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**Multinational Corporations' Interactions with Host Institutions:
Taking Stock and Moving Forward**

Forthcoming, *Management International Review*

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Multinational Corporations' Interactions with Host Institutions: Taking Stock and Moving Forward

Abstract

Over more than 30 years, research on the interactions between multinational corporations (MNCs) and their institutional host environments has produced rich but scattered insights, which this review organises and integrates. We map the current state of knowledge and build an integrative model involving motivation and host context as antecedents; interaction strategy and actors as the phenomenon; and consequences, especially at the organisational level, as outcomes. By reviewing 176 articles published in leading journals, we reveal previously hidden relationships between host-country institutional context, proactive and reactive strategies, and positive and negative outcomes for the focal organisation. We also identify three future research frontiers focused on understudied aspects of interactions between MNCs and institutions: dynamics of strategies, dynamics of impact, and microfoundational dynamics. We suggest that combining organisational institutionalism and comparative institutionalism offers a pathway to push the outlined research frontiers.

Keywords multinational corporations (MNCs), institutions, organisational institutionalism, comparative institutionalism, varieties of capitalism, review

1 Introduction

The relationship between institutions and multinational corporations (MNCs) is a main theme of international business (IB) research (Kostova et al., 2008). Prior work tends to explore how the institutional environment impacts on firm behaviour (Xu et al., 2021) or how MNCs can engage in agency vis-à-vis institutions (Saka-Helmhout, 2020). Still missing is a mapping of research on the interactions between MNCs and their host environments. This omission is important because organisational and institutional levels are interdependent (Becker-Ritterspach et al., 2019). In line with institutional research (Jackson & Deeg, 2008; Oliver, 1991), we define interaction as a process of mutual engagement between MNCs and host-country institutions, which entails an organisation's strategic response to demands of the institutional environment.

Prior findings are inconclusive on whether proactive or reactive forms of engagement with host institutions benefit a focal MNC. For example, one persisting question is whether adaptation and conformity to local institutional pressures lead to better outcomes than nonadaptation, defiance, or even efforts to change institutions to align them more closely with organisational norms and best practices (Kostova et al., 2008; Rosenzweig & Singh, 1991). Furthermore, despite tentative unearthing of the institutional and organisational factors shaping engagement with institutions by MNCs and their subsidiaries (e.g., Song, 2022), the literature lacks more systematic mapping across individual studies to reveal patterns and pathways of MNC-institution interactions.

Our study addresses this important gap by examining the following research question: *What does existing literature reveal about interactions between MNCs and host-country institutions?* We review 176 articles published in leading journals during 1991 – 2022, leveraging the ‘Antecedents-Phenomenon-Consequences’ model (Pisani & Ricart, 2016) to organise our review. Specifically, we examine what the literature says about MNCs’ *motivation* to interact with host institutions and the nature of the *host-market context* as antecedents; what *strategy* is being implemented and by which *actors* as the phenomenon; and what the *outcomes* are as consequences. This enables us to offer texture to the classical question of what types of engagement with host institutions benefit firm-level outcomes. Our review suggests that while the interaction strategy bringing MNCs the most positive outcomes depends on the host-market context, compromise with host-market institutions seems the most beneficial strategy across the majority of contexts. We further find that existing studies typically follow the tradition of organisational institutionalism (OI; Scott, 2001) or comparative institutionalism (CI; Hall & Soskice, 2001; Whitley, 1999).

Our review makes two main contributions to existing literature. First, we complement previous reviews of how institutions impact MNCs (Xu et al., 2021) or the agency vis-à-vis institutions (Saka-Helmhout, 2020). Our review cuts in between by looking at the interactions between MNCs and host institutions with a focus on organisation-level outcomes, whereas prior work generally concentrates on institution-level implications (Saka-Helmhout, 2020). Our approach unearths previously hidden interaction pathways comprising the host context, interaction strategy and outcomes. For example, we identify that nonconformity with the demands of challenging host-market environments tends to

contribute to poorer MNC outcomes, suggesting that adaptation to local requirements is more advisable. Second, we contribute to the literature by identifying blind spots in prior work and by outlining a research agenda. Specifically, we identify opportunities to more incrementally develop existing work, including paying more attention to understudied contexts and leveraging them for theorisation (Teagarden et al., 2018). We also outline a more ambitious agenda for studying the dynamics of interaction strategies, dynamics of their impact, and their microfoundational underpinnings. We argue that combining different strands of institutional theory – specifically OI and CI – offers the necessary tools to pursue this research agenda.

2 Review Methodology

Literature reviews can take various forms. Systematic reviews are considered more rigorous and transparent in terms of literature selection and analysis steps (Tenzer et al., 2017), while narrative reviews are more suitable for theory evaluation (Baumeister & Leary, 1997). This paper combines these two review methods by supplementing a systematic review with a narrative element aimed at critically evaluating and synthesising extant research, thereby leveraging the strengths and overcoming the weaknesses of these approaches.

2.1 Journal Selection

We restricted our search to leading peer-reviewed English-language journals to ensure theoretical and methodological quality and rigour, in line with recommendations in highly cited review studies in business and management (e.g., Pisani, 2009). We drew on these reviews' recommendations and the influential rankings by the *Chartered Association of Business Schools*, *Financial Times* and University of Texas-Dallas. This approach yielded 30 sources, including highly ranked journals in management and strategy (e.g., *Academy of Management Journal*), IB (e.g., *Journal of International Business Studies*), human resource management and organisational behaviour (e.g., *Human Resource Management*), marketing (e.g., *International Marketing Review*) and ethics (e.g., *Journal of Business Ethics*). We included full-length published articles, including conceptual contributions.

2.2 Review Procedure

Our review procedure is summarised in Fig. 1, which draws on a similar model in Ceipek et al. (2019).

INSERT FIG. 1 HERE

We chose 1991 – 2022 as the review timeframe because, to the best of our knowledge, the seminal 1991 article by Rosenzweig and Singh was the first to study MNC interactions with host-country institutions in a leading management journal. In combination, this timeframe and the breadth of journals included in our review ensure sufficient scope to draw sound, relevant conclusions.

In selecting articles, we followed state-of-the-art procedures on conducting literature reviews, combining a protocol-driven approach with a snowballing technique (Collien, 2021). The first of four steps was a keyword search in selected journals indexed in EBSCO Host Business Source Premier and/or Web of Science, using the advanced search function and a Boolean search algorithm. Reflecting the multidimensional nature of our focal phenomena, we adopted multiple combinations of keywords including terms referring to MNCs and institutions: *MNC*, *MNE*, *multinational*, *institutions*, *institutional distance*, *legitimacy*, *institutional entrepreneurship*, *institutional complexity*, and *adaptation*. This initial search strategy yielded 489 results.

The second step started with assessing these papers to ascertain their relevance, checking titles, abstracts and (where necessary) full texts. We removed papers that contained relevant keywords but did not address MNCs and/or institutions. Next, we used several criteria to ensure that further paper selection addressed our research aims. We included papers focused on actions of the headquarters (HQ) and units outside MNCs' country of origin, regardless of where the primary influences were located, provided those actions were explicitly undertaken in response to clearly defined host-country institutions. These steps halved our sample.

We also excluded articles dealing with host-country institutions for location choice, entry mode and/or subsidiary ownership strategy (e.g., Chan & Makino, 2007). These studies typically deal with MNCs' response to institutions at the point of entry (e.g., Xie et al., 2017), whereas our review focuses on the ensuing interaction. We retained one paper dealing with subsidiary strategies pursued shortly after entry (Klossek et al., 2012), explicitly drawing on data from MNC subsidiary sources. Finally, we excluded papers conceptualising institutions strictly in terms of national culture (e.g., Zhang et al., 2016).

In the third step, to ensure no relevant papers were overlooked, we scrutinised each journal issue with reference to our review objectives. Relying only on keywords might have led to omission of papers

referring to MNCs by their country of origin (e.g., ‘Chinese firms’) rather than ‘foreign’ or ‘multinational’ or using other terminology due to disciplinary differences. This step added under 25 papers (e.g., Fenton-O’Creevy et al., 2008).

Finally, the fourth step extended our search using snowballing. By examining reference lists and citations of papers deemed relevant and applying the same inclusion criteria described above, 10 further papers were added.

Across all steps, we continued to refine our selection by closely reading, analysing and discussing ambiguities (David & Han, 2004). Such discussions made the process less linear, as we constantly scrutinised the sample for logical consistency. Our final selection comprised 176 papers.

2.3 Analysis

Our analysis involved several stages. We first used content analysis to conduct our systematic literature review. Following Mellahi et al. (2016, p. 145), we employed Microsoft Excel to build an “inductively derived formalized codebook”, considered good practice in state-of-the-art literature reviews. We qualitatively analysed our final sample, refining definitions of key themes and identifying sub-items. In doing so, we adopted an abductive approach (Dubois & Gadde, 2002), starting with the ‘Antecedents-Phenomenon-Consequences’ model to structure the emerging findings.

We analysed 102 conceptual and empirical papers referring to outcomes of such processes for both MNCs and their institutional environment in host countries. For studies documenting multiple categories of interactions, we coded each interaction-outcome pathway described. For instance, Tempel et al. (2006) document three cases, with one interaction strategy coded per case (compromise, nonconformity and manipulation), each with different consequences for the firm and local stakeholders. In total, we identified 139 pathways.

To organise interaction strategies, we classified some as proactive towards institutions and others as reactive, broadly in line with existing literature (Oliver, 1991). Specifically, we considered change, manipulation and nonconformity as proactive, and compromise and conformity as reactive. To classify outcomes of MNC-institution interactions as positive or negative, we followed Mellahi et al. (2016) in using authors’ own interpretations of results.

3 Descriptive Findings

We begin by presenting a general assessment of the literature (see Table 1). The overall number of publications has increased over the past decade, coinciding with a shift from general management journals towards greater sub-disciplinary specialty.

INSERT TABLE 1 HERE

Table 2 overviews the theory, methods and empirics of sample publications. We find that studies employing OI dominate the research landscape, compared to studies using CI. Under one-fifth of sample papers (30) are conceptual. Among the empirical studies, far more are qualitative than quantitative (86, 58), which is surprising since IB is typically dominated by quantitative research (Piekkari & Welch, 2006). Recent years saw the emergence of mixed-methods studies (2) and, within the qualitative research, historical analyses (4), increasingly considered a powerful tool for generating new insights (Pant & Ramachandran, 2012). Across the whole sample, MNCs from developed economies draw most researcher interest, and we note the persistent focus of research on developed-economy firms operating in emerging markets (Luo et al., 2019). During 1991 – 2009, developed countries like Germany and the UK were the most common host markets studied, whereas China attracted the most interest during 2010 – 2019, concurrently with the USA drawing increasing interest as a host market. Most recently, underexplored developing market contexts such as Azerbaijan and Kyrgyzstan (Serafini & Szamosi, 2021), Democratic Republic of Congo and Zimbabwe (Luiz et al., 2021) and Palestine (Alaydi et al., 2021) have been attracting scholarly attention. There is also a growing interest in the behaviour of emerging-market multinationals (EMNCs) in other emerging economies, such as Chinese MNCs in Africa (e.g., Mazé & Chailan, 2021; Wang et al., 2022).

INSERT TABLE 2 HERE

4 Themes

To systematically analyse the articles, we adopted the ‘Antecedents-Phenomenon-Consequences’ logic (Pisani & Ricart, 2016). ‘Antecedents’ include drivers of actors’ interaction with host-market institutions. They incorporate the underlying motivation and host-market contexts in which the realisation of the motivation is embedded. ‘Phenomenon’ captures interaction strategies and the actors who perform them. The latter are entities that engage with institutions, such as foreign subsidiaries of MNCs. ‘Consequences’ are specific outcomes of the interaction. Fig. 2 summarises our thematic

analysis, which forms the model of interactions between MNCs and host-country institutions, while also showing the number of papers entailing the focal theme and its sub-items.

INSERT FIG. 2 HERE

4.1 Motivation

We identified three categories of motivation behind MNC interactions with institutions: *MNC pressure*; *local pressure*; and *exploiting context* to support corporate objectives. Interestingly, only 34 studies give approximately equal weight to local and global pressures.

4.1.1 MNC Pressure

One subcategory of MNC-driven motivation is *pressures from HQ* (e.g., Nell et al., 2015). Some papers document realisation of these expectations, such as practice transfer or enforcement (Kostova & Roth, 2002; Yang & Rivers, 2009). However, owing to the dominant assumption that MNCs must balance competing institutional demands, the exact conditions for local or corporate legitimacy are often underspecified, especially in quantitative studies; for instance, some research uncritically equates home country and MNC practices (Lawler et al., 2011).

A related motivation is pressure for *global consistency* within the MNC, driven not by HQ but the need for standardisation and efficiency (Edwards et al., 2016), or country-of-origin effects (Ferner, 1997; Pudelko & Harzing, 2007), and often explained by the perceived need to maintain corporate competitive advantage (Bianchi & Ostale, 2006), rather than meet explicit HQ expectations.

Finally, *global legitimacy* stems from a symbolic pursuit of legitimacy by HQ in the home country or globally, often as a result of pressures from global stakeholders such as non-governmental organisations and other interest groups (Marano & Kostova, 2016; Surroca et al., 2013).

4.1.2 Local Pressure

Discussions of local pressure focus primarily on the need for *local legitimacy* in host countries. Legitimacy concerns are related to the liability of foreignness (Kostova & Zaheer, 1999) or, for EMNCs, the liability of origin (Pant & Ramachandran, 2012). Where local legitimacy is important, its conditions are often dictated by a broader audience (Crilly, 2011) or specific stakeholders, including the state (Rodgers et al., 2019). A smaller group of studies emphasises *local consistency* (Brookes et al., 2017; Zheng, 2016): rather than a normative or regulatory imperative, striving for local consistency might be

explained by the extent to which the local environment supports certain practices (Faulconbridge & Muzio, 2016).

4.1.3 Exploiting Context

By reframing MNC motivation from risk avoidance to opportunity seeking, studies of MNCs' attempts to benefit from local institutions offer an important nuance to the notion of institutional differences challenging corporate objectives (Jackson & Deeg, 2008). MNCs might purposefully seek certain institutional settings to support the implementation of corporate objectives (Edwards & Kuruvilla, 2005), thus *exploiting strengths* offered by host-market institutions. Some studies portray both cross-national institutional differences and local institutions as strategic resources that subsidiary actors can exploit (Aguzzoli & Geary, 2014; Geary & Aguzzoli, 2016).

Another common thread within this theme is MNCs seeking to benefit from *exploiting weaknesses* in the host country, including institutional voids and imperfections (Carney et al., 2016; Smale, 2008). Studies frequently acknowledge opportunities for institutional arbitrage (Regnér & Edman, 2014), and show how focal MNC actors purposefully seek interactions with challenging institutional settings, such as those with weak enforcement of environmental regulations (Surroca et al., 2013) that might otherwise deter competitors (Björkman et al., 2007).

Although relatively understudied, *learning* is a common motivation for firms that traverse institutional divides to gain new experiences and institutional capabilities (Ahmadjian, 2016). Mbalyohere et al. (2017) examine ways in which MNCs from both developed and emerging markets learned how to operate in Africa through experience in the Ugandan electricity industry. The need to learn may be especially pronounced for EMNCs (Child & Marinova, 2014; Prashantham et al., 2019). Several studies also focus on Western MNCs learning to operate in developing economies and base-of-the-pyramid markets (Gruber & Schlegelmilch, 2015; Van den waeyenberg & Hens, 2012).

4.2 Host Context

Our analysis revealed four themes for the nature and role of the local institutional context: *conflict* and *complementarity* focus on whether local institutions contradict or support MNC motivation; the other two themes are *imperfections* and *uncertainty*.

4.2.1 Conflict

About two-thirds of the studies see local institutions as conflicting with or constraining corporate motivation. There is some variation in the underlying assumptions and nature of the conflict described. Many studies identify *conflicting differences*, often defined as the institutional distance between home and host countries (Hutzschenreuter et al., 2016). That such differences impede MNCs is often the starting assumption for researchers (Salomon & Wu, 2012). Here, predominantly qualitative research offers insights into how local employees and managers might act as institutional conduits, opposing the implementation of HQ-mandated foreign practices, particularly regarding employment relations (Edwards et al., 2007). Other studies consider conflict through the prism of heightened institutional constraints that limit MNCs' room for manoeuvre (Lu et al., 2019).

Conflict can also emerge from local stakeholder demands, meaning more *local constraints* that may conflict with the 'MNC logic' (Marano & Tashman, 2012; Zhang & Luo, 2013). Tashman et al. (2019) offer an interesting nuance to this stream, suggesting that EMNC HQs' ability to decouple corporate social responsibility (CSR) commitments and practices might be constrained by increased exposure to multiple institutional settings.

4.2.2 Complementarity

The view of local context as enabling MNCs to pursue their objectives – offering *strategic fit* – is often found in research focused on context exploitation. Several studies suggest that a combination of MNC pressures, such as strong impetus for global consistency (Aguzzoli & Geary, 2014; Gamble, 2010), explain why companies seek receptive settings, specifically those scoring high in *permissiveness* or *similarity*. Context complementarity can mitigate the effect of strong local pressures for legitimacy or consistency, particularly in settings with sub-national institutional diversity (Lu et al., 2019), where companies might be able to benefit from co-ethnic presence (Parente et al., 2019; Prashantham et al., 2019), where local pressures sufficiently amplify global legitimacy expectations (Child & Tsai, 2005) or stakeholder demands are compatible and, therefore, offer clear expectations to firms (Kim et al., 2018). Finally, for MNCs driven by learning and capability-development goals, institutional differences may be desirable. EMNCs, especially, pursue a “difficult markets first” strategy to gain institutional experience (Klossek et al., 2012, p. 38).

4.2.3 Uncertainty

The host environment sometimes fails to offer clarity on appropriate MNC behaviour or its outcomes. We find in the literature two broad types of institutional context uncertainty from MNCs' perspective. The first, *ambiguity*, is generally neutral, with firms facing a lack of clear institutional prescriptions; this can benefit some (Gamble, 2010; Muller & Kolk, 2015) but confuse others (Zhu et al., 2014). Ambiguity is typically viewed distinct from explicitly negative types of uncertainty, namely those entailing *risk*. For example, political change accompanied by shifts in rules and norms might challenge MNCs' legitimacy in the host country and/or impose new institutional demands, which can be managed through corporate political activity (CPA; Banerjee & Venaik, 2018; Bucheli & Salvaj, 2018). Heightened volatility (Ju et al., 2013) is generally undesirable for foreign firms, undermining their adaptation efforts.

4.2.4 Imperfections

We also identified studies in which MNCs were motivated by the presence of institutional imperfections, mainly in emerging markets. The argument here is that absent or *underdeveloped institutions*, as well as hazards and *institutional failures*, such as corruption, necessitate action. They can constrain MNCs' ability to pursue their practices (Van den waeyenberg & Hens, 2012). Corruption and poor governance undermine MNCs' global legitimacy and reputation (Muellner et al., 2017). In the absence of established conduct norms, MNCs are often pressured to self-regulate to meet legitimacy demands of their home country and the global community (Child & Tsai, 2005), though EMNCs might be less deterred by voids and imperfections (Carney et al., 2016). Some studies, however, position imperfections as indicators of a permissive institutional context supportive of foreign practices, including Western human resource management frameworks (Sayim, 2010; Vo & Stanton, 2011).

4.3 Interaction Strategy

4.3.1 Conformity

Local isomorphism is often advocated as a means for foreign firms to survive in a host environment. However, less than one-quarter of reviewed studies evidence MNCs' compliance with local pressures. Indeed, in combination with a more pronounced conflict between home and host institutions, local pressures might generate greater conformity (Peng & Lin, 2008). Studies uncovering conformity strategies suggest that MNCs cannot always deal with local institutional imperfections such as

corruption (Rodgers et al., 2019). In contexts of economic nationalism and institutional adversity, MNCs might find compliance with local regulations and norms a viable strategy (Caussat et al., 2019). In contrast, Reddy and Hamann (2018) find that when regulatory differences between home and host countries are high (vs. low), MNCs with global organisational commitment to CSR are less likely to respond to local CSR pressures.

4.3.2 Compromise

Unlike conformity, compromise involves attempting to combine local prescriptions or practices with MNCs' own, leading to adaptation. Two categories of adaptation emerged from our review: *strategic adaptation* and *adjustment* to local context (with less clear strategic intent).

Strategic adaptation involves a deliberate attempt to reconcile local institutional pressures with MNCs' practices, resulting in a form of hybridisation. Some studies more clearly highlight an MNC's strategic choice to incorporate all or some local institutional demands in a particular domain (Kim et al., 2018; Nell et al., 2015), especially under strong institutional constraints (Tsui-Auch & Chow, 2019). This leads to practice hybridisation (Delmestri & Walgenbach, 2009) and adaptation of certain elements of the home-country practice repertoire (Adams et al., 2017).

Adjustment is used to describe subsidiaries adopting strategies "in response to the need for internal and external legitimacy" (Hillman & Wan, 2005, p. 323). These strategies, such as adaptations of compensation (Lu et al., 2019) or CSR practices (Yang & Rivers, 2009), thus emerged as delicate balancing acts between local institutional conditions, the degree of MNC decentralisation (Lu et al., 2019) and home-country characteristics (Tüselmann et al., 2006).

4.3.3 Nonconformity

Among the strategies pursued, two forms of nonconformity – *divergence* from or *defiance* of local demands – emerged as the most commonly studied. Broadly, divergence refers to MNC practices deliberately differing from those of local firms, whereas defiance involves actively rejecting or circumventing local pressures.

Some studies explicitly focus on deviation (Edman, 2016; Yildiz & Fey, 2012) and cases where it was implied – for instance, in surveys indicating use of MNC-specific rather than local practices (Li et al., 2008). To illustrate, studies suggest that Western firms in emerging economies may benefit from

their foreignness, rather than struggle (Sayim, 2010; Vo & Stanton, 2011). Indeed, MNCs might diverge from some host templates because their practices are regarded as superior to local institutions (Sidani & Al Ariss, 2014).

We also observe that firms deviate from local prescriptions when struggling to manage in institutionally distant or idiosyncratic contexts (Bianchi & Ostale, 2006). Studies of Chinese firms in developed (Kaufmann & Roesch, 2012) and developing economies (Cooke, 2014) suggest that they reproduce home-country practices abroad due to lack of international experience or reliance on home-country clients and/or support.

Empirical studies of outright defiance are relatively scarce. Some authors suggest that conforming to corporate or global stakeholder expectations and deviating from local prescriptions entail defying local demands (Husted & Allen, 2006). Relatedly, Luiz and Stewart (2014) demonstrate how South African MNCs defy host corruption pressures by relying on corporate practices.

4.3.4 Manipulation

Research has increasingly demonstrated the various ways in which MNCs can manipulate institutional demands to gain local legitimacy (Kim, 2019) or signal consistency with local practices (Faulconbridge & Muzio, 2016) without adaptation. A subcategory of this strategy involves enhancing MNCs' local reputation through symbolic strategies, often aimed at signalling local isomorphism. For example, firms engage in *reputation-building* by adjusting their staffing composition to include more local managers (Ando & Paik, 2013; Muellner et al., 2017), obtaining locally respected certification (Zhang et al., 2019), or engaging in rhetorical efforts to position themselves as 'local' (Caussat et al., 2019).

MNCs also manipulate institutional demands through *non-market strategies* (Mellahi et al., 2016), including CSR, CPA, or both. Studies of CSR as a legitimation strategy underscore the importance of targeting a specific stakeholder group, such as the local community (Beddewela & Fairbrass, 2016) or the state (Zhao, 2012). Meanwhile, CPA efforts can reduce some aspects of MNCs' liability of foreignness by closing the asymmetrical information gap between these firms and political decision-makers (Kline & Brown, 2019). Several studies examine how MNCs use their social capital – local business and political networks – to further their interests (Bucheli & Salvaj, 2018). For EMNCs, co-ethnic ties in host countries can serve as a legitimating resource (Prashantham et al., 2019).

Finally, MNCs can attempt to engage in *negotiation* of legitimacy demands with local audiences (Chowdhury & Mahmood, 2012). In the context of corporate scandals, for example, Liu et al. (2019) observe that MNCs can deploy counter-framing tactics when accused of misconduct by local audiences.

4.3.5 Change

Interest continues to grow in how MNCs can purposefully change institutions. Such studies often start with the perception that change is needed to suit the focal MNC's interests, particularly amid strong pressure for global consistency or legitimacy. Change can involve institutional innovation, or transposing institutions from other countries where the MNC operates, dependent on the suitability of the imported solutions for resolving the target problem (Regnér & Edman, 2014). Mechanisms of such *purposeful change strategies* include institutional entrepreneurship (Fortwengel & Jackson, 2016) and non-market strategies (Ahmadjian, 2016). MNCs are not always the protagonists of change; they can contribute know-how and resources to other change-makers (Child & Tsai, 2005).

As regards change through *diffusion*, it is well-established that MNCs can lead by example (Kwok & Tadesse, 2006) and generate local isomorphism, at times unwittingly (Smets et al., 2012). Mellahi et al. (2016) find that Brazilian companies not only adopt and enforce in their subsidiaries 'Western' best practices in performance management but also have capacity to re-export them into host countries through diffusion.

4.4 Actors

Our analysis suggests that both local *subsidiary* and *HQ* can engage with a host-country's institutional environment, and that their interaction strategies might be aided by actors from outside the firm – *external actors* – such as local governments in host countries. Although the subsidiary unit is the dominant actor in our sample, 32 of the 129 subsidiary-centric studies regard subsidiaries engaging with the institutional environment as joined by others within or outside the firm. Crucially, there is also research into individual *MNC employees and/or managers* that actually engage with the institutional environment on behalf of their organisation.

4.4.1 HQ

Certain decisions in reaction to host-country pressures are made by HQ. For instance, Gruber and Schlegelmilch (2015) examine how an MNC's regional HQ attempted to generate local legitimacy

through CSR efforts in Africa. Through their closer links to home-country decision-makers, HQs also benefit from diplomatic networks (Child & Marinova, 2014) as a manipulation strategy resource. Yet HQs lack local embeddedness to a greater degree than local MNC units, potentially exposing HQ management to the heightened complexity of multiple institutional pressures, which can be dealt with through policy-level response, centralised reporting (Marano & Kostova, 2016), or increased subsidiary autonomy (Rabbiosi & Santangelo, 2019).

4.4.2 MNC Employees and/or Managers

Studies of individuals involved in interactions with host-country institutions add nuance to what is often described as a coherent unit-level strategy. These individuals include subsidiary managers and employees and HQ-based managers, including the CEO (Carney et al., 2016); their interests do not always align (Edwards & Kuruville, 2005). As carriers of local institutions, subsidiary employees might be more or less supportive of local management efforts to implement practices transferred from HQ, leading to micro-political tensions on the ground (Ferner et al., 2012). For example, local employees can use host institutions as resources to resist HQ-imposed practices (Friel & de Villechenon, 2018). Micro-level analysis also highlights how skills, capabilities and backgrounds of individuals working for MNCs provide resources in dealing with institutions (Elg et al., 2017).

4.4.3 External Actors

Although studies often acknowledge the importance of local actors external to MNC subsidiaries, only a small subset of articles explicitly incorporates their contribution to MNCs' interactions with institutions. Studies have elucidated the role played by local government (Child & Tsai, 2005) and stakeholders (Yahiaoui, 2015) such as the local community (Gifford & Kestler, 2008), partners (Luiz & Stewart, 2014) and other local and foreign firms (Fortwengel & Jackson, 2016). Parente et al. (2019) report that the home-country government can also directly support subsidiary efforts to build local ecosystems.

4.5 Outcomes

Just over 100 of the analysed papers considered outcomes of MNC-institution interactions, with most focusing on *organisational* outcomes. This is an important finding emerging from our review, because

much attention to date has been directed at implications for the *institutional* environment (Saka-Helmhout, 2020).

4.5.1 Organisational Outcomes

Losing or (re-)gaining *legitimacy* has remained among the most commonly considered outcomes since early contributions in the field (Kostova, 1999). Capturing legitimacy gain or loss often requires a longitudinal approach or archival analysis, but also finding appropriate metrics. One key challenge is establishing who actually grants legitimacy. Some scholars use local audiences' perceptions as evidence of legitimacy, whereas others seek more concrete measures of stakeholder approval, including government contracts (Kim, 2019), MNC performance (Zhang et al., 2019) and the survival and exit of FDI, particularly in turbulent contexts (Darendeli & Hill, 2016; Rodgers et al., 2019). Altogether, these studies suggest that local acceptance is, at the very least, desirable for MNCs. This is especially evident in the relatively underexplored theme capturing MNC success or failure at legitimacy repair (Gifford & Kestler, 2008).

Aside from legitimacy, MNCs can achieve *strategic outcomes* by interacting with host institutions, including learning to operate in an unfamiliar environment (Chowdhury & Mahmood, 2012), leading to the development of transferable institutional capabilities (Carney et al., 2016). Several studies evidence achievement of (or failure to achieve) strategic corporate objectives such as access to human capital (Lu et al., 2019), implementation of global strategies (Elg et al., 2017), launch of products and services locally (Regnér & Edman, 2014) and exploitation of competitive advantage (Gamble, 2003).

Lastly, some studies theorise or empirically show that engagement with host institutions can potentially transform organisational practices across the corporate network (Regnér & Edman, 2014). Examples of such *organisational change* outcomes include various degrees of post-acquisition integration (Mtar, 2010), intra-MNC practice institutionalisation (Acquier et al., 2018) and knowledge flow directionality (Saka-Helmhout, 2007). Interestingly, very few studies capture the consequences of HQs and/or subsidiary actions towards institutions (e.g., prioritising local, global and/or corporate demands) for inter-unit relations, such as improved relationships (Acquier et al., 2018) or greater tensions between HQs and subsidiaries (Geary & Aguzzoli, 2017). Another notable, yet underexplored,

outcome is subsidiary charter change (Geppert & Williams, 2006), which equally has consequences for MNCs' global strategy and coordination.

4.5.2 Institutional Outcomes

In terms of *national-level institutional change*, several studies evidence changes in local norms, regulations and policies (Gruber & Schlegelmilch, 2015) or improvement of the local business environment (Luiz & Stewart, 2014). More common, however, is evidence of even more localised *partner/industry/community institutional change*, including shifts in industry, community and professional practices and norms (Muzio & Faulconbridge, 2013), which might eventually diffuse more widely. Elg et al. (2017) discuss how MNC managers' efforts can lead to changes in partner practices in emerging markets, while Sayim (2010) shows how partner learning can be enabled by successful intra-MNC practice transfer. By pursuing social initiatives, MNCs can change the norms and practices of collaborators (Newenham-Kahindi & Stevens, 2018).

5 Unpacking Interactions: Linking Context and Strategy to Outcomes

To map our findings on MNC-institution interactions, we group these into four categories based on the (1) strategy type and (2) outcome (see Fig. 3).

INSERT FIG. 3 HERE

Our most notable finding is that proactive interaction strategies, such as manipulation, change and nonconformity, have often been shown to benefit MNCs and advance their local aspirations. In particular, manipulation strategies appear to most often lead to local legitimacy, whether deployed alone or in combination with other strategies (Geary & Aguzzoli, 2016). Nonconformity, for instance, can have positive effects by allowing firms to transfer home-country advantages abroad (Fortwengel, 2017) or provide local units with intra-MNC legitimacy (Hah & Freeman, 2014). However, combining nonconformity with manipulation, including attempts at legitimating foreign practices, might increase the likelihood of acceptance by local stakeholders (Cooke, 2014). Manipulation might be a useful pathway towards local legitimacy for EMNCs suffering the liability of origin, particularly under resource constraints and poor home-country image (Klossek et al., 2012).

Several studies also capture the negative consequences for MNCs driven by corporate demands that reject local institutional prescriptions, including loss of first-mover advantage as these practices diffuse

locally (Edman, 2016) and reputational damage (Zeng & Glaister, 2016). These problems can culminate in an MNC having to exit the host country (Bianchi & Ostale, 2006).

Manipulation also carries risks, especially in unstable contexts. Darendeli and Hill (2016) studied Turkish firms' experiences in Libya, revealing that the value of political connections and CSR can change as political regimes shift: firms that developed close relationships with the fallen regime suffered a legitimacy loss, whereas those that built connections to local bureaucrats and engaged in CSR managed to persevere.

Evidence suggests that reactive strategies might suit the needs of MNCs attempting to learn from local contexts (Acquier et al., 2018). By selectively combining global templates with locally mandated practices, companies using strategic adaptation might be able to achieve survival (Tsui-Auch & Chow, 2019), stronger financial performance (Ju et al., 2013; Peng & Lin, 2008) and competitive advantage over local companies (Gamble, 2003). A small group of papers largely confirms the perils of institutional duality: conforming with local pressures that contradict corporate expectations could lead to HQ-subsidary tensions (Tempel et al., 2006), with local units unable to pursue global practices and strategies (Saka-Helmhout & Geppert, 2011). These outcomes, potentially detrimental for MNCs' long-term operations, remain underexplored.

Our analysis suggests further differences in strategy outcomes across institutional contexts (Table 3). The literature mostly investigates MNCs' interactions with conflicting, complementary and imperfect host institutions, and typically identifies proactive strategies leading to both negative and positive outcomes. One interesting emerging pattern is the sustained focus on positive outcomes – an observation we build on below when discussing promising research frontiers.

INSERT TABLE 3 HERE

We finally combine institutional contexts in host markets, types of strategic interactions with institutions and the outcomes to highlight the most common pathways along the 'Antecedents-Phenomenon-Consequences' logic chain. Fig. 4 shows the key pathways we identified in the literature presented from most common to least common, allowing cautious inference of managerial implications. It shows that host-market contexts conflicting with the realisation of corporate motivation are most commonly managed by compromise, leading to positive organisational outcomes. In such contexts,

however, organisations that do not conform to host-market institutions most commonly see negative organisational outcomes. This implies the need to avoid nonconformity as a strategy to handling conflictual institutional contexts in host markets.

Furthermore, when host-market institutions exhibit complementarity, nonconformity is most common, leading to either positive or negative organisational outcomes. Even when host-market institutional contexts seem amendable, lack of adaptation may backfire, making manipulation – or discrete nonconformity – a more prudent strategy.

Similarly, in uncertain host-market environments, nonconformity is associated with negative organisational outcomes, while manipulation is more beneficial. In contexts of institutional imperfections, such as host markets with high corruption, nonconformity is not a sure strategy but compromise entailing strategic adaptation is commonly used, with ensuing positive organisational outcomes.

Overall, existing research suggests that nonconformity should be used with caution across all host-market contexts, while compromise and manipulation are most often associated with positive organisational outcomes. Conformity and change are the least common strategies appearing in academic research, as well as institutional outcomes.

INSERT FIG. 4 HERE

6 Discussion

Our review of over three decades of research on interactions between MNCs and their host environments has comprehensively mapped the current state of knowledge in terms of motivations, host-market context, interaction strategy and actors and outcomes, with a special focus on organisation-level outcomes. By identifying hitherto hidden relationships between host contexts, interaction strategies and outcomes, our review makes a meaningful contribution to the literature, because it offers much-needed nuance to a main theme at the intersection of IB and wider management research: the relationship between institutional environments and firms. Specifically, we offer insights into the conditions under which proactive/reactive strategies are (1) likely to be pursued and (2) tend to have positive outcomes. We show that proactive strategies, such as nonconformity and manipulation, often lead to positive outcomes across most host contexts but also frequently lead to negative outcomes.

When going beyond proactive and reactive strategies to examine common pathways involving specific engagement strategies, our review reveals that a reactive strategy of compromise is most commonly associated with positive outcomes in challenging host contexts, such as those characterised by conflict and imperfections, whereas proactive nonconformity may have negative implications for MNCs. These findings complement prior work, which has produced inconclusive evidence regarding the important question whether proactive or reactive engagement with host institutions will benefit a focal MNC.

Importantly, our review also reveals the existence of several key blind spots in our knowledge. By counting themes across the sampled papers, illustrated in our integrative model, we identify the underexplored. For example, regarding motivation for interacting with host-market institutions, studies have largely overlooked pressure for global legitimacy, need for local consistency and exploiting weaknesses in the host-institutional context. More focus is also needed on interaction strategies of negotiating organisational legitimacy with local stakeholders and diffusing organisational practices into the host-market's institutional fields. In terms of the outcomes of engaging with host-market institutions, little is known about organisational change and national-level institutional change compared to other outcomes such as organisational legitimacy and achieving strategic outcomes. Here, we see particular promise in linking the possibility of institutional change to different kinds of local context conditions, including those countries and regions that remain understudied, which offers unique opportunities to advance theoretical understanding of the role of context in IB (Teagarden et al., 2018). Encouragingly, the number of published studies exploring quite novel research contexts has very recently risen (e.g., Alaydi et al., 2021). Finally, our review reveals that we still know little about negative outcomes. While this may partly be explained by survivorship bias, we encourage scholars to more actively seek 'failure cases', because studying the conditions under which failure is more or less likely holds considerable theoretical and practical promise.

In addition to these blind spots in the literature, we identify three more general research frontiers that appear promising. From a theoretical standpoint, we argue that carefully integrating organisational and comparative institutionalism can help to fill these knowledge gaps. Both approaches are well-established in IB, although differing in how they conceive of institutions and how they influence MNCs. While OI generally emphasises legitimacy as a main motivation, CI frames institutions as a means to

endow MNCs with capabilities that may confer comparative institutional advantage (Harzing & Sorge, 2003). As such, while OI tends to view institutions more as constraints, CI treats them as both enablers of and constraints on strategic action within and by MNCs (Saka-Helmhout & Geppert, 2011). Overall, we join the growing voices calling for better integration of different strands of institutional theory and their complex effects presenting obstacles and resources (Caussat, 2021).

6.1 Research Frontier 1: Dynamics of Strategies

We advocate developing a more dynamic and balanced view of interaction strategies. While MNCs often pursue multiple strategies concurrently or sequentially, we need to better understand how interaction strategies evolve. Organisation-level processes such as learning could enable a switch from conforming towards manipulating. Yet, failure to challenge and proactively change existing host institutions might lead a non-compliant MNC to become a conformist or laggard (Edman, 2016).

Further, we advocate more focus on how the same MNC can pursue multiple forms of interactions with institutions across countries – and within the same country on different issues (Tsui-Auch & Chow, 2019) – balancing conformity and nonconformity across functional areas to preserve their competitive advantage. Here, we see potential in comparative work, leveraging different host-country contexts for deeper theorisation (Hotho & Saka-Helmhout, 2017). For example, Milosevic et al. (2023) look at the understudied countries of Serbia and Canada and show how institutional logics can be conflicting or complementary in the sustainability domain. Qualitative comparative analysis may offer a useful innovative methodological tool for uncovering such patterns in a medium-size sample.

Lastly, we still need to understand when and why MNCs undertake reactive strategies, more clearly distinguishing between isomorphism and strategic adaptation and compliance. Here, we see the limits of employing pure OI or CI lenses. For example, OI's emphasis on compliance and conformity might miss the possibly intense negotiations and effort involved in their achievement, as evidenced by the CI lens. This suggests that a careful dialogue between these two dominant strands of institutional theory holds considerable promise.

6.2 Research Frontier 2: Dynamics of Impact

Our integrative model suggests a recursive, ongoing relationship between interaction strategies and organisational and institutional outcomes, but also highlights the need to incorporate the nature of

interaction strategy implementation into this process. We suggest that while strategies and varied approaches to their implementation may change institutional and intra-MNC contexts, including internal power dynamics, both types of consequences will likely alter corporate motivation, leading to new and/or altered strategy. There are several research directions associated with these potential feedback loops.

First, researchers need to understand how MNCs might unwittingly proliferate institutional complexity by attempting to navigate it through adaptation, hybridisation and localised change, which lead to greater institutional pluralism, likely necessitating further organisational change. Therefore, more research is also required into how MNCs may engage in global corporate restructuring through institutional shifts affecting their value chains – for instance, if regulated activities are no longer feasible in a given location.

Second, our analysis reveals ongoing fragmentation of empirical insights into MNCs' organisational evolution through integration of multiple institutional influences, outside an HQ-centric perspective (Landau et al., 2016). Further research is needed into how institutional knowledge and capabilities spread and become institutionalised within MNCs, and how MNCs might gain institutional resources outside their countries of origin.

Lastly, rejecting or circumventing corporate expectations likely involves rejecting corporate demands and practices. As our review suggests, this approach potentially sacrifices internal legitimacy with consequences for internal power relations between HQs and subsidiaries, or even actors within individual subsidiaries (Geppert & Dörrenbächer, 2014). These group dynamics and their consequences for strategy implementation require greater attention. Combining OI (focused on the taken-for-grantedness of corporate policies and practices) with CI (concerned with micro-political dynamics and processes) holds promise for addressing these important questions. Advancing knowledge in this realm will require multi-level data collection, combining firm-level and institutional-level data over time.

6.3 Research Frontier 3: Microfoundational Dynamics

A third research frontier pertains to the still limited knowledge of the microfoundational underpinning of interactions between MNCs and their host environments, echoing broader calls in global strategy scholarship (Meyer et al., 2020). For example, we know little about MNC subsidiary leadership beyond

such broad categories as nationality and local experience. Country managers' motivation and career aspirations might moderate between corporate motivation and the local unit's institutional interaction strategy. Empire-building, narcissism and bounded rationality may lead them to overlook local institutional constraints or proactively challenge institutions. We advocate a dialogue between institutional and upper echelons theories (Hambrick, 2007), probing into the backgrounds and motivations of country CEOs (Li et al., 2023). We also encourage MNC researchers to draw on work concerning 'business elites' in sociology (Zald & Lounsbury, 2010), including the way these comprise executives of MNCs located in a country, and how these actors can shape the growth path of the whole economy. More broadly, we see great promise in extending the shift from the organisational level to the individual level. This shift is underway in the area of (micro-)politics in IB (Geppert et al., 2016), and we hope to see a similar development in studies of MNC-host institution interactions.

Relatedly, we observed that most studies regard foreign subsidiaries as mere extension of HQs' intentions. With few exceptions, these local MNC units are portrayed as monolithic entities. Yet it is individual employees who engage on the ground (Edwards et al., 2022). If individuals serve as carriers of institutions, research needs to examine how managers and employees embedded in multiple institutional structures – not only national but also functional and professional – negotiate strategies towards institutions through conflict and cooperation. We also see promise in looking beyond actors within the focal MNC and exploring how external actors shape organisational interaction strategies (Hassan & Fortwengel, 2023).

Finally, we encourage a shift away from a 'thin' lens of microfoundations, focused on characteristics or properties of individuals in MNCs, and towards richer understanding of microfoundational underpinnings such as the actual activities and practices of individuals as they interact with host institutions. Innovative methods such as collecting diary data could help reveal such micro-level insights.

Crucially, calls for greater attention to microfoundational underpinnings are gaining momentum in both OI (Powell & Colyvas, 2008) and CI (Jackson & Deeg, 2012). We see considerable value in combining these two literature strands to offer insights into how individuals in organisations manage

pressures for local legitimacy (as emphasised by OI) with simultaneous pressures to replicate home-country advantages (as emphasised by CI).

7 Limitations

As every review, our paper has a set of limitations, opening up additional avenues for future work. First, to keep the sample manageable, we excluded books and book chapters, and conference and working papers. Second, although we conducted an extensive search of key relevant databases using multiple keyword combinations, some articles may have been inadvertently omitted due to differences in terminology used or database point-of-access limitations. Relatedly, our review is confined to English-language sources. Third, there is a danger of coding bias, though we tried to minimise this by having multiple authors code articles and discuss and resolve any discrepancies. Finally, to synthesise insights from qualitative and quantitative research and different categories of outcomes, we did not quantitatively analyse MNCs' strategies. We believe that this could be a fruitful avenue for a dedicated review.

8 Conclusion

By reviewing more than 30 years of research on the interactions between MNCs and host institutions, we complement prior work focused on either the effect of institutions on MNCs (Xu et al., 2021) or MNC agency vis-à-vis institutions (Saka-Helmhout, 2020). We reveal previously hidden relationships between host context, interaction strategy and outcomes, particularly at the organisational level. While this mapping of prior work offers nuance to the classic question of whether proactive or reactive strategies are more beneficial for a focal MNC, our review also identifies several blind spots. We develop a research agenda to both incrementally fill gaps in the existing model and, more ambitiously, study the dynamics, outcomes and microfoundations of interaction strategies. Our review offers orientation and actionable guidance for researchers seeking to advance knowledge in a critical domain of IB research: the interactions between MNCs and host institutions.

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Table 1 Publication trends

Publications ^a	Number of papers			
	1991-99	2000-09	2010-19	2020-22
General management and strategy journals	3	13	15	4
<i>Academy of Management Journal</i>	-	1	2	-
<i>Academy of Management Review</i>	3	4	-	-
<i>British Journal of Management</i>	-	2	1	-
<i>Human Relations</i>	-	2	2	1
<i>Journal of Management Studies</i>	-	3	5	1
<i>Organization Science</i>	-	-	1	-
<i>Organization Studies</i>	-	-	2	1
<i>Strategic Management Journal</i>	-	1	2	1
International business journals	1	10	55	12
<i>Asia Pacific Journal of Management</i>	-	-	1	-
<i>Global Strategy Journal</i>	-	-	4	2
<i>International Business Review</i>	-	-	4	3
<i>Journal of International Business Studies</i>	1	7	18	2
<i>Journal of International Management</i>	-	2	8	4
<i>Journal of World Business</i>	-	1	9	-
<i>Management and Organization Review</i>	-	-	4	-
<i>Management International Review</i>	-	-	7	1
Human resource management and organisational behaviour journals	3	10	21	4
<i>Human Resource Management</i>	-	2	4	1
<i>Human Resource Management Journal</i>	1	2	2	-
<i>The International Journal of Human Resource Management</i>	2	6	14	3
<i>Journal of Organizational Behavior</i>	-	-	1	-
Business ethics journals	0	4	10	1
<i>Business and Society</i>	-	-	2	1
<i>Business Ethics Quarterly</i>	-	-	1	-
<i>Journal of Business Ethics</i>	-	4	7	-
Marketing journals	0	2	8	0
<i>International Marketing Review</i>	-	-	2	-
<i>Journal of Business Research</i>	-	2	3	-
<i>Journal of International Marketing</i>	-	-	3	-
Total	7	39	109	21

^a No relevant studies were found for the review period in *Administrative Science Quarterly*, *Journal of Management*, *Strategic Organization* and *Journal of Vocational Behavior*.

Table 2 Theoretical, methodological and empirical trends

	1991-99	2000-09	2010-19	2020-22
Theoretical perspectives				
Organisational institutionalism (neo-institutional theory, logics, co-evolution)	4	25	79	14
Comparative institutionalism (varieties of capitalism, national business systems)	3	12	21	3
Combined	0	2	9	4
Method				
Conceptual	4	9	16	1
Qualitative	2	12	54	18
Quantitative	1	18	38	1
Mixed	0	0	1	1
Context^a				
Developed-market firms in emerging markets	5	15	32	14
Developed-market firms in developed markets	0	17	51	6
Emerging-market firms in emerging markets	0	2	25	8
Emerging-market firms in developed markets	0	0	21	1
Top 3 most common host markets ^b	Germany UK Japan	UK China Germany	China USA UK	USA Germany UK India
Top 5 most cited (Google Scholar data)				
1. Kostova, T., & Zaheer, S. (1999). Organizational legitimacy under conditions of complexity: The case of the multinational enterprise. <i>Academy of Management Review</i> , 24, 64-81.				
2. Kostova, T., & Roth, K. (2002). Adoption of an organizational practice by subsidiaries of multinational corporations: Institutional and relational effects. <i>Academy of Management Journal</i> , 45, 215-233.				
3. Kostova, T. (1999). Transnational transfer of strategic organizational practices: A contextual perspective. <i>Academy of Management Review</i> , 24, 308-324.				
4. Kostova, T., Roth, K., & Dacin, M. T. (2008). Institutional theory in the study of multinational corporations: A critique and new directions. <i>Academy of Management Review</i> , 33, 994-1006.				
5. Christmann, P., & Taylor, G. (2001). Globalization and the environment: Determinants of firm self-regulation in China. <i>Journal of International Business Studies</i> , 32, 439-458.				

^a Some studies are set in multiple contexts.

^b This count excludes studies on unspecified country samples.

Table 3 Pathways between institutional context, strategy and outcome^a

Context	Conflict	Complementarity	Uncertainty	Imperfections
<i>Strategy and outcome</i>				
Proactive-negative	14	8	4	7
Proactive-positive	34	24	13	31
Reactive-negative	7	-	-	2
Reactive-positive	18	13	3	10

^a Cells record the number of papers mentioning the relevant pathway. A paper may contain multiple pathways.

Fig. 1 Selection procedure

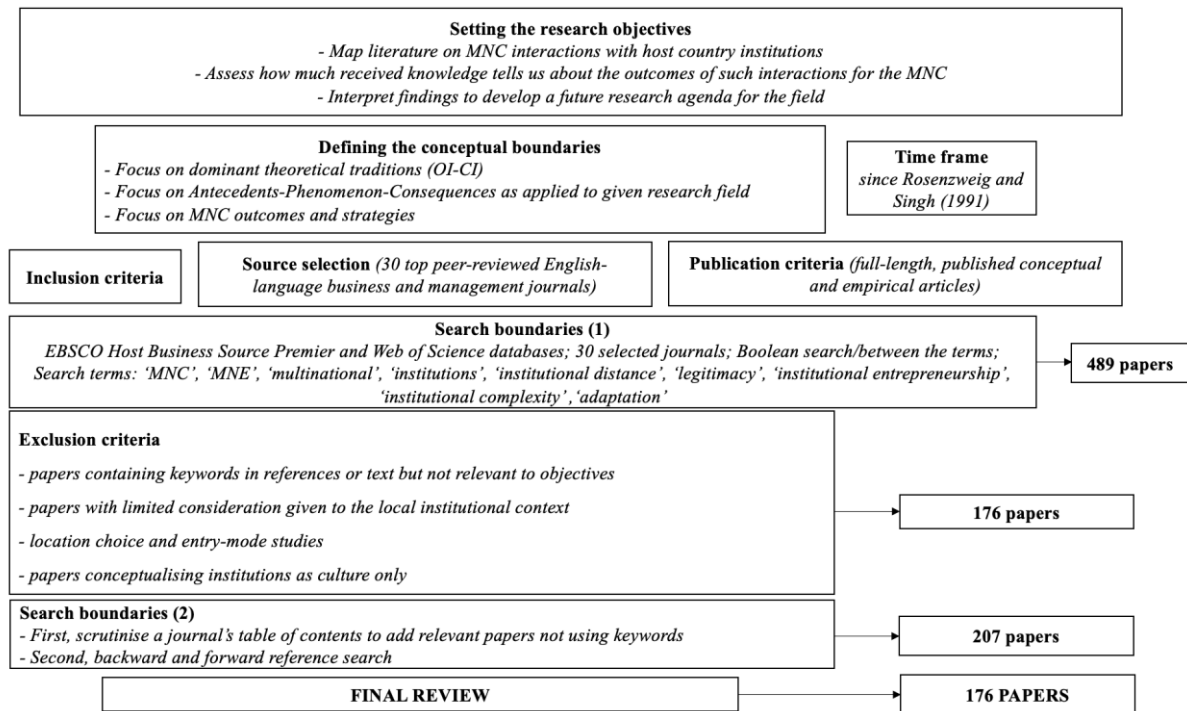
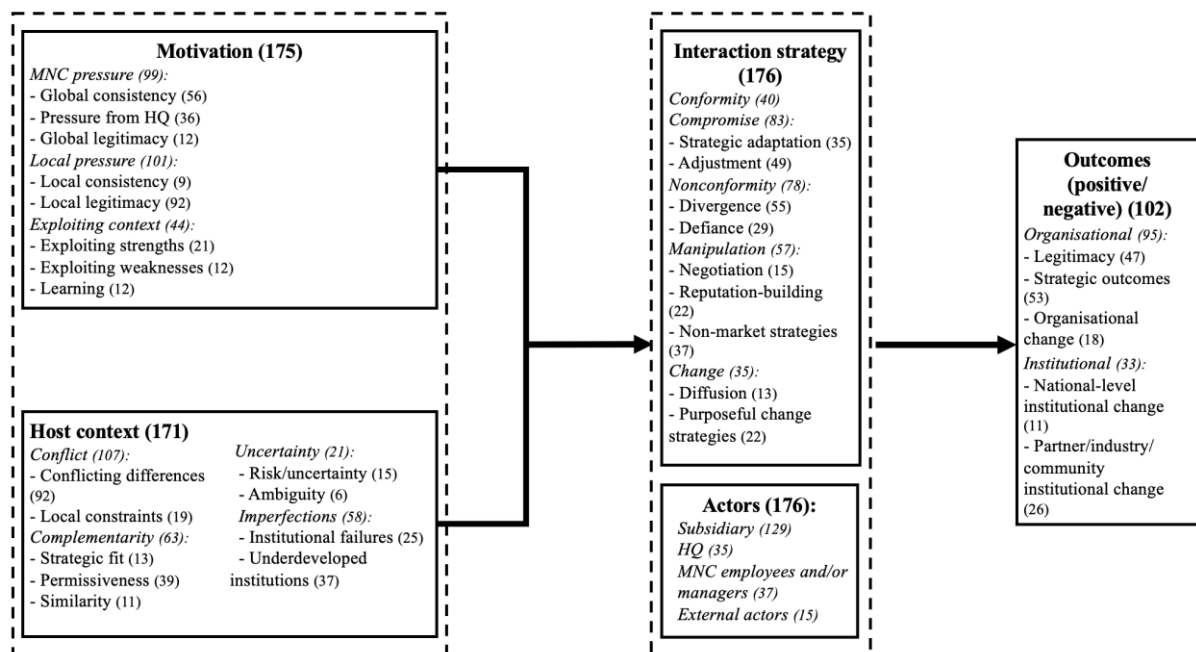


Fig. 2 An integrative model of interactions between MNCs and host institutions^a



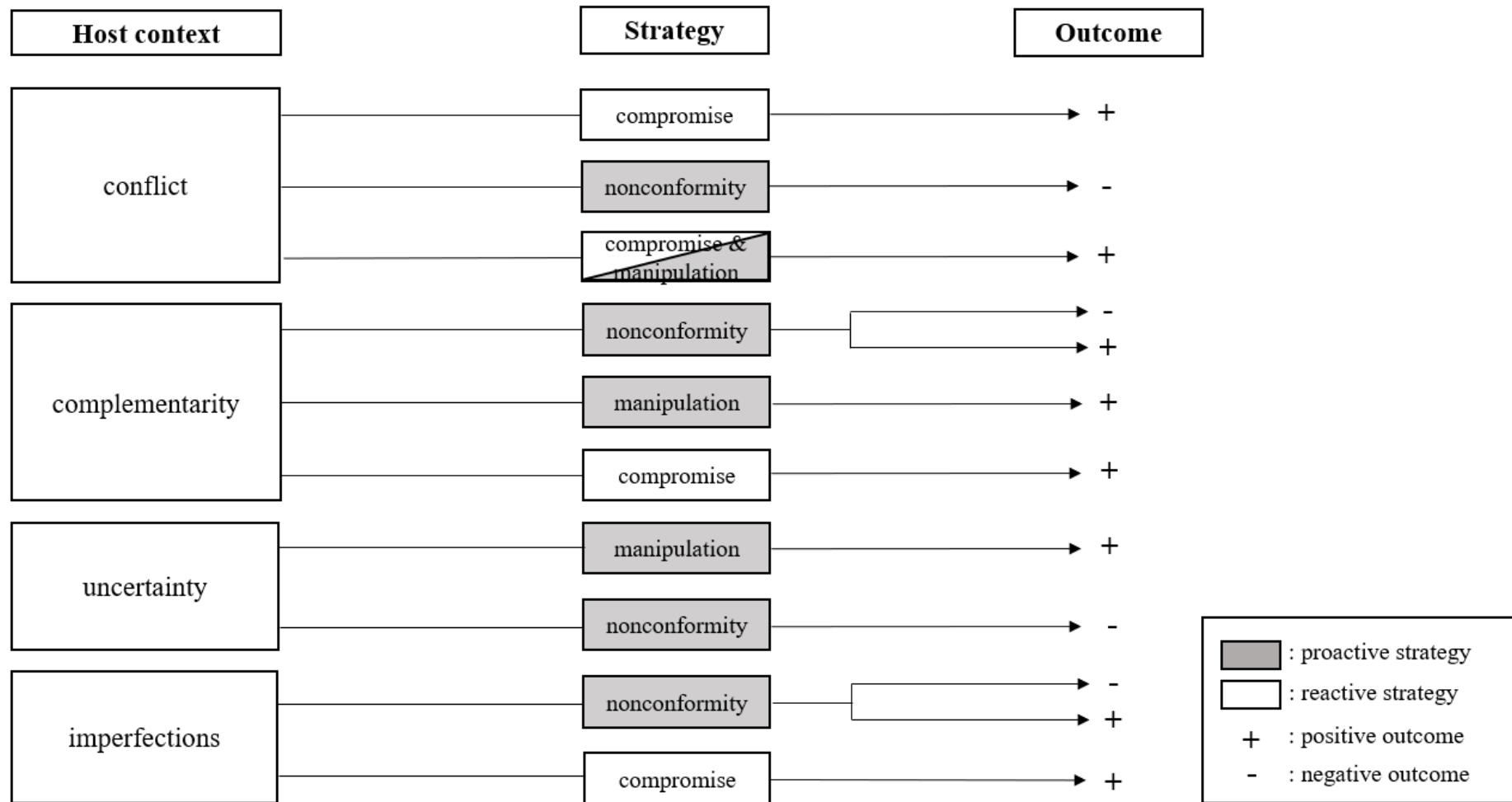
^a Numbers in brackets represent the number of papers mentioning a theme and sub-items. A paper may contain multiple themes and sub-items.

Fig. 3 MNC interaction strategies towards host institutions and their outcomes^a

<p>Proactive strategies – positive impact (72) Change (10): institutional change (9); learning from host context (3); legitimacy in host context (1); bidirectional knowledge flows (1); change in corporate practices (1) Nonconformity (13): learning from institutional context (3); ability to implement global strategy (1); competitive advantage over local firms (2); FDI success (1); cost reduction (1); internal legitimacy (1); legitimacy in host context (1); low ethical risk (1); bidirectional knowledge flows (1); partners learning from MNCs (1) Manipulation (14): legitimacy in host context (12); FDI survival (2); capability development (2); influence over public policy (2); competitive advantage over local firms (1); enhanced performance (1) Manipulation and change (3): legitimacy in host context (2); institutional change (2); ability to implement global strategy (1); partners learning from MNCs (1); industry change (1) Conformity and manipulation (4): legitimacy in host context (4); FDI survival (1); network development (1); enhanced performance (2) Compromise, manipulation and change (4): legitimacy in host context (3); ability to implement global strategy (1); institutional change (1); FDI survival (1); market leadership (3); competitive advantage over local firms (2) Compromise and manipulation (7): legitimacy in host context (5); learning from institutional context (1); improvement in HQ-subsi-diary relations (1); market leadership (1); FDI survival (2); internal legitimacy (1); industry change (1) Nonconformity and change (9): institutional change (9); legitimacy in host context (4); ability to implement global strategies (2); FDI survival (1); ecosystem leadership (1); reverse diffusion of practices (1) Nonconformity and manipulation (6): legitimacy in host context (5); FDI success (1); market leadership (1); internal legitimacy (1) Nonconformity, manipulation and change (2): institutional change (2); avoidance of undesirable practices (1)</p>	<p>Reactive strategies – positive impact (34) Conformity (11): legitimacy in host context (5); reverse diffusion of practices (2); enhanced performance (2); learning from host context (1); low ethical risk (1); competitive advantage over local firms (1); industry change (1) Compromise (22): legitimacy in host context (7); reverse knowledge transfer/reverse diffusion of practices (3); competitive advantage over local firms (2); enhanced performance (2); capability development (2); ability to implement global strategy (4); FDI survival (2); improved HQ-subsi-diary relations (1); access to human capital (1); change in corporate practices (3); enhanced employee skills/effectiveness (2); some post-acquisition integration success (1) Conformity OR compromise: capability development (1)</p>
<p>Proactive strategies – negative impact (24) Manipulation (4): illegitimacy in host context (1); severing ties with stakeholders (1); increase in HQ demands (1); high ethical risk (1); HQ-subsi-diary tensions (1) Nonconformity (15): illegitimacy in host context/self-marginalisation (7); FDI exit (5); increase in HQ-subsi-diary tensions (1); tensions in subsidiary-stakeholder relations (2); constrained marketing capability development (1); lower performance (2) Nonconformity and manipulation (3): change in HQ-subsi-diary relations (2); increase in HQ-subsi-diary tensions (1) Compromise and change (1): illegitimacy in host context (1); constrained global strategy implementation (1) Nonconformity and change (1): illegitimacy in host context (1); institutional change failure (1)</p>	<p>Reactive strategies – negative impact (9) Conformity (5): HQ-subsi-diary tensions (2); inability to implement global strategy (1); limited post-acquisition integration success (1); unidirectional knowledge flow (1) Compromise (4): HQ-subsi-diary tensions (1); high ethical risk (1); inability to implement global strategy (1); self-marginalisation (1)</p>

^a Numbers in brackets represent the number of papers mentioning a pathway. A paper may contain multiple pathways.

Fig. 4 Most common pathways among host-market contexts, interaction strategies and outcomes^a



^a This figure depicts the most common pathways among host-market contexts, interaction strategies and outcomes, accounting for around two-thirds of all pathways associated with each context. Commonality of pathways decreases from the top down. The most common pathway is conflict/compromise/positive outcome. Uncertainty/nonconformity/negative and imperfections/compromise/positive outcome are equally common. The figure depicts only organisational outcomes as institutional outcomes have not been commonly identified in the literature.