

An Institution-based View

WHY IB NEEDS THIS VIEW



5 Forces

The Industry-based view argues that conditions within an industry determines strategy & performance.

VRIO

A Resource-based view suggests that it is firm-specific differences that drive strategy and performance.



BUT WHAT ABOUT CONTEXT?

Gives shape to Peng's view

Once we study competition around the world, it is evident, as shown by decades of IB research, that the world is different..



There are both formal & informal institutions; they are the structures & activities that guide human interactions

Peng et al focus on the political, legal, & societal aspects of institutions

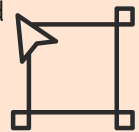
Specifically, strategic choices are not only driven by industry conditions and firm capabilities, but are also a reflection of the formal and informal framework that managers confront.



Institutions = independent variables

NEW TOOLS

Need new theoretical tools to understand emerging economies



Institutions directly determine what arrows a firm has in its quiver as it struggles to formulate and implement strategy.

The profound differences in institutional frameworks between emerging economies and developed economies force scholars to pay attentions to these differences



THERE IS A RICH AND DIVERSE REPERTOIRE IN THE THEORY TOOL BAG FOR STRATEGY AND IB SCHOLARS