



University of Sussex

Business & Management

Seminar series

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Title: MNE-subsi-diar-ies' approaches to non-market strategy in emerging economies

Abstract: Firms can use various 'non-market strategies' to increase their chances of survival and further their competitive advantage in both domestic and international markets. An important decision for firms to take in this context is to choose between a transactional and relational approach to non-market strategy. Prior research into this issue in emerging markets has predominantly focussed on the relational approach, in particular, on the creation and management of political ties between foreign firms' managers and government officials (particularly in China). While this focus on relational approaches was due to the lack of institutions, we suggest that institutional changes in emerging economies over the past decade have opened up the scope for adopting a transactional approach - 'one off' issue based approach. What is thus of interest is whether firms use this new option, and what the factors are that influence the degree to which they use the transactional approach (instead of/alongside to) the relational approach. Using resource dependence theory we argue that resource tangibility, unrelated diversification and business ties affect foreign firms' non-market approaches (both transactional and relational) in emerging economies. We test our hypotheses using a sample of 105 foreign subsidiaries in India. Our evidence shows that MNE subsidiaries' likelihood of using the transactional approach increases with increased unrelated diversification, lesser dependence on intangible-type resources and lesser business ties