

Ji-Won Song

# INSTITUTIONAL VARIETY

EXPLORING THE INTERPLAY BETWEEN CONTEXT AND AGENCY  
IN KOREAN AND JAPANESE BUSINESS SYSTEMS



## INSTITUTIONAL VARIETY

This dissertation explores institutional changes in which multiple agents may engage with the cases of Korean and Japanese business systems. With the question “who drives what change?”, this dissertation aims to bring dynamics into the comparative capitalism (CC) literature; it has been severely criticised for its static characteristics due to its emphasis of institutional complementarities and its lack of consideration of internal diversity and agent-led institutional change. Hence, this dissertation addresses such critics and contributes to the CC literature by analysing multiple agents (e.g. MNEs, state actors and entrepreneurial individuals) and their agencies across different levels in Korean and Japanese business systems.

This dissertation is comprised of four papers and an introductory chapter. The introductory chapter mainly covers the overall contribution. The first paper examines and tests the existing dominant bipolar model of Varieties of Capitalism. The findings suggest the reason why we need to turn our attention to the dynamics of institutional change. The second paper explores how MNE subsidiaries take strategic behaviour to adjust host country institutions, while implementing HRM practices. The findings indicate that MNE subsidiaries as agents could influence host institutions directly or indirectly. The third paper shows that multiple state actors as agents have engaged with online gaming industry’s development and that state actors’ agencies are not homogenous. The fourth paper covers the issue of regional diversity in national economies by analysing two entrepreneurial ecosystems and agents in the areas. Therefore, the dissertation with a focus on agents and agency could make important contributions to existing literature. First, it would allow us to advance the current discussion related to dynamism in CC literature. Secondly, it also could engage with international business (IB) literature in many respects. For example, the on-going discussions in the literature about institutional entrepreneurship and institutional distance.



Ji-WON SONG is a researcher and teacher at the Stockholm School of Economics. Ji-Won’s research interests lie in the areas of intersections between international business, comparative capitalism and organization studies. Ji-Won holds a MSc from London School of Economics and Political Science (LSE) and a BA from Korea University.

ISBN 978-91-7731-131-7

DOCTORAL DISSERTATION IN BUSINESS ADMINISTRATION  
STOCKHOLM SCHOOL OF ECONOMICS, SWEDEN 2019



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Exploring the Interplay Between  
Context and Agency in Korean  
and Japanese Business Systems

Ji-Won Song

## Akademisk avhandling

som för avläggande av ekonomie doktorsexamen  
vid Handelshögskolan i Stockholm  
framläggs för offentlig granskning  
måndagen den 3 juni 2019, kl 10.15,  
rum Ragnar, Handelshögskolan,  
Sveavägen 65, Stockholm



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Dissertation for the Degree of Doctor of Philosophy, Ph.D.,  
in Business Administration  
Stockholm School of Economics, 2019

Institutional variety: exploring the interplay between context and agency in  
Korean and Japanese business systems

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ISBN 978-91-7731-131-7 (printed)

ISBN 978-91-7731-132-4 (pdf)

*Front cover illustration:*

© photo\_jeongh/shutterstock.com

*Back cover photo:*

ARCTISTIC/Photo: Nicklas Gustafsson

*Printed by:*

BrandFactory, Gothenburg, 2019

*Keywords:*

Comparative Capitalism, Comparative Institutionalism, Context, Agency,  
Korea, Japan

*To God and my family*





# Foreword

This volume is the result of a research project carried out at the Department of Marketing and Strategy at the Stockholm School of Economics (SSE).

This volume is submitted as a doctoral thesis at SSE. In keeping with the policies of SSE, the author has been entirely free to conduct and present his research in the manner of his choosing as an expression of his own ideas.

SSE is grateful for the financial support provided by Johan & Jakob Söderberg's foundation, which has made it possible to carry out the project.

*Göran Lindqvist*

Director of Research  
Stockholm School of Economics

*Hans Kjellberg*

Professor and Head of the  
Department of Marketing and Strategy



# Acknowledgements

This page is dedicated to the persons who have been on this journey with me and who have supported me along the way.

First, my deepest gratitude goes to Örjan Sjöberg, who as my main supervisor, provided tireless help along the way with thoughtful and detailed feedback, always encouraging me to do better, and having confidence in my abilities. Beyond being a supervisor, he has also been a friend and a kind of academic father whose door was always open whenever I needed encouragement, advice. I will always remember his tremendous supports and efforts for my PhD work. I aspire to be a scholar like him. Second, but not less important, very warm thanks also to Marie Söderberg who led me Stockholm School of Economics and EIJIS and provided invaluable supports during my PhD journey. From the first meeting in Norrtälje to now, she continuously has supported and encouraged me to finish this dissertation. Special thanks goes to Daniel Tolstoy and Cornelia Storz who, as my second supervisors, for commenting on my drafts, many stimulating discussions, and helping develop my embryonic ideas into the papers in this dissertation. Also thanks to Patrik Ström and Richard Nakamura for providing helpful comments at my proposal seminar and mock defence.

I am grateful to Gil-Sung Park. Without his early encouragement and support during my undergraduate years in Korea University, I may never have started this academic journey. I also would like to thank Kiu-Sik Bae at Korea Labour Institute for supporting and encouraging me in many respects. This PhD journey began from my pure curiosity while reading literature of Varieties of Capitalism (you will see it many times in this dissertation) during my

MSc studies. I was deeply into the literature for the first time thanks to Timo Fleckenstein and other faculty members at London School of Economics and Political Science. The initial taste of the world of academia they provided opened my mind and totally changed my career path and my life. I really appreciate it.

I would like to express my gratitude to my colleagues at the EIJS and the Department of Marketing and Strategy at SSE for the support that I have received over the years. I owe especially big and heartfelt thanks to former and current EIJS colleagues, Enrico Fontana, Ivar Padrón Hernández, Peter Popovics, Min Tian, Ulv Hanssen, Yoshihiro Sato, and Nanhee Lee for you have done for me throughout the years. Enrico as my motivation booster and insightful colleague, thank you for always being on my side and your presence and friendship have made this journey so much more enjoyable. Ivar as a good friend and respected colleague, thank you for being my writing boot camp partner and helping me move this dissertation forward. Indeed we also shared numberless great memories including the ‘Shinkansen experience’ and ‘Günters trip’ besides the PhD work. Our journey has just begun and I am sure our friendship will continue. Thanks Peter for always providing positive energy in the corridor. Min for hearing my worries during PhD period. Yoshi for providing suggestions and interesting ideas. Ulv for leading me a new world of research area, North Korea and being my NBA chat partner during his stay. I am also grateful to Nanhee for her encouragement and support. Thanks to her, I could enjoy my PhD life without facing big problems. Also thanks to my cohort members at SSE and SUBS 2014-2015 people.

While working on this dissertation, I luckily have met people who willingly help my work as interviewees and informants. Without their time and detailed information, this dissertation would not have come to fruition. I also should thank colleagues who I have met across the world (e.g. conferences, workshops). This dissertation is indebted to the stimulating discussions and their helpful suggestions.

Outside academia, I also thank my friends, EunShik, Pilsoo, Kijun, Minwoo, Jooyeon and Jungsoo in Korea. They do not know much about my research (it is a shame), but they have truly believed in me and supported me in many ways. My sincere thanks also goes to Stockholm Korean church people including Pastor Daniel Joo and youth group. During my PhD journey, their supports and prayers always encouraged me.

I would like to express my gratitude to my beloved family and in-laws: my father, mother, grandmother, younger sister and my father-in-law and brother-in-law for supporting me throughout writing this dissertation and my life in general. I do know my parents, Hyung-kyu and Hae-kyung and grandmother, Yoon-eop have prayed for this day all the time. I really appreciate their constant support and encouragement. 부모님, 할머니 감사합니다.

Last, but most importantly, my deepest gratitude goes to the love of my life, my wife Yoonhoi, for her unconditional emotional support during this journey, for enduring my sleepless nights and odd working hours, sharing the joys and the worries. Despite a bumpy road we have had including the loss of your mother this year, you always have stayed strong and that helped me a lot. I am the one who started this journey, but I think we complete it together. Thank you!

*Stockholm, April 10, 2019*

*Ji-Won Song*



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# Chapter 1

## Introduction

Why should one take an interest in, let alone consider using, a framework that has been criticised for being static, deterministic, dichotomous, one-sided, too heavily influenced by rational choice reasoning for its own good, and beyond its prime anyway? Is it because, no matter how worn out or tired it may seem, it has become one of the most commonly used comparative frameworks in the social sciences during the course of its existence?

The fact that something has many followers or is referred to frequently does not, of course, turn it into a source of truth or explanatory power, or legitimise its use. Fashions and fads are not unknown in the social sciences; on the contrary, many a promising and widely adopted idea has proven to be a dead end. Even so, this dissertation, while critical of the Varieties of Capitalism (VoC) approach of Hall and Soskice (2001) to the comparative study of modern societies, also suggests that it serves as a useful starting point in our attempts to understand the commonalities and peculiarities of individual economies. In brief, the author believes that the VoC approach is still useful for providing an arena for different disciplines to cross-fertilise each other.

It does not mean that the VoC approach, as part of the wider Comparative Capitalism (CC) literature, is a panacea to understand current national economies. Instead, this dissertation argues that the recent VoC approach, which Bruff et al. (2015) called ‘post-VoC’, needs to distance itself from the original VoC (Hall & Soskice, 2001). Thus, we may advance by tackling existing problems head on and by paying more attention to recent theoretical

and methodological developments originating in the VoC camp or in other disciplines such as economic geography and sociology.

To contribute to the debate on the post-VoC approach and to address the weaknesses of the long dominant version of VoC and the wider CC research, this dissertation particularly sheds light on institutional changes in which multiple agents may engage. Due to the recent developments with respect to institutions in the VoC field, we have now embraced a broader definition of institutions as resources and opportunities for agents, and an understanding of the role of institutions in business systems that goes beyond narrow equilibria-centred considerations (Campbell, 2004; Deeg & Jackson, 2007; Jackson & Deeg, 2008a). The more recent conceptualisation of institutions as resources allows us to consider agents and agency in a more detailed fashion. In other words, we now have access to deeper insights relevant to the question *who drives what change*. Hence, the first and most important intended contribution of this dissertation is to build on recent advances bringing about a greater sense of dynamics to the initially highly static VoC approach. This dissertation does so by looking more closely into the role and behaviour of agents. Considering agents and their behaviours in the CC field requires us to revisit the embedded agency debate (Friedland & Alford, 1991; Holm, 1995; Seo & Creed, 2002; Garud, Hardy & Maguire, 2007) and institutional entrepreneurship literature (DiMaggio, 1988; Maguire, Hardy & Lawrence, 2004; Battilana, Leca & Boxenbaum, 2009). While the institutional entrepreneurship literature has tended to focus mainly on firms' behaviour, this dissertation argues that we need to think in terms of a more differentiated set of agents, not limiting ourselves to the firm or other broad but essentially homogenous or monolithic classes of agents (such as the state). Being more interested in agent-led institutional change in business systems aligns this work with other strands of VoC literature, such as the internal diversity within national models (Crouch, Schröder & Voelzkow, 2009; Lane & Wood, 2009).

With the heightened applicability of the VoC approach, we could also consider other disciplines; for example, the international business (IB) field. The IB literature has essentially been interested in comparing home–host countries via institutional analysis, but the CC literature — and then primarily in its VoC guise — has only just begun to attract the attention of IB scholars

with view to understanding institutions and the national-level context (Jackson & Deeg, 2008a; Saka-Helmhout & Geppert, 2011; Ahmadjian, 2016; Saka-Helmhout, Deeg & Greenwood, 2016). In a similar vein, I firmly believe that the VoC or the new direction of VoC to which this dissertation belongs could help the IB field to arrive at a more nuanced understanding of national business systems.

By conducting an in-depth analysis of Korean and Japanese business systems that have recently experienced institutional change (as a result of the Asian financial crisis and the bubble shock, respectively), this dissertation avails itself of the insights that the two important and partly similar, partly extremely dissimilar, cases under pressure affords. Thus, it not only shows that the limiting conceptualisations upon which the VoC approach rests need to be modified, but also how this can potentially be achieved. Furthermore, building on previous efforts to bring more dynamism into the CC literature in general and to VoC in particular, it is also an attempt to contribute to a better understanding of business systems that transcend the somewhat limited set of mature industrialised economies that has tended to dominate the literature. It would definitely be beyond the capacity of a PhD dissertation to make more than a minor dent in the agenda that the VoC, old or new, let alone the wider CC literature, sets itself. However, this realisation is no excuse for not attempting to improve on the status quo. It is hoped that this dissertation will contribute to the debate about the VoC moving forward.

## 1.1. Research problem

The CC paradigm has attracted wide attention over the last two decades. With regard to economic globalisation and its impact on capitalism, the debate regarding whether globalisation is leading to convergence in a single model of capitalism continues to this day. While neoclassical economics has long focused on liberalisation and globalisation as a global standard, leading to convergence in a liberal market model, the literature on institutional economics and economic sociology has rejected the convergence towards one capitalist model (a liberal type of economy) as a myth (Rhodes & Higgott,

2000), and has insisted on the continued diversity of capitalist economies (Albert, 1993; Berger & Dore, 1996).

In recent years, new literature regarding the CC studying different institutions across economies to build national VoC has emerged (Crouch & Streeck, 1997; Whitley, 1999; Hall & Soskice, 2001; Amable, 2003). In this literature, scholars discuss institutions' roles in building a diversity of capitalism models and the different institutional settings that influence the economic outcomes of various countries. In particular, the major contenders in the CC literature rely on a firm-centric approach (such as. VoC, the governance approach or national business systems). Among them, the VoC approach associated with Hall and Soskice (2001) is the most influential and has become dominant in the field (Howell, 2003; Hancké, 2009). Although we should not forget the many predecessors, it is really since Hall and Soskice (2001) opened the discussion that the approach has reached the point at which it is considered to be the "most elaborative formulation in the mainstream varieties literature" (Peck & Theodore, 2007, p. 748). Accordingly, it has generated a substantial amount of comparative institutional research.

Nonetheless, the CC literature has encountered a substantial amount of criticism, which also feeds into its potential use in business studies in general and the IB literature in particular. It can thus be argued that, if the criticism is not taken seriously, CC will be less effective as a framework of analysis than it would be otherwise. The purpose of this research is to address this issue and to examine the CC literature from the different angle that a modified version of it — one that takes the criticism seriously — would afford. Furthermore, by including East Asian business systems and particularly the two emblematic business systems of Korea and Japan, this research can fill the gap in the CC literature resulting from the fact that — with one notable exception (that of Whitley, 1992) — it was not designed to account for the multitude of institutional structures outside of the Anglo-Saxon countries and Western Europe (Whitley, 2007; Redding & Witt, 2010; Storz, Amable, Casper & Lechevalier, 2013; Fainshmidt, Judge, Aguilera & Smith, 2018). Not only are CC perspectives not often adjusted to consider economies beyond the core OECD members, as Feldmann (2019, p. 164) noted recently, the very "analysis of these countries from a comparative institutionalist perspective is surprisingly limited."

Such criticism, while apt, must not be taken to imply that the CC literature is of little or no use. On the contrary, due to its insistence on engaging in a priori reasoning and its focus on particular analytical concepts, the CC literature avoids arbitrariness and ad hoc theorising. Specifically, its systematic attention to the existence of institutional complementarities in business systems and firms' particular ways of coordination makes it an attractive entry point to the comparative study of present-day economies. In the VoC, the most influential of the CC frameworks to date, Hall and Soskice (2001) used these two analytical categories to delineate two types of economies clearly, which are the liberal market economies (LME) and the coordinated market economies (CME). Beyond appealing to calls for parsimony, this binary classification has also proven to be a most attractive starting point for further efforts in classification, starting with Hall and Soskice (2001, pp. 21–22) taking note of more ambiguous cases in the form of a number of Mediterranean economies. This subsequently evolved into a discussion of mixed-market economies (Hall & Gingerich, 2009; Hall & Thelen, 2009; Molina & Rhodes, 2007). It has also spawned a considerable amount of further research drawing on these strengths, and empirical studies such as Schneider and Paunescu's (2012) work identifying middling or hybrid forms, suggesting additional types beyond those supported by the core OECD economies. These include dependent market economies in which multinational enterprises (MNEs) play a significant role (Nölke & Vliegenthart, 2009), and hierarchical and networked market economies that build primarily on Latin American experiences (e.g., Schneider & Soskice, 2009).

Although more sensitive to empirical realities than is often acknowledged, the VoC framework, and to some extent the wider CC literature, has also been criticised for a lack of consideration of institutional change and dynamics (Deeg & Jackson, 2007). Precisely because of the rigid concept of institutional complementarity and the emphasis on exogenous dramatic institutional change, VoC has been criticised for downplaying endogenous and incremental institutional changes. In a similar vein, Streeck and Thelen (2005, p. 5) pointed out that, “while providing a compelling account of observed institutional resiliency, the theory is much less suited to understanding contemporary changes.” Acknowledging this criticism, this dissertation focuses

on the issues of agents and agency in the business system and argues that there is a need to consider agent-led institutional change.

In order to accomplish this, this research will confront the weaknesses in the CC literature by including a more diverse set of agents in business systems. Thus far, because of its analytical focus on institutional complementarities and the path dependence that results, the CC literature has paid less attention to agency than is warranted. To the extent that agents and their agency have been given their due, this has taken the form of privileging one particular class of agents, that of domestic private sector firms. While the VoC approach sees private firms as major actors in business systems, most works have shown very limited interest in other stakeholders. In this regard, this dissertation adds multiple agents to the CC literature by analysing the behaviour of MNEs, government (local and central) and entrepreneurial start-ups in Korean and Japanese business systems. As Storz et al. (2013) point out, with lack of care about agents in business systems, we only have limited knowledge about how agents interact with the institutional environment, and how they act at different levels (such as regional and national levels, domestic vs foreign firms or small vs large firms).

Such a focus also provides an opening for the second major problem that this dissertation attempts to address: the limited discussion in the CC literature of internal diversity in national economies and its national-centric analysis. Allen (2004, p. 89) argued that national economy typologies in the CC literature suffered from serious shortcomings since they assume “that national institutions are uniformly present across sectors and firms”, a sentiment also voiced elsewhere (see Crouch et al., 2009). This dissertation shares this point and argues that we need to take subnational institutional differences into account. Furthermore, this study is inspired by the ‘variegated capitalism’ approach as first advanced by Peck and Theodore (2007). This entails a multi-scalar (global, regional, sectoral level) rather than a single scale (national-level) form of analysis. Scholars such as Crouch et al. (2009) and Rafiqui (2010) have subsequently attempted to reconcile these two different approaches with a view to addressing the CC’s inherent weaknesses (on which more below in Section 2.2), particularly that of emphasising institutions at the national level alone. It should be noted, however, that considering diversity does not necessarily entail contradicting the CC approach.

Instead, adopting the framework of variegated capitalism leads the analyst to consider the idea of a national system as being less monolithic, and we can also move towards a more dynamic theory in the CC literature. In addition to methodological nationalism, the lack of a dynamic perspective is indeed one of the major problems in the CC approaches.

By bringing some underemphasised aspects of the CC literature to the fore and adding some new perspectives to the literature, this research attempts to enrich the knowledge about how institutions affect MNEs' activities. MNEs generally face a complex national institutional environment, but IB studies typically consider institutions as single and variable types of entities that may allow for institutional arbitrage, not as complementary configurations that provide a comparative institutional advantage. In other words, within IB studies that adopt a neo-institutionalist approach, the interactions among institutions are often neglected. This complicates the issue of institutional entrepreneurship, which has entered the IB literature thanks to the notion of the advantages of foreignness (Edman, 2009; Regnér & Edman, 2014).

In addition, this research employs the CC perspective to shed new light on the complex relationships among national institutions and firms' behaviour in Korea and Japan. Given the contrasting status they are given within the CC literature, comparing these two economies is meaningful in its own right. As they show not only many comparable points, but also points of divergence, this can be used to classify these two economies more appropriately; moreover, such a comparison may also serve to highlight the commonalities and differences faced by domestic and foreign firms alike. During the 1960s and 1970s, the Korean system was built around the large family firm, the chaebol, an organisational form similar to the Japanese zaibatsu. Although the Korean business model was Japanese-inspired, there were also considerable differences from the post-war Japanese model. Korean chaebols succeeded due to the support of its authoritarian government rather than due to strong inter-firm relationships, as in the case of the Japanese keiretsu (Yeung, 2000; Kang, 2014). Gerlach (1992) also showed that much of the keiretsu's dynamics derived from their internal relationships rather than from state support. They also display different decision-making struc-



tures: Japanese firms have engaged in consensual decision making, while Korean firms are more prone to impose decisions in a top-down fashion (Whitley, 1992).

Despite these interesting common points and divergences, we know very little about the current position of Korean and Japanese business systems within the CC literature to date. Recently, scholars such as Witt and Redding (2014) have taken an interest in East Asian capitalism and have provided an overview of the institutional structure of the business systems in East Asia. Nonetheless, full-blown comparative studies of Korean and Japanese business systems using institutional analysis are yet to see the light of day. We can thus expect that partial comparisons also have potential for new research findings.

## 1.2. Research purpose and research questions

This dissertation has one primary purpose. It aims to refine the CC literature with a greater sense of agency. It helps to address major weaknesses in the CC literature while maintaining the strengths of the literature. By considering agent-led institutional change, this dissertation aspires to expand the scope of the literature and make it usable for other disciplines. Indeed, the CC literature has been a bridge between disciplines and has displayed its strengths to compare national economies thus far, but a refined version of the literature with a focus on agents and agency would help us to achieve a number of contributions. Firstly, it would allow us to advance the current discussion related to dynamism in the CC literature by including a new way of categorising national economies. Secondly, it also could engage with IB literature in many respects; for example, the on-going discussions in the literature about institutional entrepreneurship and institutional distance.

Since the original VoC approach (Hall & Soskice, 2001) appeared, numerous criticisms have followed (Crouch, 2005a; Kang, 2006; Korpi, 2006; Streeck, 2011). The implication here is that, with the accumulation of two decades' worth of engaged assessments, the criticism of the VoC framework and of the CC literature more generally is nothing new. Thus, to make some form of headway, it is not sufficient to simply repeat what has already (and

frequently) been said. Instead, constructive additions or modifications are required. Acknowledging this need, and in line with the sympathetic critics of the CC literature, this dissertation aspires to expand the scope of the literature by adding new angles to it.

Agents in the CC literature have typically led a shadowy existence. For example, the VoC literature has focused mainly on private firms, not on other stakeholders. As agents, however, the range of actions of firms has been very limited indeed. In part, this stems from a view of institutions that is often very narrow in the early CC literature, which sees institutions as constraints. It is only in the past decade or so that this has begun to change, with the constraints of North's (1990) neo-institutionalism being replaced by a view of institutions as resources or enablers (Campbell, 2004; Deeg & Jackson, 2007; Jackson & Deeg, 2008a). This view has been further stifled by the insistence of the VoC approach to view institutions as equilibria upon which firms as rational and omniscient agents coordinate. The result has been a highly deterministic approach with little scope for endogenously driven change. Nonetheless, critics, including sympathetic critics, of the VoC approach have opened new avenues to include other agents and agency. Thus, it is important to note that the CC literature including the VoC approach has recently embraced the view of institutions as resources (Deeg & Jackson, 2007), while deviating from the view of institutions as constraints. Due to this changing view, this dissertation covers different agents such as MNEs, governments and new start-ups, some of which embark on strategies that have the capacity to influence or indeed change (parts of) the institutional environment. Furthermore, focusing on agents in business systems will also induce us to consider a multi-level analysis. Since actors in business systems can 'travel' across the levels from the international to the local, investigating agents at different levels may also broaden the CC literature's widely noted methodological nationalism (e.g. Peck & Theodore, 2007; Callaghan, 2010; Jessop, 2011).

Considering agent-led institutional change would make the CC literature more relevant to the IB field. In the IB field, the research stream that is based on institutions has recently become particularly interested in the comparative

institutional analysis (CIA)<sup>1</sup> and agency in institutional environments (Jackson & Deeg, 2008a; Saka-Helmhout & Geppert, 2011; Ahmadjian, 2016). As the CC literature and its CIA perspective could provide a better picture of context than could other institutional analyses (e.g. Kang, 2014), we may expect more work in this stream to emerge. Recent calls for papers and special issues of several leading journals in the fields of management and IB (e.g., *Journal of Management Studies* 53:1, “The MNE as a Challenge to institutional theory: key concepts, recent developments and empirical evidence”; *International Journal of Human Resource Management* 28:18, “Global trends and crises, Comparative Capitalism and HRM”) show the increasing attention being paid to this topic.

All the papers in this dissertation are in line with this approach, but in different ways. While considering agents and agency as important, in an effort to situate the following papers, the first one adds a number of observations to prior quantitative work in an attempt to verify the typology pioneered by Hall and Soskice (2001). The second paper directly sheds lights on the MNEs’ agency in host countries, while the third and fourth papers provide a set of implications for the literature on CC and IB. They do so by adding a greater sense of industrial specificity and internal diversity. Thus, the overarching questions in this dissertation will be:

1. What actors play what roles in business systems?
2. How do actors and institutions interact with each other in business systems? To be more specific, how do institutions constrain or influence actors’ behaviour, and how do actors as institutional entrepreneurs influence or change the institutional environment?
3. Why do actors and institutions interact in a certain way?
4. Can knowledge of agent-led change help to advance other aspects of the literature on CC?

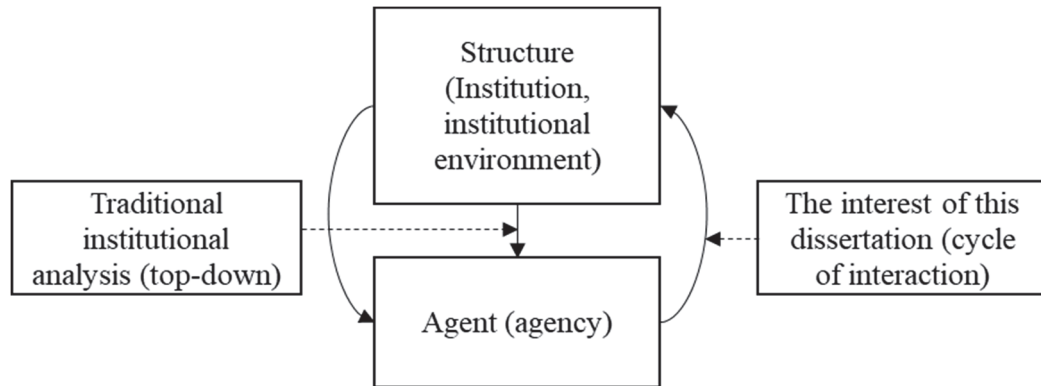
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<sup>1</sup> A comparative institutional analysis or comparative institutionalism’s theoretical foundation can be traced via the work in historical institutionalism (e.g., Hall, 1986; Pierson, 1994; Thelen, 1999). However, more recent conceptualisations of the comparative institutional analysis include the perspectives of organisation studies, sociology and political economy that are concerned with the different firms’ behaviours across the national economies (Hotho & Saka-Helmhout, 2017).

With the overarching questions, each paper has specific questions for its own purposes.

While I discuss several problems in the current CC literature, this does not mean that the CC literature needs to be fully revised, let alone abandoned. Instead, the dissertation points out that we need to retain the CC literature's advantages since the CC literature per se has provided an analytical model that allows us to conduct research. As emerging economies are brought into the mainstream, the CC literature would help to understand these economies with their own analytical strengths. However, I also believe that the CC literature could benefit from embracing new perspectives and revisions. By doing so, this dissertation addresses the major criticism of the CC literature, which is the 'lack of dynamics'. The overarching contribution of this dissertation will be relevant for the literature on CC and IB. For the CC literature, allowing systematically for a multi-scalar analysis adds to the sense of agency and internal diversity. For the IB literature, refining the CC literature by adding details about agency across different levels also adds new dimensions to the currently dominant features of institutional analysis, such as institutional distance and institutional entrepreneurship. More specifically, I believe the use of CC literature and the CIA perspective in this dissertation could contribute to a growing body of IB literature that recognises the subnational scale (Almond, 2011; Chan, Makino & Isobe, 2010; Dekocker, 2015) and the proactive designs of MNEs and other actors intent on making the most of or even changing the rules of the game (Saka-Helmhout & Geppert, 2011; Ahmadjian, 2016; Becker-Ritterspach, Lange & Becker-Ritterspach, 2017; Wright, Wailes, Bamber & Lansbury, 2017).

Figure 1. The focus of this dissertation



Source: adapted from Giddens (1984), but modified with the author's illustration

### 1.3. Outline of the Kappa

This introduction to the dissertation or *kappa* (literally ‘coat’) as it is colloquially known in Swedish, has three main sections. The first includes a literature review and the analytical framework that supports the core of this dissertation. In the first section, I mainly cover the VoC literature within the wider scope of CC, including its strengths and weaknesses. This is followed by the analytical approach. This includes how I address the weaknesses of the literature and advance the discussion by linking it to other literature. The second part is an overview that emphasises the methodological perspective adopted. This includes the research design, the methods, and the data collection processes for the individual papers. The third section of this *kappa* is a brief summary of the individual papers and a discussion of how they fit together as part of the dissertation. Returning to the four overarching research questions, the account ends with a discussion of the main contribution of the dissertation.

# Chapter 2

## Literature review

## 2.1. VoC in CC literature: a brief overview

This section provides a brief overview of the CC literature, particularly of the VoC approach, including its core arguments and concepts. A large and diverse amount of literature has documented the manifold variations of capitalism. Theoretical traditions within the CC field, including (1) the VoC framework (Hall & Soskice, 2001), (2) the social systems of production or governance approach (Crouch & Streeck, 1997; Hollingsworth & Boyer, 1997; Amable, 2003) and (3) the national business systems approach (Whitley, 1992, 1999, 2007) have developed a rich understanding of how institutions and actors interact and how the overall institutional set-ups function differently. The VoC literature, which takes a firm-centric approach, explores complementarities across five core institutional domains, resulting in a number of stylised typologies of national economies as internally consistent ‘models’ (Hall & Soskice, 2001). The social systems of production literature compare nations in terms of a wider typology of governance mechanisms (Hollingsworth & Boyer, 1997). Finally, the national business systems approach links coordination and governance with a closer focus on the internal organisation and capacities of business firms (Whitley, 1999).<sup>2</sup>

The various strands of the CC literature share several characteristics. Firstly, national economies are formed by institutional domains that engender distinct logics of economic action. In particular, the CC literature starts from the idea that different forms of capitalism institutionalise specific rules of the game that shape the strategies, structures and competitiveness of firms. Secondly, the CC literature argues that institutional complementarities among institutional domains may lead to comparative institutional advantages as a source of the economic outcomes of national economies. Thirdly, the CC literature emphasises path dependence that makes firms continue certain prevalent behaviour. Given the institutional interdependence, national models will follow in a path-dependent manner.

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<sup>2</sup> For the purpose of this introduction, the discussion omits a number of potentially relevant developments, including the efforts by Schröder (2013) to merge the VoC literature with that of the worlds of welfare associated primarily with Esping-Andersen (1990).

While each approach within the CC literature has its strengths, the VoC approach, as the most popular one, has gained much attention and its fair share of criticism (e.g., Howell, 2003; Kang, 2006). The VoC framework is best known because Hall and Soskice (2001) not only made a synthesis of the scattered, existing arguments in the CC literature, but also built a simple typology by testing different institutions empirically. In the process, as noted by Schmidt (2016, p. 610) they also simplified the typologies that had developed over the previous two decades or so of research into neo-corporatist societies.

Table 1. CC: Major analytical frameworks

	<i>Institutional domains</i>	<i>Country categorisation</i>	<i>Notes</i>
VoC (Hall & Soskice, 2001)	Financial systems, industrial relations, skills, inter-firm relations	Liberal vs. coordinated	Rooted in institutional economics (North, 1990; Aoki, 2001)
Social systems of production and governance systems (Amable, 2003; Boyer, 2005)	Product market competition, the wage-labour nexus or labour market institutions, finance and corporate governance, social protection/welfare state, and the education/training system	Five country clusters: market-based, social democratic, continental European, Mediterranean, and Asian	Uses inductive clustering of types
National business systems (Whitley, 1999)	States, financial systems, skills, trust/authority	Six ideal types: fragmented, coordinated, industrial district, compartmentalised, state-organised, and highly coordinated	Compares eight dimensions of coordination related to horizontal vs. vertical organisation, control through ownership vs. non-ownership, and employer-employee dependence

Source: Derived from Jackson & Deeg (2006)



The basic assumption of these works is that different economic systems are characterised by institutional complementarities, leading to a stability of paths. The idea of institutional complementarities is borrowed from institutional economics (North, 1990). Hall and Soskice (2001, p. 18) explained that complementarity is a theory of institutional change and “nations with a particular type of coordination in one sphere of the economy should tend to develop complementarity practices in other spheres as well” to reach equilibrium with the maximum gains from the particular set of institutions in place. One more important argument is how types of nations can be compared based on the ways in which firms solve coordination problems within institutional spheres. This ‘system coordination’ emerges from opportunities, advantages and resources located in an institutional environment. In this regard, Hall and Soskice (2001) discussed how firms tended to gravitate towards strategies and practices that take advantage of institutional opportunities. The concepts of system coordination and institutional complementarity have been particularly meaningful, as they establish strong links between institutional subsystems that lead to a coherent model of national capitalism.

Hall and Soskice (2001) considered institutions in the fields of finance, corporate governance, industrial relations and training systems as having complementarities, which lead to institutional paths characterised by a high degree of stability. For actors, firms are embedded in these institutions, and the stability results in relatively consistent behavioural patterns and strategies. This is relevant because it helps to explain different and stable patterns of specialisation across national economies and hence variation in the advantages issuing from institutions (Boyer, 2005). On this basis, as noted by Hall and Soskice (2001), two types of capitalism can be distinguished: LMEs such as the USA and the UK, and CMEs such as Germany, Sweden and Japan. LMEs contain the following characteristics across key institutional domains: short-term oriented company finance, deregulated labour markets, general education and strong inter-company competition. CMEs share long-term industrial finance, cooperative industrial relations, high levels of vocational training and cooperation in technology and standards across companies (Hall & Soskice, 2001). These distinctions in the VoC perspective are summarised in Table 2 below.

Table 2. Descriptions of the VoC perspective

	<i>CMEs</i>	<i>LMEs</i>
Corpo- rate gov- ernance	<ul style="list-style-type: none"> <li>· Reluctance to finance higher risk ventures and technologies</li> <li>· Concentrated shareholder arrangements with banks playing a monitoring role</li> <li>· Insider control</li> <li>· Hostile takeovers difficult</li> </ul>	<ul style="list-style-type: none"> <li>· Higher risk capital markets</li> <li>· Dispersed shareholder arrangements</li> <li>· Hostile takeovers permitted</li> </ul>
Industrial relations	<ul style="list-style-type: none"> <li>· Coordinated wage-setting</li> <li>· Employer associations and trade unions play major roles in collective agreements</li> </ul>	<ul style="list-style-type: none"> <li>· Company-based, uncoordinated wage bargaining</li> <li>· Limited workplace roles for unions</li> </ul>
Voca- tional training and edu- cation	<ul style="list-style-type: none"> <li>· Strong systems of vocational education and training</li> <li>· Limited higher education</li> <li>· Industry-specific skills</li> </ul>	<ul style="list-style-type: none"> <li>· Weak systems of vocational training</li> <li>· Strong higher education</li> <li>· Generic skills</li> </ul>
Inter-firm relations	<ul style="list-style-type: none"> <li>· Consensus-based standard setting</li> <li>· Close relations between business associations and research institutions in technology development</li> <li>· Mitigation of competition in domestic markets; open competition in export markets</li> <li>· Business associations regulate relational contracting</li> </ul>	<ul style="list-style-type: none"> <li>· Market-based standard setting</li> <li>· Underdeveloped institutional framework for technology diffusion</li> <li>· Weakly regulated relational contracting</li> </ul>
Employee	<ul style="list-style-type: none"> <li>· Consensus-based decision making</li> <li>· Network monitoring</li> </ul>	<ul style="list-style-type: none"> <li>· Market-based relationship</li> </ul>
Countries	Germany, Japan, Austria, Sweden, Denmark, South Korea	United States, United Kingdom, Canada, Australia

Source: Adapted from Hall and Soskice (2001, pp. 21–33)

The proponents of the VoC approach argue that the presence of distinctive institutional subsystems in CMEs and LMEs creates a “comparative institutional advantage” (Hall & Soskice 2001, p. 32) in the global economy. For example, CMEs have a comparative institutional advantage in sectors in which incremental improvements shape competitive dynamics. Their cooperative environments create incentives among all stakeholders to improve the competitive position of the system to which they are committed. On the other hand, in LMEs, firms have access to speculative finance and incentives to take risks and rely on employees with generic skills. As a result, these economies are capable of the rapid reallocation of resources and are thus highly competitive in sectors driven by radical innovation.

Hence, the VoC assumes that because isomorphic forces will homogenise the population of firms, these firms will reduce their capacity to pursue alternative, successful strategies. For example, firms in CMEs would have a tendency to prefer long-term investments, while LME firms would aim for short-term profits. In terms of innovation, LME firms would tend to accomplish radical changes, entailing substantial shifts in production lines, while CME firms would maintain long-term competitiveness through more incremental improvements. To understand the difference in more specific terms, Ahmadjian (2016) proposed the contrasting examples of the Japanese automotive industry and Silicon Valley. In Japan, a bank-centred financial system allows long-term relationships with employees and suppliers, supporting firms to set long-term goals and to give priority to employees over shareholders when allocating returns. However, in Silicon Valley, market-based coordination aligns the interests of the entrepreneurs with those of the shareholders. Flexibility and responsiveness to markets are more favoured than are long-term relationships. This system is supported by low rates of unionisation and employment protection laws that favour employers.

Since the VoC literature’s main interest is located in the discussion of how institutions and their complementarities shape firms’ behaviour and how institutions and firms interact, the view of institutions should be clear and concrete in order to decrease the controversy regarding this issue. Based on soft rational choice institutionalism, the original VoC framework (Hall & Soskice, 2001) focuses on the economic functions and coherence of institutions regarding coordination, rather than focusing on agency and the finer

details of interactions between actors and structures. The VoC approach's assumption is thus that a firm's strategy follows institutional structure. However, it draws closely on the new institutional economics that conventionally assume that firms create structures that are efficient for them (Allen, 2004). This approach, then, follows North's (1990) viewpoint that uses institutions as 'the rules of the game', a set of which provides an institutional environment within which economic activities unfold.

While the framework of Hall and Soskice (2001) sees 'institutions as equilibria', a perspective that emphasises institutional stability, it encountered criticism at an early stage due to its static view of institutions (Yamamura & Streeck, 2003; Jackson & Deeg, 2006; Hancké, Rhodes & Thatcher, 2007). To address this issue, by taking a less deterministic view of institutions, Hall and Thelen (2009) suggested that institutions are best seen as resources rather than as a matrix of incentives and constraints on action. In other words, following in the footsteps of Campbell (2004) and others, they see institutions as resources available for firms to broaden and strengthen the bases of their competitive advantage. In a similar vein, developments in the VoC field have acknowledged the incompleteness and partial incoherence of national institutions (Deeg & Jackson, 2007; Jackson & Deeg, 2008a; Crouch et al., 2009; Lane & Wood, 2009).

In summary, there are strengths of the VoC literature in comparing different national economies by linking the micro-behaviour of firms to the macro-outcomes of economies. However, given the innate analytical limitations, the literature has been criticised for its static perspective and its implicit bias towards a rigid concept of path dependence. The next section takes a closer look at the criticisms of the VoC literature.

## 2.2. Weaknesses of VoC

The VoC framework is simple and easily usable in various types of analyses. Accordingly, it has received a positive response across the social sciences. However, it has also attracted much negative m over the years. The purpose of this section is to introduce and review representative criticisms of VoC frameworks, namely the issue of the lack of diversity, its static feature due to path dependence, large firms as a focal point of the analysis, single-level analysis (of the national level rather than sectoral and regional levels) and so on. My discussion begins with the assumption that the general approach is worthwhile; hence, the following will not address the criticisms directed at the notion of CC as such. This includes the full range from Streeck (2012, 2016), who suggested that the focus should be on the weaknesses of the capitalist system, the newly emerging international political economy version that Nölke (2019, p. 138) labels “Critical Comparative Capitalism” and to Heyes, Lewis and Clark (2012), who suggested that the national models have not survived the 2008 crisis and to the claim by Acemoglu et al. (2017) to the effect that CMEs can only exist because LMEs take on the burden of ensuring radical innovation. Although this section mainly addresses the VoC’s weaknesses, all points here are in fact also highly relevant to other CC approaches.

### 2.2.1. Bipolar model in the VoC approach

While pursuing parsimonious explanations of capitalism, the CC literature has been criticised for its static national models. In particular, the VoC approach’s greatest weakness is the lack of consideration of diversity in theory (Blyth, 2003; Howell, 2003). Today, economies outside the original VoC approach comprise more than half of the world GDP (Witt & Redding, 2012; Fainshmidt et al., 2018). As these economies develop further, the theory is likely to need an update to be relevant. This is also the conclusion from the discussion of the VoC model as such: There is a need to extend and amend VoC theory precisely for this reason (Hancké et al., 2007).

Many scholars assert that the VoC theory only divides the world into the reified notions of LME and CME types and lacks the tools to move beyond

this bifurcation. In other words, scholars criticise this dichotomous or bipolar typology derived from the theory and claim that all countries are in a highly dynamic process of change (Boyer, 2005; Crouch, 2005b). As noted previously, the first part of the criticism is not quite true. Not only were Hall and Soskice (2001) open to further types to cover the ambiguous cases they identified, subsequent literature using the same building blocks – forms of coordination and the existence of complementarities – have in fact suggested the existence of a few further types, such as mixed, hierarchical, networked and dependent market economies. However, acknowledging such diversity across economies does not automatically solve the problems of a perceived lack of dynamism.

From a purely methodological viewpoint, however, the bipolar model is a useful tool in comparative studies. It can also be developed further, without being contradicted as a whole, by adding a third entity or branching out of the existing spectrums. Thus, as noted above, there have been a proliferation of additional types of national business systems, which in addition to the ones enumerated in Section 1.1 above, also include Schmidt's (2002) categorisation of market capitalism, managed capitalism and state capitalism, and Amable's (2003) five types that include market-based, Asian, Continental European, social democratic and South European. Fainshmidt et al. (2018) created a classification scheme that includes not only LMEs, CMEs and state-led economies, but also identified fragmented economies with a fragile state, family-led, centralised tribe, emergent LME, collaborative agglomeration and hierarchically coordinated types.

Furthermore, Hall and Soskice (2003) discussed how subgroups could be distinguished within both LMEs and CMEs. These attempts at multi-categorisation can be seen as the result of the lack of faith in the VoC's binary opposition, but may also result from a process of convergence towards either pole (as Ahlborn, Ahrens & Schweickert, 2016, found with regard to the transition economies of Central and Eastern Europe). However, it is not always the case that attempts to expand the list of types follow from the nature of coordination and complementarities or, for that matter, that new or mid-dling types do not necessarily underperform relative the original two (as Hall & Gingerich, 2009, claimed with regard to mixed-market economies, MMEs). Before accepting the criticism, which often is accepted without

question, we need to consider the grounds on which is based and whether it indicates explicitly or implicitly that the original criteria on which the bipolar classification was based are maintained or rejected (and if so, why).

Precisely for that reason, Hancké et al. (2007) suggested that, if the spectrum is extended too far, it loses its internal coherence and theoretical rigour. The point of bipolar models is that they constitute the most efficient forms of advanced capitalist economies. The idea is that those that are located between these ideal types will tend to be less efficient — less internally coherent and lacking in institutional complementarity (an idea that has not gone unchallenged; see Campbell & Pedersen, 2007, for example). However, they also introduce the notion of MMEs as a way of capturing those features that cannot be captured by the LME–CME distinction while adopting the state as uniformly prevalent in the background. In view of the criticism received, later work (such as Hall & Thelen, 2009) acknowledge that states do have a role to play, not least with regard to changes in formal institutions. Similarly, Kang (2010) not only viewed the state as another key coordinator, but also saw its role differing in the various models of capitalism — that is, regulatory in the LME model, enabling in the CME and, depending on the view, interventionist or developmental in the state-led model (SLME). This is also in line with Fainshmidt et al.’s (2018) study that not only attempted to extend the classification beyond that of mature industrialised economies to the rest of the world, but did so by combining VoC and Whitley’s business systems approach (1999), thus not only introducing greater variety, they also, with Whitley, come across as being mindful of the existence of a state with a capacity to act also beyond the needs of mere deregulation (which is the role accorded to the state in Hall & Soskice, 2001).

### 2.2.2. Private firms as a focal point of analysis

The VoC approach tends to seek a basis for comparison that is more deeply rooted in the organisations in the private sector, while other CC literature, for example national business systems literature (Whitley, 1999), has paid attention to the state as well as firms. Although the VoC takes a ‘relational view’ of the firm, it overlooks the role of other economic actors, such as

labour and the state. In fact, Korpi (2006, p. 169) called it “employer-centred”; in the globalised era, as international competition has weakened trade unions globally, this might be particularly apt. Similarly, the VoC accords the state a limited role with regard to market-oriented reforms (albeit to varying degrees). However, if the VoC camp would like to include other economies, such as East Asian countries, as a minimum, the state’s involvement relative firms and the relationships among them should be considered. To address this issue, in a recent study, Witt and Redding (2013), as did Fainshmidt et al. (2018), added the role of the state to the VoC literature. However, most works in the field still show scant regard for actor diversity in business systems.

Moreover, it is not just an issue of differences across economies. Regarding private firms as a unit of analysis, the VoC approach is criticised for underestimating firms’ heterogeneity (types of firms) in any single business system. Boyer (2005) was of the opinion that the VoC expectation of firms’ homogeneity was a major weakness in the approach. This is because it is difficult to explain the evident heterogeneity of technology and forms of organisations. Boyer suggested that within the VoC, there might be a plurality of institutional architectures that support the heterogeneous population of firms.

While Japan and Korea’s emblematic firms may be considered the *keiretsu* and *chaebol* (McGuire & Dow, 2009), respectively, heterogeneity is also evident in the emergence of new types of organisational forms, clustered production networks, new ventures and more. Using the example of technology-intensive firms, Dodgson (2009) suggested that there was much greater variation in corporate forms than was predicted by the VoC and other institutional theories of organisation. Thus, explaining variations in firms in one country remains a crucial task for the extant VoC approach. It will be useful to research whether the institutions of the prevailing form of capitalism might explain the types and variations in firms in one economy. As the world has become more globalised, we also need to consider the role of MNEs and the agency thereof. Since the VoC literature tends to focus on domestic firms to analyse business systems, a lack of consideration of a firm’s heterogeneity that MNEs and subsidiaries bring could be pointed out as well.



### 2.2.3. Limited sense of dynamism

According to Hall and Soskice (2001, p. 65), the VoC is “an approach to political economy designed, not only to identify important patterns of similarity and differences across nations, but also to elucidate the processes whereby national political economies change.” In fact, institutional complementarities should play an important role in the process of change (Hall & Soskice, 2001, p. 64). The VoC approach considers the possibility that institutional reforms in one economic sphere could also snowball into changes in other spheres. If the financial markets of a CME are deregulated, for example, it may become more difficult for firms to offer long-term employment. The common view of institutional complementarity is embedded in the concept of path-dependency, with the incremental evolution of systems and firms adapting to certain lines within binding constraints. The VoC is therefore accused of being too static, stressing institutional complementarity and path dependence to the point that only external shocks can cause the system to alter. The VoC approach also lacks a theory of institutional fundamental change (Höpner, 2005; Morgan, Whitley & Moen, 2006; Deeg & Jackson, 2007).

Crouch (2005) discussed that, in terms of ‘a paradoxical determinism’ espoused by the VoC, actors are reduced to the status of automata. Moreover, due to excessive emphasis on institutional complementarity and path-dependency, there is little room for a firm except to follow pre-established institutional settings. Similarly, Streeck and Thelen (2005) pointed out the inherent bias against path-shifting change in the VoC literature. Thus, the VoC approach is useful for explaining on-path change, but offers little in the sense of explaining path-shifting or path-creating change. This is because the VoC framework is based on comparative statics and assumes institutional stability.

Instead, some authors (Hancké et al., 2007; Kang, 2010; Streeck & Yamamura, 2001) have taken a more historical view of institutions so as to capture, or grasp, “the systemic nature of change, both through its *longue durée* approach and also through its view of institutions” (Kang, 2010, p. 522). This attempt also has important implications for institutional complementarity, as it suggests that complementarity in national models of capitalism embody

not merely an economic function (such as increasing returns and economic performance), but also considers social and political dimensions (such as social cohesion and political stability). This is linked to the recent change in CIA that has moved from a static point of view of institutions as constraints to a dynamic view of institutions as resources and enablers. Based on the change of view of institutions, Amable (2016) argued that institutional complementarities are not considered to support a static and homogenous institutional environment alone, but can also help to analyse the recombination or hybridisation of institutional forms. All the papers in this dissertation are indebted to this changing view of the CIA approach, since this allows us to advance by including various agents and their capacity to act.

To address the problem of the lack of dynamism in CC literature, some works have extended the scope of analysis of national models from the binary model of the original VoC (Hall & Soskice, 2001) to multiple archetypal models (Whitley, 1999; Amable, 2003; Schneider & Paunescu, 2012; Witt, Kabbach de Castro, Amaeshi, Mahroum, Bohle & Saez, 2018). As the coverage of CC literature has been extended geographically, the attempts to embrace more varieties in national models help advance the discussion relevant to the understanding emerging economies (Nölke & Vliegenthart, 2009; Witt & Redding, 2013; Fainshmidt et al., 2018). The other stream contributing to dynamism in CC literature is adopting multi-scalar analysis, which I cover in more depth later. For now, it is sufficient to note that it compels us to consider how institutions across scales become to be in conflict with and complement each other and, on the other hand, how agents and institutions interact at different levels. Thus, it should be noted that there have been attempts to include dynamism in the literature. However, this dissertation posits that we still have a limited understanding of who (that is, which agents) plays what role (agency deployed to influence institutions) with regard to the institutional change in national economies.

#### 2.2.4. Lack of internal diversity in business system

The VoC approach pays more attention to variations in corporate strategy evident at the national level, and considers multiple formal institutional domains. Nonetheless, although focusing on institutions at the national level

has made important contributions, it also shows a certain degree of myopia in failing to explain other scales (sectoral, regional) that might have different features. Early commentators, such as Allen (2004, p. 89), argued that the VoC was mistaken in assuming “that national institutions are uniformly present across sectors and firms.” Boyer (2005) also criticised this homogeneity hypothesis with the help of American organisations that have different models within one economy (such as Silicon Valley, Detroit motor manufacturing and so on). This may take the form of hybridisation and can also be observed at the level of sectors or industries, as studies of the German and UK biotechnology sectors have shown (Casper & Kettler, 2001).

In general, the VoC approach focuses on a single scale (the national) and considers multiple, usually formal, institutional domains. In the original VoC, Hall and Soskice (2001, p. 16) claimed that “institutional variation at the regional or sectoral level provides an additional layer of support for particular types of coordination and one that enhances a nation’s capacity to support a range of corporate strategies and production regimes”, although they did recognise internal diversity within national economies. Nonetheless, they tended to view regional or sectoral diversity as being subordinate to the national-level institutions. However, economic geography uses multiple scales (primarily geographic, such as local, regional, national, supra-national and global scales) to investigate single institutions, which are often informal. In this regard, the variegated capitalism approach (Peck & Theodore, 2007), which originates in economic geography, argues that disregarding movement and interaction across scales is a major flaw; on a constructive note, there are also good possibilities of adapting a multi-level analysis to the VoC.

In response to such criticism, the VoC camp has begun to move away from methodological nationalism (Deeg & Jackson, 2007), as research material on regional and sectoral VoC has opened up new horizons for analysing capitalism at subnational scales. Drawing on Hollingsworth and Streeck (1994), who pointed out the potential of sectoral and local diversity in national economies, Crouch et al. (2009) and Schröder and Voelzkow (2016) have shown particular interest in sectoral internal diversity. Crouch et al. (2009) argued that firms in a specific region and sector could sometimes prosper from not conforming to national institutions. In a similar vein, Schröder and Voelzkow (2016) claimed that, when national institutions are

not supportive of sectoral development, certain sectors might manage to create a favourable institutional environment that deviates from national institutions. From this perspective, a national system no longer consists of institutions at the national scale alone, but also the institutional environments at different scales to which local firms have access (Zhang & Peck, 2016).

Against this background, it would also be rewarding to investigate new sectoral developments in which emerging industries based on new (or new ways of using) technologies can exploit institutional voids precisely because regulations, norms and institutional complementarities cannot be extended to new areas easily or quickly (e.g. Elbing, Glassman & Crouch, 2009). Although this is perhaps more likely to be relevant to CMEs than to LMEs, to the extent that such cases are conceivable, it might also pay off to look for them in state-led versions of market economies.

### 2.2.5. Lack of consideration of the international activities of firms

One of challenges that the VoC approach has is the internationalisation of economic activity and the expansion of transnational actors that affect such activity. The global economy has rapidly become more mobile, as competitive pressures impact on institutional adaptation and harmonisation across economies. With the advent of globalisation, to compete successfully in the global market, MNEs need to adopt and coordinate among different institutions or follow best practices. Although the VoC approach tends to seek a basis for comparison that is rooted more deeply in the organisation of the private sector and focuses on institutions at the national level, it also shows a certain degree of myopia in failing to take IB environment and global actors, which might have different features, into account.

However, following early arguments to the effect that the CC and IB fields could usefully inform each other (Kristensen & Morgan, 2007; Jackson & Deeg, 2008a), CC scholars have recently begun to pay attention to MNEs as agents in terms of transferring practices and influencing the host context (Edman, 2009; Saka-Helmhout & Geppert, 2011; Regnér & Edman, 2014; Becker-Ritterspach et al., 2017). Furthermore, by providing more nuanced national-level context, CC literature has found a way to contribute to IB lit-

erature on the institutional distance between home and host countries (Jackson & Deeg, 2008a; Fainshmidt et al., 2018). Despite the growing interest, this dissertation still believes that we need to understand more about and provide a better explanation of how context (at multiple levels) and agency (of multiple actors, including MNEs) are interdependent and constitute each other in distinct ways by promoting the cross-fertilisation of IB and CC literature.

## 2.3. Why do we need this dissertation?

### 2.3.1. Paying more attention to the CIA approach

While the original VoC (Hall & Soskice, 2001) treats institutions as equilibria or as constraints based on rational choice institutionalism (Aoki, 2001) and North's (1990) institutional economics, it shows limitations as a narrow view of institutions — or, rather, how they are conceptualised. To address the problem of the static perspective of the CC literature due to the view of institutions as equilibria, CIA scholars have recently argued that there is a need to take a less restricted view of institution as resources or enablers (Deeg & Jackson, 2007; Jackson & Deeg, 2008a). Unlike a variance-based and thin approach to viewing institutions, CIA scholars see institutions as being constituted interactively, thereby recognising the interplay between institutions and agents. While the existing approach in the CC field has tended to emphasise the “interaction between institutions and organizations in the economic setting of scarcity and hence competition” (North, 2008, p. 22), CIA scholars' recent views have changed to cover heterogeneity among agents by acknowledging institutional variation across various layers (Crouch et al., 2009; Ahmadjian, 2016; Schröder & Voelzkow, 2016). This means that CIA scholars have been shedding light on how institutions originate and evolve by introducing more agency into the creation and change of institutions (Mahoney & Thelen, 2010).

However, the stance of CIA scholars does not preclude a shift away from viewing institutions as rules and norms. As Cole (2013) notes, also in CIA institutions frequently are conceptualised as patterns of (expected) behaviour

upon which to coordinate. Hence, it does not quite leave the more deterministic view behind. From the vantage point of this dissertation, this is problematic. For although the notion of firm heterogeneity and the parallel idea of heterogeneous agents are important additions to our understanding of the processes at work, behaviour still needs to be analytically kept apart from the sources of that behaviour lest agency as opposed to mere rule-following risks disappearing from view. This will be the stance adopted in this dissertation.

In a sense, the recent change in the CIA approach implies that the approach has moved from the perspective of North (1990) to the perspective of Hodgson (2006). While North (1990) emphasised the constraining aspect of institutions, Hodgson (2006, p. 8) saw institutions not only as structures that form the behaviours of agents, but also as an outcome of agency, placing more emphasis on the interdependence of agents and institutional structures. Hence, as the CIA approach adopts the broader and more flexible view of institutions as resources, it is possible to consider the role of agents in institutional environments with greater care than was possible previously. Yet, it also stops short of embracing Hodgson's institutionalism in full. His institutions-as-rules-in-use implies that institutions can only be read off behaviour, leaving notions such as expectations, strategising, and the like by the wayside. That is unfortunate, as many aspects of agency and strategy would be left out of view (e.g. strategies being reduced to reactive rather than also embracing proactive and creative dimensions).

Furthermore, the CIA's typically less determinist view of institutions has helped to advance the research stream of internal diversity in business systems. The CC literature has focused on how institutional complementarities lead to the comparative institutional advantages of national economies. Given the static institutional complementarities that involve the homogeneity of firms' behaviours, heterogeneity or diversity in national economies has not emerged as a major research interest in the field. Nonetheless, as Lane and Wood (2009) and Crouch et al. (2009) argued, internal diversity in national business systems has begun to raise questions about institutions and institutional complementarity, as well as some potential challenges concerning the viability of coherent models of business system. At this point, the plasticity of the CIA approach provides some lessons. Indeed, as the CC literature argues, national institutions affect the emergence and development

of specific sectors. However, institutions should not only be considered at the national level, since regional or sectoral institutions may play a role. Moreover, institutions and the agents in them cross national, regional or even international boundaries. While a static perspective on institutions cannot solve this problem, the CIA's openness to the argument that institutions and agents can be intertwined at different levels allows us to consider internal diversity or heterogeneity in business systems.

For the reasons enumerated above, this dissertation takes the CIA approach and adopts its view of institutions. Hence, in this dissertation, institutions are assets (resources and enablers) rather than simply liabilities (constraints); institutions are not merely sets of complementary systems to preserve comparative national institutional advantages. Moving across scales, this also allows for a view in which Streeck's (1997) 'beneficial constraints' come into their own. Although it is relevant to ask for whom the constraints might be beneficial (e.g. Wright, 2004), the positive contributions of such constraints to the economy are more easily visible as we move across levels of aggregation. What might be a negative constraint in the eyes of the entrepreneur (for example, an obstacle to the the rational pursuit of self-interest) may well prove beneficial at the societal level.

As Ahmadjian (2016) pointed out, to understand the recent complex and multiple institutional pressure from various layers (national, regional, international) and among actors and institutions, the CIA approach has a better position than does the OI (organisational institutionalism) approach, which has not engaged actively with the institutional complexity issue. Although recent research in the OI discipline has advanced discussions on agents and agency (such as institutional entrepreneurship), beyond detailing isomorphic pressures and focusing on legitimacy and meaning, this stream of research has not provided much in the way of clues regarding how and why agents take certain actions. At this point, we may benefit from the CC and CIA perspectives that explain how and why institutional pressures influence a firm's behaviour and do so in different ways that allow us to move beyond a deterministic or functionalist view of behaviour. In brief, by allowing for the influence of context and contingency and of entrepreneurial drive and flair, we can release the straightjacket of embedded agency as typically considered in the literature on institutional entrepreneurialism. Hence, by adopting this

approach, we can address the problem of CC literature on one hand and understand the dynamic process of institutionalisation including agents on the other.

### 2.3.2. Who, then, are the agents and agency in the CIA?

While Crouch (2005b) and Streeck and Thelen (2005) opened up the discussion by arguing that the heterogeneous institutional environment only could make room for agents to take certain strategic actions, this dissertation believes that agents have their own agencies in any situational demands. In this dissertation, the agents are more likely to be institutional entrepreneurs (DiMaggio, 1988; Maguire et al., 2004; Garud et al., 2007) or change agents, depending on the agents' willingness to lead divergent institutional change given a particular institutional environment. While change agents implement changes and are likely to be aligned with the dominant institutional logic, institutional entrepreneurs are more active actors who leverage resources to create new institutions or transform existing institutions. While traditional studies of institutional analysis, including the CC literature, have tended to overlook the role of actors in institutional change and have focused on the exogenous shocks (Mahoney & Thelen, 2010, pp. 5–7), the literature on institutional entrepreneurship has emerged as a new research stream in explaining endogenous institutional change (Battilana et al., 2009). Hence, the literature on institutional entrepreneurship has focused on the importance of the role of actors and agency in the processes of institutional change. As the recent CIA perspective has shed light on the enabling role of institutions and deemed institutions as resources, the interest in agents' behaviour in institutions has increased. Recent studies that consider institutional entrepreneurship or institutional engagement via the CIA perspective (Ahmadjian, 2016; Fortwengel & Jackson, 2016) demonstrate this increasing interest. Hence, the view of agency advances the recent less stringent view of institutions supported by CIA.

Considering agents and agency in the CC literature could link to the debate regarding embedded agency (Friedland & Alford, 1991; Garud et al., 2007; Holm, 1995; Seo & Creed, 2002; Weik, 2011) and suggest certain implications to it. The notion of embedded agency cannot solve the problem



of how and to what extent certain agents are embedded, and lacks an understanding of the dynamic process of co-constitution between agents and structures, although it has provided a certain framework to understand how institutions constrain agency. The CIA perspective on agents and agency could contribute to this debate. As the CIA perspective has embraced the view of institutions shifting from being seen as constraints to being seen as enablers and resources, it shares a view that at times can also found in institutional entrepreneurship studies (Lawrence & Suddaby, 2006; Battilana et al., 2009). As Cardinale (2018, p. 133) stated, the embedded agency in institutional entrepreneurship literature “has little to say about how structure actively orients in the sense of making actors more inclined to settle on some actions out of the many that are made possible by structure”. This criticism is in line with the lack of consideration of the nature of agency (of institutional entrepreneurs) in the literature (Mutch, 2007; Weik, 2011). However, at this point, the CIA perspective could add some implications to the debate by providing a contextualised explanation of how agents take certain actions and the extent to which they are embedded. While the embedded agency debate tends to show limited interest in the scale of structure and its impact on agency, this dissertation, inspired by the variegated capitalism approach, argues that agents can move across scales and take certain strategic actions in given an institutional environment (local, national and global) (Figure 1). It implies that different levels of embedding structures (the institutional environment) exists on one hand, and agents, being nested in various levels of structure, may show recombinant or deviant agency on the other.

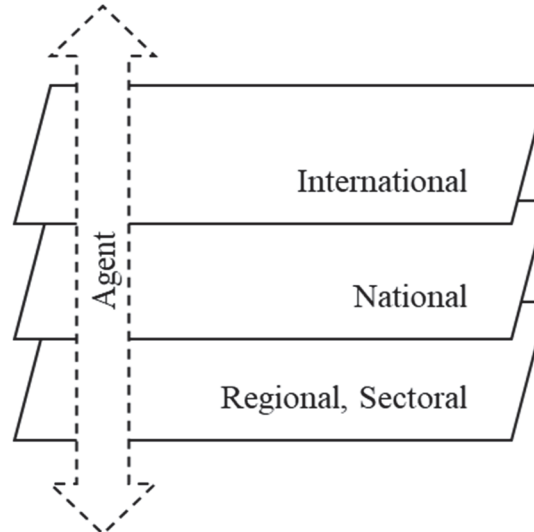
This also opens up for a possibility of dynamic agency, that is, the possibility of agents learning from experience. According to Emirbayer and Mische (1998), there are three different forms of agency, namely (1) project, (2) iterate and (3) practically evaluative. While project agency aims to engage in future trajectories of action, iterative and practically evaluative agencies are used to reflect past experiences and respond to present demands by forging new paths of behaviour. Based on this definition, Saka-Helmhout and Geppert (2011) argued that iterative and practically evaluative agencies have less active features than does the projective one, since iterative and practically

evaluative agencies do not deviate entirely from the path dependencies created by institutions. Hence, they called them ‘passive’ agencies and labelled projective agency as ‘active’ in their analysis.

This dissertation does not take same direction as Saka-Helmhout and Geppert (2011)—after all, one implication of dynamic agency is that not only learning but also that both foresight and creativity should be given their due—but it does share their insights concerning agency as the motivation that enables agents to break away from institutional constraints (Dorado, 2005). In addition to this insight, this dissertation aspires to add to the time dimension, as identified above. The past provides experiences and is a source of input for reflection, while the present may help to orient agents towards certain actions, including those whereby institutions are leveraged for particular ends. These ends, in turn, might issue from current exigencies (for example, things in need of being done in the here and now, perhaps based on established patterns and practices and hence iterative), but may also follow from project agency. The latter could include expectations, but could also express a strategic orientation that moves beyond expectations to include motivations, rationales and justifications based on expected or wished-for outcomes – in turn, these may conceivably be based on reflections on earlier experiences – and the forward-looking objectives agents set out to achieve.

Putting more emphasis on agency within the institutional environment provides new implications to the CC literature, specifically to the institutional change of business systems. Due to the characteristics of institutional complementarities, the literature leaves limited room for agent-led institutional change. Given the institutional complementarities and path-dependent characteristics, the CC literature mainly explains on-path changes of business systems due to exogenous shocks. However, due to the plasticity of the CIA approach, we may take an open-ended view of institutional complementarities and agent-led change on institutionalisation processes. This does not imply a free-for-all, however: context does set limits, but differentially so across individuals or other contingencies. In other words, taking agents’ agencies into consideration allows us to cover the dynamics of institutional change in business systems. Furthermore, it contributes to the CC literature by broadening and linking the level of analysis from micro (agents) to macro levels of analysis (regional, national and international institutions) (Figure 2).

Figure 2. An agent's travels across the layers



### 2.3.3. Why Korea and Japan?

As noted above, Korean and Japanese business systems have many things in common, yet are also very different in many critical respects. While the Korean business model was Japanese-inspired after the Korean War by nurturing large conglomerates (chaebols) similar to the zaibatsu in Japan, there were also considerable differences from the post-war Japanese model. Since the central government and its influence on economic development was extremely important, both countries used to be categorised as (former) developmental states, (Johnson, 1982; Amsden, 1989; Wade, 1990; Evans, 1995). Besides the role of the state, both countries share, or have shared, similar characteristics such as bank-based finance (albeit the Japanese case is based more on inter-firm relationships), a lifetime employment system and industry structure. Despite the similarities, the differences between the two countries are also pronounced. While the Korean business system has been led by chaebols and central government even after liberalising political and economic reforms, the Japanese business system has relied on inter-firm relationships that could enable consensus-based employment relations. Given the environment of the Korean business system, the voices of trade unions

and other stakeholders have often been neglected. This is in contrast to Japan, which has tended to maintain keiretsu-led business systems with somewhat paradoxical institutional features, such as a harmonious culture in the hierarchical internal structure of firms.

As Confucianism and the development state approach have lost (some of) their explanatory power in the changing environment in East Asia, there have been many different interpretations with regard to Korean and Japanese business systems in the CC literature to date. Hall and Soskice (2001) categorised Korea and Japan as part of the CMEs in which coordination takes place across sets of firms. Indeed, “in most works”, or so Storz et al. (2013, p. 224) suggested, these two countries “have been conceived as countries with similar institutional properties.” Amable (2003) also lumped Korea and Japan together as part of an Asian type of capitalism. Schneider and Paunescu (2012), on the other hand, conducted a cluster analysis of OECD countries from 1990 to 2005 and concluded that Korean and Japanese capitalist economies were hybrid ones, categorising them as fitting neither into the CMEs category nor the LMEs category in the typical VoC approach. In the national business systems (NBS) approach (Whitley, 1999), Japan is regarded as a ‘highly coordinated’ system, while Korea is categorised as a ‘state-organised’ business system. Similarly, Kang (2010) classified the Korean capitalist economy as a state-led market economy (SLME) and the Japanese capitalist economy as a CME. This is also confirmed by Fainshmidt et al. (2018). By conducting case studies of the two countries, Witt (2014) placed them in the context of the VoC model. According to Witt, Japan clearly represents a CME, although changes over previous decades seem to have pushed Japan closer to the LME model. On the other hand, he argued that Korea is located in between CMEs and LMEs.

As noted above, some observers have pointed out that the somewhat contradictory, not to say obscure categorisations of Korea and Japan in the CC literature may relate to the recent changes in both countries. In particular, severe economic distress after the collapse of the bubble economy in Japan and the Asian financial crisis in Korea posed serious challenges to the institutional stability of their existing systems. While both countries have experienced liberal reforms in corporate governance systems and the labour market, most scholarly works have focused on the exogenous shocks to both

countries (Beeson & Islam, 2005; Kalinowski & Cho, 2009; Kalinowski & Jang, 2014), not on agent-led institutional changes in the systems. Acknowledging this problem, this study aims to focus on various agents and agency in both business systems. Indeed, Korea and Japan have maintained relatively stable business systems with some major agents, particularly central government and large firms, maintaining their positions for much of the post-war period. However, the recent changes in both countries have influenced the emergence of new agents such as local government, start-ups, and MNE subsidiaries. Hence, investigating new and existing major agents' behaviour concerning the institutional environment and institutions' influences on agencies will provide a meaningful contribution to CC literature, which lacks a consideration of agent-led change and of East Asia in general.

# Chapter 3

## Framework of the dissertation

The CC literature consists essentially of national case studies, usually framed in horizontal comparison with other national models. Exceptions do occur, however: firms or regions, or sectors that prosper in a way that seems inconsistent with the perspective of the overall (national) pattern are brought to the fore on occasion. These exceptions are worthy of study, as they tell us something about the complexity of how institutions operate. This complexity is potentially both a constraint and a resource for domestic and foreign firms alike. In this regard, Peck and Theodore (2007, p. 761) argued that the CC literature, including the VoC that emphasises a national-level analysis, should move from the “labelling of variety” to “probing meaningful forms of variation”, and should do so by conducting a multi-level analysis.

The variegated capitalism approach (Peck & Theodore, 2007) challenges the VoC’s methodological nationalism, with its reliance on static and horizontal comparisons of capitalist economies, and tries to explain an uneven geographical development rather than revealing the general economic performances of national economies. A crucial feature of variegated capitalism approaches is thus an emphasis on multi-scalar rather than on single-scalar forms of analysis. After Peck and Theodore’s (2007) approach, there have been several attempts to seek a compromise between the VoC and the variegated capitalism approach by bringing multi-scalar analysis into the VoC framework. Most works have initiated discussions regarding new rubrics of diversity at the regional and sectoral levels (Crouch et al., 2009; Crouch & Voelzkow, 2009; Callaghan, 2010; Rafiqui, 2010; Zhang & Peck, 2016).

This research avails itself of the insights of the literature on variegated capitalism to consider a multi-level analysis of business systems, but takes a step further by putting greater emphasis on agents and agency in business systems. Hence, this dissertation aspires to address the weaknesses in the CC literature on one hand and to enhance the literature's usability on the other. The CC literature and the CIA approach as such have been useful to compare national business systems and to provide national-level contexts for other disciplines thus far. However, this study explores the potential of the CC literature's expandability to link to other disciplines and suggests a cross-fertilisation of the CC literature and literature in other disciplines.

The first paper tests the VoC approach by conducting a principal component analysis, and discusses the problem of the binary model of the VoC and its sense of institutional change. Since a major concern in this dissertation is the nature of the Korean and Japanese business systems, this study has particular interest in finding where Korean and Japanese business systems are located in the overall scheme of things. The findings show that not just Korea but both countries deviate from the CME–LME binary model, and suggest that the direction of future research needs to analyse not only exogenous factors that are important to institutional change, but also agent-led institutional change, be it contrived by insiders in the system (domestically) or issuing from external sources (such as MNEs). Hence, the opening paper will help to situate the other articles in this dissertation. By doing so, this study engages with the current CC literature and may contribute to the field. The first and most important implication of this study would be to ask why Hall and Soskice's (2001) binary model or the revised categorisation of others (e.g., Schneider & Paunescu, 2012) are no longer sufficiently valid.

Leveraging the theoretical motivation of being more interested in agent-led institutional change in the business systems and the motivation derived from MNEs' activities in Korea and Japan, the second paper attempts to link the CC literature's view of institutions (CIA) to the institutional entrepreneurship and engagement in the IB field. While seeing MNE subsidiaries (IKEA Korea and Japan) as agents or potential institutional entrepreneurs, this paper examines their practice-transfer activities not only to decrease the institutional gaps between home and host countries, but also to influence

host countries' institutional environment. Since MNE subsidiaries from outside of host business systems could engage with host countries' institutional environments, this paper may reflect a sense of a multi-level analysis. It also allows us to shed light on the institutional logic approach (Friedland & Alford, 1991; Thornton & Ocasio, 2008), since MNE subsidiaries' practices in the home country could add new logic to dominant logic of the host country. In this study, the CIA, which tends to be more flexible and accommodating than other forms of institutional analysis (organisational or rational choice), plays an important role by demonstrating the potential of agents in business systems. By using the CIA perspective as a tool to understand national contexts and to open the agencies of MNE subsidiaries in taking strategic responses, this study could engage in the discussion of IB literature, and possibly of organisation theory (OT) literature.

The third paper's motivation is derived from the observations arising in papers one and two to the effect that, although external agents might be important, this does not turn Japan or Korea into a case of a dependent market economy similar to, say, the post-socialist Central European countries (Nölke & Vliegenthart, 2009). MNEs may be influential in several respects, and may have become more so following the crises of the 1990s, but not to the point of defining the operations of the business sector, let alone the economy or polity at large. On the other hand, it is also justified on the grounds of the weakness of the CC literature, namely a lack of consideration of the state. To understand East Asian business systems, the role of the state should be considered as a major actor.

This study therefore brings the Korean state actors as critical actors and analyses their role in industrial development using the case of the Korean online gaming industry. During the high growth period of the Korean economy (1960s–1980s), the Korean state's policy engagement in industrial development worked well and led to overall economic growth. However, the synergy between the Korean online gaming industry and the Korean government actors has not been successful, while the actors have engaged with the industry by implementing policies and regulations to achieve their own purposes. Hence, the policy implementation of the Korean state actors had a detrimental effect on the industry. This result tells us that the state actors can



actually play an important role in influencing the (sectoral) institutional environment. Thus, based on this result, we may argue that the state actors' role is not negligible and that it should be considered as major agents in business systems. Furthermore, it is important to note that there may be sectoral or industry specifics in business systems. It may be meaningful for this study of the CC literature to link it to the institutional entrepreneurship literature, since this study sees the state actors as a kind of institutional entrepreneurs that could adopt agentic behaviour to influence the online gaming industry. According to Battilana et al. (2009), an actor's intentionality or willingness to change the institutional environment depends largely on whether the actor is an institutional entrepreneur or not. However, this study shows that the agent, the Korean government in this case, has had intentions, but that the state *unintentionally* created an unfavourable environment for the online gaming industry while pursuing own intentions. In this sense, this study could provide some empirical implications for the CC and institutional entrepreneurship literature based on the paradoxical behaviour of the state as an institutional entrepreneur.

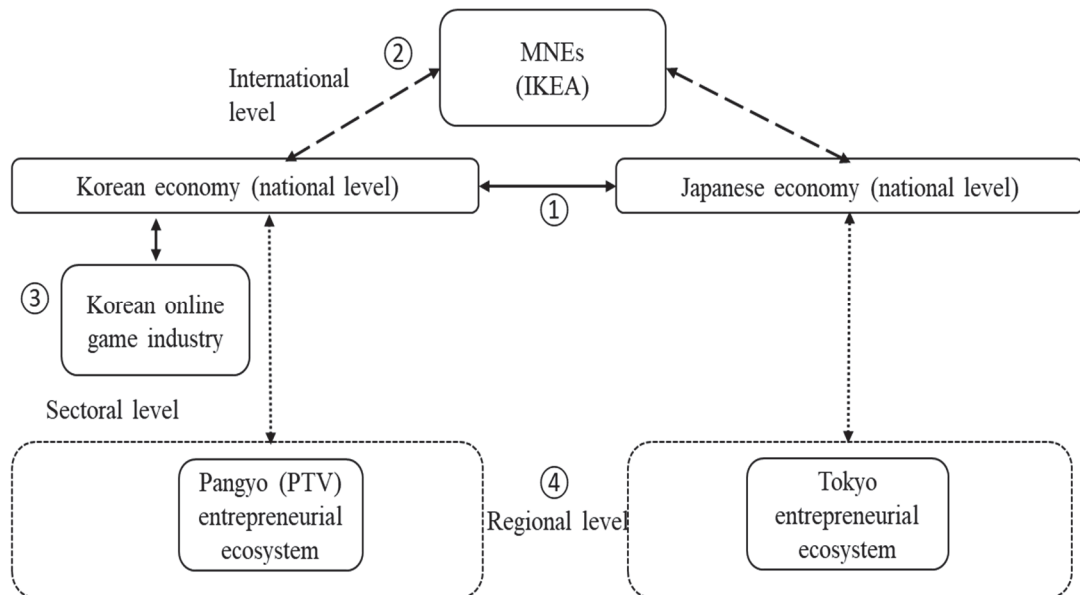
The fourth paper sets out to address the issue of regional diversity in business systems. While many works on industrial clusters have pointed to regional institutional assets or peculiarities, or to the diversity of local or regional business systems, that support innovation, learning or various expressions of agglomeration economies, others primarily in the CC literature have argued that regions tend to follow the national level of institutions. Despite the importance of latter class of scholarship, it has been less concerned about the details of *who plays what role* than about the existence of regional or sectoral diversity as such. This is actually true also of a good part of the economic geography and evolutionary economics literature on clusters, too, as it typically does not uphold the distinction between institutions and organisations and hence thereby limiting the capacity of analysing agency (see e.g. Zukauskaitė et al., 2017, for a critique).

Instead, this study adopts an analytical framework from the entrepreneurial ecosystem (EE) approach of Stam (2015) to observe regional diversity and agent-led change in business systems. Unlike the VoC literature, the EE approach can cover different levels ranging from the regional to the national and, as a matter of principle, it also cares about agents within it; it is,

after all, focused primarily on the interaction of entrepreneurs with their surrounding context. In this regard, this study reflects the multi-level analysis and agents on different levels. By using the EE framework, which points to the interaction between agents and institutions in regions, this study could fill the gap, which is a lack of consideration of internal diversity, in the CC literature. It also potentially addresses the discussion of differences and similarities amongst institutional entrepreneurs and entrepreneurs. This paper shows that multiple actors (local government, central government, venture capitals and firms), as institutional entrepreneurs, are engaged actively in building an entrepreneurial ecosystem that is a kind of new logic in certain business systems, and this ecosystem ultimately nurtures entrepreneurial culture and entrepreneurs. Since only a few studies have pointed out the potential overlap between entrepreneurs and institutional entrepreneurs (e.g., Hwang & Powell, 2005), this study could add some empirical implications to the discussion. Importantly, like the third paper it highlights the observation that multiple agents can be at work in the same substantive area at the same time. This includes the state actors, a set which is not unitary, but represented by many different organizational units and agents operating at various scales and across sectors.

This fits with the aim of this dissertation, which is to consider a multi-level analysis (sector, region and MNEs) on one hand, and to infuse the analysis with greater focus on agents within and across various levels. It addresses the VoC approach's weaknesses directly but, rather than contradicting the literature, siding in full with the alternative variegated capitalism approach and having a sense of agents, this study plans to bring dynamics into the VoC approach and address the criticism head on.

Figure 3. Overview of the dissertation



# Chapter 4

## Research methodology

### 4.1. Research approach: Case study<sup>3</sup>

To examine these topics, this research uses a qualitative case study method. Qualitative research is particularly “suited to uncovering the unexpected and exploring new avenues” (Marshall & Rossman, 1995, p. 26) on one hand, and provides “the flexibility needed to allow the precise focus of the research to evolve during the research process itself” (Marshall & Rossman, 1995, p. 37) on the other. Qualitative case study methods have the aforementioned strengths and have the obvious advantage of investigating and understanding a specific case in depth. More specifically, the case study method, as a kind of research strategy, “examines a phenomenon in its naturalistic context, with the purpose of ‘confronting’ theory with the empirical world, through the use of a variety of data sources” (Piekkari, Welch & Paavilainen, 2009, p. 569). This theory confrontation takes the form of either building constructs for later theory testing or seeking a holistic explanation of how and why processes and causes ‘fit together’ in each individual case (Ragin, 1992).

When discussing the case study method’s advantages and disadvantages, case study-based research is perceived as unscientific by quantitative research

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<sup>3</sup> The first paper in this dissertation conducts a principal component analysis to test the original VoC’s argument and to provide a starting point for the rest of the dissertation. Thus, the first paper is not in line with the overall research approach of this dissertation, which is that of comparative case studies.

scholars who analyse statistically large-N samples with limited variables because it is impossible to generalise on the basis of an individual case (small-N sample or a biased sample). In addition, some scholars have criticised case study research as not being well organised in terms of data collection. However, this is actually the unique advantage of a case study method; that is, a characteristic of investigating one object or small-N samples with various research variables in depth. Moreover, case studies can allow researchers to present data obtained via multiple methods (such as surveys, interviews, document reviews and observations), as ideas and evidence may be linked in many different ways (Ragin, 1992). Hence, we may argue that case study research is still ideal when researchers have a purpose to verify or expand on only one well-known theory with their own cases and when cases are extremely distinctive, as Siggelkow (2007) noted. Furthermore, if researchers wish to conduct longitudinal research, case studies that can capture changes over time are also considered helpful. A case study research is also a useful option when cross-border or cross-cultural issues are involved. Ghauri (2004, p. 111) argued that the case study approach was suited to the IB field “where data is collected from cross-border and cross-cultural settings.”

Case study-based research has been dominated by the positivist lens (e.g., Eisenhardt 1989; Yin, 2013), but alternative views of the case study method exist. Thus interpretive, constructivist and critical realist perspectives have emerged to expand the boundaries of the case study method. In a positivist case study, as Eisenhardt (1989) and Eisenhardt and Graebner (2007) argued, the purpose is to develop testable hypotheses, constructs, propositions and theories that are generalisable across settings. Hence, positivist case study scholars (e.g., Eisenhardt, 1989; Yin, 2013) expect the role of a case study to be a ‘bridge’ to generalisable laws. Nonetheless, an alternative case study research stream, one that is more likely to side with subjectivism, places more emphasis on thick descriptions and on contextualisation. In particular, interpretive and constructivist case studies take an interest in multiple interpretations of the subjective lens by means of which thick descriptions can be achieved. Depending on the purpose of the research, scholars can take each form that they want and, as Yin (2013) pointed out, such approaches can be allowed to overlap when conducting case studies. Welch et al. (2011) observed that the rich context, which is the essence of qualitative case study research,

is often missing in IB accounts, as case study authors are still puzzled about contextualisation issues. In IB, most studies treat context as a monolithic, homogeneous construct based on a single dimension. However, there is a need to see the role of context as a complex, multi-faceted element. Given the growing interest and need to care about context, this dissertation is interested in adopting a contextualised explanation perspective from the critical realist tradition, but it also relies on a positivist approach to test and refine the theory. Hence, it adopts a pragmatic stance in which the substantive objectives made to decide the approach to use.

While acknowledging the strengths of the case study approach, we still need to choose *what kind of case study to conduct*. According to Eisenhardt (1989), depending on the research goals of a case study, we can distinguish three ideal types, namely explorative, descriptive and explanatory. Yin (2013) claimed that ‘what’ questions are likely to be linked to exploratory research. However, ‘how’ and ‘why’ questions fit well into explanatory research. Despite this classification and the underlying rationales, Yin pointed out that there were no clear-cut boundaries among different types, since an explanatory case study can be complemented by exploratory or descriptive case study research. Because the purpose of my research is not only to explain the phenomena, but also to identify and explore underlying mechanisms in the ongoing process, this dissertation can be described as a combination of an explanatory and an exploratory case study.

In the school of case study methodology, the discussion of which design (a multiple-case study versus a single case study) is better has been hotly debated (Eisenhardt, 1989; Yin, 2013; Fletcher & Plakoyiannaki, 2011). The positivist approach to case studies (Eisenhardt 1989; Yin, 2013) has tended to favour a multiple-case study design over a single case one. However, recent streams such as the critical realist approach to case study research (Fletcher & Plakoyiannaki, 2011) believe that both case study designs are equally important and useful, as they serve different research purposes. While a multiple-case study design allows scholars to compare several cases to test a theory or theoretical construct using the logic of replication, single case study designs help scholars to concentrate on the nature, causal processes, and contexts of a phenomenon chosen for its uniqueness. This dissertation

makes use of both designs. Since this dissertation includes three papers targeting different levels of institutions and seeks to accommodate multiple agents (where relevant), the papers adopt different designs. With the exception of the paper about the Korean online gaming industry, which uses a single case study, the other papers embark upon comparative investigations of cases.

Selecting cases lies at the core of what constitutes case study research. Patton (2015) noted that case selection was the foundation of a qualitative inquiry, and that different selection strategies can influence the conduct and results of research. Miles, Huberman and Saldana (2014, p. 33) emphasised that sampling should be “theoretical driven” for both within-case and multiple-case sampling on conceptual grounds, as opposed to representativeness. This dissertation thus adopts the logic of theoretical sampling (Glaser & Strauss, 1967; Eisenhardt, 1989; Flyvbjerg, 2006; Yin, 2013). Theoretical sampling requires careful attention to the selection of the research context and the identification of cases (Glaser & Strauss, 1967; Ritchie & Lewis, 2003). The basic rationale is that each case must be selected so that it either (a) predicts similar results (a literal replication) or (b) predicts contrasting results but for predictable reasons (a theoretical replication) (Yin, 2013). Eisenhardt (1989, p. 537) claimed that, in case study research, the “cases may be chosen to replicate previous cases or to extend emergent theory, or, they may be chosen to fill theoretical categories and provide examples of polar types.” This research follows and conducts theoretical sampling because this research chose the countries and actors based on the theoretical background. However, the sampling is not intended to ensure that the cases are representative of a given universe.

## 4.2. Data collection

Some scholars have argued that case study research should be based on mixed methods, multiple sources of evidence (Yin, 2013), or use a variety of types of data collection (Creswell, 1994, p. 12). Since this research contains single- and multiple-case study research, the data collection follows the triangulation method (Miles & Huberman, 1994). Downward and Mearman

(2007) noted that data triangulation involves the use of several different secondary and primary data sources. Thus, to triangulate the observations, this study uses multiple sources of data and collection methods including interviews, collecting documentation (policy documents, company documents and white papers), and so on. The main benefit of triangulation and the integration of multiple data sources is the increased internal validity of the study. Pauwels and Matthyssens (2004, p. 129) summarised two benefits of triangulation as follows.

First, it is proposed as ‘a neat-talismanic method of confirming findings’ (Miles & Huberman, 1994, p. 266). In this perspective, data source triangulation mainly reduces random measurement error (Kumar, Stern, & Anderson, 1993). Second, triangulation is useful in so far as different facets of the phenomenon are investigated through the most appropriate combination of methods and sources (Yeung, 1995)

Since each paper in this dissertation has different purposes and research questions, the means of data collection should also be different, and geared to the particular questions to be addressed in each paper. For the first paper, as the paper aims to test the VoC approach by conducting a principal component analysis, the dataset used is related to five institutional domains of the original VoC approach. The paper uses different datasets, which were provided by OECD, World Bank, ILO and Djankov et al. (2008). While the specific empirical findings of earlier quantitative research putting the VoC to test is compromised at times by being out of date, this study extends the period under investigation and includes new datasets in the analysis.

The second paper relies largely on data from 30 semi-structured interviews to analyse the cases of IKEA in Japan and Korea. I conducted 16 interviews in Japan and 14 in Korea with Human Resource (HR) managers, co-workers and applicants. I conducted interviews in English, Korean and Japanese (with assistance of a Korean-Japanese interpreter). The initial phase of data collection and interviews was exploratory and took place in July 2016 with four interviewees (labour market researcher, jobseeker and former IKEA Japan employees) in Japan, and five interviewees (labour market researchers, applicants at IKEA Korea and a journalist) in Korea. The interviews during phase one provided an overview of the research phenomena



and helped me to focus on specific areas to pursue during the follow-up interviews in March 2017 (phase two). During phase two, I conducted 12 interviews in Japan and nine interviews in Korea, and visited IKEA Japan (Funabashi) and IKEA Korea (Gwangmyeong). To find appropriate interviewees, I contacted IKEA Japan and IKEA Korea's HR employees through LinkedIn and emails that I had from the early interviews. After sending 44 emails (including LinkedIn messages), I had access to eight interviewees at IKEA Japan and five interviewees at IKEA Korea. During my visit to IKEA Japan, one interviewee introduced me to three co-workers in IKEA Japan, and I conducted interviews with them that lasted for around 30 minutes each. Besides employees in IKEA Japan, I also met a chairperson of Swedish Chamber of Commerce and Industry in Japan and conducted an informal interview. For the IKEA Korea case, I conducted five interviews at IKEA Korea and found four more interviewees (former IKEA Korea employees and job applicants) via an internet café (NAVER Café), 'IKEA lovers, jobseekers' and conducted interviews with them. To triangulate the interview data, company documents, such as yearly reports, sustainability reports from 2011 to 2016, internal guidelines, and 98 articles related to IKEA HRM practices from Korean and Japanese newspapers were gathered.

For the third paper, I conducted 25 semi-structured interviews in June 2016 and March 2017 (including eight email interviews following the fieldwork). The interviews included government officials from the gaming industry promotion agencies, researchers within the information technology area, online gaming company executive directors, university-based researchers and game developers. These interviews covered issues from the interpretation of the online gaming industry ecosystem to the evolution of the respective policies. During the fieldwork, I visited three online gaming firms in the Pangyo area and one quasi-trade union association for game developers in Seoul. Compared to the second paper, the interview questions for this paper were broad and open-ended to encourage interviewees to elaborate on their answers. During the first phase, I had five interviewees who provided a background to the online gaming industry and recent problems that the industry had experienced. The initial interview experience helped to advance my research and assisted me to focus on the government policy area. After developing clear research questions and directions, during the second phase, in

March 2017, I conducted 12 interviews to obtain a further grasp of the issue of the effect of government intervention on the online gaming industry. All the interviews were in Korean and lasted between 30 and 90 minutes – they were recorded with the participants' permission. This interview data were then triangulated with the secondary data gathered from published and unpublished government reports related to the industry, such as white papers (2001–2016) from the Korea Creative Content Agency (KOCCA), company reports, survey data of 87 online gaming firms from the Korean International Trade Association (KITA), and various forms of media coverage. The empirical data cover the entire period from the late 1990s to 2015.

The fourth paper relies largely on secondary data from various sources such as government reports, venture accelerator reports, start-up trend reports and media coverage. I conducted 10 interviews (including three interviews via email) for the research in June 2018. However, compared to the abundant data from various sources, the interview data only provided a limited background to the start-up scenes in the two countries. Based on the secondary data, I collected publicly available documents provided by the start-up firms, accelerators and governmental institutes, and newspaper articles, reports and public speeches were included and analysed. In total, I added 68 documents, containing almost 1200 pages in total.

Table 3. Summary of the data collection

	<i>Case (unit of analysis)</i>	<i>Method</i>	<i>Dataset</i>
Paper 1	Korea and Japan along with other OECD countries (national economy)	Principal component analysis	OECD, World Bank, ILO, Djankov et al. (2008)
Paper 2	IKEA Japan and Korea (MNEs)	Comparative case study	30 semi-structured interviews, companies' yearly reports, sustainability reports (2011–2016), internal guidelines, 98 newspaper articles
Paper 3	Korean online gaming industry (industry)	Single case study	25 semi-structured interviews, gaming industry white papers (2001–2016), company reports, a survey data of 87 online gaming firms, media coverage
Paper 4	Pangyo and Tokyo EE (regions)	Comparative case study	10 semi-structured interviews, Government reports, venture accelerator reports, start-up trend reports and media coverage

# Chapter 5

## Introducing the contents of the papers

### 5.1. Paper 1: The allure of clear-cut cases: A Test of the VoC approach with a particular focus on the interaction across institutional domains

Several studies to test the VoC approach quantitatively have shown limitations in terms of choosing variables, datasets with limited time spans and methods. To address this issue, this study conducted a principal component analysis with new variables and wider coverage in terms of time and geography. While recent quantitative tests have also shown that the binary model of the original VoC can no longer account for national economies across the world, this study made some further empirical contributions in this regard. Although some countries have been grouped along the LME–CME spectrum, as the original VoC suggested, according to the result of paper one, Japan and Korea, both of which have occasionally have been categorised as CMEs that have a group-based coordination, deviate from the CME group that relies on industry-based coordination (Hall & Soskice, 2001, p. 34). As Japan and Korea have both experienced the severe transformation of their business systems towards a liberalised model, deviation itself seems plausible. Based on the result, this study adds to the research agenda mainly by raising the issue of why Japan and Korea deviate from the CME group. What form does the change take? What factors have influenced this change? Indeed, exogenous shocks or factors (such as the bubble economy in Japan or the financial crisis in Korea) could have led to this change, but this study proposes a further investigation into players (agents) within it. The rest of the papers in this dissertation will cover this issue.

## 5.2. Paper 2: How MNE subsidiaries implement HRM practices in distant environments: A tale of two IKEA subsidiaries

MNEs operating in different countries and institutional environments face dual pressures from home and host institutional environments. While the impact of national institutions on MNEs' practice-transfer activities has gained much of attention, the impact of the relationship between MNEs and their subsidiaries as agents in the host countries' institutional environments has not generated a similar number of studies (exceptions include Cantwell, Dunning & Lundan, 2010; Regnér & Edman, 2014). As the existing research has pointed out, the transfer of MNE practices not only entails institutional adaptations to environments that are close as measured by institutional distances, but also may involve strategic responses to changes in the host countries' institutions.

In line with ideas in previous research, this paper examines how MNE subsidiaries engage with their host countries' institutional environments during the practice-transfer process. While it is important for MNEs to adjust to the distance between the home and host countries' institutional environments when transferring practices, they sometimes participate actively in creating institutional support or, more generally, in promoting institutional change in the host countries' environment to transfer practices successfully. Thus, MNEs have become increasingly engaged with what DiMaggio (1988, p. 14) and Maguire, Hardy and Lawrence (2004, p. 657) called institutional entrepreneurship.

Despite the long-standing interests of agency in MNEs in institutional distance (Kostova, 1999; Kostova & Zaheer, 1999), a CIA perspective could help the advance the discussion in this regard, however, it has not yet attracted much attention (Saka-Helmhout & Geppert, 2011; Ahmadjian, 2016; Fortwengel, 2017). As the previous studies pointed out, this study also believes that bringing the CIA approach to the study of MNEs' transfer activities and its agency could add new implications. Thus, while acknowledging the potential of seeing MNE subsidiaries as agents, the cases of IKEA Korea and IKEA Japan are used to examine how MNEs respond strategically to host countries' institutions. More specifically, this paper examines the process of HRM practice transfer in Korea and Japan, as both countries have unique labour market institutions that can act as barriers to the transfer of HRM practices. IKEA's international strategy is to expand using a standardised business model. Accordingly, its main goal in practice transfers is to ensure homogeneous practices and systems around the world (Jonsson & Foss, 2011). Hence, IKEA is likely to transfer

the headquarters' (HQ) practices, and to reduce the gaps between the home and host countries.

Given these concerns, this paper addresses the following questions: How do MNE subsidiaries respond strategically to institutional distance when transferring their HRM practices? How do subsidiaries engage with the institutional environments of host countries? To answer these questions, I borrow an analytical lens from previous studies to examine two subsidiaries' HRM practice-transfer activities from the perspective of institutional entrepreneurship (Cantwell et al., 2010; Regnér & Edman, 2014; McGaughey, Kumaraswamy & Liesch, 2016; Fortwengel, 2017). Based on the two cases examined here, I argue that MNE subsidiaries can simultaneously adopt various strategic responses in order to overcome institutional distance. Moreover, I find that the subsidiaries are not simply messengers, but may also assume the position of active agents that engage with the host countries' institutions when transferring their practices.

### 5.3. Paper 3: New wine in old bottles? A case of the Korean state policy engagement with the online gaming industry

The CC literature has been criticised for its static analysis, including the lack of a sense of agent-led institutional change. To address this, this paper highlights the state actors as agents and investigates how the role of the government and the public sector have engaged with industrial development, using the setting of the Korean online gaming industry over the past two decades as its empirical case. By examining government policy measures (industrial and other public policies) affecting the industry, the research findings show that the Korean state actors have engaged actively with the industry except during the period in which the industry first emerged, just after the 1998 Asian financial crisis. However, contrary to the expectations and aims of the Korean government, the policy measures of the state actors have not been a good fit with the needs or expectations of the industry and, as such, have led to unexpected negative outcomes. The findings thus contribute to the literature by suggesting the potential of agent-driven institutional change, at least partly driven by the agents associated with the state and the heterogeneity that comes from sector specificity and weak complementarities. Furthermore, the paper found that the state actors are not necessarily unitary and they have various agency based on their purposes.

## 5.4. Paper 4: Regional diversity in the Korean and Japanese business systems: two entrepreneurial ecosystems

This paper addresses the issue of internal diversity in business systems directly by analysing two particular regions (Pangyo in Korea and Tokyo in Japan) from the perspective of EEs. While there have been several attempts to focus on internal diversity (regional or sectoral) that differ from the overall national institutional environment (e.g., Crouch et al., 2009), research on who plays what role in terms of internal diversity has been extremely limited. Thus, this study investigates two different regions and their development while considering the agents within them. To do so, this study borrows the analytical framework from EEs (Stam, 2015), which includes sensitivity to both context and agency. It was found that, while the Pangyo region in Korea has relied on a small-scale top-down structure of cluster building by the local government, the Tokyo region in Japan has many different agents engaged in EEs, despite the central government's pressure. Analysing the two regions via the EEs framework allows for a focus on the underlying mechanisms pertaining to how actors and institutions interact with each other. The research findings suggest that, unlike the main argument in the VoC literature, different logic may be applied by various actors within one business system. As the VoC literature points out, alternative logic may not result in full-swing institutional change in business systems. However, shedding light on the agent-led institutional changes and their impact on internal diversity could contribute to the VoC literature by making it a more dynamic theoretical framework.

# Chapter 6

## Contributions, Future research direction

### 6.1. Answers for overarching research questions

#### (1) What actors play what roles in business systems?

The second paper of this dissertation shows that MNE subsidiaries as agents can actively engage with the institutional environment of host countries by acting strategically. Furthermore, the paper finds that the subsidiaries as agents may add new institutional logics onto extant logics of host countries by implementing and introducing their practices from HQ. The third paper mainly deals with the state sector actors' policy implementation as regards the Korean online gaming industry. The state actors as major agents intentionally or unintentionally influenced the industry's development path while implementing policies and regulations. It also shows that the state actors and their agency even in SLMEs are not a panacea for promoting industry on the one hand, and sometimes, the state actors' policy implementation creates unintended outcomes, on the other. The paper also finds that policies not only interact with institutions but also are critical in the process of building institutions. And in the process, the state sector actors exercise their agency. The fourth paper covers regional diversity issues while highlighting the actors in it. The paper finds that local government and other actors (e.g., public organisations, large firms and entrepreneurs) have involved in the process of building entrepreneurial ecosystems. The findings suggest that the actors could bring institutional heterogeneity to national economies.



(2) How do actors and institutions interact with each other in business systems? To be more specific, how do institutions constrain or influence actors' behaviour, and how do actors as institutional entrepreneurs influence or change the institutional environment? (3) Why do actors and institutions interact in a certain way?

In the second paper, MNE subsidiaries as a messenger need to follow the rules of HQ, but they should adjust it in line with the host country's institutional environment. Hence, to lessen the institutional pressure from home and host country and the tension it creates, MNE subsidiaries as agents take certain strategic steps while implementing HRM practices mandated by HQ. This paper finds that their practice transfer and implementation activities influence the host country institutional environments directly (the participation of IKEA Japan in policy-making process) or indirectly (becoming a role model for domestic companies as IKEA Japan and Korea did). Hence, the findings suggest that MNE subsidiaries can be agents or potentially institutional entrepreneurs who actively seek institutional change while utilising their advantage of foreignness and adding a new layer onto extant logics. The third paper starts from the assumption that in SLMEs, state actors would follow the same logic under the plan of the central government. Yet, the paper shows that the state actors may exercise agency of their own, following their own purposes to alter existing institutions by implementing new policies. Especially, in SLMEs, we may assume that unitary state-led coordination would be prevalent, but the paper finds that the coordination process including policy implementation takes a variety of forms. The reason for different forms of policy implementation could potentially be found in the weak institutional complementarities of the Korean economy after the 1997 financial crisis and liberalisation that followed afterwards. Hence, it suggests that institutions sometimes may not constrain actions of actors in a coherent fashion, in particular when certain economies are in transition or are in unstable status. Finally, by analysing two entrepreneurial ecosystem cases in Korea and Japan, the fourth paper deals with how actors in business systems bring or influence regional diversity or heterogeneity. Both cases show that formal institutions issuing from and supported by the central government such as laws are relatively stable, but that actors (e.g. local government, large firms) has a possibility to create new institutions or graft them onto the extant arrangements. Such action does not fully deviate from national level institutions, but could create fissures by layering or cumulating new institutional logics.

(4) Can knowledge of agent-led change help to advance other aspects of the literature on CC?

As the first paper pointed out, the existing binary model of Hall and Soskice (2001) with a static view of institutions may lose its explanatory power and there is a need to look at dynamics of institutional change in national economies. In particular, by analysing agent-led institutional change, we could gain a better understanding why certain economies move in certain directions. The second paper allows us to consider international activities of firms (e.g. MNEs) which, despite its centrality to today's global economy, has been less of a concern in the CC literature thus far. MNEs have a unique social position because they travel across the world and implement or implant their practices to host countries while adjusting to the advantage or liability of foreignness. Hence, this study confirms that we should consider MNEs as agents who can bring additional institutional logics and influence institutional change in business systems. Furthermore, it opens new horizons by considering multi-level analysis in a CC literature setting that mostly have stayed at the national level of analysis. Similarly, the third and fourth papers link with multi-level analysis. By considering that sectoral specificity and regional diversity that multiple agents could bring, the papers indicate that we should not overlook internal heterogeneity in national economies. Therefore, all contributions here would allow us to advance the current discussion related to dynamism in the CC literature. Furthermore, it also adds some further implications to the IB literature, for example, the on-going discussions in the literature about institutional entrepreneurship and the role of institutional distance.

## 6.2. Implications for theory

The contributions of this dissertation will enrich the theory. This research aims to contribute not only to addressing the weaknesses in the field of CC via a refined overview of the institutional environments in the two countries, but also to provide a better understanding of the view of institutions and specific national institutional configurations for IB research.

### 6.2.1. Bringing dynamics to the CC field

While there have been many amendments to the nation-centred CC approach, the most widely used version of the CC approach still relies on the dichotomy between LMEs and CMEs, which neglects internal variation and the diversity of agents. Thus,

the VoC has been particularly criticised for assuming “that national institutions are uniformly present across sectors and firms” (Allen, 2004, p. 89). Hence, by incorporating the national as well as the different levels (regional, sectoral and international) of various agents, we can expect that the extent of the analysis of the VoC framework could be broadened and move towards a more dynamic theory than that of the original framework. In other words, the analysis of within-country variation of institutional configuration would be helpful in overcoming the national-determinism of the CC literature. Contrasting with early contributions that tended to emphasise homogeneity in the national institutional environment, recent studies have focused on the institutional change brought about by proactive agents (Becker-Ritterspach et al., 2017; Flynn, Schröder, Higo & Yamada, 2014; Hall & Thelen, 2009; Saka-Helmhout & Geppert, 2011; Streeck & Thelen, 2005) and the presence of institutional heterogeneity and complexity (Ahmadjian, 2016; Crouch et al., 2009; Morgan, 2011; Schröder & Voelzkow, 2016; Zhang & Peck, 2016). This dissertation contributes to this more recent stream of CC literature via the cases of Korean and Japanese business systems.

The first paper in this dissertation tests the original VoC approach (Hall and Soskice, 2001), and argues for the potential of adding new types of national economies or the hybridisation of national economies (Jackson & Deeg, 2008b). Furthermore, in the results, the paper addresses several problems in the VoC approach and other CC approaches and suggests some implications, such as the need to examine more endogenous institutional changes in national economies and to concern about various levels in national economies. The second paper contributes to CC literature by considering international and national levels, together with the cases of practice-transfer activities of MNE subsidiaries. It thus fills the gap in the CC literature that lacks concern about the growing importance of MNEs and multi-level governance (Jackson & Deeg, 2008b). The third paper treats the state actors as agents in its own right that can influence and change the institutional environment and analyses how the state actors (including ministries and central government) has engaged with the Korean online gaming industry over time. The result shows that the government organisations (state actors) could travel across industries (sectors) and influence the policy implementation. It is important to note that these government bodies, as agents, have had diverse goals and purposes under the same institutional rules on one hand, and their actions have sometimes caused unintended outcomes on the other. This paper contributes to the CC literature by including new agents and state (government) bodies in the field, and pointing out industry specifics as part of the internal diversity in business systems. The final paper is in line with previous studies pertaining to the internal diversity of capitalism (Crouch et al., 2009; Rafiqui, 2010). It contributes to this stream of research by drawing on a new approach, the EE,

which covers both the context and the agent operating within it (for example, the entrepreneur or government official, the business manager or civil servant). While other research has focused on distance or the differences in the national and regional institutional environments, this research makes a distinct contribution to the CC literature by considering agents who create EEs and influence institutional diversity in national economies.

This dissertation also contributes to CC literature by adding insights pertaining to the specific context of Korean and Japanese business systems, with an emphasis on multiple actors' agency to influence institutions across layers. By considering agents in business systems, the second paper contributes to the CC field, which has shown little interest in how international activities of MNEs impact on and change the institutional environment thus far (Morgan, 2011). The CC literature recognises that MNEs have the potential to change the institutional environment (Ahmadjian, 2016; Becker-Ritterspach et al., 2017; Morgan, 2009; Saka-Helmhout et al., 2016), but there is little understanding of how and why MNEs seek change and influence institutions. To address this, the second paper examines how the two subsidiaries, IKEA Korea and IKEA Japan, behave in certain ways and why they take certain decisions when transferring the HQ's HRM practices. It thus engages with the growing discussion about institutional entrepreneurship and institutional heterogeneity in national economies. The third paper pays attention to the state, including various government bodies as actors with the capacity to influence the industrial development process, either partly or in full. Thus far, the CC literature has not expended much effort on determining how the state actors engage with industrial development. Hence, the third paper illustrates the heterogeneity of the agency of the state actors, and shows that internal diversity caused by actors' behaviour could provide a promising path forward in the CC literature. As the fourth paper also investigates by examining different EEs, these two papers provide comparable points for understanding regional diversity and how agents interact in different environments within and across the two business systems in question. This shift towards the meso- and micro-levels of analysis would lead to a better recognition of institutional diversity within national economies, in which institutional environments may vary (Allen, 2013).

As pointed out above, the use of CC literature in this dissertation, highlighting agents and their agency may provide new implications for the debate of (or the paradox of) embedded agency. The CC literature's interest in agents can provide a more contextualised understanding of the interaction between agents and structures to bridge the gap in the knowledge about the nature of agency, which has been pointed out as a weakness in the institutional entrepreneurship literature, including the embedded agency debate. More specifically, the CC literature allows us to understand

the motivation of agents' actions (how agency is developed and how agency reproduces or responds to the structure). In addition, the CC literature provides a better understanding of the structure (here, the institutional environment) that includes how and why structures enable, constrain or constitute agency in certain ways via the concept of institutional complementarities and strategic coordination. Hence, this dissertation can potentially contribute to Giddens' (1984) structure and agency model and the embedded agency debate. Similarly, caring agents and their agency in CC literature could also provide some hints to understand why business systems are changing in certain ways, and why the pace of the transformation or transitions of economies differ by revealing the underlying mechanisms of institutional change.

Furthermore, this research also expects that more rigorous comparative studies of Korean and Japanese capitalism will provide new learning opportunities — either by discovering commonalities with extant theories, or by discovering tensions and conflicts in them, which will help to extend or revise existing theories. Thus, by integrating Asia and its diversity into the VoC approach also contributes to making this approach more viable and allows for using it for a broader analysis.

### 6.2.2 Institutional distance and active agency in the IB field

Most of the IB literature has focused on the passive organisational adaptation of MNEs when they encounter institutional misfits and distance in foreign business environments (Jackson & Deeg, 2008a). This focus is largely attributed to IB's emphasis on the constraining aspects of institutions (Saka-Helmhout & Geppert, 2011) followed by the North's (1990) view of institutions. However, the recent studies in IB that gain insights from the CIA perspective maintain that institutions can be enablers and resources (Ahmadjian, 2016; Becker-Ritterspach et al., 2017; Jackson & Deeg, 2008a; Saka-Helmhout & Geppert, 2011). In line with the recent studies, this dissertation also holds that taking the CIA approach may provide important lessons for the IB field, particularly for understanding the relationship between complex national institutions and MNE strategy. The intended contributions to IB literature are as follows.

First, this dissertation could provide suggestions for the institutional distance literature in IB. The institutional distance research stream usually highlights institutional differences as barriers to MNEs, but there is a lack of sense and the consideration of various layers in business systems. This dissertation points out that there is a need to consider different levels in business systems, including international, national and regional levels. It helps to advance the discussion about institutional distance in the IB literature. Thus, this dissertation argues that, rather than examining only national-level differences, studies of MNEs should consider subnational and

industry- (sector) specific institutional differences, either on their own or taken together with national-level institutions and policies. Recently, such studies (e.g. Almond, 2011; Meyer, Mudambi & Narula, 2011; Mudambi, Li, Ma, Makino & Qian, 2018) have shown interest in this growing field. This dissertation shares their concerns and interests, and contributes to the literature on institutional distance by adding a multi-scalar perspective.

Secondly, the changing view of institutions from one in which (binding) constraints predominate to one in which institutions can also assume the roles of enablers or resources has also contributed to the role of agents in the IB field. Due to this, the emergent literature in IB has begun to consider MNEs as agents or institutional entrepreneurs (Cantwell et al., 2010; Ahmadjian, 2016). The second paper in this dissertation contributes directly to this newly emerged literature via the cases of two IKEA subsidiaries' practice-transfer activities. Other papers in this dissertation contribute little to this specific literature. However, acknowledging agents and their agency with regard to changing institutions allows us to move away from the dominant institution-based view of strategy in the IB field (Peng, 2002; Peng, Wang & Jiang, 2008), which does not recognise MNEs or other actors' active agency beyond that which the principal-agent problem prescribes.

### 6.3. Practical implications

This dissertation could have particular implications for the business community, including MNEs, consultancy firms, global firms that aim to enter Korea and Japan, and even domestic firms in Korea and Japan. Firstly, this dissertation could provide a better understanding of the recent changes in Korean and Japanese business systems. Given the geographic proximity or speculative cultural or institutional closeness of the two business systems, some members of business community may conclude that the two business systems are similar without careful consideration. However, based on the empirical evidence, this dissertation argues that these two business systems have particular characteristics that are unlike those that people have presumed. Although this dissertation could not cover the ins and outs of both business systems completely, it may offer some practical hints for people to understand Korean and Japanese business systems. Secondly, by investigating various agents at various levels and their activities in business systems, it also provides some practical lessons for understanding how to respond to agents in both business systems. To be more specific, the paper on IKEA subsidiaries' activities when engaging with the local environment would be helpful for people in MNEs (paper two), while the paper about the changing relationship between the role of the state and the Korean online gaming industry (paper three) would tell some interesting stories about how

multiple government agencies in Korea have changed industrial ecosystems. Paper four covers the recent phenomena pertaining to EEs in both business systems and, from that, born global firms may seek new opportunities in both regions.

## 6.4. Limitations and directions for future research

While I have made an effort to investigate how actors engage with the context and then institutions in particular, that is, why actors take certain actions given the institutional environment and also how it links with CC literature, this study has a number of limitations.

First, this dissertation highlights the potential strength of CIA and the CC literature while focusing on agents and by adding a sense of agency. Yet, in this process, this dissertation borrows several agent-related concept such as institutional entrepreneurs and change agents from the organisational institutionalist (OI) stream without having enough discussion about how to promote cross-fertilisation of the two different streams (CIA and OI). Leveraging a certain perspective or concept to achieve theoretical advances is worthwhile, but there is greater scope for both these institutionalist streams to learn from each other. For example, since OI lacks a holistic, contextualised understanding of how organisations are structured and managed (Greenwood et al., 2014), the CIA perspective fills the voids of OI by providing a more open-ended view of institutions (as resources or enablers). As recent scholarly work (e.g. Hotho & Saka-Helmhout, 2017) hint, we may expect further studies will help promote cross-fertilisation of two streams.

Second, although this dissertation brings various agents in two business systems to the fore, it does not deal with firm (organisational) diversity in business systems. While the CC literature's major agent is the firm, recently some CC scholars (e.g. Jackson, 2009) are interested in firm diversity in business systems. This literature could further link to the institutional logics or institutional diversity that comes from different types of firms. In line with this new strand, analysing and comparing family firms and non-family firms and their behaviour in given national economies may open new avenues of research in the CC field.

Third, this dissertation, especially, the first paper, questions the binary national model of the VoC and is similarly critical of other static national models that tend to dominate the CC literature. Yet, the logical extension as capture in questions such as “how we understand and classify mixed market economies and emerging market economies?” or “why certain economies move towards certain directions?” are missing in this dissertation. To address the first question, in the wake of the original classification of Hall and Soskice (2001) a host of new classifications have been offered, including models that are argued to better fit the cases of Latin America

(Schneider, 2013), Eastern Europe (Nölke & Vliegenthart, 2009) and Asia (Witt & Redding, 2013). Yet, the second question has been awarded limited attention thus far. In this regard, a longitudinal study would help achieve a better understanding of continuous shifts of national economies over time and thus allow for investigating institutional change in an evolutionary sense.

Finally, further studies in the CC field regarding informal institutions (e.g. social norm and their cultural foundations) need to be carried out to expand the scope of analysis. Although Hofstede (2001) and sociology scholars (e.g. Lin, 2002) have argued the importance of informal institutions, the CC literature has tended to stay on a course primarily analysing formal institutions and then typically within a limited set of institutional spheres (e.g. corporate governance, labour relations). Yet, as Storz et al. (2013) point out, informal institutions should be considered if we are to understand Asia and emerging markets. This is so since some economies have suffered formal institutional voids, instead relying on informal institutions. Hence, it would be meaningful if systematic research on the informal aspects of institutions could be carried out in the CC field.



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# Chapter 7

## Papers