

## **Inequality through MNE - emerging economy coevolution?**

### **A political actor view on Myanmar/Burma's peacebuilding**

#### **Abstract**

**Purpose** - This study seeks to understand how the coevolution of multinational enterprises (MNEs) and emerging economy institutions affects social and economic (in)equality in an ambiguous, emerging economy context from a political actor perspective.

**Design/methodology/approach** - Qualitative in nature, the study builds on conversations with twenty political actors involved in the peacebuilding process in Myanmar/Burma. It analyzes their perceptions of interaction of MNEs and host economy institutions from a social constructionist viewpoint.

**Findings** - The study identifies four coevolution patterns which portray the evolving interaction between MNE activities and different elements of their host institutional environment as well as their consequences for social and economic (in)equality.

**Originality/value** - This study contributes to critical international business research on emerging economies by emphasizing the different and partly conflicting host institutions of various stakeholder groups involved in the coevolution of MNEs and host institutional environments. The more nuanced conceptualization of the complex institutional environment enables the analysis of inequality as a direct and indirect outcome of MNE-institution interaction. Thus, the study connects to the business and human rights discussion and provides insight into the consequences of MNEs' adoption of social and environment standards.

**Keywords** Coevolution, Emerging markets, Peacebuilding, Institutions

**Paper type** Research paper

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## **Introduction**

Inequality as a collectivist phenomenon dominantly arises from social, political, and economic imbalances across groups of actors in terms of access to vital services, power, and wealth, respectively (Stewart, 2008). The roots of inequality have generally been attributed to both, a financialization of the global economy which is lenient to corporations, and corporations' political efforts to mold the global economy to their own, profit-driven ends (Amis *et al.*, 2017). The patterns of this cyclical form of influence between corporations and economies, which is argued to lead to increasing levels of inequality, constitute the focal point of this study.

Beyond political and developmental studies (e.g., Richmond, 2004; Cederman *et al.*, 2011), the role of corporations, in specific multinational enterprises (MNEs), has been emphasized within emerging economy research (see Meyer and Peng, 2016 for a recent overview), too, to exceed pure economic functions and, for better or worse, include that of a political actor (Forsgren, 2013). This study draws on the emerging economy literature as a part of the scholarly field of international business (IB) which has elaborated on the passive adaptational (Meyer and Peng, 2016) and proactive influencing (Becker-Ritterspach *et al.*, 2017) roles of MNEs in the social and economic development of emerging economies.

Inequality as possible outcome of this development has only recently received more attention in the IB literature on emerging economies (see Kolk (2016) for a related overview). Inequality has been mentioned for example in the forms of unevenly distributed access to goods and services such as drinking water and mobile communication technology (Acosta *et al.*, 2011) or to income (Shapiro *et al.*, 2018; Maksimov *et al.*, 2017). Commonly acknowledged in these studies is that social and economic inequality is often an outcome of corporate activities in a host environment. Little attention, however, is paid to the more detailed emergence of inequality through corporate activities and, importantly, what role host environments play in it.

In order to understand how MNEs influence and are influenced by their environment the study takes use of institutional theory which allows a holistic view on the interaction between corporate actors and their environment in the form of an institutional framework (Meyer and Peng, 2005). The way MNE activities influence and are influenced by emerging economy institutions affects the social stability of emerging economies and, thus, the cultivation or elimination of social and economic inequality. There is, however, a lack of studies that address the complexity of MNE activities and emerging economy institutions without restraining themselves to one-way influences, i.e. discuss both MNEs' reactions and responses to host environment institutions as well as their potential influences on these institutions (Child and Tsai, 2005).

The arguments for socially influential and influenced MNE activities are built on the perceptions of political actors in a social constructionist manner (Berger and Luckmann, 1967). The political actors are engaged in the peacebuilding process in Myanmar/Burma as economically emerging yet conflict affected nation in South-East Asia. Importantly, the motivation for this study is not to seek only supporting evidence of MNEs' effect on creating economic and social inequality for the populations of emerging market economies, but to open-mindedly examine international business as a complex phenomenon with different forms of consequences for its surrounding (cf. Hipsher, 2006). Hence, the study addresses the question: How do political actors perceive MNEs' creation of (in)equality in host emerging economy societies?

The empirical material in this study consists of twenty conversations conducted in 2013 and 2014 with political actors involved in Myanmar/Burma's peacebuilding process. Political actors, as governmental or non-governmental actors, are often located between civil society members and MNEs in peacebuilding and development processes and, therefore, can provide insight into the relationship of MNEs and societal development (cf. Child *et al.*, 2012). The study sees peacebuilding both as a reconstructional and

transformational process of a conflict affected status-quo into a sustainable, pacified state (UN Security Council, 2005), and as a crucial element towards social and economic equality.

The analysis of the empirical material provides insight into the complexity of the coevolution of MNE activities and emerging economy institutions. The political actors imply regulative, normative and cognitive institutions to play a role in the interaction of MNEs and their institutional environment. More specifically, they differentiate between the central government's, ethnic minority armies', and local population's perspectives which reflect distinct and often conflicting institutions that influence and are being influenced by MNE activities. The study identifies four coevolution patterns which portray the evolving interaction between different MNE activities and varying institutional settings as well as their consequences for social and economic (in)equality. These findings provide a multifaceted understanding into a set of contextualized and temporal coevolution influences.

The study makes contributions to the discussion on (in)equality in the field of international business in three ways. Firstly, the concept of MNE-institution coevolution as a part of IB research on emerging economies is expanded through a differentiated view at host institutions' multiple and partly contradicting, formal and informal elements. Secondly, the study contributes to research on MNEs' significant role in creating social and economic (in)equality through suggesting MNE-institution coevolution as an analytical tool. Understanding the mutual influences of MNEs and their (weak and ambiguous) host environment allows an evaluation of MNEs' potential for supporting social and economic (in)equality in an emerging market context. Thirdly, the study connects with the emerging discussion on business and human rights through providing insight into the consequences MNEs face when adapting legal standards in a host environment.

The paper is organized as follows. First, a review of the institutional theory-based literature on emerging economies from the perspectives of separated influences and coevolution is provided. Then, the

methodology section describes the research design and process of this conversation-based study among political actors in Myanmar/Burma. Thereafter, the findings are presented, and, finally, the paper is concluded with a discussion on theoretical and practical contributions.

## **Literature Review**

Emerging economies, which are also referred to as emerging markets, are middle- or low-income economies with a high potential for economic growth. The infrastructure and human capital in emerging economies is often poorly developed and their (formal) institutional framework features “situations of institutional contradiction, distance or void” (Becker-Ritterspach *et al.*, 2017: 187; Cantwell *et al.*, 2010; Kostova *et al.*, 2008). The way MNEs (and their affiliated organizations) interact with host emerging economy environments is at the core of emerging economy research and is reviewed, first, through following a unidirectional logic and then, in a mutually influencing, coevolution, manner.

### *Host Economy Influences on MNEs*

Research on emerging economies has been predominantly centered on the study of business phenomena in one or more emerging economies that put particular emphasis on the role of the context in shaping the phenomenon under investigation (Meyer and Peng, 2016: 6). Typical phenomena in emerging economy research concern influences and reactions of MNEs in their operations abroad. The context in emerging economy research, i.e. the host economy environment, is often seen through an institutional theory lens. Rooted in sociology and drawing on early work in institutional theory (cf. Meyer and Rowan, 1977; Powell and DiMaggio, 1991), Jennings *et al.* (2013: 2) broadly define institutions as routinized and taken-for-granted sets of ideas, beliefs, and actions within a society with formal and informal characteristics. Institutions have attained high degrees of resilience and are reified as social structures (Delbridge and Edwards, 2013). They can be categorized into regulative institutions such as formalized legislations and standards (cf. North, 1990) and, normative and cognitive institutions (Scott, 2008). The latter two refer to informal values related to socially appropriate and expected acting and behavior (Bruton *et al.*, 2010) and

common schemas, frames, and other shared symbolic and taken-for-granted representations that guide behaviour (Scott, 2008), respectively.

In contrast to developed and stable environments, emerging economies possess a greater variation and frequency of change in institutions (Meyer and Peng, 2016: 4). Particularly their formal institutional frameworks are, due to political and institutional reforms, oftentimes turbulent, intermittent, or even contradictory in nature (McMillan, 2007; Peng *et al.*, 2008). This is expressed in, e.g., poorly conceived or ineffectively enforced property rights and weakly developed economic markets (Estrin *et al.*, 2009; Meyer, 2004: 271; Giuliani, 2010: 26). Other researchers (e.g. Becker-Ritterspach *et al.*, 2017) speak of institutional voids when referring to a lack of “specialised intermediaries, regulatory systems, and contract-enforcing mechanisms” (Khanna and Palepu, 2006: 62) in a turbulent environment. The deficiencies and weaknesses of formal economic and non-economic institutions in emerging economies lead to their substitution through resilient informal institutions (Meyer and Peng, 2016: 4). Sudden changes affecting formal institutions as a result of political or judicial turbulences often remains without significant effects on the informal institutions in emerging economy environments. This assigns informal institutions such as norms, customs, traditions, practices or codes of conduct more importance in regulating emerging economy contexts (Peng, 2003: 278).

The high level of formal institutional uncertainty prohibits MNEs from drawing on path dependent strategizing and operations’ designing; they consequently utilize decentralized and locally responsive governance structures with international connections to reduce the institutional unpredictability (Cantwell *et al.*, 2010: 579). Hence, responsiveness, i.e. repeated adaptation to changing environments, has become a new normal in emerging economies (Meyer and Peng, 2016: 7).

Responding to environmental conditions has been associated with MNEs’ adaptation to these dynamic and challenging conditions (cf. Cantwell *et al.*, 2010: 577). Peng (2003), for example, identified

relationship- or network-building activities as strategic responses to unpredictable and incomplete, formal institutional host environments (see also Meyer and Peng, 2016). In addition to MNEs' import of critical elements of their home country's institutional setting in emerging markets to fill the institutional voids, such as training and education systems as non-market institutions, (Becker-Ritterspach *et al.* 2017: 194; Khanna and Palepu, 2006), their relationships and networks within the host environment function like safety nets against uncertainty through the provision of access to resources. Other strategies pursued by MNEs to respond to institutional voids include internalization, substitution, signaling and borrowing (see Doh *et al.* 2017 for a recent overview). Borrowing, for instance, may refer to MNEs leveraging international legal remedies to overcome local legal voids (Pinkham and Peng, 2017). Thus, MNEs are able to reduce information asymmetries among business organizations, alleviate their bargaining power with regards to competitors and increase their lobby power towards governments, among others (Giuliani, 2010: 26). In contrast to the idea of an institutional vacuum which the term 'void' may provoke it is important to understand emerging markets as spaces organized by other (forms of) institutions than e.g. the dominantly Western ones; emerging markets are no institutional deserts, they are institutionally different (see Becker-Ritterspach *et al.* 2017).

#### *MNEs' Impact on Host Economy Environments*

As a part of a scholarly turn away from purely adaptive and responsive (i.e. deterministic) accounts on MNEs' roles in host emerging economies, MNEs have become acknowledged as reformers in their environment (Peng, 2003) who, despite their seemingly insignificant impact on host economy institutions (Dieleman and Sachs, 2008) possess active agency for change in their environment (Cantwell *et al.*, 2010: 577; Ramamurti, 2004). In addition to strategically and operationally responding to host emerging environmental changes MNEs are regarded as capable of substituting weak, deficient or missing formal institutional elements in their host market environment (Hoskisson *et al.*, 2000; Meyer, 2004; Peng *et al.*, 2008). They take use of political means to influence host country governments for creating predictable and codified institutional frameworks (Child and Tsai, 2005; Hillman and Hitt, 1999; Peng, 2003). For

example, Regnér and Edman (2014) studied MNEs' impact on their (institutionally stable) host environment with a focus on host market and business policy regulations. Peng (2003), in the context of emerging economies, analyzed MNEs' lobbying activities for reducing host environment uncertainties through formalizing institutions such as laws and regulations.

As change agents MNEs are perceived capable of contributing to the emergence of new institutions particularly in continually emergent environments (Cantwell *et al.*, 2010; Dieleman and Sachs, 2008). This scholarly trend may be due to the realization that MNEs face an increasing complexity of pressures in emerging economies: diverse stakeholders, both with economic and non-economic backgrounds, apply "varying criteria to assert what is legitimate practice" (Meyer and Peng, 2016: 12). Necessary legitimacy for MNEs can stem from both, legal licenses to operate which are issued by state agencies, and local communities' social license to operate which indicates society's acceptance of MNEs' operations (Demuijnck and Fasterling, 2016; Ruggie, 2013). MNEs' abilities to operate as change agent improve through increased legitimacy from their stakeholders if they "contribute to already ongoing transformational processes" in the emerging economy environment (Cantwell *et al.*, 2010: 578).

MNEs have been controversially associated with, on the one hand, equality-promoting and socially conducive activities, i.e. activities supporting peaceful, just and stable societies, as well as environmentally conducive activities, i.e. activities facilitating environmental care (Shapiro *et al.*, 2018). E.g., MNEs' local cooperative involvement with small scale business actors has been identified as a bottom-up alternative to top-down political approaches for the creation of stable and socially/environmentally responsible institutional frameworks in developing host country environments (Yakovleva and Vazquez-Brust, 2018). On the other hand, MNEs are implicated in socially and environmentally detrimental, i.e. inequality-supporting, activities in emerging economies, too (Giuliani and Macchi, 2014; Kolk and van Tulder, 2010). For example, aforementioned CSR responses as self-governed corporate standards are controversially viewed as beneficial to society at large and, then again,



as mere business and public relations (Giuliani and Macchi, 2014: 484). Ramamurti (2004: 279) argued that MNEs' rewriting of global rules has debilitated emerging economy governments in regulating foreign MNEs in their country and, thus, potentially contributing to social and economic inequality.

More optimistically, conflict-sensitivity may be a key framework utilized by MNEs to become active peacebuilders in conflict affected regions. Banfield and her colleagues (2005), for example, emphasize the encompassing and transparent involvement of affected stakeholders in the creation of sustainable partnerships and solution of problems as basis for MNEs' peacebuilding and equality constructing role. Scherer and Palazzo (2007) suggest MNEs to be regarded as integrative economic and political actors, assigning them the responsibility to meet economic as well as social (and environmental) bottom lines through and for their operations in a host emerging environment.

Generally, Meyer and Peng (2016: 12) affirmed in their recent overview of emerging economy research's future paths the increasing pressure on internationally operating firms to act environmentally and socially responsible when pursuing economic bottom lines. This study argues that in order to obtain a more holistic view on the impact of MNEs' operations on their host environment including its natural environment, social issues and institutional development, the commonly practiced unidirectional views on influences between MNEs, i.e. their strategizing and operating, and the institutional framework in host emerging environments will not produce satisfactory understanding of how MNEs engage with potentially conflicting institutions in their host environments (cf. Meyer and Peng, 2016).

Instead, researchers are urged to take an intertwined look at the adjustment and adaptation of MNEs to their host emerging environments on one hand and their influence on these environments on the other hand. At the same time, scholars need to shift their focus from MNEs' economic influence in these environments to the social and environmental development they impact (Meyer and Peng, 2016; Child *et al.*, 2012).

### *Coevolution of MNEs and Host Economy Environments*

Based on the idea that changes in MNEs' operations are responses to changing host country institutional conditions, it is argued that their influences are the result of these conditions. This view is based on the notion that institutions affect organizational behaviour and organizations affect the change or creation of institutions simultaneously (McGaughey *et al.*, 2016: 873). Hence, this view entails a recursive relationship between MNEs, i.e. their activities, resources, and path dependence (Luo and Rui, 2009), and host country institutional influences. A more recent attempt in organization research to acknowledge and understand these recursive influences takes place in the organizational ecology-rooted discussion about the coevolution of firms and their environments (Olsen, 2017; Child *et al.*, 2012; Dieleman and Sachs, 2008; Dieleman and Boddewyn, 2012; Luo and Rui, 2009; Child and Tsai, 2005).

A coevolution perspective (see Dieleman and Sachs, 2008 for a comprehensive overview on coevolution literature) allows to view agency as embedded within restricting and enabling structures (Cantwell *et al.*, 2010: 568) through addressing “the two-way and long-term interaction patterns between companies and their environment, capturing both adaptation to, and more active influencing of, institutions” (Dieleman and Sachs, 2008: 1278). Located at the nexus between agency and institutions, it attempts to provide a reconciling combination of either dominantly voluntarist (agency-dominated) or determinist (structure-dominated) accounts of business agency and institutions (McGaughey *et al.*, 2016; Child *et al.*, 2012). Coevolution means that the institutional environment is partly endogenous to a firm which leads to a situation where the firm's adaptation to its environment affects a change to the very environment, too (Child *et al.*, 2012), hence producing mutual feedback loops of both supportive and hindering nature (Olsen, 2017: 35). Importantly, mutually induced changes are evolving, i.e. they may change over time (Luo and Rui, 2009: 56) and are historically and contextually embedded (Dieleman and Sachs, 2008: 1278).

In an emerging economy context, the mutual relationship of MNEs and host emerging environments has been acknowledged already more than a decade ago (cf. Meyer, 2004; Peng, 2003). Institutional influences on the environment, following Child and his colleagues (2012: 1251), are power-dependent and can be conceptually reduced to underlying interorganizational support mobilization and legitimacy creation processes. These processes lead to spillover effects and change agency within their environment (e.g., Cantwell *et al.*, 2010). Spillovers may affect wage, export and technology/productivity levels of a host environment (for a more detailed account on spillover effects see Giuliani and Macchi, 2014). Both change agency as response and as pro-action, i.e. networked political activities affecting market regulations or structures through introducing new routines or social/environmental best practices and supranational influencing of standard-imposing bodies for legitimacy creation (cf. Cantwell *et al.*, 2010; Teegen *et al.*, 2004; Dieleman and Sachs, 2008), may in turn influence the nature of the formal standards to be imposed and, hence, change the institutional framework within which an MNE operates.

In an extreme case of cronyism, Dieleman and Sachs (2008) were able to show how a single powerful enterprise and its surrounding institutional environment partly interfused so as to create an institutionalized corporate organization. Through perceiving the institutional environment of a host emerging economy as substantially endogenous to an MNE it is possible to understand MNEs' role as influencer of social and environmental developments (i.e. political/peacebuilding actor) vis-à-vis their economic role which has been argued to not explain the facilitation of coevolution processes by itself (Child *et al.*, 2012: 1269). Figure 1 below summarizes the current scholarly understanding of coevolution of MNEs and host emerging economy institutions.

Figure 1 about here

Figure 1. Temporal and Contextual Coevolution of Host Emerging Economy and MNE

## **Methodology**

This study is of qualitative nature and builds on conversations with political actors in the peacebuilding process in Myanmar/Burma. We define political actors as those working with or for governmental agencies or non-governmental organizations. They are often located between civil society members and MNEs in peacebuilding and development processes, and, therefore, can help us understand economic and social dynamics involved in the coevolution of MNEs and host environment (see Child *et al.*, 2012). Political actors' perceptions of the coevolution of MNEs and their host emerging economy environment are analyzed in order to understand meanings they assign to the mutual influences of past, ongoing and future events and activities in the changing institutional context. The study does not attempt to make claims on objective and generalizable cause-effect relationships between MNE activities and host environment institutions but to provide insights into how political actors rationalize and explain such relationships.

### *Actor Perceptions*

Institutional research has focused on the need for richer understanding of how individuals interpret their context and position themselves in social relations (Powell and Colyvas, 2008). This study builds on political actors' perceptions, inspired by the Weickian (1979; 1995) concept of sensemaking. International business studies that recognize the sensemaking perspective as critical often focus on studying the ways MNEs make sense of their complex institutional environments and establish legitimacy in diverse institutional contexts (Kostova *et al.*, 2008). Studies that look at coevolution of MNEs from a sensemaking perspective focus on the organization-internal renewal that unfolds through collective sensemaking and is influenced by the broader institutional environment (Volberda and Lewin, 2003; cf. Weick, 1979). The focus of these studies is, however, restricted to the ways inter-/intra-organizational coevolution unfolds and is restrained or enabled by the institutional context (cf. McGaughey *et al.*, 2016). While sociological approaches allow a more dynamic and holistic examination of coevolution by

expanding the focus on the social relationships and institutions in which MNEs are embedded (Heidenreich, 2012), the studies tend to concentrate on the social construction of MNEs.

In this study, we move away from the MNE-internal view on coevolution in order to include institutions not merely as external, contextual determinants of organizational change but as coevolving constructs, and hence, include MNEs' role in selecting, negotiating and influencing their institutional environment (cf. Heidenreich, 2012; Kostova *et al.*, 2008). In other words, we look at both MNEs as social actors and the agency of institutions in their mutual coevolution by analyzing how political actors embedded in the context of these coevolution processes perceive them, i.e. socially construct them by framing and assigning meaning to actors and events. Political actors' interpretations and their meaning arise from ongoing socially situated and highly contextual perceptions. Their accounts reflect an intersubjective sense of shared meanings, i.e. social realities (cf. Gephart *et al.*, 2010), as they engage in a collectively shared discourse.

### *Empirical Material*

As a part of a larger research project one of the authors collected empirical material with political actors during two time periods: January 2013 and April to June 2014. Based on a snow-balling system and planned happenstance, the author conducted a total of 20 open-ended conversations with political actors in Finland, Switzerland, Thailand and Myanmar/Burma. The conversation partners in this study represent governmental and non-governmental actors whose professional experience and tasks pertain to peacebuilding or social/humanitarian development in Myanmar/Burma in general. While some conversation partners (e.g. embassies' commercial attachés or NGO representatives consulting foreign MNEs in conflict sensitivity) formally deal with corporate sector's involvement in peacebuilding, others' expertise in this field is grounded in the informal, yet omnipresent and indispensable role international corporate sector actors play in their daily activities (e.g. NGO representatives consulting conflict parties and supporting civil inclusion in peacebuilding). Choosing the viewpoint of political actors allows us to

understand a potentially delicate topic, i.e. MNEs' contribution to the creation of social and economic inequality, from a perspective which neither endorses nor counters economic success of foreign MNEs. This way, we avoid a one-sided perspective which would not meet the idea of providing a holistic view at the coevolution of MNEs and their host institutional environment.

In interactive and mutually constitutive conversations guided by a set of pre-defined key issues (Gubrium and Holstein, 1998) about MNEs' activities in Myanmar/Burma, the conversation partners mentioned and described past, present or envisioned MNE involvement in peacebuilding and social development in general based on their own personal and professional experience. Hence, this study does not refer to a coherent set of MNE activities or industries albeit examples given by conversation partners mostly pertained to MNEs in telecommunications, resource extraction and energy production - all of which constituted fields of major international involvement during the time of data collection (see below). The majority of the conversations were conducted face-to-face, recorded, anonymized and transcribed afterwards. Two conversations were conducted with the help of video-conferencing tools. A list of conversation partners, details about the conversations and motivations for their selection are provided in Table 1.

Table 1 about here

Table 1. Conversation details

Myanmar/Burma lends itself to analyzing coevolution of institutions and MNEs entering the market as it is undergoing a process of market opening and peacebuilding. Until the country's opening to the international community and trade in 2011, a formalized (legal) market system did not exist, leaving Myanmar disconnected from (legal) economic and political international relationships due to its half-century long military dictatorship (cf. Meyer and Thein, 2014). Since then, international sanctions in the form of trade embargoes have been loosened and foreign governmental representations have returned to

or resumed their operations in Myanmar/Burma (Bünthe and Portela, 2012). Also, Myanmar has gradually been creating a friendlier environment for foreign investment, such as passing a new and more FDI-favorable mining law (UNCTAD-WIR 2016: 91; [http://unctad.org/en/PublicationsLibrary/wir2016\\_en.pdf](http://unctad.org/en/PublicationsLibrary/wir2016_en.pdf)) or widening the scope of permissive business activities for foreign companies to legally engage in e.g. trading of fertilizers, seeds, pesticides, hospital equipment and construction materials (UNCTAD-WIR 2018: 81; [http://unctad.org/en/PublicationsLibrary/wir2018\\_en.pdf](http://unctad.org/en/PublicationsLibrary/wir2018_en.pdf)).

The opening and formalization of Myanmar's economy has led to a stark increase in foreign direct investment in the country (Kumar *et al.*, 2015). Following the World Investment Report 2018 (UNCTAD-WIR 2018: 185), FDI inflows into Myanmar have continuously grown after the country's opening in 2011 (in current US\$): 497 (2012); 584 (2013); 946 (2014); 2 824 (2015); 2 989 (2016); 4 341 (2017). This makes Myanmar currently one of the fastest growing receiver of FDI among the "least-developed countries" worldwide (ibid.). Most of the sources of Myanmarese inward FDI, according to Myanmar trade authorities (<https://www.dica.gov.mm/sites/dica.gov.mm/files/document-files/fdiyearlyapprovedamountbycountry.pdf>), are located within East Asia; Singapore and China as well as Malaysia and Thailand have been the largest contributors both before and after the country's opening in 2011, together contributing to at least half of the country's FDI. Myanmar's inward FDI has been primarily targeted at large greenfield investments in manufacturing, e.g. Malaysian can and packaging producer Kian Joo Group in Myanmar's Thilawa Special Economic Zone (UNCTAD-WIR 2018: 47) or the Dawei Special Economic Zone as a bilateral Myanmar-Thai investment (UNCTAD-WIR 2016: 47). Also Myanmarese telecommunication, real and industrial estate as well as energy production sectors have been among the top targets of FDI in recent years (UNCTAD-WIR 2016; 2018).

Figure 2 presents a timeline of the key events contributing to conflict and peacebuilding in the country and international responses to these occurrences, the main regulatory developments that bear an impact on businesses, and examples of different types of foreign businesses entering the market.

Figure 2 about here

Figure 2. Key events in Myanmar/Burma and international responses to these events

All the while, the international economic interest in Myanmar has led to increasing needs for natural resources and cultivable land in the country. According to statistics prepared by the World Bank ([http://databank.worldbank.org/data/views/reports/reportwidget.aspx?Report\\_Name=CountryProfile&Id=b450fd57&tbar=y&dd=y&inf=n&zm=n&country=MMR](http://databank.worldbank.org/data/views/reports/reportwidget.aspx?Report_Name=CountryProfile&Id=b450fd57&tbar=y&dd=y&inf=n&zm=n&country=MMR)), e.g. the area of forest in the country decreased by approx. 9 percent between 2010 (i.e. just before Myanmar's international opening) and 2016. The per capita electric power consumption surged up by about 74 percent during the same period. Seen through a societal lens, the country remains affected by warlike conflicts between the national military and several armed ethnic minority factions. Until recently, the central government has been close to the national military, and political representations of the ethnic minorities have struggled for power and recognition in determining the course of the peacebuilding processes and the country's future more generally (see Dapice and Vallely, 2014). In addition, religious tensions, primarily between Buddhist and Muslim communities, complicate the political and social environment for negotiating peace and creating a democratic society. While the economic market in Myanmar/Burma is growing at fast pace, its overall institutional environment remains turbulent, unpredictable and adverse (cf. Meyer and Thein, 2014).

### *Analysis*

The data analysis began with both of the authors independently reading the conversation material. A within conversation analysis was conducted, starting with identification of passages of talk relevant for this study. Direct quotes that relate to MNEs and/or the institutional context were collected. A cross



conversation analysis focused on each business or local stakeholder action and its impact on conflict/peacebuilding was named. Thereafter, based on both open and theory-informed interpretations, we named those institutions that were involved in the business or local stakeholder action and described resulting effects of mutual MNE–institution interaction. The analysis was continued by temporally and thematically synthesizing MNE-institution interactions. In doing so, a connecting strategy within and across conversations was followed for the purpose of denoting coherent relations and dichotomies in the meanings the conversation partners assigned to MNE-institution interactions (cf. Maxwell and Miller, 2008). In a final step, we identified dominant MNE-institution coevolution patterns and their consequences for the creation of (in)equality.

## **Findings**

In search of the mutual influences of MNE activities and emerging economies' institutions, as perceived by political actors, a variety of institutions influencing and being influenced by MNE activities were identified. Regulatory institutions refer to formalized access to natural resources, customary law as well as laws on foreign investment and responsible business practices. Normative institutions in the study consist of sustainability expectations, economic growth goals, illegal income, as well as livelihood and sustainability expectations. Finally, cognitive institutions refer to responsible business practices. The findings depict that differences in the institutional environments between host and home country settings as well as in types of institutions (regulative, normative, and cognitive) play a role in the interaction of MNEs and their environment. Importantly, the political actors made sense of host country institutions not from a unified viewpoint, but differentiated between the central government, ethnic minority armies, and local populations. The outcome is a complex and temporal assembly of different institutions affecting and being affected by MNE activities, as shown in Figure 3.

Figure 3 about here

Figure 3. Mutual effects of MNEs and host economy institutions

Perceived, past interactions between MNEs and the host institutional environment center on exploitative business activities, their institutional enablers as well as the negative effects they have on local populations and ethnic minority armies. These patterns are seen to have contributed to an increased level of inequality between different parts of the Burmese population and are arguably at the roots of past armed conflicts between ethnic minority and central government groups. The expectations of local populations concerning environmentally and socially sustainable developments have not been met:

“Often, when you see involvement of, companies, like (the) Chinese company [...] they don't pay so much attention to social and environmental impact of their activities, and also are not so conscious about economic benefits from the population who are affected. [...] So, in that sense you can say, they have played kind of a negative involvement [...] You often see for example Chinese, they bring all their workforce from China.” (16)

Moreover, MNEs' irresponsible practices have caused the neglectance of customary law of local ethnic populations and their armed factions. Additional tensions between alternative regulatory institutions enabled MNEs' exploitative practices and contributed to yet growing conflicts between these institutions and, hence, the conflicted population groups:

“In many of the fighting area the ethnic area, people use customary law. [...] Now when the business go in, they talk to the government, the government doesn't recognise customary law. So they look at the map and say oh they're no owners we'll sell that to you, you can go and get it. [MNEs] go in, there are people living there. Then they're pushed out, so that creates problems.” (15)

In sum, past activities of MNEs in extractive businesses have increased social and economic inequality of local (minority) populations through the disregard of their regulative and normative institutions.

Reflections on the present legislative reforms focused on recently enacted laws on foreign investment in Myanmar/Burma and their facilitation of MNEs' legitimate investments. These business activities, in turn, were seen to support the central government's normative goals of economic growth:

“if there are no alternatives in the country [...] then guys will go off and join armed groups because they can get a living. [...] If you can get a good, healthy economy going, then they can earn money in other ways. [...] companies particularly from the outside going in can have an either positive or negative impact [...] making sure there are jobs available, making sure that the economy's onto a sort of a good footing.” (3)

MNEs' activities in Myanmar/Burma were said to affect the erosion of ethnic minority armies' income from illegal business, too. Besides arms trading, also the slowing down of poppy farming would reduce conflicts caused by illegal business; simultaneously, conflicts might be enhanced because beneficiaries of the status-quo could resist the impairment of their source of income:

“Myanmar is the second largest opium producer in the world [...] And that has created on the border areas [...] strong vested interest on criminal activities, [...] strong economic interest to control it. So it's a very conflicting, issue. And that obviously is a problem also for the peace process because there [are those] who don't want peace. Immediately when you have peace, stability and law enforcement properly functioning there, obviously, these type of illegal activities cannot function.” (1)

Present MNE activities have been attributed to support the creation of economic and social equality through the provision of legal job opportunities and, hence, the reduction of illegal activities in arms trading and drug trafficking. At the same time, however, legitimate economic growth through MNE investments has been argued to sidetrack current conscientious points in peace negotiations (e.g. ethnic self-determination) and, instead, sate local ethnic populations with the economic and social advantages of economic development:

“[...] the government wants to de-legitimise our grievances about ethnic representation and, self-determination. And make it all about, if you.. if you give, if somebody is rich then they don't wanna fight any more. This is a trick, they just wanna use development as a carrot to get us to stop fighting, but they're not actually gonna give us any of the substantial political things that we're asking for. [...] ] It was really clear that this is one of the key issues that's dividing, ethnic communities right now is, whether you focus on, the political resolution first or whether, it's possible to start, some aspect of economic development in the conflict areas.” (6)

The future perceived mutual influences between MNEs and local institutions constitute alternative scenarios. Hope has been expressed for either imported responsible practices of MNEs or domestic, regulatory requirements for them to adhere to locally responsible business practices:

“the international community represented by private business, will play a very strong role [...] help to develop national resources in a way living up to international standards, in terms of, proper, environmental impact assessment, full disclosure or transparency, involvement of communities in this process, and giving them opportunities to get jobs if they're interested in (that) [...] establish a positive relationship to people of the country [...] also help the Burmese government to give them a reference project.” (16)

More careful views on the positive impact of responsible business practices as imported cognitive institutions view the establishment of regulatory institutions as necessary to safeguard the responsibility of MNEs' business conduct:

“Definitely the [...] business sector, will play a very important role in overall economic development of the country, no question. It's a question of will, is there enough checks and balances within the legal system and within the emergent new investment laws and rule of law vis-à-vis natural resources extraction, etcetera. Whether that private sector will be, managed well enough not to, get into a very exploitative situation.” (7)

Critically viewed, MNEs' business practices will remain disregardful of local populations' livelihood expectations. They may even contribute to the marginalization of local small-scale businesses and create unsustainable dependencies on MNEs:

“[...] what the government wants to do they are thinking more like quick fix, economic (special economic zone), come and build a factory, come and do this do that. Well, the concept there with the (special economic zone) is that all the people around will become workers. Actually what they are right now they are small independent landowners or land workers. They don't want to become factory workers. But there's no incentive no help for these little (holders). So I think there's this, disconnect between the reality and what the government wants to do, because they want to, quick (economic) (-). But the reality is that you really should be supporting these small holders small workers. For example if you, have a rubber factory or even a sugar factory, what the business want to do, is they want to control the supply. They want to own the rubber plantation cane plantation, so all the people are displaced. They have to become workers to have any job.” (15)

In future, MNEs' investments are seen welcome and conducive to creating social and economic equality. Some political actors, however, view regulative reforms as a precondition to enable and regulate positive MNE involvement, while yet others find that MNEs could also contribute to a local introduction of imported international business standards. The concern remains that developing international business activities in Myanmar/Burma will lead to its domination over the less competitive domestic industries and create an economic dependency that has the potential to contribute to lasting economic inequality.

To sum up, we find political actors to point at several context-specific influences between MNEs' actions and institutional frameworks of the host institutional environment. We see, first, mutually affecting influences between MNEs' illegitimate and opportunistic business activities and the host environment's weak or absent formal regulations. Second, there are mutually reinforcing influences between MNEs' legit and rightful business activities and the host environment's regulations of business activities. Third, we find mutually reinforcing influences of MNEs' accountability-supporting business activities and business regulation as well as, fourth, between MNEs' accountability-resisting business activities and business regulations.

## Discussion

Based on the analysis of political actors' perceptions we have explored foreign MNEs' involvement in peacebuilding in Myanmar/Burma. Our synthesis of the resulting mutual influences of MNEs and host emerging economy institutions produces four coevolution patterns among MNE activities and distinct elements of the host environment's institutional framework. We discuss the consequences these patterns have for social and economic (in)equality from the perspective of involved stakeholder groups. A summary of the coevolution patterns, their constituting host country institutions and MNEs, as well as the consequences the patterns entail for the creation of (in)equality, is provided in table 2 below.

Table 2 about here

Table 2. Patterns of MNE-institution coevolution and their consequences for (in)equality

We see as the first coevolution pattern a *mutually reinforcing, sustained pattern of illegitimate and opportunistic business activities enabled by and reinforcing weak or absent formal regulations* on business activities by the military led central government, on one hand, and profit-seeking ethnic minority armies, on the other hand. As argued in prior research (Meyer and Peng, 2016: 4; Peng, 2003: 278), weak

regulatory institutions result in resilient informal institutions such as the local population's regulatory (e.g., customary law) and normative (e.g., sustainability expectation) institutions. As a result, contradicting informal and formal regulatory institutions (cf. Becker-Ritterspach *et al.*, 2017) coexist in a turbulent institutional environment and enable MNEs' socially and environmentally detrimental activities (cf. Giuliani and Macchi, 2014; Kolk and van Tulder, 2010).

This sustaining, opaque coevolution pattern leads to the neglect of informal institutions of non-political stakeholders and increases social and economic inequalities among local (ethnic) populations. Similar findings are reported in prior studies that identify international companies to increase inequalities within and between societies, through e.g. increasing impoverishment (Śliwa, 2007), as they utilize and shape the volatile institutional environments, that they are embedded in, to their profit-driven ends (e.g., Amis *et al.*, 2017; Dieleman and Sachs, 2008; Ramamurti, 2004).

The second coevolution pattern, which is based on political actors' perceptions of ongoing MNE involvement shortly after Myanmar's opening to international trade, can be described as *mutually reinforcing and formalizing pattern of legit and rightful business activities and their regulation*. The central government's legal and regulatory framework for foreign investment, among other things, evolves from regulations coined by high degrees of variation, change and ambiguity (Meyer and Peng, 2016; McMillan, 2007; Peng *et al.*, 2008) toward formalized and consistent frameworks providing MNEs with security and stability necessary for their investments. In parallel, the political and institutional reforms are supported by MNEs through their exertion of political influence on the central government's legal and regulatory system, as was pointed out by Peng *et al.* (2003). The formalization process both increases legitimacy for the involved MNEs (Cantwell *et al.*, 2010) and supports the central government's goal for economic growth through spillover effects of MNEs' business activities on the economic market at large (Child *et al.*, 2010).

The effects of this coevolution pattern on society are somewhat double-edged. On the one hand, formalizing and legalizing economic development decreases income from illegal business (e.g. drug trading) and extenuates its detrimental consequences for society and environment. Also, rising levels of income (from legal business) have been argued to alleviate poverty and thus contribute to larger social equality (cf. Giuliani and Macchi, 2014). On the other hand, a deeper and more critical look at legit MNE investments in ethnic minority areas reveals a potential infiltration through the central government and the consequential loss of ethnic self-determination. MNEs as drivers of this socio-economic development may contribute, knowingly or not, to an ulterior agenda of the central government. This pattern may lead to economic inequalities driven by ethnic minorities' lost economic independence and social inequality through a weaker bargaining position in the ongoing peace negotiations as well as, more generally, the future social development of the country. To summarize, coevolution of formalizing regulatory institutions and legitimate MNE activities carries the potential for increased social and economic equality for local populations. It can, however, also lead to increased social and economic inequality when used to facilitate governmental actors' interests that remain in conflict with local stakeholder groups' interests.

The third coevolution pattern assumes a formalized regulatory system of standards and requirements for responsible business activities. Seen in combination with MNEs' legitimate activities, i.e. social and environmental responsibility in their business conduct, the MNE-institution interaction can be described as *mutually reinforcing pattern of accountability-supporting and locally responsible business activities and their regulation*. The pattern supports social and economic equality particularly for local populations through the creation of a socially just and transparent as well as environmentally friendly economic market system. Our findings resonate with prior studies that identify MNEs' positive impact on economic and social development of host communities (e.g., Becker-Ritterspach *et al.*, 2017) which in turn grow MNEs' acceptance within the society they operate in (Demuijnck and Fasterling, 2016), as is the case in regard to, for instance, the creation of equal income opportunities and infrastructure improvements created by MNEs in Myanmar/Burma.

Similar to the findings of Rathert (2016) and Khanna and Palepu (2006) we find that MNEs are expected to respond to the volatile institutional environment by importing good business practices from their home institutional setting (cf. Meyer and Peng, 2016). Thereby they further support the stabilization of host economy regulations which formally demands responsible business practices (Cantwell *et al.*, 2010) and, at the same time, set positive examples for other businesses to follow responsibility-driven business conduct which reinforces responsible business practices across the market system as a whole.

Finally, we identify a *promotional coevolution pattern of responsibility-requiring regulations and accountability-resisting business activities*. Following more critical views of the political actors in this study, regulatory development is seen as a precondition for responsible business practices and increased social and economic equality as MNEs are suspected to pursue their economic self-interests only by taking advantage of the institutional voids they perceive in comparison to their home environments. That is, MNEs' socially and environmentally detrimental activities (cf. Giuliani and Macchi, 2014; Kolk and van Tulder, 2010) result in the need of legislative development for the protection of the local economy and population against practices and institutional settings that the emerging market policymakers would not want to see imported (cf. Becker-Ritterspach *et al.*, 2017).

## **Conclusions**

The purpose of this study is to contribute to the discussion about MNEs and the effects their activities have on social and economic (in)equality. Inequality is argued to result from, on the one hand, a financialization of the global economy which is conducive to corporations, and, on the other hand, corporations' political efforts to shape the global economy to their own, profit-driven ends (Amis *et al.*, 2017). Hence, the cyclical influences between corporations and economies affect social and economic (in)equality and were analyzed in this study by means of a coevolution perspective to MNEs' activities



and the institutional environment of host emerging economy contexts (e.g. Dieleman and Sachs, 2008; Child *et al.*, 2012; McGaughey *et al.*, 2016).

The study provides insights into MNEs' and host institutional environments' mutual influences from the under-researched perspective of political actors (Child *et al.*, 2012: 1269) in the context of peacebuilding in Myanmar/Burma. In doing so, broad political and socio-cultural issues external to MNEs were considered, and a critical, socio-political view on international business practices, perceived as potentially contributing to social and economic inequality for different stakeholders, adopted (cf. Roberts and Dörrenbächer, 2016; 2014; 2012). Importantly, the motivation for this study was to examine international business as a complex phenomenon and to avoid seeking only negative or positive evidence of MNEs' influence on the economic and social inequality of emerging country populations (cf. Hipsher, 2006). The findings of this empirical study on MNEs' and emerging economy institutions' mutual influences portray the complexity of their coevolution. We identify four coevolution patterns which portray the interaction between different MNE activities and varying institutional settings as well as their consequences for social and economic (in)equality.

Our study makes contributions to the discussion on inequality in the field of international business in three ways. First, the study contributes to the scholarly discussion on coevolution, specifically as a part of IB research on emerging economies, through providing a nuanced view at how MNE activities are perceived to be both influenced by and influence different conflicting institutions (regulative, normative, cognitive) of various stakeholder groups (cf. Giuliani and Macchi, 2014). Particularly in fragile and heterogeneous contexts including several adverse stakeholders, such as Myanmar/Burma in times of peacebuilding, the host environment consists of several, partly overlapping and partly contradicting institutional settings. The weak nature of particularly regulatory institutions has led to their substitution through informal institutions (cf. Meyer and Peng, 2016: 4). Our study shows that despite the regulatory weakness and ambiguity (cf. McMillan, 2007, Peng *et al.*, 2008) MNEs do engage with maintenance or

active formalizing processes of contradictory regulatory institutional frameworks involving multiple stakeholders. This points at the need for further research on how MNEs engage not only with weak and ambiguous but also multiple regulatory institutional realities which are part of conflict-affected emerging economies, in particular.

Second, our study depicts how coevolution analyses of MNEs and their host environment institutions can be used to evaluate the potential for social and economic (in)equality. Thus, we contribute to work on inequality in the field of emerging economies through shifting attention from inequality as an outcome of MNE involvement in host environments (see e.g. Acosta *et al.*, 2011; Shapiro *et al.*, 2018) to its emerging process as an interplay with host environment institutions. Our study points at governmental actors as a particular stakeholder group with which MNEs primarily interact. The consequences of MNEs' coevolution with governmental, regulatory institutions of their host environment are twofold. On the one hand, through maintaining a mutually reinforcing and opaque pattern of weak and impervious regulations for foreign business involvement, MNEs and their governmental counterparts are able to exclusively reap profits from illegitimate business and its 'regulation'. As was the case in Dieleman and Sachs' (2008) study on a cronyism case in Indonesia, also our study points at examples of cronyism and shadow economies during the pre-opening era of Myanmar/Burma. The consequences for local populations are devastating as they are deprived of economic and social participation in the development of their country.

On the other hand, however, MNEs' proactive role in shaping the regulatory institutional environment is seen to carry potential for both increased inequality and equality within the host environment. The political actors emphasize the need for an inclusive approach of MNEs entering the Myanmar market; through not only negotiating with the central government but also other affected stakeholders, such as local population and ethnic minority representatives, they can meet both economic and social bottom lines of involved stakeholders (Scherer and Palazzo, 2007; Banfield *et al.*, 2005) and lobby for equality

creating regulations on responsible business practices which reinforces socially fair and environmentally friendly business conduct at large.

Third, the findings of our study connect with an emergent discussion on business and human rights (Ruggie, 2007; Wettstein, 2012). In recent attempts to cross-fertilize IB and business and human rights discussions (see Wettstein *et al.*, 2019 for an overview), research on the consequences of MNEs' adoption of social and environment standards has been called for. Our study contributes to this aspect through showing patterns of MNE-host environment evolution including changes in the judiciaries as part of the host environment's regulative institutions. MNEs practicing locally responsible business support local populations' expectations for sustainable business conduct, whereas MNEs' irresponsible business practices counter their expectation regarding livelihood and thus jeopardize MNEs' social license to operate (Ruggie, 2013).

In sum, host institutional environments are found to require a more nuanced investigation as they constitute multiple coexisting and conflicting (informal) institutions from varied stakeholder views. Therefore, simplistic mutual influences between the activities of an MNE and the institutional framework as a unified representation of the host environment appear to be insufficient. Coevolution analyses of MNE activities and the institutional environment they are embedded in, hence, need to pay attention to the complex composition of these environments; in this study we aimed to do so through separating formal and informal institutions as well as differentiating between involved host environment stakeholder groups.. Additionally, a critical discussion of the MNE-host environment phenomenon requires and benefits from the framing of MNE activities within a context that exceeds pure economic aspects and includes social components, such as pacification of wider social unrest (cf. Carr, 2006).

In practical terms, our study suggests that MNEs' import of responsible business practices into host market environments can leverage the formalization and implementation of respective laws and

regulations, thus offering a possibility to set industry standards which both pose a competitive advantage to importing MNEs and reduce social and economic inequality in the host environment. Governmental actors in host environments, in turn, can strengthen a positive social and economic development of their country through attracting especially firms from home markets with strong responsible business practice norms and regulations.

While this study increases the level of complexity of MNEs' institutional settings, it also remains limited in three ways. First, the integration of various actors in a single institutional framework as representation of Myanmar/Burma does not meet the diversity the actors portrait. The reduction of actors, such as local populations, ethnic minority armies, and the central government, to primarily responsive (i.e. supporting or hindering) institutional forces is *per se* a limitation of the study and, more critically seen, the outcome of a Western colonialist concept which reproduces dominating discourses about positive self-representation of developed country institutions and MNEs as opposed to negative other-representations of emerging economies and their institutional environments characterized with missing or weak institutional elements (Venkateswaran and Ohja, 2017). As noted in a UN framework on business and human rights, "responsible businesses increasingly seek guidance from States about how to avoid contributing to human rights harm in these difficult contexts" (OHCHR, 2011: 9). This points at the promising active role local governmental actors can and should take in steering the course of local institutional developments. Hence, instead of depriving emerging economies and their actors of agency and reducing them to mainly reactionary forces, future research should continue into the direction this study has taken and move from dualistic coevolution models to multi-actor and multi-institution settings.

Second, the analysis of influences between corporations and economies, and related effects on increasing levels of social and economic inequality, by means of political actors' perceptions is connected to limitations about their transferability. Due to the very nature of the chosen social constructionist approach being temporal and contextually sensitive, this study cannot (and does not intend to) state that the findings

are applicable to any situation of MNEs affecting the level of (in)equality in an emerging economy environment. Instead, they may be transferable to and help understanding MNEs' contribution to social and economic (in)equality in similar, emerging yet turbulent contexts.

Third, and relatedly, the investigation of the coevolution phenomenon of MNEs and host country institutions was carried out from the perspective of assumedly impartial and knowledgeable political actors, as we argued. The chosen perspective, however, remains to some degree that of an outsider with respect to the phenomenon. Future research on the coevolution of MNE activities and host institutional environments in emerging economies, e.g. in the form of in-depth case studies about specific institutions and MNE activities, could assume both the MNE and the local stakeholder perspectives to enrich understanding of the depicted coevolution patterns and their meaning for the creation of (in)equality in emerging market societies. The attained multiplicity of actors given a voice (Maitlis and Christianson, 2014) will allow diversity of representations that suggest particular views on reality (Holt and Macpherson, 2010) which sensemaking accounts otherwise do not necessarily reflect.

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