

Agnieszka Dziubińska

An evolutionary approach to understanding adjustment of MNCs in a complex environment

Problemy Zarządzania 13/1 (2), 183-199

2015

Artykuł został opracowany do udostępnienia w internecie przez Muzeum Historii Polski w ramach prac podejmowanych na rzecz zapewnienia otwartego, powszechnego i trwałego dostępu do polskiego dorobku naukowego i kulturalnego. Artykuł jest umieszczony w kolekcji cyfrowej bazhum.muzhp.pl, gromadzącej zawartość polskich czasopism humanistycznych i społecznych.

Tekst jest udostępniony do wykorzystania w ramach dozwolonego użytku.

An Evolutionary Approach to Understanding Adjustment of MNCs in A Complex Environment

Submitted 13.08.14 | Accepted 18.11.14

Agnieszka Dziubińska*

The article presents the results of the research concerning adjustment of multinational enterprises (MNCs) to a complex environment. The research model was grounded in the evolutionary theory, and emerging markets were chosen as the contexts of studies. As a result, three types of adjustment to a complex environment were characterized. Implications for the development of activities were formulated in relation to processes of learning of an organization as main driving forces of adjustment to the environment of a foreign market.

Keywords: co-evolution, emerging markets, MNC.

Ewolucyjne podejście do rozumienia dostosowywania się przedsiębiorstw międzynarodowych do złożonego otoczenia

Nadesłany 13.08.14 | Zaakceptowany do druku 18.11.14

Artykuł prezentuje wyniki badań dotyczących dostosowywania się przedsiębiorstw międzynarodowych do złożonego otoczenia. Model badawczy został osadzony na gruncie teorii ewolucyjnej, natomiast rynki wyłaniające się zostały wybrane jako kontekst badań. W rezultacie zostały scharakteryzowane trzy typy dostosowywania się do złożonego otoczenia. Przedstawiono implikacje co do możliwości rozwoju działań w odniesieniu do procesów uczenia się organizacji jako siły sprawczej dostosowywania się do otoczenia rynków zagranicznych.

Słowa kluczowe: ko-ewolucja, rynki wyłaniające się, KMN.

JEL: L25, L26

* **Agnieszka Dziubińska** – dr, Department of Enterprise Management, Faculty of Management, University of Economics in Katowice.

1. Introduction

One of the dominant trends in the contemporary economic reality is increased uncertainty resulting from the growing environmental complexity. Due to the diffuse nature of their activities, MNCs are in a specific way exposed to the consequences that follow from this tendency. The issue is more and more often addressed in the literature as a subject of study. According to North, the increasing number of global economic relations between markets, which have not been so far connected by direct interactions, constitutes the source of growing uncertainty. To be precise, it concerns a significant impact of informal institutions on transactions (North, 2005). The author defines institutions as “rules of the game” which enterprises must obey in the course of learning and allocation of resources, and since informal institutions have been shaped by historical experience, it is more difficult for organizations from outside a given market, such as MNCs, to understand them.

The increasing importance of both norms and values that are rather unclear as well as correlations between the elements that constitute the global economy hinder or prevent predicting the future on the basis of the former models. In the case of such complexity, connections between cause and effect are lost in the details of the interactions that develop over time. This effect is referred to by North as a non-ergodic world (North, 2005).

The discussion about the complex environment can be related to the work by Simon and the issue of interrelatedness of elements of a system. The complexity (or interrelatedness) may be spatial (when one facet affects other facets of the system) or temporal (e.g. when the value of moves is largely associated with their “stage setting” properties) (Simon, 1972). MNCs may also be perceived as a system comprised of elements which are connected with one another as well as with the environment of the foreign market, which may lead to tensions. An organization may make an attempt to solve them in numerous ways. It is traditionally assumed that MNCs on foreign markets replicate the accumulated experience or advance through innovation. The concept of co-evolution sheds different light on this problem. It suggests that there is not any simple model which would correspond to selection or adaptation, but rather processes run simultaneously influencing one another (Volberda and Lewin, 1999, 2003). Such a view reveals another dimension of the complexity within the scope of adjusting activities of MNCs to the environment, since adaptation takes place at multiple levels. As Levinthal and March suggest, adaptation at one level may substitute adaptation at another one. However, assumptions and actions at one level can also constrain activities at lower levels of the organization (Levinthal and March, 1993). In this situation, not only is the problem of space extraordinarily complex but the problem of space itself changes, in part in response to exogenous events and in part in response

to the organization's own actions. The system the effectiveness of which depends not only on internal, but also on external events regarding an organization emerges. Decisions made under similar circumstances are accompanied by fundamental uncertainty called an open-ended change by Stacey. Events based on such decisions might possibly transform the system they are a part of or/and transform themselves (Stacey, 1993).

Learning is a way of managing complexity and unpredictability of changes in the case of open-ended and partly closed changes (Rokita, 2009). In learning, a reflective change occurs on the basis of progressing cognition (understanding) of knowledge and relations between past activities, their effectiveness and future activities (Fiol and Lyles, 1985; Huber, 1991). Such a learning process is at the same time adaptive and "manipulative" in a way in which organizations defensively adjust to the reality and belligerently improve the adjustment between the organization and the environment (Hedberg, 1981).

Challenges outlined within the scope of the MNC strategy that arose in relation to the complex foreign market environment became an inspiration to conduct the author's own study. The research was aimed at identifying ways of MNCs' adjustment in the conditions of emerging markets, in particular, at establishing whether and in what way experience gained on EMs is used in creating a strategy of an MNC at the level of a foreign market. The environment of emerging markets (EMs) was assumed as an empirical context for the study. Studies on enterprises investing on EMs create an ideal opportunity to understand better the interactions between institutions and organizations since traditional international business literature was based on the experience of the so-called mature markets. The environment of western markets was shaped by a comparatively similar philosophy of the market economy which built a foundation for similar institutions. As formulated by Scott, "it is difficult, if not impossible, to discern the effects of institutions on social structures and behaviors if all our cases are embedded in the same or very similar contexts" (Scott, 2001, p. 146).

2. Adjustment of MNCs to The Foreign Market Environment

North defined institutions as humanly created limitations which give human interactions their structure (North, 1990, p. 3). Institutions set formal rules (law, regulations) and informal limitations (customs, norms, culture). Depending on the conditionings of the environment, managers, on behalf of the organization, decide to apply certain strategic solutions which are a manifestation of their acquiescence, active affiliation or reluctance. EMs create a specific context for decisions made within the scope of development of activities of MNCs. As defined by Khanna and Palepu, EMs reflect those transactional arenas, "where buyers and sellers are not easily or efficiently able to come together. Ideally, every economy would provide a range of

institutions to facilitate the functioning of markets, but developing countries fall short in a number of ways. These institutional voids make a market “emerging” and are a prime source of the higher transaction cost and operating challenges” (Khanna and Palepu, 2010, p. 6). However, the environment was not hollow, and the role of culturally rooted institutions increased. It is particularly difficult for enterprises from other markets to recognize the rules which have been shaped within the context of history. Taking all above into consideration, EMs’ environment can be characterized by a high level of spatial and temporal interrelatedness, thus ensuring the context for research on the complex environment.

An interesting theoretical framework for the analysis of adjustment of multinational enterprises’ strategies and structures to counter uncertainty and complexity during development activities in a foreign environment was developed by Cantwell, Dunning and Lundan (2010). The framework draws on North’s writings on institutions as a response to complex forms of uncertainty associated with the rise in global economic interconnectedness and Winter’s works on evolutionary economics. The authors have distinguished three forms of engagement involving MNCs and institutions.

In terms of the first type of adjustment, that is institutional avoidance, international enterprises accept the environment as something given; however, they assume that they are able to make choices between various locations and at the same time institutional environments. In case of problems concerning predictability, political instability, poor regulation or difficulties in complying with legal regulations, an exit decision will probably be made by MNCs. Exceptions may regard investments the objective of which is to obtain natural resources or certain forms of infrastructural investments when the number of optional locations is limited. This problem has been previously studied also by Dunning and Lundan (2008) and Kaufmann, Kraay and Mastruzzi (2007).

In terms of the second type, that is institutional adaptation, an enterprise searches for ways of adapting its structures and policy for the purpose of achieving better fit to the environment. In order to achieve it, companies may use political clout or even try activities which lie outside the law (e.g. corruption). Adaptation may also consist in companies’ attempts aimed at obtaining legitimization on the foreign market which are about avidly following local behavior and other manifestations of culture in the business sphere. In extreme cases, enterprises may be prone to accept the “go native image”, camouflaging signs which indicate their foreign origin (Cantwell et al. citing, as an example, studies by Wilkins, 1974).

In terms of the third form, that is institutional co-evolution, contrary to the previous ones, the environment becomes partially endogenic, and an enterprise engages in the process of co-evolution. Companies may apply tactics which are appropriate in other scenarios as well. However, their objective is not only simple adjustment but an influence on the change

of local formal and informal institutions. The presence of MNCs on the foreign market causes an unintentional spill-over effect to occur.

Even though Cantwell et al. had noticed that enterprises may simultaneously use co-evolution and adaptation, the problem was not subject to in-depth consideration – the authors did not conduct a more profound analysis of the problem inside MNCs. The theoretical framework prepared by Cantwell et al. had the nature of an appreciative theory, rather than a formal theory, as Nelson (1994) reported, and was based on a vast literature study. Nevertheless, the concept of Cantwell et al. created a cognitively interesting research perspective which has been used in designing the author's own research. The research was aimed at identifying ways of MNCs' adjustment in the conditions of emerging markets, in particular, at establishing whether and in what way experience gained on EMs is used in creating strategies of MNCs. Referring the specific environment of emerging markets to the concept of Cantwell et al. allows for identifying other fields which require further exploration. As stated by Cantwell et al., "adaptation would be more likely to occur in relatively stable environments and in less innovative sectors, whereas more dynamic environments are likely to both allow and require innovation and a continuous co-evolution for the firm to sustain a competitive advantage" (Cantwell et al., 2010, p. 577). EMs were traditionally perceived as markets of lower level of development than mature markets (the so-called lead markets). As such, they were classified in the strategies of MNCs as a source of cost advantages, that is the ones which do not induce innovation (Yip, 1996). On the other hand, the transformation process makes the environment of EMs highly dynamic (Peng and Luo 2000); therefore, it does not facilitate replications of MNCs' complex business models requiring complementary (technical and market) infrastructure. Specific conditionings of EMs do not necessarily cause a conventional attitude towards development of activities of MNCs to bring the expected results (Khanna and Palepu, 2006, 1997; Prahalad and Lieberthal, 2003). Distinct environmental conditions may require different organizational solutions and strategies. This statement has been indirectly confirmed by the results of other studies. For example, interesting inferences were drawn by Mathews (2006), who conducted research on MNCs from peripheral economies in the region of Asia and the Pacific. He stated that glowing successes of enterprises from that region constitute a "new species" of MNCs in the "ecosystem" of the global economy. As its characteristic features, Mathews pointed at innovativeness within an organization, including external growth types, accelerated internationalization and strategies aimed at exploration, and not exploitation, of a bunch of resources on an international scale. The theoretical framework prepared by Cantwell et al. had the nature of an appreciative theory, rather than a formal theory (Nelson, 1994), but was based on a vast literature study. In the social science, an appreciative theory allows scholars to examine a more complex web of

casual associations, by being more historically grounded, closer to real life situations, and by making greater allowance for variations in institutional and contextual specificities. At the same time, the concept presented by the authors does not provide unambiguous instructions regarding EMs.

3. Research Method

The research problem as well as its goal and results achieved that are presented in the article are a part of the extended research conducted on a strategy of MNCs on EMs. A qualitative approach with the use of a case study was adopted in preparing the research project (Dul and Hak, 2008; Dul, Hak, Goertz and Voss, 2010). The choice of this method was justified by the assumptions adopted in literature which said that it is difficult to mark clear borders between process, content and context of a strategy (De Witt and Meyer, 2007); however, these dimensions are significant for the arising models (Yin, 1981). The research procedure that contributed to the achievement of the results presented in the article was designed on the basis of the methodology proposed by Dul and Hak which is concerned with specifying the relation between known concepts, on the basis of theory-building research (Dul and Hak, 2008). This approach derives steps of theory building from a prior case study methodology. It comprises a deepened case analysis, a comparative case analysis and replication (Yin 1981; Strauss and Corbin 1998; Eisenhardt and Graebner, 2007). In the conducted research, patterns within two fields were investigated. The first one was a pattern within a given bundle of strategic processes that took place both in the organizational context of an organizational entity and at the MNC level. The second one comprised the organizational context of an organizational entity (FDI) and the context of external environment (market of FDI localization). One task that concerned designing the procedures and the research model was to take into account the complexity and heterogeneity that are characteristic features of MNCs (Ghoshal and Nohria, 1997). The fact that boundaries of a given organizational entity can be observed only in the empirical dimension was taken into account. This is because the boundaries are a result of overlapping of two kinds of fields of organizational networks: external and internal ones. These networks are created through overlapping of different kinds of relations: administrative (formal relations inside the organization), embedded, as well as arm's-length (Forsgren, Holm and Johanson, 2005). It was taken into consideration that strategic processes take place in the social dimension and at least to some extent these processes adopt implicit features – that is why they are difficult to observe. Especially it concerns two kinds of processes – cognitive and political ones (strategic context). Hence, it was assumed that the identification of strategic processes is possible while based on appropriately selected and empirically noticeable organizational processes (Helfat et al., 2007). Consequently, the

necessary steps were undertaken in the following order: identification of patterns within basic processes and fitness, identification of patterns within the organizational context (more detailed presentation of the discussed model is included in the *key findings* section).

The purpose of the conducted research was not to generalize or formulate generalizations for the whole population but to reveal factors which influence the configuration of activities in the context of complex environment in cases involved in the study. The task formulated in such a way constituted a justification for an exploratory case study and a deliberate choice of enterprises for the analysis. Data was gathered from several sources to assure accuracy and credibility of the research results.

Within the scope of the field research, empirical material was gathered with the aid of direct structured and indirect unstructured interviews, with average time of a conversation being 1.5 hours. Totally, 52 interviews were conducted. Subjects of the study were deliberately chosen enterprises operating on an international scale and their foreign branches located on the emerging markets. The studies were conducted in two stages (time frames of data collecting: February 2009–December 2012, preliminary research: November 2005–January 2006). Sample units of the research in stage one were branches – FDIIs of big MNCs – located within the area of the Silesian Voivodeship. The deliberate selection was supposed to assure an appropriate level of diversity and comparison possibility. Five subjects were included in the research sample. The selection of further units was made until data saturation was achieved. The inferences drawn from stage one were included in stage two. This time, sample units of the research were headquarters and foreign branches of five small and mid-sized MNCs. The selection was also supposed to assure the best possible access to data. The interviews were conducted among presidents of companies, presidents of their branches and employees who possessed significant knowledge in the field of the strategy process. The spatial scope of the research included Poland, Columbia, China, Malaysia, Russia, i.e. EMs on which FDIIs of MNCs were located. The research sample involved enterprises coming from both mature markets and EMs, i.e. Germany, Italy, France and Poland. The analysis was conducted by making comparisons in pairs in various cross-sections, i.e. by country of origin and country of investment, size, industry and form of FDI.

4. Key Findings: Importance of Learning for Adjustment of MNCs

The obtained results of studies revealed different models of adjustment of MNCs to the conditions of EMs among enterprises involved in the study. Depending on the type of adjustment, specific conditionings of the foreign market were taken into consideration to a different extent by organizations. The research sample involved companies the activities of which corresponded

to the avoidance strategy characterized by Cantwell et al. Acknowledging the need for change under the influence of specific conditions did not, in their case, go beyond their key products. In the research procedure, key products made it possible to establish in an observable way whether the activities of MNCs constitute a replication or innovation of experience at the level of the local market. A situation on the foreign market in which an offer of an enterprise consists of basic products designed on other markets (not the ones which the study concerns) was referred to as a manifestation of replication. On the other hand, a situation in which an enterprise offered key products that were new for it was regarded as innovation (March, 1991; Winter and Szulanski, 2001). Key products are an effect of key competences and the most vital source of results in the short and long term (Hamel and Prahalad, 1990). Key competences are institutionalized and, as reported, “they are part of the organization’s taken-for-granted reality, which is an accretion of decisions made over time and events in corporate history” (Leonard-Barton, 1992, p. 114).

By applying avoidance as a form of adjustment, MNCs tried to create the most faithful replication of experiences gained on other markets. In the absence of complementary institutions in the environment, enterprises used their market power (Hymer, 1976) so that the insufficiency would not cause the need for change either at the level of basic processes or at the level of organizational solutions. The condition for effectiveness of such a course of action was for an enterprise to have an appropriate possibility to influence the local environment. In the sample of the studied enterprises, it resulted from the size and scope of action; therefore, avoidance as an adjustment strategy was used effectively by the biggest MNCs. The use of similar practices in smaller MNCs was not possible so the pressure of competition made them lean towards greater flexibility in the face of local conditions.

Enterprises the activities of which corresponded to adaptation described above also changed their products under the influence of the environment but this change was a consequence of adjustment of basic processes. Basic processes should be understood as a set of activities undertaken on the foreign market which directly add value for a customer. In the studied cases, previous models of activities at this level were suspended by decisions made by authorized managers. Thus, innovation within the scope of basic products appeared but it was an effect of “deeper” adjustment to unique conditions of EMs. Among the studied enterprises, such a form of adjustment was used by small and mid-sized MNCs which simultaneously had already developed key competences based on technical knowledge acquired on the local market.

The most open way of adjustment to the conditions of EMs was a model which to the greatest extent corresponded to the type characterized above as co-evolution. In this case, adjustment at the level of basic processes was a consequence of direct influence of the environment as well as adjustment at

the level of organizational processes. Processes at the level of an organization are comprised by intentional social groups which control resources, create exchange relations, enter interactions with other individuals and use strategies in order to achieve their objectives. Organizational processes occur in the structural and strategic contexts. The structural context is created by administrative and cultural mechanisms within such scopes as: organizational structure, planning and control systems, rules governing resources allocation, recruitment, evaluation and promotion systems, as well as basic principles guiding behavior (Burgelman, 2002, pp. 98–102). Top management in MNCs uses the elements of the structural context in order to maintain the intended direction of strategic activities. Forces which might impact a change of this direction under the influence of experience from the local environment are most often the result of autonomous grassroots movements. Following Burgelman, such cognitive processes consisting in identifying the occurring chances and building political support for development are referred to as strategic context.

Among 10 studied enterprises, only one – the smallest of all enterprises – operated in accordance with the model which to a certain extent corresponded to co-evolution (Dziubińska, 2011). In this case, the ideas came from various parts of the company and from outside. The organization cooperated with a wide spectrum of strategic partners. The ideas at the level of basic processes came from employees who directly performed the tasks. The ideas for changes at the level of an organization (e.g. for various forms of cooperation) came from the President of the MNC but were inspired by experience gained in the course of action. The development of initiatives required legitimization of “the main strategist”, i.e. the President of the MNC. Principles governing the selection of initiatives varied and were the consequence of decisions of the President of the MNC. Changes of the direction of action occurred relatively often, only “superior ideology” remained unchanged.

Summing up, the obtained results of the author’s own study revealed various models of adjustment of activities of MNCs in the context of EMs. In the case of avoidance and adaptation, they were close to the characteristics presented by Cantwell et al. The third type differed from co-evolution described by Cantwell et al. in the context of EMs mostly because an interaction with the environment was two-way. Thus, in conclusion, this type of adjustment strategy was called integration to emphasize the difference. On the one hand, the dynamic environment of EMs was susceptible to the *spill-over* effect “from” the foreign investor “to” the environment. On the other hand, enterprises adjusted their organizational forms, key processes generating results, as well as products to the environment. Thus, a complex structure of factors of change and relations connecting them emerged. The studied case of the enterprise represented a higher level of technical knowledge than the standard applicable on the foreign market. However,

this source of advantage was used when combining knowledge from the local market with customers' demands that resulted from its local specifics. It was manifested by, among other things, sharing the risk of failure with customers, open exchange of knowledge with them and branch "community", with simultaneous undertaking of diversified forms of cooperation with a group of partners beyond the business circle. The enterprise organized presentations for delegations of significant representatives of local communities, conducted a non-profit training activity in order to inform about possibilities of new technology in the face of the absence of other traditional channels (e.g. industry fairs, advisory companies, associations of manufacturers, etc.). Commercial activity had to be completed with activities within the scope of design, the result of which was a change of vision of the whole organization. It was the most open type of adjustment to the conditions of the local market. The obtained research results on the degree to which MNCs take conditions of a complex and dynamic environment at the level of the foreign market into consideration are graphically summed up in Figure 1.

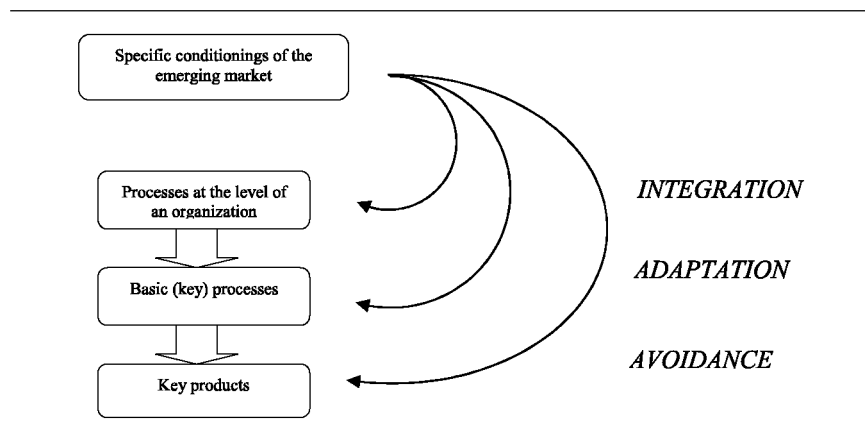


Figure 1. Scope of adjustment and selection under the influence of external environment. Source: Author's own compilation.

The diverse scope of adjustment of MNCs to the local environment allowed for distinguishing different levels of analysis which refer to the process of learning as a way of managing unpredictability of changes. Referring to Argyris and Schön's (1978) terminology, organizations need to undertake activities in a single- and double-loop learning in order to sustain continuity, coherence and stability of action. The difference between the first two levels lies in changes made on the basis of learning in the organization; Rokita describes them as adaptive and reconstructive (Rokita, 2005). The first level is corresponsive and adaptive, close-coupled with the

changes in the environment through negative feedback, aimed at sustaining the existing equilibrium. This type of learning consists to a large extent in the stimulant-response mechanism. The second type of learning corresponds to characteristics of open systems, which implies self-reorganization or self-repositioning in the environment or a change of rules of action and system behavior. Argyris calls it double-loop learning, whereas Hedberg (1981) – meta-learning, and Bateson (1972) – deuteron-learning. Its essence is not a change of the system behavior, but a change of rules of the system behavior.

Rokita also distinguishes the third level of learning in an organization and refers to it as process learning (Rokita, 2009, p. 117). Process learning involves all the phenomena which occur together with changes in the flow of action and gaining experience. In other words, it is about learning to understand adaptive and reconstructive learning at particular levels and how these levels interact.

It may be said, employing the above terminology, that adjustment consisting in avoidance is based on single-loop learning. Adaptation is about single- and double-loop learning, although the change of rules of action under the influence of experiences of EMs was limited to basic processes which were more directly exposed to the selective impact of the external environment. In terms of integration, specific conditions of EMs reached even deeper, since they inspired changes in a double loop as well as in organizational forms. Thus, an even more complex model of adjustment to the complex and dynamic environment was created, which in each case finds its reflection in key products that are offered to customers. Understanding the importance of a hierarchy of levels at which adjustment to specific conditionings of EMs takes place and including this area in the scope of creating a strategy of an enterprise is learning at the third level.

At the end, it is worth indicating that the presented conclusions that referred to enterprises included in the research sample do not vary distinctively with respect to branch, kind of FDI or the country of origin. It is so even if the division into emerging and mature economies is maintained. It appears that greater significance should be attached to unique local resources within the strategies at the MNC level. At the level of the entire organization, two approaches have been identified. The first one can be coined as “convergent”. It remained close to the traditional understanding of international activities, which were activities undertaken through replication of basic processes shaped by conditions of mature markets within the context of emerging markets. During the processes of fitting to the local market, there was a correspondence between this approach and avoidance or adaptation. Consequently, the impact on the part of local resources was being limited to absolute minimum because of the availability of different sources of advantage. The economic criteria were the most important ones and the level of optimization was set unambiguously at the level of an

entire MNC. The second, “divergent”, approach manifested itself during the process of fitness as the integration with unique conditions of EMs. The lack of fitness with respect to basic processes or an organizational form (as well as other factors in the organizational context) was treated as a “guidebook” used in learning what an organization had to do better in order to operate. The criteria also had a multifaceted character during the assessment and selection. They resulted not only from an economic calculation but also to some extent from a managerial assessment of a situation. In this way, they had a social character. The division of power in an organization was less clear and was a result of resources which an organizational entity had at its disposal. The impact that MNCs had on the environment resembled to a greater extent “immersion” in the environment of EMs. Partners gathered around MNCs establishing relations which took the form of ecosystems and, in case of the most open attitudes, there were socio-cultural systems (Rokita, 2009).

5. Conclusion

Each of the identified forms of adjustment to the conditions of the foreign market entails particular consequences. Single-loop learning favors exploitation of accumulated experience but also causes inflexibility. On the other hand, inferences which may be drawn from the obtained results prove that without an open attitude of an organization towards specific conditionings of the local market it is impossible to benefit from knowledge diversity at the level of an MNC. The appropriate level of diversity is a necessary condition for creative learning of an organization (Zollo and Winter, 2002; Doz, Santos and Williamson, 2001). However, excessive openness to the influence of environment, double-loop learning means constant questioning of assumptions, which may lead to chaos (Weick, 1982). The results of randomly chosen activities are even more serious for an organization if the form of adjustment is “deeper”. A co-evolutionary approach towards changes in an organization suggests that the solution should be to balance single- and double-loop learning at various levels. However, such an approach requires relevant assumptions at the level of MNCs (learning at the third level). Connecting the types of adjustment described in the author’s own study with the types of strategy at the level of MNCs and setting their conditions for effectiveness presents itself as an interesting direction for future studies.

An important research result is the initial characteristics of organizational solutions which occurred in the case of integration as a form of adjustment to the conditions of EMs. Shortcomings in the institutional environment of the foreign market which an MNC was adjusted to were not perceived as an obstacle in development but they set directions for learning. Such learning consisted in searching for complementary solutions, mostly among

the rules which North would refer to as “informal rules of the game”. In relation to the traditional attitude of MNCs towards investing on EMs, these conclusions constitute new quality. It may be assumed that unique conditions of the complex environment, as the co-evolutionary approach suggests, led to new solutions within the scope of strategy, organization and action. This thread is another interesting direction for future research.

Cantwell et al. based their proposition of a range of possible ways in which MNCs can fit to the conditions of a foreign market mainly on the international business literature. The view on MNCs in accordance with the neoinstitutional theory is one of the newest ones (Forsgren, 2008). With regard to the research field concerned with the creation of a strategy of an MNC, this view should be considered important in so far as it is weakly distinguished from the mainstream of professional literature. This fact can be one of the reasons why co-evolution distinguished by Cantwell et al. as one of the types of fitness has not been presented in empirical data sufficiently so far. In the mainstream of professional literature, Olivier proposed a detailed typology of strategies available to organizations as they face institutional pressures in order to resist the demands: acquiescence, compromise, avoidance, defiance and manipulation (Olivier, 1991). Although Oliver's proposition appears to allow for more complex and, consequently, perhaps more useful hints as to strategic responses of enterprises to conditions of a foreign market, it should also be stated that the author has focused on conflicting external demands. From this point of view, one of the main advantages that can be derived from the use of the evolutionary theory as a research perspective is a possibility to consider phenomena at many levels of analysis. This approach has not been a popular one on the ground of the institutional theory so far. In the mainstream literature, this gap begins to be bridged by research conducted on the so-called “hybrid organizations” (Scott, Meyer, 1991), that is, those that must contend with competing external demands (Pache, Santos, 2010), and internal identities (Kraatz, Block, 2008). Combining both the organization and environment levels in one research proposition, Jay (2013) focused on mechanisms that generated innovative solutions to complex problems. Having analyzed the case of a public-private enterprise in the energy sector, he concluded that in sensemaking about paradoxical outcomes, actors grapple with the definition of success and can transform the organizational logic. Also combining levels of analysis, Battilana and Dorado (2010) conducted research on two national enterprises (but in an EM country). Although these companies had similar goals, history and external environment, they were distinguished by different approaches to hybridization ensuring the sustainability of novel combination of two separate “institutional logics” (banking and development). From the point of view of differentiation that stems from the international scope of operation of enterprises, conclusions drawn by Pache and Santos (2013) can be considered interesting. According to their research, when lacking

legitimacy in a given field, hybrids may manipulate the templates provided by multiple logics in which they are embedded in an attempt to gain acceptance. The authors identified a specific hybridization pattern, which they named “Trojan horse”, whereby organizations that entered the work integration field with low legitimacy because of their embeddedness in the commercial logic strategically incorporated elements from the social welfare logic in an attempt to gain legitimacy and acceptance. This strategy resembles MNCs fitting to conditions of a foreign market through adaptation. However, it comprises a more detailed analysis of micro-foundations of the phenomenon (Pasche, Santos, 2013). Though these results were achieved in research on four cases of enterprises whose operations involved a country scope, they may inspire further exploration of the problem concerned with MNCs fitting to conditions of a foreign market. The latest results of the research conducted on “hybrid organizations” with respect to MNCs highlight the fact that the classification of activities undertaken by MNCs to one of the types of fitting is not given once and for all. These results also suggest that, at least to some extent, the fixing of directions of transformations may be intentional, which is why it should be included within strategies of MNCs. Although the complexity of the environment of “hybrid organizations” is defined by an exposure to multiple institutional logics over a lengthy period of time, strategies and activities undertaken on their basis, similarly to the presented author’s own research, emerge in the process and may lead to unpredicted results.

Summing up, it is worth emphasizing that the research was of qualitative nature and it does not give a basis for generalizations. Conducting studies in such a form is first and foremost justified by the fact that experience of enterprises functioning in the environment of EMs may not be satisfactorily explained in the management literature. Deepening of this knowledge requires continuation of studies of quantitative nature. The problem more and more often attracts the attention of researchers, especially due to the fact that complexity and dynamics of the environment increasingly concern also mature markets. From this point of view, EMs are becoming an attractive research laboratory, which facilitates the conceptualization of the issue of development of organizational forms and competences adjusted to the development of activities in the “ragged landscape”.

References

- Argyris, C. and Schön, D. (1978). *Organizational Learning: A Theory of Action Perspective*. Reading: Addison Wesley.
- Bateson, G. (1972). *Steps to an Ecology of Mind*. San Francisco, California: Chandler.
- Battilana, J. and Dorado, S. (2010). Building Sustainable Hybrid Organizations: The Case of Commercial Microfinance Organizations. *Academy of Management Journal*, 53(6), 1419–1440, <http://dx.doi.org/10.5465/AMJ.2010.57318391>.

- Brown, S.L. and Eisenhardt, K.M. (1997). The Art of Continuous Change: Linking Complexity Theory and Time-paced Evolution in Relentlessly Shifting Organizations. *Administrative Science Quarterly*, 42(1), 1–34.
- Burgelman, R. A. (2002). Strategy is Destiny: How Strategy-Making Shapes A Company's Future. New York: Free Press.
- Cantwell, J.A., Dunning, J.H. and Lundan, S.M. (2010). An Evolutionary Approach to Understanding International Business Activity: The Co-Evolution of MNEs and the Institutional Environment. *Journal of International Business Studies*, 41(4), 567–586, <http://dx.doi.org/10.1057/jibs.2009.95>.
- De Wit, B. and Meyer, R. (2007). *Synteza strategii*. Warszawa: Polskie Wydawnictwo Ekonomiczne.
- Doz, Y., Santos, J. and Williamson, P. (2001). *From Global to Metanational. How Companies Win in the Knowledge Economy*. Boston: Harvard Business School Press.
- Dul J., Hak, T., Goertz, G. and Voss, C. (2010). Necessary Condition Hypotheses in Operations Management. *International Journal of Operations and Production Management*, 30(11), 1170–1190, <http://dx.doi.org/10.1108/01443571011087378>.
- Dul, J. and Hak, T. (2008). *Case Study Methodology in Business Research*. Oxford: Butterworth-Heinemann.
- Dunning, J.H. and Lundan, S.M. (2008). *Multinational Enterprises and the Global Economy*. Cheltenham: Edward Elgar.
- Dziubińska, A. (2011). Kompetencje internacjonalizacyjne jako podstawa konkurencyjności przedsiębiorstw. *Przegląd Górniczy*, wrzesień.
- Eisenhardt, K.M. and Graebner, M.E. (2007). Theory building from cases: opportunities and challenges. *Academy of Management Journal*, 50(1), 25–32.
- Forsgren, M. (2008). *Theories of Multinational Firm. A Multidimensional Creature in the Global Economy*. Cheltenham, Northampton: Edward Elgar.
- Forsgren M., Holm U. and Johanson, J. (2005). *Managing the Embedded Multinational: A Business Network View*. Cheltenham, Northampton, Massachusetts: Edward Elgar.
- Fiol, M.C. and Lyles, M.A. (1985). Organizational Learning. *Academy of Management Review*, 10(4), 803–813, <http://dx.doi.org/10.5465/AMR.1985.4279103>.
- Ghoshal, S. and Nohria, N. (1997). *The Differentiated Network: Organizing Multinational Corporation for Value Creation*. San Francisco: Jossey-Bass Publishers.
- Hedberg, B. (1981). How Organizations Learn and Unlearn. In: P.C. Nystroma and W.H. Starbucka (eds.), *Handbook of Organizational Design* (pp. 3–27). New York: Oxford University Press.
- Helfat C.E., Finkelstein S., Mitchell W., Peteraf M., Singh H., Teece D.J. and Winter S.G. (2007). *Dynamic Capabilities: Understanding Strategic Change in Organizations*. Oxford: Blackwell.
- Hirschmann, O. (1970). *Exit, Voice, and Loyalty: Responses to Decline in Firms, Organizations, and States*. Cambridge: Harvard University Press.
- Huber, G. (1991). Organizational Learning: The Contributing Processes and the Literatures. *Organization Science*, 2(1), 88–115.
- Hymer, S. (1976). *The International Operations of National Firms: A Study of Direct Foreign Investment*. Cambridge: MIT Press.
- Jay, J. (2013). Navigating Paradox as a Mechanism of Change and Innovation in Hybrid Organizations. *Academy of Management Journal*, 56(1), 137–159, <http://dx.doi.org/10.5465/amj.2010.0772>.
- Jędralska, K. (2010). Kontekst niepewności w procesie zarządzania strategicznego. In: K. Jędralska (ed.), *Zarządzanie niepewnością* (pp. 9–30). Katowice: Wydawnictwo Akademii Ekonomicznej w Katowicach.
- Kaufmann, D., Kraay, A. and Mastruzzi, M. (2007). Governance Matters VI: Aggregate and Individual Governance Indicators 1996–2006. *The World Bank Policy Research Working Paper Series* 4280.

- Khanna, T. and Palepu, K.G. (2010). *Winning in Emerging Markets: A Road Map for Strategy and Execution*. Boston, Massachusetts: Harvard Press.
- Khanna, T. and Palepu, K.G. (2006). Emerging Gigants. Building World-Class Companies in Developing Countries. *Harvard Business Review*, Oct.
- Khanna, T. and Palepu, K.G. (1997). Why Focused Strategies May Be Wrong for Emerging Markets. *Harvard Business Review*, 75(4), 41–51.
- Kraatz, M.S. and Block, E.S. (2008). Organizational implications of institutional pluralism. In: R. Greenwood, C. Oliver, R. Suddaby and K. Sahlin-Andersson (eds.), *Handbook of organizational institutionalism* (pp. 243–275). London: SAGE.
- Leonard-Barton, D. (1992). Core Capabilities and Core Rigidities: A Paradox in Managing New Product Development. *Strategic Management Journal*, 13, 111–125.
- Levinthal, D.A. and March, J.G. (1993). The Myopia of Learning. *Strategic Management Journal*, 14, 95–112.
- Lewin, A.Y. and Volberda, H.W. (1999). Prolegomena on coevolution: A framework for research on strategy and new organizational forms. *Organization science*, 10(5), 519–534.
- March, J.G. (1991). Exploration and Exploitation in Organizational Learning. *Organization Science*, 2(1), 71–87.
- Mathews, J.A. (2006). Dragon Multinationals: New Players in 21st Century Globalization. *Asia Pacific Journal of Management*, 23(1), 5–27, <http://dx.doi.org/10.1007/s10490-006-6113-0>.
- Nelson, R.R. (1994). What Has Been the Matter with Neoclassical Growth Theory? In: G. Silverberga and L.L. Soetea (eds.), *The Economies of Growth and Technical Change: Technologies, Nations, Agents* (pp. 290–324). Cheltenham: Edward Elgar.
- North, D.C. (2005). *Understanding the Process of Economic Change*. Princeton: Princeton University Press.
- North, D.C. (1990). *Institutions, Institutional Change and Economic Performance*. Cambridge: Cambridge University Press.
- Oliver, C. (1991). Strategic Responses to Institutional Processes. *Academy of Management Review*, 16(1), 145–179, <http://dx.doi.org/10.5465/AMR.1991.4279002>.
- Pache, A.-C. and Santos, F. (2013). Inside the Hybrid Organization: Selective Coupling as a Response to Conflicting Institutional Logics. *Academy of Management Journal*, 56(4), <http://dx.doi.org/10.5465/amj.2011.0405>.
- Pache, A.-C. and Santos, F. (2010). When Worlds Collide: The Internal Dynamics Of Organizational Responses to Conflicting Institutional Demands. *Academy of Management Review*, 35(3), 455–476, <http://dx.doi.org/10.5465/AMR.2010.51142368>.
- Peng, M.W. and Luo, Y. (2000). Managerial Ties and Firm Performance in a Transition Economy: The Nature of a Micro-Macro Link. *Academy of Management Journal*, 43(3), 486–501, <http://dx.doi.org/10.2307/1556406>.
- Prahalad, C.K. and Hamel, G. (1990). The Core Competence of the Corporation. *Harvard Business Review*, 68(3), 79–91.
- Prahalad, C.K. and Lieberthal, K. (2003). The End of Corporate Imperialism. *Harvard Business Review*, 81(8), 109–117.
- Rokita, J. (2009). *Dynamika zarządzania organizacjami*. Katowice: Wydawnictwo Akademii Ekonomicznej w Katowicach.
- Rokita, J. (2005). *Zarządzanie strategiczne. Tworzenie i utrzymywanie przewagi konkurencyjnej*. Warszawa: Polskie Wydawnictwo Ekonomiczne.
- Simon, H.A. (1972). Theories of Bounded Rationality. In: C.B. McGuire and R. Radner (eds.), *Decision and Organization* (pp. 161–176). Amsterdam: North-Holland Publishing Company.
- Stacey, R.D. (1993). *Strategic Management and Organizational Dynamic*. Pitman: London.
- Scott, W.R. (2001). *Institutions and Organizations*. Thousand Oaks, California: Sage.

- Scott, W.R. and Meyer, J. (1991). The Organization of Societal Sector: Propositions and Early Evidence. In: P.J. DiMaggio and W. Powell (eds.), *The New Institutionalism in Organizational Analysis* (pp. 108–142). Chicago: University of Chicago Press.
- Strauss, A. and Corbin, J.M. (1998). *Basics of Qualitative Research: Techniques and Procedures for Developing Grounded Theory*. London: SAGE Publications.
- Volberda, H.W. and Lewin, A.Y. (2003). Co-Evolutionary Dynamics Within and Between Firms: From Evolution to Co-evolution. *Journal of Management Studies*, 40(8), 2111–2136, <http://dx.doi.org/10.1046/j.1467-6486.2003.00414.x>.
- Weick, K.E (1982). Management of Organizational Change Among Loosely Coupled Elements. In: P. Goodman (ed.), *Change in Organizations* (pp. 375–408). San Francisco: Jossey-Bass.
- Winter, S.G. (2003). Understanding dynamic capabilities. *Strategic Management Journal*, 24(10), 991–995.
- Winter, S.G. and Szulanski, G. (2001). Replication as strategy. *Organization Science*, 12(6), 730–743.
- Yin, R.K. (1981). The Case Study Crisis: Some Answers. *Administrative Science Quarterly*, 26(1), 58–65.
- Yip, G.S. (1996). *Strategia Globalna. Światowa przewaga konkurencyjna*. Warszawa: Polskie Wydawnictwo Ekonomiczne.
- Zollo, M. and Winter, S.G. (2002). Deliberate Learning and the Evolution of Dynamic Capabilities. *Organization Science*, 13.