



Alaydi, S., Buck, T. and Tang, Y. K. (2021) Strategic responses to extreme institutional challenges: an MNE case study in the Palestinian mobile phone sector. *International Business Review*, 30(3), 101806.
(doi: [10.1016/j.ibusrev.2021.101806](https://doi.org/10.1016/j.ibusrev.2021.101806))

There may be differences between this version and the published version.
You are advised to consult the published version if you wish to cite from it.

<http://eprints.gla.ac.uk/228939/>

Deposited on 18 January 2021

Enlighten – Research publications by members of the University of Glasgow
<http://eprints.gla.ac.uk>

Strategic Responses to Extreme Institutional Challenges: An MNE Case Study in the Palestinian Mobile Phone Sector

Abstract

Besides firm-level resources and industrial influences, firms' strategies have been related to their institutional contexts. Empirical studies have investigated survival strategies in international environments where institutional voids, barriers and violence have had independent influences.

This study is the first to analyse strategies in circumstances that combine all these negative challenges. In the Palestinian mobile phone industry, a surviving MNE has faced not only violence, voids and institutional barriers imposed by three different governments, but also the liability of foreignness and its associated uncertainties.

In a highly uncertain environment, it is found that being a MNE brings benefits as well as liabilities of foreignness. Furthermore, this MNE discloses many strategic responses to institutional challenges that are associated with positive outcomes, even in a most extreme Palestinian environment that produces the most propitious circumstances for negative responses and outcomes.

Keywords: Institutional context, Institution-based view, Institutional challenges, MNE, Violence, Strategic responses.

1. Introduction

A seminal book (Khanna & Palepu, 2010) stimulated a decade of research into negative institutional environments and eventually a whole new theoretical approach. These investigations covered institutional barriers (Chang & Wu, 2014; Oliveira et al., 2018; Skiti, 2020) institutional voids (Doh et al., 2017; Gao et al., 2017) violent conflict (Hiatt & Sine, 2014), and combined voids and conflicts (Parente et al., 2019).

Apart from the analysis of firms trying positively to reduce the costs imposed by challenging institutions by encouraging institutional change (Regnér & Edman, 2014), the emphasis in these studies has mainly been on the *separate and negative* impact of barriers, voids and violence, e.g. '... political and civil violence decreases firm survival' (Hiatt & Sine, 2014: 773). The very definition of institutional barriers is '... the hindrance in the institutional environment that prevents market selection forces to function' (Chang & Wu, 2014: 1103), and

industry entry barriers ‘... function as an external environment that hinders market competition’ (Skiti, 2020: 2). Firms facing institutional voids find it difficult to respond to shocks without the cushion of specialist intermediary institutions, and thus, ‘... failure rates are high’ (Gao et al., 2017: 2147).

Besides this general presumption of negative strategic reactions to institutional challenges, the extant literature (with the exception of voids and violent conflicts combined in Parente et al., 2019) analyses individual sources of uncertainty without recognising the cumulative impact of uncertainty generated by institutional barriers, voids and violence together. Rather than analyse individual barriers, voids and conflicts in isolation, it is argued that they may fruitfully be studied collectively in the context of a single firm, since Aidis (2005: 314) notes the inter-relatedness of different business barriers, besides voids and conflicts. Violence may be expected to intensify the negative impact of barriers and voids.

In addition to these cumulative and negative influences of institutional barriers, voids and conflict, MNEs entering countries with challenging environments are confronted with the ‘liability of foreignness’ (Rugman & Verbeke, 2007) plus the fact that these institutional challenges usually discriminate against new entrants. For example, ‘... institutional forces may buffer incumbents from selection pressures regardless of their economic efficiency’ (Chang & Wu, 2014: 1105). Similarly, Doh et al. (2017: 296) report that ‘... institutional voids may help to create monopolistic advantages for some firms ... and in some emerging markets it is possible to find foreign firms absorbing costs of absent institutions.’ With such bolstering of incumbent firms in mind, it may also be noted that most studies of institutional barriers, voids and conflicts to date have not focused on MNEs, with a few exceptions (e.g. Parente et al., 2019).

This study fills these gaps in the literature by focusing on the combined influence of institutional barriers, voids and conflicts on strategic responses in a single MNE, within a national context featuring extreme negative institutional pressures. These methodological choices effectively amplify the impact of institutions on firms and also bias the study towards discovering negative strategic responses, thus underlining the significance of any positive responses that are nevertheless found. At the same time, in order to admit at least the possibility of positive responses, we pose the research question, *which strategic responses secure MNE survival in an extremely hostile host country environment featuring institutional barriers, voids and conflict?* If strategic responses to these challenges secure firm survival and other positive

outcomes in these most propitious circumstances for negative ones, they could presumably be expected elsewhere, too.

Our paper is structured as follows. The next section discusses the Institution-Based View (IBV) of international business (IB), institutional challenges and strategic responses to institutional pressures. The third presents the application of the case study method, and its associated qualitative data collection and analysis, with the Palestinian mobile phone sector as an empirical setting. In the fourth, the findings of the research are presented. Finally, we discuss the findings in relation to the extant literature and claim our theoretical contribution.

2. Literature Review

2.1 Institution-based view and institutional challenges

The theoretical framework for this study is provided by the Institution-Based View (IBV) of IB proposed by Peng et al. (2008), Peng et al. (2009) and Meyer and Peng (2016). The IBV comprises the application to IB of the seminal paper by Oliver (1991) with her definitive title ‘Strategic Responses to Institutional Processes’. It was first developed in relation to emerging markets (Peng et al., 2008) because of dissatisfaction with using just firm-level (from the Resource-Based View), and industry-level variables (from Corporate Strategy) in explaining firm strategies and ultimately performance. These variables at three levels were described as a ‘strategy tripod’ (Peng et al., 2008: 920) with the IBV providing the institutional leg.

Emerging markets are ‘... characterised by underdeveloped institutions and frequent environmental shifts’ (Gao et al. 2017: 2147), so it is therefore no surprise that the IBV was developed within this context. Founded on a synthesis of ‘... new institutional economics, neoinstitutional theory in sociology, and MNE–government bargaining in IB’ (Meyer & Peng, 2016: 14), it was argued that ‘... organisation theorists analyze institutions as shared rules, beliefs, and norms that affect legitimacy of behaviors in terms of their acceptance by the environment’ (Meyer & Peng, 2016: 11). However, the institutional pressures in emerging markets are often inconsistent and unstable. Institutional voids, barriers and conflicts are commonplace and undermine market coordination and isomorphism, affecting firms variously with different stakeholders, requiring distinctive strategies. These may include a ‘... range of political or nonmarket strategies that firms use to influence decision-makers in governments and parliaments’ (Meyer & Peng, 2016: 12).

While initially being limited to emerging markets, the IBV quickly gained momentum, first in the IB literature and later being advocated as being ‘... positioned to directly speak to the core literature in strategic management and does not deliberately emphasise the international aspects’ (Peng et al., 2009: 64). In other words, the IBV could be extended beyond emerging markets, beyond IB, even to strategic management in general. Later it was further claimed that ‘... the institution-based view is evolving toward a paradigm’ (Meyer & Peng, 2016: 4).

Table 1: Negative consequences of institutional voids, barriers and violence in IB

Institutional Barriers	Institutional Voids	Violence
<i>Aidis (SBE 2005: 305)</i> ‘perceived formal barriers are associated with perceived informal barriers such as corruption’	<i>Doh et al. (JIBS 2017: 296)</i> ‘institutional voids may help to create monopolistic advantages for some firms’	<i>Bullough et al. (ETP 2014: 485)</i> ‘perceived danger is negatively and significantly related to entrepreneurial intentions’
<i>Chang & Wu (SMJ 2014: 1119)</i> ‘the efficiency required to compensate for institutional barriers is likely to prevent many other firms from entering’	<i>Gao et al. (SMJ, 2017: 2147)</i> ‘failure rates are high’ [though investments in reputation can secure long-run survival]	<i>Hiatt & Sine (SMJ, 2014: 773)</i> ‘political and civil violence decreases firm survival’
<i>Oliveira et al. (JBR 2018: 506)</i> ‘barriers often present unusual constraints for the management of export operations’		
<i>Skiti (SMJ 2020: 2)</i> ‘institutional entry barriers function as an external environment that hinders market competition’		
	Institutional Voids and Violence	
	<i>Parente et al. (JIBS 2019: 284)</i> ‘risk aversion to international investments in institutionally weak markets’, [though massive support for Weihei from the Chinese government was able to overcome this aversion in DR Congo.]	
Present Study		

Whatever the reality of these claims in general, the IBV, relating institutions to firm strategy and performance, is clearly applicable to highly unstable environments, and a substantial empirical literature has employed the IBV in various contexts from different angles. In relation to institutional challenges in recent papers, Table 1 shows that this paper is positioned to combine barriers, voids and violent conflict as components of an aggregate level of environmental uncertainty in the context of the IBV. Violent conflict unsurprisingly exacerbates the negative impact of institutional barriers and voids (Bullough et al., 2014), though their evidence from Afghanistan contains the rider that (473) ‘... perceived danger is

negatively and significantly related to entrepreneurial intentions, but marginally less so among resilient individuals'. Another exception to the general rule of a negative impact of violence is the case of certain natural resource-based industries (Skovoroda et al., 2019), not relevant to this paper.

2.2 Responses and strategies toward institutional challenges

The analysis of institutions as an influence on firm behaviours, strategies and capabilities in the IB and strategy literatures has prompted new research on firms' diverse responses to institutional challenges (Aguilera & Grøgaard, 2019; Doh et al., 2017; Marquis & Raynald, 2015). Especially in emerging and developing countries with weak institutions, strategic responses are found to influence both financial performance and survival (Meyer & Peng, 2016; Parente et al., 2019).

Extant studies mainly build on Oliver's (1991) early typology of five generic strategic responses to institutions, i.e. to acquiesce, compromise, avoid, defy and manipulate. A review of 26 studies published between 2010-2020¹ in key management journals² show that research has increasingly focused on firms' tactics and actions in relation to these generic responses. In a review paper, Marquis and Raynald (2015) referred to these tactics and actions as 'institutional strategies'³, which are defined as 'the comprehensive set of plans and actions directed at leveraging and shaping socio-political and cultural institutions to obtain or retain competitive advantage' (p. 291). Table 2 summarises the strategic responses to institutions identified in the 26 papers reviewed.

¹ Papers reviewed were published from January 2010 to May 2020, including online first manuscripts. Starting the review period at 2010 was based on: 1) a survey of a recent decade's research, and 2) from 2010, various papers responded to two key studies of strategic responses to institutions (i.e. the IBV) by Peng et al. (2008; 2009), and the book on strategies in emerging markets by Khanna & Palepu (2010).

² Identification of the papers reviewed were conducted in two stages, beginning with a keyword search in the Business Source Premier database. Keywords included: 'institutional voids', 'institutional barriers', 'institutional constraints' and 'institutional strategies'. This search generated in total 172 peer-reviewed papers. Out of these 172 papers, only papers published in 3* and 4* journals (based on ABS journal list) were reviewed, yielding 19 papers. In a second stage, a search within the journals themselves using the same keywords covered all 4* management, IB and entrepreneurship journals. This yielded a further 7 papers, and we argue that the 26 papers reviewed in Table 2 represent leading studies on the topic.

³ The term 'institutional strategies' is first used in Lawrence (1999) to define 'patterns of organisational action concerned with the formation and transformation of institutions, fields and the rules and standards that control those structures.' (p.167). However, Lawrence's conception of 'institutional strategies' has a narrower scope than Marquis and Raynald's (2015) definition and Oliver's (1991) typology. Lawrence's conception of an institutional strategy (p. 167) 'is not so much concerned with gaining competitive advantage based on existing institutional structures as it is concerned with managing those structures-preserving or transforming institutional standards and rules in order to establish a strategically favorable set of conditions [for the firm]'.

Table 2: Summary of strategic responses to institutions

Firms' Intentions towards Institutions	Responses (Oliver, 1991)	Strategies
<p>Accept</p> <p>No intention to manipulate or change the institutions but take them for granted.</p>	<ul style="list-style-type: none"> ▪ Acquiesce: 'accede to institutional pressures' (p.152) <hr/> ▪ Avoid: 'preclude the necessity of conformity' (p.154) <hr/> ▪ Compromise: 'attempt to balance, pacify, or bargain with external constituent' (p.153) 	<ul style="list-style-type: none"> ▪ Adapt business models to comply (Sutter, Webb, Kistruck & Bailey, 2013) ▪ Low profile strategies (Meyer & Thein, 2014) ▪ Abiding (Bylund & McCaffrey, 2017) <hr/> ▪ Circumvent/Evade (Bylund & McCaffrey, 2017; Regnér & Edman, 2014) ▪ Non-entry/Exit/Withdraw/Disengage (Bylund & McCaffrey, 2017; Meyer & Thein, 2014) <hr/> ▪ Institutional brokering (Bjerregaard & Luring, 2012; Jayanti & Raghunath, 2018; Tracey & Phillips, 2011) ▪ Spanning institutional voids (Jayanti & Raghunath, 2018; Tracey & Phillips, 2011) ▪ Bridging institutional distance (Jayanti & Raghunath, 2018; Tracey & Phillips, 2011) ▪ Legitimising strategies (de Lange, 2016; Mair, Marti & Ventresca, 2012) ▪ Arbitrage and exploitation of differences between host and home (or third-country) settings (Regnér & Edman, 2014) ▪ Political strategies/tactics (Dang, Jasovska & Rammal, 2020; Nell, Puck & Heidenreich, 2015; Zhu & Sardana, 2020) ▪ Relationship/collective/network-based strategies (de Lange, 2016; Dorobantu, Kaul & Zelner, 2017; Ge, Carney & Kellemanas, 2019; Marquis & Raynald, 2015; Mbalyohere, Lawton, Boojihawon & Viney, 2017; Narooz & Child, 2017; Parente, Rong, Geleilate & Misati, 2019) ▪ Local knowledge and embeddedness (Mbalyohere, Lawton, Boojihawon & Viney, 2017) ▪ Reputation building (Gao, Zuzul, Jones & Khanna, 2017) ▪ Organisational governance and configuration (Brenes, Ciravegna & Pichardo, 2019)
<p>Resist</p> <p>No intention to accept or to actively influence or change existing institutions but to resist and/or oppose them.</p>	<ul style="list-style-type: none"> ▪ Defy: 'a more active form of resistance to institutional processes' (p.156) 	<ul style="list-style-type: none"> ▪ Attack institutions, which may include informal ones, e.g. using violence against violence (Sutter, Webb, Kistruck & Bailey, 2013).

Table 2: (Continued)

Firms' Intentions towards Institutions	Responses (Oliver, 1991)	Strategies
<p>Change</p> <p>Clear intention to influence and change existing institutions, even to create new ones.</p>	<ul style="list-style-type: none"> ▪ Manipulate: 'the most active response to these pressures because it is intended to actively change or exert power over the content of the expectations themselves or the sources that seek to express or enforce them' (p.157) 	<ul style="list-style-type: none"> ▪ Redefining market structures (Mair, Marti & Ventresca, 2012) ▪ Institutional borrowing, e.g. binding international institutions (Pinkham & Peng, 2017) ▪ Modifying institutional logics with local communities (Newenham-Kahindi & Stevens, 2018) ▪ Corporate political strategies (e.g. lobbying) (Bylund & McCaffrey, 2017; Liedong, Aghanya & Rajwani, 2020) ▪ Rhetorical legitimization strategies (Oriaifo, de Oliveira & Ellis, 2020)
		<ul style="list-style-type: none"> ▪ Infrastructure building (Amankwah-Amoah, Chen, Wang, Khan & Chen, 2019; Gatignon & Capron 2020; Marquis & Raynald, 2015) ▪ Social-Cultural building (Marquis & Raynald, 2015) ▪ New institutional logics, co-created with local communities (Newenham-Kahindi & Stevens, 2018) ▪ Market redefining (Mair, Marti & Ventresca, 2012) ▪ New institutions, innovation and creation (Regnér & Edman, 2014)

The five strategic responses in Table 2 based on Oliver (1991) represent a sequential escalation of firms' efforts in coping and/or dealing with prevailing institutional conditions. As institutions are multifaceted and dynamic, firms may deploy a mix of institutional strategies in any one context (Brenes et al., 2019; Bylund & McCaffrey, 2017). However, empirical studies are very limited (e.g. of the 26 papers reviewed, only 19 consist of empirical research and the rest are conceptual or review papers). Moreover, most of these empirical studies have a relatively narrow focus, mainly focusing on one specific strategy without offering a holistic understanding of the dynamic strategy repertoire in rapidly changing institutional environments, including tactics, common in emerging and developing countries (Dang et al., 2020; Peng et al., 2008; Zhu & Sardana, 2020). Studies that seek to delineate drivers for firms to adopt specific institutional strategies are ever rarer (Regnér & Edman, 2014). Therefore, we address the research question, *which strategic responses secure MNE survival in an extremely hostile host country environment featuring institutional barriers, voids and conflict?* Our proposed holistic conceptualisations of strategic responses, drivers and tactics emerge from our case study analysis, explained below.

3. Methodology

3.1 Research design

Given the explorative nature of our study and our intention to extend existing theory, we follow recent calls for qualitative methods and pluralist approaches in IB research (Birkinshaw et al., 2011; Welch et al., 2011). This approach was suitable because it allowed us to explore the complex plurality of site-specific contexts - the interrelationship between institutions and firms - as well as mechanisms (Stake, 2000; Yin, 2009). These two crucial aspects offered insights from ‘contextualised knowledge’ (Tsui, 2007; Welch et al., 2011) about institutional environment effects that can vary across different industries and countries (Marschan-Piekkari et al., 2004). In contrast to most IB research, we researched a single ‘polar, rich, deep’ case (Dyer & Wilkins, 1991; Patton, 2015) - of one MNE - in the Palestinian mobile phone sector, taking into account the intricacies of an extremely hostile context, which offers rich contextual insights into the dynamics of a possible two-way interplay between firms and institutions.

Our single case was chosen in order to avoid industry differences and because of the importance of choosing a surviving firm within the acutely uncertain Palestinian market where the failure of firms is common (UNEP, 2020; World Bank, 2019). It thus represents an ‘unusually revelatory, extreme exemplar’ case (Eisenhardt & Graebner, 2007: 27) of surviving firms, a methodological choice recently made in related, authoritative papers based on Afghanistan and the DR of Congo (Bullough et al., 2013: 480; Parente et al., 2019: 278). Theoretical sampling - particularly of extreme cases (whether notable failures or successes) - is a useful tool for developing theory because it allows researchers to generate insights that might be obscured or absent in more typical settings (Eisenhardt & Graebner, 2007; Pratt, 2009).

3.2 Empirical setting

The Occupied Palestinian Territory (OPT) refers to the geographical area occupied by Israel since 1967. The OPT comprises the West Bank (including East Jerusalem) and the Gaza Strip (GS), and is controlled by the Palestinian National Authority (PNA) after the Oslo Accords in 1993 (International Labour Organization, 2018). According to these accords, in the WB the PNA has a civilian and security control of area (A), a civilian but not security control over area (B), and neither a civilian nor security control over 61% of the West Bank (WB),

called area (C), where Israel still exercises full civil and military control over bypasses, checkpoints, crossing points, ports, and airports (Roberts, 1995).

Beyond these areas of the WB, the GS has been geographically and politically separated since the intra-Palestinian conflict that erupted after Hamas's victory in the 2006 election. Subsequently, Hamas seized power and controlled the GS in June 2007, while the PNA remained in control of the WB. Israel imposes controls on both areas through the closure of GS since 2007, controlling crossing points and the movement of resources (BBC, 2019). Besides having three sets of national political institutions (involving the PNA, Hamas and Israel) for firms to deal with, the negative impact of institutional challenges is sharpened by violent conflict. This violence involves an external force (Israel) as well as internal violence between the two major political parties: Fatah and Hamas (International Labour Organization, 2018). Outbursts of violence in the Israeli-Palestinian conflict and within the WB and GS amplify already extreme levels of uncertainty (Hiatt & Sine, 2014) resulting from institutional barriers and voids (Gao et al., 2017). Many of these institutional barriers are imposed by a neighbouring country (Israel) and this creates a unique and extreme institutional environment within which firms must struggle to operate and survive (Parente et al., 2019).

The mobile phone sector was chosen as the setting for our research because it operates in arguably *the* most restrictive institutional environment in the world (Rossotto et al., 2016), because its market structure is unique, comprising only one established incumbent and a relative newcomer MNE. Nonetheless, both Palestinian operators have been in intense competition with eight Israeli mobile operators who exploit the institutional barriers imposed on Palestinian operators, covering the whole WB with 2G, 3G and 4G signals (Grimoud et al., 2015; Rossotto et al., 2016). These extreme institutional barriers and voids were arguably even more severe for the MNE operator, with less local knowledge and higher entry barriers.

Institutional barriers and voids may discriminate against the entry and survival of new firms (Hiatt & Sine, 2014), and may enhance the survival chances of incumbents (Chang & Wu, 2014; Skiti, 2020). In these circumstances, the strategies, survival and growth of the mobile phone MNE deserves particular attention, having generated 1.3 million subscribers by 2019 and achieved 17% sales growth in 2018. As a polar case (Patton, 2015) the Palestinian mobile phone sector provides a laboratory for investigating how an MNE may respond strategically to its hostile local institutional environment in order to survive and grow. In these most propitious circumstances for negative strategic outcomes, where institutional challenges

are made more intense by violent conflict, any positive strategic outcomes to barriers and voids may have wider implications for firms in less challenging environments.

3.3 Data collection

Within the MNE, we applied purposive sampling to select for interview senior and middle managers (see Table 3) who were qualified to report on the basis of strategic responses. We achieved triangulation (Stake, 2000) in the form of ‘unit triangulation’ (Marschan-Piekkari et al., 2004) by involving numerous, knowledgeable informants (e.g. managers from different departments and managerial levels) who offered diverse views on the focal phenomenon (Eisenhardt & Graebner, 2007).

Table 3: Profile of informants

No.	Job title	Years of experience before joining the firm (local or international)	Years of experience with the firm	Date of interviews	Average length of interviews (hour)
1	Customer Services Director	13 (Local Banking Sector)	10	03/09/2018 & 30/09/2018	1.5
2	Regulatory and Public Affairs Director	11 (Ministry of Telecom & Information Technology)	10	05/09/2018	1.5
3	Marketing Communications Director	6 (Local Real Estate Sector)	4	06/09/2018	1
4	Chief Commercial Officer	20 (Local Telecom Sector, Banking Sector, INGOs)	7	09/09/2018 & 11/09/2018	1.5
5	Acting Sales Director	15 (International Telecom Sector)	3	10/09/2018 & 18/09/2018	1.5
6	Network Director	12 (International & Local Telecom Industry)	11	10/09/2018	1.5
7	Human Resources and Administration Director	10 (International Telecom Sector)	11	12/09/2018	1
8	Chief Financial Officer	14 (International Financial Services and Local Telecom Sector)	11	13/09/2018	1.5
9	Marketing Director	20 (International Telecom Sector)	5	17/09/2018 & 13/12/2018	1.5
10	Business Transformation Director	20 (International & Local Telecom Industry)	11	25/09/2018	1.5
11	Head of Procurement & Supply Chain	15 (INGOs, World Bank)	8	09/10/2018	1.5

Fifteen semi-structured Skype interviews were administered to eleven senior and middle managers of the MNE in the WB and GS. Skype interviews became necessary because the researcher's entry permit for the WB and GS from the Israeli government was refused after several attempts. The interviews were conducted in Arabic by the first author (a native Arabic speaker), and questions were carefully worded in English and Arabic in order to avoid influencing responses. These were piloted with another two native Arabic speakers with excellent English to ensure the correspondence and reliability of the interview questions. The same questions were asked in English then in Arabic, and there were no differences in their understanding.

The interviews were conducted Sept-Dec, 2018 and each lasted between 60-90 minutes. All interviews were recorded and transcribed into Arabic. The interview scripts were translated into English and translated back by the first author and double-checked by the second author (a native English speaker). This resulted in over 21 hours of interviews captured in 110 pages of English transcript.

The interviews consisted of two main sections. The first asked for a brief background of the interviewees and a description of the business, industry and Palestinian context. Once sufficient trust had been established, the second part asked specific questions to explore focal issues, i.e. the main institutional barriers and voids; their impact on the company's operations, growth, and profitability; and strategic responses used by the company to deal with them. These questions were followed by some open-ended questions to investigate the 'hows' and 'whys' behind each critical decision, i.e. drivers and tactics.

3.4 Data analysis

Analysis was conducted independently by two authors (raters), who met regularly to critically examine and compare their individual interpretations of codes and data classifications. The raters separately assessed the levels for all constructs resulting in 96% inter-rater agreement. Discrepancies were debated until agreement was reached. On the rare occasion that there was continuing disagreement, the raters discussed it with the third author and came to a consensus.

Given the qualitative and interpretative approach, Thematic Analysis (Braun & Clarke, 2006) was used in order to identify, analyse and report patterns (themes) within the data. Codes

involved iteration between responses and concepts from prior theorising. Institutional challenges were classified according to formal and informal institutional barriers (Peng, 2000) and voids (Khanna & Palepu, 2010), see below, but it was not possible to investigate violence separately (see below).

All relevant sentences in the transcripts were labelled and then grouped into themes by bringing several codes together, labelling themes until saturation was achieved. Major themes were identified and led to a matrix demonstrating connections and a hierarchy of themes. The data was structured and ordered, from specific first-order codes (see Appendix A) to more general second-order codes and aggregate dimensions (see Table 4). This analysis led to the conceptualisation of four over-arching dimensions: strategic responses to institutional barriers and voids, their drivers, the particular tactics for their implementation, and outcomes. All of these dimensions are illustrated below.

4. Results: MNE Strategic Responses to Extreme Institutional Barriers, Voids and Violence

All interviewees confirmed that there were many extreme institutional challenges in the Palestinian mobile phone sector exacerbated by violent conflict. However, it was decided not to investigate separately the effects of violence, as this was too sensitive a topic. However, the CFO did volunteer the remark that *'Palestine has great violence and unrest due to intra-Palestinian and Israeli-Palestinian conflict'* and the Chief Commercial Officer reported that *'... the armed conflict and civil unrest caused the delay of the GS project for many years'*.

The thematic analysis identified *11 formal institutional barriers* (5 regulatory, 4 political, 2 market structural), *3 informal institutional barriers* (1 societal, 2 cultural-cognitive) and *8 institutional voids* (5 infrastructural, 3 regulative) (Appendix B). These barriers and voids seriously affected the stability of the mobile phone sector and a firm's entry, operations, growth and profitability. Based on these institutional barriers and voids, the findings underlined three distinct strategic responses - *Acceptance, Adaptation, and Influence*, preferred to the five categories of Oliver (1991). This section presents and discusses these second-order codes for responses, their drivers, their respective tactics and outcomes (Table 4).

Five internal drivers were found to influence the use of particular strategic responses by the MNE. First, *multinationality*, was associated with the firm's accumulated experiences of alternative regulations, norms and understandings in other institutional contexts (Regnér & Edman, 2014; Sauder, 2008). This facilitated its boundary-spanning capability. Second,

foreignness involved being an outsider, weakly embedded in the institutions and networks of the host country (Lawrence & Suddaby, 2006; Regnér & Edman, 2014; Scott, 2008). Foreignness led to the MNE's need to conform and adapt to existing institutions to seek legitimacy and pacify stakeholders. Third, *support from shareholders* that could guide the strategy, financing and risk orientation of the firm. Fourth, the possession of, or access to, *resources and capabilities* needed to implement the strategic responses. Finally, linkages with *local networks partners* could effect change and influence in local institutions. These drivers are demonstrated in Table 4.

Acceptance Responses

Acceptance responses showed that the MNE simply complied with local institutional conditions, with no active attempt to change either the firm or the institutions. The Network Director emphasised that '*we are forced to accept the imposed Israeli rules and regulations as they are*'. This is in line with the 'acquiesce' strategic response to institutional pressures in Oliver (1991) and corresponded with 'accept' in Khanna & Palepu (2010).

Two internal drivers were found to prompt and/or enable the use of the acceptance response. First, the foreignness of the MNE that has relatively weaker local embeddedness (knowledge and connections) compared with the local incumbent was presumed to favour an acceptance response. Second, influence from shareholders may encourage tolerance of political instability and violence and facilitate the attainment of a long-term market position and status in the Palestinian market. This reduced pressure on the MNE regarding the immediate negative impact of existing institutions on its development, induced by the passiveness of the firm, buffered it from reacting in haste.

The findings revealed two tactics within the acceptance response: *compliance and a wait-and-see* approach. The MNE complied with and adopted local institutional requirements, and/or patiently waited for institutional changes before considering any further action. Although considered as passive responses, the findings showed that they were both based on deliberate analysis by the MNE, with no evidence of the unconscious habit or blind adherence of 'acquiescence' (Oliver, 1991).

Table 4: Overview of findings: strategic responses, respective tactics employed, drivers and outcomes

Strategic Responses	Acceptance <i>Accede to and comply with the given institutional conditions in host countries</i>	Adaptation <i>Adjust some areas of the firm to leverage the existing institutional conditions</i>	Influence <i>Actively and deliberately change existing, create new, institutions in favour of the firm</i>
Drivers	<ul style="list-style-type: none"> ▪ Foreignness ▪ Support of Shareholders 	<ul style="list-style-type: none"> ▪ Foreignness ▪ Availability of Firm Resources ▪ Multinationality 	<ul style="list-style-type: none"> ▪ Availability of Strong Networks ▪ Availability of Firm Resources ▪ Multinationality ▪ Support of Shareholders
Tactics	<ul style="list-style-type: none"> ▪ Compliance: obey and adopt the given institutions. ▪ Wait-and-See: patiently hold back on action until institutional changes take place. 	<ul style="list-style-type: none"> ▪ Scoping: alter size, scale and coverage of resource base, business activities, and operations. ▪ Reconfiguring: adjust and re-arrange the set-up, combination and coordination of resources and capabilities; business models; operation components and processes; and the cost and revenue structure of the firm. 	<ul style="list-style-type: none"> ▪ Networking: extend existing networks, build new network, collaborate with stakeholders, and align the firm's interests with influential local stakeholders. ▪ Manoeuvring: employ political strategies, negotiating with official institutions about issues concerning critical resource access and allocation and business dealings; undertake nonmarket and corporate social responsibility activities. ▪ Spanning: substitute institutional practices, establish intermediaries for sharing with other parties, i.e. create new institutions.
Outcomes	<ul style="list-style-type: none"> ▪ Survival ▪ Favourable reputation ▪ Market share 	<ul style="list-style-type: none"> ▪ Survival ▪ Higher service quality ▪ Efficiency ▪ Competitive advantage ▪ Market share ▪ Sales growth 	<ul style="list-style-type: none"> ▪ Survival ▪ Higher service quality ▪ Favourable reputation ▪ Competitive advantage ▪ Efficiency ▪ Market share ▪ Sales growth ▪ Profitability

Compliance was found to be necessary to address some formal regulatory institutional barriers, specifically the laws, rules and regulations enforced by the authorities, especially the Israeli government, which are often rigid, difficult and/or take time to be changed (Bylund & McCaffrey, 2017; Meyer & Thein, 2014). The wait-and-see tactic was deemed necessary in the face of political instability and violence, when changes are difficult to predict or too frequent to be met (Khanna & Palepu, 2010). In these circumstances, the firm would pause projects and other business activities to avoid losses that could result from a premature move.

In sum, acceptance responses helped safeguard fundamental survival of the MNE in the host market, allowing it to build up reputation and recognition among key local stakeholders (e.g. local authorities), and establish market presence and status.

Adaptation Responses

With adaptation, the MNE undertook internal adjustments to cope with prevailing institutions, adjusting its resource and capability base, business model and/or operational configurations for this purpose. The Chief Commercial Officer stressed that *'we have to adapt parts of our business models and operations to fit with the local institutional environment'*. Adaptation coincides with the 'adapt' strategic response to voids in Khanna & Palepu (2010) and Gao et al. (2017).

Adaptation responses were mostly applied to address formal institutional voids, especially absent or imperfect regulatory systems and processes, market structures (e.g. entry and competition) and the lack of infrastructure and needed resources in the market.

Adaptation was mainly promoted by three drivers. First, the MNE drew on its boundary-spanning position as an MNE already familiar from elsewhere with different institutional uncertainties. These experiences enabled the firm to anticipate, appreciate and recognise institutional ambiguity and voids in the host country and adapt to them. Second its marginal social position within local networks increased the MNE's flexibility and freedom as a relatively new market entrant, thereby reducing pressures to maintain established norms and practices (D'Aunno et al., 1991; Scott, 2008). Third, the MNE had its own resources and networks in other institutional environments. This gave the firm access to its wider pool of resources, strategic strengths and leverage interdependencies, especially a well-qualified and creative staff.

Two adaptation tactics of the MNE - labelled *scoping and reconfiguring* - were identified. With the scoping tactic, the firm altered its size, scale and coverage of its resource base, business activities and operations. The firm modified its inventory system and operations to fit local conditions and surmount market inefficiencies, outsourced parts of its operations and activities to reduce transactions costs and hired telecommunications equipment and data centres to secure the continuity of operations. It also created a dealership network, designed its routines and established a call centre. The reconfiguration tactic was also deployed in anticipation of entry and operation in a nascent Palestinian mobile phone market. The firm adjusted and re-arranged the set-up, combination and coordination of resources and capabilities, business models, operational components and processes and cost and revenue structure of the firm. It made quick, small-scale changes, recombining existing resources in order to boost its market strengths, differentiate itself from competitors and improve its position by seizing fleeting opportunities. The company also streamlined operations, exploited its employees' knowledge and focused on creativity and flexibility to compete effectively.

We found evidence that adaptation responses to institutional challenges were associated with positive outcomes despite such a negative business environment. Stockpiling SIMs and designing VAGA and Wallmote sites (see Appendix A) were examples of outcomes that were reported to generate competitive advantage for the MNE.

Influence Responses

In contrast to internal adaptation, 'influence' involved trying to deliberately change external institutions and/or create new ones in favour of the firm. The Business Transformation Director emphasised that *'we try to play a role in influencing or changing the prevailing institutional settings and creating new institutions'*. This corresponds with the 'change' response of Khanna & Palepu (2010) in relation to voids and is related to 'manipulate' in Oliver (1991).

Influence responses were used to tackle both formal and informal institutional barriers and voids in our case. However, evidence showed that it was easier for the MNE to affect informal (particularly cognitive) rather than formal barriers such as political and regulatory ones. For example, although the MNE was able to initiate change in some PNA regulations, it could only accept and obey the Israeli ones.

Influence was primarily enabled by four drivers. The first was the multi-nationality of the MNE, with prior experience of boundary-spanning activities in different institutional settings.

This experience enabled the firm to see beyond immediate barriers and voids, but also to recognise areas of opportunity for modifying extant institutions or creating new ones. Second, developing linkages with strong local networks (e.g. partnerships with CBOs and NGOs, Palestinian Information Technology Association of Companies - PITA, and Palestine Trade Centre - PalTrade) were found to be crucial for the MNE to overcome its foreignness, and to exercise its influence. Third, the abundance of its capital resources (financial, technological, human and informational) promoted influence because the MNE invested significant time and energy in convincing local regulators of the value of its technology, but also of how the market should be structured and regulated. Finally, the body of external shareholders constituted an institution that affected the firm as a driver of the Influence response, using various tactics.

Subsequent to responses and their drivers, three forms of influence tactics - labelled *networking, manoeuvring and spanning* – were identified in our case.

The MNE built new networks, collaborating with stakeholders and aligning its interests with other stakeholders (e.g. the government). For instance, the firm embedded itself within local informal and business networks to overcome the absence of formal institutions. It also cooperated with official institutions, local community, business partners, and competitors in order to address some institutional contradictions and an absence of formal market-supporting institutions. For example, the MNE overcame challenging regulatory conditions by actively helping local government to develop the rules, technical requirements and legal standards for the mobile phone market. The firm also aligned its interests with the PNA to regulate and implement some services and with its local competitor to prevent the spread of Israeli SIMs in the OPT.

With regard to manoeuvring, the MNE influenced key local institutions by employing political strategies and negotiations about issues concerning access to critical resources and deals. This signalled a firm's commitment to community wellbeing and willingness to act in accordance with stakeholders' expectations. The firm used its political skills and influence to regulate and implement new policies (e.g. the Mobile Number Portability–MNP–and an online payment system) and change the form and content of regulations. It also negotiated issues such as transmission frequencies and new technologies with official institutions. The MNE gained access to key regulators and was able to initiate regulatory discussions and introduce its ideas largely thanks to its reputation as already being one of the leading mobile phone operators in the Middle East, South-east Asia and North Africa. Likewise, the company used non-market

legitimation strategies (e.g. corporate social responsibility, community engagement, religion, or culture) to navigate around, or substitute for, institutional voids (Doh et al., 2014) and to convey credibility and enhance a favourable reputation and legitimacy (Ghoul et al., 2017). In terms of societal norms, consumers in the host country favoured superior Israeli mobile services, and to overcome this challenge, the firm worked with different constituents to change norms and regulations through supporting many local social, cultural and religious initiatives.

In relation to spanning, the MNE attempted to surmount institutional barriers and voids by proposing the inward transfer of institutions from other countries and creating new infrastructure and/or market mechanisms that could also benefit third parties (Tracey & Phillips, 2011). These included transferring overseas products, organisational practices, standards, systems and technologies. The firm also founded ventures and created proto-institution that reduce institutional uncertainty gradually. These ventures and institutions were found to be necessary in the face of cultural-cognitive barriers (e.g. lack of skilled staff on the local market) and institutional voids (e.g. an absence of supportive systems). As an example of spanning, the company established a training centre that was used by the firm and local universities and colleges to equip fresh graduates and other new staff with missing essential skills and abilities. In another example, the firm created online payment gateway and systems and gradually made them available to banks and other businesses (see Appendix A).

Establishing a training centre, creating online payment systems and working on digitalisation projects were examples reported as positive outcomes resulting from responses to negative challenges. To summarise, influence responses were key in seizing new opportunities, generating profits and market growth.

5. Discussion

This study investigated the strategic responses of an MNE to institutional barriers, voids and violence in the extremely adverse host country environment of Palestine. The three strategic responses it employed - namely *acceptance*, *adaptation* and *influence* - were largely in line with the extant literature (e.g. Khanna & Palepu, 2010; Oliver, 1991; Regnér & Edman, 2014) with only minor deviations. However, our case study offers a more nuanced understanding of the dynamic use of these individual responses and their respective drivers and tactics to address particular institutional challenges (Aguilera & Grøgaard, 2019). Specifically, the detailed mapping of formal and informal institutions (Doh et al., 2017) with the strategy

repertoires (i.e. responses, drivers and tactics) of the MNE (Marquis & Raynard, 2015) facilitates a holistic view that helps to reveal and explain patterns in their inter-relationships.

Our case findings suggest that firms may need to use an ambidextrous combination of strategic responses simultaneously and flexibly to survive and develop in complex and unstable institutional environments (Bylund & McCaffrey, 2017; Regnér & Edman, 2014). A key feature of all three MNE responses was that they were conscious strategic choices (Peng et al., 2009), even the passive act of accepting existing institutions. These choices were contingent upon institutional conditions as well as firm-specific factors (Regnér & Edman, 2014).

Regarding institutional conditions, the MNE mostly used influence responses to change or create informal (i.e. cognitive and normative) institutional barriers. This finding supports the suggestion that informal institutions could often be exploited and created to substitute for weak formal institutions (Doh et al., 2017; Peng & Luo, 2000). To a lesser extent, MNEs may be more able to adapt to and/or influence formal infrastructural and market structural barriers in host countries (Amankwah-Amoah et al., 2019; Khanna & Palepu, 2010; Mair et al., 2012). In contrast, the choice of responses to political and regulatory barriers appears more complex and dynamic due to different levels of rigidity and power of the enforcement mechanisms. Therefore, responses to these barriers demand deeper profiling and consideration of the institutional arrangement and authority.

With respect to firm-specific factors, we extend the two response drivers (multi-nationality and foreignness) emphasised by Regnér and Edman (2014), and reveal three more drivers (shareholders' support; resource base; and local network partners) that influenced the MNE's choice of strategic responses. These five internal drivers indicate a firm's resource position as well as social position in a host country. Firstly, multi-nationality, which signifies the depth and breadth of a firm's international knowledge and experience in distant institutional contexts (Kafouros et al., 2012; Nguyen, 2017); secondly, existing resource base (Peng, 2001) and shareholders' support, determining whether a firm has the critical resources (e.g. capital, knowledge, time) and skills to identify as well as implement impactful changes within the firm (adaptation) or institutions (influence); finally, the successful realisation of influence responses often relies on the support of key local actors (de Lange, 2016; Parente et al., 2019). This explains the emphasis on the significant role of political ties in host countries in enabling institutional change (Bucheli & Salvaj, 2018; Ge et al., 2019). On the other hand, the foreignness of a firm implies weaker local knowledge, embeddedness and connections and

hence, low legitimacy in terms of local influence (Bucheli & Salvaj, 2018). This factor promotes the choice of acceptance or adaptation responses while discouraging or impeding influence responses.

This study also unveils the strategic implications in terms of the performance outcomes associated with the three responses, which are seldom addressed in prior studies. Our findings support the suggestion of Doh et al. (2017:302) in that ‘a more proactive approach, in which firms attempt to change their institutional environment, yields greater benefits’. The MNE in our case was able to survive by accepting and complying with prevailing institutions. However, it required deliberate attempts to adapt the firm internally and/or change external institutions in the firm’s favour to achieve growth and profitability. The study further suggests that even in an extremely adverse and unstable environment with many varieties of institutional barriers, voids and violence, firms may still identify strategic responses with positive outcomes. The findings provide further insights into how MNEs can strategize their interaction with institutions to achieve specific business goals, particularly at different stages of development in their host markets (Marquis & Raynard, 2015).

6. Contribution

Our analysis uses and claims to advance the IBV framework (Meyer & Peng, 2016; Peng et al., 2009; Peng et al., 2008) which acknowledges a two-way dynamic interplay between institutions and firms, with strategic choices as the outcome of such interaction (Peng, 2002; Peng et al., 2009). A primary purpose of this paper is to identify different types of strategic response that an MNE employs in order to proactively engage with, and strategize around, its institutional environment. We claim four *theoretical contributions*:

- (a) Our study contributes to the IBV of strategy by offering a holistic view of how a single MNE responds strategically to host country institutions characterised by high levels of institutional barriers, voids and violence. While earlier studies have focused on institutional voids (e.g. Doh et al., 2017; Gao et al., 2017), formal/informal institutional barriers (e.g. Chang & Wu, 2014; Skiti, 2020), violence (e.g. Bullough et al., 2014; Hiatt & Sine, 2014) and combined institutional voids and conflict (e.g. Parente et al., 2019), no research has studied their combined impact through the uncertainty they create. Firms simultaneously face the accumulated uncertainties from these combined challenges.

- (b) Our fine-grained analysis identifies three strategic responses which an MNE deploys to navigate and shape its institutional environment: *Acceptance, Adaptation, and Influence*. Each of these responses coincides to some extent with earlier conceptualisations. Indeed, acceptance is adopted directly from the passive ‘acquiescence’ concept in Oliver (1991) and corresponds with ‘acceptance’ in Khana & Palepu (2010). Adaptation coincides with the concept in Gao et al. (2017: 29-30) whereby ‘... firms can adapt to changing environments across time by changing, organising, and recombining resources, capabilities, and routines’, and Influence broadly corresponds with ‘manipulation’ in Oliver (1991). Although we claim no major original contribution in terms of concepts, our blend of these three concepts in a logical sequence is novel in that they cover the stages of strategic response observed.
- (c) Our study goes on to identify not only how an MNE responds to particular institutional challenges, but also the underlying tactics and drivers of such responses and their outcomes. Responses are influenced by five key drivers: multi-nationality, foreignness, strong local networks, support from shareholders and availability of resources and capabilities. Responses are implemented through seven tactics: compliance, wait-and-see, scoping, reconfiguring, networking, manoeuvring and spanning. In terms of outcomes, acceptance helps the MNE to survive in the Palestinian market, adaptation promotes operational efficiency, and influence is key in achieving a significant growth and profits. By linking institutional challenges with strategic responses, together with their drivers, tactics and outcomes, this study is claimed to contribute not only to the IBV but also to IB research generally on the interplay between MNEs and institutions.
- (d) Our study is also claimed to contribute to IB research by observing various positive outcomes resulting from aggregate institutional challenges, usually seen as wholly negative constraints in the IB literature. Findings from an MNE subject to the liability of foreignness in the most extremely uncertain environment, i.e. in the most propitious circumstances for negative institutional influence, suggest a need to fundamentally re-evaluate the assumption that institutional challenges have a primarily negative impact (Hiatt & Sine, 2014; Meyer et al., 2009; Oliveira et al., 2018). The MNE responded purposefully and vigorously to challenges, and these findings suggest viewing institutional challenges not only as constraints, but also as ‘opportunity spaces’ for agency (Doh et al., 2017; Mair & Marti, 2009; McKague

et al., 2015). The positive outcomes resulting from strategic responses to institutional barriers and voids in this most hostile environment imply the capacity of many firms to respond positively to less uncertain environments elsewhere.

Finally, we claim to identify implications for practitioners. It is easy for academics not subject to significant institutional barriers, voids and violence to pontificate on how practitioners may respond when confronted by them. However, our conclusions based on disclosures from practitioners themselves suggest that, although subject to the liability of foreignness, MNEs may take advantage of their experience in other countries so long as they transfer-in employees with relevant experience. More generally, major uncertainties can represent opportunities as well as threats, whether exploited by strategies in the form of acceptance, adaptation or influence.

7. Limitations and Future Research

There are limitations emerging from our analysis, and addressing these limitations suggests interesting avenues for future research. First, our framework can help in structuring the dimensions and alternatives involved in managing host country institutional environments and assist in forming strategic responses. Second, the usual caution against making generalisations is clearly appropriate in the context a single case study. Implications for further research are obvious since replicating and extending this single case study may be a fruitful approach in exploring additional combinations of uncertainty that require different strategic responses and dimensions. Third, while this study covers institutional barriers, voids and violence, future research can also reflect on how formal and informal institutions interact with each other and how such interaction may modify institutional voids. Fourth, the entrepreneurship literature could be advanced by considering, in the context of extreme institutional challenges, individual-level reactions, e.g. entrepreneurial resilience, opportunity recognition and exploitation, in order to check if findings correspond with the firm-level strategic outcomes of this paper.

References

- Aguilera, R. V. & Grøgaard, B. (2019). "The Dubious Role of Institutions in International Business: A Road Forward". *Journal of International Business Studies*, 50(1): 20-35. <https://doi.org/10.1057/s41267-018-0201-5>
- Aidis R. (2005). "Institutional Barriers to Small- and Medium-Sized Enterprise Operations in Transition Countries". *Small Business Economics*, 25(4): 305–318. <https://doi.org/10.1007/s11187-003-6463-7>
- Amankwah-Amoah, J. Chen, X. Wang, X. Khan, Z. & Chen, J. (2019, in press). "Overcoming Institutional Voids as a Pathway to Becoming Ambidextrous: The Case of China's Sichuan Telecom". *Long Range Planning*, 52(4). <https://doi.org/10.1016/j.lrp.2019.02.004>
- Birkinshaw J., Brannen, M. & Tung, R. (2011). "From a Distance and Generalizable to Up Close and Grounded: Reclaiming a Place for Qualitative Methods in International Business Research". *Journal of International Business Studies*, 42(9): 573-581. <https://doi.org/10.1057/jibs.2011.19>
- Bjerregaard, T. & Luring, J. (2012). "Entrepreneurship as Institutional Change: Strategies of Bridging Institutional Contradictions". *European Management Review*, 9(1): 31-43. <https://doi.org/10.1111/j.1740-4762.2012.01026.x>
- Braun, V. & Clarke, V. (2006). "Using Thematic Analysis in Psychology". *Qualitative Research in Psychology*, 3(2): 77-101. <https://doi.org/10.1191/1478088706qp063oa>
- Brenes, E. R. Ciravegna, L. & Pichardo, C. A. (2019). "Managing Institutional Voids: A Configurational Approach to Understanding High Performance Antecedents". *Journal of Business Research*, 105: 345-358. <https://doi.org/10.1016/j.jbusres.2018.03.022>
- British Broadcasting Corporation (BBC) (2019). *Palestinian Territories Profile*. Accessed on 22/10/2019. Available at: <https://www.bbc.co.uk/news/world-middle-east-14630174>
- Bucheli, M. & Salvaj, E. (2018). "Political Connections, the Liability of Foreignness, and Legitimacy: A Business Historical Analysis of Multinationals' Strategies in Chile". *Global Strategy Journal*, 8(3): 399-420. <https://doi.org/10.1002/gsj.1195>
- Bullough, A. Renko, M. & Myatt, T. (2014). "Danger Zone Entrepreneurs: The Importance of Resilience and Self-Efficacy for Entrepreneurial Intentions". *Entrepreneurship Theory & Practice*, 38(3): 473-499. <https://doi.org/10.1111/etap.12006>
- Bylund, P. L. & McCaffrey, M. (2017). "A Theory of Entrepreneurship and Institutional Uncertainty". *Journal of Business Venturing*, 32(5): 461-475. <https://doi.org/10.1016/j.jbusvent.2017.05.006>
- Chang, S. J. & Wu, B. (2014). "Institutional Barriers and Industry Dynamics". *Strategic Management Journal*, 35(8): 1103-1123. <https://doi.org/10.1002/smj.2152>
- D'Aunno, T. Sutton, R. I. & Price, R. H. (1991). "Isomorphism and External Support in Conflicting Institutional Environments: A Study of Drug Abuse Treatment Units". *Academy of Management Journal*, 34(3): 636-661. <https://doi.org/10.5465/256409>
- Dang, Q. T. Jasovska, P. & Rammal, H. G. (2020, in press). "International Business-Government Relations: The Risk Management Strategies of MNEs in Emerging Economies". *Journal of World Business*, 55(1). <https://doi.org/10.1016/j.jwb.2019.101042>
- de Lange, D. E. (2016). "Legitimation Strategies for Clean Technology Entrepreneurs Facing Institutional Voids in Emerging Economies". *Journal of International Management*, 22(4): 403-415. <https://doi.org/10.1016/j.intman.2016.06.002>
- Doh, J. Rodrigues, S. Saka-Helmhout, A. & Makhija, M. (2014). "Call for Papers: Special Issue of Journal of International Business Studies: International Business Responses to Institutional Voids". *Journal of International Business Studies*, 45(4). (No DOI available)
- Doh, J. Rodrigues, S. Saka-Helmhout, A. & Makhija, M. (2017). "International Business Responses to Institutional Voids". *Journal of International Business Studies*, 48(3): 293-307. <https://doi.org/10.1057/s41267-017-0074-z>
- Dorobantu, S. Kaul, A. & Zelner, B. (2017). "Nonmarket Strategy Research through the Lens of New Institutional Economics: An Integrative Review and Future Directions". *Strategic Management Journal*, 38(1): 114-140. <https://doi.org/10.1002/smj.2590>
- Dyer, W. & Wilkins, A. (1991). "Better Stories, Not Better Constructs, to Generate Better Theory: A Rejoinder to Eisenhardt". *Academy of Management*, 16 (3): 613-619. <https://doi.org/10.2307/258920>

- Eisenhardt, K. & Graebner, M. (2007). "Theory Building from Cases: Opportunities and Challenges". *Academy of Management Journal*, 50(1): 25-32. <https://doi.org/10.5465/amj.2007.24160888>
- Gao, C. Zuzul, T. Jones, G. & Khanna, T. (2017). "Overcoming Institutional Voids: A Reputation-Based View of Long-Run Survival". *Strategic Management Journal*, 38(11): 2147-2167. <https://doi.org/10.1002/smj.2649>
- Gatignon, A. & Capron, L. (2020, in press). "The Firm as an Architect of Polycentric Governance: Building Open Institutional Infrastructure in Emerging Markets". *Strategic Management Journal*. <https://doi.org/10.1002/smj.3124>
- Ge, J. Carney, M. & Kellermanns, F. (2019). "Who Fills Institutional Voids? Entrepreneurs' Utilization of Political and Family Ties in Emerging Markets". *Entrepreneurship Theory & Practice*, 43(6): 1124-1147. <https://doi.org/10.1177/1042258718773175>
- Ghoul, S. E. Guedhami, O. & Kim, Y. (2017). "Country-Level Institutions, Firm Value, and the Role of Corporate Social Responsibility Initiatives". *Journal of International Business Studies*, 48(3): 360-385. <https://doi.org/10.1057/jibs.2016.4>
- Grimoud, N. Bennani-Caillouët, E. Manganella, A. Ciarabelli, L. Paul, G. DeMicheli, N. Sabella, M. Kissous, R. Pigeon, C. Angeli, V. Artiguelong, M. & Yildirim, O. (2015). *Orange's Dangerous Liaisons in the Occupied Palestinian Territory*. Accessed on 10/10/2017. Available at: https://www.fidh.org/IMG/pdf/rapport_orange-eng.pdf
- Hiatt, S. R. & Sine, W. D. (2014). "Clear and Present Danger: Planning and New Venture Survival Amid Political and Civil Violence". *Strategic Management Journal*, 35(5), 773-785. <https://doi.org/10.1002/smj.2113>
- International Labour Organization (2018). *The Occupied Palestinian Territory: An Employment Diagnostic Study*. Beirut: ILO Regional Office for Arab States.
- Jayanti, R. & Raghunath, S. (2018). "Institutional Entrepreneur Strategies in Emerging Economies: Creating Market Exclusivity for the Rising Affluent". *Journal of Business Research*, 89: 87-98. <https://doi.org/10.1016/j.jbusres.2018.03.039>
- Kafouros, M. I. Buckley, P. J. & Clegg, J. (2012). "The Effects of Global Knowledge Reservoirs on the Productivity of Multinational Enterprises: The Role of International Depth and Breadth". *Research Policy*, 41(5): 848-861. <https://doi.org/10.1016/j.respol.2012.02.007>
- Khanna, T. & Palepu, K. (2010). *Winning in Emerging Markets: A Road Map for Strategy and Execution*. Harvard Business School Press. <https://doi.org/10.1177/0974173920100316>
- Lawrence, T. B. (1999). "Institutional Strategy". *Journal of Management*, 25(2): 161-188. <https://doi.org/10.1177/014920639902500203>
- Lawrence, T. B. & Suddaby, R. (2006). "Institutions and Institutional Work". In Clegg, S. R. Hardy, C. Lawrence, T. B. & Nord, W. R (Eds), *The Sage Handbook of Organizational Studies* (pp. 215-252). Thousand Oaks, CA: Sage. (No DOI available)
- Liedong, T. A. Aghanya, D. & Rajwani, T. (2020). "Corporate Political Strategies in Weak Institutional Environments: A Break from Conventions". *Journal of Business Ethics*, 161: 855-876. <https://doi.org/10.1007/s10551-019-04342-1>
- Mair, J. & Martí, I. (2009). "Entrepreneurship in and around Institutional Voids: A Case Study from Bangladesh". *Journal of Business Venturing*, 24(5): 419-435. <https://doi.org/10.1016/j.jbusvent.2008.04.006>
- Mair, J. Martí, I. & Ventresca, M. J. (2012). "Building Inclusive Markets in Rural Bangladesh: How Intermediaries Work Institutional Voids". *Academy of Management Journal*, 55(4): 819-850. <https://doi.org/10.5465/amj.2010.0627>
- Marquis, C. & Raynald, M. (2015). "Institutional Strategies in Emerging Markets". *The Academy of Management Annals*, 9(1): 291-335. <https://doi.org/10.1080/19416520.2015.1014661>
- Marschan-Piekkari, R. Welch, C. Penttinen, H. & Tahvanainen, M. (2004). "Interviewing in the Multinational Corporation: Challenges of the Organisational Context". In Marschan-Piekkari R. and Welch C. (Eds.) *Handbook of Qualitative Research Methods for International Business* (Pp. 244-263). Cheltenham, UK: Edward Elgar. <https://doi.org/10.1016/j.ibusrev.2005.08.001>
- Mbalyohere, C. Lawton, T. Boojihawon, R. & Viney, H. (2017). "Corporate Political Activity and Location-Based Advantage: MNE Responses to Institutional Transformation in Uganda's Electricity Industry". *Journal of World Business*, 52(6): 743-759. <https://doi.org/10.1016/j.jwb.2017.06.006>

- McKague, K., Zietsma, C. & Oliver, C. (2015), "Building the Social Structure of a Market". *Organization Studies*, Vol. 36 No. 8, pp. 1063-1093. <https://doi.org/10.1177/0170840615580011>
- Meyer, K. E. & Thein, H. (2014). "Business under Adverse Home Country Institutions: The Case of International Sanctions against Myanmar". *Journal of World Business*, 49(1): 156-171. <https://doi.org/10.1016/j.jwb.2013.04.005>
- Meyer, K. E. Estrin, S. Bhaumik, S. & Peng, M. (2009). "Institutions, Resources, and Entry Strategies in Emerging Economies". *Strategic Management Journal*, 30(1): 61-80. <https://doi.org/10.1002/smj.720>
- Meyer, K.E. & Peng, M.W. (2016). "Theoretical Foundations of Emerging Economy Business Research". *Journal of International Business Studies*, 47(1): 3–22. <https://doi.org/10.1057/jibs.2015.34>
- Naroz R. & Child, J. (2017). "Networking Responses to Different Levels of Institutional Void: A Comparison of Internationalizing SMEs in Egypt and the UK". *International Business Review*, 26(4): 683-696. <https://doi.org/10.1016/j.ibusrev.2016.12.008>
- Nell, P. C. Puck, J. & Heidenreich, S. (2015). "Strictly Limited Choice or Agency? Institutional Duality, Legitimacy, and Subsidiaries' Political Strategies". *Journal of World Business*, 50(2): 302-311. <https://doi.org/10.1016/j.jwb.2014.10.007>
- Newenham-Kahindi, A. & Stevens, C. E. (2018). "An Institutional Logics Approach to Liability of Foreignness: The Case of Mining MNEs in Sub-Saharan Africa". *Journal of International Business Studies*, 49(7): 881–901. <https://doi.org/10.1057/s41267-017-0111-y>
- Nguyen, Q. T. (2017). "Multinationality and Performance Literature: A Critical Review and Future Research Agenda". *Management International Review*, 57(3): 331-347. <https://doi.org/10.1007/s115750160290y>
- Oliveira, J. Yazdani, N. Cadogan, J. Hodgkinson, I. Tsoungkou, E. Jean, R. Story, V. & Boso, N. (2018). "The Empirical Link between Export Entry Mode Diversity and Export Performance: A Contingency- and Institutional-Based Examination". *Journal of Business Research*, 88: 505–512. <https://doi.org/10.1016/j.jbusres.2017.12.001>
- Oliver, C. (1991). "Strategic Responses to Institutional Processes". *Academy of Management Review*, 16(1): 145-79. <https://doi.org/10.2307/258610>
- Oriaifo, J. de Oliveira, R. T. & Ellis, K. M. (2020, in press). "Going Above and Beyond: How Intermediaries Enhance Change in Emerging Economy Institutions to Facilitate Small to Medium Enterprise Development". *Strategic Entrepreneurship Journal*. <https://doi.org/10.1002/sej.1349>
- Parente, R. Rong, K. Geleilate, J.-M. & Misati, E. (2019). "Adapting and Sustaining Operations in Weak Institutional Environments: A Business Ecosystem Assessment of a Chinese MNE in Central Africa". *Journal of International Business Studies*, 50(2): 275–291. <https://doi.org/10.1057/s41267-018-0179-z>
- Patton, M. (2015). *Qualitative Evaluation and Research Methods*. Fourth Edition. Thousand Oaks: SAGE. <https://doi.org/10.4135/9781849209618>
- Peng M. W. (2000). *Business Strategies in Transition Economies*. Thousand Oaks: Sage. <https://doi.org/10.4135/9781452231358>
- Peng, M. W. (2001). "The Resource-Based View and International Business". *Journal of Management*, 27(6): 803-829. <https://doi.org/10.1177/014920630102700611>
- Peng, M. W. (2002). "Towards an Institution-Based View of Business Strategy". *Asia Pacific Journal of Management*, 19(2/3), 251-267. <https://doi.org/10.1023/A:1016291702714>
- Peng, M.W. & Luo, Y. (2000). "Managerial Ties and Firm Performance in a Transition Economy: The Nature of a Micro-Macro Link". *Academy of Management Journal*, 43(3): 486-501. <https://doi.org/10.2307/1556406>
- Peng, M.W. Sun, S. Pinkham, B. & Chen, H. (2009). "The Institution-Based View as a Third Leg for a Strategy Tripod". *Academy of Management Perspectives*, 23(3): 63-81. <https://doi.org/10.5465/amp.2009.43479264>
- Peng, M.W. Wang, D. & Jiang, Y. (2008). "An Institution-Based View of International Business Strategy: A Focus on Emerging Economies". *Journal of International Business Studies*, 39(5), 920–936. <https://doi.org/10.1057/palgrave.jibs.8400377>
- Phillips, N. Tracey, P. & Karra, N. (2009). "Rethinking Institutional Distance: Strengthening the Tie between New Institutional Theory and International Management". *Strategic Organization*, 7(3): 339-348. <https://doi.org/10.1177/1476127009337439>

- Pinkham, B. C. & Peng, M. W. (2017). "Overcoming Institutional Voids via Arbitration". *Journal of International Business Studies*, 48(3): 344-359. <https://doi.org/10.1057/s41267-016-0026-z>
- Pratt, M. G. (2009). "From the Editors: For the Lack of a Boilerplate: Tips on Writing up (and Reviewing) Qualitative Research". *Academy of Management Journal*, 52(5), 856-862. <https://doi.org/10.5465/amj.2009.44632557>
- Regnér, P. & Edman, J. (2014). "MNE Institutional Advantage: How Subunits Shape, Transpose and Evade Host Country Institutions". *Journal of International Business Studies*, 45(3): 275-302. <https://doi.org/10.1057/jibs.2013.66>
- Roberts, J. (1995). "Oslo II: The September 1995 Palestinian-Israeli Accord". *IBRU Boundary and Security Bulletin Autumn*, 3(3): 41-48. (No DOI available)
- Rossotto, C. M. Decoster, X. S. Lewin, A. & Jabari, I. (2016). *Telecommunication Sector Note in the Palestinian Territories: Missed Opportunity for Economic Development*. Washington DC: World Bank Group.
- Rugman, A. M. & Verbeke, A. (2007), "Liabilities of Regional Foreignness and the Use of Firm- level versus Country-Level Data: A Response to Dunning et al. (2007)", *Journal of International Business Studies*, 38(1): 200-205. <https://doi.org/10.1057/palgrave.jibs.8400242>
- Sauder, M. (2008). "Interlopers and Field Change: The Entry of U.S. News into the Field of Legal Education". *Administrative Science Quarterly*, 53(2): 209-234. <https://doi.org/10.2189/asqu.53.2.209>
- Scott, R. W. (2008). *Institutions and organizations: Ideas and interests*. 3rd edition. Thousand Oaks, CA: Sage. (No DOI available)
- Skiti, T. (2020, in press). "Institutional Entry Barriers and Spatial Technology Diffusion: Evidence from the Broadband Industry". *Strategic Management Journal*, 41(7). <https://doi.org/10.1002/smj.3146>
- Skovoroda, R. Goldfinch, S. DeRouen, Jr. K. & Buck, T. (2019) "The Attraction of FDI to Conflicted States: The Counter-Intuitive Case of U.S. and Gas". *Management International Review*, 59(2): 229-251. <https://doi.org/10.1007/s11575-018-0374-y>
- Stake, R. (2000). "Case Studies". In Denzin N. and Lincoln Y. (Eds.) *Handbook of Qualitative Research* (Pp. 435-454). Thousand Oaks, CA: Sage. <https://doi.org/1365-2648.2001.0472a.x>
- Sutter, C. J. Webb, J. W. Kistruck, G. M. & Bailey, A. V. (2013). "Entrepreneurs' Responses to Semi-Formal Illegitimate Institutional Arrangements". *Journal of Business Venturing*, 28(6): 743-758. <https://doi.org/10.1016/j.jbusvent.2013.03.001>
- Tracey, P. & Phillips, N. (2011). "Entrepreneurship in Emerging Markets: Strategies for New Venture Creation in Uncertain Institutional Contexts". *Management International Review*, 51(1): 23-39. <https://doi.org/10.1007/s11575-010-0066-8>
- Tsui, A. S. (2007). "From Homogenization to Pluralism: International Management Research in the Academy and Beyond". *Academy of Management Journal*, 50(6): 1353-1364. <https://doi.org/10.2307/20159477>
- United Nations Environment Programme (UNEP) (2020). *State of Environment and Outlook Report for the Occupied Palestinian Territory 2020*. Accessed on 13/05/2020. Available at: <https://wedocs.unep.org/bitstream/handle/20.500.11822/32268/SEORP.pdf?sequence=1&isAllowed=y>
- Welch, C. Piekkari, R. Plakoyiannaki, E. & Mäntymäki, E. (2011). "Theorising from Case Studies: Towards a Pluralist Future for International Business Research". *Journal of International Business Studies*, 42(5): 740-762. <https://doi.org/10.1057/jibs.2010.55>
- World Bank (2019). *Economic Monitoring Report to the Ad Hoc Liaison Committee – September 2019*. World Bank Group. Accessed on 13/05/2020. Available at: <http://documents.worldbank.org/curated/en/410061568815090051/pdf/Economic-Monitoring-Report-to-the-Ad-Hoc-Liaison-Committee.pdf>
- Yin, R. (2009). *Case Study Research: Design and Methods*. Fourth edition, London: SAGE Inc. <https://doi.org/10.3138/cjpe.br-240>
- Zhu, Y. & Sardana, D. (2020, in press). "Multinational Enterprises' Risk Mitigation Strategies in Emerging Markets: A Political Coalition Perspective". *Journal of World Business*, 55(2). <https://doi.org/10.1016/j.jwb.2019.101044>

Appendices

Appendix A: Representative quotes and first-order categorisations

Responses	Institutional barriers and voids	Representative first-order categorisation of interviews data			Representative quotes from interviews
		<i>Internal drivers/ Rationale</i>	<i>Tactics used</i>	<i>Intended outcomes</i>	
<i>Acceptance</i>	<i>Regulative</i> (Imposing restrictive rules and regulations, particularly from Israel)	<ul style="list-style-type: none"> ▪ Foreignness and low local embeddedness 	<ul style="list-style-type: none"> ▪ Obeyed the laws and regulations 	<ul style="list-style-type: none"> ▪ Starting its operations and surviving in the market 	<ul style="list-style-type: none"> ▪ ‘Sometimes, we have to accept the situation as it is to survive in the market... Israel imposes some rules and regulations on the mobile phone sector that we have to adhere to as an MNE. For example, Israel does not allow us to install our core equipment in the Palestinian territories, so we are forced to place them in Israel’ (Network Director) ▪ ‘If we are talking about regulative matters (i.e. laws and systems), informal institutions neither substitute for nor complement formal institutions, and we have to obey these regulations’ (Chief Commercial Officer)
	<i>Political system</i> (Political instability, economic hardship, violence and unrest, GS blockade)	<ul style="list-style-type: none"> ▪ Shareholders’ vision 	<ul style="list-style-type: none"> ▪ Waited until any changes take place in the institutions ▪ Delayed (but kept) project ▪ Followed local customers’ expectations 	<ul style="list-style-type: none"> ▪ Achieving good reputation and status ▪ Increasing market share and customer-base 	<ul style="list-style-type: none"> ▪ ‘Palestine has great violence and unrest due to intra-Palestinian and Israeli-Palestinian conflict; however, our investors (i.e. the Palestinian investor and international group) understand the political situation and they were patient and insisted on the continuation of the company's operations in the Palestinian market’ (Chief Financial Officer) ▪ ‘The armed conflict and civil unrest caused the delay of the GS project for many years, but we were patient and eager to work in the GS market ... this matched our Palestinian customers’ expectations for our company and increased our market share’ (Chief Commercial Officer)
<i>Adaptation</i>	<i>Infrastructure</i> (A lack of international suppliers and consulting firms)	<ul style="list-style-type: none"> ▪ International status ▪ Lack of local knowledge ▪ Sufficient slack resources 	<ul style="list-style-type: none"> ▪ Outsourced some activities and operations 	<ul style="list-style-type: none"> ▪ Sustaining operations ▪ Matching its parent group’s international standards 	<ul style="list-style-type: none"> ▪ ‘We contract local suppliers to provide us with these handsets if we have any need for them to sustain our operations’ (Chief Commercial Officer) ▪ ‘We hire international consulting firms to fill the gap in expertise in managing large corporations in order to match international standards’ (Marketing Director)
	<i>Regulative</i> (The Palestinian operators cannot install their core equipment in the Palestinian territories)	<ul style="list-style-type: none"> ▪ Foreignness and low local embeddedness 	<ul style="list-style-type: none"> ▪ Hired telecommunication equipment and data centres 	<ul style="list-style-type: none"> ▪ Starting its operations and surviving in the market 	<ul style="list-style-type: none"> ▪ ‘We rent the Israeli operators’ fibre optic network to link our networks in the WB and GS, and to link our network with international networks (International gate)’ (Regulatory & Public Affairs Director) ▪ ‘Our company hires data centres in Israel and Jordan (at Shouna as it’s the closest to the WB for better connectivity)’ (Network Director)

Appendix A: (Continued)

Responses	Barriers and voids	Internal drivers	Tactics used	Intended outcomes	Representative quotes from interviews
Adaptation	<i>Political system</i> (Political instability, GS blockade)	<ul style="list-style-type: none"> ▪ Sufficient slack resources ▪ Had experience from other institutional environments ▪ Flexibility due to its newness in the market 	<ul style="list-style-type: none"> ▪ Internalised some business activities 	<ul style="list-style-type: none"> ▪ Sustaining efficient operations 	<ul style="list-style-type: none"> ▪ ‘We stored large quantities of SIM that are enough for 2 years in order to avoid any stock-out due to the siege on the GS’ (Chief Commercial Officer) ▪ ‘We adapt to some changes in the political situation, and we make some adjustments to our business model to sustain effective and efficient operations’ (Business Transformation Director)
	<i>Infrastructure</i> (A lack of reliable logistics, promotion, marketing and distribution companies)	<ul style="list-style-type: none"> ▪ Had experience from other institutional environments ▪ Availability of resources 	<ul style="list-style-type: none"> ▪ Established new departments 	<ul style="list-style-type: none"> ▪ Sustaining efficient operations ▪ Expanding market share 	<ul style="list-style-type: none"> ▪ ‘We established our own dealership networks in the WB and GS due to the lack of reliable dealers and allow our dealers to join our networks’ (Chief Commercial Officer) ▪ ‘We established a call centre, but it is not traditional, to provide our customers with high quality services and encourage them to use social media and live chat to contact our company’ (Marketing Communications Director)
	<i>Infrastructure</i> (A lack of human resources/ knowledge resources)	<ul style="list-style-type: none"> ▪ Had experience from other institutional environments ▪ Collaboration with other operators in the parent group ▪ Availability of resources 	<ul style="list-style-type: none"> ▪ Employed previous experience and staff-heuristics ▪ Encouraged self-sufficiency and development 	<ul style="list-style-type: none"> ▪ Entering the Palestinian market ▪ Expanding market share ▪ Ensuring efficient operations ▪ Reducing investment costs 	<ul style="list-style-type: none"> ▪ ‘We employed our previous experiences in the WB in order to overcome the barriers in GS market’. (Customer Services Director) ▪ ‘We invest in the development of our staff’s capabilities through encouraging them to join and enrol in vocational and educational development programmes’ (HR & Administration Director) ▪ ‘... , as we send our staff to learn about the operating systems in these countries. In the trial phase of the systems, we send our staff to see and know how the system actually works before it is installed and operated in Palestine’ (Chief Commercial Officer)
	<i>Market structure</i> (The dominance of local Palestinian operator of mobile phone sector)	<ul style="list-style-type: none"> ▪ International status ▪ Availability of resources and capabilities ▪ Accessibility of information (strong market intelligence) 	<ul style="list-style-type: none"> ▪ Leveraged on its competitive resources and capabilities 	<ul style="list-style-type: none"> ▪ Achieving competitive advantage ▪ Increasing sales ▪ Expanding market share 	<ul style="list-style-type: none"> ▪ ‘We depend on our capabilities to provide distinctive services with affordable prices in the Palestinian market’. (Acting Sales Director) ▪ ‘We are in a price war with our competitor, but we use all the available capabilities such as approaching and contacting our customers, wide and solid selling channels, high quality services and genuine customer care’ (Customer Services Director) ▪ ‘Indeed, the accessibility of information is very important and a basic in planning a proper strategy to surmount these barriers ... Based on this information, we planned affordable prices for 3G services that consistent with our company’s strategy and profitability, and our customers’ purchasing power’ (Marketing Director)

Appendix A: (Continued)

Responses	Barriers and voids	Internal drivers	Tactics used	Intended outcomes	Representative quotes from interviews
Adaptation	<i>Infrastructure</i> (A lack of electric power infrastructure and petrol)	<ul style="list-style-type: none"> ▪ Availability of resources ▪ Had well-qualified managers 	<ul style="list-style-type: none"> ▪ Looked at efficiencies in ways of working ▪ Adjusted the design of operations 	<ul style="list-style-type: none"> ▪ Ensuring the continuity of operations ▪ Achieving cost minimisation 	<ul style="list-style-type: none"> ▪ ‘We invested in our sites, as we added generators and batteries, and we installed a system for monitoring and coordinating different sources of power in order to minimise the cost of operating our network’ (Chief Financial Officer) ▪ ‘Our main strategy is cost reduction, and our managers’ views and opinions play role in properly valuing and allocating the available resources to deal with the lack of infrastructure’ (Marketing Director)
	<i>Regulative</i> (The lack of spectrum and frequencies granted to the Palestinian operators)	<ul style="list-style-type: none"> ▪ Had well-qualified and creative staff 	<ul style="list-style-type: none"> ▪ Applied mobilisation and recombination of existing resources ▪ Adjusted the design of operations 	<ul style="list-style-type: none"> ▪ Ensuring the continuity of operations with high quality service ▪ Expanding market share 	<ul style="list-style-type: none"> ▪ ‘Our engineers designed our network to be operated with the limited granted frequencies, ... as we re-use the same frequencies. We also designed ‘Wallmote Sites’ to avoid interference and ensured the network optimisation’ (Network Director) ▪ ‘We effectively and efficiently deploy the available resources to solve some problems such as limited frequencies’ (Business Transformation Director)
	<i>Regulative</i> (The weak regulatory power); <i>Political system</i> (The fragmentation of Palestinian cities and towns)	<ul style="list-style-type: none"> ▪ Had well-qualified and creative staff 	<ul style="list-style-type: none"> ▪ Focused on creativity and flexibility ▪ Adjusted the design of operations 	<ul style="list-style-type: none"> ▪ Attracting customers (market share) ▪ Increasing sales ▪ Covering new segment of market 	<ul style="list-style-type: none"> ▪ ‘Our engineers creatively designed Very High Gain Amplifier (VAGA) that provides remote coverage, which helps us to cover around 90% of area C’ (Network Director) ▪ ‘Our staff creatively overcome the absence of Mobile Number Portability (MNP) service by offering a free service called ‘My New Number’, which informs the caller of our customer’s old number with his/her new number’ (Regulatory & Public Affairs Director)
Influence	<i>Regulative</i> (The absence of legislative authority and regulatory bodies); <i>Political system</i> (A lack of stable political structures)	<ul style="list-style-type: none"> ▪ Strong social embeddedness 	<ul style="list-style-type: none"> ▪ Built its own networks with local institutions ▪ Worked to be part of informal institutions 	<ul style="list-style-type: none"> ▪ Sustaining operations ▪ Accessing new market’s segments ▪ Identifying new opportunities 	<ul style="list-style-type: none"> ▪ ‘We try to capitalise our benefits through the informal institutions, and our relationships with universities, CBOs, local communities, partners, dealers, and vendors, which significantly facilitates our accessibility to the information, resources, and opportunities; and sustains our operations’ (HR & Administration Director) ▪ ‘Our partnerships with local communities, business partners, and municipalities help us to solve some problems, and fill the gaps due to the inability or absence of formal institutions, which help us to ensure the continuity of operations and access new market segments’ (Customer Services Director)
	<i>Market structure</i> (Illegal competition from the Israeli operators)	<ul style="list-style-type: none"> ▪ Official connections with government 	<ul style="list-style-type: none"> ▪ Aligned its interests with governmental bodies and competitors 	<ul style="list-style-type: none"> ▪ Expanding market share ▪ Increasing sales ▪ Regaining customers 	<ul style="list-style-type: none"> ▪ ‘We work with the PNA to control the Palestinian market and reduce the spread of Israeli SIMs, which causes annual losses of around \$ 85 million to the Palestinian economy. This increased our potential customers in the market’ (Regulatory & Public Affairs Director) ▪ ‘We work with our local competitor in some mutual issues (e.g. combating the spread of Israeli SIMs in the Palestinian territories) to regain Palestinian customers’ (Chief Financial Officer)

Appendix A: (Continued)

Responses	Barriers and voids	Internal drivers	Tactics used	Intended outcomes	Representative quotes from interviews
Influence	<i>Regulative</i> (The weak regulatory capacity of the Ministry of Telecommunications and Information Technology – MTIT)	<ul style="list-style-type: none"> ▪ Had experience from other institutional locations 	<ul style="list-style-type: none"> ▪ Collaborated with official and informal institutions to create new institutions 	<ul style="list-style-type: none"> ▪ Expanding market share ▪ Overcoming competitive disadvantage 	<ul style="list-style-type: none"> ▪ ‘We collaborate with the MTIT to implement the MNP service. We provided many proposals for implementation procedures and explained how this service could contribute in our expansion in the market’ (Regulatory & Public Affairs Director) ▪ ‘Our company provided all the managerial and technical support to the Palestinian MTIT to regulate the MNP service in the Palestinian market’. (Network Director)
	<i>Regulative</i> (The lack of rules and regulations for mobile phone sector; the absence of an independent regulatory body)	<ul style="list-style-type: none"> ▪ International status ▪ Had experience from other institutional environments 	<ul style="list-style-type: none"> ▪ Employed its political skills and influence to change existing institutions or create new ones ▪ Seeing beyond existing institutions 	<ul style="list-style-type: none"> ▪ Creating new income stream ▪ Providing new products 	<ul style="list-style-type: none"> ▪ ‘We tried to be a part in the decision-making process for many matters that related to the mobile phone sector. For example, we participated in formulating some laws and systems to regulate the market ...’ (Chief Commercial Officer) ▪ ‘We apply some pressure and participate in regulating and implementing the MNP service. Our company also tries to urge the PNA to regulate the payment gateway and online payment system, which generates opportunities’ (Business Transformation Director)
	<i>Regulative</i> (Discriminatory regulations on Palestinian operators)	<ul style="list-style-type: none"> ▪ International status ▪ Had experience from other institutional environments 	<ul style="list-style-type: none"> ▪ Negotiated many matters with official institutions to change existing institutions 	<ul style="list-style-type: none"> ▪ Providing new products ▪ Creating new income stream ▪ Achieving competitive advantage 	<ul style="list-style-type: none"> ▪ ‘We negotiated the limited frequencies granted by the Israeli government through the Palestinian MTIT. We gained 3G frequencies that enable us to provide new services with high quality and have a competitive advantage as data leader in the Palestinian market due to our experience in the international market’ (Customer Services Director) ▪ ‘We negotiated, through the Palestinian MTIT, 3G frequencies with the Israeli government. We recently negotiated 4G transmission frequencies to provide new services’ (Marketing Director)
	<i>Regulative</i> (The lack of regulations and supporting institutions)	<ul style="list-style-type: none"> ▪ International status ▪ Had experience from other markets ▪ Availability of resources ▪ Support of shareholders 	<ul style="list-style-type: none"> ▪ Transferred institutional experience and knowledge ▪ Recognised alternative institutions 	<ul style="list-style-type: none"> ▪ Sustaining efficient operations ▪ Providing better services ▪ Matching international standards 	<ul style="list-style-type: none"> ▪ ‘Being a part of a multinational group helps us in some resources, especially international standards, systems, and reports that facilitate our access to some important information that helps in surmounting the absence of supporting institutions in order to sustain our operations’ (Acting Sales Director) ▪ ‘We try to transfer other operators’ experiences in our group to fill some voids, especially in the regulations and operational issues’ (Business Transformation Director)
	<i>Infrastructure</i> (A lack of supportive systems)	<ul style="list-style-type: none"> ▪ International status ▪ Had experience from other institutional environments ▪ Availability of resources ▪ Support of shareholders 	<ul style="list-style-type: none"> ▪ Transferred institutional experience and knowledge ▪ Created new institution ▪ Seeing beyond existing institutions 	<ul style="list-style-type: none"> ▪ Providing new services ▪ Creating new income stream ▪ Expanding market share 	<ul style="list-style-type: none"> ▪ ‘We worked with the banks to encourage them to increase credit card penetration in the Palestinian market. This contributes in building a network with the banks and other organisations to support our digitalisation project’ (Business Transformation Director) ▪ ‘We developed payment gateway and online payment systems in a coordination with banks and other businesses to encourage online shopping, e-payment, mobile money, taxi applications, and many other applications’. (Acting Sales Director)

Appendix A: (Continued)

Responses	Barriers and voids	Internal drivers	Tactics used	Intended outcomes	Representative quotes from interviews
Influence	<i>Societal/normative</i> (Unfavourable perception of Palestinian operators' service quality in comparison to that of Israeli operators)	<ul style="list-style-type: none"> ▪ International status ▪ Had experience from other institutional environments ▪ Support of shareholders 	<ul style="list-style-type: none"> ▪ Worked to change existing institutions ▪ Undertook non-market strategies to signal its commitment to community wellbeing 	<ul style="list-style-type: none"> ▪ Building trust with customers ▪ Expanding market share ▪ Establishing good reputation and legitimacy 	<ul style="list-style-type: none"> ▪ 'We established strong networks with our stakeholders through our CSR activities. This helped us to change the unfavourable perception of our customer regarding quality of our services' (Chief Commercial Officer) ▪ 'Besides our efforts to provide high quality services, we built a good reputation and relations with our community through our CSR activities in order to influence their perception regarding the quality of our services. We supported the health sector in the GS with \$ 1.5 million, the steadfastness of Palestinians in Hebron with \$ 1.8 million, and the youth and sport sector with \$ 1 million' (Network Director)
	<i>Cultural-cognitive</i> (A lack of awareness of how MNEs and capitalist organisations work)	<ul style="list-style-type: none"> ▪ Had experience from other institutional environments 	<ul style="list-style-type: none"> ▪ Introduced institutions established elsewhere ▪ Transferred institutional experience and knowledge 	<ul style="list-style-type: none"> ▪ Matching international standards 	<ul style="list-style-type: none"> ▪ 'Our company also contributes in some changes in the community regarding the HR practices in order to provide better services to our customers'(HR & Administration Director) ▪ 'We seek advice from our group and develop our staff in order to overcome the lack of awareness of how MNEs work in the Palestinian community' (Marketing Director)
	<i>Cultural-cognitive</i> (A lack of skilled staff in the Palestinian market)	<ul style="list-style-type: none"> ▪ International status ▪ Had experience from other institutional environments ▪ Availability of resources ▪ Support of shareholders 	<ul style="list-style-type: none"> ▪ Created new institutions ▪ Transferred institutional experience and knowledge ▪ Seeing beyond existing institutions 	<ul style="list-style-type: none"> ▪ Providing better services ▪ Matching international standards 	<ul style="list-style-type: none"> ▪ 'We established a training centre and coordinated with the Palestinian universities to train and equip students with the essential skills and abilities to work in the market, which helped us to overcome a scarcity of talent and fill the gap of lack of skilled employees in the Palestinian market' (HR & Administration Director) ▪ 'The Palestinian market is closed, and the available labour has no international experience; therefore, we trained the recruited staff and sent them to other operators in our group to get practical trainings' (Business Transformation Director)

Appendix B: Institutional barriers, voids and violence identified

	Formal	Informal
Institutional Barriers	<p>1- <u>Regulatory:</u></p> <ul style="list-style-type: none"> - Imposing restrictive rules and regulations, particularly from Israel. - The Palestinian operators cannot install their core equipment in the Palestinian territories. - Weak regulatory power - Weak regulatory capacity of the Ministry of Telecommunications and Information Technology – MTIT - Discriminatory regulations on Palestinian operators <p>2- <u>Political System:</u></p> <ul style="list-style-type: none"> - Political instability - GS blockade - Violence and unrest - Fragmentation of Palestinian cities and towns <p>3- <u>Market structure:</u></p> <ul style="list-style-type: none"> - The dominance of local Palestinian operator of mobile phone sector - Illegal competition from the Israeli operators 	<ul style="list-style-type: none"> - Unfavourable perception of Palestinian operators’ service quality in comparison to that of Israeli operators - A lack of awareness of how MNEs and capitalist organisations work - A lack of skilled staff in the Palestinian market
Institutional Voids	<p>1- <u>Infrastructure (Absence of):</u></p> <ul style="list-style-type: none"> - International suppliers and consulting firms - Human resources/ knowledge resources - Electric power infrastructure and petrol - Reliable logistics, promotion, marketing and distribution companies - Supportive systems <p>2- <u>Regulatory (Absence of):</u></p> <ul style="list-style-type: none"> - Spectrum and frequencies granted to the Palestinian operators - Rules and regulations for mobile phone sector - Legislative authority and regulatory bodies 	