, bond loans and international loans. Their respective importance for ATF changed over time. At the time of the interviews, the Tunisian capital market can be described as well structured, but the institutions guiding the behaviour of actors were not as developed when ATF started operating in the 1980s (P2: 159:159). As it dealt with regulative, normative and cognitive constraints, the company's strategic response was proactive.

Accessing cheap financing is important for ATF in order to be able to compete against banks. Banks have access to deposits and can sell leasing products under their banking licence (P3: 80:80). In the beginning, ATF was able to raise money through the banking system, but this source of financing dried up over time as banks started to offer leasing products and services. Therefore, the company had to rely much more on the bond market and on external loans (P1: 52:52).

In order to raise money, the company created its own brokerage firm, which became an instrument through which it could intervene in the bond market (P1: 56:56). ATF went even further by seeking resources through the international market from organisations such as the African Development Bank, the World Bank, and the International Bank of Reconstruction and Development. These resources are generally cheaper, so there is high demand and competition among financial actors. Companies need to prove that they meet some strict eligibility criteria, are capable of due diligence, and are able to respect the reporting requirements (P4: 19:20).

Securing access to cheap financing shows the institutional technical competence of ATF, given its capacity to leverage the quality of its portfolio of clients and to meet reporting standards. As discussed in the product and service market section, ATF made efforts upstream and downstream and for example was able to reduce the percentage of disputed receivables from 20% in the year 2000 to 6.3% in 2015 (P3: 72:76). Access to cheap financing was highlighted as a company strength:

> "So, the strength of ATF is this actually: having good indicators so that we are able to raise funds cheaply" (P3: 81:81).

The efforts of ATF to institutionalise the practice of loan titles in the capital market demonstrates its proactive response and capacity for influence. ATF was the first financial actor in the country to use loan titles (as of 2012) and to work on diffusing its practice to become a standard in the financial sector (P7: 73:73). Before the use of loan titles, ATF relied on standardised bills of exchange or drafts clients signed. The process of managing these drafts is quite cumbersome and involves considerable paperwork and coordination between the company and its banks (P7: 174:174).

In 2002, Tunisia promulgated a law outlining the procedures and standards for the management of loan titles, but the law was never put into practice. In order to encourage financial actors to change their practices and adopt the new procedures, the APTBEF put together a committee with representatives from financial institutions including ATF, policy makers, and the regulatory authorities (P7: 178:178). ATF discussed the possibility of working with loan titles during a strategic meeting back in 2002 but decided against implementing the new standard. The idea was discussed again during an administrative strategic meeting in 2009. The company decided then to take advantage of its implementing a new information system by integrating the management of loan titles at the same time (P7: 178:178). When the new system was in place, ATF stopped working with drafts and switched wholly to loan titles, after a successful testing period involving one of its subsidiaries and a bank.

But the implementation did not happen without cognitive and normative institutional challenges because the procedures were not well entrenched in the financial system. Some banks did not understand the electronic files they were receiving, especially in branches far from Tunis, so they tended to return what they had been sent, as described by this respondent:

> "In the beginning the banks actually, there were some which did not understand the loan title and sometimes uh…They don't understand, because it happens that a branch manager of a bank far away from Tunis, not in Tunis, he is far, people don't understand. They just send back what they receive and that's all. He does not understand what he received, he sends it back that's all. So, in the beginning, when there is a problem, I go to see the banker directly" (P7: 195:195).

To offset resistance from clients not familiar with the new system, ATF used influence mechanisms that relied on educating and negotiating. The company leveraged its capacity for influence as it sought to convince its partners and customers to work with the new system, resource reconfiguration capabilities as it had to review its own internal procedures and reallocate resources, and technical competence, in the process becoming an expert providing advice to its partners on how the standard should be implemented and managed (P7: 195:196).

The new system provided several efficiencies. It simplified procedures because loan titles could be edited directly in the system. Paper management was reduced as there was no longer any need to get drafts from the official printing house. When a payment was due, electronic communication reduced the chances for mistakes (P7: 194:194). ATF became a reference to others, resulting in increased prominence. Banks and other financial institutions would come to seek advice on how to implement the system. Also, banks that wanted to work with ATF had to have the capabilities to manage loan titles. The groundbreaking switch by ATF opened the door for the slow diffusion of this new standard and the development of new institutions. Finally, ATF was able to differentiate itself from the competition since, at the time of the interview, leasing companies were still not well acquainted with this payment system as suggested by this respondent:

> "But till today, the other leasing companies don't work this way. Even if they do, I don't think they work this way, because there are details" (P7: 227:227).

Besides the above efforts seeking to institutionalise industry standards, respondents highlighted that the company does not hesitate to leverage its institutional influence capabilities to shape regulations it perceives as constraining. Relying on influence mechanisms, ATF took a leading role in the negotiations around the viability of a ceiling rate the central bank imposed on the sector (P8: 49:49). At the time of the interviews, the debate between ATF and the central bank regarding the formula to calculate the maximum price was still unfolding.

In the capital market, ATF became a reference for policy makers who constantly seek its perspective and opinion as they try to understand the behaviour of economic actors in the industry and assess practices that may pose competitive problems (P8: 62:62; P8: 88:88). For example, the 1994 law prohibits leasing companies from financing their employees. With the market becoming more competitive, some companies found a way to get around the law in order to engage in exactly these practices (P8: 92:93). Another example relates to behaviours in the informal economy. Clients who lease a car have an option to buy it at the end of their contract. Some customers would ask the lessor to register the sale under the name of a third party. Discussions with the regulatory authorities revealed that this practice was used to escape paying taxes (P8: 95:95). To avoid any risks, ATF decided not to engage in any third-party transfer practices. In situations like these, the regulator would often ask ATF for its opinion in an attempt to understand market operations, as highlighted by this respondent:

> "I mean, the central bank discusses with us a problem which disturbs them and they start talking with us uh… this and that is happening and is not happening and all. We explain, we say yes it's true, it has happened, but it is not happening in our company, it is happening elsewhere, and we know what is happening uh… and we open their eyes on things uh…" (P8: 88:88).

Respondents noted that ATF's refusal to engage in these informal practices increases its reputation and good standing as a serious, transparent company, but entails a loss of business to certain competitors who turn a blind eye to such actions. Respondents noted as well that ATF's response in the capital market enabled the company to set the rules of the game, helping it to secure an advantage. With time, ATF became the go-to company for policy makers and other stakeholders who seek to understand the practice of leasing. A respondent went as far as to indicate that the regulator learned leasing through ATF:

> "People at the central bank learned the leasing business here" (P8: 88:88).

Findings summary. The analysis of the experience of ATF in the Tunisian context reveals that the company has adopted a proactive strategic response when dealing with institutional constraints in the product and service, labour and capital markets. As such, ATF developed some non-market advantages rooted in institutional influence, resources and process reconfiguration capabilities, and institutional technical competence. ATF relied on influence mechanisms and embeddedness mechanisms. Outcomes included creating institutions to develop the leasing industry in the country, which resulted in the company enhancing its reputation, and significance. ATF was able to take advantage of increased efficiencies and reduced costs of access resources. It was also able to differentiate its service and secure a competitive advantage. The following table summarises the main findings.

Table 10

Findings Summary: Experience in the Home Market

Institutional domains	Institutional constraint	Strategic response	Organisational factors	Mechanisms	Outcomes
Product and service market	Regulative: current regulations more conducive to the practice of leasing, but this was not the case when ATF started its operations. Normative: cumbersome bureaucracy, informal business practices. Cognitive: misunderstanding of leasing procedures and practices.	Proactive	Institutional influence capabilities: capacity to shape the institutional pillars. Resource and process reconfiguration capabilities: revisited business practices, reallocated resources, invested in IT systems. Institutional technical competence: designed institutions such as standards and practices.	Influence mechanisms: educating, negotiating, providing a solution. Social embeddedness mechanisms: cultivating close relations, mobilising socially embedded actors.	Institutional: created institutions leading to an environment more conducive to the practice of leasing. Increased reputation. Financial: increased efficiencies, reduction of customer delinquencies. Competitive: secured an advantage. But competitors' tendencies for imitation and unfair competition.
Labour market	No major constraints other than cognitive related to a mismatch between trained graduates in the labour market and ATF's needs.	Proactive	Institutional influence capabilities: capacity to shape the institutional pillars.	Corporate embeddedness mechanisms such as training, management style, and incentive systems.	Institutional: increased, reputation. Competitive: difficulties for competitors to

Institutional domains	Institutional constraint	Strategic response	Organisational factors	Mechanisms	Outcomes
					attract ATF's clients and employees.
Capital market	Though current regulations are more conducive, it was not the case when ATF started its operations. Normative: such as difficulties promote new industry standards. Cognitive: difficulties and confusion in the application of new standards	Proactive	Institutional influence capabilities: capacity to shape the institutional pillars. Resource and process reconfiguration capabilities: revisited business practices, reallocated resources, invested in IT systems. Institutional technical competence: designed institutions such as standards and practices.	Influence mechanisms: educating, negotiating. Social embeddedness mechanisms: cultivating close relations, mobilizing socially embedded actors.	Institutional: created institutions leading to an environment more conducive to the practice of leasing. Increased reputation. Financial: cheap refinancing. Competitive: secured an advantage by differentiating itself and setting the rule of the game through new standards.

Experience in the Host Market

"[…] Today we associate leasing with ATFsub" (P9: 387:387).

The above statement provides a good perspective on how leasing in Algeria has become linked to the name of ATFsub. Just like its parent company, the subsidiary worked on developing the institutions guiding the behaviour of actors in its industry. After independence, Algeria promoted the institutional arrangements of a socialist economy. State-led banks therefore had a predominant role in the financial sector. There was a shift in policy in the 1990s with efforts to open the economy to private investment (P8: 158:158). When ATFsub started operating, leasing was still a novel product in the market. Algeria saw the birth of its first specialised leasing firm in 2002. By comparison, the first leasing company in Tunisia was formed in 1984 (P11: 88:88). For its first international experience, ATF explored the possibility of entering the Algerian market through a joint venture with a local partner. But when the collaboration failed, it decided to proceed on its own and establish ATFsub (P10: 12:14; P9: 28:28).

Since leasing was a novel activity, the institutional arrangements guiding interactions in the product and service, labour, and capital markets were still emerging. ATFsub faced various institutional constraints as it sought to access the resources it needed to be able to operate and deploy its service. The subsidiary's response was proactive working on shaping and developing the institutions necessary for a more conducive business environment. What follows further details the behaviour of ATFsub in the Algerian context.

Product and service market. This section discusses the behaviour of ATFsub with customers, business partners and the Algerian administration. Given the nature of ATFsub's business, relationships with suppliers of capital such as banks, will be addressed in the capital market section. In the product and service market, ATFsub faced normative and cognitive challenges predominantly.

Dealing with customers and business partners. As it dealt with customers and business partners, ATFsub faced normative and cognitive constraints. Leasing was not a well-known financing mechanism in Algeria as described by this respondent:

> "We were going from what is your capital, to who are your shareholders, to what is leasing. People knew more uh…. they were with banks, so it was medium-term loans more, the bank logic rather than leasing" (P11: 142:142).

When ATFsub wanted to introduce leasing for vehicle financing, it sought to establish partnerships with car dealers. These, however, resisted, were not interested and perceived leasing as a hassle involving paperwork. As the Algerian economy opened up to the imports of foreign cars, selling was not an issue for dealers; on the contrary, customers were lining up and were paying in cash. Dealers did not see any advantages to selling leasing products and services (P11: 142:143). As for equipment financing to SMEs, clients tended to operate in the informal economy so ATFsub was challenged to assess the veracity of the information submitted to motivate loans applications (P12: 21:22).

While ATFsub faced these institutional challenges, it was able to take advantage of its competitors' weaknesses nevertheless. Algerian banks were not serving SMEs adequately, a situation the subsidiary was able to leverage, since it was operating under a different logic (P9: 85:85; P9: 314:314). In addition, the historical competitor, present in the market since 2002, was not actively building the practice of lease financing in the country (P11: 213:213). By adopting a proactive response, ATFsub was able to change the perception and behaviour of actors and to secure an advantage over the competition.

Corporate embeddedness mechanisms were used to access parent company resources and capabilities. For example, the information system and the applications used to process, approve, and monitor loans were transferred from Tunisia to Algeria. These resources provided ATFsub with an advantage that no other financial institution had at that time:

> "There is a mechanic, here again the information system of the lessor I saw in Tunis, no bank has it here. Even the multinationals, the French

> banks, uh…the mastodons, HSBC, Société Générale, or others, no one has it" (P9: 123:123).

Subsidiary managers could also count on the support and competence of their colleagues from head office, who travelled back and forth between Tunisia and Algeria to provide training in the first few years (P4: 126:126). By building on the experience and knowledge of the parent company, ATFsub was able to offer solutions and services that customers were not used to in the past. Just like its parent company, the subsidiary approved loans within 48 hours. ATFsub offered clients who wanted to lease a car the possibility of buying insurance at the same time and paying for it monthly with the loan's instalments. In Algeria, the practice was that people had to pay annual insurance fully at the time of purchase. ATFsub took care of car registration processes as well as equipment import modalities on behalf of its customers. These new practices were revolutionary in the Algerian context and a complete cultural shock as described by this respondent:

> "We provided solutions, this is important also. The Algerian client is not used to this. He is coming out from a command economy, he is coming out, uh…you know when I tell you public banks, there were cases that took between six months, twelve months for an answer, a response in six to twelve months! and it was very normal, admitted as the norm. I mean when we used to deposit a loan file, then it's the second generation that will do the follow up! And we came along with a process. We say one week, four days, three days, we will call you on your mobile, we send you an SMS to tell you, you go online and you see your file. All of this, people did not know…" (P9: 315:315).

Building on its institutional influence capabilities, the subsidiary used influence mechanisms such as educating. Social embeddedness mechanisms such as mobilising embedded actors were also used to build partnerships, to raise awareness and understanding of leasing products and services, and to change the behaviour of partners and customers. For example, consumers interested in buying a car shop around and approach car dealers before even thinking about financing. It was therefore important for ATFsub to build partnerships with these dealers so that they offered leasing as a financing option. ATFsub relied on building close relations and educating, offering its business partners training sessions on the advantages of lease financing. It also sought to change the cognitive impression that leasing was a complicated product to process by leveraging its resource and process reconfiguration capabilities as described by this respondent:

> “We created kind of a department, which was autonomous more or less with analysts, dedicated sales people etc, uh…. it was dynamic to be able, we will say, be able to answer, uh…the specificity of vehicles as products where the files need to be processed quickly. So, we positioned ourselves for a response time of 48 hours for example. So, we created a dedicated department” (P11: 32:32).

As such, the subsidiary was not a passive recipient of knowledge from the parent company but had the possibility to improve on what was transferred to better target the Algerian market (P12: 233:237). Thanks to its knowledge and speed of service, ATFsub was able to outmanoeuvre the competition and convince suppliers and partners to offer its products (P11: 344:344). In addition, the company built social relations and partnerships with professional associations such as the pharmacists’ body SNAPO, signing agreements so that its products can be marketed to their members (P11: 147:147). With time, consumers and independent professionals started to recognise and understand the product, perceive its advantages, and consider it as a financing alternative (P11: 343:344).

Respondents also highlighted the work ATFsub had done to introduce the first Islamic leasing contract in Algeria. Leveraging its institutional technical competence, the subsidiary was able to create a new institution since no one was offering a leasing contract that would fall within the confines of Islamic prerogatives. The company was therefore able to capture customers with strong religious beliefs (P9: 76:76). The quote below provides a good understanding of the cognitive constraint ATFsub had to address:

> “Well, we positioned ourselves in what we would call the Islamic contract, because we came to realise that this was a very uh… sensitive area (K: sensitive yes). Here you go, well we were losing many clients because of this issue, uh…because in the beginning they would be interested in leasing, but then unfortunately in our societies we don’t have a mufti who has a financial background, we have muftis uh…once the sheikh of a mosque says uh… In any other specialty, when we have teeth pain we go to the dentist, I don’t know, we go to see a mechanic, this person, that

> person, but when we are in a religious matter, everyone has an opinion. Logically there is a specialisation, in finance, if you are not a financial person you shut up it is better (laughs). Here it is not the case.
>
> You start talking with the client, you explain to him what is leasing, he asks you, is it allowed in religion or not? Halal or haram? Ah halal or haram, it is not me who is going to tell you that (laughs). I explain the concept to you, if you want my personal opinion, I will tell you halal, well from here you have to decide.
>
> Why this is an issue? Because after this, what will the client do? He goes to see his imam. His imam, the problem here is that he will not tell him I don't know, he will tell him ah haram! Behind all this we started to have ridiculous things. Haram why? He tells you ah! the first payment. Given that I put in a first payment uh…haram. Someone else would say, no you are taking uh… how to say a margin (small laughs). What would you like? that I give you money from my pocket? Another one, there is a late payment penalty, ah haram uh… When he pays late there should not be a penalty uh…There are many things. He goes and explain to the imam, he tells him ta, ta, ta ta, ta, for example I pay a penalty for late payments uh… haram… I don't know what, I put a first payment in, haram uh…things like this.
>
> So, we never, well the client when he has his imam whom he trusts, and who says haram, he will tell you I prefer not. There were people who went to Saudi Arabia to see, we had things like this!" (P11: 270:271).

ATFsub was also proactive when it worked on shaping the normative and cognitive institutions guiding relations with SMEs applying for a loan. Relying on corporate embeddedness mechanisms, the subsidiary uses similar methods to those developed by the parent company to analyse the financial statements clients submit. ATFsub uses theories and ratios and leverages the information system it has in place to analyse payment patterns and anticipate difficulties (P12: 200-201). But the company goes further and relies on influence mechanisms such as educating and on social embeddedness mechanisms such as cultivating close relations with various actors. This is even more important in the Algerian context because financial actors don't have access to a well-documented central database for risks (P12: 41:41).

ATFsub has a policy requiring that the sales team conducts a systematic visit to customers who seek loans above a certain amount. The team is trained to cultivate close relations with clients, establish trust, and carefully seek relevant information such as clients' assets in order to inform the decision process as described by this respondent:

> "I was going to say training on the profession for the sales force, and I gave the training myself. These trainings help the sales people learn how to have a discussion with the client to have all the information that the client does not want to give generally speaking, for example, his assets. When it comes to assets, given the Algerian culture, we know that not everything is declared, and generally it is invested or placed in real estate. So here, we did some work with the sales people to try and digup the information and have the client reveal real estate assets.
>
> There is a psychological work to be done, to say, it is not that we want to take a warranty, we are not the tax authority, we are not here to judge, but it is just to have an idea on your, uh… on your foundation. You say that you are making 80 million of revenues. In the balance sheet, there are 10, where are the other 70 million? If in parallel you motivate this by the fact that you have property titles etc, that you have investments, it can uh…I will not say it compensates, but this can provide an explanation. If you declare this only, and you don't have assets, all your investments are through loans, well where is the cash flow? So, this is some work that we do continuously to try and compensate for the lack of transparency" (P12:60:60).

ATFsub uses its network to get information from embedded actors such as other customers, bankers, or business partners who may have dealt with the client in the past (P12: 131:131). This informal way of getting information became easier with time as ATFsub established a large customer base in all segments of the economy, as well as good working relations with several banks. Such information is also easier to gather outside Algiers, the capital, since people tend to know one another more. ATFsub seeks to triangulate the gathered information from various sources, an investigative work that goes well beyond the simple analysis of financial statements. This work enables the company to approve loans that it might not have, had it relied only on submitted documents. ATFsub was also able to influence the behaviour of some customers by helping them to become better organised, as indicated by this respondent:

> "This stayed with me a bit because he is a client who uh… a credit committee member said later on, because we increased our sales with him over time. We worked with him, and we went as far as financing equipment for production. A member of the committee kept the story of this client in his mind, and he made me the remark that had we not visited this client, we would have never financed him.
>
> And actually, I had agreed with the client to go and visit him at a precise time. I had asked him at what time do your clients come to take delivery of your product? It was carbonated drinks actually. So, people came very early in the morning, so they are able to go and do deliveries thereafter. So, I went to see him early in the morning. It was the queue! It was really uh… trucks in queue, parked in a single line. And so, when I took the picture from the inside and the trucks etc, well it was clear that this guy was working. And when you see his turnover, well he was not declaring uh…here you go, he was not declaring everything let's say. Actually, this enabled him, uh…the leasing approach enabled this customer, among other things, since it's an expense etc, it enabled him to reorganize himself financially bit by bit. So, he would declare more revenues, he would declare uh…
>
> His numbers were closer to reality. He started to declare because he did not have issues behind that I would say. He had more bills to expense, etc, etc, etc. Reducing his turnover was no longer a problem since he had expenses. He would find his interest and this enabled him to become better, here you go. This is someone whom we took out a bit from this logic of uh…he used to declare, he was not really in the black, but to bring him a bit to daylight, yes, this is someone who did not have any issues later on. He became bigger, tidier. Actually, he recruited a finance manager, here you go, he became structured, let's say" (P11: 97:102).

Respondents highlighted that ATFsub's response helped increase its reputation and enabled it to capture new customers. The company secured an advantage over the competition as well. Industry benchmarks revealed that the quality of its portfolio of clients is much higher than that of the competition (P12: 282:286; P9: 114:114). At the same time, this success engendered imitation and copying. Seeing ATFsub's success, more and more actors, especially banks, started to offer leasing products and services. The subsidiary became the model to follow (P12: 95:95; P12: 103:103). Nevertheless, some respondents noted that these developments can be positive since they should help reduce the institutional bottlenecks, now that Algerian public banks are offering lease financing as well (P10: 55:55).

Dealing with the administration. When dealing with the Algerian administration such as courts or municipal services, ATFsub faced cognitive challenges stemming from a limited understanding of leasing as a financial product and normative challenges stemming from inconsistencies in the application of leasing procedures throughout the Algerian territory. Though, as some respondents expressed, the 1996 Algerian law on lease financing is much more comprehensive than the Tunisian law (P13: 28:28), leasing “is a process and the law cannot go into the process” (P10: 34:34).

Since the normative and cognitive institutions guiding the behaviour of stakeholders in the industry were still emerging, ATFsub faced several challenges. For example, magistrates were not used to seeing leasing contracts and were not familiar with the meaning of leasing (P3: 87:87). They would in some cases be confused and would not understand why ATFsub was suing a client and wanted equipment back when it was actually the owner of that equipment. Enforcing legal decisions was another issue the subsidiary had to deal with, especially outside the capital, in the regions. ATFsub faced challenges with customs who interpreted that the lessor was not exempt from VAT and other duties even when equipment was being imported on behalf of a customer whose industry was benefiting from these tax incentives and advantages. So, if the customer in question was to import equipment on his own without financing, he would be benefiting from these advantages. When interacting with the municipality or the car registration office, ATFsub faced several delays and limitations as to how many files could be submitted for processing per day. The office of property registrar would not understand why the subsidiary needed to register a financing contract, failing to recognise that this registration was needed so that the document can be used in court. ATFsub faced a tax readjustment because the auditors who traced the amounts going through its bank accounts were not familiar with leasing mechanics and counted loans received from banks as revenues when only payments on interests received from clients are.

In all these situations the strategic response of ATFsub was proactive. The company would try to address the issue on its own, first leveraging its influence and institutional technical capabilities, relying on influence and social embeddedness mechanisms. ATFsub built social relations with administration officials as well as embedded actors such as intermediaries and spent time and effort to explain and to educate decision makers. ATFsub would go as far as providing the solution and indicating how the matter should be addressed (P13: 54:54; P13: 133:134; P31: 347:359; P9: 55:55). Building relations with officials included inviting them to attend ATFsub's seminars, offering end-of-year gifts, or having informal interactions over coffee. Some respondents were keen to highlight that being the subsidiary of a publicly owned company, ATFsub does not engage in petty corruption practices (P9: 184:185). Respondents indicated that the capacity to influence is dependent on the ability to understand the situation and put forward the appropriate interlocutor to talk to officials. In addition, respondents noted the importance of following due process when interacting with the administration and not escalating the matter too fast. This is even more important in situations where differences of interpretation emerge between officials at the local, regional, or national levels (P31: 259:263; P9: 63:64).

When ATFsub is not able to solve the matter on its own through interactions with the official in question, or when there is a recurrence of the problem affecting the whole industry in different regions in the country, then it leverages the support of industry associations such as the association of banks and financial institutions or that of pharmacists in order to negotiate with and influence the appropriate administration till the matter is resolved (P9: 64:64). ATFsub does not hesitate to provide the necessary financial resources to support these professional associations so they can organise seminars for example and bring together officials and other stakeholders to discuss the issues and identify appropriate solutions to the benefit of the industry at large (P9: 189:189).

Through these efforts, ATFsub was able to solve several administrative bottlenecks that were not conducive to lease financing in Algeria. The subsidiary was able to raise awareness and understanding of leasing and to develop the appropriate professional norms in the Algerian context (P31: 463:463; P13: 53:53).

Labour market. When ATFsub launched its operations in Algeria, the labour market was not catering to the needs of the leasing profession. Algerian universities were mainly training graduates for the banking sector. Addressing this labour market gap went well beyond the training of leasing specialists. Accountants, for example, were not familiar with how to book leasing revenues and related financial products, which resulted in various challenges as discussed above. Respondents noted also that top-level executives in the banking sector were actually trained in Tunisia through an Algerian and Tunisian funded institute called IFID. A class of twenty-five Algerians would be admitted every year (P9: 290:290). Eventually, Algeria created its own banking college, which can train business managers or technical managers. But ATFsub was faced with cognitive constraints since higher education training was not adequate in producing graduates who understood the leasing industry and were able to work in it as professionals.

ATFsub had a proactive strategic response, leveraging its institutional influence capabilities. The company turned to hiring young people with little experience in leasing and relied on corporate embeddedness such as training and knowledge transfer to build their competence. The only position in the subsidiary held by a Tunisian expatriate was that of the president; everyone else was hired locally (P8: 145:145). Tunisian managers often travelled to Algeria and conveyed how things should be done. Algerian managers travelled to Tunisia for training as well (P9: 294:294).

Training on the job became an entrenched policy at ATFsub (P12: 213:213). The company was convinced, for example, that the methods developed to analyse and approve loans could only be learned internally:

> "On the job exactly, so there is a minimum, there is a ticket of entry, there is a minimum background to have but after that, it is really uh… and especially in our job, well maybe the financial analyst background is standard, but leasing is really something new in Algeria, so we won't really find an analyst that have years of experience in leasing. Leasing is recent, you see? So even for us what we have developed we will say as a methodology of analysis, and as we said earlier, with the triangulation of information, it's uh… how uh… it's a behaviour to have, it's the behaviour of a policeman, you see? So, I don't need an analyst who tells me the ratio of financial autonomy etc, I don't need that, it is good, it is

> necessary, but he needs to have a plus, and the plus, we think and we judge that he needs to learn it here" (P12: 217:217).

In sales, there was a clear cognitive change as ATFsub shifted the understanding of how selling is done in the market. It recruited candidates with no experience or with sales experience in other industries such as the banking, furniture, or motor industries (P11: 217:218). The sales force was trained to be aggressive and to seek out customers rather than sit back and wait for clients to come, as is the case within a banking logic. Employees were trained how to develop and use a database, firm-up meetings, prospect new clients, maintain relationships with current clients, do a preliminary financial analysis to explore possible financing options, and put together an application file through the internal information system (P11: 217:218). This respondent further describes this process:

> "We brought people from different horizons because there were no training programs or at least people who did this line of work, and we did training on the job. I was able to train people who had the basics and to make of them uh…
>
> I give you an example. We brought people who were in car sales in the period where there was a bit of tension. I used to say that in car sales there are no sales people really. It was easy, because there was so much demand. So, the sales person was there to fill in order requests. The sales activity as we know it, no one would do it, prospecting, going to see how things are done, prospecting, working and developing an area, follow-up with people, etc… Generally speaking, the sales people with the dealers used to just take orders in, since they had uh… when I tell you it was a line, it was a line! I went to see some dealers where you had a system like the one used in postal offices. You come in, you take your number, and you wait for your turn, walah! It was a queue, and so when it comes to this aspect, we did training, we trained people uh…" (P11:217:217).

Corporate embeddedness mechanisms were also reflected in the management style which can best be described as "controlling intelligence", a metaphor coined by Buckley (2009) to describe the orchestrating role of the headquarters and the degree of autonomy it gives to its various units. ATFsub had total autonomy over its daily decision-making processes, and people from head office were interested in learning from its experience, which encouraged mutual collaboration (P10: 200:200). While the subsidiary received knowledge in the beginning, this changed with time as it too became a producer of knowledge that influenced the behaviour of the parent company.

Ultimately the relationship evolved to become more about developing synergies than rendering assistance (P12: 241:245; P10: 168:168). Collaboration between departments – whether sales, commitment, IT, back office or finance – happened through various communication means. Head office representatives are members of the subsidiary's credit committee. Algerians and Tunisians come together within project teams to develop common IT infrastructure, ensuring synergies while at the same time addressing the regulatory requirements of both countries (P14: 41:41). Beside the regular emails and phone calls between managers, top-management meetings bringing together head office and subsidiary representatives are organised every two months and a board meeting every three months.

The subsidiary influenced the structure of the head office in Tunisia. When ATFsub centralised its back office, owing to resource constraints in Algeria, the head office learned from this experience and centralised the same functions in Tunisia as well (P2: 77:78). When a senior executive joined ATFsub, he took the initiative to conduct an inventory of subsidiary assets and mentioned it in one of the reports to the parent company. Head office executives noted the initiative and asked the executive to come to Tunis and assist with a similar exercise. In accounting, the subsidiary is able to close its accounts at T+5 while the head office at T+20. Again, ATF sought to learn from its subsidiary (P10: 172:172; P10: 181:181). The following quote reflects this controlling intelligence corporate embeddedness mechanism guiding relations between the head office and the subsidiary:

> "Now with Tunis, sincerely I have no issues. I think that even my colleagues have no problems, especially that today, we are starting to reverse things a bit, to their honour, seriously. I say uh… whether "Sami" or "Hamid", every time they see something I was doing, and I was nicely surprised, they said oh… this we would love that you show us how you do it. When they go back, they instruct some ATF Tunisia managers who call to ask how we did it. So, I think that when we arrive at this level of complicity and participatory management, I think we are making great

> steps. Now Algiers, its board is autonomous, our management acts are autonomous. We consult, which is very normal, we consult the head office on things, we discuss together how we see things, but day-to-day management actions, Algiers is 100% autonomous contrary to many other European subsidiaries and other uh… as I told you, to move, you need to raise your small finger uh… while we have freedom in expenditures, we have freedom in recruitment, we have freedom in management" (P10: 200:200).

Thanks to these efforts, ATFsub differentiated itself from the competition by creating an image of being an energetic company relying on young well-trained professionals and this was felt, appreciated, and reported by customers (P12: 266:266). Besides, and over time, ATFsub developed a reputation for being a training organisation (P9: 28:28). The subsidiary's employees were very valued in the market and competitors were keen to hire them. So, the work of ATFsub enabled the emergence of experts who went on to support the growth of the profession and spread the practice of leasing as expressed below:

> "How to say this, with all modesty, today we are starting uh… It is not that we are starting, we have started already. First of all, we practically, not to say a big percentage, we formed the people, at least the decision makers in the Algerian market uh… I mean today, when our people go to the competition with ATFsub line on the CV, the person is quite certain he will be recruited, uh […]. In sales, we recruited people who used to sell office furniture and we turned them into lessors. Because actually, in the market, we don't really have any curriculum to become a lessor, nor uh… So, we have the school of banks which trains bankers, but the lessor job is not defined really. Even accountants, finance people we have here, same thing, how to do accounting for leasing? uh… how do you position yourself in accounting and financial aspects? This was not available in the market. So, all of this work was done by ATFsub" (P11: 213:213).

But this success and reputation resulted in some negative outcomes. Staff turnover became a problem, disrupting daily operations (P8: 145:145). Probed to explain the factors provoking the turnover, respondents gave explanations rooted in the market, culture, and employment policy. They noted market dynamics and the entry into leasing by more competitors seeking well-trained employees with experience (P4: 134:134; P12: 300:300).

Cultural differences between Algeria and Tunisia were cited, as were perceptions that young Algerians tend to look for better-paid jobs while Tunisians tend to seek stable job opportunities (P12: 300:301; P9: 306:306). Also significant were ATFsub's policy and focus on training young people who value career advancement and higher pay opportunities (P12: 299:300).

Respondents acknowledged, however, that the turnover problem cannot be fixed by increasing salaries only and that ATFsub should avoid a salary war with the competition (P12: 309:309; P14: 54:54; P9: 310:310). The lack of human resource policy was also mentioned, especially in the start-up phase where processes for identifying and selecting people who might be a good fit were not well developed (P15: 11:17). Filling positions and bringing people in to support service deployment mattered more at that time. But as the company grew and became established, human resource management became an issue. Managers started to raise the matter and make suggestions as to how human resources should become a focus of attention especially given that the company was losing people it was training (P12: 309:309).

In order to address the situation, ATFsub leveraged its resource and process reconfiguration capabilities and used a mix of social embeddedness and corporate embeddedness mechanisms. It sought to have a better balance between young professionals on the one hand, and employees with work experience on the other hand. ATFsub used its network to identify and hire an experienced human resources director who launched a human resource management audit, put together a human resource policy, and developed a process to better match positions with profiles. The recruitment process was also reviewed. Other experienced actors were hired in the IT and legal departments, as well as senior executives with experience in the financial industry. A respondent highlighted how hiring experienced lawyers in the context of a restructured legal department helped to ease interactions with the Algerian administration (P13: 154:154; P13: 158:162). ATFsub reviewed its remuneration package and revised its incentive system, learning from what was being offered to head office employees (P12: 321:321). A career management programme was also developed with the objective of revisiting it every year (P9: 309:309).

Early signs indicate that ATFsub's efforts are having a positive effect and reversing the turnover trend. But beyond this, the subsidiary's overall proactive approach in the labour market had a broader outcome. Respondents highlighted that it facilitated the integration of the company in the Algerian financial system and consolidated its position of being a leader in the leasing industry (P2: 57:57; P2: 61:61).

Capital market. In order to better appreciate ATFsub's actions in the capital market, this section begins by explaining the context and the structures prevalent when it was established.

The capital market in Algeria was structured around public banks till the mid-1990s, when private banks were authorised. The sector developed freely and with some anarchy, as the regulatory framework was still emerging (P9: 197:197). The capital requirements to establish a financial institution were very low, encouraging many with no prior experience in financial services to enter banking. Loans were given left and right and the situation was becoming critical, even threatening the viability of the economy (P9: 197:197). In the early 2000s, Algeria was shaken by the Khalifa financial scandal. Rafik Khalifa, the son of a former politician, started a bank and received deposits from state companies. He eventually built an empire with businesses in several industries. However, the whole system was based on a ponzi scheme. Millions were lost, many investors lost large sums, and the Khalifa bank and related businesses ended up in bankruptcy (P9: 201:201). As a reaction, the government ordered that all public entities keep their excess cash flow with the treasury, closing the door to any loans to the private sector. Private foreign banks began to enter the Algerian market in the mid-2000s and relied on their own equity. As their activities grew over time, they needed to access other financial resources through the market. But the rules guiding the practice of financial actors in the money market were not clear. While public banks had excess cash, they were reluctant to do business with the private sector as described by this ATFsub manager:

> "The foreign banks started to come to Algeria in 2005, 2006, 2004 uh… Société Générale, BNP, well, they came with their capital, which was 30 million euros in the beginning. Well they worked, they worked a bit with their resources. When you arrive to a level as well, at a certain point in

> time, you can no longer work with your capital only. So, we went to the money market, to the central bank and we said, listen we would like to seek the money market. They said yes there is no problem, go for it. Yes, but where are the offerors? Ah! they said, we never said it was forbidden. So, we went to see the public banks, our colleagues, who have billions in dollars in resources at sight, not remunerated, sleeping. So, these are friends, we studied together. Listen can you… He tells me, I like you, we can have dinner together, take coffee, but I don't feel like going to jail! There is no way I will loan to a private bank, because there are instructions from the prime minister. We went to explain our cause as well. The instructions of the prime minister were officially lifted" (P9: 202:202).

Lifting the order forbidding public banks from providing loans to the private sector did not materialise in practice. Officials remained very cautious and at the time of the interviews conducted for this research, no public bank had ever provided a loan to a private financial institution (P9: 206:206). The act of management is not decriminalised in Algeria, so public officials were reluctant to take any risks (P9: 210:210). Since the rules of the game guiding the way capital can be raised through the money market were not well established, private banks needing to manage their cash flow attempted to circumvent the institutional constraints by lending to one another directly. The central bank intervened to prohibit this business-to-business practice, insisting that financial actors have to go through the money market, but did not clarify the process (P9: 214:214).

ATFsub was established in this Algerian context. As an independent financial institution with no deposits, the subsidiary needed to access financial resources through the capital market, as it could not rely on equity only to support the growth of its business. But while some norms and regulations guiding the banking sector started to emerge, the norms and regulations guiding leasing hardly existed. For example, central bank instructions would be more relevant to banking than to leasing, as explained below:

> "The law is the framework (K: the framework okay), I mean you have, it's like the law on money and credit in Algeria. We have a very clear law, what we call the framework law. It states this is what is leasing, this is how it should be done, this is who can do it, perfect, it's the legal framework. But on a daily basis, leasing is a process, the law cannot go

> into the process. Then there are instruction notes, guidance notes, and leasing is the poor parent. The central bank reacts a lot through instructions, through uh…not the framework law. For the banking system for example, on capping credit conditions, on prudential ratios, all what you can think of. But leasing has always been the poor parent when it comes to these instructions" (P10: 34:34).

In order to address these institutional constraints, ATFsub's response was proactive in seeking to shape and build institutions to facilitate access to capital. Capital is in a sense the primary material for a leasing company. Money is bought wholesale from other financial institutions or through the market and sold retail to customers seeking loans. What follows discusses ATFsub's actions as it sought to secure capital through three main mechanisms: medium-term bank loans, bond loans, and external financing loans (P2: 19:20).

ATFsub was able to secure access to medium-term loans through a private bank but was not able to work with public banks. As discussed above, public banks were reluctant to deal with private actors and their reluctance was rooted in normative and cognitive institutions after the regulatory restrictions prohibiting their engagement were officially lifted. Securing financing through private banks was not an easy process either. The rules guiding the behaviour of actors in the money market and in business-to-business lending were not clear. ATFsub leveraged its institutional influence capabilities to convince a private bank to lend it money, then worked with its socially embedded partner on convincing the Algerian financial authorities that the signed agreement was compliant with current financial regulations (P9: 215:215).

In addition, ATFsub leveraged its institutional technical competence to introduce a new practice: that of using commercial drafts to secure loans. ATFsub completely shifted the logic and perceptions of commercial drafts signed by Algerian SMEs. Before ATFsub, the dominant logic in the Algerian capital market was that SMEs were not viable given their tendencies to operate in the informal sector. But leveraging the system it has put in place, as discussed in the product and service market section, the subsidiary was able to convince its bank of the viability of its portfolio of clients and raise capital (P11: 258:258). Before the introduction of this practice, players in the market used to ask their clients to open a separate account with a partner bank and have them sign an authorisation for an automatic debit transfer. But this practice increases the risk of unpaid invoices as clients might forget to credit their accounts on a monthly basis. ATFsub came in with the logic of drafts; a practice its parent company used in Tunisia. The leasing company positions itself directly on the account the client uses on a daily basis. The drafts signed by clients are deposited with ATFsub's bank and payments are managed accordingly (P11: 262:266). The advantage is that drafts can then be used as collateral to raise capital. Before ATFsub, this practice of raising money was not widely established in Algeria.

Thanks to its technical competence and knowledge of the system, ATFsub was able to support the bank it was working with and institutionalise the management of drafts (P11: 254:254). Significantly, ATFsub supported its bank and helped it to establish a specialised department to manage drafts (P11: 238:238). Before ATFsub, there was no demand for the management of drafts and banks did not have adequate structures to process them. In addition, commercial drafts were not standardised as opposed to cheques. The law gave the overall framework, such as the types of information to include, but there was no standardisation, no specific dimension or configuration. Because ATFsub initiated the process and the demand, it also institutionalised the standards for drafts (P11: 246:255). The practice of using drafts was diffused over time as other competitors imitated ATFsub and followed similar processes to raise capital. Respondents noted as well that ATFsub's trained employees who left to work with the competition helped diffuse the methodology of managing drafts (P11: 258:258).

ATFsub worked on securing access to the bond market. After seven years of negotiations with the Algerian authorities, the subsidiary became the first financial company to secure a bond loan in the Algerian market (P4: 134:134; P9: 217:217). The process was cumbersome and lengthy because the institutions guiding financial actors in the capital market were still under development (P4: 142:142). Besides, the subsidiary had to interact with and satisfy the requirements of two authorities: The Commission d'Organisation et de Surveillance des Opérations de Bourse (COSOB), which supervises regulations on financial markets, and the central bank and its regulations on currency and credit (P10: 131:131).

ATFsub relied on influence and corporate embeddedness mechanisms. The subsidiary's president handled the negotiations directly. His team at ATFsub prepared the technical file and was supported by a team from head office because the parent company intervenes in the Tunisian bond market regularly and therefore has developed some knowledge and expertise. Influence mechanisms included educating the authorities on the purpose of the loan and the technical processes since no other financial institution has ever raised funds through the bond market (P10: 123:124). The process involved several face-to-face meetings and discussions with the authorities as correspondence was not the preferred engagement mechanism to advance an issue of this nature:

> "The central bank never answers, it is very rare that it will answer your written correspondence, this is an Algerian specificity" (P10: 75:75).

ATFsub had to address new requirements as discussions advanced. For example, COSOB required a guarantee to secure the bond loan. Usually, in other markets, only companies that are below a certain rating are required to provide a warranty. For instance, in the Tunisian market, ATF issues bonds based on its rating and does not need to provide any warranties (P2: 20:20). ATFsub thought that it could meet this requirement by securing the guarantee of two well-known and respected International financial institutions. But while COSOB accepted, the central bank rejected the transfer of any commissions to the guarantors. Paying a commission to parties that secure loans is an international practice, but the central bank rejected any payments involving hard currency (P10: 131:132). ATFsub had to start the whole process from the beginning.

Leveraging its institutional influence capabilities, ATFsub was able to convince two Algerian public banks to secure its bond loan; a first in the capital market (P9: 228:228). As discussed above, up to this stage public banks were reluctant to commit their resources to private actors. The central bank accepted, but COSOB added another condition. It required that ATFsub use its commercial drafts to secure the bond loan as a way to further safeguard bondholders. Again, ATFsub leveraged its technical competence and worked with its bank providing it with the assistance to manage these drafts through a special account. The subsidiary was therefore able to satisfy COSOB's requirement (P11: 254:254).

Though ATFsub's proactive response enabled it to secure a new way to access financial resources, raising money through the bond market came at a cost. Generally, in other efficient markets, raising money through the issuing of bonds would be less costly than using medium-term bank loans. But because ATFsub was required to secure the guarantee of two financial institutions, the final cost of its bond loan was higher than that of a medium-term loan. ATFsub accepted this cost as a way to open the door and initiate a new norm in the Algerian market. As it prepares the ground to issue another bond loan, ATFsub would like to do so without any guarantee requirements so that it avoids paying commissions and reduces the overall financial cost of the operation (P9: 249:249). As ATFsub's high rating is a sufficient guarantee in other markets, it would like to convince the Algerian authorities to follow the same practice.

The third source of financing is external loans or lines of credits from international institutions (P4: 19:19). ATFsub was able to use this until the finance law of 2009, which included a few articles that affected foreign companies operating in Algeria. This law was an attempt to structure the capital market and introduce more regulations to clean up a sector shaken by financial scandals. Three provisions affected ATFsub (P2: 114:115). The first prohibited external financing. External loans offered ATFsub a way to access resources given the refinancing limitations within the local Algerian capital market. The second capped foreign investors' ownership of Algerian firms at 49%. This law was not retroactive, so ATF did not lose control of its subsidiary. But this, coupled with the third provision requiring that financial institutions increase their capital, put a lot of pressure on the parent company. In order to avoid losing its Algerian operating licence, ATF increased the capital of ATFsub to the equivalent of 35 million euros, up from 5.5 million euros (P2: 115:115).

But though ATFsub succumbed to the regulator's coercive pressure, it continued its proactive strategy of engaging with the authorities. The subsidiary started negotiations to sell up to 30% of its shares through the Algerian stock market (P9: 249:249). But here, ATFsub faced a regulative constraint. Algerian law requires that buyers obtain the authorities' authorisation before they purchase the shares of a financial institution. The state has a pre-emptive right to block any transactions. But having the state authorise every single Algerian national who may want to buy ATFsub shares is not feasible (P9: 285:285). ATFsub began an initiative to influence the authorities to change the law. Discussions were ongoing at the time of the interview and according to one respondent the authorities understood the issue and seemed open to revisiting the law (P9: 286:286).

Respondents highlighted that ATFsub worked more generally on building the regulatory environment and the norms guiding the practice of lease financing in Algeria. The institutional context was dynamic and there was a need to reduce the uncertainty caused by constant changes in legislation and inconsistent application of regulations (P11: 16:16). On several occasions, ATFsub approached the monetary authorities with suggestions on how regulations could be improved. One influence mechanism ATFsub regularly used was to provide decision makers with the appropriate institutional solution. In the Algerian context, the central bank's regulatory logic leaned very much towards banking. So, when it issues instructions to the financial sector, it frequently does not distinguish between what is applicable to banking and what to leasing. ATFsub would approach the central bank to explain that the instructions could not be applied to leasing and to indicate what would be appropriate and suitable. The central bank would then incorporate ATFsub's recommendations in its instructions (P10: 34:34; P10: 103:103).

Besides, and when necessary, ATFsub leveraged the influence of an embedded actor to lobby the government or the central bank to change the laws or regulations that might be affecting the industry. The company relied heavily on the professional association of banks and financial institutions. Before ATFsub, the association's lobbying was mainly focused on banking issues. ATFsub was among the first companies to approach the association to organise meetings dedicated to leasing professionals. Changing the behaviour of the professional association so it incorporates a more balanced approach and does not neglect the leasing industry was important and enabled an embedded actor to champion the concerns of the profession (P10: 99:99).

Overall, the proactive response of ATFsub was so impactful in the capital market that one respondent mentioned that some regulations the authorities adopted became known in the hallways as "ATFsub laws" (P10: 26:26).

Findings summary. Analysis of the experience of ATFsub in Algeria reveals that the company has adopted a proactive strategic response when dealing with institutional constraints in the product and service, labour, and capital markets. The work of ATFsub enabled the emergence of institutions necessary for the development of the industry. Through corporate embeddedness mechanisms, ATFsub leveraged the non-market advantages of its parent company and deployed institutional influence, resources and process reconfiguration, and institutional technical competences to shape a more conducive institutional environment. As it sought to access resources in the Algerian context, ATFsub used influence and social embeddedness mechanisms. The subsidiary's proactive response enabled it to increase its reputation and to secure a competitive advantage. The following table summarises the main findings.

Table 11

Findings Summary: Experience in the Host Market

Institutional domains	Institutional constraint	Strategic response	Organisational factors	Mechanisms	Outcomes
Product and service market	Regulative: comprehensive regulatory framework organising the industry, but challenges and inconsistences in the application and operationalisation of this framework. Normative: novelty of leasing resulting in inconsistent practices, cumbersome bureaucracy, informal business practices. Cognitive: unfamiliarity with leasing as a financial product, misunderstanding of leasing practices and procedures.	Proactive	Institutional influence capabilities: capacity to shape the institutional pillars. Resource and process reconfiguration capabilities: revisited business practices, reallocated resources, invested in IT systems. Institutional technical competence: designed institutions such as standards and practices (Islamic leasing for example)	Influence mechanisms: educating, negotiating, providing a solution. Social embeddedness mechanisms: cultivating close relations, mobilising socially embedded actors. Corporate embeddedness: transfers of resources and capabilities between the head office and the subsidiary.	Institutional: created institutions leading to an environment more conducive to the practice of leasing. Increased reputation. Financial: reduction of customer delinquencies. Competitive: secured an advantage. But competitors' tendencies for imitation.

Institutional domains	Institutional constraint	Strategic response	Organisational factors	Mechanisms	Outcomes
Labour market	Mainly cognitive related to a mismatch between trained graduates in the labour market and ATF's needs.	Proactive	Institutional influence capabilities: capacity to shape the institutional pillars. Resource and process reconfiguration capabilities: reallocated resources.	Corporate embeddedness mechanisms such as training, management style, and incentive systems.	Institutional: diffused the practice of leasing. Increased reputation of being a training school. Competitive: differentiated and valued customer service. But loss of highly trained professionals to competition.
Capital market	Regulative: underdeveloped leasing regulations, central bank instructions more suited to banking than leasing. Normative: underdeveloped standards and practices. Cognitive: Confusion and misunderstanding of leasing standards and practices.	Proactive	Institutional influence capabilities: capacity to shape the institutional pillars. Resource and process reconfiguration capabilities: revisited business practices, reallocated resources, invested in IT systems. Institutional technical competence: designed institutions such as standards and practices.	Influence mechanisms: educating, negotiating. Social embeddedness mechanisms: cultivating close relations, mobilizing socially embedded actors. Corporate embeddedness: transfers of resources and capabilities between the head office and the subsidiary.	Institutional: created institutions, more conducive environment for lease financing. Financial: efficiencies in securing medium-term loans but no clear cost reductions for money raised through the bond market. Competitive: differentiated services, setting the rules of the game.

Case Findings

This within-case analysis reveals that when dealing with the institutional constraints in the product and service market, labour market, and capital market in Tunisia, ATF's strategic response was proactive in seeking to influence and shape the institutions guiding the interaction among actors in the leasing industry. Just like its parent company, ATFsub adopted a proactive response when dealing with the institutional arrangements in Algeria. Building on the experience and the non-market advantages of its parent company, the subsidiary's strategic actions were enabled through the deployment of influence capabilities, institutional technical competence and resource and process reconfiguration capabilities. ATFsub relied on a mix of corporate embeddedness mechanisms and social embeddedness mechanisms as well as influence mechanisms. The case provided some insights on the interactions between home and host country industry institutional arrangements and how the subsidiary was able to create new institutions and to institutionalise new practices in the host market. The following figure summarises the relations between discussed concepts.

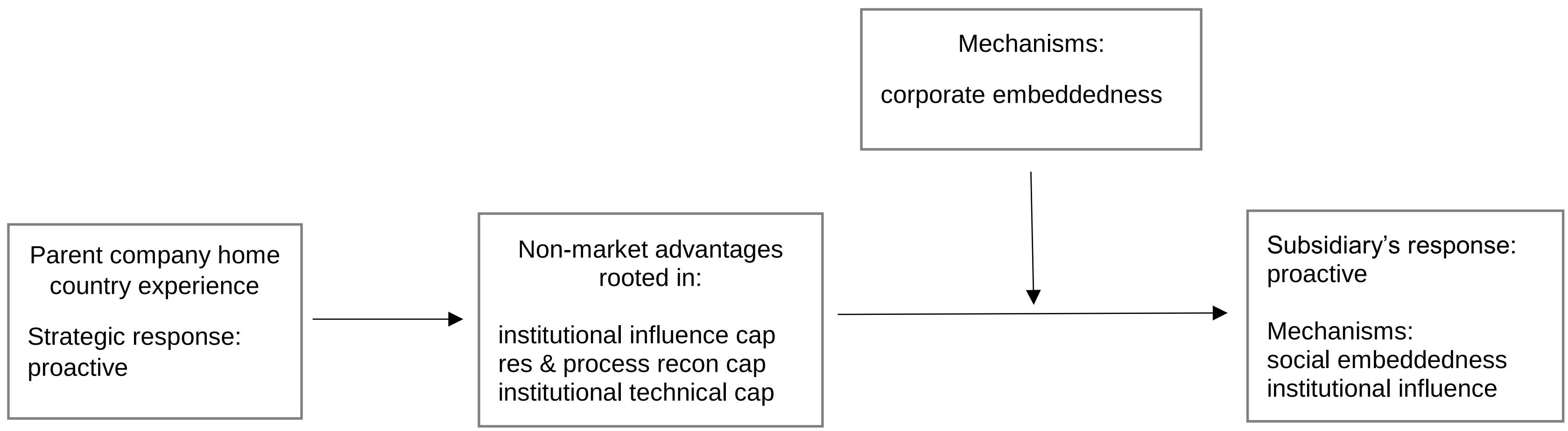

Figure 2. ATFsub's strategic response to institutions

Chapter Five: GALO Case Analysis

Introduction

This within-case chapter is organised in four sections. After the introduction, it discusses the experience of GALO dealing with the institutional constraints in Tunisia as it sought to access resources in the product and service, labour, and capital markets. The analysis of GALO's experience provides an understanding of the nature of its non-market advantages rooted in organisational capabilities developed to deal with home market industry institutional arrangements. Section three discusses the experience of the subsidiary, GALOsub, with the institutional arrangements in Algeria and explores its agentive behaviour in the host market. The analysis explains how the non-market advantages and capabilities the parent company developed in Tunisia supported the subsidiary's patterns of strategic response in Algeria. The final section summarises the main findings of this within-case analysis.

Experience in the Home Market

> "The handicap is everywhere. It is in everything actually. As soon as you start dealing with a client, or with a bank, or a government department, or even private, it's complicated, it is not fluid" (P33: 110:110).

The statement above by a senior executive reveals GALO's perspective on the institutional arrangements in Tunisia. What follows discusses the company's actions in the product and service, labour, and capital markets, the mechanism used to deal with the institutional constraints It faced, the organisational factors or enabling conditions supporting its actions, and the outcomes.

Product and service market. This section discusses the experience of GALO with customers, the Tunisian administration, and suppliers.

GALO was dealing with two types of customers. Bigger, more organised clients who valued consistent quality, delivery speed, and reliability, and smaller, less organised clients who valued price and flexible volume orders (P39: 392:392). Bigger clients did not present major institutional challenges since their relationship with GALO was guided through an agreement specifying a monthly delivery schedule. But the majority of customers were smaller clients who presented normative and cognitive challenges the company had to manage (P39: 168:168). Small clients tended to provide summative forecasts and to order inconsistent small quantities across several articles (P39: 152:152). A respondent from production indicated that he spends the majority of his time trying to find solutions to last-minute requests from customers who did not seem to be good at forecasting (P39: 138:140). These inconsistent orders had a direct impact on production schedules since GALO needed to import its primary materials, including plastic labels with clients' artwork. So, managing inventory, taking into consideration the amount of time needed to process imports, became very important in order to honour these orders (P39: 144:144; P39: 236:236). In addition, these smaller clients tended to conduct a portion of their business in the informal economy, another challenge GALO had to factor in (P42: 156:156).

In order to deal with these institutional constraints, GALO's strategic response was reactive, leveraging institutional management, institutional learning, and adaptive capabilities. The company used adaptive mechanisms such as continuous improvement in production processes and business embeddedness mechanisms such as establishing close relations with clients. Reactive responses refer to actions that are primarily seeking to adapt, fit within a context and find solutions to the institutional challenges faced (Buysse & Verbeke, 2003; Lawrence, 1999; Oliver & Holzinger, 2008). Institutional management capabilities indicate the capacity to identify and deploy solutions through a process of sense making and trial and error in order to address the institutional constraints (Orr & Scott 2008). Institutional learning capabilities refer to the ability to acquire institutional insights through a process of learning by doing over time and to use the acquired knowledge to inform future actions (Cuervo-Cazurra & Genc, 2008). Adaptive capabilities describe the capacity to achieve a better fit in response to changes in the external environment (Cantwell et al., 2010). Adaptive capabilities reflect a certain flexibility and responsiveness (Teece, 2014).

To compete in the Tunisian context, GALO relied on flexibility, adaptability, and good response time (P33: 118:118; P41: 113:115). Response time was one of the strengths highlighted by several respondents (P39: 236:236; P39: 332:332; P40: 71:71; P41: 113:115). The company was able to ensure the availability of primary materials and offer consistency in product quality and delivery time (P36: 262:262; P38: 117:117). For example, since clients tended to favour small orders, GALO reviewed its production process and adapted its machinery. The company used to rely on one machine for each format, but with time, through experimentation, trial and error, and learning by doing, it was able to revisit this process to produce several formats through one machine. GALO was able to adapt its production to the context of the Tunisian market by shifting its processes to set up its machines quickly and efficiently. This shift did not happen overnight as described by this respondent:

> "For example, in the past, it was one set of machines for one format. We can't do that at GALO, we have a very small market. So, we have for one machine, we have three, four, five formats, that we do, but we do things in a way that the change is quicker, is easier. So, we have, you know, formats, quick change let's say solutions that we have developed over time. It didn't come the first day, but [it was] developed over time, implemented uh… the idea, the way, the solution" (P35: 100:100).

GALO embarked on a certification programme that required continuous internal and external monitoring of production processes, which reinforced the company's learning and adaptive capabilities (P39: 200:200). The ISO certification helped GALO launch systems to support quality, while the BRC-IOP introduced systems to trace hygiene across the value chain and instil practices to ensure that products are clean from contamination (P33: 75:75; P42: 22:22). These efforts embedded the notion of tracing, enabling the company to become better organised as it worked on improving its practices continuously (P39: 192:192). A respondent described a shift in mindset:

> “it’s the life of systems, continuous improvement. If you say I have arrived, it’s death already, death, whoever says that… that’s it! Things are clear, that’s where death lies” (P39: 220:220).

GALO used business embeddedness mechanisms. The company spent time selecting customers, monitoring smaller clients’ accounts, conducting site visits, and relying on local intelligence (P40: 96:97; P41: 430:430). As soon a client showed signs of payment difficulties, the company would manage the situation and negotiate until the final payment was received. Respondents emphasised that they prefer negotiations over lengthy legal procedures because court decisions are difficult to enforce in the Tunisian context (P33: 100:101; P33: 150:150; P41: 438:438). When it comes to production, GALO tries to put pressure on its customers so they anticipate their needs and order well before the start of the high season (P38: 149:157). Since the company is not always successful in shifting clients’ behaviour, it tries to anticipate that through adaptive mechanisms. For good clients, whom it gets to know very well, the company ensures it has a safety stock, a cost it is happy to absorb to be able to respond to sudden or late requests (P41: 119:121). This stock is usually equivalent to three or four months’ worth of production and reached five months during the Arab Spring because of disruptions at the port of Tunis (P41: 177:185; P41: 186:199).

Respondents did not mention cognitive constraints when dealing with the Tunisian judiciary or government departments. Rather, they noted some regulative and normative constraints. Regulative challenges include the difficulties of enforcing legal decisions. As for normative, dealing with the administration is not smooth, according to respondents. Tunisian bureaucracy has a heavy touch, especially if compared with French bureaucracy, for example (P36: 21:21). Processing files takes time and effort. Although dealing with customs tend to be a lengthy process, respondents highlighted that they are able to manage the procedures because there are no surprises or inconsistencies resulting in uncertainties. There is a system in place (P39: 118:118; P39: 122:122).

Nonetheless according to one respondent there were some delays and uncertainties during the Arab Spring, when the port of Tunis experienced undocked vessels for the first time (P36: 24:24). When dealing with the cumbersome bureaucracy, GALO is reactive deploying its institutional management capabilities and leveraging adaptive mechanisms. For example, safety stock offers the possibility of cutting the impact of possible delays during customs clearance procedures (P41: 177:145). Overall, as it interacts with the Tunisian administration, GALO is able to manage the constraints it faces and access the resources it needs. Nevertheless, respondents expressed a sense of frustration as described below:

> “If we start talking about these aspects we will spend the day. We had a plot of land, which we bought four years ago or five years ago I think. We bought it for future extensions of GALO. Till today we do not have, have the title. I mean what do you like me to tell you? It’s terrible what is happening, we cannot advance properly. Well, yes, yes sure, but that's what I meant when I said the whole society, that’s what I mean! I do not mean the bank, the judiciary only. Today you have a legal decision, or a payment order in our favour, against a bad client, you cannot enforce! You cannot enforce! You have the decision in your hands, but until today, you are not able to enforce it. I mean it is sad that these things are happening” (P33: 96:96).

Most of GALO’s suppliers are outside Tunisia (P39: 264:272), but the company relies on a few local companies for carton boxes, moulding machine parts repairs, or IT services, among others. Besides challenges with some suppliers, respondents did not mention major institutional constraints. GALO developed relations with these providers over time and through trial and error as it learned from its experience. For example, in the beginning, GALO relied on an external service provider to maintain its IT system. But as it grew, the company decided to internalise the service and hire a full-time employee to support deploying and maintaining its IT system (P37: 22:26).

Tunisia has small centres or shops specialising in repairing moulding machine parts, with a few located close to the GALO factory. The company deals with both moulding machine operators that do maintenance and companies producing small injection moulding machines (P 36: 61:61). Overall, GALO is able to manage the suppliers it deals with and respondents did not highlight any major institutional constraints that put pressure on its capacity to access the resources it needs.

Labour market. Other than some regulatory constraints, normative and cognitive institutions were not a matter of concern for GALO. The company is able to hire skilled technicians and does not suffer from high levels of turnover (P36: 128:128). In the labour market GALO leverages adaptive capabilities and uses adaptive mechanisms to address changes in the external environment.

Tunisia has training centres and plastic processing schools. Graduates may choose either to stay and work in the country or go abroad to join firms operating in Francophone Africa in particular (P36: 60:61). Usually, senior technicians are in high demand and companies are under pressure to find and employ the right candidates (P36: 118:118).

Turnover at GALO is low. Respondents were with the company for 10 years on average. When GALO had to deal with several technicians being wooed away by the competition, it was able to address the issue (P41: 269:269; P39: 49:49). An analysis revealed that those who left originally were from the south or central regions of Tunisia and wanted to pursue opportunities closer to their homes. GALO adapted its policies and decided to hire only people who hailed from the city of Tunis. This change helped to cut the loss of technical staff (P36: 123:124). As for other less skilled workers who support production, GALO hires them from the factory's neighbourhood since it does not offer transport services (P39: 41:41). The company operates 24/7 with team shifts every 8 hours and weekly rotations. So, those who don't have access to transport cannot afford to work at the factory (P39: 41:41).

Labour regulations in Tunisia are not flexible, but GALO needs some flexibility to address peaks in production during high seasons (P41: 213:223). Therefore, GALO hires less skilled-workers on short-term contracts through a service company. After the Arab Spring, many companies in the country experienced confrontations with labour union representatives. The situation became critical to the point that several production facilities had to close down (P41: 207:207). GALO did not suffer from major instabilities but saw a decrease in productivity as result of the disruptions in the external environment (P36: 249:250; P33: 22:26; P33: 30:32). When GALO's workers demanded some improvements in their labour conditions, the company adapted to the situation by hiring a number of temporary workers on a full-time basis and with full benefits (P41: 207:211; P41: 231:231).

Capital market. GALO relies on the banking system to access financing. Respondents did not highlight major constraints, other than cumbersome procedures when dealing with banks. The company leverages its institutional management capabilities and is able to secure access to loans either locally or through foreign lines of credits (P36: 198:198; P36: 119:119).

Nor are there difficulties dealing with central bank regulations to transfer hard currency and pay suppliers abroad. To access the resources its needs, GALO relied on business embeddedness mechanisms and established a long-term working relationship with a local bank. The company relies on a second bank to diversify exposure but remains faithful to its primary bank (P41: 409:409, P41: 413:413). Even though access to financial resources is not an issue, inefficiencies in the banking system can be an impediment as described by this respondent:

> "Why do I have to go to the bank to make a transfer? Why I can't I do it through the Internet? Why do I have to go to the bank to have proof of my operations that are essential to justify my accounts? I mean all that… it should be done in an automatic way. Banks have not incorporated the latest innovations when it comes to their information systems. Even foreign banks, which are related to foreign groups, have not proven that they are that efficient. It is archaic! their management system is archaic. Yes, so it's an environment… I'm talking about the environment. You asked me about the environment, the environment does not help. It is a handicap rather" (P33: 110:110).

Findings summary. The analysis of GALO's experience in the Tunisian context reveals that it has adopted a reactive strategic response to deal with the institutional arrangements in its industry. As such, GALO developed non-market advantages rooted in institutional management capabilities, local institutional learning capabilities, and adaptive capabilities. GALO relied on adaptive and business embeddedness mechanisms. As for outcomes, the analysis reveals that GALO was able to manage the institutional constraints and access the resources its needed to deploy its operations. The table below summarises these main findings.

Though respondents indicated that the institutional environment in Tunisia is not easy, they also recognised that it is easier to operate in Tunisia than Algeria.

> "I must confess the following, that despite all these environmental problems in Tunisia, it is better than the environment in Algeria, where the difficulties are ten times more serious uh... ah it's painful! Algeria is painful (emphases)" (P33: 110:110).

Table 12

Findings Summary: Experience in the Home Market

Institutional domains	Institutional constraint	Strategic response	Organisational factors	Mechanisms	Outcomes
Product and service market	Regulative: difficulty to enforce legal decisions. Normative: disorganised clients and informal economy practices. Cumbersome bureaucracy but consistency in the application of procedures which reduces uncertainty. Cognitive: customers don't understand the importance of forecasts and timely orders.	Reactive	Institutional management capabilities: closely managing and monitoring clients. Institutional learning capabilities: continuous learning and improvement of production processes. Adaptive capabilities: capacity to adapt production to cater for the needs of smaller clients.	Adaptive mechanisms: negotiating; continuous improvement; safety stock. Business embeddedness: establishing close relations with clients and suppliers.	Institutional: managed the normative and cognitive constraints to access resources. But inability to solve some regulative constraints such as enforcing legal decisions.
Labour market	Regulative mainly: stiff labour regulations.	Reactive	Adaptive capabilities: Human resource policy adapted to meet changes in the external environment.	Adaptive mechanisms such as hiring temp work force. Negotiating and offering full time contracts to appease social unrest.	Institutional: managed to access a qualified stable work force.

Institutional domains	Institutional constraint	Strategic response	Organisational factors	Mechanisms	Outcomes
Capital market	Normative mainly: cumbersome banking procedures.	Reactive	Institutional management capabilities: capacity to manage cumbersome banking procedures.	Business embeddedness: long-term relations with one bank.	Institutional: managed to access financial resources (bank loans).

Experience in the Host Market

> "I can tell you one thing. Had we known it would be so difficult, we wouldn't have done GALOsub […] Ah yes! I mean it is a given, it is something uh… It's a gift that we did not know it would be so difficult, because otherwise we do not do any new projects in such a difficult environment. […] So, it was, it was, it was good actually that we did not know that it would be so difficult. It's tough! Having operations in Algeria is tough. But it is rewarding if you don't give up and keep going in the right direction. I think it is…" (P35: 244:252).

As highlighted in the above statement, the Algerian environment was challenging for GALOsub. The company didn't have good knowledge of the country and had to absorb unanticipated costs as it sought to deal with the institutional context (P42: 657:663; P34: 13:13; P35: 180:180). Nevertheless, the subsidiary had a long-term perspective and showed signs of resilience and patience. The parent company, GALO, explored the Algerian market through exports in the early 2000s (P36: 15:16; P41: 30:30). But the results were not that encouraging and did not justify effort and expenses incurred (P34: 14:15). GALO's products were less competitive on the Algerian market because customs duties had to be absorbed, making the final price less attractive (P36: 15:16; P41: 30:30). In addition, GALO realised with time that Algerian clients preferred to deal with suppliers who were close geographically as they tended to operate in the informal economy and to process their orders at short notice (P41: 51:55). The company explored the possibility of a joint venture, but discussions with a potential local partner were not successful. Eventually, GALO decided to enter the market through greenfield investment and to establish GALOsub on its own (P36: 15:16; P45: 909:929).

The subsidiary faced several institutional challenges as it sought to deal with the institutional arrangements in Algeria. GALOsub's strategic response was reactive, seeking to adapt in order to access the resources needed to deploy its operations. What follows provides further details on the behaviour of the subsidiary in the Algerian institutional environment.

Product and service market. This section discusses how GALOsub dealt with customers, the Algerian administration, and suppliers.

Dealing with customers. When GALOsub started operating, it had limited knowledge of the Algerian environment. The parent company, GALO, had commissioned a market study, but the hired consulting firm provided optimistic projections and missed to highlight major institutional challenges the subsidiary would eventually face (P42: 817:817). Since the informal economy was prevalent in Algeria, GALOsub had to dedicate time and effort and rely on its own resources to identify and understand the behaviour of its potential clients:

> "It's an informal market, to have a database or something like this, it is very difficult" (P42: 270:270).

When discussing relations with customers, respondents described mainly normative and cognitive institutional constraints. Cognitive elements were reflected when they noted that clients lacked an industrial culture. Normative elements were reflected when they noted that clients were disorganised, more so than in Tunisia. Customers' behaviour engendered various organisational challenges GALOsub had to deal with as it tried to deploy the methods and processes transferred from the parent company (P46: 81:113; P42: 739:743).

GALOsub struggled to organise its production and was faced with high uncertainty. The majority of clients, smaller ones in particular, were not able to provide accurate forecasts, arguing that they could not predict the market (P45: 104:104). They tended to order at short notice. One respondent noted that smaller clients did not have any understanding of planning, adding that the relationship was "a complete anarchy" (P42: 210:210). Another respondent indicated that some customers were not serious, not professional (P48: 68:68), and described their working practices as follows:

> "How does he work? He thinks it in his head and that's it, you understand? He does not have a strategy, he works like that. He has an

> order, he works, he has an order, he sends to GALOsub send me packaging. It's like that, it's random" (P48: 313:313).

These informal ways of business interactions between clients and suppliers were well entrenched in the Algerian market, though bigger clients tended to be more organised. One respondent described his feeling of being a "firefighter":

> "The clientele, the industrial culture is not uh… is extremely lacking. I mean for example, there are certain, one or two well-structured clients we work with and all, with the others we work like firefighters! There is fire, it must be put out.
>
> They don't know, we work the IML, 100% IML. To be able to produce for a client, we need to import the labels. We bring them from Turkey and Belgium, from Europe let's say. If transport is not by air, we will have them one month to one month and a half after the order. Then when they arrive, we need to program them on the machines. The clients don't know this, they don't want to understand this, they know it. I mean he comes to see you today, I need the merchandise in uh…15 days. One needs to explain and explain again, as if they did not know.
>
> Besides, what do they do? Everybody sleeps, and then they all come at once, they want their merchandise at the same time. Because we don't have many segments in which we work, ice cream, the fat, the margarine, we have cheese a little bit… so the seasons are the same virtually. So, this month for example, we have four or five months' worth of work. If we deliver we can invoice these. If we produce rather, we can invoice. But you explain to them uh…you need to anticipate, you need, you need, they don't listen" (P42: 196:198).

The other normative challenge respondents mentioned was a tendency of customers to exaggerate their purchasing capacity. This affected GALOsub the most, since it had direct consequences on its bottom line. The subsidiary did not realise that customers would not honour their orders and ended up running its plant below capacity for several years as it tried to cope with and identify solutions to this constraint. This respondent described the consequences as follows:

"Every client comes and he tells you I will be making this amount. Maybe they did not make good studies, they did not see, they did not do the right calculations. He comes and tells you I am building a cheese factory, and I will take from you this format, and I will work 3 million per year, so I will take 250,000 per month. He does this calculation with you and he orders the labels, and he tells you, he tells you uh…there is as well the range of prices which are better. With this range of prices, he tells you I am going to order 3 million, I will take 250,000 per month.

And then when his merchandise comes uh… but, when he gives us this number, it is taken into consideration in our schedules, machine occupation time and all… and when we take this, if we fill in the machines, we cannot put more capacity, otherwise it will be a problem with the other clients. Then we will tell them we are not able to deliver and all, or you go and invest and add machines and you add given the orders you have, but you find there is nothing. Why?

He tells you like that, and then when you are about to start working, he will tell you give me 10,000 to try or 20,000. In the beginning, he told you 3 million, then he tells you give me 50,000 and he takes 50,000, and then he comes back and tells you no, this merchandise did not work, the clients did not like this, or the colour did not work, it did not work well, and I have to see again uh… Yes, but the labels I brought? no problem he tells you, how much are the labels? I will pay you the labels.

For us, this is not the problem. We did not open a company there to bring labels for him to pay us. We are not selling labels and working on labels. For us, these 3 million, they have a line for example, a production line, that's it, it is occupied for 7 months, you will work on these things. This order you will no longer work on… here we have 6 million for the year, 5 million are taken, we need to add 1 million. You work like that. Then you find that this moulding machine, which was supposed to have 3 million, it will not work them, and the other one has reduced this and that uh… he disturbs your planning. You ask me what do you do? You need to try to recuperate the maximum, you replace, you find other things and all" (P46: 167:167).

Other respondents complained that clients tended to take advantage of GALOsub's storage capacity, by for example ordering labels they would not take delivery of or by being slow in collecting their products. Equally challenging was exploring with customers ideas to develop new products and formats. Clients might say that they were interested in a new format, or request that GALOsub develops a new packaging. The subsidiary would commit resources and bring a new mould for its injection machines, only to realise that no orders, or very small quantities, would be processed (P45: 416:416; P45: 502:524).

All these normative and cognitive constraints ended up affecting GALOsub's operating costs (P42: 214:214; P48: 76:76; P48: 92:92). It struggled to cope with less organised customers who tended to be opportunistic. The subsidiary's strategic response was reactive, leveraging institutional management capabilities, local institutional learning, and adaptive capabilities. Learning from mistakes through trials and errors, GALOsub relied on adaptive mechanisms and local business embeddedness mechanisms to reduce production uncertainties and run a profitable operation. As described by this executive, the situation was becoming untenable:

> "Last year for example, 2014 I think, yes, we had a catastrophic beginning of year, we were running maybe 35% of our capacity" (P34: 150:150).

At first, the subsidiary tried to convince smaller clients to sign a contractual agreement with a delivery schedule on a monthly basis. This is a practice GALOsub uses with its big Algerian customers that needed consistent and reliable deliveries (P45: 258:284). But smaller clients valued flexibility and small quantities, so they were not keen. GALOsub adapted and concentrated its production efforts on bigger customers. This response was not sustainable, however. At one time, two clients accounted for 50% of GALOsub's revenues, which was very risky (P42: 290:298). The subsidiary had to extend its market presence and identify ways to work with less organised customers.

Leveraging business embeddedness mechanisms, GALOsub spent time and effort to get to know its clients better and to identify those it could trust and commit production capacity towards and those with whom it would need to be more careful (P46: 167:167). Adaptive mechanisms included applying pressure, negotiating with clients so they anticipate and send orders well before the start of the high season (P45: 323:323; P42: 230:230; P42: 234:234, P42: 206:206). The subsidiary encouraged customers to order their labels locally from a newly established Algerian firm in order to avoid imports delays (P46:

167:167). GALOsub also changed its rules and became firmer and more assertive. For example, it asked small clients who still wanted to import their labels to pay in advance, as explained by this respondent.

> "Now it's different, because we ask the customer to pay for the labels before we import them (K: okay). So, it's something that we didn't do in in in (K: in the beginning), the beginning. We don't do in Tunisia as well you know… and we do import also for some customers that we have a big trust, or that we don't ask for a guarantee or front payment you know, because we know that they are reliable. So, it's something that we have changed" (P34: 120:120).

In addition, the subsidiary started to ship clients' orders before it received their express approval for delivery. This served to pre-empt those clients slow to accept their ordered products and those taking advantage of GALOsub's storage capacity (P45: 112:112). Rules changed internally as well to put pressure on the sales people so that they needed to process clients' production orders along with confirmations of delivery at the same time. The new procedures ensured that the plant manager no longer accepts any requests for production through a simple phone call (P48: 253: 253). Also, as explained by this respondent, GALOsub started to oversell its capacity, knowing well that customers will likely not fulfill the order that they made:

> "We did change actually the way of production that we have. I just take an example, the first uh… You asked me how is the operation doing in Algeria? I told you this year much better than the year before. You know why? The reason for that is very simple. In the beginning, the first five years, we had, we calculated we have a capacity of a 100, a production capacity of a 100, so I can market a 100, I cannot market 200 (K: yes, yes) Right? (K: yes, yes) To be very honest with my client. So, we did market a 100. But clients, they would say I take 10% of your capacity. Some of them were reliable, but most of them were not, and at the end of every year, the first five years, at the end of each year, we would find ourselves we have used only 60% of our capacity, 70% of our capacity but not 100 of our capacity. (K: I see).
>
> So, we had to adjust to that…how? Ah! in 2015, let's say we have 100 in capacity, we didn't sell 100, we sold 200. It means that if each client is fulfilling his commitment, we won't be as GALOsub meeting our

> commitment (K: yes) Right? (K: yes, yes) And it's the first year we are using now our capacity fully. So, we are selling more than what we have. So, we are like an airline company, managing yields, yields management and pushing a little bit our capacity because we have enough of having non-used capacity, non, non, non-sold capacity, because we wanted to be always, you know, reliable.
>
> I think that this is not fair, what we have lived in the last five years. So, we decided to be more selfish and look to our own interest… and we have been so far able to manage out the plant in much better way, because we have a lot of pressure on production, but without letting our customers without delivery" (P34: 126:128).

Besides the normative and cognitive constraints affecting production, GALOsub had to deal with informal economy or black-market practices. Respondents indicated that the informal economy was institutionalised in Algeria. Most were open about the subject, sharing their perspective, even though some were uncomfortable, lowering their voices and reverting to whispering. Though informal economy practices are also present in Tunisia, the overwhelming perception was that it was more pervasive in Algeria. Respondents, whether Algerians or Tunisians, were in agreement:

> "The problem in Algeria is the informal economy. If it is 50% in Tunisia, here it is 99%. This informal economy, even the big clients, the big accounts uh…" (P42: 156:156).
>
> "There is a lot of informal in Algeria, this is well known (voice becomes low). There is the parallel market in all markets combined. You need to know that" (P44: 545:545).

Customers interested in doing business with GALOsub would refuse invoicing and ask to pay in cash. Faced with these demands, and not familiar with the system, in the beginning the subsidiary rejected these requests in the name of transparency. But there was considerable pressure from clients, who continued to insist they could not understand why GALOsub refused to follow common practice in the market. As a result, GALOsub lost several business deals (P42: 160:160). As it sought to make sense of the situation, the subsidiary relied on business embeddedness and adaptive mechanisms. One respondent mentioned that the company sought the informal advice of its local bank, an embedded actor, familiar with business practices. GALOsub was told that it would not be able to change people's habits and that it should do as everyone else or be prepared to leave the country (P42: 160:160; P42: 164:164). As it gained local knowledge and understood the rules of the game, GALOsub negotiated and reached a compromise with the customers it got to know and trust.

The subsidiary insisted on billing and on including the value added tax (P42: 168:168), but accepted issuing invoices under the names of different companies registered to the same client. Customers would provide the details of different companies they would have registered under different numbers. The subsidiary would then be asked to bill for example 80 to 90% of the final amount to one company and the other 20 or 10% to another. Respondents reported that some clients would have up to three or four companies deposited with their supplier, one official and the others used to hide revenues (P42: 164:164). This respondent explained the practice:

> "Given that in Algeria there is a very high percentage who work in the black, and this is among the things that make the French incapable of working with the Algerians, there is a good number who work in the black, so they pay cash. So, what do they do?
>
> An Algerian customer comes to see you with a commercial register and asks you to bill him on this register. Tomorrow he comes with another register and ask you to bill him on this other register. For you really, well, you need to know how to manage this client, to regroup all invoices that you billed to different clients. When it comes to you, they are really the same client behind. So, it is a way to manage your books. But when it comes to him, whether he declares or does not declare, it is not your business.
>
> Anyways, the registers that he brings are companies located in the Sahara or far away where the tax auditor would not go. As far as we are concerned, from our side, we are always transparent, we bill VAT, we have no problems. We have more difficulties to manage these types of clients, yes, there are more difficulties, and then there is also the difficulties to manage the cash, because cash is a bit heavy. It is not like cheque paper etc… There are deposits at the bank every day, there is uh…" (P41: 458:459).

As for clients who were reluctant to use different companies and insisted on paying cash with no invoicing, another solution was suggested by a trusted wholesaler with whom GALOsub had started to do business. The subsidiary would deliver the product and bill the wholesaler, who added his own margin and dealt with the customer directly (P45: 636:636).

As it dealt with these practices guiding interactions among actors in the informal economy, GALOsub leveraged its institutional management capabilities, local institutional learning, and adaptive capabilities. GALOsub sought to make sense of the issue, trying various solutions, learning from mistakes, and adapting as knowledge was gained with time. For instance, in order to avoid discrepancies in its own accounting, GALOsub would go as far as supporting clients in their own accounting to a certain extent (P45: 660:728). Before every delivery, GALOsub would verify with the client the amounts to be billed to their respective accounts. It would produce different delivery slips for the same client under different company names (P48: 481:481). Sometimes, on a delivery day, discussion would go back and forth and on and on between the client and GALOsub because the client would constantly change the amounts to be billed to each account, increasing the potential for mistakes (P45: 825:851). At other times, well after delivery, certain customers would face discrepancies in their own accounting. They would call and ask that GALOsub reverse some billed amounts but the subsidiary would refuse and explain that it cannot play with the numbers after an invoice has been issued (P45: 664:664).

The system involved several risks that GALOsub learned to manage. The official accounts were usually paid by cheque while the unofficial by cash (P44: 566:566). Managing cash was a problem because GALOsub's employees had to collect the money, incurring the risk of loss, theft, or assault (P44: 582:582; P44: 590:598). In addition, Algerian law prohibits people from transporting sums above 500,000 dinars in cash (P45: 867:907). Given that, GALOsub would usually send female employees on these jobs since they run a lower risk of being stopped by policemen on the roads (P45: 867:907).

Banks changed their rules and required those making large cash deposits to provide their own names, which affected GALOsub employees in this case (P44: 574:574). When customers defaulted, GALOsub would have no recourse and any outstanding amounts would be lost. Thus, the importance of business embeddedness. By establishing close relations with customers, the subsidiary was able to identify those it trusted and could work with in this way (P42: 184:184). Some respondents mentioned that there was a fiscal risk as well. The tax authorities could argue that though GALOsub was transparent, declared its own revenues, and collected VAT, nevertheless it was encouraging these informal ways of business conduct (P44: 550:550).

Overall, the subsidiary's strategic reactive response when dealing with clients did not result in any shifts of norms or cognitive elements within the Algerian context. GALOsub was able to survive and learn how to anticipate possible problems as explained by this respondent:

> "Let me just say that it is really tough and the learning curve is very slow in the beginning, but after that you know the human being is able to adapt to the situations and to overcome ahead of time. Now, we know the problems, so we try to be ahead of them" (P34: 97:97).

Dealing with the administration. Both Algerian and Tunisian respondents highlighted the challenges they face when interacting with the bureaucracy in Algeria, whether customs or other government agencies. GALOsub faced normative and cognitive constraints ranging from inconsistencies in applying laws and regulations, petty corruption, and misinterpretations causing delays in securing authorisation to process imports (P42: 38:38).

Interactions with government agencies were frequent because GALOsub relies on imported primary materials for production. All respondents complained about the complexities faced when processing imports, which necessitated discussions with government departments and with the bank to open a letter of credit and issue a purchase order to international suppliers (P44: 42:42; P48: 100:100). Once a shipment arrives at the port of Algiers, importers are at the mercy of customs procedures; the clearance process can take up to three months. A respondent acknowledged that while Tunisian bureaucracy is cumbersome, especially compared with Europe, Algerian administration is even more so (P36: 21:22). When asked to explain differences between the Algerian and the Tunisian system, he responded vigorously:

> “No, no, no, no, there is no system to speak about a system in Algeria. Here in Tunisia, we still speak about a system, we still speak…” (P39: 122:122).

The erratic decisions and uncertainty regarding the outcome of every single file processed through customs explains this perception that no system exists. Respondents mentioned that requirements seemed to change depending on the official with whom they were dealing. This respondent explained his frustration as follows:

> “We have a big problem here as well. I mean customs, the paperwork, the files and all, we get tired when we prepare a file to bring a package with spare parts. The process takes 3 months, 2 months. Here in Tunisia, we are told five days, your merchandise gets out, that’s it. There, we spend two, two months and a half uh… three months.
>
> You work a file. You spend three months to get it out, and you have the same case another time, the same file almost. You say to yourself, I worked the file. You prepare the same file, you go to the administration. Well, they tell you, no it is not this, it’s this. You do everything. You wait a month, you wait for your merchandise. The day where you say to yourself that’s it, we go to get the uh... they tell you, your file is missing this.
>
> The person whom you met the first time, who received your file, is not the same person with whom you are speaking today. You tell him but your colleague! He tells you no, it is not this. So here you go! These are the things, which tire us in Algeria and they tire all investors” (P46: 63:65).

Respondents highlighted the difficulties they go through to secure authorisation to obtain hard currency and pay suppliers (P43: 134:143). GALOsub needs to send its machine parts abroad for maintenance since there are no service providers in Algeria. The subsidiary usually sends these parts to the original manufacturer. However, the Algerian authorities tended to be suspicious, questioning the amount required to service the parts (P34: 93:93; P43: 124:124). Since maintenance is not something tangible, officials would automatically accuse GALOsub of trying to send hard currency abroad (P41: 74:75; P42: 434:434). The mistrust of government officials did not diminish with time; on the contrary, they became even more suspicious as GALOsub processed more and more requests (P44:

90:94). The authorisation process could take up to eight months. Some respondents argued that customs might be a bit more severe with foreign companies, especially those not known to them (P43: 42:42; P43: 112:114). Others maintained that it was an Algerian problem facing all companies and that these constraints did not diminish with time (P48: 96:96).

To deal with these institutional constraints, GALOsub's strategy was reactive, combining adaptive, and corporate embeddedness mechanisms. The subsidiary tries to solve the issue on its own first, leveraging its institutional management capabilities, institutional learning, and adaptive capabilities. For example, the subsidiary revisited its organisation and processes to ensure against primary material shortages resulting from customs clearance delays. GALOsub used the sea as storage space in the sense that once it confirmed that its materials had arrived at the port, it would process another order. So, GALOsub had to master good stock management and rotation given the institutional constraints it was facing (P48: 60:60; P48: 104:104). Adaptive mechanisms meant also that actions would evolve as discussions and negotiations with the authorities unfolded. Having a set of ready-made solutions would not work since the challenges GALOsub faced were not repetitive. Rather, the subsidiary had to go through a process of sense making, gaining local knowledge, trying to negotiate a satisfactory outcome, and learning by doing as explained by this respondent:

> "Walahi, frankly, look. Since the problems that happen are not repetitive problems, they are not problems that come back all the time. Every problem does not resemble the other, so we cannot put in place a strategy and say here you go, I will go about it this way to solve the problem. But, the day we have a problem, we talk about it with everybody to see each perspective. We try to find targeted solutions. If for example we send the mould for repairs, for maintenance in France and then we send to Algeria. If I don't know actually… we try to find solutions. Or if need be, we do not find a solution, we produce in Tunisia, if the price of the article covers, we produce in Tunisia and we send. So, to each problem we find an appropriate solution" (P41: 88:88).

Negotiating a solution would involve explaining and educating. For example, when customs officials accused GALOsub of misquoting a tariff position and insisted that the imported materials were paper labels and not plastic labels, a manager had to accompany the forwarder to see the authorities and convince them otherwise (P43: 288:288). The company started to anticipate and tried to process requests for maintenance well in advance, knowing well that it would have to do a lot of explaining, submit many documents, and spend time and effort to convince the authorities (P44: 108:104; P34: 120:120). Tunisian respondents emphasised that GALOsub was able to deploy its institutional management capabilities since the Tunisian expatriates working with the subsidiary experienced similar situations in their home country, though to a lesser extent and with less complexity (P41: 96:97). This manager provided his perspective as to why a Tunisian would be better equipped to adapt in an Algerian context than a European:

> “Maybe the Europeans did not go a lot to Algeria because they are not able to operate in an environment like Algeria. One cannot operate in an environment where everything is blurry, everything depends on individual perceptions, there is no law that is clear which is applied each time in the same manner. Everyone interprets it in his own way uh… No, this is an invoice that is very very high! So, you are actually taking I don’t know, taking out currency, or something like this. There are always prejudices and negative stereotypes on operations. So, we are not sure that every operation will succeed every time. There are always glitches, there are always small problems.
>
> Because of this actually, a French manager cannot find himself in this environment. And maybe this is a barrier, a barrier to entry for people like the Europeans, which leaves the space for Tunisians, for bricoleurs, people who adapt, who are more flexible. So, these are problems linked to the country, to the culture of the people there” (P41: 65:66).

Other respondents highlighted how the subsidiary had to gain local institutional knowledge and understand how things get done in order to cope (P39: 119:118; P43: 386:386), as further discussed by this manager:

> “Okay, I will give you an example. We imported the first shipment of machines. It was from Tunisia, they were partially depreciated machines. We brought them from Tunisia to see the market. Because we go step by step. We will not start to invest, we see big, and then it is a failure. We bring two or three machines, if it works, we add, we add, we make extensions. It was like this; our strategy has always been like this. The

> machines and the equipment remained at the border, stuck for three months, because there was a conflict between the freight forwarder and customs.
>
> For example, to have “ANDI” we did not know. Some firms have offered their services, they are firms in quotes… they are false, they are not genuine. There are people for example uh… a wife whose husband works at ANDI, you want to have uh… you must give me this. ANDI is what? It’s the regime that enables industrialists to benefit from customs duties, from VAT, from tax exoneration. So, through acquaintances, this person’s husband who opened a firm, he takes money beforehand so that you can get the okay. I mean we went through these stages” (P42: 54:55).

If a solution is not found locally, then the subsidiary reverts to corporate embeddedness mechanisms. GALOsub relies on the support and resources of the parent company to circumvent the constraint. For example, whenever the subsidiary failed to obtain authorisation to send its equipment for maintenance or repairs, head office sent new equipment without billing for the service (P41: 76:76). Whenever the subsidiary was not authorised to pay a supplier, head office would pay the bill directly (P35: 172:172). Employees travelling between Tunisia and Algeria would transport spare parts for which head office paid (P42: 731:735). Costs permitting, and as a last resort, the parent company would produce in Tunisia and send to Algeria. The parent company would absorb these costs, as it cannot afford to have its subsidiary in a standstill, as explained by this executive:

> “You know, it’s a small operation that we have in Algeria and having one or two machines stop for two or three months… you know, during the high season is a disaster for us… and sometimes we do things not illegal but, you know, we try to speed up the process” (P35: 200:200).

In most instances, GALOsub’s reactive response when dealing with Algerian bureaucracy enabled it to access the resources it needed to deploy its operations. Where it was not able to address the institutional constraints it faced, the subsidiary resorted to the support of its parent company, engendering costs the head office had to absorb. As one respondent pointed out, GALOsub’s financials looked positive, but in reality, they were negative if all the expenses absorbed by the parent company were reallocated (P35: 164:164). But the head office had a long-term perspective since it believed in the potential of the Algerian market:

> "One should not stop at that actually, otherwise we would have closed the factory and we would have come back" (P41: 80:80).

Dealing with suppliers. The majority of GALOsub's suppliers were located outside Algeria. Whether for primary materials or equipment maintenance, the subsidiary relied on imports. GALOsub interacted with a few local suppliers nevertheless and this section will discuss its behaviour as it faced some normative and cognitive constraints.

Finding reliable providers who can guarantee a certain level of quality and consistency of service over time was a challenge for GALOsub (P34: 460:460; P48: 177:177; P48: 205:205). All respondents complained about the local suppliers they were interacting with and they all had their own experience and story to relate. There was a clear disconnect between GALOsub's value for long-term relationships, and suppliers' value for short-term relationships (P43: 462:496). GALOsub's managers reported that suppliers tended to disappear on them when they were needed most. Some would start a job, provide a service, but would not be accessible for any follow-up or maintenance. Others would not even finish the job they were hired to do and would disappear (P42: 743:743; P42: 789:789; P37: 59:59). This manager described his own experience:

> "Look in Algeria, the person who comes to do maintenance in something, you look for him after a certain period of time, you will not find him. They put someone who did payroll software for them, I am looking for him till today. There were people who came to install some cameras, we are still looking for them till today. The person who did an intervention on the computers, we are still looking for him till today. I mean the continuity of something you cannot find. Either they change their phone number, or they leave the field completely. It's normal, it's normal" (P37: 46:47).

As the plastic injection industry was still emerging in Algeria, it was difficult for GALOsub to find service providers who were able and willing to repair broken machine parts as explained by this respondent:

> "We also have the problem of mechanical support in Algeria. The turners generally speaking, mechanic shops, generally in Algeria we find some difficulties to find a turner who can work with me. I need to go around through 50 turners. They are used to work with old methods. A person who is working this nut or this cup for example, he wants to put it in his machine and only work that. Every day he works and that's all that is to say.
>
> When you bring him a technical part where there is a lot of work. You need to use the turner, and the driller, and you work this side, and the other side, you open, and you close and all, he will not work it. He will tell you if I work on it, how much will I charge you? The money I will take from you will not pay for my time. He will not be remunerated and I will find his price expensive. He will tell you I don't work it.
>
> Even if he works it once, he will do you a favour, he will work, but he will tell you, in the name of god, don't come back! But because of this part, my machine is stopped. The mould is idle so I need to repair it. He will tell you no. If I work on this part for a price of 200 Tunisian dinars, I will work… I mean I will work on this for a day and a half uh…For a day and half, I will not stop my machine to work on your part! This is a problem they have, a big problem" (P46: 208:209).

To deal with these limitations, GALOsub's strategy was reactive, leveraging institutional management capabilities, local institutional learning, and adaptive capabilities. The subsidiary relied on adaptive and business embeddedness mechanisms. GALOsub sought to make sense of local suppliers, trying a few, learning from mistakes, and leveraging local networks to identify and assess solutions and alternatives (P37: 60:60; P37: 84:93). For example, after five years of trial and error to find a local provider able to fix machine parts, GALOsub found a candidate who seemed keen on learning (P46: 225:225; P46: 229:229).

A new company producing labels for injection moulding machines was set up when GALOsub had been operating in the Algerian market for more than five years. GALOsub was happy to support it by sending its own customers. Even though this local provider did not have the capacity to produce high quality labels in big volumes, he was nevertheless useful to clients who needed to rush an order through or didn’t want to deal with imports (P43: 274:274; P43: 284:284; P43: 312:312; P46: 171:171). GALOsub adapted its ordering process to address issues of inconsistent service from suppliers. The subsidiary reverted to ordering small quantities first even if that meant higher prices. Larger orders were processed once trust was established over time (P48: 221:221).

When GALOsub is not able to identify a local solution, it would revert to corporate embeddedness mechanisms. For example, parts that are not fixed locally are sent for repairs with an employee who travels to Tunis. Alternatively, the head office orders a new part and sends it to GALOsub to speed up the process and avoid machinery standing idle for too long (P46: 263:263). The parent company’s IT manager, who with time had to also take on the full responsibility of the subsidiary’s IT system, decided to engage even further and started travelling to Algeria every three months to do maintenance (P42: 539:539; P42: 543:543; P37: 89:89).

Though GALOsub was able to secure access to some resources it needed for its business operations in Algeria, ensuring long-lasting relationships with suppliers turned out to be onerous. The company is still experiencing problems in finding trustworthy local providers. Interviews with a GALOsub competitor revealed that to solve institutional constraints related to equipment maintenance, for example, it brought in an expatriate for two years to train its Algerian staff and internalise servicing equipment. Asked whether it could emulate its competitor, GALOsub’s respondents said that internal discussions were ongoing to explore the financial viability of such a solution. In the meantime, GALOsub relied on a higher degree of corporate embeddedness mechanisms reflected through a “command and control” management style. The concept was used by Buckley (2009) to indicate the degree of dependence the head office demands from its various units.

Analysis of the interviews conducted with Tunisians revealed a high level of mistrust towards local providers in Algeria. There was overwhelming consensus among Tunisians that Algerian suppliers were unreliable and inefficient. The respondent below had to deal with an emergency and rely on distant support from an Algerian service provider, all at a time when the GALO chief executive was in Algeria. The remarks cast light on Tunisian perception and the relationship between the head office and the subsidiary. The degree and nature of corporate embeddedness will be further explored in the next section.

> "This happened when "M" was there. We had two things, "M" went there and he was not aware. They called me the day before, and the server crashed the day before. He went there, when he arrived there in the morning, they told him the server is not working. He called me and asked me whether I was aware. I told him I am aware and the gentlemen took it and all and all and all.
>
> There, they don't coordinate among themselves. They were not aware. The admin person there, was not aware that the server was taken. I told him the server was taken and I am working on the matter. He was upset a little bit. I told him "M" don't worry, I will try to fix the problem from Tunis. He told me take care of it. If there is a need for you to come to Algiers, do it. I told him it is not a matter of taking my suitcase and going to the airport to solve the problem. Sometimes, I can solve the problem from Tunis. I have a person there, I can count on him, he is a good person. "M" as usual, always, he does not trust the people there, because he knows Algeria, he had experiences in the past. He told me no, I cannot imagine that you will solve it like this. I told him, well, you are saying this, we will see what will happen in the end" (P37: 98:100).

Labour market. In the labour market, GALOsub faced regulative, normative, and cognitive constraints. The subsidiary had to deal with skilled labour shortages and a high level of turnover among its Algerian staff. GALOsub's strategic response was reactive. Its actions evolved over time as it leveraged its institutional management and institutional learning capabilities. The company explored different solutions and learned from its environment leveraging its adaptive capabilities.

Generally speaking, Algeria has a good education system, but the country did not realise the importance of training technicians who could support the development of industries besides the oil and gas (P44: 351:351). Tunisia has at least three schools that produce graduate technicians and engineers in plastic processing, but these kinds of training centres are lacking in Algeria (P36: 60:61; P47: 110:112; P42: 79:79). Besides, GALOsub's plant was located outside Algiers, where transportation was a challenge adding to the difficulties of identifying and hiring people (P44: 242:242; P 46: 32:33; P48: 433:433). This shortage of technicians is not specific to the plastic processing industry; other industries also face similar issues. For instance, one GALOsub supplier explained how his company had to develop a training programme in collaboration with a university and the national agency for employment back in 2013. The company is now able to recruit qualified graduates and goes as far as signing a contract with students as soon as they begin training (P50: 548:606).

In the beginning, GALOsub sought to mitigate the skilled labour shortage through corporate embeddedness mechanisms. Experienced technicians were transferred from the parent company to the subsidiary (P36:67:67). But what was supposed to be a short-term solution turned out to be long term as explained below:

> "Look, in terms of the workforce we till today, we have a certain number of expatriates who work in Algeria. They are Tunisian employees, and we sent them as expats to Algeria. So, till today, we are not able to detach ourselves from the Tunisian workforce" (P41: 59:50).

GALOsub relied on Tunisian expatriates as well as head office employees who would travel back and forth between Tunisia and Algeria. Using Tunisian staff became the norm to avoid disruptions in production (P36: 65:65). For a long time, the Tunisian expatriates were not officially declared in Algeria (P44: 407:407). Visa requirements were cumbersome and GALOsub was not successful in obtaining work permits. But the subsidiary was able to manage the situation by exploiting the visa waiver for Tunisians entering Algeria for under three months. So, GALOsub employees supposed to be based locally travelled between Tunisia and Algeria every three months (P41: 277:277; P42: 85:87). Eventually, the Algerian government changed the regulations to allow companies to hire foreign employees for two years on condition that they train Algerians (P44: 395:395).

The subsidiary relied on adaptive mechanisms. For example, production processes were reviewed and adapted to use a reduced and more versatile work force. As such, mould specialists in Algeria had more responsibilities than their colleagues in Tunisia (P42: 499:503; P37: 121:122; P37: 126:126). Hiring locally evolved over time as GALOsub tried to make sense of its environment and learn from its mistakes (P42: 59:59). Emulating its parent company, less-skilled workers were hired from the local community where the factory was located (P41: 255:257; P44: 246:246). For skilled workers, GALOsub decided to hire people with experience who had “heavy CVs”, as described by one respondent (P42: 59:59), and these were paid a relatively high salary. The subsidiary thought that candidates with experience would be better placed to support its development. These included experienced accountants, sales people, and engineers to help the Tunisian technical team in the plant. However, these Algerian employees tended to quit after a short time. Turnover was high, reaching 25 to 30% per year (P42: 105:119; P44: 226:230). The high turnover took Tunisian managers by surprise:

> “Everything (emphasis), everything (emphasis), everything, labour, managers, commercial guys, accountants… I give you one example. We have, this is our seventh year of operation, we had I think about 10 accountants! The turnover is absolutely incredible in Algeria. For a few dollars per month, the guy will disappear you know. He will not even tell you I am leaving.
>
> We had one person in charge of, actually he is, he is just a worker fortunately, not in charge. In the evening, once, at midnight, he said I am going to smoke a cigarette, never came back! Because he has to go out of the plant to be able to smoke. We cannot smoke in the plant. So, he was at the front door, and normally he would come back… never came back, till today! That was a couple of years ago” (P34: 71:71).

The phenomenon became so acute that day-to-day operations were affected. GALOsub was no longer able to close its accounts without the support of head office accountants, foreign suppliers were no longer being paid, and complaints started to reach the CEO (P44: 536:537; P42: 581:619). Acknowledging that mistakes were made in the recruitment process (P42: 571:571; 579:579), GALOsub adapted by reverting to hiring less-experienced people it could train. At the same time, it attracted a few experienced candidates for managerial functions (P42: 59:59). Business embeddedness mechanisms were used to identify suitable candidates (P42: 140:140; P44: 14:22). For example, at the factory, whenever Tunisian managers were satisfied with an employee, they would enquire about a friend or a relative who might be interested in joining (P46: 41:41; P46: 49:49; P46: 203:203). For other positions, GALOsub targeted Algerian managers from the bank or the external auditing firm it was dealing with (P42: 795:797; P42: 140: 140; P42: 144:144; P48: 461:461). While these efforts enabled the subsidiary to have a more stable and homogenous team (P46: 37:37), they did not curb the departure of key Algerian staff. As further evidence of this trend, by the time of a courtesy visit to the plant three months after the interviews, two Algerian managers who participated in this study had left.

GALOsub relied on a higher degree of corporate embeddedness mechanisms at the expense social embeddedness mechanisms, which might explain its difficulties in curbing the departure of Algerian employees. For instance, respondents to this study – including a GALOsub supplier, a competitor, and a business lawyer representing multinationals in Algeria – revealed that in order to hire workers, companies are encouraged first to seek the support and facilitation of a government labour centre or office of employment, which are present throughout the country (P68: 181:181; P50: 584:584; P72: 65:84). GALOsub seemed unfamiliar with this practice, relying mainly on the help and support of private recruitment firms and on its own business network at a later stage. In addition, having spent two weeks on site at the factory, I was able to note the tension between Algerians and Tunisians, who hardly mingled together. After work Tunisians would usually get together and go to a café, but Algerians would never join them. The language used by Algerians to describe their Tunisian colleagues and vice versa tended to be negative. Probing the issue of turnover further, Tunisian and Algerian respondents had a different understanding and perspective.

Tunisian respondents referred to cognitive elements, blaming the Algerian mindset. They used the words “mentality” and “mindset” several times (P47: 44:44; P47: 56:56; P42: 115:115; P42: 132:132; P46: 37:37). One respondent described Algerians as impatient, unfaithful, and motivated by salary (P42: 103:103; P42: 132:132). Some mentioned that there was a clash in values. They expressed the view that Tunisians working at GALOsub tended to value and emphasise hard work, while Algerians, especially those who used to work for state entities, tended mainly to mark their presence and put in eight hours. They just can’t handle the rhythm at GALOsub, a few noted (P42: 59:59; P42: 123:124; P41: 257:257; P47: 84:84).

Tunisian managers experiencing a high level of absenteeism in their department complained that Algerians are not disciplined, not reliable, and do not accept criticism from foreigners (P47: 48:48; P47: 84:84; P42: 115:115; P46: 37:55). A Tunisian technician acknowledged that it was very challenging for him to manage his Algerian team until he understood their "mentality" and learnt how to handle issues that may arise, as well as the approach and the tone to use (P47: 52:52; P47: 88:88). Another Tunisian manager recognised that it was very difficult in the beginning and that it was essential to adapt and understand how people reason, going on to say:

> "You will see I have many girls here. Girls are much better than men. They are more loyal for instance. They change jobs less frequently, and they fear you when you raise your tone. Here the men are rebels. They can be physically aggressive with you even" (P42: 581:619).

Algerians had a different perspective. A few acknowledged that the factory's location might have been a factor. They also recognised the general Algerian preference of joining public companies because of significant employee benefits. However, they also pointed out that there were many qualified people in the country and that perhaps GALOsub was unlucky in not identifying them (P48: 417:421; P48: 437:437). They highlighted that there were other competitors in the plastic industry and that they tended to rely on Algerian staff. Interviews with a GALOsub competitor, the subsidiary of a multinational enterprise, revealed that it valued the contribution of former public-sector employees, especially those who took their retirement but wanted to continue working. These interviews showed that private companies in general like to hire former public-sector employees for their experience and their relationships. Also, because this competitor's factory is in a remote location, the company offered transport to employees.

Further analysis of GALOsub's Algerian staff responses indicated that the reliance on command-and-control corporate embeddedness mechanisms prevented Algerian managers from fully developing within the subsidiary and provoked the departure of many. While corporate embeddedness helped the subsidiary access resources through its parent company, it also contributed to an environment not conducive for Algerians to stay (P44: 371:371; P44: 313:313).

Algerian respondents highlighted that Tunisians hold all key positions and take all the decisions (P36: 58:58; P34: 81:81). Head office respondents confirmed that they closely monitor day-to-day activities and attributed GALOsub's success to this control, as is evident below:

> "Look, the good thing is that the decision centres are not Algerian, they are Tunisian, and thanks god, the Tunisians who went there are good people" (P37: 121:121).

> "The teams in Algeria, the adjusters in Algeria are Tunisians, the adjusters, the team leaders, the team leaders are Tunisians. So, we train them here, so they can rotate with the team in Algeria" (P41: 273:271).

These quotes from Tunisians reflect the command-and-control corporate embeddedness mechanisms guiding relations between the head office and the subsidiary:

> "Before your arrival, I was on the telephone with the auditor of GALOsub. The purchasing director oversees purchases. For sales, there is coordination sometimes. Why the sales manager does not oversee the sales person of GALOsub? Just because the general manager of GALOsub was before the sales manager and export manager. So before leaving for Algeria, he was in charge of the whole team and there was no need to coordinate sales from here. He can do his job over there. You understand? It's the same thing for the stock, we need to control it from here. We go over there to do audits. I mean, it's a subsidiary; we need to control it very closely" (P36: 46:46).

> "As I told you there is something uh… When we go there they respect us. They know that we have authority on them. We have authority on them, there is nothing to say on top of that. When you go there, you go on official duty, it's as if you are going to do an audit, more than assistance or advice. Even if they need to purchase something, they come back to me, because my instructions are even if you are going to buy a memory card, you need to ask for my opinion, and you need to give me a comparison, a decision based on a comparison, why did you choose this product? and I'll oblige you to buy this equipment. I'll oblige you to do this and not that, because it's a whole strategy. We must be authoritarian with them" (P37: 130:130).

An Algerian respondent indicated that there were no real efforts to create a team spirit among staff regardless of their nationality (P44: 472:472). There was no real vision to retain people and the incentive systems were not aligned to any real objectives subsidiary staff needed to reach (P44: 341:343). Also, Algerians noted that the resources deployed were not adequate to train local staff even though interviewed Tunisians indicated that there were efforts to train. This respondent provided an example revealing some challenges in knowledge transfer and training. As result, the subsidiary struggled to close its own accounts:

> "So before, the team, the team before, the accounting team, they were not trained on the system. How did they practice? She has an invoice entry, she calls the chief accountant in Tunis, and she logs in with her on team viewer and all and she shows her how to do it […]. So, she would show her. So, let's say she would have this orange invoice. She would know that all orange invoices would need to be done like this. Hop! one day, she has a blue invoice. She writes careful I have an invoice which is different from the others. What must I do? So, if the chief accountant is busy, we will see later… So, there were timing issues at play. So, the unavailability of people. Then well, they would try more or less to synchronise their schedule. Ah! you have a blue invoice? From now on when you have a blue invoice, this is what you do. And when she makes mistakes, because it was blue and was entered as orange, she will delete it. She will delete left and right, and it will create differences, and it creates some…They were not strong!" (P44: 523:524).

Tunisians were probed further as to why they did not dedicate more resources to transfer knowledge and train Algerian staff, especially technicians. They replied that to be able to compete in the market they needed to rely on people who had knowledge already (P47: 140:140). Besides, they added, if they were to spend resources, they wanted to make sure that people would remain in their jobs (P46: 50:50). Rather than training, GALOsub decided to rely on head office human resources.

Overall, in the labour market, GALOsub's strategic response was reactive. Though the subsidiary was able to access the resources needed to operate in the Algerian context, it had constantly to rely on the support of its parent company. This resulted in increased costs owing to higher expenses in managing Tunisian expatriates and coping with the high Algerian staff turnover.

Capital market. GALOsub used the Algerian banking sector to access financial resources in the capital market. Respondents emphasised regulative and normative constraints reflected in slow and cumbersome procedures, especially where the subsidiary needed to transfer hard currency to pay suppliers or repatriate dividends. The Algerian central bank is very stringent and puts pressure on banks, and so GALOsub feels referred pressure from its own bank (P44: 186:186). Local firms interviewed in the context of this research confirmed the difficulties they faced with the banking system and the cumbersome requirements they had to meet in order to pay suppliers abroad.

An international business lawyer consulting for firms seeking to establish operations in Algeria said that he advises his customers to work with public banks for international operations. Although these banks might not provide the best service, they seem to encounter less central bank pressure than foreign banks based in Algeria. Nevertheless, GALOsub ended up working with a foreign bank based in Algeria. The head office negotiated directly with this bank during the early stages of market entry. The parent company was able to convince this bank's CEO, who believed in the project and ended up providing the subsidiary with five medium-term loans over time (P44: 128:184).

Overall, GALOsub's respondents seemed to accept constraints faced in the capital market as the norm. The subsidiary pursued reactive strategic actions and leveraged its institutional management capabilities to address the regulative and normative challenges it was facing. It did not rely on corporate embeddedness mechanisms as much here, other than in situations where it needed to pay foreign suppliers and was not able to get the necessary authorisations. In that case, the head office would pay on behalf of its subsidiary and absorb the cost as discussed in the suppliers' section. GALOsub relied on business embeddedness mechanisms, leveraging the support of its local bank to find solutions to the cumbersome procedures and other regulatory limitations.

Findings summary. The analysis of the GALOsub experience in Algeria reveals that the company has adopted a reactive strategic response when dealing with the institutional constraints in the product and service, labour, and capital markets. In many instances, GALOsub was able to access the resources it needed in the host market but was not able to shape existing institutions. As a consequence, it had to rely on the support of the head office. Through corporate embeddedness mechanisms, GALOsub leveraged the non-market advantages of its parent company and deployed institutional management, institutional learning, and adaptive capabilities to access resources in the host market. GALOsub used business embeddedness and adaptive mechanisms. Thanks to its reactive strategic response, GALOsub was able to cope with the Algerian institutional environment. The following table summarises the main findings.

Table 13

Findings Summary: Experience in the Host Market

Institutional domains	Institutional constraint	Strategic response	Organisational factors	Mechanisms	Outcomes
Product and service market	Normative: disorganised clients and informal economy practices. Cumbersome bureaucracy and inconsistency in the application of procedures. Tendency of suppliers to favour short-term business relations. Cognitive: clients had limited industrial knowledge and did not understand why GALOsub needed to issue invoices. Customs officials and suppliers not familiar with GALOsub's business needs and industry practices.	Reactive	Institutional management capabilities: finding local solutions to challenges faced with customers, suppliers and the administration. Institutional learning capabilities: continuous learning and improvement of production processes for example. Adaptive capabilities: capacity to adapt production to cater for the needs of smaller clients for example.	Adaptive mechanisms: negotiating, educating, selling above capacity. Business embeddedness: establishing close relations with clients and suppliers. Corporate embeddedness: deploying resources from the head office.	Institutional: managed the normative and cognitive constraints to access resources locally. However, the failure to address these constraints in some situations, necessitated a reliance on the parent company. Financial: unanticipated costs absorbed by the head office. After more than five years of trials and errors, the subsidiary was able to run a plant at full capacity.

Institutional domains	Institutional constraint	Strategic response	Organisational factors	Mechanisms	Outcomes
Labour market	Regulative: stiff visa regulations preventing the company from obtaining work authorisations for its Tunisian technical staff. Normative: high levels of turnover among Algerians. Cognitive: difference in mindset between Tunisians and Algerians.	Reactive	Institutional management capabilities: capacity to find solutions to through a process of sense making and trial and errors. Local institutional learning capabilities: learning by doing; gaining local knowledge and understanding how things get done. Adaptive capabilities: adapting some procedures and processes to fit local context for example. Relying on reduced but more versatile work force.	Adaptive mechanisms: such as negotiating. Business embeddedness: hiring some employees through business networks such as the subsidiary's bank or accounting firm. Corporate embeddedness: deploy resources from the head office, rely on Tunisian expats. Tunisian and Algerian staff hardly socialise.	Institutional: Higher reliance on resources from home market. Higher turnover of Algerian staff. Financial: increased costs given the need to rely on Tunisian expatriates and the high turnover of Algerian staff.
Capital market	Regulative & normative: stringent regulations and cumbersome procedures to transfer hard currency to pay suppliers for example.	Reactive	Institutional management capabilities: capacity to manage cumbersome banking procedures.	Business embeddedness: long term relations with one bank.	Institutional: managed to access financial resources through the local banking system.

Case Findings

This within-case analysis reveals that when dealing with the institutional constraints in the product and service market, labour market, and capital market in Tunisia, GALO's strategic response was reactive, seeking adaptation and institutional fit. Just like its parent company, GALOsub adopted a reactive response when dealing with the institutional arrangements in Algeria. Building on the experience and the non-market advantages of its parent company, the subsidiary's strategic actions were enabled through deploying institutional management, institutional learning and adaptive capabilities. GALOsub relied on a mix of corporate embeddedness and business embeddedness mechanisms as well as adaptive mechanisms. The case provided some insights on the interactions between home and host country industry institutional arrangements and how the subsidiary was able to cope with the institutional constraints in Algeria. The following figure summarises the relations between discussed concepts.

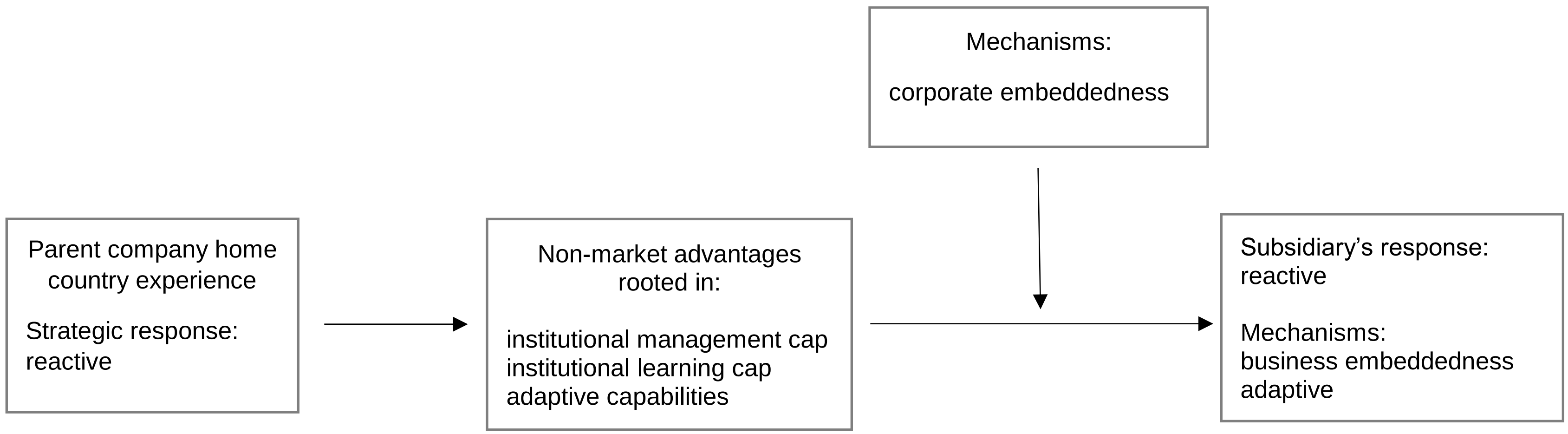

Figure 3. GALOsub's strategic response to institutions

Chapter Six: The Agentive Behaviour of EMNEs' Subsidiaries in Emerging Markets

Introduction

This cross-case analysis chapter compares the agentive behaviour of ATFsub and GALOsub and contrasts their strategic response in dealing with the institutional arrangements in the host country in order to access the resources they needed to operate. The chapter develops some propositions and a theoretical framework explaining the strategic responses of EMNEs' subsidiaries in a host emerging market context. This framework revises and introduces some nuances to the simplified one introduced in figure 1 and brings together the organisational enabling conditions or factors explaining the subsidiaries' divergent behaviour, the mechanisms they used as they deployed their strategic actions, and the competitive outcomes. The organisational factors answer the "why" research questions this thesis sought to investigate, while the mechanisms address the "how".

The case chapters discussed the behaviour of the subsidiaries as they dealt with institutions in the product and service, labour, and capital markets. In this chapter, the comparison is conducted across these institutional domains and through the main concepts composing the theoretical framework.

The rest of the chapter is organised as follows. The next section explains the organisational enabling conditions supporting the subsidiaries' divergent strategic response. In the host country, ATFsub's response was proactive while GALOsub's was reactive. The section argues that the subsidiaries' strategic actions are explained by differences in their parent companies' practices. Institutional experience in their home market industry led to ATF building non-market advantages rooted in capabilities supporting a proactive response while GALO built non-market advantages rooted in capabilities supporting a reactive response. These home market advantages and capabilities facilitated the institutional response of the respective subsidiaries in the host country as they dealt with institutions guiding relations with customers, suppliers, the administration, and other stakeholders. The second section discusses the mechanisms the subsidiaries used for their strategic actions. ATFsub and GALOsub relied on different embeddedness mechanisms to deploy their respective proactive and reactive strategy. The third section discusses the competitive outcomes resulting from the subsidiaries' strategic actions. The fourth section concludes the chapter and brings together the developed concepts in an overarching framework explaining the agentive behaviour of EMNEs' subsidiaries in a host emerging market environment.

Home Market Experience and Non-Market Advantages

This section discusses the divergent experience of ATF and GALO as they dealt with the institutional arrangements in Tunisia and contrasts the nature of the non-market advantages they developed. These non-market advantages rooted in different capabilities influenced the strategic response of their respective subsidiaries in Algeria.

In Tunisia, ATF was proactive and actively participated in creating and influencing the institutions guiding the behaviour of actors in its industry. As such, ATF built the advantages and capabilities necessary to pursue a proactive strategic response and shape the institutions restricting its agency. The ATF case chapter discussed three main capabilities leveraged to deploy institutional proactive actions: institutional influence capabilities, resource and process reconfiguration capabilities, and institutional technical competence. Not all these were deployed every time ATF ran into an institutional constraint, but the company relied on a combination of the three depending on the situation.

For example, in dealing with cumbersome municipal administrative procedures causing delays and preventing it from issuing contractual agreements quickly, it convinced the authorities to establish a municipal service office within its premises. As a consequence, ATF's customers were able quickly to authenticate agreements. These institutional efforts enabled the company to reduce the time needed to issue contracts and ensured an advantage vis-a-vis banks. Here, the company relied on institutional influence capabilities mainly.

When the company took an institutional leadership role to reverse a customs procedure that stopped leasing companies from processing imports on behalf of their customers, it leveraged not only its institutional influence capability, but also its institutional technical competence since it offered a solution to customs officials. ATF developed a new procedure outlining how the clearance process for products under a leasing financial contract should happen. The company did much work on the ground, consulted stakeholders, investigated the practices of other countries, coordinated the response of all actors, and wrote a document suggesting a solution taking into consideration the state of the law governing the leasing industry in Tunisia. Presented with a comprehensive, convincing, and well-documented institutional solution, the authorities took the suggestion on board and implemented it without making any changes.

When ATF worked on diffusing the norms of loan titles, it leveraged three capabilities. It used institutional influence capabilities to convince its partners and customers to adopt the new practice. Resource and process reconfiguration capabilities were brought into play because it had to rethink its IT system and the internal processes and responsibilities among staff. Last, institutional technical capabilities were deployed as it provided advice to its partners and explained how they could implement the new norms and the procedures to follow. The company was the first financial institution to work with loan titles in the country, the result of a consultative process bringing together various industry representatives, the professional association, and the central bank.

These capabilities were built over time as ATF experienced and interacted with the institutional arrangements in its industry. ATF is considered to be the inventor of leasing in Tunisia and is recognised for its role in building the practice of leasing in the country. Shaping its external environment to enable the deployment of its strategy is intrinsic to the way the company operates. As ATF thinks about how it can improve its service, it also thinks about how it can shape its institutional context to support the delivery of that service and to secure an advantage over the competition. As explained by this respondent, the company tries to innovate, to improve its procedures and service, and to shape the institutions guiding the delivery of that service:

> “In terms of innovation and all of that, till today we are alone! It is true. Every time there is something, we are the first to start it at ATF, virtually. We are the one who improve I mean uh…leasing, and they follow us. This till today, we always improve, we always, I mean it is true there are things where we are well ahead and they follow uh… like loan titles. Today, they are still archaic. They work with commercial papers while we work with loan titles since 2012 and uh…with god’s blessing, we work very well…” (P7: 170:170).

ATF was for a long time the head of the chamber of leasing within the Tunisian Professional Association of Banks and Financial Institutions. As such, the company took a leading role in promoting the industry and worked actively on developing a more conducive institutional environment. For instance, ATF informed the process that resulted in the promulgation of the 1994 law on leasing. In the labour market, the company relied on young graduates it sought to train to become industry experts. In the capital market, the Tunisian financial authorities as well as international financial institutions actively sought ATF’s perspective and expertise. The company became an essential actor in discussions on regulations, procedures, rates, and practices in the sector. In addition, the company was proactive, deploying its capacities to shape institutions and access cheap financing to compete effectively against banks.

This proactive strategy was emulated by the subsidiary. ATF transferred its expertise to ATFsub as explained by this executive:

> “There is an advantage in that they can quickly (meaning the subsidiary) import the know-how, the methods, the organisation that we have here in ATF Tunis. They are not starting from nothing” (P1: 124:124).

> “The key success factors are this professionalism, this mechanic that we have. Don’t forget that ATF Tunisia has 30 years’ experience. We capitalised a lot on this” (P9: 383:383).

The subsidiary sought to build the practice of leasing in Algeria. Emulating its parent, ATFsub worked on establishing dedicated meetings for leasing professionals within the Algerian Professional Association of Banks and Financial Institutions. Here, professionals come together to discuss issues relevant to their industry without interference from bankers, who likely have different concerns. ATFsub built on the experience of its parent company to become the first financial institution to issue a bond loan in Algeria. As discussed in the case chapter, the subsidiary leveraged its influence, resource and process reconfiguration, as well as technical institutional capabilities to make this happen. ATFsub trained young professionals who not only contributed to its business growth, but also went on to work with other companies in key positions and participate in the diffusion of leasing in Algeria. ATFsub leveraged its resources and capabilities to increase the knowledge and cognitive understanding of the profession among actors in the Algerian administration, financial institutions, and small and medium enterprises. The company was therefore key in building institutions to develop the industry in the country.

GALO, on the other hand, adopted a reactive strategic response in the Tunisian context. The company did not face institutional challenges requiring the pursuit of active agency. Passive agency was sufficient to access the resources needed in the product and service, labour, and capital markets. Three main capabilities supporting the deployment of a reactive strategic response were highlighted in the case chapter: institutional management capabilities, institutional learning capabilities, and adaptive capabilities.

Managing institutions relied on sense making and trial and error. For example, whenever it faced a normative or a cognitive constraint as it interacted with the Tunisian administration, the company would try to identify an appropriate solution. Rather than trying to shape the institutions in place, GALO would adapt, leveraging its adaptive capabilities. For instance, to anticipate delays arising from cumbersome administrative import procedures, the company relied on a safety stock of raw materials.

As it dealt with customers, GALO faced informal business practices prompting uncertainty and affecting its capacity to manage its production schedule. The company rethought its production processes through trial and error and learning by doing. So here, GALO simultaneously leveraged its three capabilities of institutional management, learning, and adaptive.

But overall, in the Tunisian context, GALO did not need to manage a high level of constraints as it sought to access resources. The institutional challenges were predictable to some extent and the company was able to cope accordingly. As many respondents highlighted, there was a system in place in Tunisia and a certain consistency in the way things get done. GALO did not face challenges maintaining and repairing equipment, because the local environment provided these services. As for labour, training schools graduating technical skilled workers were available in the country, so GALO did not have to dedicate important resources to training. It was also able to circumvent the stringent labour regulations by hiring temporary workers through a service provider. Finally, respondents did not highlight important institutional constraints preventing the company from accessing financial resources through the Tunisian banking system.

The experience of GALO in Tunisia, however, did not prepare its subsidiary for the Algerian environment, where institutional challenges were more prevalent. The resources needed to effectively operate a plastic processing plant were not sufficiently available and the institutional constraints were of such a nature that GALOsub was challenged to identify solutions to address them. The subsidiary relied on a reactive strategic response leveraging institutional management, institutional learning, and institutional adaptive capabilities.

What the subsidiary found most challenging was inconsistent application of laws and practices, a situation not widely experienced in Tunisia. GALOsub relied on Tunisian expatriates in key managerial positions who had to learn how things were done. Though they were accustomed to dealing with cumbersome bureaucracy and informal business practices, the pervasiveness of institutional constraints in the host country surprised them. Inconsistent practices experienced when dealing with customs officials meant that the company had to work its way through negotiating and identifying a solution for each situation.

The subsidiary needed to understand how the Algerian informal economy operates. The normative and cognitive constraints faced as GALOsub interacted with customers engendered difficulties in production. The industrial culture in Algeria was lower than that in Tunisia and the frequency of practices in the informal economy was higher. It took the subsidiary time and considerable efforts to eventually run its plant at full capacity. Just as its parent company did in Tunisia, GALOsub adapted its production and internal business practices to fit the Algerian context. For example, the company went as far as overselling its production capacity, knowing well that many clients would not honour their orders. As explained by this executive, the subsidiary learned the hard way and learned from its mistakes:

> "For the other difficulties with our customers, so we know through our mistakes in the beginning what to avoid uh… you know, if you want to order you have to put some cash down, you know, to guarantee your order. So, we have 20% sometimes or 30% or even more as a guarantee so things go the right way uh… and some other clients we don't have any guarantee, because we have been working with them for so long without having major problems really. I am not saying that everything in Algeria is bad, I am saying that you have to be selective and you have to learn from your experience and yah it's learning from your mistakes basically, everything that you do in Algeria" (P34: 81:81).

As for suppliers, the company struggled to find reliable local providers. It took GALOsub time and effort to establish solid relationships. However, whenever the subsidiary was not able to find a local solution, it would revert to the support of the parent company. Support included human resources, financial resources, and equipment sent to Algeria to address the institutional constraint and ensure that the subsidiary continued to operate.

So overall, when dealing with the institutions guiding the behaviour of actors in its industry in Tunisia, ATF followed a proactive strategy and built advantages rooted in capabilities enabling it to deploy a proactive strategic response. The institutional influence capabilities, resource and process reconfiguration capabilities, and institutional technical competences enabled the proactive strategic response of ATFsub in the Algerian context. The three above capabilities are coined proactive institutional capabilities. In the Tunisian context, GALO adopted a reactive strategy and built advantages rooted in capabilities enabling it to deploy reactive strategic actions. These are institutional management capabilities, institutional learning, and institutional adaptive capabilities. These organisational capabilities enabled the subsidiary GALOsub to pursue a reactive strategic response in Algeria. These three capabilities are coined reactive institutional capabilities. So, ATFsub and GALOsub ended up with different capabilities endowments. Contrasting the behaviour of the subsidiaries in the host market, given the experience of their respective parent companies in the home market, the following propositions are introduced:

Proposition 1: Given their experience in dealing with the institutional arrangements in their home market industry, EMNEs will build non-market advantages rooted in proactive or reactive institutional capabilities.

Proposition 2: The institutional strategic response of EMNEs' subsidiaries operating in a host emerging market context is influenced by the nature of their parent companies' non-market advantages rooted in proactive or reactive institutional capabilities.

Further to the above analysis, the following table of quotes contrasts the perspective of respondents from the parent company when they spoke about the institutional context in Algeria. The side by side comparison provides a good summary of the difference in perceptions and discourse. ATF's respondents tended to be positive when they spoke about Algeria and ATFsub, while GALO's respondents tended to be negative when they spoke about Algeria and GALOsub. The difference in how parent company respondents spoke about the host market reflects their differing experiences in the home market.

Table 14

Parent Company Discourse

GALO respondents	**ATF respondents**
"Sometimes when we gather with our shareholders and so on, and I explain the difficulties we are having in Algeria and how hard it is actually to operate in that sector, one of our shareholder, when I say it is difficult, he answers, I wish it will get more difficult […]. I mean, I was very upset the first few times, the first few times, yes very upset with his reaction. But he explained to me the following: he said, if it [was] easy, you wouldn't be in Algeria at all, because the number one in the world will be…" (P34: 203:207).	"ATFsub must give itself the means for success. I mean, I think that ATFsub will be in terms of results the centre of gravity for the ATF group, comparatively to Tunisia, and comparatively to ATF sub-Saharan Africa uh… for the next ten years at least. Then we will see if uh…how things develop" (P1: 112:112).

GALO respondents	ATF respondents
"In Algeria, you need to work for the long haul, a person should not be impatient or become depressed. Because after all, we know that behind that there is a big market, so you need to sacrifice everything! There is a big market that one should not let go, one should not let go" (P41: 329:329).	"We did not solve all the problems entirely but we are overcoming them uh…the doors that were closed to us are starting to open uh…there are paths that we try to widen step by step, but there are no obstacles anymore on a certain number of issues. Things are moving in the right direction" (P2: 94:94).
"Here it is much better. Here compared to Algeria uh…Algeria is uh…when we speak, we say developed countries and third world countries. Algeria cannot be classified between these things we agree on. Algeria is a world on its own (laugh). Algeria is special! It's a world on its own. You understand me?" (P39: 114:114).	"See this is what is going to happen. There, it is like ATF Tunisia thirty years ago. Well, let us say maybe twenty ago. So, they will become closer to us" (P8: 149:149).

Embeddedness Mechanisms

The case chapters highlighted different mechanisms ATFsub and GALOsub used as they deployed their institutional strategic response. These were organised into three broad categories. Influence, adaptive, and embeddedness mechanisms subdivided into social, business, and corporate embeddedness mechanisms.

ATFsub used influence mechanisms as it sought to build institutions for the practice of leasing in Algeria, while GALOsub relied on adaptive mechanisms as it sought to manage the Algerian context. The distinction between these is analytical given the intent of the respective subsidiaries. Empirically, they are not always distinct since both influence and adaptive mechanisms rely on negotiation and education for example. However, there is a clear difference in the embeddedness mechanisms ATFsub and GALOsub used as they sought to operate in the Algerian environment.

The degree of social embeddedness of ATFsub in the local environment was deeper and broader than that of GALOsub. ATFsub leveraged relations with a wide range of stakeholders to prepare the ground for influence. While corporate embeddedness was also important for ATFsub in order to access resources internally, its nature was different and changed over time as the subsidiary became an active contributor transferring resources to the parent company. The social embeddedness of GALOsub was mainly business embeddedness focusing on building relations with customers and suppliers, what Buysse and Verbeke (2003) describe as primary stakeholders. GALOsub relied far more on corporate embeddedness mechanisms to access resources internally and mitigate the constraints it faced in the host market context. In addition, the subsidiary was not able to shift its reliance on the parent company and on home market resources over time. In what follows, these elements are discussed further.

Just like its parent company in Tunisia, ATFsub worked on promoting the development of the leasing industry in Algeria. In order to do that, the subsidiary sought to establish deep relations with various actors. ATFsub developed very close working relations with the Algerian association of banks and financial institutions. Every time ATFsub ran into a recurrent institutional constraint, whether regulative, normative or cognitive, it would seek the support of the professional association and request that the matter be raised with the Algerian authorities for resolution. In many instances, ATFsub would suggest the appropriate institutional solution and provide the association with the necessary background documentation and resources needed. For example, if necessary, ATFsub would support the organisation of a workshop or meeting bringing together key officials to raise their awareness and knowledge of the institutional issues affecting the industry:

> “Yes, we even suggest our training services free of charge to the business association. Yes, but we do this really, it’s fieldwork” (P10: 47:47).

> “We entertain relations with representative organisations of employers, who help us too. We help each other. For example, the organisation of pharmacists, we are in contact with them, with the chamber of notaries. So often, each one of us tries to bring something. We do it with our association of banks and we do it on occasion in seminars, in meetings, in colloquiums, we explain a bit uh… the difficulties” (P9: 188:188).

ATFsub developed partnerships with other organisations such as the association of notaries and the association of pharmacists. The company encouraged its employees to develop deep relations with administration officials. Respondents noted that they can contact the officials they deal with directly on their private mobile numbers. When ATFsub organises training or information seminars, it makes sure it invites government officials and other stakeholders for networking opportunities and dialogue on matters of concern to the company and the industry at large.

ATFsub has to ensure smooth interactions with the vehicle registration office since it processes the permits and licence plates on behalf of the customers it approves for lease. So, every three months, the heads of ATFsub branches are encouraged to invite for coffee the head of the vehicle registration office in their region. The company relied on young Algerian graduates it trained but realised the importance of having experienced professionals in some departments. For example, the legal department decided to hire full-time lawyers, even though the job could be done without a law degree as long as the employee had a minimum legal background and could rely on the advice of external lawyers on retainer. But ATFsub noted that it was much easier for lawyers to interact with and persuade their counterparts in the Algerian administration. Having a lawyer as an employee enabled the company to facilitate the process of enforcing legal decisions as explained by this respondent:

> "In reality you don't need to be a lawyer to do this job. As long as there are procedures, we surround ourselves with lawyers and uh…we just need to be well organised and to have a minimum of legal culture. But, we are supposed to be well surrounded to be able to do this work well. But having a legal background and practice in the field open some doors, or help things uh… I will give you an example. I will illustrate through an example. You are in front of a court bailiff, who tells you I cannot execute this order, I cannot do it like this. When you are a lawyer, it is easier for you perhaps to say listen colleague, what you are telling me here, well, it does not make sense. Tell me you don't want to do it but don't pretend that it should not happen like this… you see?" (P13: 150:150).

ATFsub developed close relations with its suppliers as well, car dealers in particular, going as far as reorganising and creating a department to interact with them directly. Since SMEs tended to operate in the informal economy and hide a portion of their revenues, social embeddedness mechanisms were used to confirm the veracity of the information submitted for a loan application. ATFsub relied on a network of bank managers, suppliers, or other customers, who might have dealt with the client in the past. The company also does not hesitate to help its partners and share relevant information when the opportunity arises:

> "Sometimes, we try to return the favour. If I have a client looking for available cars, I will contact this or that supplier uh… I have an interested client, do your salesman job. I don't influence the client but I give the information to my partner. Here you go, do your work. If you give him a good offer, you might do a sale with him" (P12: 131:131).

By ensuring broad and deep relations with relevant stakeholders, ATFsub nurtured the development of an environment more conducive for influence. Relying on social embeddedness mechanisms prepared the ground for the use of influence mechanisms to shape institutions and access resources needed in the host market context.

ATFsub relied on corporate embeddedness as well to facilitate transfers with the parent company and access internal resources. The nature and the degree of corporate embeddedness evolved over time as the subsidiary became a contributor, thus influencing the behaviour of the parent company:

> "First, as a matter of fact, at a certain point in time technical assistance should have a downward slope, which is very normal. My objective, in two, three years, would be that my colleagues from Tunis no longer come practically. if they come it would be for very sophisticated files, because that's it, you went around, my colleagues here have a big maturity. The second element is that on a few points we have become the providers for Tunis" (P10: 168:168).

Building on its controlling intelligence management style, the parent company provided its subsidiary with full autonomy. ATFsub had its own board, its own loan committee, and freedom in day-to-day management. This does not mean that the parent company did not control its subsidiary. On the contrary, Tunisian and Algerian senior managers came together regularly for strategic meetings. In addition, parent company representatives were members of the subsidiary's board and loan committee.

The parent company deployed resources to mentor and develop the expertise of subsidiary staff. Just like its parent company, ATFsub relied on young Algerian professionals and on training to institutionalise practices and procedures. Hiring and nurturing the development of local people demonstrated corporate embeddedness since the practice was transferred from the parent company, as highlighted by this respondent, who believes that reliance on well-trained Algerian employees ensured the social embeddedness of ATFsub:

> "Actually, first of all uh…the integration of this company in the Algerian financial landscape was very good, because it is first of all an Algerian company, which uh…is managed by Algerians and is destined to the Algerian market. So only our general manager is an expatriate executive. All the other employees, who are mainly managers and senior managers, are Algerians, uh…and who have a certain, well many qualities, many uh… They have nothing to envy their Tunisian colleagues. They are very good, they are qualified, and our policy is to always recruit in the countries people from those countries. We believe a lot in that" (P2: 57:57).

Although practices and resources such as the IT system were transferred from the parent company, ATFsub nevertheless recombined what was received as it tried to shape the institutional constraints and access resources in the external environment. A good example of this was the subsidiary convincing the financial authorities to authorise the first bond loan ever to be issued by a financial institution in Algeria. The head office provided support and transferred relevant documentation and matrices, but it was the subsidiary that led the negotiation process and prepared the submissions to the Algerian authorities. So, the head office was acting in an advisory and supportive role, respecting the institutional tactics and strategies the subsidiary imagined and deployed.

With time, the subsidiary started to contribute to the parent company. For example, ATFsub influenced the organisation of ATF. Faced with human resource constraints in Algeria, ATFsub implemented a centralised back office structure. Witnessing this success, the parent company adopted it in Tunisia for efficiency purposes. Respondents highlighted constant dialogue between Tunisians and Algerians who collaborate within teams for common projects. Tunisian senior executives regularly comment on the reports submitted by subsidiary management and follow up on opportunities that can enhance synergies and collaboration. So, the nature of the corporate embeddedness mechanisms evolved with time and became more about identifying ways for synergies and ensuring the cohesiveness of the strategic decisions involving the multinational's future.

Contrary to ATFsub, GALOsub did not pursue deep relations with a wide range of stakeholders in Algeria. Instead, it used mainly business embeddedness mechanisms. For example, the company worked closely with a local bank to secure loans with medium terms. It was also able to convince an employee from this bank to join as a sales representative.

Another instance was the subsidiary struggling to run a plant at full capacity. It needed to have a better understanding and appreciation of clients' behaviour because smaller clients, in particular, tended to be less organised and to operate in the black market. GALOsub tried to build close relations with customers so that it could have better control over its production schedule and run the plant at full capacity. A trusted wholesaler was used as intermediary to resolve the situation of some clients insisting on not being billed. Though GALOsub had to deal regularly with the Algerian administration, customs in particular, establishing close relations with government officials was not a priority for the company, as this respondent suggested:

> "K: Were you able to develop networks on the ground or relationships to help you with this?
> R: Yes of course with our customers mainly but not with customs.
> K: Not with customs or others within the administration to help smooth the processes?
> R: No.
> K: No, okay" (P34: 99:111).

This focus on primary stakeholders can be explained by the fact that whenever the subsidiary was faced with a difficulty it could not solve locally, it would use corporate embeddedness mechanisms to access needed resources through the parent company. GALOsub relied on Tunisian expatriates as it faced some challenges in identifying and retaining a skilled labour force in Algeria. Reliance on Tunisians did not diminish with time, given the continuing level of turnover among Algerian staff.

The subsidiary could also count on the support of parent company staff deployed whenever there was an institutional challenge preventing repairs and maintenance of equipment. This was the case for technicians in production as well as IT personnel. For instance, the head office ended up taking over the responsibility of managing the subsidiary's IT system and coordinating relations with local IT providers. Accountants were deployed to support GALOsub with book keeping, paying suppliers, and supporting the preparation of financial statements. The parent company provided direct financial support and absorbed related costs whenever GALOsub was not able to pay a supplier or send equipment for maintenance abroad. As explained by this manager, the parent company was very present in the life of GALOsub and Tunisian staff would travel to Algeria regularly throughout the year:

> "Three times, but I am not the only one who goes there three times. I go three times, our accounting manager goes there three times, (K: in turn), yes exactly" (P36: 54:54).

> "We send the best competences we have. We send them there to troubleshoot. As soon as they tell us we have a breakdown, we will try to rapidly uh…We will intervene from here in order to unlock the situation. As you know, one day of factory shutdown, will cost in fixed costs, but it will also cost in variable costs, so we try to minimise uh... Is it clear?" (P36: 65:65).

This deeper reliance on corporate embeddedness mechanisms did not diminish with time. Contrary to ATFsub, GALOsub was not able to contribute to the parent company. Actually, it struggled to institutionalise its practices among its Algerian staff, did not rely on training as much, and used a management style of command and control.

GALOsub did not have much autonomy. Decision-making was centralised in the hands of Tunisians based in head office or as expatriates in the subsidiary. The deployed Tunisian employees were experienced in factory management but were not familiar with Algerian labour relations and had to learn the rules of the game on the ground. The head office deployed its procedures and internal rules but these were not necessarily accepted or understood by Algerian staff.

Nor was training Algerians a priority for GALOsub because it emulated its parent company. In Tunisia, GALO had access to labour resources and did not have to commit significant effort and time to training. Besides, the high level of Algerian staff turnover discouraged GALOsub from dedicating resources to training.

In addition, there was a certain level of mistrust between Tunisian and Algerian employees in general. Tunisians did not understand how to handle Algerians, and Algerians felt that they were not respected. Tunisians felt that Algerians were not hard working, while Algerians felt that they were not being used to their full potential and were not recognised as being useful to the company's development.

Revealing is a response to the question of why GALOsub would not consider collaborating with local partners or even competitors to establish a training programme for technical workers in plastic processing. A respondent looked puzzled, laughed, and then replied, "I don't want them to learn", meaning that he did not want the competition to benefit from the training. This question was triggered after visiting one of GALOsub's suppliers. The company was proactive in addressing the shortage of technicians in its industry and worked with a university and the Algerian labour agency to establish a training programme.

For Algerian respondents, GALOsub had no vision for training and did not try hard enough to identify appropriate Algerian staff and dedicate the necessary resources to retain them, as expressed below:

> "Well, if we can uh… we can find the people, they need to be trained. Then it depends on the company. Either it has a training cost it needs to put in place to train these people so they stay and work uh… to retain them. So, either it is a war we must lead or it is uh…or we choose the easy way which costs more… bringing Tunisians" (P44: 367:367).

> **"**Then, when we say we tried, okay. Then, it depends on the vision of things. When we say we tried, did these people put the means in place? They tried, how many times? Once? Twice? Three times? So, we tried once, the candidate was not adequate, by the end of the third time we need to question ourselves if we fail again, don't we? […] something we are doing and is not working uh… We can fail once, twice, but not three times, not four times. These are visions of things" (P44: 371:371).

Besides, Tunisian expatriates did not really take root in Algeria. They were keen to travel home whenever they could and regularly went back to head office on missions. As described by this respondent, going to Tunisia was an opportunity to get away from the social and institutional challenges faced in the host country:

> “Here, you work, you work… The problem is that you do not have any entertainment. There is nothing, really there is nothing. You tell yourself, with all this fortune that they have, they are not able to make something good of this country? You don’t understand! Here, if I don’t go to Tunis, I take a bit uh…because the rhythm… I mean all the time under stress, all the time some administrative blockages, with customs, problems all the time, it’s my day-to-day. When I go back to Tunis, I go once a month, I take a little oxygen in Tunis […]. Poor people those who work here. They live here every day, I pity them. They have lots of diseases. 51% of Algerians have high blood pressure… Oh yes! Life is stressful” (P42: 833:833).

In sum, as it relied on embeddedness mechanisms to deal with the Algerian context and deploy its reactive response, GALOsub looked mainly inward to its parent company and not outward toward the Algerian environment.

This section discussed how ATFsub and GALOsub relied on different embeddedness mechanisms as they deployed their divergent strategic responses to deal with the Algerian institutional environment. Building on the above discussion, the following proposition is introduced:

Proposition 3: EMNEs’ subsidiaries pursuing a proactive institutional strategic response will rely on a higher degree of social embeddedness mechanisms, while EMNEs’ subsidiaries pursuing a reactive institutional strategic response will rely on a higher degree of corporate embeddedness mechanisms.

Competitive Outcomes

This section explores the competitive outcomes in the host market as result of the divergent responses the subsidiaries deployed in dealing with the Algerian institutional environment.

To ensure it remained competitive in the Tunisian market, ATF relied not only on speed of service in the product and service market but also on its capacity to raise cheap financial resources in the capital market. That meant that the company had to guarantee the quality of its customers' portfolio by, for example, investing in state-of-the-art information systems and maintaining close and deep relations with customers. Raising money cheaply is important for ATF because banks have access to deposits that can be used to extend leasing loans. ATF's proactive response sought therefore to ensure that the Tunisian institutional context did not constrain its capacity to deploy its service quickly and to monetise its portfolio of clients in order to raise money cheaply.

In Algeria, ATFsub followed a similar strategy and was proactive in ensuring that the institutional arrangements enabled service speed delivery and access to cheap financing. Though the capital market in Algeria was not as developed as in Tunisia, the subsidiary understood that it was only a matter of time before new entrants such as banks started offering leasing products to exploit the important returns in the industry. The subsidiary had an advantage over the competition since it was able to master its offering in the Algerian market, but it knew that others would catch up sooner or later. It was therefore very important for ATFsub to access different sources of financing through the Algerian capital market.

The proactive institutional strategy ATFsub deployed ensured it could diversify its sources of financing and keep an advantage over the competition. From the very outset, the subsidiary sought to establish deep relations with the banking sector. It secured access to private-bank financing but was less successful with Algerian public banks because they were reluctant to work with the private sector. ATFsub did not stop there and started working on securing access to the bond market. Loans through the bond market are usually cheaper than medium-term loans through banks. As explained in the case chapter, it took ATFsub seven years of negotiation with the Algerian financial authorities and other stakeholders before eventually becoming the first financial institution to issue a bond loan in Algeria. Through this process, the company was able to work with two public banks; a first in the country. The company did not stop there and at the time of the interviews it was working on convincing the Algerian authorities to allow it to raise capital through the stock market.

Building on the capabilities transferred from its parent company, ATFsub completely shifted the logic of managing commercial drafts that Algerian SMEs sign. The subsidiary was able to use its portfolio of clients to raise money. Before ATFsub, these practices were not institutionalised in Algeria. Indeed, Algerian SMEs were perceived to be unviable and the dominant belief was that they were bad payers. Not only was ATFsub able to show the viability of its portfolio of clients, but it was also able to help its bank build a whole department to manage commercial drafts. Before ATFsub, banks did not have a system in place to effectively monetise these drafts. There was no demand, as this respondent explained:

> "Thanks to ATFsub, the market uh…we established this, we established. As I told you, given that the biggest movement of notes for "AVBank" was with ATFsub, so we went to see them and we negotiated with them how uh… how to manage them, when to deposit them, the processing time… We negotiated all these aspects to put the system together" (P11: 254:254).

No other market competitor was doing this. As described in the case chapter, ATFsub shaped the institutional context to implement the system and therefore secured an advantage over the competition. For instance, the direct competitor of ATFsub, present in the market four years before the subsidiary entered Algeria, never explored these new ways of raising capital and never took a proactive response to shape the institutional constraints, whether regulative, normative, or cognitive, preventing the deployment of these business practices in the leasing industry:

> "So, we had a work methodology to position ourselves in the market among others in the management of commercial drafts. So, with AVBank, the mechanic we put at AVBank we were able to duplicate it with other branches of other banks. So today, ATFsub is able to give out

> its commercial drafts as warranties to raise capital. We are able to refinance ourselves by giving these commercial drafts as warranties (K: yes, yes, yes), here you go. Because behind, we have established actually uh… because actually in the beginning, the Algerian market was judged as let's say uh… as delinquent. The Algerian SME was judged to be a bad payer. When we started to do this, we started to have actually uh… we had a debt recovery of 99% and we put this forward to our banks, to say our commercial drafts are safe payment tools uh… well our clients, the quality of our clients, we are able to select actually uh… so we have good quality clients who are good payers" (P11: 258:262).

To ensure the quality of its portfolio, ATFsub introduced new practices to ease access to information in a market where illicit behaviour within the informal economy was rife. For example, it trained its staff to establish trustworthy relations with clients who then disclose information about hidden assets. Account managers were asked to make regular customer visits, conduct neighbourhood investigations, and establish deep relations with key stakeholders to verify and triangulate information.

In addition, ATFsub worked on building and popularising the practice of leasing in Algeria. It introduced, for example, the first contractual Islamic leasing agreement and as such secured access to new customers. The subsidiary worked closely with car dealers and convinced them to propose lease financing to their clients. ATFsub leveraged its institutional technical capabilities to support the central bank of Algeria establish regulations for the leasing industry, trained members of the judiciary, and interacted with and educated customs and the tax authorities. In all these situations, ATFsub was able to influence the rules and the procedures, access the resources it needed to deploy its operations, and therefore remain a step ahead of the competition. While the subsidiary was working on influencing the rules of the game, others were following its lead. Through its pioneering example and efforts, the company grew its reputation in the market, establishing its legitimacy and enhancing the effectiveness of its proactive strategic response. ATFsub was perceived as a school and a few laws became known under its name:

> "You know, there are even laws we call in the hallways ATFsub laws, like in France, the Macron laws and all. There are laws which we call, since it was ATFsub, my colleagues before my arrival even, whether it is in

> taxation uh… many things happened through lobbying and through the expertise of ATFsub" (P10: 26:26).

> "ATFsub has worked a lot uh… because once more, why ATFsub? Because it has a birth right, that's all… because ATFsub is a school today" (P10: 103:103).

Two years after it was established, ATFsub became market leader and has maintained that position ever since. While the data clearly indicate that the subsidiary's proactive response helped it secure an advantage in the Algerian market, conclusions about long-term advantage are less evident. Several actions ATFsub undertook led to the diffusion of new institutional practices that benefitted the whole industry. For instance, after ATFsub secured its bond loan, another leasing company was able to do the same more quickly. All the work that ATFsub put in with the judiciary, customs, and other stakeholders, benefitted the industry at large. Many employees the company trained and nurtured ended up with the competition.

However, it is clear that ATFsub built a reputation of being an institutional leader, advising various stakeholders and shaping the rules and practices for the industry. Reputation is a resource difficult for others to capture. Though it has lost employees to the competition, ATFsub's internal practices are difficult to imitate as well. As discussed in the case chapter, ATFsub's clients were outspoken about their perceptions, describing the company as unique because of its internal environment. Besides, data indicate that the quality of ATFsub's portfolio of clients is higher than that of the competition in a context where SMEs tend to be active in the informal economy. This indicates that the proactive strategic response of the subsidiary in the product and service market is helping it secure an advantage by ensuring it can leverage the quality of its portfolio and access cheaper financial resources in the capital market:

> "We are at about 95% of healthy clients, maybe 2 or 3% who have a delay of 30 days or 45 days, up to two months, […], and this is very decent because we do benchmarking and we see a bit what's happening with our peers. The direct competitor has a collection rate which does not go uh… exceed the 90% uh… of classified loans I am talking here. I

> mean litigation and more than 90 days uh… two digits percentage almost" (P12: 282:286).

In the Tunisian context, GALO built its advantage and leadership position by leveraging its production capabilities and focusing on quality, consistency, and response time. In an increasingly competitive industry, the company sought to differentiate itself from others that focus on price but are not able to maintain consistency in their offering over time. The company struggled at first to retain its customer base but maintained this policy, gaining the rewards in the long run. GALO mastered the technique of managing an efficient production line, thus ensuring very little stoppage time. The company developed systems to ensure traceability and good hygiene and started to develop new applications to respond to clients' needs. As discussed in the case chapter, given the pressures and constraints faced in servicing a good number of disorganised small clients, GALO adapted its production to suit the Tunisian context and changed the way its machines are used to ensure flexibility and rapid response time.

Generally speaking though, the external Tunisian environment did not constrain the capacity of GALO to exploit these advantages. The company was able to recruit skilled labour and develop deep relations with customers and with local suppliers for machine maintenance or repairs. The Tunisian administration, although cumbersome, was predictable and that meant that the company could plan accordingly. So, GALO was able to master its value chain in its home market and the institutional constraints across this value chain were of such a nature that a reactive institutional strategic response was sufficient. Overall, GALO built a reputation for being a reliable provider in an external environment where a good number of industry actors were still disorganised. Customers began to realise the importance of having a reliable supplier, as explained by this respondent:

> "Actually, GALO is a structured company still. I can tell you, GALO operates in Tunisia but it looks as if it is not in Tunisia. Well, perhaps I exaggerate a little bit, but GALO is certified, ISO certified, it is certified BRC, so it has a certain logic in its work. Its strategies are clear uh… that is to say quality is the company's general policy it's uh… it's uh… it's at the top of its concerns, and after that there is service uh… after sales,

> there is service. GALO is therefore able to take its place in the market. Because for an industrial, the price is not the only decisive factor in the act of purchase. There is actually a supplier who needs to be responsive, its deadlines are reasonable, in case of problems we find him. Even if the client does not manage his stock well, he finds himself out of stock, he exceptionally asks that we do something, we have a certain flexibility in the factory to change the format and to print labels for him with a décor, which is unique to him. We do it within reasonable deadlines. So, clients have confidence in GALO. They find us in difficult moments. If there is a claim, the claim is addressed in a professional manner. So, we look for the cause, we make replacements for the client, we inform him about how we dealt with the claim, what did we do as a remedy to this claim… So, he can even see the actions we did to correct the problem that occurred at his place. As a consequence, a certain confidence develops between the client and his supplier. This thanks god is present at GALO, you understand?" (P41: 113:115).

When GALO entered the Algerian market, it deployed its home rooted capabilities. GALOsub focused on production quality, flexibility, reliability, and response time. In Algeria, there were at least four known producers, but several informal actors who operated with small injection machines. The subsidiary decided not to confront these competitors head on and to focus on producing small format containers for the agri-food sector since the competition was offering bigger formats. However, GALOsub underestimated the difficulties it would eventually face in the external environment. It was challenged in deploying its operations given it had to face various institutional constraints that prevented it from accessing needed resources, as discussed in the case chapter.

While the reactive strategic institutional response enabled the subsidiary to survive in the Algerian context, various inefficiencies and unanticipated costs had to be absorbed, which drained its profitability. GALOsub had to rely on Tunisian expatriates, which resulted in high labour costs. In addition, the company suffered from high local staff turnover, which disrupted its operations. For several years, GALOsub's production line was running below capacity as result of the difficulties faced in understanding the behaviour of clients. The subsidiary struggled to manage suppliers, to establish relations with the Algerian administration, and to deal with cumbersome banking procedures. The parent company had to absorb several costs on behalf of its subsidiary to ensure that production did not stop. After seven years in the Algerian market, GALOsub showed some profitability and repatriated a small dividend for the first time. In reality, if all the costs absorbed by the parent company were to be integrated back, GALOsub would still not be profitable:

> "Don't forget that we are absorbing several costs in Algeria. We are positive in Algeria on our balance sheet, but in reality, if we were to reallocate the absorbed costs [...], the operation would be negative" (P35: 164:164).

> "We subsidise yes. But at the end of the day, as GALO we look at uh… you know, the whole picture. So, the whole picture is okay. Because we try to avoid this, because every subsidiary or every operation has to have its own and true account. So, we do rework our accounts so every operation manager knows, […], we know exactly our profitability in Tunisia and the one in Algeria. But the balance sheet we have, the official one, is not right" (P35: 180:180).

Questioned about the success factors of GALOsub, a senior executive was adamant:

> "I don't think we have succeeded, we are in the process of succeeding" (P42: 519: 519).

He went on to give the example of another Tunisian firm, the subsidiary of an important business group, which had to exit the Algerian market after a few years of operations because it could not cope with the institutional challenges. He believed that the failure was due to that firm's inability to adapt its practices. He stressed that if GALOsub was still present in the market, it was because eventually it was able to adapt and work with small Algerian industrialists.

Though GALOsub was able to compete against local rivals, it was not able to outperform the market leader AP Algeria, the subsidiary of another multinational. The analysis of the interviews conducted at this competitor, as well as internal documents such as customer satisfaction surveys, revealed that the company leveraged its production capabilities and relied on flexibility and response time. So just like GALOsub, AP Algeria did not compete on price, but rather on quality and consistency in production and delivery time. The difference, though, was that AP Algeria was much more proactive in dealing with the Algerian context and sought to shape the institutional constraints it faced. The company relied on Algerian staff it trained, had deeper connections in the community where its factory was located, worked collaboratively with government-sponsored labour centres to identify workers it could hire and to avoid social issues within the community, internalised the process of machines maintenance, and offered transport to its employees. It also was much more aggressive in its local investments. Just like GALOsub, it faced difficulties managing production since it was dealing with disorganised clients who tended to operate in the informal economy as described by this respondent:

> "Not everyone has an organised procurement structure. So, not everyone has forecasts, with the exception of three or four companies that have forecasts they send me, or an agreement we signed with them. The other companies work, I would say not in anarchy, but either they are stronger than the uh… the Japanese, zero stock, they say to themselves the stocks are with AP Algeria ultimately for every uh… when I need I go and get, or these are people who don't have the capacity to stock, because uh… no stock, no business (small laughs) uh… the Cartesian principle. So, these people don't have a lot of storage space, or even uh… their growth did not happen in a harmonious way. Suddenly, there is big demand, there is a big pressure, they start producing, producing, producing, but without notifying the supplier uh… listen this year I have acquired new machines…" (P67: 87:87).

AP Algeria was much more proactive than GALOsub and sought to change clients' behaviour. The company took advantage of a quality management certification initiative it started implementing to integrate a few customers in that process. This effort was initiated within an external environment where most stakeholders did not yet value these certification processes. Thanks to this initiative, AP Algeria was able to establish deep working relations and influence the working procedures of a few small clients. Regular meetings were organised with these customers as well as visits on site to ensure the integration of these procedures in day-to-day management and facilitate tracing and quality control. This respondent explains the importance of these elements among others in ensuring the leadership position of the company:

> "There is the reputation, the logo of the multinational, there is the technical assistance, there is continuous training, there is uh… pouf uh… client satisfaction… Do you think that all the others do what we are doing? call the client, organise a meeting, a working meeting with him, this, this… I think it is uh… these are cultures, uh… We are in the process of going through an HACCP certification, so we will, this is our objective, be able to take more and more market shares in the food domain. So, it will consolidate our market share in food packaging a bit" (P: 295:295).

In a sense, GALOsub's competitor's behaviour towards the external environment was similar to that of ATFsub, even though they belong to completely different industries. For example, the discourse that AP Algeria used to describe the outcomes of its training efforts was very similar to that of ATFsub. Both companies described themselves as a "school":

> "AP Algeria has become a school, a reference in terms of training, because they know that the people who come, even as operators, from the start they follow procedures, they produce according to norms. So, I will tell you uh… when it comes to operators, the work is semi-automatic, it is not automatic at 100%, but you know when the guy, when a qualified person leaves AP Algeria, the competitors' biggest wish is to hire him… not only the guy would have been trained, but he will come with AP Algeria's techniques. There is a know-how, a know-how, which is transferred towards uh…" (P65: 323:323).

Overall, the above comparative analysis shows clearly that as it sought to deploy its operations, ATFsub worked on shaping the institutional context and thus secured an advantage over the competition. Shaping the external environment is an integral part of ATFsub's DNA. The subsidiary actively sought to create value by setting the rules of the game. On the other hand, GALOsub perceived the Algerian external environment as a constraint it sought to manage and adapt to. The subsidiary misjudged the difficulties it was going to face in Algeria but was able to cope and survive nevertheless. GALOsub felt "trapped" and tried to manage the institutional environment in order to remain in the country as highlighted by this respondent:

> "R: We were trapped, then we took our responsibility, because we did not think that the environment will be this difficult.
> K: So, if you were to go back, you would not do this again?
> R: No, no, perhaps we would do it, but somewhere else not in this country.
> K: Not in this country.
> R: Yes, oh, oh!" (P42: 821:829).

Building on the above discussion, the following proposition is introduced:

Proposition 4: Proactive institutional strategic responses pursued by EMNEs' subsidiaries in another emerging market context will support their competitive advantage, while reactive institutional strategic responses will support their institutional survival.

Cross-Case Analysis Findings

This cross-case analysis chapter compared the agentive behaviour of two emerging market multinationals' subsidiaries and contrasted their strategic responses as they dealt with the institutional constraints they faced in a host emerging market context. The chapter developed four propositions composing the building block of a theoretical framework explaining the divergent institutional strategic responses of EMNEs' subsidiaries and the resultant competitive outcomes.

The logic of this framework suggests that there will be a marked difference in the way EMNEs' subsidiaries respond to the institutional arrangements of a host emerging market context. This difference can be explained by the nature of the non-market advantages their parent companies develop as they deal with the institutions shaping the behaviour of actors in their home market industries. Given their experience interacting with the institutional arrangements in their respective industries in their home country, ATF built non-market advantages rooted in proactive institutional capabilities, while GALO built non-market advantages rooted in reactive institutional capabilities.

These respective home market advantages and capabilities facilitated the institutional response of their respective subsidiaries in the host market as they dealt with institutions guiding relations with customers, suppliers, government officials, and other stakeholders. The framework suggests that as they deploy proactive strategic responses in the host market, the subsidiaries will rely on a high degree of social embeddedness mechanisms, while subsidiaries pursuing reactive responses will rely on a high degree of corporate embeddedness mechanisms. Finally, findings indicate that proactive responses enable an advantage in the host emerging market context, while reactive responses enable the survival of the affiliate. The following tables and figure summarise these main findings.

Table 15

Comparative Summary ATF versus GALO

Parent Company Experience in the Home Market Context		
Dimensions	**ATF**	**GALO**
Institutional constraints	Some regulative but mainly normative and cognitive	Some regulative but mainly normative and cognitive
Strategic response	Proactive	Reactive
Organisational enabling conditions	- Institutional influence capabilities - Resource and process reconfiguration capabilities - Institutional technical competence	- Institutional management capabilities - Institutional learning capabilities - Adaptive capabilities
Mechanisms	- Influence - Social embeddedness	- Adaptive - Business embeddedness
Outcomes	Created institutions leading to an environment more conducive to the practice of leasing, secured an advantage by setting the rules of the game, accessed resources in the three institutional domains	Accessed resources in the three institutional domains

Table 16

Comparative Summary ATFsub versus GALOsub

Subsidiary Experience in the Host Market Context		
Dimensions	**ATFsub**	**GALOsub**
Institutional constraints	Regulative normative and cognitive.	Regulative normative and cognitive.
Strategic response	Proactive.	Reactive.
Organisational enabling conditions	- Institutional influence capabilities. - Resource and process reconfiguration capabilities. - Institutional technical competence.	- Institutional management capabilities. - Institutional learning capabilities. - Adaptive capabilities.
Mechanisms	- Influence. - Social embeddedness. - Corporate embeddedness.	- Adaptive. - Business embeddedness. - Corporate embeddedness.
Outcomes	Created institutions leading to an environment more conducive to the practice of leasing, secured an advantage by setting the rules of the game, accessed resources in the three institutional domains.	Institutional survival, accessed resources in the three institutional domains in the host market and where not possible through the home market.

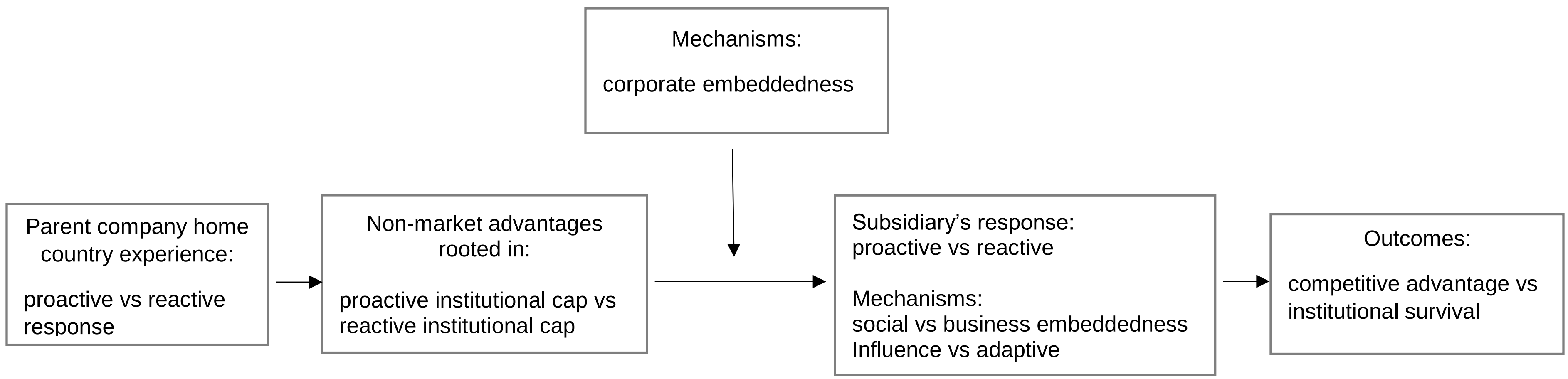

Figure 4. EMNEs’ subsidiaries agentive behaviour towards institutions

Chapter Seven: Discussion of the Findings

The purpose of this study was to understand the difference in the capacity of EMNEs' subsidiaries to operate in weak institutional environments. Chapter 6 proposed a theoretical framework explaining the divergent strategic response of EMNEs' affiliates in a host emerging market context and the subsequent competitive outcomes. This chapter discusses the research findings and interprets their meaning as per the current state of knowledge. The discussion is structured around the propositions representing the building blocks of the framework developed in the previous chapter.

Home Market Experience and Non-Market Advantages

In this study, I argue that the capacity of emerging market multinationals' subsidiaries to deal with weak institutional environments will differ depending on the nature of the non-market advantages of their parent companies, rooted in proactive or reactive institutional capabilities, and developed as they deal with the institutional arrangements of their home market industry. These findings introduce some nuances to current understanding linking EMNEs' home country non-market advantages to the capacity of their affiliates to deal with a host emerging market context.

International business scholars have advanced that home country institutions influence the market and non-market advantages of the multinational enterprise (Cantwell, 2014; Cuervo-Cazurra & Genc, 2008; Dunning & Lundan, 2008a; Jackson & Deeg, 2008; Wan 2005; Wan & Hoskisson, 2003). Earlier research has also argued that the non-market advantages that emerging market multinationals develop in their home market support their capacity to operate in other countries with weak institutions (Contractor, 2013; Cuervo-Cazurra, 2006; Cuervo-Cazurra & Genc, 2008; Cuervo-Cazurra & Genc, 2011; Guillén & García-Canal, 2009; Kothari et al., 2013; Ramamurti, 2012a). This study's findings show clearly that there will be differences in the nature of the non-market advantages parent companies develop in their home market and therefore in the capacity of their subsidiaries to deal with institutions in the host emerging market context.

In order to understand the subsidiary's capacity to deal with the institutional arrangements of a host market, this study sought to understand the capacity and experience of the parent company in dealing with home market industry arrangements. The enquiry shifted the analysis from a traditional focus stressing the pressuring effects of institutions on the multinational to an agency perspective seeking to capture the interactions between the firm and its context. Traditionally, international business has conceptualised institutions as country level variables that pressure the multinational towards stasis (Jackson & Deeg, 2008). Limited work has gone into understanding the agentive behaviour and the response of the multinational towards its institutional environment (Kostova et al. 2008; Regnér & Edman, 2014). In this study, I suggest that the multinational's non-market advantages need to be explored in relation to its agentive behaviour. A broader view of agency relative to institutions was adopted in order to capture the range of strategic responses that could be deployed in resource-constrained environments. As such, this research probed actions beyond institutional change, the traditional focus of studies drawing on organisational institutionalism.

The study assessed the constraining effects of home country institutions and followed the parent company's strategic response. Findings indicate that emerging market multinationals originating from the same country may face different types of institutional constraints nevertheless, necessitating different strategic responses. Firms have to deal primarily with the institutional arrangements structuring their industries. As they seek to access resources in the product and service, labour, or capital markets and interact with customers, suppliers, labour, government agencies, and other stakeholders, companies may face regulative, normative, and cognitive constraints that may limit their actions. Within the same country, institutions guiding the actions of actors in one industry may exercise different constraints from those guiding actors in another industry. As emerging market multinationals deploy their strategic response, they gain experience and develop the capacity to deal with the institutions they face.

Therefore, this research provides a better appreciation of how non-market advantages arise in the home market in relation to the experience and the ability of the parent company to respond to institutional constraints faced when interacting with industry institutional arrangements. Findings indicate that parent companies may pursue proactive responses seeking to shape their industry context or deploy passive agency or reactive responses seeking adaptation and institutional fit. Parent companies following proactive strategies will develop advantages rooted in proactive institutional capabilities combining institutional influence, resource and process reconfiguration, and institutional technical competences. In contrast, parent companies pursuing a reactive response will develop non-market advantages rooted in reactive institutional capabilities combining institutional management, institutional learning, and institutional adaptive competences. So, this study demonstrates the linkages between the nature of agentive actions and the nature of the non-market advantages developed in the home market. In addition, this study suggests that the nature of non-market advantages developed by the parent company will influence the strategic response of the affiliate in the host emerging market context. As demonstrated in the case chapters, the subsidiary will build on the institutional experience, resources, and capabilities endowment of its parent company.

Contrary to prior research in IB that has tended to overemphasise the adaptive agentive behaviour of the multinational (Doh et al., 2017), this study compares reactive and proactive responses and therefore provides a richer explanation of the organisational factors supporting the deployment of both strategies. As such, the findings extend the agency perspective in organisational institutionalism. Scholars drawing on this view, have focussed on how institutions influence the utilisation of resources. Limited work has gone into probing how actors strategically leverages their organisational resources and capabilities as they deal with institutions (Battilana & Leca, 2009). By highlighting the combination of capabilities deployed to pursue proactive or reactive strategic responses, this work provides deeper appreciation of the organisational factors enabling the types of agentive behaviour. In addition, this research studies agency in the context of the multinational enterprise and demonstrates how variations in the capacity of the parent company to deal with weak industry institutional arrangements in the home market, influence the subsidiary's nature of agency and value creation in a host emerging market context.

Embeddedness Mechanisms

The third proposition developed in chapter 6 sought to explain how EMNEs' subsidiaries deal with the host emerging market institutional context, or the mechanisms used to deploy a proactive or a reactive response. I suggested that subsidiaries adopting a proactive institutional strategic response will rely on a higher degree of social embeddedness mechanisms, while subsidiaries deploying a reactive institutional strategic response will rely on a higher degree of corporate embeddedness mechanisms. These findings extend prior research drawing on organisational institutionalism and the concept of embeddedness to study the behaviour of the multinational enterprise. In particular, this research speaks to recent work calling for a multidimensional perspective of embeddedness in order to better understand the actions of emerging market multinationals (Marano, Tashman, & Kostova, 2017).

Institutional theory advances that social structures constrain the actions of embedded actors within an environment (Battilana & D'Aunno, 2009). From this perspective, embeddedness was used to explain isomorphic behaviours primarily. Explaining how actors, though influenced by social structures, can pursue actions seeking to shape the institutional context necessitates that the paradox of embedded agency be addressed (Leca et al., 2008). Building on a relational view of agency (Battilana & D'Aunno, 2009), this research maintained that embedded actors are not only influenced by institutions but are also able, under certain conditions, to pursue their interest and mitigate the social constraints restricting their actions. In addition, given the that the multinational operates within multiple institutional domains in the home and host markets, this study built on a multidimensional view of embeddedness to capture the interactions between home and host country institutions and explore their influence on the behaviour of the studied subsidiaries.

Drawing on the concept of embeddedness, institutional scholars argued that actors pursuing institutional influence must be able to network, leverage the support of other stakeholders (Garud et al., 2002), and dialogue with a broad range of actors to build consensus around what they are seeking to do (Maguire et al., 2004). Furthermore, they need to find allies and appeal to embedded and legitimate organisations, such as professional associations (Greenwood et al., 2002). Already, DiMaggio and Powell (1983) spoke about the role of trade and professional associations in diffusing institutions such as norms and standards. Building on organisational institutionalism, strategic management scholarship highlighted the role of social and professional interactions in establishing trust between decision makers and the firm (Oliver, 1997). The degree of firms' embeddedness can explain the successful outcomes of responses seeking to change the rules of the game within an institutional context (Oliver & Holzinger, 2008).

The IB literature used the concept of embeddedness to point out a dilemma the subsidiary faces (Heidenreich, 2012; Kostova et al., 2008; Meyer et al., 2011). Corporate or organisational embeddedness is warranted as it supports access to internal resources such as knowledge, while social embeddedness in the external environment facilitates access to resources in the host country (Heidenreich, 2012). So, the subsidiary needs to manage a certain balance between social embeddedness and organisational or corporate embeddedness to take advantage of the host and internal MNE environments (Meyer et al., 2011). Aharoni and Brock (2010) noted that affiliates that rely on a high degree of social embeddedness will be involved with a wide range of actors in the host market, such as business associations. Buysse and Verbeke (2003) found that firms pursuing a proactive environmental strategy have broader and deeper relations with stakeholders than firms pursuing a reactive strategy. Firms pursuing proactive responses would allocate resources and dedicate time to manage relations well beyond their primary stakeholders, such as customers and suppliers, to interact also with government officials and business associations, among others.

This study found that the affiliate that pursued a proactive strategic response relied on wider and deeper social embeddedness mechanisms than the subsidiary that pursued a reactive response. When dealing with the local environment, the reactive affiliate relied mainly on business embeddedness mechanisms and had to compensate by using corporate embeddedness mechanisms to access resources through the parent company.

This study's findings extend prior research in the following ways. They show that in order to understand the behaviour of EMNEs' affiliates within weak institutional arrangements, a multidimensional view of embeddedness is warranted to explain the strategic responses deployed. Precisely, the study of affiliates' embeddedness mechanisms provides a better appreciation of the institutional linkages between home and host country environments. The findings point to how the experience of the parent company in using embeddedness mechanisms in the home emerging market context influences the affiliate's use of similar mechanisms to deal with institutions in the host market context. The data also indicate that strategies seeking to change and build institutions in emerging market settings necessitate sustained efforts and coevolution of embeddedness and influence mechanisms over a long period of time. Finally, prior research focusing on institutions in emerging markets has consistently advanced the importance of local networks to mitigate the pervasiveness of informal business practices (Marquis & Raynard, 2015). While the findings clearly indicate the importance of local networks, they also point to differences in the ways they are built and leveraged in pursuit of institutional change, compared with the ways they are used to address a specific institutional constraint where the overarching strategic intent is adaptation and institutional fit.

Competitive Outcomes in the Host Market

The final proposition discussed in chapter 6 introduced some nuances to the argument that the non-market advantages that EMNEs develop in their home market enable their subsidiaries to gain an advantage as they compete in another emerging market context. I argued that EMNEs' subsidiaries that build on their parent companies' proactive institutional capabilities to pursue strategies seeking to shape the institutional arrangements in the host market will secure a competitive advantage. Those building on their parent companies' reactive institutional capabilities to pursue strategies seeking institutional fit will not obtain an advantage.

The nature of emerging market multinationals' advantages is of particular interest to international business scholars (Cuervo-Cazurra & Genc, 2008). In this study, I propose that the way EMNEs' subsidiaries handle the host market institutional environment will differ and be influenced by the nature of their parent companies' non-market advantages rooted in proactive or reactive institutional capabilities. As such, a better appreciation of the nature of the non-market advantages developed in the home market is needed in order to measure whether the subsidiary will be able to leverage these to secure value in another emerging country context. Findings point therefore to the importance of understanding the linkages between parent company non-market advantages and subsidiary agency in the host market environment.

Prior research using the organisational institutionalism perspective has explored the link between securing an advantage and capacity to deal with an institutional environment. Scholarship suggested that the capacity to shape the institutional context supports firms' competitive advantage for two main reasons. One, firms pursuing strategies seeking to change the rules of the game may be able to ensure that the new rules enhance their long-term competitiveness (Lawrence, 1999). Two, firms that exercise institutional influence invariably attract power given their capacity to shape the underlying beliefs within an environment. These firms' institutional work should enhance their social legitimacy and facilitate their access to critical resources, especially in situations where competing firms cannot access these (DiMaggio & Powell, 1983; Lawrence 1999).

In their theoretical paper exploring firms' political strategies, Oliver and Holzinger (2008) argued that firms pursuing reactive strategies may secure a short-term advantage, while firms pursuing proactive strategies may secure a long-term advantage. Proactive strategies lead to long-term advantage because firms work on shaping the rules of the game within an environment and setting the regulations, norms, and practices that best suit their needs and interest. Similarly, scholars exploring firms' environmental strategies, found that proactive responses enable unique organisational capabilities to develop, which can support their competitiveness (Buysse & Verbeke, 2003; Sharma & Vredenburg, 1998). In their exploratory study probing business strategies in emerging markets, London and Hart (2004) noted that capabilities that go beyond adaptive skills or national responsiveness could be a source of competitive advantage. The authors suggested that strategies that seek to tap into the strength of an environment provide an advantage over those that focus on circumventing the weaknesses of that environment.

In this research, the affiliate that deployed a proactive response was able to secure an advantage. It institutionalised the rules that others followed, built the reputation of being an institutional leader, and secured access to needed resources. The findings of this study accord with those of London and Hart (2004). Reactive responses focusing on adaptation do not secure an advantage in a host emerging market context. Data suggest rather that they support the survival of the affiliate within challenging and uncertain institutional environments. However, this research is not able to provide a clear answer as to whether proactive strategies lead to long-term advantage. In actuality, the efforts of the subsidiary seeking to shape context and build institutions in the host country led in many instances to the diffusion of those institutions, benefitting all industry actors. So, assessing long-term competitive outcomes would have necessitated another research design and further data collection to appreciate the effects on competition and to better understand the strategic response of other industry competitors. Evidently this is an area that warrants further exploration and research.

Chapter Eight: Conclusion

This chapter reviews the research objectives and provides a summary of the findings. Some research limitations are discussed as well as contributions to theory and practice.

Summary of Findings

Drawing on the agency perspective in organisational institutionalism, strategic management and theories on emerging market multinationals in international business research, this study sought to better understand the institutional responses of EMNEs' subsidiaries and assess the organisational factors influencing their actions and capacity to deal with challenging industry institutional arrangements in a host emerging market context. In particular, the research was interested in unpacking the linkages between parent company home non-market advantages and subsidiary patterns of strategic responses and advantages. This study speaks therefore to the scholarly debate in international business on whether EMNEs are better equipped to operate in other emerging markets.

Two firms in different industries were selected from the same home market, both operating in the same host market. Data was collected in the home and host countries and involved respondents from the parent companies and the subsidiaries. The research sought to understand the multinationals' experience in dealing with home country industry institutional arrangements and the effects on the subsidiaries' agentive behaviour in relation to institutions in the host country. The study explored the nature of the institutional constraints the affiliates faced, whether regulative, normative or cognitive, as they tried to access resources in the product and service, labour, and capital markets. Also examined were the deployed strategic responses, the organisational factors enabling these actions, the mechanisms used, and the outcomes. A theoretical framework was derived to explain the divergent institutional strategic responses of EMNEs' subsidiaries in a host emerging market context and the resultant competitive outcomes.

The findings indicate that emerging market multinationals' subsidiaries differ in their capacity to deal with weak institutional arrangements in a host emerging market context. Their response will vary from reactive, seeking institutional fit and adaptation, to proactive, seeking institutional change. The subsidiaries' behaviour is influenced by the nature of the non-market advantages of their parent companies, which are rooted in capabilities developed in dealing with institutional arrangements in their home market industries. I propose that depending on their experience, parent companies will develop proactive institutional capabilities combining institutional influence, resource and process reconfiguration, and institutional technical competences, or reactive institutional capabilities combining institutional management, institutional learning, and institutional adaptive competences. These will influence their affiliates' capabilities endowment, leveraged to deal with host country institutions, guiding interactions with customers, suppliers, government agencies, and other stakeholders.

Building on a multidimensional view of embeddedness, I suggest that proactive responses rely on deeper and wider social embeddedness mechanisms, while reactive strategies rely far more on corporate embeddedness mechanisms. The findings indicate that subsidiaries that pursue a reactive response compensate for their lower use of social embeddedness mechanisms with a higher reliance on the parent company and on home country resources. Finally, I argue that proactive responses secure a competitive advantage in the host emerging market context while reactive responses secure the survival of the affiliate. This is because subsidiaries that pursue strategies seeking to shape the context set the rules of the game to their advantage, even if only for the short term. In addition, as they seek to build institutions and develop their industry, these affiliates increase their reputation, a resource very difficult for others to emulate.

Research Limitations

The proposed framework can be used to analyse the agentive behaviour of emerging market multinationals' subsidiaries in emerging market environments. In terms of theoretical generalisation, the analytical framework has some limitations and may need to be refined through further research since it has been derived based on the behaviour of what Ramamurti (2009b) call infant multinationals. The research setting involved firms with a first international experience, though they are on their way to becoming what the authors call adolescent MNEs.

This choice presented the advantage of controlling for other factors that may have influenced the behaviour of the affiliates. The objective was to have a direct link between the head office and the subsidiary, thus enabling a better assessment of organisational factors rooted in the home market influencing the agentive behaviour of the affiliate. As a matter of fact, IB scholars have suggested that home country influence diminishes with international expansion (Cuervo-Cazurra, 2012; Narula, 2012). The decision to select infant multinationals avoids potential effects arising from a network of subsidiaries, where other dimensions such as the mandate and network position may come to play. In addition, research design limitations did not allow clear conclusions as to whether subsidiaries that pursue a proactive response can secure a long-term competitive advantage. As discussed in chapter 7, this question warrants further research.

In terms of data collection, I followed the permissions the participating firms provided. GALO allowed interviews with competitors, suppliers, and clients, while ATF was reluctant to authorise interactions with these external stakeholders. As a result, more interviews were conducted for the GALO case than for the ATF case. This did not pose any problems, however, because the fewer interviews conducted externally for the ATF case was compensated by wider access to internal documents and the availability of company related information in the public domain.

My confidence and capacity for interviewing increased as the research advanced. Opportunities for probing information that turned out to be critical were therefore missed during early stages of the study. However, this was mitigated since respondents were generally forthcoming and answered questions through emails or during follow-up face-to-face meetings. Generally, Algerian respondents at GALOsub were more worried by the interviews than were their Tunisian colleagues. Efforts were made to ensure they felt comfortable and understood the purpose of the study. Therefore, there was a longer introductory process to establish trust and to provide reassurance that their views will remain confidential.

Research Contribution

My findings contribute to theory in two ways. First, they offer insights into the theoretical debate on emerging market multinationals' advantages. Extant literature has advanced that EMNEs will have an advantage in other emerging markets since they have developed at home the capabilities needed to operate in weak institutional contexts (Cuervo-Cazurra & Genc, 2008; Guillén & García-Canal, 2009; Ramamurti, 2012a). In this study, I argue that there is a difference in the capacity of EMNEs to deal with another emerging market environment and propose some boundary conditions, so enabling a better appreciation of those EMNEs that are better equipped than others to operate in weak institutional arrangements. I suggest that EMNEs that were able to build at home non-market advantages rooted in proactive institutional capabilities will be better equipped than those that have developed non-market advantages rooted in reactive institutional capabilities. The extant literature has mainly linked non-market advantages to capacities to operate in a host market context. This research introduces a differentiation between capacities enabling operation and those enabling shaping and argues that shaping provides an advantage.

Second, my findings contribute to agency in relation to institutions from the perspective of organisational institutionalism and in the context of the multinational enterprise. In order to better understand the range of institutional strategic responses that could be deployed in resource-constrained environments, I suggest that a broad view of agency needs to be adopted. In addition, when exploring agentive behaviours, organisational institutionalism has focussed primarily on how institutions influence the utilisation of resources. In this study, I probe how actors can strategically leverage their organisational resources and capabilities to deal with institutions and I propose the combination of capacities that can be deployed for a proactive versus a reactive response. Therefore, this work provides a better appreciation of the organisational factors influencing the patterns of agentive behaviour in relation to institutions. I also study agency in the context of the multinational enterprise and demonstrates how variations in the capacity of the parent company to deal with weak industry institutional arrangements at home, influence the subsidiary's behaviour and value creation in a host emerging market context.

The research links non-market advantages and capabilities rooted in the home market to patterns of strategic responses and agentive behaviour of the subsidiary in the host market. The study shows that proactive and reactive responses are rooted in different types of capabilities. The emerging IB literature on agency has looked predominantly at reactive responses seeking institutional fit and adaptation (Doh et al., 2017). This work takes a step further by comparing and contrasting the agentive behaviour of two firms, one pursuing a reactive response and the other a proactive response, which provides a much deeper understanding of the factors explaining one behaviour vis-à-vis the other. Also, this dissertation illustrates how multinationals generate new institutions within a context and how this relates to the interaction between home and host market institutions. By studying the actions of a company whose subsidiary sought to build institutions in a host emerging market context, this research stresses the types of mechanisms used and the organisational factors enabling this behaviour.

When it comes to the mechanisms the affiliates used to deploy their respective strategic response, my findings point to the importance of linking the nature of embeddedness to the nature of agency in relation to institutions. The adoption of a multidimensional view of embeddedness offers better understanding on how the experience of the parent company at home influences the experience and the behaviour of the affiliate in the host market. The study points clearly that proactive responses necessitate different embeddedness than reactive responses. Just like other studies on emerging market multinationals, the findings demonstrate the importance of social networks to mitigate the institutional constraints faced in resource constrained environments. However, I argue for a better understanding of their nature, the way they are built and leveraged given the agentive intent and the strategic response. There is a clear difference between the social networks harnessed in pursuit of institutional change and those developed in pursuit of institutional fit. In addition, in order to operate in challenging institutional contexts, this study suggests that emerging market multinationals could mitigate their lack of social embeddedness in the host market through a higher reliance on corporate embeddedness mechanisms.

This research offers several contributions to practice. Increasingly, competition among multinationals will happen in emerging country contexts (Ramamurti, 2009b). Understanding the types of institutional constraints in these markets, mostly normative and cognitive as this enquiry suggests, rather than regulative, should help managers better recognise the type of responses needed to address them. Furthermore, this study offers managers who intend to operate in challenging institutional arrangements an assessment of the resources and capabilities as well as the mechanisms that could be used to pursue strategies that seek either to shape or adapt within the environment. As emerging market multinationals are increasingly influencing global competition (Kothari et al., 2013), practitioners can find in this research an analysis of their strategic choices and an explanation on how their agentive behaviour is linked to the nature of their non-market advantages. Finally, since studies on emerging market multinationals have explored Asia and Latin America primarily (Cuervo-Cazurra, 2011), managers interested in the MENA region can find in this work an examination of the institutional challenges that could be faced and an exploration of the ways firms from this region were able to address them.

References

African Development Bank (AfDB) Group. (2012). Tunisia: Economic and social challenges beyond the revolution*.* Retrieved from https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/Tunisia Economic and Social Challenges.pdf

African Development Bank (AfDB) Group., & Development Centre of the Organisation for Economic Co-operation and Development (OECD). (2003). African economic outlook. Retrieved from https://www.oecd-ilibrary.org/development/african-economic-outlook-2003_aeo-2003-en

Aharoni, Y., & Brock, D.M. (2010). International business research: Looking back and looking forward. *Journal of International Management, 16*(1), 5-15.

Ahlstrom, D., & Bruton, G.D. (2006). Venture capital in emerging economies: Networks and institutional change. *Entrepreneurship Theory and Practice, 30*(2), 299-320.

Andersen, P., & Kragh, H. (2011). Beyond the inductive myth: New approaches to the role of existing theory in case research. In R. Piekkari & C. Welch (Eds.), *Rethinking the case study in international business and management research* (pp. 146-167). Cheltenham: Edward Elgar Publishing Limited.

Andersen, P.H., & Kragh, H. (2010). Sense and sensibility: Two approaches for using existing theory in theory-building qualitative research. *Industrial Marketing Management, 39*(1), 49-55.

Andreff, W. (2002). The new multinational corporations from transition countries. *Economic Systems, 26*(4), 371-379.

Battilana, J. (2004). Foundations for a theory of institutional entrepreneurship: Solving the paradox of embedded agency. Retrieved from https://flora.insead.edu/fichiersti_wp/inseadwp2004/2004-61.pdf

Battilana, J., & D'Aunno, T. (2009). Institutional work and the paradox of embedded agency. In T.B. Lawrence, R. Suddaby, & B. Leca (Eds.), *Institutional work: Actors and agency in institutional studies of organizations* (pp. 31-58). Cambridge: Cambridge University Press.

Battilana, J., & Leca, B. (2009). The role of resources in institutional entrepreneurship: Insights for an approach to strategic management that combines agency and institution. In L.A. Costanzo & R.B. MacKay (Eds.), *Handbook of research on strategy and foresight* (pp. 260-274). Cheltenham: Edward Elgar Publishing Limited.

Battilana, J., Leca, B., & Boxenbaum, E. (2009). How actors change institutions: Towards a theory of institutional entrepreneurship. *The Academy of Management Annals, 3*(1), 65-107.

Becker-Ritterspach, F., Lange, K., Becker-Ritterspach, J. (2017). Divergent patterns in institutional entrepreneurship of MNCs in emerging economies. *Critical Perspectives on International Business, 13*(3), 186-203.

Beckert, J. (2003). Economic sociology and embeddedness: How shall we conceptualize economic action? *Journal of Economic Issues, 37*(3), 769-787.

Beckert, J. (2010). How do fields change? the interrelations of institutions, networks, and cognition in the dynamics of markets. *Organization Studies, 31*(5), 605-627.

Birkinshaw, J., Brannen, M.Y., & Tung, R.L. (2011). From a distance and generalizable to up close and grounded: Reclaiming a place for qualitative methods in international business research. *Journal of International Business Studies, 42*(5), 573-581.

Bonaglia, F., Goldstein, A., & Mathews, J.A. (2007). Accelerated internationalization by emerging markets' multinationals: The case of the white goods sector. *Journal of World Business, 42*(4), 369-383.

Buckley, P.J., Clegg, L.J., Cross, A.R., Liu, X., Voss, H., & Zheng, P. (2007). The determinants of Chinese outward foreign direct investment. *Journal of International Business Studies, 38*(4), 499-518.

Buckley, P.J., Forsans, N., & Munjal, S. (2012). Host–home country linkages and host–home country specific advantages as determinants of foreign acquisitions by Indian firms. *International Business Review, 21*(5), 878-890.

Buckley, P.J., & Ghauri, P.N. (2004). Globalisation, economic geography and the strategy of multinational enterprises. *Journal of International Business Studies, 35*(2), 81-98.

Buysse, K., & Verbeke, A. (2003). Proactive environmental strategies: A stakeholder management perspective. *Strategic Management Journal, 24*(5), 453-470.

Campbell, J.L. (2004). *Institutional change and globalization.* Princeton, NJ: Princeton University Press.

Cantwell, J. (2014). Revisiting international business theory: A capabilities-based theory of the MNE. *Journal of International Business Studies, 45*(1), 1-7.

Cantwell, J., Dunning, J.H., & Lundan, S.M. (2010). An evolutionary approach to understanding international business activity: The co-evolution of MNEs and the institutional environment. *Journal of International Business Studies, 41*(4), 567-586.

Carney, M. (2008). The many futures of Asian business groups. *Asia Pacific Journal of Management, 25*(4), 595-613.

Carney, M., Gedajlovic, E.R., Heugens, P.P., Van Essen, M., & Van Oosterhout, J.H. (2011). Business group affiliation, performance, context, and strategy: A meta-analysis. *Academy of Management Journal, 54*(3), 437-460.

Carney, M., Gedajlovic, E., & Yang, X. (2009). Varieties of Asian capitalism: Toward an institutional theory of Asian enterprise. *Asia Pacific Journal of Management, 26*(3), 361-380.

Chacar, A.S., Newburry, W., & Vissa, B. (2010). Bringing institutions into performance persistence research: Exploring the impact of product, financial, and labor market institutions. *Journal of International Business Studies, 41*(7), 1119-1140.

Chidlow, A., Plakoyiannaki, E., & Welch, C. (2014). Translation in cross-language international business research: Beyond equivalence. *Journal of International Business Studies, 45*(5), 562-582.

Coeurderoy, R., & Murray, G. (2008). Regulatory environments and the location decision: Evidence from the early foreign market entries of new-technology-based firms. *Journal of International Business Studies, 39*(4), 670-687.

Contractor, F.J. (2013). "Punching above their weight": The sources of competitive advantage for emerging market multinationals. *International Journal of Emerging Markets, 8*(4), 304-328.

Creswell, J. W. (2013). *Research design: Qualitative, quantitative, and mixed methods approaches.* Thousand Oaks, CA: Sage Publications Inc.

Cuervo-Cazurra, A. (2011). Selecting the country in which to start internationalization: The non-sequential internationalization model. *Journal of World Business, 46*(4), 426-437.

Cuervo-Cazurra, A., Andersson, U., Brannen, M.Y., Nielsen, B.B., & Reuber, A.R. (2016). From the editors: Can I trust your findings? ruling out alternative explanations in international business. *Journal of International Business Studies, 47*(8), 881-897.

Cuervo-Cazurra, A. (2006). Who cares about corruption? *Journal of International Business Studies, 37*(6), 807-822.

Cuervo-Cazurra, A. (2012). Extending theory by analyzing developing country multinational companies: Solving the goldilocks debate. *Global Strategy Journal, 2*(3), 153-167.

Cuervo-Cazurra, A., & Genc, M. (2008). Transforming disadvantages into advantages: Developing-country MNEs in the least developed countries. *Journal of International Business Studies, 39*(6), 957-979.

Cuervo-Cazurra, A., & Genc, M.E. (2011). Obligating, pressuring, and supporting dimensions of the environment and the non-market advantages of developing-country multinational companies. *Journal of Management Studies, 48*(2), 441-455.

Cuervo-Cazurra, A., Maloney, M.M., & Manrakhan, S. (2007). Causes of the difficulties in internationalization. *Journal of International Business Studies, 38*(5), 709-725.

Dacin, M.T., Goodstein, J., & Scott, W.R. (2002). Institutional theory and institutional change: Introduction to the special research forum. *Academy of Management Journal, 45*(1), 45-56.

Davis, L.E., & North. D.C. (1971). *Institutional change and American economic growth.* London: Cambridge University Press.

Deeg, R., & Jackson, G. (2007). Towards a more dynamic theory of capitalist variety. *Socio-Economic Review, 5*(1), 149-179.

Del Sol, P., & Kogan, J. (2007). Regional competitive advantage based on pioneering economic reforms: The case of Chilean FDI. *Journal of International Business Studies, 38*(6), 901-927.

Delios, A., & Henisz, W.J. (2003). Policy uncertainty and the sequence of entry by Japanese firms, 1980–1998. *Journal of International Business Studies, 34*(3), 227-241.

Delmestri, G. (2006). Streams of inconsistent institutional influences: Middle managers as carriers of multiple identities. *Human Relations, 59*(11), 1515-1541.

DiMaggio, P.J. (1988). Interest and agency in institutional theory. *Institutional Patterns and Organizations Culture and Environment, 1*, 3-22.

DiMaggio, P.J., & Powell, W.W. (1983). The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields. *American Sociological Review, 48*(2), 147-160.

Doh, J.P., Lawton, T.C., & Rajwani, T. (2012). Advancing nonmarket strategy research: Institutional perspectives in a changing world. *The Academy of Management Perspectives, 26*(3), 22-39.

Doh, J., Rodrigues, S., Saka-Helmhout, A., & Makhija, M. (2017). International business responses to institutional voids. *Journal of International Business Studies, 48*(3), 293-307.

Dorado, S. (2005). Institutional entrepreneurship, partaking, and convening. *Organization Studies, 26*(3), 385-414.

Dunning, J.H. (1988). The eclectic paradigm of international production: A restatement and some possible extensions. *Journal of International Business Studies, 19*(1), 1-31.

Dunning, J.H. (2000). The eclectic paradigm as an envelope for economic and business theories of MNE activity. *International Business Review, 9*(2), 163-190.

Dunning, J.H., & Lundan, S.M. (2008a). Institutions and the OLI paradigm of the multinational enterprise. *Asia Pacific Journal of Management, 25*(4), 573-593.

Dunning, J.H., & Lundan, S.M. (2008b). *Multinational enterprises and the global economy.* Cheltenham: Edward Elgar Publishing Limited.

Eden, L., & Miller, S.R. (2004). Distance matters: Liability of foreignness, institutional distance and ownership strategy. In M.A. Hitt & J.L.C. Cheng (Eds.), *Theories of the multinational enterprise: Diversity, complexity and relevance* (pp. 187-221). Bingley: Emerald Group Publishing Limited.

Eisenhardt, K.M. (1989). Building theories from case study research. *Academy of Management Review, 14*(4), 532-550.

Elango, B., & Pattnaik, C. (2007). Building capabilities for international operations through networks: A study of Indian firms. *Journal of International Business Studies, 38*(4), 541-555.

Feinberg, S.E., & Gupta, A.K. (2009). MNC subsidiaries and country risk: Internalization as a safeguard against weak external institutions. *Academy of Management Journal, 52*(2), 381-399.

Fletcher, M., & Plakoyiannaki, E. (2011). Case selection in international business: Key issues and common misconceptions. In R. Piekkari & C. Welch (Eds.), *Rethinking the case study in international business and management research* (pp. 171-191). Cheltenham: Edward Elgar Publishing Limited.

Friese, S. (2014). *Qualitative data analysis with ATLAS.ti.* London: Sage Publications Ltd.

Gaffney, N., Kedia, B., & Clampit, J. (2013). A resource dependence perspective of EMNE FDI strategy. *International Business Review, 22*(6), 1092-1100.

Gammeltoft, P., Barnard, H., & Madhok, A. (2010). Emerging multinationals, emerging theory: Macro-and micro-level perspectives. *Journal of International Management, 16*(2), 95-101.

Gammeltoft, P., Filatotchev, I., & Hobdari, B. (2012). Emerging multinational companies and strategic fit: A contingency framework and future research agenda. *European Management Journal, 30*(3), 175-188.

Garud, R., Hardy, C., & Maguire, S. (2007). Institutional entrepreneurship as embedded agency: An introduction to the special issue. *Organization Studies, 28*(7), 957-969.

Garud, R., Jain, S., & Kumaraswamy, A. (2002). Institutional entrepreneurship in the sponsorship of common technological standards: The case of sun microsystems and java. *Academy of Management Journal, 45*(1), 196-214.

Gaur, A., & Kumar, V. (2010). Internationalization of emerging market firms: A case for theoretical extension. In T. Devinney, T. Pedersen, & L. Tihanyi (Eds.), *The past, present and future of international business & management* (pp. 603-627). Bingley: Emerald Group Publishing Limited.

Gelbuda, M., Meyer, K.E., & Delios, A. (2008). International business and institutional development in Central and Eastern Europe. *Journal of International Management, 14*(1), 1-11.

Geppert, M., Williams, K., & Matten, D. (2003). The social construction of contextual rationalities in MNCs: An Anglo-German comparison of subsidiary choice. *Journal of Management Studies, 40*(3), 617-641.

Govindarajan, V., & Ramamurti, R. (2011). Reverse innovation, emerging markets, and global strategy. *Global Strategy Journal, 1*(3-4), 191-205.

Goyer, M. (2006). Varieties of institutional investors and national models of capitalism: The transformation of corporate governance in France and Germany. *Politics & Society, 34*(3), 399-430.

Greenwood, R., & Suddaby, R. (2006). Institutional entrepreneurship in mature fields: The big five accounting firms. *Academy of Management Journal, 49*(1), 27-48.

Greenwood, R., Suddaby, R., & Hinings, C.R. (2002). Theorizing change: The role of professional associations in the transformation of institutionalized fields. *Academy of Management Journal, 45*(1), 58-80.

Guillén, M.F., & García-Canal, E. (2009). The American model of the multinational firm and the "new" multinationals from emerging economies. *The Academy of Management Perspectives, 23*(2), 23-35.

Hall, P.A., & Gingerich, D.W. (2009). Varieties of capitalism and institutional complementarities in the political economy: An empirical analysis. *British Journal of Political Science, 39*(03), 449-482.

Hall, P. A., & Soskice, D.W. (2001). *Varieties of capitalism: The institutional foundations of comparative advantage.* Oxford: Oxford University Press.

Hall, P.A., & Thelen, K. (2009). Institutional change in varieties of capitalism. *Socio-Economic Review, 7*(1), 7-34.

Hardy, C., & Maguire, S. (2008). Institutional entrepreneurship. In R. Greenwood, C. Oliver, R. Suddaby, & K. Sahlin-Andersson (Eds.), *The Sage handbook of organizational institutionalism* (pp. 198-217). London: Sage Publications Ltd.

Hashai, N., & Ramamurti, R. (2011). Introduction: Research on FDI and MNEs in a changing world. In R. Ramamurti & N. Hashai (Eds.), *The future of foreign direct investment and the multinational enterprise* (pp. 1-19). Bingley: Emerald Group Publishing Limited.

Heidenreich, M. (2012). The social embeddedness of multinational companies: A literature review. *Socio-Economic Review, 10*(3), 549-579.

Henisz, W.J. (2000). The institutional environment for multinational investment. *Journal of Law, Economics, and Organization, 16*(2), 334-364.

Henisz, W.J., & Zelner, B.A. (2004). Explicating political hazards and safeguards: A transaction cost politics approach. *Industrial and Corporate Change, 13*(6), 901-915.

Henisz, W., & Swaminathan, A. (2008). Institutions and international business. *Journal of International Business Studies, 39*(4), 537-539.

Heugens, P.P., & Lander, M.W. (2009). Structure! agency! (and other quarrels): A meta-analysis of institutional theories of organization. *Academy of Management Journal, 52*(1), 61-85.

Holburn, G.L., & Zelner, B.A. (2010). Political capabilities, policy risk, and international investment strategy: Evidence from the global electric power generation industry. *Strategic Management Journal, 31*(12), 1290-1315.

Hoskisson, R.E., Eden, L., Lau, C.M., & Wright, M. (2000). Strategy in emerging economies. *Academy of Management Journal, 43*(3), 249-267.

Hotho, J.J., & Pedersen, T. (2012). Beyond the 'rules of the game': Three institutional approaches and how they matter for international business. In G. Wood & M. Demirbag (Eds.), *Handbook of institutional approaches to international business* (pp. 236-273). Cheltenham: Edward Elgar Publishing Limited.

Jackson, G. (2010). Actors and institutions. In G. Morgan, J. Campbell, C. Crouch, O. Pedersen, R.H. Christensen, & R. Whitley (Eds.), *Oxford handbook of comparative institutional analysis, (pp.* 63-86). Oxford: Oxford University Press.

Jackson, G., & Deeg, R. (2006). How many varieties of capitalism? comparing the comparative institutional analyses of capitalist diversity (MPIfG Discussion Paper No. 06/2). Retrieved from SSRN: https://ssrn.com/abstract=896384

Jackson, G., & Deeg, R. (2008). Comparing capitalisms: Understanding institutional diversity and its implications for international business. *Journal of International Business Studies, 39*(4), 540-561.

Johanson, J., & Vahlne, J.E. (1977). The internationalization process of the firm: A model of knowledge development and increasing foreign market commitments. *Journal of International Business Studies, 8*(1), 23-32.

Jormanainen, I., & Koveshnikov, P.C.A. (2012). International activities of emerging market firms. *Management International Review, 52*(5), 691-725.

Khanna, T., & Palepu, K. (2000). The future of business groups in emerging markets: Long-run evidence from Chile. *Academy of Management Journal, 43*(3), 268-285.

Kostova, T. (1999). Transnational transfer of strategic organizational practices: A contextual perspective. *Academy of Management Review, 24*(2), 308-324.

Kostova, T., & Roth, K. (2002). Adoption of an organizational practice by subsidiaries of multinational corporations: Institutional and relational effects. *Academy of Management Journal, 45*(1), 215-233.

Kostova, T., Roth, K., & Dacin, M.T. (2008). Institutional theory in the study of multinational corporations: A critique and new directions. *Academy of Management Review, 33*(4), 994-1006.

Kostova, T., Roth, K., & Dacin, M.T. (2009). Theorizing on MNCs: A promise for institutional theory. *Academy of Management Review, 34*(1), 171-173.

Kostova, T., & Zaheer, S. (1999). Organizational legitimacy under conditions of complexity: The case of the multinational enterprise. *Academy of Management Review, 24*(1), 64-81.

Kothari, T., Kotabe, M., & Murphy, P. (2013). Rules of the game for emerging market multinational companies from China and India. *Journal of International Management, 19*(3), 276-299.

Lall, S. (1983). *The new multinationals: The spread of third world enterprises.* New York, NY: John Wiley & Sons Inc.

Lawrence, T.B. (1999). Institutional strategy. *Journal of Management, 25*(2), 161-187.

Lawrence, T.B., Hardy, C., & Phillips, N. (2002). Institutional effects of interorganizational collaboration: The emergence of proto-institutions. *Academy of Management Journal, 45*(1), 281-290.

Lawrence, T.B., & Suddaby, R. (2006). Institutions and institutional work. In S. Clegg, C. Hardy, T.B. Lawrence, & W.R. Nord (Eds.), *The sage handbook of organization studies* (pp. 214-254). London: Sage Publications Ltd.

Lawrence, T.B., Suddaby, R., & Leca, B. (2009). Introduction: Theorizing and studying institutional work. In T.B. Lawrence, R. Suddaby, & B. Leca (Eds.), *Institutional work: Actors and agency in institutional studies of organizations* (pp. 1-28). Cambridge: Cambridge University Press.

Lawrence, T., Suddaby, R., & Leca, B. (2011). Institutional work: Refocusing institutional studies of organization. *Journal of Management Inquiry, 20*(1), 52-58.

Leca, B., Battilana, J., & Boxenbaum, E. (2008). Agency and institutions: A review of institutional entrepreneurship (Working paper 08-096). Retrieved from https://bit.ly/2HUBbUn

Leca, B., & Naccache, P. (2006). A critical realist approach to institutional entrepreneurship. *Organization, 13*(5), 627-651.

Levy, D., & Scully, M. (2007). The institutional entrepreneur as modern prince: The strategic face of power in contested fields. *Organization Studies, 28*(7), 971-991.

London, T., & Hart, S. L. (2004). Reinventing strategies for emerging markets: Beyond the transnational model. *Journal of International Business Studies, 35*(5), 350-370.

Lundan, S. M. (2010). What are ownership advantages? *Multinational Business Review, 18*(2), 51-70.

Luo, Y. (2002). Capability exploitation and building in a foreign market: Implications for multinational enterprises. *Organization Science, 13*(1), 48-63.

Luo, Y., & Tung, R. L. (2007). International expansion of emerging market enterprises: A springboard perspective. *Journal of International Business Studies, 38*(4), 481-498.

Madhok, A., & Keyhani, M. (2012). Acquisitions as entrepreneurship: Asymmetries, opportunities, and the internationalization of multinationals from emerging economies. *Global Strategy Journal, 2*(1), 26-40.

Madhok, A., & Osegowitsch, T. (2000). The international biotechnology industry: A dynamic capabilities perspective. *Journal of International Business Studies, 31*(2), 325-335.

Maguire, S., Hardy, C., & Lawrence, T. B. (2004). Institutional entrepreneurship in emerging fields: HIV/AIDS treatment advocacy in Canada. *Academy of Management Journal, 47*(5), 657-679.

Mahoney, J., & Thelen, K. (2010). A theory of gradual institutional change. In J. Mahoney & K. Thelen (Eds.), *Explaining institutional change: Ambiguity, Agency, and power* (pp. 1-37). New York, NY. Cambridge University Press.

Mair, J., & Marti, I. (2009). Entrepreneurship in and around institutional voids: A case study from Bangladesh. *Journal of Business Venturing, 24*(5), 419-435.

Marano, V., Tashman, P., & Kostova, T. (2017). Escaping the iron cage: Liabilities of origin and CSR reporting of emerging market multinational enterprises. *Journal of International Business Studies, 48*(3), 386-408.

Marquis, C., & Raynard, M. (2015). Institutional strategies in emerging markets. *Academy of Management Annals, 9*(1), 291-335.

Marschan-Piekkari, R., & Reis, C. (2004). Language and Languages in cross-cultural interviewing. In R. Marschan-Piekkari & C. Welch (Eds.), *Handbook of qualitative research methods for international business* (pp. 224-243). Cheltenham: Edward Elgar Publishing Limited.

Marschan-Piekkari, R., & Welch, C. (2004). Qualitative research methods in international business: The State of the art. In R. Marschan-Piekkari & C. Welch (Eds.), *Handbook of qualitative research methods for international business* (pp. 5-24). Cheltenham: Edward Elgar Publishing Limited.

Martinez, C.A., & Williams, C. (2012). An extended view of institutional domains and implications for the multinational enterprise. In L. Tihanyi, T.M. Devinney, & T. Pedersen (Eds.), *Institutional theory in international business and management* (pp. 43-63). Bingley: Emerald Group Publishing Limited.

Mathews, J.A. (2002). Competitive advantages of the latecomer firm: A resource-based account of industrial catch-up strategies. *Asia Pacific Journal of Management, 19*(4), 467-488.

Mathews, J.A. (2006). Dragon multinationals: New players in 21st century globalization. *Asia Pacific Journal of Management, 23*(1), 5-27.

Mellahi, K., Demirbag, M., & Riddle, L. (2011). Multinationals in the middle east: Challenges and opportunities. *Journal of World Business, 46*(4), 406-410.

Meyer, K.E., Estrin, S., Bhaumik, S.K., & Peng, M.W. (2009). Institutions, resources, and entry strategies in emerging economies. *Strategic Management Journal, 30*(1), 61-80.

Meyer, K.E., Mudambi, R., & Narula, R. (2011). Multinational enterprises and local contexts: The opportunities and challenges of multiple embeddedness. *Journal of Management Studies, 48*(2), 235-252.

Meyer, R.E. (2006). Review essay visiting relatives: Current developments in the new sociology of knowledge. *Organization, 13*(5), 725-738.

Michailova, S., & Ang, S.H. (2008). Institutional explanations of cross-border alliance modes: The case of emerging economies firms. *Management International Review, 48*(5), 551-576.

Miles, M.B., & Huberman, A.M. (1994). *Qualitative data analysis: An expanded sourcebook.* Thousand Oaks, CA: Sage Publications Inc.

Morais, R. (2011). Critical realism and case studies in international business research. In R. Piekkari & C. Welch (Eds.), *Rethinking the case study in international business and management research* (pp. 63-85). Cheltenham: Edward Elgar Publishing Limited.

Morgan, G. (2009). Globalization, multinationals and institutional diversity. *Economy and Society, 38*(4), 580-605.

Morgan, G., & Kristensen, P.H. (2006). The contested space of multinationals: Varieties of institutionalism, varieties of capitalism. *Human Relations, 59*(11), 1467-1490.

Narula, R. (2006). Globalization, new ecologies, new zoologies, and the purported death of the eclectic paradigm. *Asia Pacific Journal of Management, 23*(2), 143-151.

Narula, R. (2010). Keeping the eclectic paradigm simple. *Multinational Business Review, 18*(2), 35-50.

Narula, R. (2012). Do we need different frameworks to explain infant MNEs from developing countries? *Global Strategy Journal, 2*(3), 188-204.

North, D.C. (1990). *Institutions, institutional change and economic performance.* Cambridge: Cambridge University Press.

Oliver, C. (1991). Strategic responses to institutional processes. *Academy of Management Review, 16*(1), 145-179.

Oliver, C. (1997). Sustainable competitive advantage: Combining institutional and resource-based views. *Strategic Management Journal, 18*(9), 697-713.

Oliver, C., & Holzinger, I. (2008). The effectiveness of strategic political management: A dynamic capabilities framework. *Academy of Management Review, 33*(2), 496-520.

Orr, R.J., & Scott, W.R. (2008). Institutional exceptions on global projects: A process model. *Journal of International Business Studies, 39*(4), 562-588.

Pacheco, D.F., York, J.G., Dean, T.J., & Sarasvathy, S.D. (2010). The coevolution of institutional entrepreneurship: A tale of two theories. *Journal of Management, 36*(4), 974-1010.

Peng, M.W. (2003). Institutional transitions and strategic choices. *Academy of Management Review, 28*(2), 275-296.

Peng, M.W., Wang, D.Y.L., & Jiang, Y. (2008). An institution-based view of international business strategy: A focus on emerging economies. *Journal of International Business Studies, 39*(5), 920-936.

Peng, M.W. (2002). Towards an institution-based view of business strategy. *Asia Pacific Journal of Management, 19*(2-3), 251-267.

Peng, M.W., Lee, S., & Wang, D.Y. (2005). What determines the scope of the firm over time? A focus on institutional relatedness. *Academy of Management Review, 30*(3), 622-633.

Peng, M.W., & Luo, Y. (2000). Managerial ties and firm performance in a transition economy: The nature of a micro-macro link. *Academy of Management Journal, 43*(3), 486-501.

Peng, M.W., Sun, S.L., Pinkham, B., & Chen, H. (2009). The institution-based view as a third leg for a strategy tripod. *The Academy of Management Perspectives, 23*(3), 63-81.

Pfeffer, J., & Salancik, G.R. (2003). *The external control of organizations: A resource dependence perspective.* Stanford, CA: Stanford University Press.

Phillips, N., Lawrence, T.B., & Hardy, C. (2004). Discourse and institutions. *Academy of Management Review, 29*(4), 635-652.

Phillips, N., & Tracey, P. (2009). Dialogue: Institutional theory and the MNC. *Academy of Management Review, 34*(1), 169-171.

Phillips, N., Tracey, P., & Karra, N. (2009). Rethinking institutional distance: Strengthening the tie between new institutional theory and international management. *Strategic Organization, 7*(3), 339-348.

Ponterotto, J.G. (2005). Qualitative research in counseling psychology: A primer on research paradigms and philosophy of science. *Journal of Counseling Psychology, 52*(2), 126.

Puffer, S.M., & McCarthy, D.J. (2011). Two decades of Russian business and management research: An institutional theory perspective. *The Academy of Management Perspectives, 25*(2), 21-36.

Puffer, S.M., McCarthy, D.J., & Boisot, M. (2010). Entrepreneurship in Russia and China: The impact of formal institutional voids. *Entrepreneurship Theory and Practice, 34*(3), 441-467.

Ramachandran, J., & Pant, A. (2010). The liabilities of origin: An emerging economy perspective on the costs of doing business abroad. In T. Devinney, T. Pedersen, & L. Tihanyi (Eds.), *The past, present and future of international business & management* (pp. 231-265). Bingley: Emerald Group Publishing Limited.

Ramamurti, R. (2009a). Why study emerging-market multinationals? In R. Ramamurti & J.V. Singh (Eds.), *Emerging multinationals in emerging markets* (pp. 3-22). Cambridge: Cambridge University Press

Ramamurti, R. (2009b). What have we learned about emerging-market MNEs? In R. Ramamurti & J.V. Singh (Eds.), *Emerging multinationals in emerging markets* (pp. 399-426). Cambridge: Cambridge University Press

Ramamurti, R. (2012a). Competing with emerging market multinationals. *Business Horizons, 55*(3), 241-249.

Ramamurti, R. (2012b). What is really different about emerging market multinationals? *Global Strategy Journal, 2*(1), 41-47.

Regnér, P., & Edman, J. (2014). MNE institutional advantage: How subunits shape, transpose and evade host country institutions. *Journal of International Business Studies, 45*(3), 275-302.

Rijkers, B., Freund, C., & Nucifora, A. (2017). All in the family: State capture in Tunisia. *Journal of Development Economics, 124*, 41-59.

Rugman, A.M. (2009). Theoretical aspects of MNEs from emerging economies. In R. Ramamurti & J.V. Singh (Eds.), *Emerging multinationals in emerging markets* (pp. 42-63). Cambridge: Cambridge University Press

Saka-Helmhout, A., Deeg, R., & Greenwood, R. (2016). The MNE as a challenge to institutional theory: Key concepts, recent developments and empirical evidence. *Journal of Management Studies, 53*(1), 1-11.

Saka-Helmhout, A., & Geppert, M. (2011). Different forms of agency and institutional influences within multinational enterprises. *Management International Review, 51*(5), 567-592.

Saldana, J. (2013). *The coding manual for qualitative researchers*. London: Sage Publications Ltd.

Saunders, M., Lewis, P., & Thornhill, A. (2011). *Research methods for business students.* Harlow: Pearson Education Limited.

Schneiberg, M. (2005). Combining new institutionalisms: Explaining institutional change in American property insurance. Paper presented at the *Sociological Forum, 20*(1) 93-137.

Scott, W.R. (1995). Organizations and institutions: *Foundations for organizational science.* Thousand Oaks, CA: Sage Publications Inc.

Seo, M., & Creed, W.D. (2002). Institutional contradictions, praxis, and institutional change: A dialectical perspective. *Academy of Management Review, 27*(2), 222-247.

Sharma, S., & Vredenburg, H. (1998). Proactive corporate environmental strategy and the development of competitively valuable organizational capabilities. *Strategic Management Journal, 19*(8), 729-753.

Stoian, C. (2013). Extending Dunning's investment development path: The role of home country institutional determinants in explaining outward foreign direct investment. *International Business Review, 22*(3), 615-637.

Tan, D., & Meyer, K.E. (2010). Business groups' outward FDI: A managerial resources perspective. *Journal of International Management, 16*(2), 154-164.

Teece, D.J. (2014). A dynamic capabilities-based entrepreneurial theory of the multinational enterprise. *Journal of International Business Studies, 45*(1), 8-37.

Terjesen, S., & Hessels, J. (2009). Varieties of export-oriented entrepreneurship in Asia. *Asia Pacific Journal of Management, 26*(3), 537-561.

Tihanyi, L., Devinney, T.M., & Pedersen, T. (2012). Introduction to part II: Institutional theory in international business and management. In L. Tihanyi, T.M. Devinney, & T. Pedersen (Eds.), *Institutional theory in international business and management* (pp. 33-42). Bingley: Emerald Group Publishing Limited.

Tracey, P., & Phillips, N. (2011). Entrepreneurship in emerging markets. *Management International Review, 51*(1), 23-39.

Vernon, R. (1966). International investment and international trade in the product cycle. *The Quarterly Journal of Economics, 80*(2), 190-207.

Wan, W.P. (2005). Country resource environments, firm capabilities, and corporate diversification strategies*. *Journal of Management Studies, 42*(1), 161-182.

Wan, W.P., & Hoskisson, R.E. (2003). Home country environments, corporate diversification strategies, and firm performance. *Academy of Management Journal, 46*(1), 27-45.

Wells, L.T. (1983). *Third world multinationals: The rise of foreign investments from developing countries*. Cambridge, MA: The MIT Press.

Whitley, R. (1999). *Divergent capitalisms: The social structuring and change of business systems.* Oxford: Oxford University Press.

Wright, M., Filatotchev, I., Hoskisson, R.E., & Peng, M.W. (2005). Strategy research in emerging economies: Challenging the conventional wisdom. *Journal of Management Studies, 42*(1), 1-33.

Yin, R.K. (2014). *Case study research: Design and methods.* Thousand Oaks, CA: Sage Publications Inc.

Appendices

Appendix A

Semi-Structured Interview Sample

The following questions guided the discussion during the interviews at the firm level. The researcher would start by introducing the study's objectives, ask the first question, then probe to confirm that the respondent was comfortable with the topics to be discussed. Some interviews probed behaviour in one or two institutional domains (product and service market, labour market or capital market), others addressed all of them. The questions were adapted depending on whether the interviewee was from the head office or the subsidiary. The overall themes remained the same however and sought to understand the institutional constraints, the actions taken to address these constraints, the factors explaining these actions, the mechanisms used, and the outcomes. This sample does not include probing questions.

1) Can you explain the responsibilities of your department? What do you do exactly?

2) How long have you been with the company?

3) You operate in an Algerian/Tunisian context. What are the challenges or difficulties that you face as you seek to deploy your operations? (Please give an example.)

4) How did you address these difficulties? What did you do?

5) What happened?

6) You operate in a (Tunisian/Algerian) context. Can you speak about your relations with customers? What challenges do you face? Are there any practices for example that constrain your operations? (Please give an example.).

7) How did you address these challenges? What did you do?

8) What happened, what were the results?

9) Did you introduce any products or services that were not available in this market? If yes, what challenges did you face? (Please give an example.)

10) How did you address these challenges? What did you do?

11) What happened?

12) You operate in a (Tunisian/Algerian) context. Can you speak about your relations with suppliers? What challenges do you face? Are there any practices for example that constrain your operations? (Please give an example.)

13) How did you address these difficulties? What did you do?

14) What happened?

15) You operate in a (Tunisian/Algerian) context. Can you speak about your relations with the administration? What challenges do you face? Are there any laws, practices that constraint your operations? (Please give an example.)

16) How did you address these difficulties? What did you do?

17) What happened?

18) You operate in a (Tunisian/Algerian) context. When it comes to human resources, what type of challenges do you face to hire workers locally? (Please give an example.)

19) How did you address these difficulties? What did you do?

20) What happened?

21) You operate in a (Tunisian/Algerian) context. What type of challenges do you face when dealing with banks or other financial institutions? (Please give an example.)

22) How did you address these difficulties? What did you do?

23) What happened?

24) In your opinion, how did your experience in Tunisia influenced the way you operate in Algeria? (Please give an example.)

25) Were there any changes in the external environment that disturbed you? (Laws, procedures, practices. Please give an example.)

26) What type of information exchange exists between the head office and the subsidiary? How exactly does this exchange work?

27) Are there any differences between the working methods here and those at the parent company? Did you need to make any changes given the context?

28) When you look at the competition in your market, how would you describe your company?

29) In your opinion, what factors contributed to your position in this market and enabled you to operate here so far?

30) Is there any other information, or issues we did not address, that may help my research?

31) I don’t have other questions. Do you have any for me?

Appendix B

First Order Categories and Representative Quotes

Table B1

ATF: Example of a Proactive Response

Categories	Representative quotes
Strategic response	
Proactive (creating customs procedure for imports)	"The new customs procedure was established in 2007, you understand? Since then, we work with it. It was us uh… It was ATF who changed it and uh…. everybody recognizes that, all companies recognize that. I mean this is something that we did" (P7: 142:142).
Institutional constraints	
Regulative	NA.
Normative	"When it comes to imports, before, we used to give a commitment letter to the client, well in the name of the client's bank, so that he is able to open a letter of credit under his name directly. So, in this case the client is the owner of the equipment really, since he is the one who opened the letter of credit. Then when the equipment arrives at the port, he does what we call a transfer of ownership at the dock so that the document is issued by customs under the name of ATF. It is as if he transferred the ownership to us uh… I mean, when the equipment arrives at the port of Tunis, he gets it out in the name of ATF so that we become owners. Actually, this procedure is not that proper. It happened once, the customs bureau chief, I forgot his name, he stopped the

Categories	Representative quotes
	procedure saying that it was not compliant with the law" (P7: 116:116).
Cognitive	"We were in 2007 at that time. We told him we have been working like this since 1996. What is not compliant with the law? No, it cannot happen etc….and it is not rational, and the invoice needs to be in the name of ATF, and the dock transfer we don't do it in the case of leasing companies, we do it in other cases uh… I don't know, things of state, or something else… You understand me? He stopped imports" (P7: 117:117).
Organisational enabling conditions	
EC capabilities: institutional influence	"This is a project we were leading, I mean the event of customs procedures change was uh… it is true, it was I mean a strong change uh…because it is not something easy to do that with customs, simply put, to go to customs and to change their laws, believe me!" (P7: 134:134).
EC capabilities: resource and process reconfiguration	NA.
EC capabilities: institutional technical competence	"After all this, we sent them a letter and we gave them our proposal" (P7: 122:122).
Mechanisms	
Mechanism influence: negotiating	"Good, at that time, actually I sent an email, I researched online as I wanted to understand the business of customs and the business of banks, what works and all, and I even looked at France and how imports are done and how the operation is done. I sent an email to general management, to "H" and "M" and I informed them that today we have a problem in imports, they stopped them and they no longer want the transfer at the dock uh… What is the solution? I went to see customs, their general management uh…general customs directorate (GCD) or I don't know what, in any case, I forgot, the third floor at Mont Plaisir, not at Mont Plaisir uh….at Azdrubal, at Lafayette (K: okay, okay). I

Categories	Representative quotes
	went there and I started. I wanted to meet them to talk to them. When you go there to customs, no one knows you there. What do you want? Wait, I will come to see you… no, now I cannot, come to see me tomorrow etc. It started like this, and I insisted. Come to see me tomorrow? Okay I come back tomorrow. Sorry come back to see me tomorrow, I come back tomorrow. Till the gentleman was ashamed. Okay come in… and I very nicely, if you want me to come back tomorrow, I come back tomorrow. Wait, okay I wait. Now you can't? No problem, I will come back, I showed a lot of patience. Come, come back, and then god showed him the right way… Come, come see me, what is the problem? "(P7: 117:117).
Mechanism influence: educating	"I started to explain the problem to him and I started talking to him. He said okay send a written. We did a letter and general management with me, because we don't have any choice. We sent a letter to explain how we need to work. In any case I insisted. I insisted a lot. Actually, the customs officer at the end, he started, I mean he started to react, to react. He understood that there was a problem uh… come on… you are going to stop companies and all! He understood that there was a problem" (P7: 118:118).
Mechanism influence: providing a solution	"We had a meeting with their senior management, we went there on a Saturday uh… by the way the leasing companies, there was someone who was supposed to come and he did not. In any case, we were on time, we met with the general manager of customs, Colonel "HBM". She was professional and impressive. We met with other people and we talked to them. In any case, we gave them our proposal. We spoke in details, how the import operation should take place, black on white. We wrote a letter in French of course and all. I remember colonel "BH" told us, I wonder had you not spoken it would have been impossible for customs to change anything. I mean it was a good thing that we spoke, we reacted, you understand me?" (P7: 126:126).

Categories	Representative quotes
Mechanism embeddedness: social embeddedness - mobilising socially embedded actors	“I contacted the forwarders so that they help me. I contacted bankers who are in imports. I contacted customs, really, I did not leave anyone out. I mean I went around, from each person I take some information and of course uh… I thank them, everyone gave advice…. This, I advise you to write it this way, this, I advise you to write it this way… I mean step-by-step the idea developed. Every person gave a recommendation so that the idea was complete. Once complete, we gave them a project really, uh…a project, which went through smoothly…” (P7: 134:134).
Outcomes	
Institutional: created institutions	“The letter we gave them, we gave it to them in French. We indicated how the process should happen, in details. I can give you the text even now uh…they just changed it in Arabic that’s all. They changed it to Arabic… K: the same text? R: it’s a copy. They just changed it in Arabic. We agreed and they sent out a note to customs, which is being used since 2007 till today. They are using it, nothing has changed… We went through the procedure, we improved it. Believe me at that time, it was an event! I mean it changed like that! The suppliers who were bringing cars, like Toyota and all, they were doing transfers at the dock and things changed. I mean, everybody called us, the leasing companies called us, how will we work? How will we work? How are we going to do this? uh…how are we going to do this thing? We were, I mean, pioneers really uh…” (P7: 126:130).

Table B2

ATFsub: Example of a Proactive Response

Categories	Representative quotes
Strategic response	
Proactive (creating the practice of bond refinancing for financial organisations)	"ATFsub has been in negotiation with the Algerian authorities for the issuing of a bond loan. It was issued in […], 7 years!!! We are not talking about opening up equity… We are not taking about the stock market uh… We are talking about a bond loan. 7 years of discussion with the Algerian stock market authority, with the central bank, with the ministries" (P9: 216:216).
Institutional constraints	
Regulative	"The Bank of Algeria, the central bank, and the association of banks and financial institutions were always interested in banks in Algeria. Leasing was always the poor child in terms of regulations and regulatory environment" (P9: 44:44). "There was the regulatory context as no bank has gone to the market for a bond loan. So as soon as we started speaking, we needed to first explain to people what we wanted to do with it, what was a bond loan uh…" (P10: 123:123).
Normative	"The COSOB came back on the issue of warranty and here we hit a deadlock for the simple reason that the COSOB said, okay we understand now that you want to solicit the market, but we need a warranty. We told them, yes but listen we are a financial institution, no you need a bank warranty or other and so we worked with [Asub] and [A] in the past. So, [Asub] was ready to guarantee us along with [B]. So, imagine, months and months of work, of work, of work, to fine tune the file and all. Once it was ready, we went and said here you go, we have the warranty of [Asub], it's [A]. Ah! they said, it's good, excellent, okay, what are the terms of this warranty? We said here you go, this warranty is linked to a transfer of commissions which is very normal and so the COSOB said I don't

Categories	Representative quotes
	have any problems, but the central bank lifted its hand and said no you don't have the right to transfer commissions. The Algerian law forbids it. In Algeria, [..], you don't have the right to have an international warranty and pay commissions on that. [Asub] said well, I am not mother Theresa. If I guarantee, I would like commissions, and so the warranty went in water. [B] said if [Asub] is not with you, I withdraw, and so we started the whole process from zero. Till in […] we were able to convince, and this is a first, two public Algerian banks, [C] and [D], each guaranteed 50% of the bond loan. Then the COSOB said okay, but we need a third warranty, what? the drafts, the commercial drafts singed by your customers, and we said why not? We will give you the drafts. So, [E], our banker uh… they said that these drafts needed to be with someone, a banker as a security agent. So, we gave them to [E]" (P10: 131:132).
Cognitive	"there are financial products that are not developed. As I told you bond loans are not well known. Now they are starting to come into the bond market" (P4: 142:142).
Organisational enabling conditions	
EC capabilities: institutional influence	"We were able to convince, and this is a first, two public Algerian banks, [C] and [D], each guaranteed 50% of the bond loan" (P10: 131:132).
EC capabilities: resource and process reconfiguration	NA.
EC capabilities: institutional technical competence	"K: Was there someone from management at ATFsub who was leading on this file? R: ah! it was the president in person K: so, it was him who was dealing uh… R: ah! yes, yes, yes, you cannot go below that. So, there was a whole team that was doing the technical work. ATF Tunisia intervened with us as well. They really supported us on the technical side, because once again they issue bond loans every

Categories	Representative quotes
	three months. So, all the matrices, the notices, the business plans uh… One has to say that that Tunis supported us a lot. But then, the rational and the convincing happened here and “R”, truth to be said, he drooled, he run around, he run around!” (P10: 150:156). “B: ah today, a structure like the “AVBank”, it is thanks to ATFsub that “AVBank” has a structure to manage commercial drafts. K: really! FB: oh yes! There was no demand in the market. So, “AVBank” did not have a department specialized in the management of drafts” (P11: 238:242).
Mechanisms	
Mechanism influence: negotiating	“Ah! There were many and many trips, meetings, correspondence, ping pong between administration, between uh… and here you go… Because they would tell you, it is not us. We are okay, but you need to see the other administration. That’s why I tell you we are a school, we are the first to have done this today” (P10: 144:144).
Mechanism influence: educating	“In all these trips we needed to explain how we will do it as a financial institution. Well explain, actually we spoke about the objective. The objective was very simple. It was to blend banking resources and market resources, reduce dependency…” (P10: 131:131). “we explained, we told them for a company like ours, even for the others, there are two sources of finance, there is the banking market, but there is also the bond market and a well-managed company, it’s 50, 50” (P9: 216:216).
Mechanism embeddedness: corporate embeddedness - controlling intelligence management style	“So, there was a whole team that was doing the technical work. ATF Tunisia intervened with us as well. They really supported us on the technical side, because once again they issue bond

Categories	Representative quotes
	loans every three months. So, all the matrices, the notices, the business plans uh… One has to say that that Tunis supported us a lot. But then, the rational and the convincing happened here” (P10: 156: 156).
Outcomes	
Institutional: diffusion	“What is very pleasing to us uh… […] after us, there was a public leasing company that issued. They just received the go ahead from the COSOB for a bond loan” (P10: 144:144).
Institutional: created institutions	“To raise money, so today, before the issue of the bond loan, we were using a medium-term loan (K: medium-term yes). The guarantee behind was the drafts (K: I understand). Here you go! So, uh…for example, it was ATFsub that initiated this in this market uh… (K: in this market). Because before, the other leasing companies, the competitor [B] mainly, automatic debits were used. It was not based on the management of uh… (K: of drafts) of drafts”. (P11: 262:262).
Financial: increased costs	“We were obliged to go around the public banks to ask for a guarantee. Thanks god, two big public banks followed through at 50%, 50%. But the problem was that they billed this guarantee, which cost us approximately three or four percent. So today, we have a bond loan we issued, costing us more than the classic bank loan. This is atypical uh… today, I can have a bank loan at 5% and 7% and I have a bond loan at 9% approximately” (P9: 220:220).

Table B3

GALO: Example of a Reactive Response

Categories	Representative quotes
Strategic response	
Reactive (managing production)	"The sales person calls the client and asks him if he has something, he tells him I don't have anything this morning. He comes back to him in the afternoon and tells him, I need 200,000 pieces urgently. To this point the disorder? He does not know forecasting uh… To this point there is a spread between I know and I don't know? It is not normal!" (P39: 138:138).
Institutional constraints	
Regulative	NA.
Normative	"The problem is upstream, because clients' forecasts don't exist. They are disorganized. They don't have a schedule to know more or less next month uh…I did not tell you to give me an order form! tell me more or less… I consume 10,000 per month, I will make my calculations vis-a-vis delivery time and vis-a-vis my constraints. I will stock up to three months' worth of labels here. When you tell me I need 10,000 now, I will give you. Another 10,000, I will give. I have 10,000 left I trigger an order of 30,000 so that I rotate my stock. When you ask I am present! But this does not happen" (P39: 144:144).
Cognitive	"He tells you for example, I will do a turnover of, between parentheses, 1 million pieces. But these 1 million pieces over 6 or 7 decors. You need uh…on your own (laugh) to think which décor he will order the most…. you understand? These problems do not arise with clients with whom we have good relations, whom we trust and we know. We have a clear delivery program with these. But the problem arises with the majority of clients, those who have small quantities to do. It's there where we find the biggest numbers of clients. But clients with big quantities, it's clear I mean… One or two clients are good and we don't have

Categories	Representative quotes
	any problems. They always have a stock that is available" (P39: 168:168).
Organisational enabling conditions	
EC capabilities: adaptive	"For example, in the past, it was one set of machines for one format. We can't do that at GALO, we have a very small market. So, we have for one machine, we have three, four, five formats, that we do, but we do things in a way that the change is quicker, is easier. So, we have, you know, formats, quick change let's say solutions that we have developed over time. It didn't come the first day, but [it was] developed over time, implemented uh… the idea, the way, the solution" (P35: 100:100).
EC capabilities: institutional learning	"So, we have, you know, formats, quick change let's say solutions that we have developed over time. It didn't come the first day, but [it was] developed over time, implemented uh… the idea, the way, the solution" (P35: 100:100).
EC capabilities: institutional management	"Actually, with hindsight actually, in terms of service we are very strong. That is to say we are the managers of customers' stocks virtually" (P38: 141:141).
Mechanisms	
Mechanism adaptation: continuous improvement	"Now the system is mixed, BRC-ISO. One into the other because there are many points where they meet. I mean when I say BRC is focused on hygiene, ISO focuses on another point uh… continuous improvement, everything that is continuous improvement, this is in ISO, everything that is development is ISO. ISO focuses on development a lot, BRC focuses on hygiene" (P29: 200:200).
Mechanism embeddedness: business embeddedness	"For example, actually, for example in the case of seasons, sometimes seasonal products come at the same time as the other applications. I mean summer is the season of ice cream, season of paint uh… there are several formats actually that can

Categories		Representative quotes
		be done and thus we have bottlenecks. What we do actually, sometimes in the low seasons, we try to prepare the clients' orders, which will only be delivered in summer, which are needed in summer, and in coordination with the stock manager, we deliver during the low season" (P38: 149:149).
Outcomes		
	Institutional: managed constraints	"We have good control of our processes, this is uh… that is to say, generally speaking, we make a product of quality that is constant in time. We have a quality that is constant, which is very important for an industrial. We have a good response. We have a small structure so we are able to have a good response in terms of time, in terms of communication with our customers" (P33: 118:118).

Table B4

GALOsub Example of a Reactive Response

Categories		Representative quotes
Strategic response		
	Reactive (managing production)	"Then you find that this moulding machine, which was supposed to have 3 million, it will not work them, and the other one has reduced this and that uh… he disturbs your planning. You ask me what do you do? You need to try to recuperate the maximum, you replace, you find other things and all" (P46: 167:167).
Institutional constraints		
	Regulative	NA.
	Normative	"How does he work? He thinks it in his head and that's it, you understand? He does not have a strategy, he works like that. He has an order, he works, he has an order, he sends to GALOsub send me packaging. It's like that, it's random" (P48: 313:313).
		"So, for example, I start from the beginning according to sales orders. Let's say for example I have 5 months' worth of production in my whole line. But do I really have 5 months? When the client comes, he tells me you have 100,000 but works 20,000. It's 20%... so, from 5 months I went down to, maybe, two or three months uh… you understand me? This is really uh… how should I say? This is an inconvenience ranked number one. We have two or three clients, they are serious, the rest how should I say? uh…. They are artisans… and these problems uh… they tire you" (P48: 76:76).
	Cognitive	"The clientele, the industrial culture is not uh… is extremely lacking. I mean for example, there are certain, one or two well-structured clients we work with and all, with the others we work like firefighters! There is fire, it must be put out. They don't know, we work the IML, 100% IML. To be able to produce for a client, we need to import the labels. We bring them

Categories		Representative quotes
		from Turkey and Belgium, from Europe let's say. If transport is not by air, we will have them one month to one month and a half after the order. Then when they arrive, we need to program them on the machines. The clients don't know this, they don't want to understand this, they know it. I mean he comes to see you today, I need the merchandise in uh…15 days. One needs to explain and explain again, as if they did not know. Besides, what do they do? Everybody sleeps, and then they all come at once, they want their merchandise at the same time. Because we don't have many segments in which we work, ice cream, the fat, the margarine, we have cheese a little bit… so the seasons are the same virtually. So, this month for example, we have four or five months' worth of work. If we deliver we can invoice these. If we produce rather, we can invoice. But you explain to them uh…you need to anticipate, you need, you need, they don't listen" (P42: 196:198).
Organisational enabling conditions		
	EC capabilities: adaptive	"We did change actually the way of production that we have. I just take an example, the first uh… You asked me how is the operation doing in Algeria? I told you this year much better than the year before. You know why? The reason for that is very simple. In the beginning, the first five years, we had, we calculated we have a capacity of a 100, a production capacity of a 100, so I can market a 100, I cannot market 200 (K: yes, yes) Right? (K: yes, yes) To be very honest with my client. So, we did market a 100. But clients, they would say I take 10% of your capacity. Some of them were reliable, but most of them were not, and at the end of every year, the first five years, at the end of each year, we would find ourselves we have used only 60% of our capacity, 70% of our capacity but not 100 of our capacity. (K: I see). So, we had to adjust to that…how? Ah! in 2015, let's say we have 100 in capacity, we didn't sell 100, we sold 200. It means that if each client is fulfilling his commitment, we won't be as GALOsub

Categories	Representative quotes
	meeting our commitment (K: yes) Right? (K: yes, yes) And it's the first year we are using now our capacity fully. So, we are selling more than what we have. So, we are like an airline company, managing yields, yields management and pushing a little bit our capacity because we have enough of having non-used capacity, non, non, non-sold capacity, because we wanted to be always, you know, reliable. I think that this is not fair, what we have lived in the last five years. So, we decided to be more selfish and look to our own interest… and we have been so far able to manage out the plant in much better way, because we have a lot of pressure on production, but without letting our customers without delivery" (P34: 126:128).
EC capabilities: institutional learning	"For the other difficulties with our customers, so we know through our mistakes in the beginning what to avoid uh… you know, if you want to order you have to put some cash down, you know, to guarantee your order. So, we have 20% sometimes or 30% or even more as a guarantee so things go the right way uh… and some other clients we don't have any guarantee, because we have been working with them for so long without having major problems really. I am not saying that everything in Algeria is bad, I am saying that you have to be selective and you have to learn from your experience and yah it's learning from your mistakes basically, everything that you do in Algeria" (P34: 81:81). "So, our learning curve was very strong and we did all the mistakes of course, but we are trying to correct things ourselves, after uh… (K: with time). R: with time yes" (P34: 72:72).
EC capabilities: institutional management	"The first and in my opinion the most important, it's people uh… to have the right people who can manage the situations" (P34: 179:179). "Walahi, frankly, look. Since the problems that happen are not repetitive problems, they are not problems that come back all the

Categories	Representative quotes
	time. Every problem does not resemble the other, so we cannot put in place a strategy and say here you go, I will go about it this way to solve the problem. But, the day we have a problem, we talk about it with everybody to see each perspective. We try to find targeted solutions. If for example we send the mould for repairs, for maintenance in France and then we send to Algeria. If I don't know actually… we try to find solutions. Or if need be, we do not find a solution, we produce in Tunisia, if the price of the article covers, we produce in Tunisia and we send. So, to each problem we find an appropriate solution" (P41: 88:88).
Mechanisms	
Mechanism adaptation: anticipate	"This year we are more organized. We work better because we did anticipate with many clients. We put a lot of pressure on clients so that they provide us with forecasts from the beginning of the year and they don't wait till April or May to stock up when it is hot and the summer is coming. I mean, to be honest, we are much more comfortable this year. The bottleneck exists uh… exists but to a lesser extent." (P42: 230:230).
Mechanisms adaptation: new rules and procedures	"When it comes to clients, well, when it comes to clients, I mean, in my department I don't accept. Listen to me carefully, I don't accept a fabrication order without the agreement of the client to pick up his merchandise. Because from the beginning, I used to receive fabrication orders like this as if it was easy uh… here is a fabrication order, start producing, or by telephone like that, produce 50,000 for me, like that, you understand how? By telephone, work this, this, this, for me. In my department, to avoid a big stock of finished products, I demanded the order of fabrication plus the confirmation of pickup" (P48: 253:253).
Mechanism embeddedness: business embeddedness – close relations with clients	"We became more selective. It's not like there is a client and we don't accept him, it is not like that. But someone comes like this, he did not work with us before and you don't know him and all,

Categories	Representative quotes
	you should not embark in this and count on this. We will try to go with him step by step" (P46: 167:167). "For example, we have clients we tell them, the producers of ice cream for example, you don't want to fall out of stock? You want to be the first? You want to have availability? We have to supply you in January, February, March, when the others sleep. That way, when there is demand, they will sweat and they will fight over merchandise and you will have it, you produce ice cream and you deliver. Because for example we have contracts with […], monthly, I mean we deliver monthly, a program that we adjust as we go. It works well relatively speaking" (P42: 206:206).
Mechanism embeddedness: corporate embeddedness - command and control management style	"The people present here when they have to deal with uh… because actually we are departments, we have the purchasing department, the accounting department, the sales department and the factory. They are all attached, so the purchasing department is attached, not hierarchically uh…, functionally, attached to the purchasing director in Tunis. The accounting is attached to the accounting department in Tunis, the factory the same, the clients, no because they are different (laugh). But for purchasing we have the same suppliers of materials, the same suppliers, so the bargaining power is in Tunis. Here we impose. Here the power of the purchasing department is just given for local purchasing, local purchasing, Algerian purchasing" (P44: 496:496). "Here for example, I told them, don't work 8 hours, work 4 hours with consciousness and everything will be fine. There are people who come, mostly those who used to work with the state before; they come to mark their presence no more no less. Here I put like continuous pressure, pressure so that they do the tasks I give them. Because in order to reach our objectives, because if we let them be, immediately… For example, I was away last week, we work 40 hours regime, within these 40 hours they have a

Categories	Representative quotes
	presence one Saturday every four weeks. Nobody came on Saturday. It is always, always, you need to do the policeman here, otherwise, it is uh…it is like this, it is a general mentality" (P42: 123:123).
Outcomes	
Institutional: managed constraints to access resources	"we know that we cannot work with some clients, but it is okay, it's a decision. We can't have 100% of the market anyway, so if we work on 60%, the more organized companies, we are happy with that and this is what we do" (P35: 72:72).