FROM CONSTRAINTS TO CO-EVOLUTION: STRATEGIC CHOICE, ENVIRONMENT, RESOURCES AND FIRM-INSTITUTIONAL INTERACTION AS DETERMINANTS OF FIRM PERFORMANCE IN EMERGING MARKETS – EMPIRICAL EVIDENCE FROM MULTINATIONAL CORPORATIONS IN CHINA

1. ABSTRACT

This research examines the convergence of strategic choice, institutionalism and firm-institutional interaction in emerging markets. It focuses on the link between strategic orientation, competitive environment, firm resources, institutional context, and differential performance outcomes of the multinational corporation (MNC) in China. MNCs pursuing market-seeking mandates have been driving forces behind the economic development and institutional reform in Asia and around the world. WTO-based, open, fair and undistorted competition has generally been welcomed by host nations. MNCs have contributed towards trade and investment, transfer of technology, diffusion of practices as well as movement of capital and human resources. The institutional context provided foreign actors with both legitimacy and constraint. While the relationship with institutions has been a viable one for most MNCs, there have also been some high-profile conflicts. For instance, in September 2015, a global emissions scandal broke as the US Environmental Protection Agency (EPA) issued a notice of intentional violation of the Clean Air Act to German automaker Volkswagen (VW) Group. By deploying manipulated software (‘cheat devices’), VW tried to achieve compliance with strict pollution standards in the laboratory, while out on the streets, the vehicles spewed 40 times the permitted limit. Five years later, in October 2020, California Regulators still urge car and engine manufacturers to disclose by the end of the year any unapproved hardware or software programs that compromise a vehicle’s emissions control system (Shepardson, D., 2020). In view of the magnitude of the scandal, ‘cheating’ appears not to be an one-off malfeasance by an individual firm but a wider phenomenon endemic to the way MNCs deal with institutions. However, instead of singling out certain firms or industries, the fundamental question is how this phenomenon corresponds with the strategic choices MNCs have available. How do MNCs choose to respond to institutions, e.g. contesting, conforming, collaborating, or co-creating? What do MNCs say that they do, how do they actually interact and how do they succeed by doing so? Thus, this research brings together generic strategy and institutional strategy, examines possible determinants (e.g. environment, resources and institutional context) and explores economic validity in terms of firm performance. While it agrees with the general notion that the appropriate strategy will be a function of industry-factors and firm-specific factors, there may be varying performance implications depending on key elements of the institutional context as well as the firm-institution interaction. Serving as a conceptual foundation, this research applies typology-driven theorizing based on Miles and Snow’s (1978) enduring strategic typology (i.e. Prospector, Defender, Analyzer, and Reactor) that addresses how alternative forms of adaptive behavior to the entrepreneurial, technical and
administrative problem manifest themselves in organizational forms. Snow and Ketchen (2014) suggested in an Academy of Management Review (AMR) call-for-action to empirically evaluate typologies for their current relevance explicitly pointing to Miles and Snow (1978). Luo and Park (2001) suggest to further explore how MNCs comply with China’s institutional ambiguities and how these affect performance. In order to add the institutional perspective, this research uses Oliver’s (1991) strategic responses to institutional processes supplemented by a novel response based on Child et al.’s (2012) notion on co-evolution. It is assumed that distinctive clusters of strategic types exist among MNCs in China resulting into differentiated performance outcomes in conjunction with the strategic responses to institutions they adopt. China has been chosen as the setting because of its high-level dynamism and particular institutional features (e.g. state control) and high importance within MNCs’ market portfolios. A comparative sector approach (Automotive vs. wider industry) answers the question, how the research findings vary across industries (i.e. whether the VW case represents a common occurrence). The study intends to add to the empirical base for research on strategic choice and institutional theory. Moreover, it advances the notion of institution-oriented strategic choice and provides a theoretical contribution by disentangling the relationship between generic strategy and institutional strategy incorporating the notion of co-evolution.

Keywords: [IB strategy, strategic choice, institutional theory, MNC, China]

2. REVIEW OF RELEVANT RESEARCH AND THEORY

International business (IB) strategy research utilizes emerging markets as empirical context and contributes to the wider theory building (Meyer & Peng, 2005, Meyer, 2006, 2007). This corresponds with the author’s research goal to explain the strategies MNCs choose and then explore which strategies perform best, competitive advantage being associated with above average performance. While there are various explanations for the success of firm strategy, there are three dominant strands of argumentation that Peng (2006) has coined the ‘strategy tripod’. (1) The industrial organization (IO) perspective follows the strategy-structure-performance (SCP) paradigm that provided an understanding of how firms adjust to environmental challenges (Chandler 1962; Ansoff, 1965; Sloan, 1963; Hofer & Schendel, 1978; Porter, 1979, 1980). It has been criticized, amongst other aspects, that it is often force fitted to local realities (Tsui et al., 2006) and largely ignoring the social interaction and institutional underpinnings (Kogut, 2003). (2) In contrast, the resource-based view (RBV) of the firm (Wernerfelt, 1984; Barney, 1986, 1991) suggests that sustained competitive advantage is derived from the resources and capabilities a firm controls. It has been criticized for a lack of attention to context. (3) A third strand, institutional theory, addresses such context based on the central premise that firms adopt structures and practices that are ‘isomorphic’ and socially conform to attain legitimacy (Meyer & Rowan, 1977; Dacin, 1997; Deephouse, 1996; Suchman, 1995, Yiu & Makino, 2002). Institutional theory has been studied by various disciplines such as economists (North, 1990), economic sociologists (Durkheim, [1893]
1984; Schumpeter, 1949; Fligstein, 1997), organization theorists (Stinchcombe, 1965, Meyer & Rowan, 1977; DiMaggio & Powell, 1983; Scott, 1987, 1995). Scott’s (1995) three pillars are widely used to cluster institutions according to regulatory, normative and cognitive. While MNCs have the capacity for ‘regime arbitrage’ (Streeck, 1997), they also need to overcome their inherent ‘liability of foreignness’ (Hymer, [1960] 1976; Zaheer, 1995, Zhou & Guillén, 2015). Oliver (1991) argues that firms can exercise strategic choice and active agency within an institutional context, thus go beyond isomorphism and structural conformity to external constraints. As such, MNCs are both an institutional ‘rule taker’ and ‘rule maker’ (Streeck and Thelen, 2005). Scholars have concluded that the institutional perspective may have superior explanatory power in emerging markets (Hoskisson et al., 2000; Peng, 2001, 2002; McMillan, 2007; Meyer & Peng, 2005; Peng, 2003; Wright et al., 2005). However, each leg of the strategy tripod (Peng, 2006) claims to be a source of competitive advantage and has been criticized for failing to integrate the other strands. Moreover, while the strategic importance of institutions have been widely acknowledged, comparatively little research has been conducted on the precise nature of their importance (Li and Peng, 2008). Relatively unexplored is the question of how foreign actors strategically respond to institutional frameworks in their host economies (Peng, 2001, 2003; Child & Tsai, 2005; Chung & Beamish, 2005, Zhou & Li, 2007). Literature also presents mixed findings about the best-performing strategy. While some scholars suggest that Defenders outperform other strategies with respect to profitability (e.g. Hambrick, 1983; Dvir et al., 1993; Tan & Litschert, 1994), others (e.g. Zajac & Shortell, 1989) suggest that they are not viable in changing contexts. Forte et al. (2000), although not conclusively, gives support to the idea that Reactors are better able to respond to environmental change. Luo and Park (2001) indicate that Analysers are best suited to the complex Chinese market. In view of those unresolved arguments, further research is required.

3. RESEARCH OBJECTIVES AND CONSTRUCT

The major objective of this research is to elucidate and develop the IB strategy literature in terms of uncovering if, and how, strategic orientation of MNCs in China can be used to differentiate between successful and less-successful firms, namely to learn how MNC strategy matters. Therefore, the major objective of this research states:

1) **Determine if, to what extent and through which mechanisms strategic orientation of MNCs in China contributes to firm performance.**

In order to assist the realisation of the major research objective, the link between antecedents, MNC strategy and firm success needs to be investigated. In support of the major objective, the three assistant objectives of this research read:

2) **Identify the key determinants of strategic orientation of MNCs in China.**

3) **Explore the interplay of generic strategy and institutional strategy through strategic types.**
4) Empirically test if, and to what magnitude, generic strategy in conjunction with institutional strategy leads to differentiated performance outcomes.

The research utilizes Miles and Snow’s (1978) strategic typology (i.e. Prospector, Defender, Analyzer, and Reactor) informed by Oliver’s (1991) strategic responses to institutional processes (i.e. supplemented by Child et al.’s (2012) notion of co-evolution. While Miles and Snow’s (1978) theoretical foundation (adaptive cycle) focusses on industry conditions and firm-specific resources, it does not reflect formal or informal institutional constraints nor forms of firm-intuition interaction. Miles and Snow’s (1978) has been the most enduring classification system available (Hambrick, 2003) and appears to be a highly suitable research frame as it emphasizes the ways organisations interact with their environment.

**Table 1:** Miles and Snow’s (1978) strategic typology operationalized by Conant et al. (1990)

<table>
<thead>
<tr>
<th>(2) Defender</th>
<th>(3) Analyzer</th>
<th>(4) Prospector</th>
<th>(1) Reactor</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Defensive</strong></td>
<td><strong>Analyzed</strong></td>
<td><strong>Prosper</strong></td>
<td><strong>React</strong></td>
</tr>
<tr>
<td>- Product-market dominance, limited, clear and transient</td>
<td>- Product-market domain, segmented, diverse, volatile</td>
<td>- Product-market domain, broad, cent, expanding</td>
<td>- Product-market domain, broad, cent, expanding</td>
</tr>
<tr>
<td>- Success position, opportunistic threats, coping</td>
<td>- Presence of both, shifting firm, application/ novelty</td>
<td>- Presence of both, shifting firm, application/ novelty</td>
<td>- Presence of both, shifting firm, application/ novelty</td>
</tr>
<tr>
<td>- Growth: slow change, not a industry moment</td>
<td>- Growth: fast change, not a industry moment</td>
<td>- Growth: fast change, not a industry moment</td>
<td>- Growth: fast change, not a industry moment</td>
</tr>
<tr>
<td>- Tech: buffer ability to cooperate, 1G solutions</td>
<td>- Tech: buffer ability to cooperate, 1G solutions</td>
<td>- Tech: buffer ability to cooperate, 1G solutions</td>
<td>- Tech: buffer ability to cooperate, 1G solutions</td>
</tr>
<tr>
<td>- Contingent: prudent, troubleshoot</td>
<td>- Contingent: prudent, troubleshoot</td>
<td>- Contingent: prudent, troubleshoot</td>
<td>- Contingent: prudent, troubleshoot</td>
</tr>
<tr>
<td>- Planning: risk oriented, sharpened, developed processes</td>
<td>- Planning: risk oriented, sharpened, developed processes</td>
<td>- Planning: risk oriented, sharpened, developed processes</td>
<td>- Planning: risk oriented, sharpened, developed processes</td>
</tr>
<tr>
<td>- Structure: tight formal authority/focused ops., design</td>
<td>- Structure: tight formal authority/focused ops., design</td>
<td>- Structure: tight formal authority/focused ops., design</td>
<td>- Structure: tight formal authority/focused ops., design</td>
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<tr>
<td>- Control: avoidanthropic problems, remain solvent</td>
<td>- Control: avoidanthropic problems, remain solvent</td>
<td>- Control: avoidanthropic problems, remain solvent</td>
<td>- Control: avoidanthropic problems, remain solvent</td>
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</table>

Oliver (1991) informs the research as she emphasized the deliberate firm-institutional interaction by suggesting five responses to institutional processes (i.e. Manipulation, Defiance, Avoidance, Compromise, and Acquiescence). Based on the notion of co-evolution by Child et al. (2012), the author added Assertiveness as a sixth novel response. This was deemed necessary to reflect how firms collaborate and develop through dialog with their institutional contexts. Co-evolution argues that possibilities are created through actors’ willingness to pool resources and mobilize efforts collectively. The emphasis is on ‘power with’ rather than ‘power over’ or ‘power to’ (Göhler, 2009).

Table 2: Oliver’s (1991) strategic responses to institutional processes and Child et al.’s (2012) notion on co-evolution

<table>
<thead>
<tr>
<th>1) Acquiesce</th>
<th>2) Compromise</th>
<th>3) Avoid</th>
<th>4) Defy</th>
<th>5) Manipulate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ac1: Habit/follow invisible, taken-for-granted norms</td>
<td>Ce1: Sustain expectations of multiple constituents</td>
<td>Av1: Conform/conformity</td>
<td>De1: Disassociate expectations and values</td>
<td>Ma1: Co-opt/improve institutional environment</td>
</tr>
<tr>
<td>Ac2: Instinctively institutional models</td>
<td>Ce2: Insecure or accommodate institutional regimes</td>
<td>Av2: Buffer or insulate interaction from institutional pressure</td>
<td>De2: Challenge/contend with institutional processes</td>
<td>Ma2: Influence/shape institutional environment</td>
</tr>
<tr>
<td>Ac3: Conspicuous/accepted norms</td>
<td>Ce3: Use and accommodate institutional processes</td>
<td>Av3: Encourage self-regulation/other mechanisms of trust</td>
<td>De3: Avoid/defy institutional processes</td>
<td>Ma3: Utilize institutional accomodations</td>
</tr>
<tr>
<td>Ac4: Encourage self-regulation/other mechanisms of trust</td>
<td>Ce4: Initiate/resolve conflicts with repeated social interaction patterns</td>
<td>Av4: Withdraw to location with better institutional conditions</td>
<td>De4: Substitute or replace local institutions to cover their roles</td>
<td>Ma4: Move into uncharted institutional spaces</td>
</tr>
</tbody>
</table>

4. RESEARCH HYPOTHESES

Based on the research foci and their underlying rationales, the empirically testable hypotheses state:

Among multinational corporations (MNCs) in China, ...

H1 distinctive clusters of strategic orientations exist along the lines of Miles and Snow (1978)

H2 distinctive strategic responses to institutional process exist along the lines of Oliver (1991) and Child et al. (2012)

H3 these distinctive clusters of strategic orientations (Miles and Snow, 1978) experience differentiated performance outcomes in conjunction with the strategic responses to institutional processes (Oliver, 1991) they adopt

H3.1 Analyzer will experience higher performance levels than the sample mean if they practice assertiveness

H3.2 Prospector will experience higher performance levels than the sample mean if they practice manipulation

H3.3 Defender will experience lower performance levels than the sample mean if they practice acquiescence

H3.4 Reactor will experience lower performance levels than the sample mean if they practice avoidance

In order to explore the causal chain among the hypotheses, the research will consist of three independent variables (IDV), one dependent variable (DV), intermediate variable (IMV), mediator variable (MV) und six control variables (CV).

Table 3: Research design
5. FIELD RESEARCH AND DISCUSSION OF RESULTS

The survey comprised 62 items in English and Chinese language and has generated 212 quantitative cases and 37 qualitative fuzzy sets. The MNCs captured in the survey include Abbott, Adidas, Aston Martin, Audi, BASF, Bayer, Blount, BMW, BorgWarner, Bosch, Brose, CAPSA, Chery, Coca-Cola, Continental, Daimler, Dekra, Disney, Dongfeng Infiniti, Dow, DuPont, Eaton, Edwards, ExxonMobil, FAW-VW, Festo, FEV, Feyco Treffert, FCA, Ford, Fujitsu, GM, Gerber, Grace, Henkel, Hershey, Honeywell, Huawei, IBM, Infiniti, Jaguar Land Rover, JCI, Kaneka, Kiekert, Lear, Lenovo, Leoni, Lexus, Magna, Mahle, MAN, Mars, Mercedes Benz, Mindray, Pentair, Philips, Porsche, PSA Peugeot Citroën, Quoros, Renault, Renault-Nissan, Rogers, SAIC-GM, Schaeffler, Siemens, Sime Darby, Škoda, Starkey, Tata Motors, ThyssenKrupp, Toyota, Visteon, Volvo, VW, WD-40, West Pharma, Wuerth, Yanfeng, and ZF. The firms covered in the interviews include Audi, BMW, Bosch, Daimler, Delphi, FCA, Ford, GM, Jaguar Land Rover, JCI, Lear, Maserati, Mercedes-Benz, Porsche, Siemens Automotive, Tenneco, TRW, Visteon, Volvo, and VW. This study is based on assumption that the responses are generalizable for a wider population of MNCs operating in the Chinese market. This assumption is necessary if the research aims at making inference about MNCs’ strategic orientation and associated performance outcomes. The data points have been validated through triangulated data collection (Jick, 1979; Couper, et al., 2005) including external 3rd party data and can hence be considered sufficiently substantiated. Another pre-condition is that the data points are normally distributed, a requirement that has been plausibly tested and confirmed. The data analysis has generated a number of statistically significant results that will be briefly discussed thereinafter and related back to the research objectives and testable assumptions that have been confirmed or refuted in the course of the statistical analysis. (1) Regarding the first leg of the strategy tripod (Peng, 2006), i.e. the industry-based competitive environment, the test of the implied hypothesis ($H_{impl.}$) shows that antecedents relating to the IO/SCP paradigm have considerable explanatory power as determinants of strategic orientation and firm performance. Drawing on principal component analysis (PCA), a linearly uncorrelated variable has been generated to capture the industry-based competitive environment. This principal component summarises aspects of competitive posture, competitive buffer as well as supply chain structure. It generates significant $p$-values with respect to firm performance ($p=.001$), generic strategy and firm performance ($p=.001$) as well as the overall construct ($p=.000$). Therefore, the industry-based competitive environment is a relevant antecedent of strategic orientation and firm performance. With respect to the individual strategic types, this principal component yields significant results for several generic strategy types ($p_{Analyzer} = 0.0374$; $p_{Defender} = 0.0231$) as well as several institutional types ($p_{Compromise} = 0.0293$, $p_{Assertiveness} = 0.0253$). The degree of centralistic organisational structure and control is positively correlated with the Prospector type and Defender type and negatively correlated with the Analyzer type and Reactor type. Therefore, the data
confirm Miles and Snow’s (1978) descriptions of the respective types’ degree of centralisation. Correspondingly, centralisation is positively correlated with three institutional responses (Manipulation, Defiance and Acquiescence) and negatively correlated with another set of three responses (Assertiveness, Compromise and Avoidance). While the degree of centralisation validates the pairing for Prospector-Manipulation, Analyzer-Assertiveness, Defender-Compromise, Reactor-Defiance, it does not support the pairing Defender-Acquiescence and Reactor-Avoidance. In fact, the data indicate that the pairing should be reversed, namely Defender-Avoidance and Reactor-Acquiescence. Given the evidence presented in the data, these revised matches can be plausibly explained. Defenders can deliberately choose to avoid institutional pressures whereas Reactors, in the absence of a clear strategy, engage in acquiescent response patterns (also referred to as ‘yea-saying’). (2) Regarding the second leg of the strategy tripod (Peng, 2006), i.e. the resource-based view, the test of the implied hypothesis \( H_{impl.} \) shows that antecedents relating to the RBV paradigm have rather limited explanatory power as determinants of strategic orientation and firm performance. In comparison to the industry-based view, the RBV-related antecedents appear to have less significant correlations with firm performance as well as generic strategy and institutional strategy. However, digital capabilities generated significant \( p \)-values with respect to firm performance \( (p=.037) \), generic strategy and firm performance \( (p=.012) \) as well as the overall construct \( (p=.022) \). The findings show that once institutional strategy is added, the coefficient for firm resources diminishes from 0.012 to 0.022. This constitutes, according to Baron and Kenny’s (1986) definition, a mediating effect of institutional strategy with respect to firm resources as measured in the overall construct of this research. Institutional strategy mediates firm resources with respect to firm performance. The mediation effect discovered by this research between institutional strategy and firm resources opens up the discussion for further investigation into the relationship between firm capabilities and institutional strategy. (3) Regarding the third leg of the strategy tripod (Peng, 2006), i.e. the institution-based view, the test of the implied hypothesis \( H_{impl.} \) shows that antecedents relating to the institutional context have considerable explanatory power as determinants of strategic orientation and firm performance. There are significant correlations of institution-related antecedents with generic strategy, institutional strategy and firm performance. Variables referring to the institutional environment include institutional opposition, institutional under-development and institutional multiplicity. The resulting principal component summarises the variances of the input variables. However, similar to the RBV-related principal components, the institution-related principal component did not yield significant results in the overall construct. One of the original variables, namely institutional interconnectedness generated higher significance levels with respect to generic strategy and firm performance \( (p=.023) \) as well as the overall construct \( (p=.010) \). The variable institutional interconnectedness refers to the degree of interrelation of MNCs with institutions in China. This variable shows significant results on the overall construct. The
findings indicate that the institutional context does not *per se* have a significant link with firm performance. In fact, the variable referring to the institutional context, in contrast to the other two legs of the strategy tripod, is the only variable that does not produce a significant value ($p=.135$) when linked directly with firm performance. While not significant in the direct link with firm performance, the variable on institutional context becomes statistically significant once the generic strategy types ($p=.023$) and the institutional strategy types ($p=.010$) are added. Institutional factors tend to influence strategy more than they influence firm performance. In the final model, the institutional antecedent exceeds the firm resources antecedent in terms of statistical significance.

**Table 4.** Cross-tabulation of frequencies for generic strategy and institutional strategy

<table>
<thead>
<tr>
<th>qid10_generat</th>
<th>qid10_instrat</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Prospector</td>
<td>11</td>
<td>9</td>
</tr>
<tr>
<td>2. Defender</td>
<td>19</td>
<td>19</td>
</tr>
<tr>
<td>3. Analyzer</td>
<td>5</td>
<td>22</td>
</tr>
<tr>
<td>4. Reactor</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Total</td>
<td>32</td>
<td>58</td>
</tr>
</tbody>
</table>

Based on Snow and Hrebiniak’s (1980) 4-paragraph scale for strategy type membership, the results of this study showed a distribution of 33 percent Prospectors ($n=69$), 26 percent Defenders ($n=55$), 28 percent Analyzers ($n=60$) and 13 percent Reactors ($n=28$). For institutional responses, the survey generated a distribution of 15 percent Acquiescence ($n=32$), 26 percent Compromise ($n=55$), 16 percent Avoidance ($n=35$), 4 percent Defiance ($n=8$), 18 percent Manipulation ($n=37$) and 21 percent Assertiveness ($n=45$). Regarding the best-performing strategic type combination(s), the findings show that Prospectors will extract higher performance levels than the sample mean if they practice Manipulation. In terms of best-performing strategic type, the statistically significant combination of the Prospector type with the Manipulation response represent an over-performing strategic proposition, as it outperforms the mean by 62.4 percent in terms of revenue-per-employee (RPE). This finding validated the hypothesis $H3.1$ of this research. As a ‘sidecar’ to this analysis, the results also showed that Prospectors that practice Assertiveness yield high performance exceeding the mean by 44.4 percent, whereas all other responses hover below the mean (between -17.9 percent and -68.2 percent). However, a cross-tabulation shows that Prospectors are significantly correlated with Manipulation (0.4232*) but not with Assertiveness (-0.1144). Furthermore, there are three times more Prospector firms that practice Manipulation ($n=28$) compared to the ones that practice Assertiveness ($n=10$). Reasoning from this fact, Manipulation and Assertiveness represent the most active choices within the institutional strategy continuum. Correspondingly, the Prospector type and Analyzer type are the two most active choices within the generic strategy continuum. Therefore, based on the firm performance outcomes presented in the data,
one can ascertain that combining the most active generic type(s) and most active institutional response(s) yield superior results, as measured in terms of RPE. The same holds true when measured in profit-per-employee (PPE). This finding largely corresponds with the profile of the Prospector type in previous research that has generally been portrayed as superiorly successful. The findings for the hypothesised Assertive Analyzer combination did not show that Analyzers will yield higher performance levels than the sample mean if they practice Assertiveness. If measured in RPE, the hypothesis H3.3 has not been validated. However, if measured in market share, the test of hypothesis H3.3 confirmed that Analyzers will command higher performance than the sample mean if they practice Assertiveness. Irrespective of the institutional response adopted, the sample of Analyzer firms produced negative test statistics. Therefore, there is no combinations that generates performance levels above the mean. However, the test did confirm that Analyzers are statistically significantly linked with Assertiveness. Referring to the cross-tabulation, Analyzers are significantly positively correlated with Assertiveness (0.3653*) as well as positively correlated with the Compromise response (0.1537). In this context, the sample size of n=27 for Assertiveness and n=22 for Compromise needs to be taken into account. However, as indicated, in terms of best-performing strategic type, the data for the Analyzer type presented no clear probability distributions. There is no pairing that yields performance above the sample mean if measured in RPE. This also holds true for the alternative performance measures sales revenue and operating profit. As mentioned, it is noteworthy to consider that the Analyzer type is statistically significantly linked to market share (0.2989) and is linked to a positive market share differential in absolute terms. This positive strategy-performance link been confirmed by other studies. Luo and Park (2001) results based on a sample of 113 MNCs in China reported a standardised regression coefficient of 0.44 with p < 0.001. Against this background, among the available options, the combination of the Analyzer type with the Assertiveness response is the best-performing strategic proposition, in relative terms if measured in RPE (since all combinations produce negative results) and in absolute terms if measured in market share. Therefore, from a more holistic view that includes market share, there is significant statistical evidence that the hypothesis H3.3 can be confirmed. This finding largely corresponds with the profile of the Analyzer type. In the literature, the Analyzer type has be described as an organisational form that prefers a ‘second-but-better’ strategy, is market oriented and appears to build strong relationships with other organisations to develop a clear understanding of their latent needs (Slater & Olson, 2000). Based on the Miles and Snow (1978) typology, Luo and Park (2001) have examined 113 foreign subsidiaries operating in China. Largely confirming the findings of this research regarding the best-performing strategic type, they have found that the Analyzer type represents the best fit for market-seeking MNC in the transition economy of China leading to both strongest financial and market performance (Luo & Park, 2001). The findings regarding the hypothesised Compromising Defender combination show that Defenders will achieve
higher performance levels than the sample mean if they practice Compromise. Such Compromising Defender firms surpassed the sample mean by 48.2 percent. This finding validated the hypothesis H3.2b) of this research. Furthermore, as a by-product of this analysis, since not a priori included in the hypotheses, the results also show that Defenders focusing on Avoidance yield even higher results. Post hoc, these firms exceeded the mean by 57.9 percent out-performing any other response tested for the Defender firms. Furthermore, the cross-tabulation shows that there are no statistically significant relationships between the Defender type neither with the Compromise response nor with the Avoidance response. However, based on the performance figures presented for Compromise (as well as Avoidance), Defenders may well be able to perform at the same level or at a higher level than other strategic types. This would confirm Walker and Ruekert’s (1987) notion that equal performance outcomes can be achieved by any of the stable archetypes (i.e. Prospectors, Defenders and Analyzers). However, the performance figures for Compromise (as well as Avoidance) may represent coincidental results. From a scientifically rigorous standpoint, the only statistically significant link in terms of correlation and regression exists between the Defender type and the Acquiescence response. While economically feasible, the Defender type, in combination with the Compromise (as well as Avoidance) response, represent no statistical significant paring. The data analysis for the hypothesised Defiant Reactor combination did not produce significant results and hence did not provides an indication as to whether Reactors may achieve lower performance levels than the sample mean if they practice Defiance. In fact, the Reactor type, apart from the statistically significant pairing with Avoidance, does not produce stable results with any of the other institutional strategy options, namely Acquiescence, Defiance, Compromise, Manipulation and Assertiveness. Basically, the analysis for the mentioned pairings has been constrained by the insufficient number of responses. One reason for this may be, that respondents are generally reluctant to associate their firms with the Reactor type (Conant, et al., 1990) which may explain the lower number of responses. In total, the Reactor type received 12.5 percent (n=24) of the quantitative cases for which also RPE performance data was available (n=192). Due to the fact that the strategic objective of most MNCs in China is to seek economic benefit from emerging opportunities, they are unlikely to be Reactors (Luo & Park, 2001). On the basis thereof, as smaller proportion of Reactors in the sample in comparison to the other types is plausible. This finding largely corresponds with the profile of the Reactor type in the literature which has be described as an organisational form that gravitates towards ‘trouble-shooting’ activities and tend to be short-term oriented. Characterised as the most environmentally dependent (Miles & Snow, 1978) and least adaptive category (James & Hatten, 1995), the Reactor type has been paired with the Avoidance type. Conant et al. (1990) concluded that Reactors are outperformed by Prospectors, Defenders and Analyzers. However, other researchers have found that Reactors may well outperform the three stable strategic types (Snow & Hrebiniak, 1980). This finding has lead authors to suggest that the Reactor type may be able
to capitalise on its lack of strategic cohesiveness by translating it into a capacity of flexibility and changeability (Kanter, 1989; Zahra & Pearce, 1990) that has presumably favourable performance consequences in dynamic environments. The findings of the hypothesised Acquiescent Defender combination confirmed performance below the mean for Defenders that practice Acquiescence. In terms of best-performing strategic type, the statistically significant combination of the Defender type with the Acquiescence response results in an under-performing strategic proposition, as it performs 32.2 percent below the sample mean in terms of RPE. This finding validated the hypothesis H3.2a) of this research. The cross-tabulation supports this finding by showing a significant correlation and coefficient (0.2915*) for the paring of Defender and Acquiescence. These firms may resemble Low Cost Defenders (Walker & Ruekert, 1987) since, despite the under-performance in terms of RPE, they are able to increase the operating profit margin by 15.5 percent. The Defender type, in combination with the Acquiescence response, has to be classified an under-performing proposition in the context of this research. This finding largely corresponds with the profile of the Defender type. In the literature, the Defender type has be described as an organisational form that prefers a ‘seal-off-a-niche’ strategy and will meet competition with better engineering and cost management (Slater & Olson, 2000). This type focuses on the protection of the firm’s comparatively narrow domain (Meyer, 1982). Depicted as a risk-cautious actor (Slater & Olson, 2000) and moderately active type (James & Hatten, 1995), the Defender type has been paired with the Compromise and Acquiescence types. Hambrick (1983) found that the Defender strategies are linked to superior performance (profitability) across multiple environmental contexts and often outperform Prospector business units in terms of return on investment and cash flow. Defender tend to perform well in environments where they can serve stable and narrow product-market domains efficiently. However, Zajac and Shortell (1989) found that Defenders perform poorly if they face changing environments and that they are outperformed by Analyzers and Prospectors in volatile industries (healthcare). Furthermore, referring to market-seeking MNCs in China, the Defender strategy has been described as ‘rigid, short-sighted, non-adaptive, and risk-averse’ as well as ‘too conservative for MNCs that seek global competitive advantages’. (Luo & Park, 2001, p. 145). Defender are least likely to be prepared to respond to changing environments due to their inexperience in considering potential responses (Shortell & Zajac, 1990). The findings for the hypothesised Avoiding Reactor combination show performance levels below the mean for Reactor that practice Avoidance. In terms of best-performing strategic type, the statistically significant combination of the Reactor type with the Avoidance response results in an under-performing strategic proposition. Reactor companies that practice Avoidance perform 37.3 percent below the sample mean. This finding validates the hypothesis H3.4a) of this research. The cross-tabulation confirms this observation by showing a significant correlation and coefficient (0.3519*) for the paring of Reactor and Avoidance. In this context, the sample size of n=13 for Avoidance needs to be taken into account. This finding
largely corresponds with the profile of the Reactor type. This co-alignment has been further substantiated in the mediation analysis. The Reactor-Avoidance combination feature are true mediation effect in the strict sense of Baron and Kenny’s (1986) definition. While all relationships between IDVs (i.e. the strategy tripod variables), MDV1 (i.e. the generic strategy types), MVD2 (i.e. the institutional strategic responses) and DV (i.e. firm performance measured in RPE) were statistically significant, the step-wise approach with the addition of the Avoidance response as MDV2 (i.e. the institutional strategic responses) did modified the coefficient the final regression by 83.3 percent (i.e. from 0.0036 to 0.0066). While still statistically highly significant, this test confirmed the mediation effect of institutional strategy. Many studies on the Miles and Snow (1978) typology did not include the Reactor type which rendered their research conceptually invalid. This study has shown that the Reactor type differs conceptually from the notion of a simply bad or inadequate strategy. A better understanding of this Reactor type can be drawn from a contingency perspective. The Reactor may well be a transitional state, a strategic configurations will eventually move on to the more stable type of Defender, Analyzer or Prospector, or disappear (Inkpen & Choudhury, 1995). Overall, this research findings support several observations with respect to the strategic types for generic strategy and institutional strategy. There are different paths to high performance, e.g. Prospectors and Analyzers that pursue Manipulation and Assertiveness institutional strategies enjoy above-the-mean results. The research findings also outlined paths to low performance, e.g. Defender and Reactors that pursue Compromise and Defiance institutional strategies yield lower results. Scholars have tested the Miles and Snow (1978) archetypical strategies for their economic validity. Miles and Snow (1978) argued that, apart from the Reactor, all strategic types are equally potent to perform at their best, as they all respond to the challenges of the adaptive cycle in a consistent manner. The Reactor type has been dismissed as responding inconsistently to these challenges, thus performing poorly. Supporting this view based on a meta-analysis of generic strategy, Campbell-Hunt (2000, p. 149) concluded that ‘there is no clear evidence here that no-distinctive emphasis designs are any more or less capable of above-average performance than other archetypes’. Hence, some researchers questioned Miles and Snow’s (1978) proposition of equifinality. They embraced the view that different environments favour different strategic types (Hambrick, 1983; DeSarbo, et al., 2005). However, other scholars have confirmed the assumption of equifinality for the three stable types (Snow & Hrebiniak, 1980; Smith, et al., 1986). This research brought in the institutional context that has previously not been reflected in the Miles and Snow’s (1978) adaptive cycle. Based on the findings of this study, the notion of equifinality associated with the Miles and Snow (1978) model many not hold true as the institutional interaction favours heterogeneous performance consequences depending on the generic and institutional strategy chosen.
Table 5. Descriptive statistics and correlations

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6. LIMITATIONS

Every research project is constrained by boundaries that are inherent in the research design as well as issues relating to generalisation of results (Polit & Beck, 2010). Despite the fact that this project used widely establishes research designs and scales, draws on external 3rd party data and has produced an acceptable number of cases, it still entails some shortcomings that often occur with this kind of research. The all-encompassing nature of the determinants chosen in the research (i.e. strategy, environment, resources and institutional context) warrant a self-critical appraisal. It could be argued that the model is likely to fall short of capturing all nuances of these concepts. Furthermore, firm’s strategic orientation is a considerable stable category since it has been described as being ingrained in the organisational structures, ideas, beliefs and values (Hinings & Greenwood, 1988; Greenwood & Hinings, 1993; Zhou, Yim & Tse, 2005; Mu & Benedetto, 2011). Each strategic archetype, by definition, holds a particular internal consistency. It has been argued that organisational typologies represent ‘facile over-simplifications of complex phenomena’ (Meyer, 1991, p. 828). In today’s turbulent business environment, the question arises whether such strategic orientation also represents a static category. In addition, as a cross-sectional survey, this research can merely provide insights on association, not causation. Cross-sectional data, in contrast to longitudinal data, do not permit observations over time. Generalisation based on cross-sectional data are constrained and can thus be misleading. Contexts, behaviours and other aspects that the survey intends to capture can shift. For instance, MNCs in the Automotive-sector may enhance their interaction with institutions to effectively support the introduction of new energy vehicles (NEVs) that requires charging infrastructure provided by the institutional stakeholders. In order to do so, modes and intensities of collaborations may change dynamically. An analysis over-time could track any such changes in interaction. Therefore, this cross-sectoral data represent a mere snapshot that summarises participants’ interpretation and sense-making (Daft & Weick, 1984) at the time the survey was administered. The use of a self-report approach has been criticised for allowing the respondent’s perception to largely determine a company’s strategic type membership. Additionally, in the context of self-report research, particular attention has been placed on reducing potential effects of common method bias (Podsakoff, et al., 2003) with respect to firm performance data. It is important to use market intelligence on this data from more than one source available. Moreover it is a widely acknowledged limitation that performance measurement is a precarious task and ‘a minefield of misinformation’ (Hope, 2006). This is particularly true in China and in a MNC context. Obtaining consistent and reliable data for China may be extremely difficult due to MNCs inherently complex structures and ability to engage in transfer pricing. Likewise, the level of accuracy of the directories used constitutes another limiting factor. High levels of employee turnover are hallmarks of the Chinese skilled labour market. In addition, a further delimitation springs from the fact that this research’s definition of MNC as being associated with a physical presence as well as the control of productive capacities in countries other than (and including) its home base. This is not necessarily the case with the emergent
phenomenon of digital MNCs. Digital MNCs include providers of internet platforms, e-commerce, digital solutions and digital content. Their international footprint, however, is fundamentally different than that of other MNCs. Also, the concept of industry segmentation bears its limitation within itself. Sectors increasingly converge (Muzellec, et al., 2015) becoming strategically contested arenas (Gurses & Ozcan, 2015; Ozcan & Santos, 2015) as there is little consensus amongst market participants regarding ‘who is doing what’ in terms of labour division as well ‘who is taking what’ in terms of profit distribution (Jacobides, et al., 2006; Pisano & David, 2007). Consequently, Moore (1993; 1996) suggests to replace the term ‘industry’ with ‘business ecosystem’. Furthermore, the notion of performance being a consequent of strategy is limited in itself as the research construct implies that strategic choice translates into a certain level of firm performance. However, performance is only measurable after strategy has actually been implemented. Thus, any assessment of performance outcomes needs to take the related execution capabilities of a firm into account. In addition, this research faces various boundary conditions. The regional focus entails emerging markets in general and China in particular. Since the data set is limited to a single country, comparative research methods that allow for instance analyses of differences across countries and cultures cannot be applied. Furthermore, no interaction between the three legs of the strategy tripod (Peng, 2006) have been explored.

7. CONTRIBUTION

This research adds value to the body of knowledge from a theoretical and empirical perspective. It also informs action of practicing managers as it has practical implications outside of the research setting. Firstly, this study extends the original Miles and Snow (1978) generic strategy framework by co-aligning it with Oliver’s (1991) institutional strategy framework. Extant generic strategy models called for an update as competitive strategy and institutionalism continued to move towards convergence. Many of the previous models neither coherently integrated nor clearly separated the two strands of strategy. Now, this research combines Miles and Snow (1978), Oliver (1991) and Child et al. (2012) into one coherent framework. The common denominator of strategic choice (Child, 1972) serves as a strong conceptual ‘glue’ of the research construct. While the mentioned frames have been confirmed in previous research, they have never been integrated in a testable model. Secondly, this research sheds light into the potential mechanisms that govern the generic strategy-institutional strategy relationship. While the discussion has shown that there has been indeed some mediation effect present in the data, institutional strategy may not pre-empt or mediate generic strategy. In the data set, institutional strategy appears to function as a sub-strategy accentuating and reinforcing the generally strong performance link of the generic strategy types. However, the empirical data provides no indications that a filtering mechanism was in place. Similarly, no clear-cut mediational effects between the two strands of strategy are detectable. While the research results show a strong statistical significant relationship between generic strategy and firm performance, the data does not indicate an equally pronounced link between institutional strategy and performance outcomes. Despite its statistical insignificance with firm performance, institutional
strategy shows significant results as part of the overall model that included generic strategy. Reasoning from these findings, institutional strategy, if applied as a stand-alone concept, is either negatively or statistically insignificantly linked with firm performance. However, this constellation changes fundamentally once institutional strategy is applied in combination with generic strategy. Then, if properly aligned with its counterparts in generic strategy, institutional strategy features statistically significant results and positive correlations. It needs to be pointed out that only one response (i.e. Manipulation) is both positively correlated and statistically significantly linked with firm performance as stand-alone institutional strategy as well as in combination with generic strategy. Based on the empirical data captured in this research, Manipulation appears to be an institutional strategy with universally application irrespective of the generic strategy that is pursued. Thirdly, this research reviewed typology-driven theorizing for its current relevance in strategic management. Responding to Snow and Ketchen’s (2014) AMR call-for-action, this study has shown that strategy typologies in general, and Miles and Snow’s (1978) archetypes in particular, continue to constitute relevant instruments for capturing interactions between organisations and the environment. Exploring strategic orientation through typology-driven theorizing benefits from a relatively high level of congruency when compared to alternative exploration frameworks such as meta-analytical synthesis (Schweiger et al., 2019). This study has combined generic strategy and institutional strategy not through amalgamation based on complementarity, but by interlinking the frames through the enduring notion of strategic choice (Child, 1972). The pairings of types can be considered ‘second-order derivatives’ of the pure ‘first-order primitives’ proposed by the original typologies (Desarbo, et al., 2005, p. 64). The elegance of this approach, in contrast to defining a new typology, lies in the fact that established scales can be used. By drawing on these established typologies, the conceptual integrity of the existing frameworks remain intact while the relevant attributes were carefully attached. By combining and furthering the existing frameworks and complementing them with contemporary elements, this research is ‘drawing on emerging scholarship’ without ‘re-inventing the wheel’ (Phillips & Tracey, 2009, p. 169). Moreover, this study also augments the scope of the original Oliver (1991) institutional strategy framework by conceptualising a novel response option based on Child et al.’s (2012) notion of co-evolution. Similar to Miles and Snow (1978) in the generic strategy space, Oliver’s (1991) model referred to an increasingly seasoned version of institutional theory. While it went beyond isomorphism and legitimation, the model appeared to be preoccupied with institutional constraints and pressures. Oliver’s (1991) model assumed constructive firm-institution interaction, however, the conceptualisation of this notion never progresses beyond the state of active agency in form of Manipulation. The original model did not entail any active equitable win-win exchange. For this reason, this study contributes to the institutional strategy theory by conceptualising a novel institutional response that taps into the unrealised potential of such co-evolutional firm-institution interaction. This additional response ‘Assert’ represents a stark contrast to the previously suggested most active response of Manipulation proposed by Oliver (1991). At the most active
end of institutional strategic choice (Child, 1972) spectrum, this novel response rounds-up the strategic response spectrum available to MNCs. Furthermore, this research informs the performance link of strategy and its antecedents. It explores the major endogenously and exogenously derived source strategic choice (Child, 1972) and performance heterogeneity of MNCs in China. In order to do so, the typology frameworks referring to generic strategy and institutional strategy have been placed in the context of firm performance. This research further enriches the literature on firm-level strategy by simultaneously exploring the roles of three major batteries of IDVs based on Peng’s (2006) strategy tripod, namely industry-based competitive environment, firm capabilities and institutional environment. As a contribution inherent in the research construct, this research demonstrates that the combination of the three legs of the strategy tripod (Peng, 2006) leads to a co-alignment of generic strategic types and institutional strategic types that is more nuanced in explaining firm heterogeneity than the previous frameworks in solitary. It also solidifies the notion that institutional strategy draws on both exogenous as well as endogenous explanations of firm performance and therefore can be considered a hybrid of the two pure forms. In this context, as outlined, interactional effects between the three strands were not considered. In addition, this research explores whether, how and to what extent generic strategy as well as institutional strategy contributes to firm-level performance. It therefore addresses the strategy-institution-performance link that previously has been under-explored as the extant strategy literature has not yet provided a comprehensive explanation of the relationship between deliberate strategic choice in the institutional context and firm performance. Utilising the frameworks of Miles and Snow (1978), Oliver (1991) and Child et al. (2012) this study’s findings indicate that there is firm heterogeneity as the generic strategic orientations vary in performance consequences according to the firms’ strategic responses to institutional processes. Thus, this study provides empirical validation for the best-performing strategic types. As outlined, the strategic management literature has previously presented mixed, contradicting or at best inconclusive evidence on the best-performing strategy. For instance, the relevance of the Reactor type has been largely dismissed by previous researches. This study shows that the Reactor type cannot automatically be equated with low performance. In fact, little understood, the Reactor can arguably be a viable strategic configuration. Finally, this research shows that MNCs need to adopt new ways of collaborating with institutions since existing approaches such as manipulating, defying or avoiding institutional pressures may not work given the convergence and dynamics in the institutional context as well as business ecosystem environment. In order to derive such revised strategies, MNCs, in a first step, need to acknowledge the importance of the institutional environment and identify their own strategic orientation in this context. Subsequently, in a second step, they need to find practical approaches for effectively shaping the discourse with their institutional constituencies. This study contributes practically to both of these steps. It offers a framework that enables MNCs to self-assess their generic strategic orientation in China and, at the same time, establishes the crucial link to institutional strategy. There lies value for MNCs in identifying their strategic
orientation. For instance, the sports car manufacturer Porsche may be intuitively classified as a Prospector type. This is possibly due to the firm’s progressive product portfolio and go-to-market campaigns. While in other markets this positioning may well hold true, recognizing that Porsche actually occupies a Defender position in China is valuable insight. This classification does not mean the company is less successful in China. As a matter of fact, Porsche is one of the strongest and most profitable automakers in the Chinese market. Learning from the Porsche case, a Defender position in terms of generic strategy works well with an Avoidance strategy towards institutions. Based on the data of this study, pursuing an Avoidance strategy (e.g. by keeping a low profile ‘below the radar’) is apparently beneficial for the Defender type such as Porsche which reported sales revenue and operating profit figures significantly above the sample average. As a Defender, choosing any other institutional strategy, such as Acquiescence (e.g. Volvo), Compromise (e.g. Jaguar Land Rover) or Assertiveness (e.g. Toyota) may not work as well since all other types reported performance below the sample average. Similarly, Chery, as a strong Reactor type, outperforms other companies by effectively combining its generic strategic orientation with a Compromise institutional strategy. Chery’s strategy pairing results in performance outcomes above the sample mean and works better than any other combination such as Avoidance (e.g. PSA Peugeot Citroën, Magna), Acquiescence (e.g. Fiat Chrysler Automobiles) or Defiance (e.g. Leoni). Similarly, as Analyzers, Bosch in the automotive supplier sector and Daimler as well as Ford Motor Company in the OEM sector, outperform their peers in combination with an Assertiveness institutional response. Opting for any other institutional strategy appears to be detrimental to the Analyzer orientation since Analyzer companies deploying Compromise (e.g. General Motors) and Acquiescence (e.g. EDAG) strategies reported below-average sales revenue and operating profit figures. Looking at the Prospector type, companies such as Continental outperform the sample mean by deploying an Defiance institutional strategy although other Prospector firms, such as Mahle, achieve similar results with an Avoidance strategy. Apparently, all other institutional strategies are less effective including Assertiveness (e.g. Audi), Manipulation (e.g. VW) and Compromise (e.g. Schaeffler). These cases based on empirical data show that it is imperative for firms to validate and, if deemed necessary, actively ‘pivot’ their strategic orientations with respect to generic strategy and institutional strategy. Such a strategic pivot refers to ‘a structured course correction designed to test a new fundamental hypothesis’ (Ries, 2011, p. 149), for instance, by embracing new paradigms with respect to the institutional context. For many MNCs, it may be imperative to do so. The VW case highlighted in the introduction shows that a misalignment lends itself massively influential on reputation, market positioning and performance outcomes. VW pursued a Prospector type generic strategy and a Manipulation type institutional strategy. This constellation allowed, and possibly nurtured, a decade-long conspiracy to manipulate diesel emission tests. An assessment could have red-flagged the inherent risk stemming from the firm’s non-market strategy. Thus, this study provides relevant insights into and practical guidance for MNCs strategic management.
8. CONCLUSION

This study conceptualises firm heterogeneity utilising strategy, environment, resources and institutional context as determinants of firm performance in emerging markets based on empirical evidence from MNCs in China. It differs in several respects from previous research. This paper combines two established strategic typologies to capture firm strategic type membership regarding both generic and institutional strategy. Furthermore, it applies the concept of co-evolution to the strategic choice perspective in institutional strategy. The results of this research suggest that generic strategy and institutional strategy, in their totality, do significantly impact firm performance. As its major theoretical contribution, this study argues that previous research of the strategy-performance relationship within typology-driven theorizing has neglected or misconceptualised the institutional link. Whereas extant literature has tried to incorporate the institutional context as control variable or treated it as background condition, this research articulates the theoretical association between generic strategy and institutional strategy by linking two typologies. Overall, strategic configurations associated with deliberated strategic choice and active agency tend to generate better performance outcomes. Based on their choice of generic strategy type and strategic response to institutional processes, firms have significant influence over shaping their relationship with institutions. Coming back to scandal-tainted VW and the question as to whether ‘bending the rules has become the norm’ amongst MNCs, this research indicates that firm-institutional interaction can be both constructive and controversial. However, this study does not seek to identify whether strategies are pursued in ‘good faith’ or ‘bad faith’. Basically, if MNCs consider the institutional environment as a constraining ‘iron cage’ that inhibits their unitary goals, then they tend to opt for strategic responses such as Manipulation, Defiance or Avoidance. In contrast, if MNCs look at institutions as enablers of pluralistic outcomes, then they are more likely to engage in Co-evolution (i.e. Assertiveness), Compromise and Acquiescence. Obviously, one cluster appears to be more confrontational and one more collaborative. But more importantly, MNCs which fail to align the generic strategy orientation of their organisation with the appropriate strategic response to their institutional context are not likely to gauge superior performance in emerging markets. In order to sustain their growth trajectories in emerging markets, MNCs may wish to identify their generic strategic type and take this orientation into account when developing institutional strategies and corresponding implementation capabilities. This assertion has been supported by the empirical investigation. With respect to the technology-driven emergence of ecosystems, co-evolution, rather than manipulation, appears to be the most feasible active agency model for MNCs going forward. In summary, with the institutional environment providing the boundary conditions for foreign market actors, firm-institution interaction has arguably never been more important nor more contested. The way MNC practitioners strategically respond to institutional processes can substantially shape the fates of their enterprises. If the institutional perspective has indeed superior explanatory power in emerging markets, this study offers intriguing empirical evidence that firm-institution interaction may well be the foremost discipline for IB strategists to master.
9. REFERENCES


