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INSTITUTIONAL WEAKNESS AND MULTINATIONAL ENTERPRISE RESPONSES: COMPARING STRUCTURAL CONFIGURATION, STRATEGIC TRAJECTORIES, AND SUSTAINABLE PRACTICE ADOPTION ACROSS CHINA–PAKISTAN AND JAPAN–SOUTH AFRICA THROUGH CULTURAL DIMENSIONS

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ABSTRACT

Abstract.

Study was conducted to explore mechanism of weak institutional environment. The study's findings show a positive association between a weak institutional environment and organic firm structure and a negative association with mechanistic firm structure. Additionally, we found a positive association between a weak institutional environment and entrepreneurial strategic posture. Whereas, a negative association between a weak institutional environment and conservative strategic posture. Moreover, we found weaker institutional environment positively correlates with engagement in sustainable practices. Lastly, we found a positive association between collectivist cultures and engagement in sustainable practices. Whereas, a negative association between individualist culture and sustainable business practices.

Keywords: Multinational Enterprises MNEs, Weak Institutional Environment, Firm Structure
Strategic Posture, Sustainable Business Practices, Culture.

1.0 Introduction

Multinational enterprises (MNEs) play a crucial role in shaping global trade,

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overseeing approximately two-thirds of international trade, and facilitating the worldwide transfer of capital and technology (Anand, McDermott, Mudambi, & Narula, 2021). These enterprises skillfully manage intricate operational tasks, navigate uncertain environments, and operate across diverse marketplaces through strategies such as foreign direct investment, and vertical and horizontal integration, among others. However, the pursuit of international operations comes with substantial costs—both fixed and variable—that MNEs frequently encounter (Farah, Elias, Chakravarty, & Beamish, 2021; Lu, Ma, & Xie, 2022). Theories explaining the emergence of MNEs suggest that abundant resources, including high-tech advancements, skilled human capital, and natural resources in foreign nations, contribute to the knowledge and expertise of these enterprises, potentially enhancing firm-level innovation (Andreeva et al., 2021; Petricevic, & Teece, 2019).

As globalization gains momentum, cross-border trade and foreign direct investment witness a notable increase. This heightened internationalization exposes multinational enterprises not only to the institutional settings of their domestic country but also to those of host countries, typically distinct from their home country and governed by different rules and regulations (Usman, Shabbir, Ahmad, & Zubair, 2021). Furthermore, strategically evaluating the institutional environment of the host country becomes crucial when measuring the performance of firms and their innovation within the MNE framework, outweighing the significance of the home country's institutional context (Usman, Shabbir, Ahmad, & Zubair, 2021; Wu, Ma, Liu, & Lei, 2019). This argument holds particular relevance for MNEs whose home country institutional settings differ from those of the host country (Trąpczyń ski, Halaszovich, & Piaskowska, 2020), such as when a firm originating in a developing country expands its operations into a developed country, or vice versa. The institutional environment of the host country not only significantly influences the performance and innovation of MNEs but also plays a pivotal role in their survival and competitiveness (Usman, Shabbir, Ahmad, & Zubair, 2021). Moreover, firms respond to the institutional environment dynamism through their structural and strategic selections (Ali & Varoğlu, 2022). Additionally, a weak (unstable) institutional environment requires a higher level of innovation and flexibility (Haarhaus, & Liening, 2020).

Furthermore, the importance of culture in MNEs' performance and survival cannot be ignored, as evidenced by a study conducted in China on cross-border mergers and acquisitions (CBMAs) that found a negative and significant association between culture and firm performance (Zhu, Zhu, & Ding, 2020). Additionally, studies on cultural parameters, such as cultural intelligence (CQ), have been well-explored by various authors. For example, a study conducted by Stoermer, Davies, & Froese (2021) found that firm embeddedness mediates the relationship between expatriates' CQ and knowledge sharing in the foreign workplace. Survey results from 1327 expatriates across 100 nations residing in 30 host countries suggest a positive association between CQ and firms ' embeddedness, within-group collectivism facilitating this link in informal contexts. Furthermore, the association between culture and sustainable development practices can be understood from a study conducted by Zheng et al., (2021). This study explores the influence of cultural values, as outlined by Hofstede's model, on Pro-Environmental Behavior (PEB) among residents. Analyzing 475 questionnaires, the study reveals that cultural

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dimensions such as collectivism and long-term orientation positively impact sustainable development practices. Aguinis and Glavas (2012) conducted a comprehensive review of the literature and found that cultural factors, including individualism and collectivism, influence firms' strategic decisions. Additionally, individualist cultures tend to prioritize issues such as environmental sustainability and employee welfare, while collectivist cultures place greater emphasis on community and social responsibility (Shafer, Fukukawa, & Lee, 2007).

This study rigorously examines the association of a weak institutional environment with firms' structural and strategic choices. Additionally, it delves into the intricate examination of sustainable development business practices, positioning its analysis within the nuanced interplay of weak institutional frameworks and the dynamics of individualist and collectivist cultures. Moreover, a prominent gap in the existing literature becomes apparent, as prior research fails to comprehensively address this specific association of the factors. The existing body of knowledge lacks a thorough examination that would afford a comprehensive understanding of how weak institutional environments, coupled with the complexities of individualist and collectivist cultures, shape firms' engagement in sustainable development practices. This study, therefore, seeks to fill this gap by providing a more in-depth examination of the intricate relationships among weak institutions, cultural dynamics, and the adoption of sustainable business practices. The study aims to contribute significantly to our comprehension of the multifaceted challenges and opportunities faced by MNEs operating in weak institutional environments of host countries.

2.0 Hypotheses Development

The efficacy of governing institutions is paramount in nurturing economic activities, with institutional effectiveness being crucial for facilitating businesses, innovations, and performances. An effective institutional environment ensures certainty, and information symmetry, minimizes conflicts, and efficiently allocates resources, thereby heightening incentives, mitigating risks, and enhancing firm performance and innovation (Mogomotsi, 2019; Sanches, & Bataglia, 2015). However, developing economies often grapple with lower levels of social trust, less effective legal frameworks, fragile administrative systems, and unstable political structures, resulting in weaker institutional environments compared to their developed counterparts.

The influence of the institutional environment on multinational enterprises' (MNEs) performance has been extensively explored in contemporary literature. For instance, Cuervo-Cazurra et al. (2018) focused on the role played by the institutional environment of home countries in determining MNE performance. Firms' performance is intricately linked to their strategic choices and structural characteristics (Parthasarthy, & Sethi, 2018; Bennouri et al., 2018). A study by Ali & Varoğlu (2022) suggested that external environmental dynamism directly impacts firms' structural characteristics, strategic choices, and performance. In theoretically unstable environments (weak institutional environment), more innovation is required, making an innovative strategic posture with an organic structure ideal for

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firms. Conversely, stable environments (strong institutional environment) require lesser innovation, favoring a conservative strategic posture with a mechanistic structure (Mintzberg, 1979; Burns & Stalker, 1961; Lawrence & Lorsch, 1967).

Recent studies by Chidlow et al. (2021) and Fu et al. (2021) delved into the interplay between the internationalization of MNEs and their institutional environments. Chidlow et al., through a comprehensive literature review, posited that institutional elements shape organizational structure and significantly influence the strategies and outcomes of MNEs. Similarly, Fu et al., based on journal publications from 2000 to 2020, emphasized the crucial role of both MNE structural and strategic characteristics and the institutional environment of host countries in determining MNE performance. These consistent findings were echoed by Toh and Jia (2021) in their examination of the Malaysian financial sector from 2001 to 2017.

Building on this discussion, several questions arise. First, how do MNEs navigate in a weak institutional environment from a structural aspect? Second, what are the ideal strategic choices for MNEs in a weak institutional environment? Based on these questions, the following hypotheses are developed:

Hypothesis 1: The weak institutional environment (WIE) of the host country positively correlates with the organic structure of multinational enterprises (MNEs).

Hypothesis 1b: The weak institutional environment (WIE) of the host country negatively correlates with the mechanistic structure of multinational enterprises (MNEs).

Hypothesis 2: The weak institutional environment (WIE) of the host country positively correlates with the entrepreneurial strategic posture (ESP) of multinational enterprises (MNEs).

Hypothesis 2b: The weak institutional environment (WIE) of the host country negatively correlates with the conservative strategic posture (ESP) of multinational enterprises (MNEs).

The institutional economic theory lays a rational foundation for multinational enterprises (MNEs) to align their actions with administrative policies (Sally, 1994; Hodgson, 1989), entry regulations (Tang, & Joseph Yu, 1992), and market dynamics (Luo, 2003) of host countries. In today's global era, adherence to certain rules and regulations set by international and national institutions is imperative for firms (Cortell, & Davis Jr, 1996). The applicability of these legal rules and standards is contingent upon the countries' institutional framework (Alshbili, & Elamer, 2020). The strength or weakness of the institutional framework significantly impacts the operationalization of business firms in any given country. Moreover, these institutions play a crucial role in facilitating businesses to adopt sustainable practices, thereby gaining a competitive advantage (Alkahtani, Nordin, & Khan, 2020).

The adoption of sustainable business practices is motivated by a multifaceted set of reasons spanning economic, environmental, and social considerations (Markman et al., 2016). Recognized as essential across various countries, sustainable business practices have long been an international objective for governments, businesses, and civil society (Lambin, & Thorlakson, 2018). The recent introduction of the 2030 Agenda for Sustainable Development by the United Nations, along with the 17 Sustainable Development Goals (SDGs), reinforces a global call to action for the collective benefit of people, planet, and prosperity (Tsalis, Malamateniou, Koulouriotis, & Nikolaou, 2020).

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Despite the emergence of the SDGs, sustainable development has been an ongoing pursuit. However, the association between MNEs' engagement in sustainable practices and a weak institutional environment, particularly from the perspective of developing countries, has not been empirically explored and warrants investigation to understand the internal mechanisms of MNEs adapting to a new environment in host countries. From this discussion emerges a compelling research question: Do MNEs engage in sustainable practices for the sake of innovation to survive in a weak institutional environment? Building on this question, we formulate the following hypothesis:

Hypothesis 3: Multinational Enterprises (MNEs) operating in host countries with weaker institutional frameworks are more likely to engage in sustainable business practices.

This hypothesis is grounded in the assumption that MNEs operating in a weak institutional environment are inclined to adopt sustainable practices, aiming to improve socio-economic and environmental conditions in developing countries.

The divergence in institutional or cultural aspects between the home and foreign environments further amplifies operational costs, complicates knowledge acquisition, and enhances uncertainty, consequently impacting the performance and innovation capacity of MNEs (Cuervo-Cazurra & Ramamurti, 2017). Sustainable value creation practices have become crucial for multinational enterprises (MNEs) in today's global business landscape. The success of these practices often hinges not only on formal structures but also on cultural nuances and informal institutions within host countries. Cultural and informal institutions significantly impact the operational strategies and values of MNEs, which, in turn, affect sustainable value-creation practices. The cultural dimensions proposed by Hofstede, such as power distance, individualism vs. collectivism, uncertainty avoidance, and long-term orientation, offer insights into how cultures shape business practices. For instance, cultures emphasizing long-term orientation and collectivism tend to prioritize sustainable practices and stakeholder relationships over short-term gains, impacting MNEs' sustainability approaches. Moreover, studies by Trompenaars and Hampden-Turner (1997) delve deeper into cultural diversity and its implications for business, highlighting how cultural variations influence decision-making and firms' structural characteristics as well as strategic choices. Such cultural variations are likely to impact the adoption and integration of sustainable practices across borders. Scholarly work by Soini, & Dessein, (2016) or Matsuhashi, Kuijer, & De Jong, 2009 explores how cultural dimensions and informal institutions influence sustainability strategies in MNEs. These studies highlight correlations between cultural aspects, institutional frameworks, and the adoption of sustainable practices. MNEs originating from cultures emphasizing collectivism and long-term orientation are more likely to integrate sustainable value-creation practices compared to those from individualistic and short-term oriented cultures (Hofstede, 1980; Trompenaars and Hampden-Turner, 1997). Furthermore, based on the above discussion we formulated a research question, Do cultural dimensions have any association with sustainable business practices?

Hypothesis 4: Multinational enterprises (MNEs) operating in a collectivist culture are more likely to integrate sustainable practices compared to those from individualistic.

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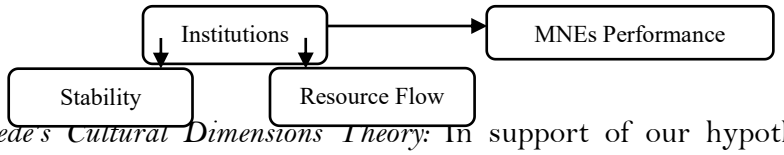
Hypothesis 5: Multinational enterprises (MNEs) operating in individualistic cultures are more likely to discard sustainable practices compared to those from collectivist cultures.

3.0 Theoretical Frameworks: Institutional Economic Theory and Hofstede's Cultural Dimensions

In understanding the dynamics of multinational enterprises (MNEs) within developing country contexts, the integration of Institutional Economic Theory and Hofstede's Cultural Dimensions offers valuable insights.

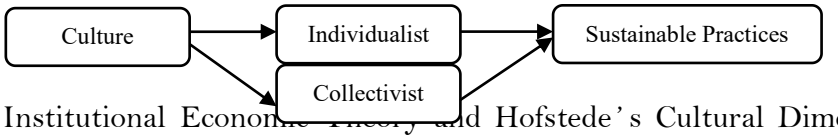
Institutional Economic Theory: sheds light on how institutions shape the behavior and performance of MNEs in developing countries. The study conducted by Karmani, & Boussaada, (2021) shows that a strong institutional environment cultivates firm performance as such environment provides stability. This stability ensures a smooth flow of resources and functionality of the MNEs. Furthermore, theoretically, weaker institutional environments specifically in developing countries, are influenced by dynamic environmental factors such as political, social, and technological aspects. This impacts MNE functionality (Geleilate et al., 2016) and efficiency. Moreover, a study conducted by Wu et al. (2016) depicts a positive relationship between a strong institutional framework in host countries and MNE performance. Consequently, the theory hypothesizes that a weak institutional framework in host countries correlates with specific characteristics of MNEs, influencing organizational structures (mechanistic or organic patterns) and strategic postures (conservative and entrepreneurial) (**Hypotheses 1 and 2**). Furthermore, the Institutional Economic Theory posits that MNEs operating in host countries with weaker institutional frameworks are more likely to engage in sustainable business practices (**Hypothesis 3**). This hypothesis is rooted in the understanding that the institutional environment shapes the behavior of MNEs, particularly in terms of their commitment to sustainable practices in the face of varying institutional strengths.

Figure 1. Institutional Economic Theory



Hofstede's Cultural Dimensions Theory: In support of our hypotheses 4 and 5, we adopted Hofstede's cultural dimension theory (Hofstede, 1980). Furthermore, Hofstede's theory suggests that MNEs originating from collectivist cultures are more likely to engage with sustainable practices compared to those from individualistic cultures (**Hypotheses 4 and 5**).

Figure 2. Hofstede's Cultural Dimensions

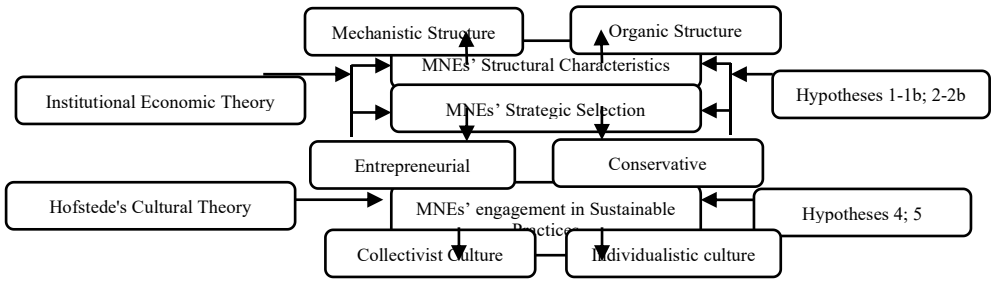


The Institutional Economic Theory and Hofstede's Cultural Dimensions Theory together provide a platform to explore how institutions and cultural dimensions impact MNEs in terms of structural characteristics, strategic selection, and engagement in sustainable practices.

Figure 3: Theoretical Framework

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4.0 Methodology

4.0.1 Dataset Selection and Construction

The hypotheses proposed in this study were developed through a comprehensive literature review regarding multinational enterprises (MNEs). Furthermore, the methodology of the study was developed based on firm-level and country-level indicators. Moreover, firm-level variables were acquired from the OSIRIS database, known for its comprehensive coverage of corporate information. Whereas, country-level indicators were collected from the World Bank database. Additionally, the data was collected from China, Pakistan, Japan, and South Africa using collected using a questionnaire technique. The data was collected from the chief strategy officer (CSO), supervisors, and other senior managers. We used primary data alongside secondary data to confirm patterns in the data as well as to obtain specific parameters that were not covered through primary data sources. The combination technique helped us to enhance the credibility and reliability of the data being used in the study. Furthermore, data on Hofstede cultural dimensions (collectivist and individualist) was collected from multiple sources (i-e., Hofstede Insights, Geert Hofstede's Cultural Dimensions Data Repository, and GLOBE Project. The methodology adopted for developing the study's dataset aligns with the guidelines outlined by Barasa et al. (2017), to ensure consistency in data sample. The data collection period spanned from January 2023 to November of the same year. Lastly, the selection of countries was based on the following indicators, Economic Development Status (Inc.), Economic Development Status (Op.), Cultural Category (Inc.), and Cultural Category (Op.). The sampled firms were strategically chosen to represent a diverse cross-section of the global business landscape.

Table 1. List of countries included in the study

China-Pakistan Dyad:	**Japan-South Africa Dyad:**
Country of Incorporation: China	Country of Incorporation: Japan
Country of Operation: Pakistan	Country of Operation: South Africa
Economic Development Status (Inc.): Developed	Economic Development Status (Inc.): Developed
Economic Development Status (Op.): Developing	Economic Development Status (Op.): Developing
Cultural Category (Inc.): Collectivist	Cultural Category (Inc.): Collectivist
Cultural Category (Op.): Collectivist	Cultural Category (Op.): Individualist
MNEs Sample Size: 460	MNEs Sample Size: 439

We have obtained a strong response rate for the data collection with 78% positive responses from the participants of the study. This indicates a substantial level of engagement from participants including but not limited to chief strategy officers (CSOs), supervisors, along with other senior managers. Lastly, ethical considerations were specifically taken into care through informed consent obtained from

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participants, and steps were taken to ensure the confidentiality and anonymity of respondents.

4.0.2 Instrument Development:

All constructs and items were measured on a Likert seven-point scale anchored from 1(strongly disagree) to 7(strongly agree).

Weak Institutional Environment (WIE): The scale indicators for WIE were meticulously chosen from the World Bank Database, aligning with the criteria outlined by Yusoff, Arifin, & Hadie, (2021), Boparai, Singh, & Kathuria, (2018). The scale comprises 13 items distributed across four dimensions: regulatory quality (4 items, α = .91), rule of law (3 items, α = .90), government effectiveness (3 items, α = .89), and control of corruption (3 items, α= .90).

Multinational Enterprises (MNEs) Structure: The MNEs Structure scale, developed based on the theoretical framework of Ali & Varoğlu (2022) and the OSIRIS database, consists of 12 items across four dimensions: decision making (3 items, α = .90), employee empowerment (3 items, α = .88), flexibility/rigidity (3 items, α = .89), and change adaptation (3 items, α= .90), adhering to the scale development guidelines by Boparai, Singh, & Kathuria, (2018); Koopmans et al., 2012.

Multinational Enterprises (MNEs) Strategic Posture: MNEs' Strategic Posture was gauged through a 5-item, 7-point scale derived from Khandwalla (1977) and Miller and Friesen (1982). The scale encompasses two categories: conservative strategic posture (3 items, α = .88) and entrepreneurial strategic posture (2 items, α = .91), consistent with previous studies (e.g., Ali & Varoğlu, 2022; Miles and Arnold, 1991).

Sustainable Practices – Dow Jones Sustainability Indices (DJSI): The instrument assessing sustainable practices among MNEs utilized Dow Jones methodology, grounded in environmental, social, and governance (ESG) criteria defined by DJSI. The scale comprises three dimensions: environmental practices (2 items, α = .91), social practices (2 items, α= .90), and governance practices (2 items, α= .90). (Based on the guidelines of Searcy, & Elkhawas, (2012).

Collectivist and Individualist Culture – Hofstede: The cultural characteristics of the host and origin countries were measured using Hofstede dimensions. The scale features two categories, collectivist and individualist culture, each with four dimensions: power distance (3 items, α= .89), decision making (3 items, α= .91), innovation (2 items, α = .91), and interdependence (2 items, α = .90). (Based on Hofstede, 1980 cultural dimensions).

Table 2. Factor Loading, Construct Reliability, and Validity

Variables	Loadings	CA	CR	AVE
Weak Institutional Environment (items)		0.893	0.910	0.720
WIE1	0.732			
WIE2	0.663			
WIE3	0.652			
WIE4	0.642			
WIE5	0.712			
WIE6	0.620			
WIE7	0.730			
WIE8	0.603			

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WIE9	0.712			
WIE10	0.682			
WIE11	0.620			
WIE12	0.709			
WIE13	0.671			
MNE Structure (items)		0.825	0.873	0.742
MS1	0.728			
MS2	0.681			
MS3	0.672			
MS4	0.672			
MS5	0.734			
MS6	0.653			
MS7	0.617			
MS8	0.690			
MS9	0.651			
MS10	0.634			
MS11	0.721			
MS12	0.734			
MNE Strategic Posture (items)		0.812	0.882	0.772
SP1	0.732			
SP2	0.788			
SP3	0.621			
SP4	0.646			
SP5	0.636			
Sustainable Development (items)		0.828	0.932	0.768
DJ1	0.679			
DJ2	0.727			
DJ3	0.712			
DJ4	0.635			
DJ5	0.673			
DJ6	0.729			
Culture Dimensions (items)		0.872	0.921	0.702
CD1	0.610			
CD2	0.652			
CD3	0.702			
CD4	0.651			
CD5	0.642			
CD6	0.637			
CD7	0.676			
CD8	0.689			
CD9	0.723			
CD10	0.657			

"Note: CA, Cronbach's Alpha; CR, composite reliability; AVE, average variance extracted."

Table 2 depicts the factor loadings of items WIE1 to WIE13 ranging from 0.620 to 0.730, which shows a strong association between the observed variables and the

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latent construct. Whereas, Cronbach's Alpha (CA) and Composite Reliability (CR) are high at 0.893 and 0.910, which means the scale is well-suitable in terms of its reliability. The Average Variance Extracted (AVE) is at 0.720, which suggests that a substantial part of the latent construct's variance is incorporated by the observed items. Furthermore, in the case of MNE Structure, the factor loadings (0.634 to 0.734) depict the strong relationship between the items (MS1 to MS12) and the latent construct. Additionally, the internal consistency measure values show high reliability, as we have obtained a CA value of 0.873 and a CR value of 0.742. The AVE value is 0.742, which shows a good convergent validity. Moreover, in the case of MNE Strategic Posture, we obtained the factor loadings (0.621 to 0.788) which show strong relationships, with CA and CR at 0.882 and 0.812, respectively. The AVE value of 0.772 shows a satisfactory convergent validity. In Sustainable Development factor loadings values, we obtained high values ranging from 0.635 to 0.932 and high internal consistency measure values of CA = 0.932 and CR = 0.828. Along with an AVE value of 0.768. Lastly, the Culture Dimensions items depict strong factor loading values ranging from 0.610 to 0.872 along with high internal consistency CA = 0.921, CR = 0.872, with an AVE of 0.702.

Table 3. Discriminant Validity (Fornell and Larcker)

	1	2	3	4	5
01. Weak Institutional Environment	**0.850**				
02. MNE Structure	0.423	**0.861**			
03. MNE Strategic Posture	0.632	0.289	**0.878**		
04. Sustainable Development	0.712	0.498	0.312	**0.877**	
05. Cultural dimensions	0.614	0.423	0.215	0.512	**0.838**

$$AVE_i = \sum_{j=1}^{k} \left(\frac{\text{correlation}(i,j)^2}{\text{variance}(j)} \right)$$

AVEi = the Average Variance Extracted for construct i,
Correlation (i,j) = the correlation between constructs i and j
Variance (j) = the variance of construct j
k is the number of constructs.

Table 3 depicts the results of the Fornell and Larcker criterion for discriminant validity. Moreover, the diagonal values of 0.850 for Weak Institutional Environment are higher than the corresponding off-diagonal values in their respective rows. The value 0.861 of MNE Structure's correlation with Weak Institutional Environment which is lower than the square root of the AVE for MNE Structure (0.861), supports the discriminant validity between these constructs. The table confirms the discriminant validity of the measurement model.

Table 4. Discriminant Validity (Heterotrait-Monotrait Ratio)

	1	2	3	4
01. Weak Institutional Environment	**0.623**			
02. MNE Structure	0.497	0.739		
03. MNE Strategic Posture	0.812	0.832	0.656	
04. Sustainable Development	0.336	0.489	0.659	
05. Cultural dimensions	0.336	0.489	0.192	0.402

$$HTMTij = \frac{\sqrt{AVEi} \times \sqrt{AVEj}}{\sqrt{MSVij}}$$

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$HTMT_{ij}$ = the heterotrait-monotrait ratio for constructs i and j
$\sqrt{AVEi}$ = the average variance extracted for construct i
$\sqrt{AVEj}$ = the average variance extracted for construct j
$\sqrt{MSVij}$ = the squared correlation between the constructs i and j in the model

Table 4 depicts the results of the Heterotrait-Monotrait Ratio (HTMT) criterion. Moreover, all the diagonal elements, ranging from 0.497 to 0.812, which is well below the threshold value of 1. Furthermore, the "Weak Institutional Environment," "MNE Structure," "MNE Strategic Posture," "Sustainable Development," and "Cultural Dimensions" values are all consistently below 1, which suggests that each latent construct is sufficiently different from the others. Therefore, supporting discriminant validity within the measurement model.

4.0.3 Sector and Sample Selection Rationale

We included only IT and technology-based MNEs operating in the manufacturing sector to maintain consistency in the sample and data collection. The rationale behind this strategic sector selection lies in its propensity for multinational operations and active involvement in innovation initiatives. As a result, the final dataset included 899 Multinational Manufacturing Firms-MNEs. The data collection period spans from 01/2023 to 11/2023. This timeframe ensures a comprehensive analysis of trends and patterns across a reasonable temporal scope.

4.0.4 Sample Composition and Country Representation

The sample composition comprised multinational manufacturing firms hailing from both developed and developing countries. This deliberate inclusion aimed to capture diverse economic contexts and facilitate comparative analyses. The countries included in the study, essential for investigating the relationships posited in the hypotheses, are presented in Table 1.

5.0 Analysis

Table 5. Bifurcation of Sample Firms by Economic Development Status and Cultural Categories

Country of Incorporation	Country of Operation	Economic Development Status (Inc.)	Economic Development Status (Op.)	Cultural Category (Inc.)	Cultural Category (Op.)	MNEs Sample Size
China	Pakistan	Developed	Developing	Collectivist	Collectivist	460
Japan	South Africa	Developed	Developing	Collectivist	Individualist	439

Table 5, provides details of the sample sizes taken from four countries, the selection of these four countries was performed based on economic development status and cultural category.

Table 6. Threshold Values

Threshold Values	x ≤ 3.9	x ≥ 4.0
MNEs Structure	Mechanistic	Organic
MNEs Strategic Posture	Conservative	Entrepreneurial

Table 6, provides the threshold values of the variables. These mean score values were used to categorize MNEs' structure and strategic posture. The mean score less than or equal to 3.9 was considered mechanistic structure and conservative strategy. Moreover, the mean score greater than or equal to 4.0 is considered organic structure and entrepreneurial strategic posture.

5.1 Hypothesis 1: The weak institutional environment (WIE) of the host country positively correlates with the organic structure of multinational enterprises (MNEs).

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5.2 Hypothesis 1b: The weak institutional environment (WIE) of the host country negatively correlates with the mechanistic structure of multinational enterprises (MNEs).

6.0 Regression Analysis

The regression analysis was performed to explore the association between the variables. Table 2 provides the regression results.

Table 7. Results showing all positive effects and negative effects

Country Status	MNEs	Paths	Coefficients	T-test	Sig
Developed → Developing Positive effect	324 –Organic Structure	**WIE→OS** China-Pakistan	β_0= 0.72186 Std. Error = 0.03217	22.43	.000
	136 – Mechanistic Structure	**WIE→MS** China-Pakistan	β_0= -0.47542 Std. Error = 0.04212	-11.28	.000
Developed → Developing Negative effect	308 –Organic Structure	**WIE→OS** Japan- South Africa	β_0= 0.32631 Std. Error = 0.01528	21.35	.000
	131 – Mechanistic Structure	**WIE→MS** Japan- South Africa	β_0= -0.27830 Std. Error = 0.02312	-12.03	.000
Model Summary R = .817; Std. Error = 0.146					

Significance levels: ***p< .001; *p< .05; WIE = Weak institutional environment; OS = Organic Structure; MS = Mechanistic Structure. All individual standardized regression weights are reported.

6.1 MNEs Structural Characteristics - Direct Effect WIE → OS

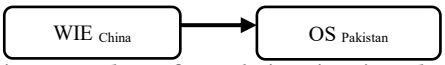


Table 7, provides the regression results of weak institutional environment, organic structure, and mechanistic structure. The data from China and Pakistan was analyzed to explore the association between weak institutional environment (WIE) and organic structure (OS). Additionally, out of 460 Chinese MNEs 324 were using organic structure and 136 were using mechanistic structure. Furthermore, we found a positive association between WIE and OS which was statistically significant (β = .72186; p=0.000). This implies that MNEs adopt an organic structure for more flexibility to respond to weak institutional environments.

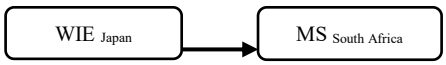
$$\text{WIE}_{China\text{-}Pakistan} = 0.72186 \times \text{WIE} \times \epsilon_{China\text{-}Pakistan}$$

$\epsilon_{Error\ term}$

Similarly, the remaining 136 MNEs were operating using a mechanistic structure. It was observed mechanistic structure MNEs were struggling with performance. We have found a negative association between mechanistic structure and weak institutional environment ((β = -0.47542; p=0.000).

$$\text{WIE}_{China\text{-}Pakistan} = -0.47542 \times \text{WIE} \times \epsilon_{China\text{-}Pakistan}$$

$\epsilon_{Error\ term}$



Moreover, we assessed 439 Japanese MNEs operating in South Africa and we found that of 439, 308 MNEs were operating with organic structure and 131 MNEs were

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operating with mechanistic structure. We assessed 308 organic structural MNEs and we found a positive and statistically significant association between OS and WIS (p=0.000 with $\beta = 0.32631$). Furthermore, we assess the association between mechanistic structure and weak institutional environment among 131 Japanese MNEs operating in South Africa. It was found that mechanistic structure and weak institutional environment have a negative and statistically significant association (p=0.000 β = -0.27830)

$$WIE_{Japan\text{-}South\ Africa} = 0.32631 \times WIE \times \epsilon_{Japan\text{-}South\ Africa}$$
$$WIE_{Japan\text{-}South\ Africa} = -0.27830 \times WIE \times \epsilon_{Japan\text{-}South\ Africa}$$

$\epsilon_{Error\ term}$

Equations positive and negative association.

For the positive effect (Developed → Developing):

1. China-Pakistan:
   $X_{D\text{-China-Pakistan}\ (324)} = 0.72186 \times WIE_{China\text{-}Pakistan}$
   T-test=0.721860/.03217=22.43, Sig=.000

2. Japan- South Africa:
   $X_{D\text{-Japan- South Africa}\ (308)} = 0.32631 \times WIE_{Japan\text{-}South\ Africa}$
   $T\text{-}test = 0.32631/0.01528 = 21.35$, $Sig = .000$

For the negative effect (Developed → Developing):

1. China-Pakistan:
   $X_{1\text{-China-Pakistan}} = -0.47542 \times WIE_{China\text{-}Pakistan}$
   $T\text{-}test$=-0.47542/0.04212 =-11.28, Sig=.000

2. Japan- South Africa:
   $X_{1\text{-}Japan\text{-}South\ Africa} = -0.27830 \times WIE_{Japan\text{-}South\ Africa}$
   $X_{1\text{-}Japan\text{-}South\ Africa} = -0.27830/.02312 = -12.03$, Sig=.000

The model summary information provides the correlation coefficient ($R^{2\text{-}\ 81.7\%}$) and the standard error for the overall model that shows the goodness of the entire path model. The results show that in a weak institutional environment, organic structure suits more than mechanistic structure as organic structure offers high flexibility. These results are well supported by the findings of Ali & Varoğlu's (2022) study in which they have suggested in a dynamic environment firms adopt organic structures to support rapid change adaptation. Similarly, results are well supported by the theories formulated by Mintzberg, 1979; Burns and Stalker 1961; Lawrence and Lorsch 1967.

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6.2 Correlation

Table 8. Pearson Correlation

Pearson Correlation			
	WIE	**OS**	**MS**
WIE	1		
OS	.921**	1	
MS	.762**	.765**	1
**. Correlation is significant at the 0.01 level (2-tailed)			

WIE = Weak Institutional Environment; OS = Organic Structure; MS = Mechanistic Structure.

Table 8 displays the outcomes of the bivariate correlation analysis. Notably, Organic Structure (OS) exhibits a remarkably strong positive correlation with Weak Institutional Environment (WIE), proving to be statistically significant ($p \leq 0.05$) with a correlation coefficient (r) of .921. Similarly, Mechanistic Structure (MS) demonstrates a strong positive correlation with Weak Institutional Environment (WIE) (r = .762) and Organic Structure (OS) (r = .765). The correlation findings from the Pearson correlation analysis underscore the strength of the linear associations among the researched variables. Based on study findings and theoretical support we have concluded that hypothesis 1 and hypothesis 1b are well supported.

Hypothesis 2: The weak institutional environment (WIE) of the host country positively correlates with the entrepreneurial strategic posture (ESP) of multinational enterprises (MNEs).
Hypothesis 2b: The weak institutional environment (WIE) of the host country negatively correlates with the conservative strategic posture CSP of multinational enterprises (MNEs).
Direct Effect WIE→ESP

Similarly, the regression analysis was performed to explore the association between weak institutional environments with entrepreneurial strategic posture. Table 4 provides the regression results.

Table 9. Entrepreneurial Strategic Posture

Country Status	MNEs	Paths	Coefficients	T-test	Sig
Developed → Developing Positive effect	346 –Entrepreneurial Strategic Posture	**WIE→ESP** China-Pakistan	β_0= 0.49153 Std. Error = 0.02478	19.83	.000
	372 –Entrepreneurial Strategic Posture	**WIE→ESP** Japan- South Africa	β_0= 0.39125 Std. Error = 0.01693	23.10	.000
Model Summary R = .875; Std. Error = 0.238					

Significance levels: ***p< .001; *p< .05; WIE = Weak institutional environment; ESP = Entrepreneurial Strategic Posture. All individual standardized regression weights are reported.

Table 9 provides the regression results regarding entrepreneurial strategic posture. The regression analysis was performed on 346 MNEs from China operating in Pakistan (WIE→ESP). Furthermore, WIE has a positive and statistically significant association with ESP (β = 0.49153; p=0.000). Similarly, 372 Japanese MNEs operating in South Africa were analyzed. It was found that WIE has a statistically

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significant association with ESP (β = 0.39125; p=0.000).

China-Pakistan:
$X_{D\text{-China-Pakistan}}=0.49153\times WIE_{China-Pakistan}$
T-test=0. 49153/.02478=19.83, Sig=.000

Japan- South Africa:
$X_{D\text{-Japan- South Africa}}=0.\ 39125\times WIE_{Japan-\ South\ Africa}$
$T\text{-}test=0.\ 39125/.01693\quad =23.10,\ Sig=.000$

Table 10. Conservative Strategic Posture

Country Status	MNEs	Paths	Coefficients	T-test	Sig
Developed → Developing Positive effect	114 –Conservative Strategic Posture	**WIE→CSP** China-Pakistan	β_0= -0.68125 Std. Error = 0.02918	-23.24	.000
	67 –Conservative Strategic Posture	**WIE→CSP** Japan- South Africa	β_0= -0.42716 Std. Error = 0.3812	-11.20	.000
Model Summary R = .875; Std. Error = 0.238					

Significance levels: ***p< .001; *p< .05; WIE = Weak institutional environment; CSP = Conservative Strategic Posture. All individual standardized regression weights are reported.

Table 10 represents the regression results regarding conservative strategic posture. The regression analysis was performed on 114 MNEs from China operating in Pakistan (WIE → CSP). Furthermore, WIE has a negative and statistically significant association with CSP (β = -0.68125; p=0.000). Similarly, 67 Japanese MNEs operating in South Africa were analyzed. It was found that WIE has a statistically significant association with CSP (β = -0.42716; p=0.000). Moreover, these results support Cingöz, & Akdoğan, (2013) study findings.

For the negative effect (Developed → Developing):
Japan- South Africa:
$X_{1\text{-Japan- South Africa}}=-0.\ 68125\times \text{WIE}_{\text{Japan- South Africa}}$
$T\text{-}test=0.\ 68125/0.02918\quad =-23.24,\ Sig=.000$

Japan- South Africa:
$X_{1\text{- Japan- South Africa}}=-0.\ 42716\times \text{WIE}_{\text{Japan- South Africa}}$
$X_{1\text{- Japan- South Africa}}=-0.\ 42716/.03812=-11.20,\ Sig=.000$

6.3 Correlation

Table 11. Pearson Correlation

Pearson Correlation			
	WIE	**ESP**	**CSP**
WIE	1		
ESP	.862**	1	
CSP	.819**	.771**	1
**. Correlation is significant at the 0.01 level (2-tailed)			

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WIE = Weak Institutional Environment; ESP = Entrepreneurial Strategic Posture; CSP = Conservative Strategic Posture.

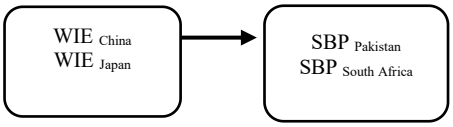
Table 11 presents the Pearson correlation matrix, for Weak Institutional Environment (WIE), Entrepreneurial Strategic Posture (ESP), and Conservative Strategic Posture (CSP). There is a strong positive correlation (r=0.862) between a Weak Institutional Environment (WIE) and Entrepreneurial Strategic Posture (ESP). This suggests that as the level of a weak institutional environment increases, there is a tendency for the entrepreneurial strategic posture to also increase. Moreover, there is a strong positive correlation (0.819) between a Weak Institutional Environment (WIE) and a conservative strategic posture (CSP). This indicates that as the weak institutional environment increases, there is a tendency for a conservative strategic posture to also increase. Lastly, there is a strong positive correlation (0.771) between entrepreneurial strategic posture (ESP) and conservative strategic posture (CSP). This implies that as the entrepreneurial strategic posture increases, there is a tendency for the conservative strategic posture to also increase. Furthermore, based on these results we can conclude Hypothesis 2 and Hypothesis 2b are well supported.

Hypothesis 3: Multinational Enterprises (MNEs) operating in host countries with weaker institutional frameworks (WIE) are more likely to engage in sustainable business practices (SBP).

Table 12: Results showing all direct effects

Country Status	Paths	Coefficients	T-test	Sig
Developed → Developing Direct effect	WIE→SBP China-Pakistan	β_0= 0.4174 Std. Error = 0.0152	27.46	.000
	WIE→SBP Japan- South Africa	β_0= 0.5273 Std. Error = 0.0264	19.21	.000
Model Summary R = .829			Std. Error = 0.121	

Significance levels: ***p< .001; *p< .05; WIE = Weak institutional environment; SBP = Sustainable Business Practices. All individual standardized regression weights are reported.



The data from China and Pakistan presented in Table 12 was used to assess the association between a weak institutional environment and sustainable business practices. 460 MNEs data was entered into the SPSS. Furthermore, we found a positive association between WIE and SBP which was statistically significant (β = .4174; p=0.000). Furthermore, these results support the findings of Amran, Lee, & Devi, (2014); Lyon, & Montgomery, (2015).

$$\text{WIE}_{China\text{-}Pakistan} = 0.4174 \times \text{WIE} \times \epsilon_{China\text{-}Pakistan}$$

$$\epsilon_{Error\ term}$$

Similarly, we assessed 439 MNEs data from Japan and South Africa and we found a similar association between WIE and SBS. The association between WIE and SBP was statistically significant p=0.000 with β = .5273.

$$\text{WIE}_{Japan\text{-}South\ Africa} = 0.5273 \times \text{WIE} \times \epsilon_{Japan\text{-}South\ Africa}$$

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$\epsilon_{Error\ term}$

Therefore, hypothesis 3 is well supported by the results.

Hypothesis 4: Multinational enterprises (MNEs) operating in a collectivist culture are more likely to integrate sustainable practices compared to those from individualistic.

Hypothesis 5: Multinational enterprises (MNEs) operating in individualistic cultures are more likely to discard sustainable practices compared to those from collectivist cultures.

Table 13: Results showing all direct effects

Country Status	Paths	Coefficients	T-test	Sig
Developed → Developing Direct effect	CC→SBP China-Pakistan	β_0= 0.4321 Std. Error = 0.02317	27.46	.000
	IC→SBP Japan- South Africa	β_0= -0.2817 Std. Error = 0.03978	-19.21	.000
	Model Summary	R = .912	Std. Error = 0.121	

Significance levels: ***p< .001; *p< .05; CC = Collectivist Culture; SBP = Sustainable Business Practices; IC = Individualistic Culture. All individual standardized regression weights are reported.

Table 13 presents the regression results between sustainable business practices, collectivist, and individualist cultures. The data from China and Pakistan was assessed to explore the association between collectivist culture and sustainable business practices. 439 MNEs data was entered into the SPSS v24. Furthermore, we found a positive association between CC and SBP which was statistically significant (β = .4321; p=0.000). Furthermore, the findings support Dessein, et al., (2015).

$$WIE_{China\text{-}Pakistan} = 0.4321 \times SBP \times \epsilon_{China\text{-}Pakistan}$$

$\epsilon_{Error\ term}$

Similarly, we assessed 460 MNEs data from Japan and South Africa and we found that individualist culture IC and sustainable business practices SBS have a negative association. The association between IC and SBP was statistically significant p=0.000 with β = -0.2817.

$$WIE_{Japan\text{-}South\ Africa} = -0.2817 \times SBP \times \epsilon_{Japan\text{-}South\ Africa}$$

$\epsilon_{Error\ term}$

Furthermore, based on the results we can conclude that Hypothesis 4 and Hypothesis 5 are well supported by the results.

6.4 Findings and Discussions

The study has yielded valuable insights into multinational enterprises (MNEs) originating from developed countries and operating in developing ones. Our primary focus was to evaluate the influence of a weak institutional environment on MNEs' structure, strategic posture, and engagement in sustainable practices within a

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cultural context. In the initial phase of the analysis, we concentrated on the structural and strategic choices of MNEs. We gathered data from two sets: the first comprised MNEs originating from China and operating in Pakistan, while the second set included MNEs from Japan operating in South Africa. The selection was based on the countries economic development index (developed and developing) and cultural aspects (collectivist and individualist). To enhance data credibility and reliability, we collected information on a single variable from two different countries, utilizing both primary and secondary sources.

Our findings revealed that firms with organic structures demonstrate greater efficiency in weak institutional environments, where flexibility and innovative strategies are crucial. Conversely, firms with mechanistic structures face challenges in terms of performance and innovation in such environments. These results are empirically supported by studies conducted by Ali & Varoğlu (2022), Hoque (2004), Miller (1987), and theoretically by Mintzberg (1979), Burns & Stalker (1961), and Lawrence & Lorsch (1967). Furthermore, MNEs operating in weak institutional environments exhibit a positive association with sustainable business practices. This suggests that MNEs adopt sustainable practices for effective resource utilization, thereby gaining a competitive advantage. These findings are substantiated by the work of Gao & Yang (2023), and Zhu & Sarkis (2007). Additionally, our exploration of cultural dimensions (individualist and collectivist) revealed a positive association with sustainable business practices in collectivist cultures, while a negative association was observed in individualist cultures. This underscores the significance of cultural parameters in sustainable practices, as collectivist societies prioritize sustainability and the long-term implications of business footprints on future developments. Partial support for our results was found in the studies of Cho et al. (2013) and Nikolakis, Olaru, & Kallmuenzer (2022).

The study faced certain limitations, primarily stemming from the inclusion of specific types (of IT and Technology) of multinational enterprises (MNEs) from four countries, resulting in a restricted range of variables. Additionally, each country exhibited a distinct institutional environment, raising concerns about the comparability and formality of data with the variable of weak institutional environments. Despite our concerted efforts to minimize bias in data collection, achieving complete impartiality in our specific context may be inherently challenging. It is crucial to acknowledge that the results of this study may lack generalizability to countries that do not share analogous characteristics concerning MNE structure, environmental factors, and cultural dimensions.

6.4.1 Managerial Implications: Enhancing Organizational Resilience in Weak Institutional Environments

Multinational enterprises (MNEs) grappling with the challenges of weak institutional environments, particularly in developing countries, can strategically shape their firms' structural and strategic choices to steer through uncertainties effectively. The study highlighted the importance of adopting an organic structure, focusing on structural flexibility, adaptability, and decentralized decision-making. This shift aligns seamlessly with the demands posed by weak institutional frameworks in a developing country. Conversely, a mechanistic structure may impede performance and innovation in such environments as mechanistic structures are more rigid with a centralized hierarchical approach. Managers need to assess the

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environmental dynamism to develop a strategy that aligns with external environment characteristics.

Moreover, MNEs are encouraged to focus on an entrepreneurial strategic posture that can match the rate of innovation of the external environment (weak institutional environment). This approach prioritizes innovation, risk-taking, and proactive decision-making which are essential qualities for overcoming challenges in contexts of weak institutional environment. Moreover, this study establishes a positive correlation between MNEs operating in weak institutional environments and their engagement in sustainable business practices. Therefore, managers should recognize the potential benefits of integrating sustainability into their strategic planning. As sustainability not only mitigates risks but also enhances long-term competitiveness.

The association between both collectivist and individualist cultures and sustainable business practices highlights the importance of cultural dimensions. Managers need to pay attention to the cultural characteristics and based on that decisions need to be taken regarding sustainability initiatives. Moreover, the training initiatives need to be aligned with cultural values can significantly enhance the effectiveness of training modules. MNEs are encouraged to foster a culture of responsibility and ethical behavior, aligning with both collectivist and individualist cultural norms. Moreover, through the fusion of cultural and strategic choices MNEs can proactively enhance their operational resilience and contribute to sustainable development in the context of a weak intuitional framework.

6.4.2 Theoretical Implications

This study significantly supplements organizational theory by addressing the critical role of tailoring firms' structural characteristics and strategic choices to address specific needs of particular environmental patterns, specifically within the context of weak institutional environments. This study's theoretical contribution extends beyond the structural and strategic choices. Furthermore, this study highlighted the dynamism of a weak institutional environment from the perspective of cultural dimensions and engagement in sustainable practices. Overall, the study gives a theoretical perspective of how MNEs need to operationalize into a weak institutional environment by generating innovation through structural parameters that further support the innovative strategic postures. Furthermore, this research advances our comprehension of the importance of cultural factors in influencing engagement in sustainability business practices.

In essence, the study provides actionable insights for organizational theorists and practitioners alike, emphasizing the intricate interplay between MNEs' structural characteristics, strategic choices, engagement in sustainable business practices, and cultural dimensions, particularly in the challenging context of weak institutional environments.

6.5 Future recommendations

The study highlights various important gaps that need to be explored to further strengthen our understanding of various organizational theories. The following are the abstract paths that need to be explored in terms of deeper understandings and associations with other concepts.

1- Does structures are formulated through a managerial approach or it is an organic product of the environmental patterns?
2- Does strategy evolve through structural patterns or environmental patterns?

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3- Are the weak institutes more effective in generating innovation in the industry as compared to the strong institutional environments?

These specific questions can enhance the organizational theories' scope in developing a more comprehensive approach toward the understanding of structural and strategic patterns concerning external environment parameters.

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