



NGOs' Activism Against Firms in Varying Institutional Contexts: Is the Picture Portrayed by Vachani and Associates Complete?

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Abstract

Vachani and Associates (2009) examined the effect of NGOs activism on firms' transaction costs in varying institutional contexts. These authors proposed that regions with higher institutional development level—e.g., North America, will have a higher number and efficacy of advocacy NGOs, leading to higher transaction costs for firms resulting from NGO pressures. Our work revisits and extends the theoretical framework as proposed by these authors by a) precisely specifying the types of NGO actors involved in activism against firms b) explaining the process through which NGOs increase transaction costs of the firms in North American region, for this we draw on mandatory adaptations perspective c) explaining why firms internationalize from North America region to South Asia region which is characterized by low institutional development level d) predicting that firms' location decision in turn affect institutional development of the countries in the region.

Key Words: Institutional Development Level, Internationalization, Mandatory Adaptations, North America Region, South Asia Region, Transaction Costs, Watchdog NGOs activism.

Introduction

Reading Vachani, Doh and Teegen's (2009) work titled "NGOs' influence on MNEs' social development strategies in varying institutional contexts: A transaction cost perspective" feels like reading Alain Verbeke, Pervez Ghauri, Allan Rugman, Chang Hoon Oh or Dr Daniel Shapiro at their best. Mind is stirred and one feels convinced by the focused and persuasive line of argument. These scholars are best in their craft and one feels gifted and bright to differ from these men.

Vachani et al.'s (2009) work examines Non-Governmental Organizations' (NGOs) activism in various institutional contexts in terms of institutional distance, dynamism and Institutional development level (hereafter IDL) through Transaction Costs (TCs) perspective. These authors employ the TCs economic framework to examine how NGOs affect firms' TCs that ought to vary with different levels and postures of firms' social development strategy and institutional context. These authors maintained that:

"Countries with a higher level of institutional development will have a higher number and efficacy of Advocacy NGOs, leading to higher (Multinational Enterprise) MNE transaction costs resulting from NGO pressures." (p. 451).

"Countries with a lower level of institutional development will have a higher number and efficacy of operational delivery NGOs, leading to lower MNE transaction costs" (p. 452).

"MNEs will suffer from higher transaction costs arising from NGO activism in host-country environments that are institutionally distant from their home environment and the foreign environments they have operated in, than in host-country environments that are institutionally close." (p. 452).

Reading Vachani et al.'s article—particularly the part that relates to IDL, NGOs activism and TCs of firms—is more like attempting a Jigsaw puzzle where several interlocking oddly shaped mosaiced concepts are nicely assembled together. Yet they do not produce a complete picture as many important pieces are missing. Here theory is compelling and propositions fairly articulate relevant contingencies as directions and implications for

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future research, yet scope remains narrow and basic cause-effect relations stand overly circumscribed. Refer to the aforesaid propositions—'NGOs activism in institutionally developed (less developed) context results in more (less) costs'—would naturally demand 'then what (effects)?' Another intriguing question would be 'how NGOs cause such rise in TCs (triggers)?' 'Are these Advocacy NGOs (*hereafter* ANGOs) involved here only (scope)?' Answers to these questions shall complement the Vachani et al.'s (2009) work and eventually complete the cause-effect chain that will improve our understanding of this phenomenon.

In terms of *effects*, it is important to understand the IDL and TCs as they lie at the core of theoretical explanations for the strategic choices of the firms. One such choice (effect) can be internationalization. Previous research suggests that IDL is a key driver of internationalization (e.g. Khanna & Palepu, 2010; Meyer, 2001; Peng et al., 2008; Scott, 2013). The IDL defines firms' internationalization, choice of market entry mode, strategies, practices and governance (Henisz & Williamson, 1999; Hill, Hwang, & Kim, 1990). Notwithstanding, extant literature focuses more on varying IDL in 'host' countries vis-à-vis internationalization—a pull perspective (e.g. Henisz & Zelner, 2003; Hoskisson, Eden, Lau, & Wright, 2000; Khanna & Palepu, 2010; Peng, 2004), while IDL of 'home' country as a driver of internationalization—a push perspective—remains under-dressed in IB literature (Marano et al., 2016; Madanoglu et al., 2017). In terms of scope, an overly simplified typology of NGOs as employed by Vachani et al. (2009), with only advocacy and service delivery NGOs as two types of NGOs does not serve the purpose. A finer differentiation of NGOs at the level of proxy-war NGOs (PNGOs) and watchdog NGOs (WNGOs) is required that helps in identifying and theorizing about the actual NGO players activism against the firms. In terms of triggers, Vachani et al.'s (2009) leaves a pertinent link between NGOs activism and TCs unattended—i.e., pressure to ensure mandatory adaptations (*hereafter* MAs) that actually lead to increased cost of doing business and eventually increases firms' propensity to internationalize.

To complete the picture, this study draws on institutional theory (Khanna & Palepu, 2010; Brouthers, 2002; Peng et al., 2008), MAs and TCs perspectives to put forward a theoretical framework that seamlessly integrates necessary factors into what we call a *chain of internationalization*. In line with Vachani et al. (2009), this study demonstrates how IDL in North America region (*hereafter* NAR) leads to increased WNGOs activism and more monitoring of firms' strategies. We propose that WNGOs activism forces firms to incorporate MAs as per codified regulations and local demands, leading to increased TCs in domestic markets. To mitigate the elevated TCs, firms may opt to internationalize. Thus WNGOs activism constitutes an indispensable local factor, pushing firms to internationalize to South Asian region (*hereafter* SAR) with relatively lower IDL.

The article is organized in the following format. The first section comprises of literature review of NGOs activism followed by ID to make baseline for the first proposition of this article. Then MAs, TCs and internationalization are discussed briefly to develop propositions regarding how IDL affects WNGOs activism, which in turns ensures MAs by firms and results in increased TCs for firms, pushing firms to internationalize. The last section provides conclusion and implications of this article.

Literature Review

NGOs

Extant literature emphasizes the emerging role of NGOs, also called the 3rd sector. NGOs sector constitutes the 8th largest economy in the world (Yaziji & Doh, 2009). The emergence, evolution, global presence and the rapid expansion of NGOs over the past several decades reflect their growing importance in the economic, social and political contexts (Doh & Teegen, 2003; Teegen et al., 2004 etc.).

An emerging literature identifies NGOs as important institutional and veto actors that can both facilitate and impede firms' investments, activities and business plans (Henisz & Zelner, 2006). Likewise, previous research emphasizes the importance of NGOs in terms of providing security and stability to foreign firms, stabilizing internal investment environment and in providing competitive advantages to corporate sector etc. (Yaziji & Doh, 2009). Thus, for smooth sail in foreign environments, firms must accurately access the configuration of ID and partisan veto players like NGOs, which can potentially affect policies and legislative status quo (Henisz & Zelner, 2006; Tsebelis, 2002).

NGOs are inherently evolutionary in nature (Tolbert & Zucker, 1996); their role has not only been magnified, but has also been transformed from the mere social services providers into agents of change. NGOs are considered not only the important conduits for aid and the providers of development services worldwide, but NGOs are also perceived as agents of globalization (Teegen et al., 2004). The increasingly important role of NGOs has been empirically and theoretically explored

by different researchers (Doh & Guay, 2006; Teegen et al., 2004 etc.). NGOs have capacity to change and influence institutions, organizations and even the level of ID in which they work (Teegen et al., 2004). *The limits of NGOs have also been examined in the recent literature (e.g., Delalieux, Kourula & Bakker, 2019).*

Today, NGOs are seen as important decisive stakeholders in conditioning the terms and conditions under which business, government, and multilateral institutions manage the IB affairs. In the domain of IB, a well-recognized stream of research uncovers different aspects of firms-NGOs relationships (Yaziji & Doh, 2009; Doh & Teegen, 2003; Teegen et al., 2004). There are number of factors that can potentially mould *NGOs activism on firms*. In IB, these factors have been examined through various lenses like stakeholder theory (Doh & Teegen, 2003), agency theory (Doh & Teegen, 2002), regulation theory (Braithwaite & Drahos, 2000), resource dependency theory (Yanacopulos, 2005), institutional theory (Delios & Henisz, 2000; Henisz & Williamson, 1999; Kostova & Roth, 2002; Doh & Teegen, 2003; Vachani et al., 2009) etc. From institutional theory perspective, it has been proposed that NGOs activism against firms is conditioned by IDL in which they operate (Vachani et al., 2009).

Figure 1 outlines the brief introduction to types of NGOs. In IB, NGOs-firms dyad has largely been examined considering the broad/general classification of types of NGOs (Vachani et al., 2009). Extending this stream of research, the finely granulated categorization of NGOs (Yaziji & Doh, 2009), demarcates various types of NGOs. This demarcation clarifies that these types and their subsets are proactive in nature and are distinct altogether in terms of their roles and nature of their relationships with firms. Their strategies to deal with firms and consequences of their activism also differ a great deal. Of two subsets of ANGOs (please see figure 1), WNGOs behave differently, if compared to PWNGOs, when both are operating in the same IDL. WNGOs activism ensures that firms should meet prevailing legislative and regulatory standards, while PWNGOs challenge the prevailing values and believes and regulatory systems in a society, with a purpose to change or underpin the existing systems and to delegitimize the competing institution (Yaziji & Doh, 2009). Therefore, considering the objective of this research, we focus solely on WNGOs activism. Extant research also acknowledges the significant roles played by WNGOs (e.g. Haack et al. 2012).

For this article, first we examine the distinct roles played WNGOs and PWNGOs in different IDLs. The two types differ in terms of their purposes, targets, strategies and tactics. WNGOs are so called because they monitor critically the activities of governments, industry, or other organizations if these organizations meet the requirements and standards of the systems (Yaziji & Doh, 2009) and they alert public when they detect actions going against the public interest. They do not intend to bring change, but ensure that organizations meet prevailing legislative, normative or /and regulatory criteria. They “will tend to target those organizations that fail to sufficiently conform to dominant institutional standards of appropriate behavior” (Yaziji & Doh, 2009, p. 88). WNGOs are “institutionally expressive” to put “normative pressure” on organizations to meet standards and regulations. They pressurize organizations strategically-employing the tactics depending on the objectives they try to achieve (den Hond, De Bakker & Doh, 2007). In the realm of IB, WNGOs activism on firms results in “corporate reform” (Baur & Schmitz, 2012). As a matter of fact, NGOs themselves are monitored by watchdog NGOs or organizations to demonstrate quantifiable results of their activities (Mitchell & Schmitz, 2009).

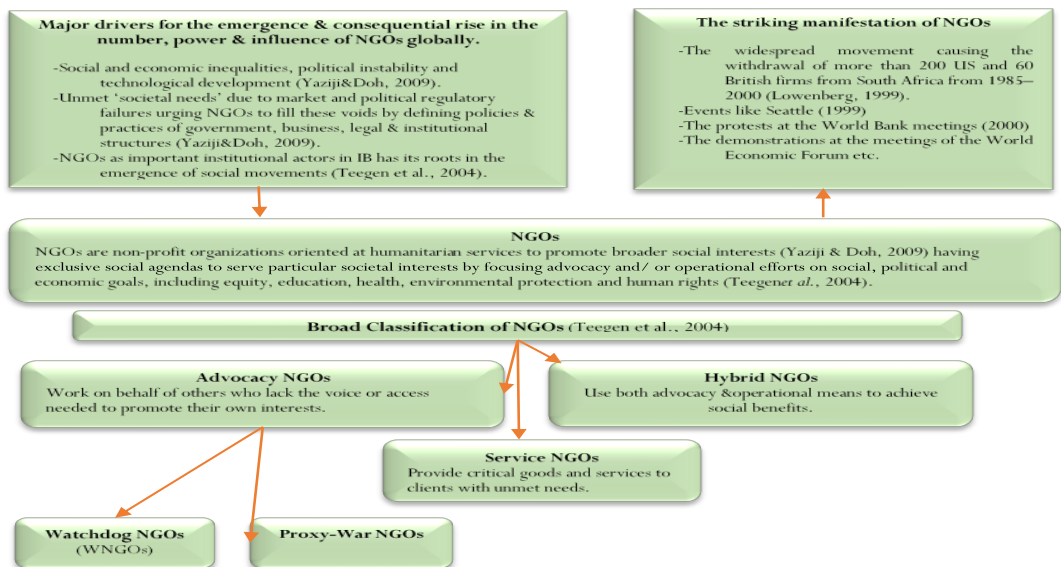


Figure 1: NGOs & their Typology

While PWNGOs do not support the extant system, they tend to challenge and change its institutional framework by generating a proxy institutional conflict. They employ the tactics aiming to change the rules of the game (Yaziji & Doh, 2009). Oxfam's campaign against GlaxoSmithKline concerning AIDS drugs in South Africa, campaigns against Nike's suppliers' labor practices in SAR and PETA campaigns are some examples. Firms' managers perceive and respond to the demands of these two subsets of NGOs differently. For managers, the demands of WNGOs seem to be "cooperation-oriented" and firms can often meet these demands. On the contrary, demands from PWNGOs seem to be too radical and are "event-oriented" (Holzer, 2008, p. 56) and seem to be part of problem not of the solution for firms by challenging them (den Hond et al., 2007). In compliance with claims posed by WNGOs, firms can make required strategic changes as compared to demands of PWNGOs. But how do these strategic changes cost firms, is the question that needs further explanation. This article answers this question.

Institutional Development

With IDL becoming more relevant to internationalization of firms (Delios & Henisz, 2000; Henisz & Zelner, 2006; Khanna & Palepu, 2010), institutional theory has emerged as a sound theoretical foundation to examine how IDL of a country sets the "rules of the game in a society" determining in general the strategy of the firms (North, 1990: 3). The institutional context is defined as "the set of fundamental political, social and legal ground rules that establish the basis for production, exchange and distribution" (Davis, North & Smorodin, 1971: 6) and as the "rules of the game in a society or...the humanly devised constraints that shape human interaction" (North, 1990: 3).

Institutional theory is apt as a lens of analysis to study WNGOs activism as a push driver in internationalization of firms. It proposes that organizations embedded within the institutional framework are supported and/or constrained by varying IDL of host and home country (Brouthers, 2002; Child, 1980; Peng et al., 2008). SAR suffers from institutional limitations with weak regulatory frameworks, which are not very transparent and can change abruptly, thus posing challenges for firms to operate (Khanna & Palepu, 2010; Wright et al., 2005). The impoverished IDL of SAR serves both as push and pull factor in firms' internationalization. The escapist view contends that weaker IDL creates uncertainty, leading to affect firms' strategy and performance (Henisz & Zelner, 2006; Xu & Meyer, 2013). To avoid these shortfalls, some firms internationalize in NAR with stronger IDL. On the contrary, some firms prefer to internationalize in SAR with lower IDL, a) to take advantage of reduced taxes and transparency, i.e., offshore financial centers (Witt & Lewin, 2004), b) to avoid the exposure to increasingly challenging conditions at home country and to escape the regulatory constraints at home market (Gaur & Kumar, 2010) and c) to develop an uncertainty management capability for striving in domestic markets and later on in case of internationalization (Cuervo-Cazurra et al., 2018). Thus, the IDL plays crucial role in defining strategies and practices of firms. The IDL can facilitate firms to internationalize by providing safe, secure and facilitating environment or compel firms to modify their strategic policies (Henisz & Zelner, 2006; Tsebelis, 2002). Likewise, IDL can generate an environment of risk via regulation, policy shift, outright or de facto expropriation, permitting local firms to exploit foreign-owned assets, violation of intellectual property rights, corruption and other forms of arbitrary and preferential policies as well (Henisz & Williamson, 1999; Khanna et al., 2005, Vachani & Smith, 2004). Firms have to adjust their strategies to the demands of the contextual factors. Therefore, the IDL determine firms' market entry modes and governance (Henisz & Williamson, 1999; Hill et al., 1990).

Extending this discussion to NGOs-IDL dyad, the research establishes that this dyad together exponentially influences firms' strategies (Doh & Teegen, 2002). NGOs-IDL relationship is a twin-track route: where IDL not only determines the emergence and types of NGOs, but also shapes NGOs activism on firms and NGOs being institutional actors can change the IDL in which they operate (Yaziji & Doh, 2009). NGOs activism cannot be treated homogeneously as it varies region wise depending on their IDL composition (Meyer et al., 2009). Therefore, the various types of NGOs behave differently in varying IDL (high or low) (Vachani et al., 2009). In SAR with institutional voids and governance imperfections, the degree of NGOs activism against firms will be low (Vachani et al., 2009) and will be a suitable place for service NGOs to "provide critical goods and services to clients with unmet needs" (Teegen et al., 2004: 467). While, in NAR with higher IDL and lesser governance imperfections, NGOs are present in greater numbers and are more effective (Vachani et al., 2009). Therefore, in higher IDL, NGOs are more resistant to accommodate change and have a higher level of internal cohesion and maintain legislative status quo (Tsebelis, 2002). Thus, firms are expected to face higher NGOs activism for social development activities in NAR. In their work, Vachani et al. (2009) have underscored the role played by ANGOS, in general.

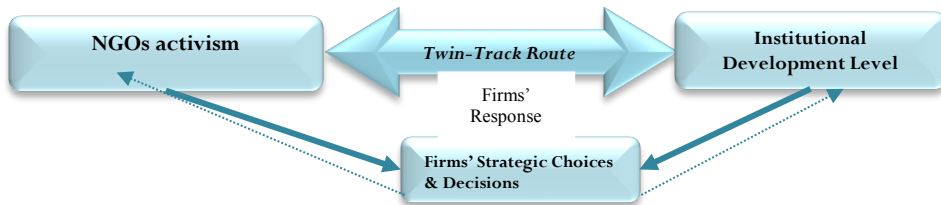


Figure 1: Effect of NGOs& IDL on Firms

Vachani et al.'s (2009) work makes the baseline for the arguments and propositions of our paper. Extending this research, we argue that as types of NGOs differ with respect to their purposes, roles, scope, targets and procedures (Yaziji & Doh, 2009), therefore activism of various types of NGOs cannot be treated equivalently. Based on the finely granulated differences among various types and subsets of NGOs as presented by Yaziji & Doh (2009) and effect of IDL on NGOs activism, in our paper, we propose that there exists a relationship between WNGOs activism and IDL of a region. In line with previous research positing that higher IDL promises higher number and effectiveness of ANGOs, thus WNGOs activism—being a subset—would also be conditioned and supported by the higher IDL of NAR to regulate and ensure the safeguard of extant system. *Therefore, we propose that*

P1: The more is the level of institutional development of a region, the more shall be the Watchdog NGOs activism.

To propose the potential effects of higher WNGOs activism in higher IDL context to ensure MAs by firms, it is important to discuss MAs briefly.

Mandatory Adaptations

Recent literature on adaptation strategy—spanning more than five decades—helps in developing a comprehensive understanding of adaptation strategies (Schmid & Kotulla, 2011). Initial research on adaptation strategy clearly demarcates between “mandatory or externally-imposed adaptation and voluntary or self-imposed adaptation” (Kacker, 1975, p. 64) and “mandatory” and “optional” adaptations (Hill & Still, 1984). Sorenson and Wiechmann (1975) define mandatory adaptation as “obligatory custom-tailoring”, “in response to subtle differences in local market conditions” (p. 44). MAs are the adaptations that a firm makes to comply with local laws and regulations. For instance, when a firm redesigns its products or adopts a promotion strategy in compliance with market laws and regulations. While, discretionary adaptations encompass strategic decisions to compete in a market thus, and can be considered as a managerial tool to better strategize the competitive positioning of a firm (Westjohn & Magnussan, 2017). Therefore, discretionary adaptations meet culture-oriented specifications. The stream of adaptation strategies has equally been an area of major concern for IB researchers. Research posits that firms opt for those strategic fit (mandatory and discretionary adaptations) that can be supported by contextual factors of environment to win market response (e.g. Gabrielsson & Gabrielsson, 2004; Theodosiou & Leonidou, 2003; Katsikeas, Samiee, & Theodosiou, 2006). In response to the demands of regulatory institutions and social standards of market, firms opt for necessary MAs to get legitimacy and competitive advantages (Hultmann et al., 2009). Firms make MAs not only for marketing fit objectives but also for better strategic fit. Therefore, we draw upon the comprehensive concept of MAs, encompassing adaptations in either marketing mix, strategies, policies or operations of firms.

Though extant research indicates that MAs are determined majorly by IDL of a region, but till now, no effort has been spared to examine this stream from the perspective of WNGOs activism. Higher IDL promises higher WNGOs activism. For firms operating in higher IDL, it becomes hard not to comply with demands of WNGOs. Higher IDL in NAR gives stability to the normative and regulatory standards of the markets, which makes it necessary for firms to comply with their demands. This stability eradicates the chance of any modification in the legislative status quo of local standards (Tsebelis, 2002). Of all, one vital factor accounting for the monitoring and enforcing of these standards and regulations is WNGOs activism, we propose. WNGOs monitor firms’ strategies and policies and cause firms to be more reactive and responsive to social concerns (Witt & Lewin, 2004). It is generally believed that NGOs activism can force firms to change their strategies and policies (Teegen et al., 2004). Thus, it is prudent for firms to conform to prevailing normative or regulative institutional standards to get and maintain their legitimacy (DiMaggio & Powell, 1983) by undergoing MAs to build directives fit with the domestic requirements and to respond positively to the claims of WNGOs. WNGOs activism can demand firms to meet certain criteria and firms respond to these demands. Thus, higher WNGOs activism tends to ensure firms’ MAs. It is advisable to study in strategic management literature that how firms respond to demands from important stakeholder i.e. WNGOs. Firms’ patterns of response may differ in their extent of anticipation and voluntarily implementation of MAs. Some reactive firms opt for offensive behavior and tend to ignore the demands imposed by WNGOs or respond these demands in a selective way. While, the pattern of strategic behavior of some proactive firms aligns with the demands they receive from WNGOs. These

firms display accommodating behavior and devote their time and resources to the implementation of the demanded adaptations. We propose that nature of demands received from WNGOs also decides the pattern of firms' response. WNGOs activism directed at firms' core strategy than peripheral policies can be challenged by the firms. Therefore, if WNGOs activism directs at demanding accommodation in other than core policies, then firms may respond positively to these claims by inculcating MAs. Therefore, we propose the relationship between WNGOs activism and MAs, in the lines ahead.

P2: The Higher the Watchdog NGOs Activism on Firms, the more shall be the Mandatory Adaptation by Firms.

To understand that how do mandatory adaptations affect TCs incurred on firms, we first briefly discuss TCs.

Transaction Costs (TCs)

Extant research throws light on various perspectives related to TCs (e.g. Geiger & Lee, 2019). The significance of TCs perspective has been discussed particularly in IB and strategy research (Hemisz & Zellner, 2006) (Table 1 presents some definitions of TCs). Research posits TCs is among one of the core determinants in market exchange. Firms tend to ensure that the TCs must not exceed the associated benefits, because low TCs are conceived to be important for economic growth and development (North, 1990). TCs perspective is based on neo-classical TC theory (Coase, 1937) that has gained much attention providing a) the researchers with a variety of tools to disclose the rationale behind firms' internationalization, and b) determining the entry mode choice of firms (Brouthers, 2002; Williamson, 1985).

Table 1. Definitions of TCs

Definition	Author
-The cost of "negotiating and concluding a separate contract for each exchange transaction.	Coase, 1937
-The cost of exchange of ownership	Demsetz, 1968
-Operating costs of an economic system	Arrow, 1969
-The costs associated with the transfer of goods or services between parties, in making any economic trade. Search and information costs, bargaining costs and policing and enforcement costs are three categories of TCs.	Carl, 1979
-Contractual costs that govern and enforce the underlying transactions.	North, 1990
-Ex-ante costs of drafting, negotiating and safeguarding an agreement and, more especially, the ex-post costs of mal-adaptation and adjustment that arise when contract execution is misaligned as a result of gaps, errors, omissions, and unanticipated disturbances.	Williamson, 1985

Research posits that TCs of firms are affected by factors like economic, political, social institutions and technology and others, determining their costs related to operations in markets and the choice of governance mechanism (Khanna & Rivkin, 2001; North, 1990). Among these, IDL and NGOs activism constitute two important factors that affect TCs (Vachani et al., 2009). NGOs activism can determine both *ex-ante* and *ex-poste* costs of firms; higher NGOs activism resulting in elevating TCs for firms (Vachani et al., 2009). To complement Vachani et al.'s (2009) work, we propose a link between MAs and TCs. Absence of intermediate like MAs between WNGOs activism and TCs seems to leave it unfinished. We have proposed that higher IDL in NAR facilitates number and effectiveness of WNGOs activism. WNGOs monitor if firms follow the prescribed regulations. Higher WNGOs activism leaves less room for policy changes (Tsebelis, 2002; Vachani et al., 2009). Firms cannot change policies relating to capital controls NAR with higher number of NGOs (Kastner & Rector, 2003). Rather WNGO activism can pressurize firms to follow normative regulations and to amend their strategies and policies and seek new governance mechanisms, when necessary to meet the norms of the system. This incurs additional policies and reinforcement costs for firms, unbalancing the costs-benefits strategy. Firms whose success is jeopardized by the claims emanating from WNGOs activism may be expected to instigate adaptation responses intended to improve their legitimacy and fit to the markets or may prompt to enter a new market. The choice of action is determined primarily by the costs related to the action. It is normally assumed that adaptations incur additional costs and if possible firms prefer to limit these costs. For some firms complying with MAs is more costly than necessary and also affects profitability. If a firm has to make higher MAs, it will result in elevated TCs. Therefore, we propose that

P3: The More the Mandatory Adaptations, the more shall be the Transaction Costs.

Internationalization

Last few decades have witnessed a remarkable surge in internationalization. In general, internationalization is the process whereby a firm increases its clientele or footprints across borders. According to Calof and Beamish (1995), internationalization is the method of adapting organizations' operations (resources, strategy, structure) to foreign environments. Owing to lack of consensus on definition of internationalization, there exist various theories and perspectives

in literature, explaining the reasons and motives behind a firm's internationalization (Madanoglu et al., 2017). A brief synthesis of extant research on internationalization has been presented in Table 2.

So far, in the domain of firms' internationalization, contemporary research has studied, a) the impact of home country characteristics on a firms' innovations and foreign expansion (e.g., Cuervo-Cazurra, 2016), b) the impact of geographic distance between the home and host country (e.g., Ang, Benischke, & Doh, 2015; Ghemawat, 2001), c) institutional and political system (Delios & Henisz, 2000) etc. Of all, the decisive role played by IDL in firms' internationalization can never be questioned. IDL has profound effect on firm's strategy and performance (Khanna & Palepu, 2010; Peng et al., 2008).

Table 2. A brief synthesis of Extant literature on Internationalization

	Findings	Authors
Internationalization Theories	Transaction Cost Theory, Product Cycle Theory, Oligopolistic Reaction Theory, Internationalization Theory, Stage Theory Of Internationalization, Evolutionary theory, Monopolistic Advantage, Eclectic Theory of International Production, Strategic Choice Theory, Network Theory of Internationalization, Path Dependent Theory etc.	Coase (1937); Buckley & Casson (1976); <u>Johanson & Vahlne (1977)</u> ; Caves (1982); Dunning (1988)
Various Perspectives of Internationalization	Capability and Knowledge-Based Views, Resources and Ownership-Specific Views, Network-Based Resources, Strategic Behavior of Firms In <u>Emerging Markets</u> , Strategic Choices, Ethnic Identity View, Resource and Institutional-Based Views etc.	Buckley (2002) ; <u>Cuervo-Cazurra & Genc (2008)</u> ; <u>Peng et al. (2008)</u> ; <u>Meyer et al. (2009)</u> ; Kumar et al. (2014)
Factors affecting firms' Internationalization	Size of the domestic market, Inflation, Exchange rate volatility, Interest rates, Macroeconomic policies, Marketing mix, Political systems differences, Economic distances, Physical distance, Differences between home & host market knowledge base, Market Segmentation & targeting, Location-specific factors like Technologies, Business models, Innovative abilities, Clientele with a high purchasing power, Industry chain, Firms foreign market experiences, Market knowledge, Technological & Internationalization knowledge, Market positioning, Socio-economic development distance, Cultural and historical distance and Terrorism, etc.	Henisz (2000); Ghemawat (2001); Sousa, Martínez-López, & Coelho (2002); Henisz & Delios (2000); Kotler et al. (2019); Tao, Zhanming, & Xiaoguang (2013); Haider & Anwar (2014); Gollnhofer & Ekaterina (2015)
Benefits & Reasons	Economies of scale, Obtaining access to new resources and capital, Acquiring new capabilities to get higher profitability, Diversify themselves against the risks and uncertainties of the domestic business cycle, To tap the growing world markets, Follow the competitor strategy to protect their market share, To overcome protective devices such as tariff and non-tariff barriers, To take advantage of technological expertise, To mitigate costs, Macro environment elements like political, legal, social, technical and economic conditions at domestic and target countries, Saturation of home country market, Proactive motivations and strategies, etc.	Dunning (1988); Bartlett & Ghoshal (2002); Moen (2002); Bell et al. (2003); Rugman et al. (2006)
Risks	Jeopardizing their investments, Incurring additional costs for operations, Developing new knowledge and skills to compete in different institutional settings, Facing needs of new clientele and different regulatory environments, Host country discrimination, Lack of knowledge of host market, Managerial challenges, Political risks and Economic risks, etc.	Buckley & Casson (1976); Johanson & Vahlne (1977); Zaheer (1995); Eriksson et al. (1997); Bekaert et al. (2014); Brown et al. (2014)

Opportunities	Higher GDP, Larger population, More purchasing power, Markets with higher economic, political and social stability, Low economic and business risks, Lower transportation communication & labor costs, Growth-friendly policies, Abundant natural resources and Active judicial systems, etc.	Lafontaine & Leibsohn, 2005; Aliouche & Schlenrich, 2011; Baena, 2013; Haider & Anwar, 2014
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The processes of internationalization are complex and complicated involving a range of factors like various stakeholders, different institutions, different policies, and rules and regulations. Many reasons and motivations interplay in the decision of internationalization (see Table 2). In general, it is believed that internationalization may be an outcome of “push” or “pull” factors (Kacker, 1985; Rugman, Collinson & Hodgetts, 2006) or/and their interaction (Etemad, 2004). As per proactive perspective, for firms the foreign markets seem as attractive opportunities to pull them to internationalize (Alexander & Myers, 2000). While as per reactive school of thoughts push factors make home country unattractive and less profitable for firms, therefore, prompting them to internationalize (Czinkota & Ronkainen, 2007). Firms’ internationalization, for instance, in SAR with lower IDL can be prompted by their strategy to avoid strict regulatory constrictions and growing demanding situations in home contexts (Luo & Tung, 2007; Gaur & Kumar, 2010), to exploit competitive advantages of host contexts (Luo & Tung, 2007) or to avail reduced taxes and transparency (Witt & Lewin, 2004).

One factor that makes home country less profitable is higher TCs for firms. WNGOs activism in NAR with higher IDL context spurs the firms to make mandatory adaptations in term of the strategic and operational amendments that in turn can incur additional costs to firms. Elevated TCs can decelerate profitability of firms, thus making NAR market unfavorable for firms. If the additional costs outweigh the calculated benefits, then to mitigate higher TCs firms may search for new accommodating markets with favorable conditions and opportunities in terms of TCs. Undoubtedly, TCs lie at the core of firms’ strategic choices and governance mechanism (Buckley & Casson, 1976; Dunning, 1988; Rugman et al., 2006). A thrust for internationalization of firms, therefore, may stem from necessity (Etemad, 2004). This is in line with reactive perspective that excessive regulations may turn domestic market constrained and less profitable for firms, pushing/prompting their internationalization (Czinkota & Ronkainen, 2007). To date, TCs perspective owing to MAs has not been considered as one of the key push factors for firms’ internationalization. This evokes the need to investigate fully the impact of IDL of a host country on the propensity, mechanism and patterns of internationalization in future research (Etemad, 2004); Wu & Chen, 2014). Therefore, in this paper we extend the work of Vachani et al. (2009) by proposing that firms’ internationalization can be a potential outcome of higher WNGOs activism. We argue that higher TCs of doing business in markets may increase chances of NAR firms’ internationalization. If TCs for firms in NAR markets exceeds its perceived benefits and costs of doing business, then firms may extend their operations to SAR markets given other factors are supportive. Prior to internationalization, firms screen multitude of market factors. An extensive research review suggests that before internationalization, firms assess analytically the perils and prospects of the target markets and also gauge the country and firms’ specific determinants to find the best match for the firms’ objectives (Kotler et al., 2019). Notwithstanding the importance of the impacts of home country IDL as one of the push factors, this article suggests that not only the firms’ internationalization is also influenced by the IDL of host country explicitly or implicitly, but also casts its impact on the IDL of host country after internationalization. IDL of host country affects firms’ modes of entry (Peng, 2000) and determine TCs of doing business (Hoskisson et al., 2000). IDL of both home and host countries determine the firms’ strategic preferences (Wright et al. 2005). When firms’ internationalization is primarily stirred by the urge to mitigate the TCs in NAR markets owing to compliance with MAs, then firms would target the best match markets for their operations. Internationalization of NAR firms in SAR with lower IDL is primarily due to the reason to escape from restrictive business context and to reduce the costs related to doing business (Mirza, 2000). For example production houses of H&M in Bangladesh, Irish Dunne stores in Pakistan, and major western brands garment production in India, etc. provide these firms an opportunity to maximize their profits, which otherwise would have been impossible due to constraints imposed in NAR with higher IDL. Here we propose that firms internationalize due to the increased TCs owing to enact MAs under higher WNGOs activism in higher IDL. Therefore, firms would internationalize in the in SAR with lower IDL to lessen the NAR institutional constraints (Luo & Tung, 2007). The inception of institutional voids perspective suggests that firms from higher IDL would internationalize in the SAR markets with less IDL to get benefits from institutional shortcomings and later on to fill these institutional voids as well (Khanna&Palepu, 2010). Once internationalized in lower IDL context, firms would exploit and affect the institutional voids of in a number of ways. Firms may a) introduce new organizational arrangements (Dahan , Doh, Oetzel, & Yaziji, 2010; Kostova & Hult, 2016), b) surrogate formal institutions by making alliances with local actors (Meyer et al., 2009; Khanna & Palepu, 2010), c) may instigate government to improve IDL (Boddewyn & Doh, 2011), d) may rely more on informal institutions or may improve the quality of local infrastructure and capacity building of workforce (Mirza, 2000) and many others (Doh, Rodrigues, Helmhout & Makhija, 2017). Therefore, we propose that

P4: The Higher the Transaction Costs for Firms in NAR Markets Owing to Compliance with Mandatory Adaptations, the more shall be the Firms' Propensity to Internationalize in SAR. After Internationalization, Firms would Affect the IDL of the SAR as well.

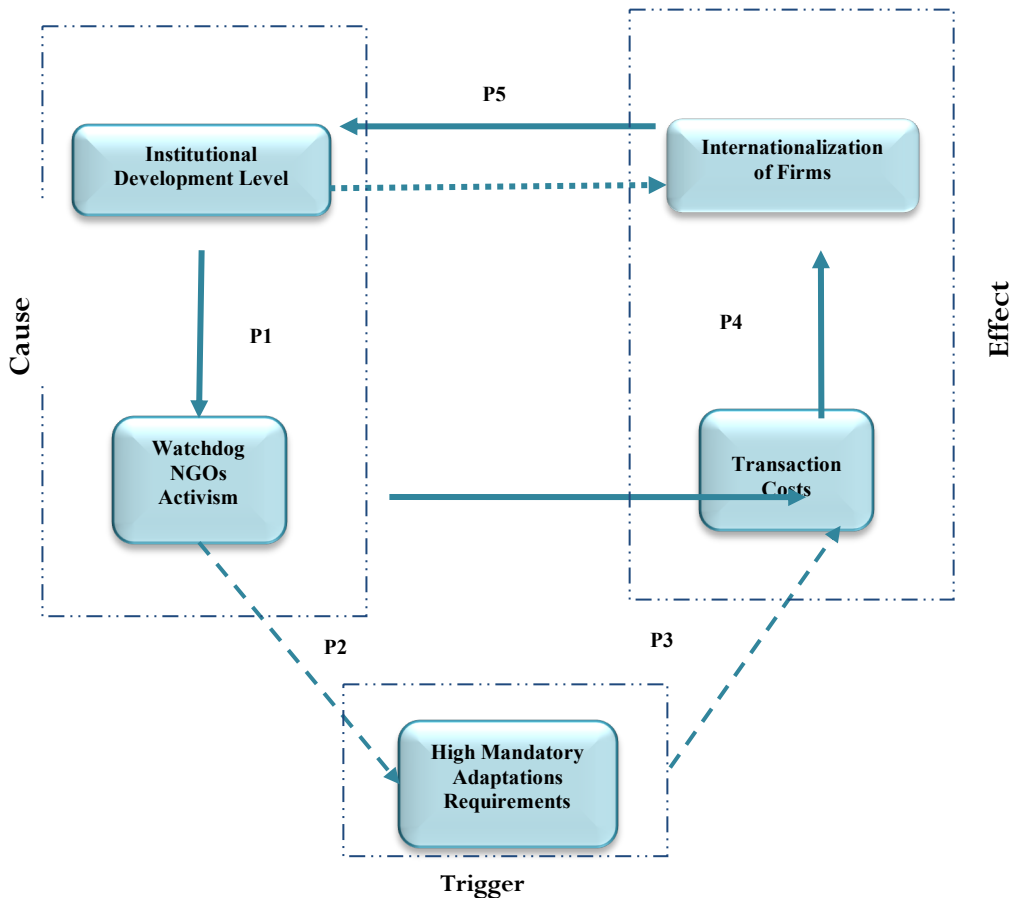


Figure 3: Theoretical Framework of Chain of internationalization—Cause, Effect & Trigger

Discussion and Conclusion

Since their inception, NGOs enjoy the status of institutions-defining instruments acting as agents of change and globalizations in IB (Doh & Teegen, 2003). Narrowing our discussion to WNGOs—a subset of ANGOs—we propose a dyad *between WNGOs activism and IDL that can affect firms internationalization*. No doubt conducive drivers—push and pull factors—for firms' internationalization from NAR to SAR per se are largely numerous. Independently of their scholarly relevance, we propose that internationalization can also be an outcome of WNGOs activism in NAR with higher IDL. Owing to their massive expansion, the discussion on the pervasive regulatory quality of WNGOs activism on firms is gaining traction as an object of inquiry in IB. WNGOs activism not only regulates the activities of firms, but also sets the working environment for these organizations. In this conceptual article, extending the extant research (Vachani et al., 2009), we thus investigate the role of WNGOs on firms' internationalization in the postulation that elevated TCs owing to MAs by firms under the mounted WNGOs activism in higher IDL of NAR may serve as one of the push factors prompting firms to internationalize in SAR. Extant literature has not considered the contribution of potential intermediate factors—WNGOs activism and MAs—in the course of firms' internationalization. This research fills the gap.

In this conceptual paper, we have critically analyzed extant literature to develop empirically testable propositions. We suggest that higher IDL of NAR ensures the mounted WNGOs activism on firms to monitor and regulate corporate activities. WNGOs may enforce firms to align their policies and strategies as per normative regulation in terms of MAs. This in turn can elevate TCs of doing business for firms. After profound market scrutiny, the firms may internationalize in the SAR with favorable environment to mitigate the heightened costs i.e. SAR with lower IDL to mitigate TCs.

This article contributes to bridge the research gap by proposing what mechanism is involved when WNGOs activism increases TCs for firms. This article also invites future research on an understudied question that in the context of growing protectionism and trade war between economies like China and U.S, how will firms encounter NGOs activism? This is an important under-studied area. This article opens avenue for future research to investigate some accurate and approachable parameters to gauge NGOs efficiency in general, and WNGOs activism in particular. This will help the corporate sector to formulate and implement their future strategies.

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