

The Strategic Responses of the Subsidiaries of Multinational Enterprises
During Institutional Upheaval

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ABSTRACT

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Every market has a set of institutions that govern the ways that societal interactions take place, including business transactions. Multinational enterprises are global entities that have operations in many different countries in the world and have to adapt their processes and strategies to local institutions, which are often very different from those in their home countries, particularly in emerging and developing economies.

This research employs the concept of institutional work to investigate the strategic responses of the subsidiaries of multinational enterprises operating in Morocco to local institutional pressures during stable periods as well as periods characterized by institutional upheaval, as was the case following the Arab Spring events in the Middle East. The study found that the subsidiaries of multinational enterprises are able to respond strategically and proactively in their host environments, through their everyday actions such as interactions with local actors or through highly visible actions such as the introduction of a new norm, standard or practice. Furthermore, the research suggests that during institutional change, the subsidiaries of multinational enterprises have a greater opportunity to act strategically and to capitalize on the transitions occurring to bring about further change to gain a more favorable business environment.

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The Strategic Responses of the Subsidiaries of Multinational Enterprises During Institutional Upheaval

The international business environment has significantly changed during the latter part of the 20th Century as many developing countries began their economic liberalization. A notable example is China, which introduced economic reforms in the late 1970s, opening up the country to foreign investment. Another example is the case of Central and Eastern European countries that introduced major institutional and economic reforms after the fall of the Soviet Union in the early 1990s. Economic liberalization continued into the new century as more countries opened up their markets to the world's multinational enterprises (Ul-Haq and Farashahi, 2010). In 2013, developing economies received \$778 billion in foreign direct investment (FDI) inflows, while transition and developed countries received \$108 and \$556 billion, respectively (UNCTAD, 2014). As these trends indicate, emerging markets make up the world's fastest growing markets for most products and services and multinational enterprises (MNEs) are increasingly seeking growth opportunities and entering new and profitable business sectors within these markets. However, while seeking new opportunities in these markets, MNEs may face a local institutional context that is very different from the one in their home market and consequently may struggle in adapting to some of the specificities of the host market (Tarnovskaya, 2012). For instance, the political, social, and economic systems such as product, labor and capital markets in developing or emerging countries can be very different from the ones in developed countries. In addition, many developing and emerging economies are characterized by underdeveloped local institutions, which can result in greater government interference in business, lack of reliable consumer information and weak trade unions, hence impacting business strategies (Tarnovskaya, 2012). Thus, although emerging markets are key investment locations for MNEs, in order to be

successful in these markets MNEs must understand the specificities of the institutional environments as well as strategically manage the challenges that exist within these markets.

Emerging economies have attracted a large amount of research from international management scholars. Many studies have looked at multinational entry mode and performance as a function of institutional distances, which are the differences in the regulatory, normative, and cognitive institutions between the home and host countries. In addition, several studies have looked at the ways that government institutions and FDI decisions impact the characteristics and survival of foreign subsidiaries (Gomes-Casseres, 1990; Henisz and Delios, 2001, 2004; Hoskisson et al., 2000). However, there is a dearth of research on the strategies of MNE subsidiaries operating in developing and emerging markets; this is an important area of research because subsidiaries can have an important impact on host country institutions through their strategies and practices. Subsidiaries have to manage various elements in their institutional environment, including political and legal elements in addition to the more traditional product and market-focused variables (Baron 1995) and while doing so can influence local institutions.

Many scholars have used institutional theory to explore issues of international management as it addresses the relationship between organizations and their environment. Developing and emerging markets provide a good setting to examine the impact of institutions on MNE activities and behavior because they are characterized by weaker institutional environments and tend to experience important institutional transitions that can lead to volatile environments that MNEs must manage (Peng, 2003). At the same time, when global companies establish operations in developing and emerging markets, they bring with them expertise, knowledge, international standards and capital and thus can themselves have a significant influence on local institutions.

An enduring debate in institutional organizational studies has centered on whether organizational structures and strategies are shaped by institutional environments or whether organizations have the ability to make strategic decisions and to influence institutions and other organizations (Beckert, 1999). Early research on institutional theory posited that institutions had a significant impact on organizational structure and practice, and imparted agency with a limited role. In contrast, more recent research has focused on institutional entrepreneurship, which portrays actors as powerful agents that can significantly shape institutions (Lawrence et al., 2009).

Drawing from the more recent approaches to institutional theory, I explore the actions and roles of MNE subsidiaries and the strategies that these organizations use to effect change and to influence their business environment to gain more favorable outcomes. This research will employ the concept of institutional work, which suggests that companies or collectivities of them can create, maintain or destroy institutions (Lawrence and Suddaby, 2006). This paper argues that MNE subsidiaries are constrained by regulations and norms within their institutional environment but at the same time strive to shape them using institutional work. Organizational strategies may vary from conforming to active resistance in response to institutional pressures, depending on the kinds of pressures exerted on organizations (Oliver, 1991). The scale and scope of MNE subsidiaries dictate that they are continually engaging in actions, which allow them to not only operate in their institutional environments but also to shape them. For example, one of the ways that MNEs attempt to minimize costs associated with weak regulatory frameworks, characteristic of many developing and emerging markets, is by establishing relationships with local actors to help them influence local institutions (Khanna et al., 2005). In many developing and emerging countries routine permits can be difficult to obtain and MNE subsidiaries develop relationships with key actors to facilitate the process of obtaining these permits. These markets can also be

susceptible to political and social disturbances, which can lead to important changes in local institutions, impacting MNEs' business environments; MNEs build government and political connections and social ties to mitigate some of the risks associated with political instability and market volatility (Khanna, Palepu and Sinha, 2005). Thus, this paper seeks to explore the following questions: How do MNE subsidiaries respond to local institutions in developing countries? What strategies do they employ in a volatile institutional environment or one characterized by institutional change?

I address these questions by exploring how the subunits of 10 different MNEs from the United States, France, the Netherlands, and Germany respond to local institutions and constraints within the Moroccan institutional environment. In addition, I examine the strategies of MNE subsidiaries during the institutional change that took place following the protests and institutional upheaval known as the 'Arab Spring' that occurred in many Middle Eastern countries. The research provides insight on how decision makers interpreted and reacted to the institutional pressures that were caused by the social movement. It investigates the strategies employed by MNE subsidiaries in Morocco to retain or gain legitimacy in their environment, notably during periods of institutional change. Economic or socio-political changes in a country entail important changes in economic, social, and legal institutions, which can cause challenges and increase costs for MNE subsidiaries. Thus, the current research will investigate the strategies used by MNE subsidiaries to adapt to the institutional changes that took place.

On the whole, there is a dearth of empirical and conceptual research that examines the proactive roles of firms and their relationships with local actors in emerging markets, particularly during times of institutional change. The present study will focus on Morocco and will examine the relationships that international MNE subsidiaries build with local actors. As suggested by some studies, changes in the institutional environment of firms can present opportunities to

transform industry standards or bring about other changes that are favorable to them (Karam and Jamali, 2013). Using institutional work as a basis, the study will examine the ways in which the relationships of MNE subsidiaries with government actors and social constituents evolved during the Arab Spring and the ways in which MNE subsidiaries engaged in institutional work to preserve and advance their interests.

LITERATURE REVIEW

The multinational enterprise (MNE) today plays a key role in the global economy as over one third of international trade consists of transfers among MNE units (Xu and Shenkar, 2002). The transnational corporation has been of special interest to organizational theorists because it is a large single organization that operates in a global environment and needs to coordinate the activities of its different subsidiaries. Each MNE subsidiary faces a specific local environment in addition to the context of the whole organization, which it relies on for resources and administrative practices (Rosenzweig and Singh, 1991). Within the local environment, MNE subsidiaries operate within a specific institutional framework, which is defined as a “set of fundamental political, social, and legal ground rules that establish the basis for economic activities” (Davis and North, 1971:6). The subsidiaries of MNEs can only gain legitimacy from different sources in their local environment if they adopt certain practices. Firms want to be legitimate so that they can gain access to resources and have greater support from their external environment (Gelbuda et al. 2007).

MNE subsidiaries originating from developed countries and operating in emerging markets face specific challenges because the business and cultural environments of those markets can be very different from those of their home markets. An important difference between developed and emerging markets is that the influence of socio-political institutions in emerging markets is very high (Sheth, 2011). For example, governments, business groups, religion and local communities have an important influence on business strategies (Hoskinson et al., 2000). MNE subsidiaries newly entering a market may feel uncertain because the local government can change laws and regulations quickly and without warning (Xie and Boggs, 2006; Tarnovskaya, 2012). Moreover, although many emerging countries have experienced extensive development as

a result of liberalization and represent attractive investment opportunities for MNE subsidiaries, these markets can also be accompanied with social and political disturbances (Ghauri et al. 2012). An important question is then: given that the management of business in emerging markets is an important strategic issue for MNEs' growth, how do they adapt to uncertain local environments? MNE subsidiaries' behavior in these emerging markets cannot be analyzed without consideration of the social and political context. For instance, social ties and political connections emerge as strategic options that may enable MNE subsidiaries to manage environmental uncertainties (Sheth, 2011). According to Ghauri et al. (2012), when formal institutions do not lead to effective functioning, informal governance (like co-operation between MNE subsidiaries and social organizations) is important for the management of political uncertainty.

The following section on the neo-institutional theory literature will discuss some of the main conceptual frameworks for understanding the pressures that MNE subsidiaries face in their institutional environments, and the strategic responses that they can use to alleviate some of these pressures.

Institutions and Markets

Institutional Theory

Institutional theory has been widely used for the study of organizations within their environment (DiMaggio and Powell, 1983; Meyer and Rowan, 1977; Zucker, 1987). It explores the ways in which social structures such as schemas, rules, norms, and routines become models that guide social behavior and the ways in which practices or ideas are created, spread or changed over space and time (Scott, 2005). Scholars of institutional theory have recognized that institutional forces can greatly shape and influence organizations. According to Meyer (1970), the existing social order is the result of social norms and rules that dictate the ways that actors can take action; in fact, the actions of the latter are socially constructed. Organizational models

were also theorized to be based on rationalized myths or “rule-like systems” that depend for their existence and efficacy on the fact they are widely shared or have been spread by influential groups or individuals (Scott, 1983). These models of rationality provide templates for the policies, programs and procedures that formal organizations should employ (Meyer and Rowan, 1977). When an organization adopts one of these models it gains social legitimacy from its stakeholders and other audiences that are external to the organization (Scott, 2005).

If organizational models and forms are socially constructed, it stands to reason that there are formal structures and norms in the environment of organizations that enable and constrain their behaviors (Suddaby et al., 2005). Scott developed a framework that is crucial to understanding the role of institutions and their influence on organizations. According to him, institutions are composed of “cultural-cognitive, normative and regulative elements that, together with associated activities and resources, provide stability and meaning to social life” (1995:33). Regulative elements include rules, procedures, regulatory guidelines or sanctions. These elements are enforced by entities that have power, such as the state or another regulatory body. The normative pillar emphasizes the role of values and norms in creating social obligations; for example, the creation of roles and professionalization are the result of normative institutions in society. Finally, cultural-cognitive elements are shared conceptions through which meaning is socially created through communication. The cultural-cognitive pillar emphasizes the existence of different types of scripts and belief systems that are employed on a cultural level and that lead to legitimating institutionalized social practices. These beliefs about the world or the ways that a particular social action should take place become taken-for-granted within a society (Scott, 2001). *See Table 1 for a summary of Scott’s pillars.* Interactions and material elements within social structures are both created and constrained by cultural, normative and regulative factors, which they, in turn produce and reproduce (Giddens, 1979; Sewell 1992). Institutions dictate the

rules of the game, both formal (e.g. regulations and laws) and informal (e.g. codes of conduct and norms) and provide structure and meaning to the economic, political, and social relationships in a society (North, 1990; Scott 1995).

Table 1: Type of Institutions

<i>Pillars of Institutions</i>			
<i>Type</i>	<i>Regulative</i>	<i>Normative</i>	<i>Cultural-Cognitive</i>
Indicators	Rules Laws Sanctions	Certifications Accreditations	Common beliefs Shared logic of action
Basis of Order	Regulative rules	Binding expectations Values Expectations	Constitutive Schema Categories Typifications
Basis of Compliance	Expedience	Social obligation	Taken-for-granted notions Shared understanding
Basis of Legitimacy	Legally Sanctioned	Morally governed	Comprehensible Recognizable Culturally Supported
Degree of Formality	Formal Institutions	Informal Institutions	Informal Institutions

Source: Scott, 2008

Organizations must manage institutional pressures that are exerted from regulative, normative and cultural-cognitive elements in their institutional contexts to gain or maintain legitimacy within these environments. Institutional pressures can come from government agencies, interest groups, public opinion, and social, business and professional networks (Oliver, 1996). Organizations conform to the institutional pressures within their environment in order to gain legitimacy. In fact, institutional arrangements provide legitimacy, which is a “generalized perception or assumption that the actions of an entity are desirable, proper or appropriate within some socially constructed system of norms, values, beliefs, and definitions” (Suchman, 1995:

574). Obtaining legitimacy involves different elements (DiMaggio and Powell 1983). For example, one aspect is coercive; it is composed of regulatory institutions and is obtained through rules and laws. A second aspect is the normative one; a company has to demonstrate that its social values fit with that of the society in which it operates. A third aspect is cultural-cognitive; companies have to conform to norms that exist in their organizational field or society. Therefore, some actions within a particular institutional field come to be perceived as legitimate (Meyer and Rowan, 1977) and may become the best way to do things, making it difficult for actors to deviate from those particular types of actions (Scott, 2008).

According to institutional theory, there is a strong isomorphic pull from the firm's institutional environment which leads the firm to experience strong pressure to behave as indicated by the society and to conform to laws, rules, values and norms, even if this isn't efficient for the firm. Institutions can influence organizations through coercive or normative pressures from institutional agents, such as the state and professional bodies, or through mimetic influences coming from similar organizations (DiMaggio and Powell, 1983). According to DiMaggio and Powell (1983), normative isomorphism is a process during which organizations become more similar to one another through professionalization. For example, individuals within a same profession or professional association begin to adopt institutionalized conventions and patterns of behavior (Edelman et al. 1991; 1992). Institutional arrangements are key to understanding how organizations function and the ways that practices and structures tend to be reproduced and taken for granted. As a result, organizational scholars have focused on the critical role that institutions play in providing continuity and stability in organizational processes (Garud et al. 2007).

Institutions and MNEs

Traditional institutional theories that focus solely on the ways that institutions shape organizational behavior and encourage continuity and conformity through isomorphism lack explanatory power when they are applied to different forms of organizations (i.e. multinational enterprises) and do not account for instances of change in firms' institutional environments (Kostova et al., 2008). Multinational enterprises consist of different subsidiaries operating in different institutional contexts. Every subsidiary has two distinct environments, one made up of the institutions in the host country and one consisting of the rest of the multinational, including the headquarters and other subsidiaries. The multinational faces pressure to conform to the values, norms and practices that are local to the host country, and to respect consistency with the rest of the multinational. Furthermore, many MNE subsidiaries, particularly those in developing or emerging countries, operate in complex and ambiguous environments. Thus, it is difficult for MNE subsidiaries to achieve and maintain legitimacy in the different markets within which they operate because of the multiplicity of legitimating environments, the complexity and diversity within their subunits, and the ambiguity in the process of obtaining legitimacy (Kostova and Zaheer, 1999).

MNE subsidiaries attempt to attain legitimacy in the institutional environment by respecting regulatory institutions such as government issued regulations (coercive aspect), by following social values (normative aspect) and by adapting their behavior to conform to norms that are taken-for-granted in society (cultural-cognitive aspect). However, it can be challenging for the subsidiaries to achieve legitimacy through isomorphism, and difficult to conform to the various regulatory, cognitive, and normative institutional expectations coming from multiple and conflicting sources. MNE subsidiaries must thus find alternative legitimating mechanisms such as negotiating their status with different legitimating actors. Negotiation refers to a political process of interaction, communication, and exchange. MNE subsidiaries' relationships with their

institutional environments are dynamic, flexible, and proactive (Kostova et al. 2008). Therefore, traditional institutional theories do not account enough for the role of strategic agency in organizations (Beckert, 1999). “In contrast to the deterministic neoinstitutional view, MNE subsidiaries have an important agency role reflected not only in their varying degree of compliance to institutional pressures (Oliver, 1991) but also in that they must make sense of, manipulate, negotiate, and partially construct their institutional environments” (Kostova et al., 2008:1001). In fact, institutional theory must include in its framework the role of agents who have specific interests and objectives, particularly when dealing with instances of institutional change (Beckert, 1999).

Recent Developments in Institutional Theory

The institutional literature has tended to focus on the ways that institutions shape organizational behavior, explaining the stability and persistence of institutions rather than their evolution (Garud et al., 2007). In recent years, however, management scholars have shown an interest in moving beyond the emphasis of institutional stability and isomorphism to focus instead on processes of change and the role of agentic behavior in propelling change (Oliver 1992; Seo and Creed, 2002). In the last two decades, attention has shifted from institutional behaviors and practices, and from the relations between actors, to a better understanding of how the actors themselves can influence institutions and are affected by institutions. Thus a more dynamic perspective is adopted and involves the evolution of the actors involved, such as MNEs (Verbeke et al., 2012). It has been argued that not only do actors have agency when faced with institutional influences but that they are also capable of responding in a variety of ways. Linking resource-dependence arguments with institutional models, Oliver’s research suggests that organizations and their leaders do not simply respond to institutional demands with passive compliance but employ a range of strategic responses such as acquiescence, compromise, avoidance, defiance

and manipulation (1991). Other research has studied the ways in which organizations defend their legitimacy when the market they operate is either in a state of emergence, or disrupted by the introduction of radical innovations, new organizational forms or a new social order, and the ways that organizations create and legitimate and/or de-legitimate new fields, practices, or institutional fields (Turcan et al., 2012).

A great deal of the recent institutional literature has focused on the concept of institutional entrepreneurship, which portrays actors as powerful agents that can influence institutions in important ways. These actors are able to influence the creation of institutions that they consider to be appropriate and aligned with their interests as a result of their resources and power (DiMaggio, 1988). This notion helps explain why new practices or new organizational forms come into existence and become well established. However, it faces the limitations associated with the structure-agency debate – does the environment have a greater influence on organizations or do organizations have a greater influence on institutions? Arguing that structure is more important than agency reifies some features of the social world and voids humans of agency and creativity and does not explain how institutions evolve. On the other hand, theories that privilege agency depict actors as heroic actors that intentionally sought to bring about changes in institutions. However, in many cases, institutions evolve and are reproduced as a result of unintended consequences from actors (Sewell, 1992).

Institutional Change

Recent research in institutional theory has shown that institutions can change over time and that they are not always uniformly taken-for-granted. In fact, institutions can be challenged and contested by powerful actors that can shape which actions are taken (DiMaggio, 1988). Thus, there has been a growing interest among scholars on how institutions are created, transformed or destroyed and the underlying processes that contribute to institutional change. Oliver (1992)

argues that there are several conditions that may lead to the de-institutionalization of practices or norms. For example, de-institutionalization can result when organizations become aware of performance issues or that the existing institutionalized practices are no longer beneficial to their organizations. For instance, Kratz and Moore (2002) show that as a result of changing student degree preferences and resource competition from other higher degree institutions, many liberal arts colleges began offering professional programs in business and public affairs. Institutionalized norms and practices may also evolve and be transformed when there is a redistribution of power and actors who had previously supported or legitimated an institution become irrelevant. Social pressures, such as an increase in workforce diversity and changes in laws or social expectations (i.e. implementation of affirmative action) can also lead to institutional change (Oliver, 1992).

Seo and Creed's (2002) research on institutional contradictions change and praxis argues that political actions are embedded in a system of connected but not always compatible institutional arrangements and the likelihood of action increases as contradictions in social systems develop and pervade actors' social experiences. According to Schneiberg and Clemens (2006), institutional interactions are more visible during times of upheaval and change, where prevailing behaviors and norms are challenged.

Rapid institutional reforms and institutional changes are one of the main sources of uncertainty for companies in emerging and developing economies and play an important role in MNE subsidiaries behaviors in these contexts (Chung and Beamish, 2005). According to Whitley (2003), MNE subsidiaries are more likely to pursue idiosyncratic ways of organizing within host and home environments when faced with institutionally weak international environments. For example, in order to mitigate some of the risks associated with uncertain and volatile markets, MNE subsidiaries may build relationships with local actors. For firms entering and operating in emerging markets, it is important to develop relationships, not only with local business partners

but also with national and local governments. In fact, foreign multinational operations depend on educational, technological, and industrial infrastructures built by host governments (Alimadadi et al., 2012). Alimadadi et al.'s 2012 research on two MNE subsidiaries – Sandvik, a global engineering firm and Ericsson, a global provider of communications and technology services – illustrates the importance of political and social relationships in emerging markets. The study looked at Sandvik's operations in China where after obtaining a business license from authorities in Beijing, the company also had to forge relations with the local authority and politicians where its plant was based so that it could discuss access to the labor force, taxes, gas, and the supply of energy. Because regulations and laws can change very quickly in China, the subsidiary's relationship with the authorities is critical for its functioning. Alimadadi et al.'s research also documented the case of Ericsson's operations in South Africa where the company had to comply with the Broad-Based Black Economic Empowerment (B-BBEE), a law that was introduced to allow for wealth to be distributed across society after the fall of Apartheid in 1994. Within South African society, Ericsson was expected to be a good corporate citizen and subsequently invested in various projects with a social content. This study illustrates the influence of local institutions on MNE subsidiaries and the importance of building ties with local actors.

Although relationships with government and political actors are essential, the value of political networks can change over time, and the embedded relationships with political institutions that were valuable at one point in time can become an impediment at a later stage, particularly if the actors with which the MNE subsidiary interacts lose legitimacy. At the same time, however, periods of institutional change can provide MNE subsidiaries with an opportunity to negotiate with government agencies and with other actors the implementation of practices that are favorable to their business environment. Thus, institutional theory must provide a central

place in its framework for the interest driven behavior of agents, especially when dealing with issues of organizational change (Beckert, 1999).

Institutional Work

The concept of institutional work (Lawrence and Suddaby, 2006) complements the research on organizations and institutional change and has become an important area of research in the new institutional theory as it provides insights pertaining to the structure-agency debate (Gawer and Phillips, 2013). Institutional work refers to the purposeful actions and practices of individual and collective actors, which are aimed at creating, maintaining and disrupting institutions (Lawrence et al., 2005). Institutional work is intentional – some of it is highly visible, but most types are mundane such as in the day-to-day adjustments, adaptations and compromises of actors that are trying to maintain institutions (Lawrence et al., 2005). Actors employ institutional work to manipulate their institutional environment. Examples of institutional work include lobbying for resources, promoting agendas, and proposing or destroying existing legislation (Lawrence and Suddaby, 2005). Institutional work concentrates on the effort of individuals and collective actors to adjust to, change, or re-create the institutional structures in which they exist, and which give them their roles, relationships, resources, and routines (Lawrence et al., 2010). It prompts researchers to ask: how do actors influence institutions and enact changes in these institutions when these very same institutions condition their intentions? Institutional work considers that there is a recursive relationship between institutions and agency but its focus is on how action affects institutions. It allows for a deeper investigation of the relationship between actors and their environment and the ways that strategic action and institutions affect each other.

Lawrence et al. (2011), identify several different types of work that are aimed at creating, maintaining and disrupting institutions. Creating institutions includes actions such as vesting, defining, advocacy, constructing identities and changing norms, constructing normative networks, mimicry, theorizing and educating. Vesting, defining and advocacy are political types of institutional work used by actors to reconstruct the rules, property rights and boundaries that help them gain access to material resources. Constructing identities, changing norms and constructing networks are actions taken to reconfigure actors' belief systems. Mimicry, theorizing and educating involve actions designed to change the categories on which meaning systems depend on for their existence. This typology provides a useful framework for examining the relationship between purposeful action and institutions.

Building on these initial theoretical insights, several empirical studies have been carried out to examine the ways that firms or actors with complex motivations and interests use specific strategies to create, maintain or disrupt institutions. Sarasini's 2013 research looks at the factors that influence corporate political actions linked to climate policy in the Swedish electricity industry. The study treats corporate political action as a form of institutional work and finds that when certain climate policy instruments financially threaten these companies, they are more likely to use corporate political actions that aim to disrupt these regulative institutions. Currie et al.'s 2012 research focuses on how the creation of new nursing and medical roles in the English National Health System threatened the power and status of specialist doctors. These doctors engaged in institutional work to maintain institutional arrangements. For instance, they invoked the risks associated with transferring some of their responsibilities to other medical staff with less formal education and experience.

These studies point to the relevance and usefulness of the concept of institutional work in explaining complex processes of institutional change. The increasing scholarly interest in institutional work is showing that agents can act purposefully and can engage in and change their institutional context in different ways and with different intentions. This literature therefore provides a useful framework for studying different forms of institutional change, and particularly in understanding the role of actors in these processes. The current research uses the case of multinational corporations operating in a developing country, which is undergoing institutional change and argues that the institutional context presents a fertile ground for multinational companies who are striving to adapt to their environment, to engage in institutional work.

Corporate Social Responsibility

If organizations, including multinational enterprises, are composed of agents that can act purposefully and engage in institutional work to advance their interests, it stands to reason that corporate social responsibility (CSR) practices can also be used strategically to attain organizational goals. In fact, research on companies' social responsibility has been moving away from a focus on legal compliance and maximizing profits (Greenfield, 2004) to looking at organizations as agents of change that are concerned about different issues and stakeholders in their institutional environments (Bies, Bartunek, Fort & Zald, 2007; Pettit, 2005). This research is consistent with our earlier discussion about actors engaging in institutional work to purposefully influence institutions; CSR strategies (ranging from mundane to highly visible) can be employed strategically to influence institutions. In the next sections, I will briefly review the literature on CSR to identify some important insights that will help focus the discussion on strategic forms of CSR.

Corporate social responsibility (CSR) does not have a single, agreed-up definition and is often associated with sustainability, stakeholders, ethics (Carroll, 1979) and legal aspects. CSR

incorporates several different elements including protection of the environment (air, water, natural habitats), respect for employees and human rights, and selling safe goods and services to consumers (Harrison and Freeman, 1999). Many scholars define corporate social responsibility as actions adopted by an organization to contribute to society beyond the immediate economic, technical, and legal interests of the firm (e.g., Davis, 1973; McWilliams & Siegel, 2001). For the purposes of this paper, CSR will refer to the firm's propensity to consider stakeholder concerns in its business activities and decisions, and its inclusion of not only the primary stakeholders such as employees, customers and suppliers but also the larger community.

According to the stakeholder approach, a stakeholder is "any group or individual who can affect or is affected by the achievement of the organization's objectives" (Freeman, 1984:46). Stakeholders include any individuals or groups with which the corporation interacts with such as employees, consumers, and local communities (Campbell, 2007). Stakeholder theory argues that firms must take into consideration its primary stakeholders (shareholders, investors, employees, customs, suppliers) when making decisions as their survival depends on the continuing participation of these stakeholders. Firms are also dependent on public stakeholders such as governments and communities to provide infrastructures and legal frameworks that allow them to operate within an institutional context (Preble, 2005). Finally, firms must take into consideration stakeholders that do not directly influence their operations, such as the media and special interest groups because these stakeholders can influence how the public perceives them. Ignoring the demands of these stakeholders could potentially lead to challenges for the firm in the form of protests, boycotts, or legal issues that may have a negative impact on its profitability (Preble, 2005).

The numerous stakeholders in a firm's institutional context can provide or take away legitimacy and determine the continuing success of the firm. If customers stop buying products,

shareholders sell their stock, employees stop working as hard, the government cancels subsidies or imposes penalties, and environmental activists protest, the firm loses legitimacy and its survival is at stake (Preble, 2005). Therefore, maintaining ties with key stakeholders and ensuring that their demands are addressed by the firm can help with firm profitability. On the other hand, ignoring stakeholders can lead to discontent and trigger consumer boycotts, negative publicity on the Web, lobbying of government officials for new protective legislation, all of which can potentially result in lost markets and revenue for the firm (Preble, 2005).

Institutional theory also presents a powerful lens to examine why organizations adopt certain CSR strategies and not others; several studies have looked at the ways that institutions have constrained the actions of firms and encouraged them to act responsibly and ethically. Campbell (2007) looks at macro level institutional pressures such as the health of the economic environment, state regulations, the presence of private organizations such as NGOs and business associations and their impact on the adoption of CSR practices. Campbell suggests that organizations will be more likely to adopt socially responsible practices if the state imposes regulations, particularly if these regulations are well enforced. Normative pressures to act in socially responsible ways can come from being a member of business associations such as the chamber of commerce, which educate members on issues and encourage socially responsible actions (Campbell, 2007). Thus, firms operate within a set of political, economic and social institutions that affect their strategies (Campbell, 2007). The institutional pressures emanating from the different institutions in the firms' institutional contexts create different motives and obstacles that can serve to promote or undermine socially responsible behavior.

Jamali and Neville (2011) suggest that CSR practices in firms are not only influenced by the local business environment, which includes political, financial, educational and cultural institutions but also by legitimacy concerns and isomorphism. According to them, coercive

isomorphism will propel firms to comply with established rules, norms or laws, mimetic isomorphism will promote the adoption of recognized best practices and managerial fads, and normative isomorphism will lead firms to align their standards with those established by educational or professional authorities (DiMaggio and Powell, 1983).

According to Bondy et al. (2012), studies that focus on institutional processes have contributed to our understanding of how pressures stemming from the government or financial institutions influence CSR practices, but they do not consider how companies respond strategically to these pressures. Rather, it is assumed that firms passively receive and then respond to pressures for particular CSR activities coming from outside the organization. "...the existing CSR and institutional theory literature suggests that CSR is done either by passive firms pressured by stakeholders, or because it improves profitability" (Bondy et al., 2012:282). Their 2012 study on CSR in 37 different multinational corporations in the UK found that MNE subsidiaries demonstrate agency in determining how to respond to pressures for CSR. In addition, it found that the subsidiaries were turning CSR into a business innovation used to generate greater profits and that there was evidence of an institution of CSR within the MNE subsidiaries (Bondy et al., 2012). Therefore, MNE subsidiaries are in a position to shape CSR strategies in ways that are beneficial to them.

Karam and Jamali (2013) have looked at the role CSR can play in advancing certain organizational goals or influencing social change. Their research suggests that CSR can be employed as a form of intentional institutional work to disrupt existing institutions and to bring about positive social change. Closely related to the current research, Avina's 2013 research investigated the CSR strategies of MNE subsidiaries in the Middle East following the Arab Spring and found that many information technology companies such as Google, IBM, Nokia and

Samsung sponsored events in the Arab region to foster the development of applications that promote economic growth and democracy.

For the purposes of this research, CSR initiatives or stakeholder relations (relationships with government, political, NGOs) are treated as institutional work when they are undertaken to influence the firm's external environment allowing it to gain more legitimacy, repair damage to its reputation, accompany changing societal expectations or influence existing institutions.

THEORETICAL FRAMEWORK

Every economy has a set of institutions that regulate and define how business activities are conducted. Organizations, including multinational enterprises, have to adapt many of their practices and strategies to their local institutional environments in order to be successful. In the last decades, a large amount of research in international management has focused on the ways that regulative, normative and cultural-cognitive institutions influence the business operations of firms (Scott, 2008). This research has contributed a great deal to our understanding of the strategies of MNEs with subsidiaries in countries with very different institutions than those of their home countries. In addition, MNE subsidiaries face the challenge of having to simultaneously adapt their strategies to multiple environments as a result of their boundary-spanning operations (Kostova, 2008).

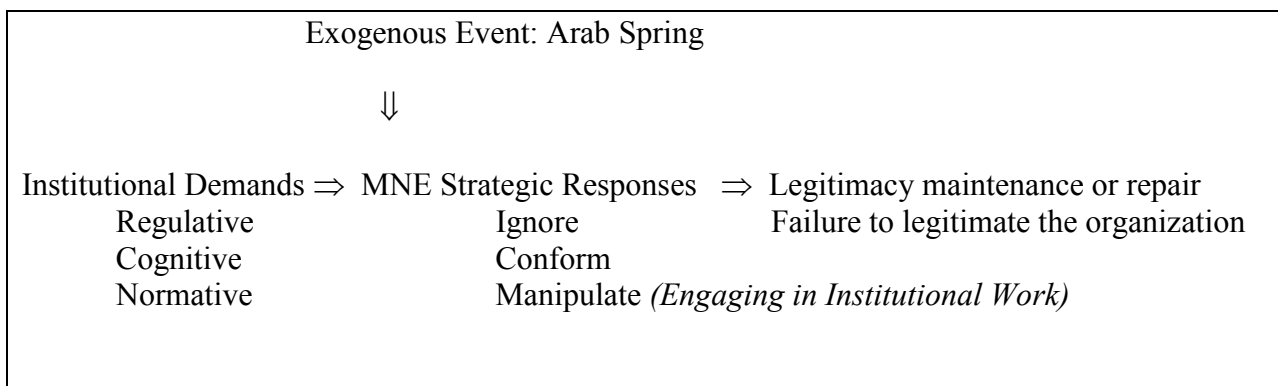
Recent research has demonstrated that MNE subsidiaries can employ proactive and strategic actions within their institutional environments to positively influence outcomes. For example, as Regner and Edman's (2014) research discusses, in the 1990s, Ericsson experienced difficulties in introducing mobile telephony in South East Asia because of the lack of existing regulations and the prevailing societal norms that questioned the value and need for mobile telecommunications. Ericsson was able to overcome these institutional hurdles by working with government agencies to change regulations that would support mobile telephony. Thus, organizations are influenced by institutions and vice versa, and as the concept of institutional work argues, there is a "permanent recursive and dialectical interaction between agency and institutions" (Lawrence et al. 2011: 55).

If MNE subsidiaries have to adapt their strategies to the institutional environment while simultaneously taking strategic action to positively influence outcomes, they must also be

prepared for potential changes in the environment that can have a significant impact on their business operations. In fact, according to Lawrence et al. (2009), institutional fields in which ambiguity and uncertainty exist can provide opportunities for actors to use political and social skills to effect change because the latter have the ability to gain access to capabilities, assets, and networks. This study will investigate how MNE subsidiaries respond to local institutions in Morocco, including during periods of institutional change, as was the case following the Arab Spring.

Based on the literature review and the above discussion, a theoretical model for MNE strategic responses is proposed (see figure 1). This theoretical model attempts to provide an overall picture of MNE strategic behavior in its host environment by showing the institutional pressures that the MNE faces, including during periods of institutional change triggered by an exogenous event (ex. the Arab Spring), and the corresponding strategies that it employs to maintain or repair legitimacy.

Figure 1: Theoretical Model



Source: The author

Institutional environment

For firms considering setting up operations in a given country, the institutional environment has become a crucial locational factor. Efficient markets depend on supporting institutions that can provide the formal and informal rules of a market economy, allowing lower transaction and information costs and reducing uncertainty (North, 1990). For example, in many developing and emerging markets, excessive red tape and bureaucracy and lack of protection for property rights can have a negative impact on MNE operations. Legal and government systems as well as informal institutions supporting an economy have a large influence on corporate strategies (Oliver, 1997; Peng, 2000). Research suggests that firms undertake foreign direct investment not only to have access to a larger market (i.e. by selling products in the local market) but also to augment resources and capabilities through interaction with diverse locations. However, firms seek investment locations where the institutional environment facilitates the development of their global firm-specific advantages (Rugman and Verbecke, 2002).

Institutional Demands

Within the institutional environment, there are institutional pressures exerted on organizations that are of a regulative, normative or cognitive nature. *Regulative* institutions include rules, laws or sanctions and are legally imposed. For example, an American MNE that becomes established in Morocco may have to comply with regulations that stipulate that companies in certain industries must limit the dividends they can take out of the country in their first years of operation. *Normative* institutions are societal expectations or values that must be adopted. For example, pressure to obtain accreditation or certification is a form of normative demand. An example specific to Middle Eastern societies is the Friday prayer – MNE subsidiaries have to adapt their work schedules to accommodate for the Friday prayer during which individuals are not working; normative institutions are morally governed. *Cognitive*

institutions are comprised of shared understandings of the way things are done in a particular organization or society. These institutions are taken-for-granted and persist because they become seen as the way things are done. For example, in Morocco there is an implicit acceptance by society of the informal economy, which is the production of goods and services, both legal and illegal, which is not included in the official estimates of GDP. Although the government loses tax revenue from unregulated business in this sector, the informal economy serves a purpose; approximately 30% of the workforce is employed by it (Saif, 2013). The three types of institutional pressures or demands provide a useful framework for comparing data across the cases, for generalizing findings and for contributing to existing theory.

Exogenous event: Arab Spring

This study seeks to investigate the ways that MNE subsidiaries respond to institutional demands that stem from specific regulative, normative and cognitive institutions in their environment, during stable periods but also during periods of institutional change. Does institutional change create greater constraints for MNE subsidiaries or does it provide them with opportunities to engage in institutional work? To explore this question, I examine the impact of the Arab Spring movement on MNE subsidiaries and the ways that they responded to the pressures and changes that resulted following the social movement.

In early 2011, many demonstrations took place across the Middle East to protest against the existence of undemocratic and autocratic regimes, rampant corruption, high unemployment and a widening income disparity. As a result of the demonstrations, the rulers in Tunisia, Egypt, Libya and Yemen were overthrown, significantly changing the political landscape. The monarchies of Morocco and Jordan made political changes, which helped them maintain their legitimacy and remain in power.

As a result of these events, many institutional changes took place including new government actors coming to power and individuals demanding to have a bigger role in the future of their societies. MNE subsidiaries with operations in the Middle Eastern countries were impacted by the initial protests, which caused political turmoil and social unrest and by the changes in the political and social landscapes of these countries. (For more details on the social movement in Morocco, see the section below on the study context.)

Strategic Responses

Oliver defines strategic responses as “the strategic behaviors that organizations employ in direct response to institutional processes that affect them” (1995:145). Organization’s strategic responses range from passive conformity to proactive manipulation (Oliver 1995). This typology is especially relevant for MNE subsidiaries because for many MNE subsidiaries, conformity to local institutional settings is not a form of taken-for-granted behavior but instead a form of strategic agency.

The study seeks to identify instances when MNE subsidiaries are either conforming to the institutional environment or manipulating it using different forms of institutional work in order to gain a positive outcome. (See Table 2 for different types of institutional work). Institutional work is treated as manipulating institutional demands because it involves intentional and proactive action taken by firms. The intentional actions taken by firms in relation to the government, political actors, and civil society are forms of institutional work aimed at improving outcomes for firms. In addition, corporate social responsibility (CSR) strategies will be considered as a form of institutional work that firms undertake to adapt to and contribute to the changing social environment.

Table 2: Institutional Work

Forms of Institutional Work	Definition
Advocacy	Mobilizing political and regulatory support through direct and deliberate techniques of social suasion
Defining	Work aimed at the construction of rule systems that confer status or identity, define boundaries of membership or create status hierarchies within a field
Vesting	Refers to the institutional work directed toward the creation of rule structures that confer property rights
Construction Identities	Refers to institutional work at aimed at reconfiguring actors' belief systems through the construction of identities
Changing Normative Associations	Refers to institutional work aimed at re-making the connections between sets of practices and the moral and cultural foundation for those practices
Educating	Educating actors in skills and knowledge necessary to support the new institution
Enabling work	Creating rules that facilitate, supplement and support institutions

Based on Lawrence & Suddaby, 2006

RESEARCH DESIGN AND METHODS

Research Questions

The objective of this research is to gain insight on the ways that multinational enterprises adapt to their local environment and on the strategies that they employ during periods of institutional change, such as the one that followed the Arab Spring in many Middle Eastern countries. Thus the first research is: What are the strategic responses of MNE subsidiaries to the institutional pressures (regulative, normative, and cognitive) that they face in Morocco? The second research question is: How did the Arab Spring have an impact on local institutions and did the resulting institutional change create constraints or provide more opportunities for MNE subsidiaries to engage in institutional work to positively influence outcomes?

Relevant national contextual background

Political

Morocco is a country in North Africa located along the Atlantic Ocean and the Mediterranean Sea. It has a total area of 446,550 square kilometers and a population of nearly 34 million people (KPMG Country Report, 2013). Morocco is a constitutional monarchy with an elected parliament and a King that holds executive and legislative powers, notably over the military, foreign policy and religious affairs (Economist Intelligence Unit, 2013).

The Arab Spring Events

The term “Arab Spring” refers to the wave of spontaneous uprisings, strikes and revolutions that broke out in the different countries of the Middle East as a result of numerous and varied institutional failings. The lack of democracy, low per capita income, a small middle class, large income gap, heavy dependence on government for livelihood, are all factors that served as catalysts for the protests and demands for change (Premsiggh, 2011; Springborg, 2011). The Arab Spring brought into light one of the most challenging problems facing the region today:

high unemployment rates especially among youth, women and the educated. The unemployment issue is the result of an underdeveloped private sector and a workforce that lacks the necessary skills to respond to business needs (World Economic Forum, 2013).

Morocco was home to popular protests that were inspired by the events in Tunisia and Egypt. The first major demonstrations occurred on February 20th, 2011, when thousands of Moroccans called on Mohamed VI, the King of Morocco, to give up some of his powers, followed by weekly protests in multiple cities across the country to demand greater democracy and a crackdown on government corruption. On March 21, 2011 tens of thousands called for political, constitutional and economic reforms in more than 60 Moroccan cities. Social networks, such Facebook, played an important role in helping the demonstrators organize protests and raise awareness about unfolding events. Social media also gave the protesters additional channels to bypass conventional media, which is more closely controlled by the state. Some of the protests were marked by anti-American sentiment related to American involvement in the affairs of Middle Eastern countries, including support for authoritarian rulers such as Egypt's Hosni Mubarak, whose regime lasted for decades (KPMG Country Report, 2013). Following the protests, King Mohamed IV announced that he would overhaul the constitution and set up a handpicked committee to draft changes by the end of 2011, which would include a strong parliament, a bigger role for local officials and an independent judiciary.

The Moroccan population voted for the new constitution by referendum in July 2011. Parliamentary elections were held in 2011 instead of 2012 and a prominent moderate Islamist Party, the Justice and Development Party, won the most number of seats and become the first Islamist party to lead the government in Morocco. The government also agreed to raise public-sector salaries and the minimum wages in the public and private sectors in response to growing demands from labor unions and public protests (Economist Intelligence Unit, 2011).

The introduction of the constitution had an impact on several formal institutions. For example, it granted the government executive powers, but retained the King as head of the army, religious authorities, and the judiciary (Economist Intelligence Unit, 2011). In addition, it incorporated the claims of key social groups such as Amazigh individuals (Berbers) and recognized Amazigh as an official language. It also acknowledged some fundamental human rights for both men and women and institutionalized gender equality by encouraging the creation of women's rights organizations and giving women more legal rights (asking for divorce and maintaining custody of their children even if they remarry) (Madani et al. 2011).

Table 3 Summary: Institutional Evolution in Morocco Following the Arab Spring

Institutions		
	<i>Formal</i>	<i>Informal</i>
2011 Arab Spring protests	<p>Constitutional reforms:</p> <p>Prime Minister and the Parliament are granted more power (Economic intelligence unit, 2011)</p> <p>The recognition of cultural and linguistic plurality; Amazigh (Berber language) recognized as an official language (Lewis, 2011)</p> <p>Entrenchment of equality of civil, economic and cultural rights of both men and women (Economic intelligence unit, 2011)</p>	<p>Norms:</p> <p>Use of social media to denounce government repression and to organize protests (Browning, 2013)</p> <p>Anti-American sentiment (KPMG Country, Report 2013)</p>
2012	<p>New Institutions:</p> <p>Rise of religious political powers (new government elected in legislative elections was the Party of Justice and Development, an Islamist conservative party) (Economic intelligence unit, 2011)</p> <p>New constitution makes commitments to gender parity in government (Economic intelligence unit, 2011)</p>	<p>Norms:</p> <p>Greater awareness about the importance of CSR programs (Avina, 2013)</p> <p>Rise of religious groups/Islamist ideology (Economic intelligence unit, 2011)</p>

The impact of the Arab Spring was more significant in Libya, Egypt, and Tunisia where the regimes of these countries, which had been in power for decades, were overthrown following massive demonstrations and were replaced with interim governments. Domestic and international firms in these countries were impacted by the institutional instability that resulted following the

protests and the changes in government actors. Firms were also impacted by the economic problems that resulted following the Arab Spring in the Middle East.

This research focused on MNE subunits operating in Morocco. However, after interviewing the Country Manager of MNE in Morocco, there was an opportunity to conduct interviews with the country managers of Tunisia and Egypt and the data from those interviews was subsequently included in the study.

Economic

Morocco enjoys a diverse, open and market-oriented economy and has capitalized on its proximity to Europe to improve its competitiveness. In 2014, its GDP was \$103.8 billion (World Bank, 2014). The strongest sectors in the economy include agriculture, tourism, phosphates, textiles, apparel and subcomponents. Despite the country's progress, it suffers from high unemployment and poverty. Key economic challenges for the country include combating corruption, curbing government spending, improving the educational system and judiciary, addressing socioeconomic gaps, and building more diversified and value-added industries (KPMG Country, Report 2013).

Language

Morocco's official languages are Arabic and Berber. Moroccan people communicate in a type of dialect unique to Morocco referred to as *Darija*. Similarly to its North African neighbors, Algeria and Tunisia, Morocco uses French in governmental institutions, media, private firms, international commerce with French speaking countries, and in international affairs and diplomacy (KPMG Country, Report 2013).

Education

Education in Morocco is compulsory and free for students up to age 15. However, many children, particularly girls in rural areas, do not attend school and the country's literacy rate is at 68.5 %, one of the lowest in the region (KPMG Country Report, 2013).

Religion

The large majority of Moroccans are of the Muslim faith (98.7%). The Christian population accounts for 1.1% and the Jewish one for 0.2%. Morocco's Jewish minority has significantly decreased since the Second World War (265,000 in 1948 versus about 5,500 in 2014) (KPMG Country Report, 2013).

Corruption

Morocco has a wide body of laws and regulations to combat corruption. Since 2009, an anti-corruption agency headed by a senior Moroccan official, has been active in corruption efforts. The agency was created to educate Moroccans on anti-corruption practices and to propose specific steps the government can take to address the issue. In 2010, an anti-corruption hotline was introduced allowing people to report incidences of bribery or corruption. Despite these efforts, Morocco suffers from widespread corruption, which undermines investor confidence and increases the cost of operating a business (KPMG Country Report, 2013).

While initiatives to combat corruption are notable, the underlying cultural context allowing these practices to take place has yet to be addressed. Any effective laws and regulations pertaining to corruption will have to take account the cultural force of *Wasta*, which refers to connections, clout or influence. Individuals use their influence to perform services. The prevalence of *Wasta* is intrinsic in Moroccan society and is a part of conducting business. For Western firms doing business in Morocco or other countries in the Arab world, *Wasta* practices can lead to liability under anti-corruption laws, including the US Foreign Corrupt Practices Act. Similar practices exist in China and are referred to as *Guanxi* (Tarnovskaya, 2012).

CSR Institutional Infrastructure

Corporate Social Responsibility as an institution has gained strength as Morocco expands economically and becomes more stable. The country's firms are gradually becoming more socially responsible and considering the impact of their activities on the environment, communities, employees and consumers. For example, the General Federation of Moroccan Business (CGEM), an employer's association has started awarding social labels to companies based on an analysis of the impact of their activities. While there are no laws that mandate specific levels of CSR, both MNE subsidiaries and local firms follow certain principles such as the Organization for Economic Cooperation and Development (OECD) CSR guidelines for multinational companies. NGOs are also taking an increasingly active role in monitoring corporations' CSR performance (KPMG Country Report, 2013).

Research Design

A case study approach was chosen to investigate the research questions because little research has been conducted on the institutional work employed by multinational corporations in their host environments and thus exploratory research is necessary. This research strategy is useful in new or little investigated scientific fields as it can help identify emergent themes and increase understanding of the phenomenon under investigation (Mintzberg, 1979; Eisenhardt, 1989 b.) The case study approach can also help provide an in-depth understanding of the organization and its environment. Collecting rich data through qualitative research allows for the consideration of context-specific factors and the identification of complex patterns (Yin, 2003).

Case Selection

The study consisted of a sample of 12 multinational subunits (10 operating in Morocco, one operating in Egypt and one operating in Tunisia). There were several conditions for the selection of MNE subsidiaries that were to be part of the study. The first condition was that the

MNE subsidiaries originated from developed nations and had business operations in Morocco. MNE subsidiaries from developed countries face greater institutional pressures as a result of the differences in institutions between developed and emerging markets, and their strategic responses will be more visible in such a context. The second condition was that the MNE subsidiaries needed to have been operating in Morocco for several years, including in 2011, when the Arab Spring events took place.

According to Schneiberg and Clemens (2006), institutional interactions are most visible during times of upheaval and change, when prevailing behaviors and norms are challenged. Thus, as much as possible, the firms that were solicited to participate in the study had experienced pressure or challenges during the Arab Spring, which triggered purposive responses on their part and made the strategic responses to institutions more visible.

For each case, I investigated MNE interactions relating to regulative, normative, and cognitive demands in their environment, the impact of the Arab Spring on these institutions and the ways that MNE subsidiaries responded through institutional work. As company strategies are often sensitive topics, a final condition was that the interviewees were willing to share information about their company and that rich secondary data was available. For respondents that did not provide sufficient data, extensive secondary research was conducted to supplement the interview data.

Data Collection and Methods

The list of firms solicited was drawn from various sources, including the Internet, a list of American companies belonging to the American Chamber of Commerce in Morocco, and finally from personal contacts. Although information was collected through individual interviews, it is assumed that the data collected applies at the level of the organization (the Moroccan subsidiary). I asked the respondents to focus on the constraints and strategies of the subsidiary or else to

specify when they were discussing the parent company or other subsidiaries. As much as possible, the interviews were conducted with high-level management of the subsidiaries who are involved at the strategy level of their firm (Human Resources Director, Communications Directors, Country Managers, General Manager and Finance Director). The recruitment method involved sending emails or LinkedIn messages to contacts at MNE subsidiaries and calling them to schedule an interview.

The industries of the companies interviewed varied from pharmaceutical, software, environmental services, consumer goods, electrical services, automobile, information technology and tourism. Between November 2013 and June 2014, 12 in-depth semi-structured interviews were conducted with high-level employees at the MNE subsidiaries.

Eleven in person interviews were conducted, ten with informants working in subsidiaries operating in Morocco and one with an informant working at an MNE subsidiary in Tunisia (he was in Morocco to attend a meeting with the Moroccan subsidiary). One interview was conducted over the phone with the Country Manager of an MNE subsidiary in Egypt. On average, the interviews lasted for 45 minutes. A semi-structured questionnaire was used for the interviews with open-ended questions designed to elicit responses. The interviewer probed for specific issues of interest. The interview protocol was modeled after a study by Alimadadi et al. titled *Business, Society and Politics: Multinationals in Emerging Markets*, published in the *International Business and Management Journal* (2012). The interview guide had three foci 1) the institutional pressures experienced by MNE subsidiaries in Morocco and the ways that they respond to them 2) the impact of the Arab Spring on MNE operations 3) the strategic responses of MNE subsidiaries to the institutional changes that occurred following the Arab Spring events (*See Interview Protocol in the Appendix*).

The materials collected for the purposes of the research came from several sources, including secondary sources (company reports, financial reports, press releases and news reports) and the interviews that were conducted. Interviews were an important source of information to gain insight on company strategies and the secondary data was helpful to contextualize the detailed primary data. The use of interviews and data from secondary sources permitted triangulation across and within the different data sources (Welch, 2004) and increased the validity of the data and of the analysis. To facilitate the data analysis, case narratives were developed (using both secondary and primary sources) on the ways in which MNE subsidiaries employ strategic responses to the institutions that permeate their institutional environments. The case narratives provided a fuller picture of the MNE subsidiary experience in Morocco and allowed the researcher to identify important insights about the organization and its strategic responses. Data analysis also included coding the interview data, which will be discussed in the next section. For confidentiality reasons, the study does not include the names of the multinational enterprises and instead refers to them as MNE 1 subsidiary, MNE 2 subsidiary, MNE 3 subsidiary, etc.

The level of analysis was at the MNE subsidiary as the research objective was to gain insight on the ways that MNE subsidiaries respond to their institutional contexts, including the strategies that the subsidiaries use to adapt to local business-specific regulations, norms and customs. The unit of analysis was the MNE subsidiaries' responses to institutional pressures in their host environment.

Table 4 Overview of data sources

Company	Industry	Global MNE Annual Revenue in 2014 (USD)	Annual Reports	Other secondary sources (company histories, company internal documents, industry reports, press releases, etc.)	Number of informants interviewed	Informants interviewed by type
MNE 1 subsidiary	Hotels	\$6.14 billion	2	11	1	Business Development Director
MNE 2 subsidiary	Electrical industrial apparatus	\$43.58 billion	2	7	1	General Manager & Finance Director
MNE 3 subsidiary	Logistics	\$63.6 million	2	6	1	Country Manager
MNE 4 subsidiary	Tele-communications	\$27.74 billion	3	9	1	Human Resources Director
MNE 5 subsidiary	Computer software and hardware	\$86.83 billion	2	4	1	Country Manager
MNE 6 subsidiary	Consumer goods	\$83.06 billion	2	4	1	Human Resources Director
MNE 7 subsidiary	Automotive	\$46.1 billion	2	10	2	Communications Director CSR Manager
MNE 8 subsidiary	Pharmaceuticals	\$38 billion	2	5	1	Communications Director
MNE 9 subsidiary	Energy	\$192 million (2011)		5	2	Communications Director Communications Coordinator
MNE 10 subsidiary	Environmental Services	\$26.2 billion (2013)	2	12	2	Communications Director Director of Branding and Reputation
MNE 11 subsidiary	Computer software and hardware	\$86.83 billion	2	5	1	Country Manager
MNE 12 subsidiary	Computer software and hardware	\$86.83 billion	2	4	1	Country Manager

Data Coding & Analysis

Eight out of twelve interviews were conducted in French, the rest were conducted in English. After translating the interviews conducted in French into English, I transcribed the data and used the Hyper Research software to code and organize it. To appreciate the complexity of each interview, I coded on a within-case basis (Miles and Huberman, 1994). My coding strategy was qualitative and did not involve counting words or phrases. In fact, the main objective of the coding was to interpret the information and to draw conclusions about meanings, processes, and actions (Langley, 1999). Using HyperResearch, I coded all the interview data, which essentially involved summarizing the information into thematically relevant categories. This yielded dozens of categories per firm. For example, for institutional pressures, the codes applied included “corruption”, “cultural constraints”, “bureaucracy”, and “Islamic practice”. Since one of the objectives of the research was to identify the types of institutional demands faced by firms, I grouped the initial codes under the thematic labels of “regulative”, “normative”, “cultural-cognitive”. A second objective was to identify the strategic responses of MNE subsidiaries, including the institutional work that they engaged in to influence institutions; therefore, I coded for types of institutional work set against those developed by Lawrence and Suddaby (2006). This process allowed me to sort the data and to identify the most common types of institutional work employed by the MNE subsidiaries. Certain strategies, however, did not fit under any of the types of institutional work identified by Lawrence and Suddaby, and I coded them accordingly. Another objective of the research was to identify the institutional pressures caused by the Arab Spring; the major codes that emerged included “security problems”, “revenue loss”, and “stress of employees”. To identify MNE responses to the institutional pressures triggered by the Arab Spring, I also coded for types of institutional work.

The findings emerged in a three-stage process. In the first stage, I identified the types of institutional demands faced by each MNE subunit using Scott's pillars – regulative, normative and cognitive demands. MNE subsidiaries with operations in Morocco face distinct regulative, normative and cognitive demands. Next, I identified the strategic responses that MNE subsidiaries used to manage each of the institutional demand that they faced. The next stage of the analysis involved identifying the ways that the Arab Spring, which led to institutional upheaval, had an impact on institutional conditions. In the final stage of the analysis, I identified how the institutional change provoked by the Arab Spring created greater opportunities for MNE subsidiaries to engage in institutional work. Cross-case synthesis was used to contrast firms across multiple categories (Yin, 1994) and to draw some generalizations about the findings. This technique is relevant if the study consists of at least two studies; the analysis is likely to improve if there is more than one case study (Yin, 1989). It is important to note that only the primary data was coded. The secondary archival data collected was used to develop individual case studies (see Appendix).

RESEARCH FINDINGS

Overview of Findings

This research study set out to investigate the types of challenges or constraints that international MNE subsidiaries experience in the Moroccan institutional context, as well as some of the strategies that these firms employ to overcome them. In addition to identifying the major institutional pressures encountered by firms, the research also attempted to uncover if the institutional changes provoked by the Arab Spring provided opportunities for MNE subsidiaries to use specific strategies aimed at improving their business environment.

The study demonstrated that MNE subsidiaries face specific institutional pressures that stem from regulative, normative and cognitive demands within the Moroccan institutional context. Consistent with one of the main premises of institutional theory, many of these institutions were found to constrain the actions of MNE subsidiaries. For instance, in terms of regulative pressures, many firms indicated that the ineffective bureaucracy and administrative slowness had an impact on their business operations. However, the study also found that MNE subsidiaries are not simply pawns in the institutional environment; in fact, these firms employ specific strategies such as advocacy and relationship building to overcome regulatory challenges.

The research demonstrated that the institutional instability caused by the Arab Spring aggravated some of the institutional pressures experienced by MNE subsidiaries; for example, many MNE subsidiaries were impacted by the government instability that resulted and its consequences, including delays in payment for products and services provided to public sector clients and lack of decision-making for contracts that MNE subsidiaries were bidding for. However, in many instances, the institutional changes that resulted from the events also provided

MNE subsidiaries with an opportunity to engage in institutional work to advance their own interests.

The next section will begin by outlining some of the main institutional pressures that were found to impact the business operations of MNE subsidiaries in Morocco, followed by examples of institutional work that MNE subsidiaries employ to overcome these institutional pressures. Finally, the section will conclude with a description of how the institutional change provoked by the Arab Spring created constraints but also opportunities for MNE subsidiaries to engage in institutional work.

Institutional Demands in the MNE Institutional Environment

Regulative demands

The institutional environment of firms is composed of the legal and administrative framework within which individuals, firms, and governments interact to create wealth (WEF 2014-2015). Regulative institutions include the rules, regulations and laws that exist within an institutional environment; the strength of the institutions will determine whether the latter will be successfully enforced. In many developing and emerging economies, there are weak regulatory environments, certain laws cannot be successfully enforced and the business practices that result, such as corruption, can undermine markets (Meyer et al., 2008).

This research indicates that although Morocco has made significant improvements in terms of liberalizing and opening up its market and simplifying some administrative procedures such as shortening the number of days it takes to open a company, firms still face important regulatory constraints. The inefficient bureaucracy, red tape and administrative slowness in Morocco have a negative impact on MNE operations and increases costs for them. The subsidiary of MNE 1, a global company in the hotel industry, indicated that it was often a slow and arduous process to obtain construction permits. The subsidiary of MNE 8, a global pharmaceutical

company, faces regulatory constraints in the form of long delays to obtain authorizations from the health authorities to market medication or health products.

A by-product of the inefficiency of the system is corruption. According to the General Manager and Finance Director of MNE 2, a global electrical engineering firm, the company has “to pay for every paper” to speed up procedures such as the legalization of documents at government administrations. As a result of the red tape and slow administrative procedures, companies pay small amounts to government officials to speed up the process of legalizing documents or obtaining forms. With time, petty corruption has become institutionalized and companies can even be directly solicited. The General Manager and Finance Director of MNE 2 noted: “Corruption is a long-term problem. It is not something you can fix with procedures, although they can help. It is a problem of governance. The system is corrupt, slow and inefficient and sanctions against corruption are ineffective. It is the governments of these countries that can change this. Multinational corporations cannot.”

All the MNE subsidiaries in the study recognized the existence of corrupt business practices in Morocco, however, most indicated that their status as multinationals did not enable them to engage in any kind of inducement, even if it were to help speed up processes and render their business operations more effective. In fact, they explained that all MNE subsidiaries worldwide received training on corruption and that it was part of their organizational identity to refrain from any type of inducement. For example, according to the Human Resources Director at the MNE 4 subsidiary:

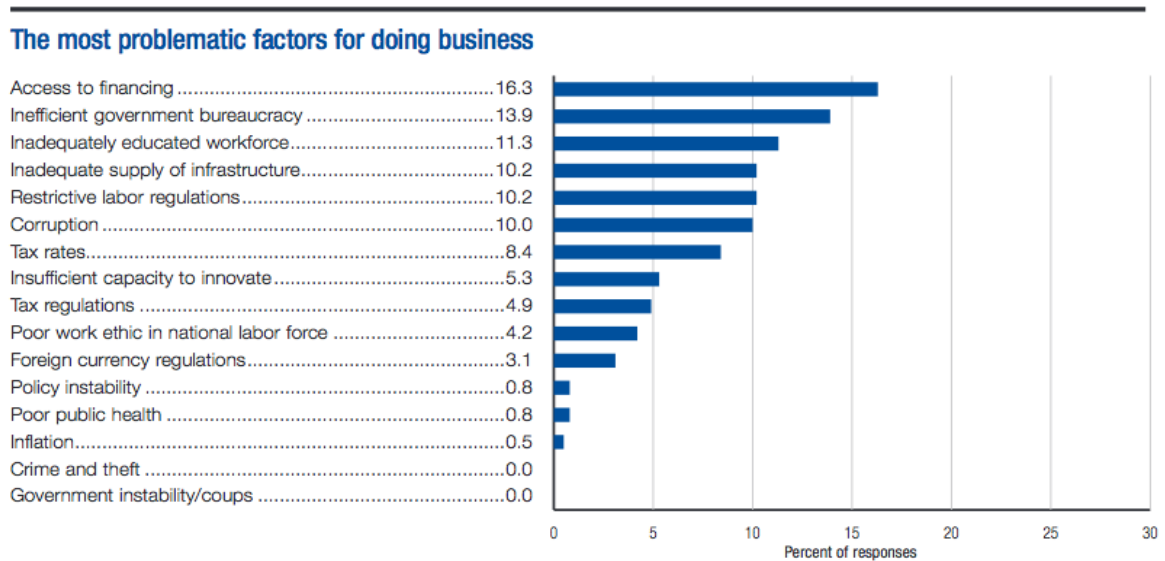
“It is a Swedish company; you must know Swedish culture. [MNE] is very clear and that is what makes us what we are. We are known for our products, the quality of the services we offer and the competence of our employees. If we are not selected based on these three criteria, we don’t want to be selected. We don’t want to be selected because we have relationships with political leaders; we can’t give bribes, we can’t give presents, we are very strict.”

However, the topic of corruption or inducement is a sensitive one. Even if the subsidiaries do engage in petty corruption practices to facilitate their business transactions or administrative processes in Morocco, it may not be a topic that they will openly discuss for fear of damaging their reputations – be it at the subsidiary level or the headquarter level.

Another regulative challenge that several subsidiaries face is the existence of a large and thriving informal economy, which includes a market for counterfeited goods where imitations of MNE products are sold. The effects are worse for some MNEs than for others depending on the industry that they operate in.

The findings of the study are consistent with the World Economic Forum 2014-2015 report, which cites inefficient government bureaucracy and corruption as some of the most problematic issues for doing business in Morocco:

Figure 2: The most problematic factors for doing business



Normative demands

Normative demands are based on values and norms that describe how an individual or an organization should act. These demands are not enforced by coercion but rather by a code of conduct that entails moral or social obligations (Ionascu et al. 2004). The MNE subsidiaries in the study indicated that they have adapted to the normative institutional environment. For example, all MNE subsidiaries have designated prayer rooms in their offices for their employees. Expatriates are specifically trained on cultural issues such as religion when they join the Moroccan subsidiaries so that they are aware of what constitutes appropriate behavior in the local environment. The MNE subsidiaries emphasized that they respected Islamic practice and that it was an element that they take into consideration in their everyday business practices. For example, meetings are not scheduled early Friday afternoons because individuals go to prayer. MNE subsidiaries also take care of administrative issues at government administrations on Friday mornings, rather than Friday afternoons.

The subsidiary of MNE 10, a global firm that specializes in environmental services, faced normative pressures in the Moroccan institutional environment for several reasons. It was criticized for not being sensitive enough to cultural norms. For example, many people complained about some of its advertisements, which depicted women not wearing a veil. The criticism was particularly strong in the north of the country which is more conservative; the subsidiary responded by first removing all visuals from its advertisements and then depicting a family, which was more acceptable to the most conservative segments of society. The company also faced normative pressure as it was perceived negatively by the population who accused it of charging exorbitant prices for public utilities and of not investing enough in infrastructure for water and electricity services in Morocco.

Cognitive-cultural demands

Cultural-cognitive demands refer to the underlying shared ideas and beliefs in an institutional environment that make up social reality. These institutions include stereotypes, symbols, words, and cultural notions that are taken-for-granted in society (Ionascu et al., 2004). In terms of cognitive demands in the institutional environment, several MNE subunits noted the importance of building relational ties with local actors. According to the Country Manager of the MNE 1 subsidiary, “when you build ties things go faster.” In many cases it is expected for companies to build relationships with local government or political actors and professional associations to operate more efficiently in the institutional context. Similarly to other Middle Eastern countries, it is easier for companies to conduct business if they have the right contacts. This notion is known as *Wasta*, and loosely translates to personal contacts; one’s connections can help things get done and influence outcomes. Therefore, it is imperative to build personal relationships with key individuals such as government actors. Sometimes this involves doing small favors for them; it is a cultivation strategy that is based on the long-term and that helps

businesses operate effectively within their environment. The General Manager and Finance Director of MNE 2 noted the importance of building relationships with local actors that are based on trust in order to efficiently conduct business. The Business Development Director of MNE 1, in the hotel sector, indicated that it was important to begin meetings with informal exchanges and to inquire about business partners' families before discussing work matters. This form of exchange is very different from Western approaches where meetings begin with the business matters to be addressed and where efficiency is the goal. The MNE subsidiaries in the study emphasized the importance of establishing and maintaining good relationships with Moroccan government officials at all levels. Other cognitive pressures that MNE subsidiaries face result from the lack of understanding on the part of key actors, such as government officials, about the utility or benefits of MNE subsidiaries' products or services such as certain technological services, which can make it more challenging to obtain approvals.

MNE Responses to Institutional Pressures

The notion of institutional work describes the purposeful action of individuals and organizations aimed at creating, maintaining and disrupting institutions (Lawrence and Suddaby, 2006). These actions range from highly visible and dramatic actions to effect change to nearly invisible and mundane day-to-day adjustments that actors engage in within their institutional environments (Lawrence et al., 2009). Through the data analysis, several themes emerged with regards to the kinds of strategic responses or institutional work that MNE subsidiaries employ to overcome institutional demands within their institutional environments. The research found that the MNE subsidiaries employed specific strategies to influence institutions favorably. In support of the notion of institutional work, this research has found that MNE subsidiaries are active agents that strive to manipulate their institutional environments in order to overcome existing pressures in their environment and to create new opportunities. Thus, MNE subsidiaries are

active agents and use specific strategies to overcome some of the pressures that they experience. However, as it may be expected, it was found that MNE subsidiaries are more likely to use proactive strategies to manage regulatory demands and to conform to normative and cognitive-cultural demands such as adapting to religious norms and engaging in *Wasta*. This section will present the strategies that were used by firms to overcome the institutional pressures that they faced within their institutional environment.

Advocacy

All MNE subsidiaries indicated that Morocco had made some progress in strengthening its formal institutions and improving the business environment, however, there are still some issues related to excessive bureaucracy, red tape and corruption. MNE subsidiaries are confronted with these institutional challenges and must manage them in their everyday operations. One of the ways in which they do so is by starting and maintaining a dialogue with government and political actors and engaging in advocacy to promote their interests.

For the subsidiary of MNE 1, the global hotel operator, obtaining a permit to build a hotel can be a very lengthy process, which significantly slows down projects. One of the ways that MNE 1 overcomes this constraint is by reaching out to key contacts in the government and engaging in lobbying. According to the Business Development Director: “The advantage that we have in Morocco is that we are well implemented, and that we know the market well. We know a lot of people, at the level of the administrations, at the level of the Wali (regional governor), so this is what allows us to accelerate getting authorizations for projects.” The company also lobbies the Ministry of Tourism to accelerate obtaining approvals, maintains a wide network of relationships and engages in lobbying with officials at high levels to help advance its project and overcome administrative slowness.

In addition, the subsidiary of MNE 1 engages in advocacy to obtain authorizations to buy land to build hotels or to secure contracts for the management of local hotels instead of its competitors. According to the respondent, the company engages in lobbying because “In the Maghreb and in Africa, given the level of development, which is less advanced, the rules of the game are perhaps less clear than in Europe.” This finding lends further support to the concept of *Wasta*, which appears to have a significant impact on firms, including MNE subsidiaries. In fact, MNE 1 engages in lobbying to gain the support of key actors that are in power and that can exert pressure so that the company secures contracts instead of its competitors. An important finding of the study is that building ties with local government or political actors is both a cultural expectation, *Wasta*, but it also emerges as a strategic option for firms that engage in relationship building and advocacy in response to the weakness of formal institutions. MNE subsidiaries build relationships with political actors to gain support for their lobbying efforts.

The subsidiary of MNE 8, the global pharmaceutical manufacturer, is impacted by important administrative delays. Before selling a medication or health product on the Moroccan market, it must deposit a file with the health authorities and the Ministry of health to obtain authorizations and a selling price, processes that can be lengthy. The subsidiary has a public affairs department that communicates with the health authorities to speed up processes and manages other key relationships, including with the Ministry of Health.

MNE subsidiaries also lobby the government to bring changes to laws and regulations and to streamline processes. The subsidiary of MNE 2, the electrical engineering firm, has been lobbying the government to take measures to ensure the application of a law that penalizes delays in payment. One of the biggest challenges faced by local and international firms in Morocco are delays in payment from public and private sector clients for services rendered. To fight against payment delays that are too lengthy, Morocco adopted the law 32-10 in 2011, which sets

penalties for delays that are between 60 and 90 days. However, despite companies' lobbying efforts, the law could not be applied. The subsidiary of MNE 9, in the energy sector, also suffers from issues related to delays in payment from public sector clients and regularly organizes meetings with its clients to try to devise better processes to speed up payments. The subsidiary of MNE 5, a global firm that offers computer software and hardware, lobbies the government to change laws concerning technology, electronic commerce or the Internet that are disadvantageous to the firm. For example, when there are proposals to limit access to the Internet, the company engages in lobbying and outlines the potential issues of limiting the Internet, including slowing down innovation in Morocco.

MNE subsidiaries also engage in lobbying to change cognitive perceptions. For example, MNE 4 in the telecommunications sector often faces resistance when it seeks to launch a new product or service. The resistance comes from different actors, including government, who do not understand the benefit or utility of its technological services. The company engages in lobbying to explain the benefits of the services and overcome some of the resistance of key government players. MNE 4 has been attempting to implement a service that would allow individuals to pay the highway toll by phone and has been discussing this new service with the Ministry of Transport. MNE 4 engages in lobbying to promote the greater use of technology in different industries.

Finally, it was found that MNE subsidiaries engage in lobbying to create opportunities for partnerships with the authorities. For example, after having invested 20 million Euros for the creation of a logistic and distribution platform in Morocco, MNE 8, in pharmaceuticals, lobbied the government for a public-private partnership to jointly develop programs addressing the prevention and diagnosis of several diseases. The logistics platform was inaugurated in 2013, and concluded with the signing of three conventions to increase support for patients suffering from

diabetes, mental health issues or epilepsy and to train more people for careers in the pharmaceutical industry.

Leveraging local organizations

According to Lawrence and Suddaby (2005), interest associations or organizations that are formally created to represent groups also engage in institutional work. This work involves lobbying for resources, promoting agendas and proposing new legislation to highlight the interests of specific actors. This research found that most MNE subsidiaries are members of local business groups that help them navigate through the local environment including lobbying for material resources or for the social and political capital needed to create new institutional structures or practices. For example, eight MNE subsidiaries out of ten operating in Morocco are members of the *Confédération Générale des Entreprises du Maroc* (CGEM), which is an employer's association that regroups several local and international enterprises. According to the Business Development Director of MNE 1, in the tourism sector, "the CGEM is a great platform to build relationships within the local business environment. It helps us build relationships and is a source of lobbying to change laws or legislation." The company is going to engage in lobbying via the CGEM to change an investment law that currently only grants fiscal advantages to large-scale projects. MNE 2, the electrical engineering firm, also actively participates in CGEM workgroup committees. For example, when there are tax proposals or other economic measures proposed by the government, the company make suggestions and discuss matters with the ministers through the workgroup committees. The Communications Director of MNE 9, in the energy sector, stated: "The CGEM plays a facilitator role to discuss things with the different ministries."

The research also found that many companies are members of professional organizations that correspond to their industries: *L'Association Nationale des Investisseurs Touristique*

(National Association for Tourism Investors), *La Fédération Nationale de l'Électricité, de l'Électronique et des Energies Renouvelables* (National Federation of Electricity, Electronics and Renewable Energies), *l'Association Marocaine pour La Logistique* (Moroccan Association for Logistics), *Maroc Innovation & Santé* (Morocco Health & Innovation), *Association des Importeurs Des Véhicules au Maroc* (Association for Importers of Vehicles in Morocco). Similarly to their role within the CGEM workgroup committees, the MNE subsidiaries work with these associations to influence laws, regulations, or to make government proposals. For example, if there are changes in import tax regulations that are not advantageous to companies in the automobile industry, the Association for Importers of Vehicles in Morocco will lobby the government on behalf of these companies. The MNE 8 subsidiary, in the pharmaceutical sector, employs the association *Morocco Health & Innovation* as a platform to discuss issues related to insufficient medical coverage with the government. The General Manager and Finance Director of MNE 2, the electrical engineering firm, noted: “Working with professional organization opens up doors to push company agendas more easily than if the company were on its own.”

Use of Internal Dedicated Services

Several companies indicated that they have internal dedicated services that worked with external stakeholders to simplify and facilitate processes for the company. These dedicated structures are unique to the Moroccan subsidiaries and allow the MNE subsidiaries to respond to particular institutional constraints that may arise. For example, the subsidiary of MNE 7, the global automobile manufacturer, has set up dedicated services internally for all its important functions, including import, registration, and logistics, whose mandate is to work directly with government administrations. These specialized departments allow MNE subsidiaries not only to simplify processes but also to manage and anticipate any problems that may arise with the authorities. For example, according to the respondent from MNE 6, in the consumer goods sector,

there is a large amount of administrative work to be completed by the company for the import of products, particularly for new products. Obtaining authorizations can take a long time, which represents an additional step when considering the launch of a new product in Morocco. The MNE has a department that takes care of registration and is in regular contact with the different ministries, presenting the products to them and explaining their benefit. Therefore, these dedicated structures maintain key contacts, are informed of administrative procedures, which helps them manage some of the administrative challenges within the institutional context.

Defining

The second type of institutional work that is aimed at creating institutions, identified in this research is ‘defining’. According to Lawrence and Suddaby (2005) defining involves “the construction of rule systems that confer status or identity, define boundaries of membership, or create hierarchies within a field” (17). This includes formal accreditation processes, the creation of standards and the certification of actors within a field. The emergence and diffusion of ISO practices globally involves the use of definitional work from key actors in different industries (Lawrence and Suddaby, 2005).

The research identified several instances of MNE subsidiaries employing definitional work to improve processes or facilitate their business operations in Morocco. For example, the MNE 1 subsidiary, the hotel operator, partnered with other major actors in the tourism industry including tourism investment funds, developers, hotel owner groups and large hotel chains to create *l’Association Nationale des Investisseurs Touristique* (The National Association of Tourism Investors). This association was created in 2010 to support the government in the implementation of the new tourism policy in Morocco. The association provides an institutional structure with defined boundaries of membership in which MNE 1 and other investors in the tourism industry can engage in lobbying the Finance, Commerce and Tourism Ministries to bring

about changes in laws or regulations. This new body creates a space for reflection, proposals and negotiation on all issues related to tourism investment in Morocco. The association also encourages partnerships and dialogue with the authorities and private or public institutions, both national and international.

As discussed above, several MNE subsidiaries indicated that they have created internal dedicated structures that are unique to the Moroccan subsidiary to respond to the complex local environment. Creating dedicated services within companies that are in charge of managing relationships and transactions with public authorities and other stakeholders is also a form of definitional work. According to the subsidiaries of MNE 6 and MNE 7, which both have established internal dedicated services, these structures facilitate the process of explaining the benefits of projects to the authorities and of attempting to influence standards or norms. Thus, the dedicated services put in place by MNE subsidiaries allows them to establish work perimeters within which specific institutional structures and practices can take place.

Another finding was that MNE 7, in the automotive industry, was able to influence an industry through definitional institutional work. In 2011, the company established a major automotive plant in the North of Morocco for the manufacturing of cars for export to Europe. Prior to the establishment of the plant, there had been only one small factory in Morocco that the MNE also owned. The rest of the automobile companies were dealerships that imported cars and sold them in Morocco. Therefore, there was no ‘culture’ of automobile manufacturing in Morocco, or any educational programs on the design or manufacturing of automobiles. In partnership with the government, the company created a cutting edge institute to accompany the new factory, where new company recruits were trained in automobile manufacturing. Thus the MNE successfully established new practices in the industry related to the construction of automobiles, which may encourage other MNE subsidiaries to open automobile factories in

Morocco. Furthermore, as a result of the creation of the factory, local and international auto part makers have also been established in Morocco, which will strengthen the creation of an automobile industry.

Another MNE engaged in definitional institutional work. In 2011, the subsidiary of MNE 3, in the express logistics industry, invested 6 million dollars USD to create a shipping hub in the Casablanca airport. The hub includes technical facilities that are up to international standards and is TAPA certified, which is a global certification standard for security. It also has an advanced security system to help ensure cargo safety in storage facilities and during transit to reduce the risk of criminal activity. The new technical installations enable the MNE 3 subsidiary to ensure the processing of shipments of customers both for import and export with maximum efficiency, have improved security and shorter transit. Since the MNE obtained its TAPA certification, other international logistics companies have also received certification to ensure greater security in their hubs in Morocco.

Several MNE subsidiaries in the study indicated that although they were solicited with demands of petty corruption in their business operations when dealing with different stakeholders, their MNE status did not allow them to engage in any form of inducement. Compared to local firms, MNE subsidiaries have clearer processes and rules and engage in definitional work that upholds their status or identities as global companies with clear rules and ethical practices. Whether MNE subsidiaries are able to influence local companies in also adopting ethical and transparent business practices in their operations and redefining how corruption is perceived in society, is less clear.

Educating

According to Lawrence and Suddaby (2005), 'educating' is a form of institutional work aimed at creating institutions that involves teaching actors the skills and knowledge necessary to

support new institutions. One key strategy to engage in educating is to create templates or frameworks that will provide actors with an outline to guide action. The study identified several instances of MNE subsidiaries engaging in this type of institutional work (Lawrence and Suddaby, 2005).

As discussed above, when the subsidiary of MNE 7 established its automotive factory, it required individuals to run the plant and participated in the creation of a training institute, in partnership with the government. The company brought specialists from France and other subsidiaries to establish the factory, create processes and to provide training for the different tasks required at the plant. By bringing individuals from its factories in France and other countries, the MNE was able to educate employees with the knowledge necessary to engage in new practices or interact with new structures within the new manufacturing plant. Once operators were hired, they went to the training center for 3-6 months and more than a million hours of training were given to the new recruits to prepare them for the profession of automobile manufacturing.

MNE 6, in the consumer goods industry, faces challenges in the Moroccan market as a result of the large informal economy in which a large amount of counterfeit goods are sold. The informal economy is a significant regulatory constraint that has a negative impact on its businesses; the sale of counterfeit goods reduces its sales and renders its products less attractive for consumers. To fight against the prevalence of these fake products on the market, the company has been training customs officers in Morocco and Algeria by providing them with the tools to identify fake products, in partnership with these countries' governments.

Corporate Social Responsibility and Other Forms of Societal Engagement

The final type of institutional work identified in this research was corporate social responsibility (CSR). CSR strategies were treated as institutional work in this study because they

are strategically implemented by MNE subsidiaries to gain legitimacy within the institutional context. In addition, CSR strategies enable subsidiaries to build relationships with different stakeholders, which further serve to legitimize their presence in the local institutional context. For example, it was found that in many instances MNE subsidiaries work in partnership with the government and with local non-governmental organizations (NGOs) to implement their CSR initiatives. MNE subsidiaries' different social initiatives in Morocco include: donations of school supplies and computers to schools, subsidizing summer camps for the children of staff (MNE 2); initiating programs linked to road safety and the environment, promoting entrepreneurship among youth, providing children with backpacks and bicycles, supporting education initiatives and the installation of a water purification unit that provides clean drinking water in rural areas (MNE 9); supporting the integration of youth into the workforce and being a sponsor of Sidaction [Action for Aids] in Morocco and of agricultural cooperatives of women in the South of the country (MNE 1); support for educational programs in different cities and villages in Morocco, support for SOS Children's Villages, an international NGO that supports Morocco's vulnerable young population (MNE 3); bringing e-learning technology to remote villages in Morocco to assist the teachers there who have few supplies and materials in the schools where they teach (MNE 4); painting schools, sponsoring an association that aids single mothers (MNE 6); providing associations with the tools and the training so they can use technology as an enabling factor in their organizations (MNE 5); and subsidizing after school classes to support the children of employees (MNE 8). These CSR programs are philanthropic in nature and are adapted to the institutional context. The Country Manager of MNE 3 stated: "... there should be an active social responsibility program to give back to the poor and needy or to the environment of this country." It is important to note that this is not an exhaustive list of all the CSR programs that the MNE subsidiaries have launched in Morocco. In fact, most MNE subsidiaries have well-developed

CSR programs that they have been working on for a number of years and that are adapted to the local institutional setting. According to most respondents, the subsidiaries receive general CSR guidelines from headquarters that they adapt to the local context. If they perceive a specific local need then they can request additional funds from the parent company for the project.

The study also found that MNE subsidiaries associate the authorities for some of their CSR projects. For example, MNE 6, in consumer goods, often uses sports themes in its marketing and CSR and collaborated with the Ministry of Youth and Sports to organize a football tournament for marginalized youth. “We involved the authorities because it was a constructive project for Moroccan society. They went into small villages to choose youth and build teams that would participate in the football tournament” (Human Resources Director). MNE 7 also collaborates with the authorities for CSR initiatives. Since the company specializes in automotive manufacturing, it has been collaborating with the authorities and the Ministry of Equipment to promote road security through the launch of road safety campaigns that target youth and professional drivers.

In terms of CSR geared towards employees, the research found that MNE subsidiaries have programs to promote employee satisfaction. For example, in 2011, MNE 3, in the express logistics sector, was recognized by the CGEM, (an employer’s association), as one of the best employers in Morocco for its communications program, working conditions and proximity to management. Similarly, in 2014, MNE 5, in the computer software industry, was recognized by the CGEM as the best employer and was recognized for the professional development opportunities available to its employees. Another finding was that the MNE subsidiaries are increasingly looking to hire local individuals, even for high-level management positions. According to the Business Development Director of MNE 1, in the hotel industry, “it is a willingness of [MNE] to say, we are a responsible corporate citizen, we come to Morocco and we

have the responsibility to develop local talents.” MNE 3 is also increasingly hiring local individuals: “we believe that locals serve their markets better and therefore localization is becoming high in the agenda” (Country Manager). According to the respondent, in the past, the entire senior management team used to be composed of expatriates but now local individuals are filling these positions. Several MNE subsidiaries indicated that they are now able to hire local individuals because there is a growing population of highly educated persons that have studied abroad or locally and that can fulfill market needs.

Relationship with key stakeholders

MNE subsidiaries indicated that they create stakeholder matrices and that they have a strategy for stakeholder management. MNE 9, in the energy sector, identifies its most important stakeholders and monitors relationships with the latter throughout the year. Different departments within the organization manage different stakeholders. For example, the Country Director manages the relationships with the Ministry of Energy, while the Human Resources Director manages relationships with unions. The most pressing issues are tracked every trimester to anticipate possible issues and action plans are put in place to prevent potential crises.

The findings indicate that MNE subsidiaries are pioneers in terms of CSR in Morocco and influence the CSR practices of local companies. For example, MNE 9 adheres to international health, safety, security and environment standards in its operations and requires that the standards of its contractors and partners be in line with the company’s standards.

Table 5: Examples of institutional pressures and corresponding response

Institutional conditions	Representative Quote	Response of subsidiary	Institutional Work
MNE 2 <i>regulative</i> : existing laws to penalize companies for delays in payments for services or products is ineffective	“We were involved in many meetings with government officials to discuss application of the law. However, in practice, this law could not be applied”	Lobbied the government to put in place measures that would lead to the application of the law (through its membership in the CGEM, an employer association)	Advocacy
MNE 3 <i>regulative</i> : existing regulation stipulates that companies in the express logistics sector must pay royalties to the National Post Office	“At the moment we have no choice but to pay but we’ve been in discussions with the government and the head of the National Post Office who agrees with us... But the law needs to go through a certain process...”	Lobbied the government to change the law	Advocacy
MNE 3 <i>regulative</i> : minimum value of declaration for packages is excessively low (adds red tape)	“If the value of an item is less than 50 Euros, you don’t need any documents with it. We are trying to increase that to 100 Euros or more”	Lobbied the government to update regulation	Advocacy
MNE 10 <i>regulative</i> : existing law stipulates that percentage of profits must be reinvested for the first ten years of operation (for firms offering a public service)	“..The way they were doing it was by having two [local] companies... These two companies are tied to the contract. MNE 10 is not a public service, so if it makes profit, it is entitled to take money out of the country”	Ignored law	
MNE 2 <i>cognitive</i> : prevalence of Wasta practices	“In Morocco, there are relationships that are man to man, if you don’t have the right contacts, it is difficult to get things moving... the emotional relations that develop are what gets things to move smoothly for the MNC”	Conform: adapted to local institution	Conform
MNE 5 <i>regulative</i> : government proposal to limit access to the Internet	“..we do lobbying, talk to people, explain to them the dangers of stopping innovation in our country, our lobbying is related to this”	Lobbying government and political actors to explain the importance of innovation	Advocacy

Institutional conditions	Representative Quote	Response of subsidiary	Institutional Work
MNE 1 <i>regulative</i> : length of time to obtain permits	“To overcome this, we continue to do what we have to do... We know a lot of people... The Ministry of Tourism also implicates itself personally... So we have to engage in lobbying and to develop relationships with people at high levels”	Lobbying to obtain permits more rapidly	Advocacy
MNE 1 <i>regulative</i> and <i>cognitive</i> : lack of transparency in government contracts procurement procedures	“If there is a tender for a piece of land that becomes available, it is important to do some lobbying with the Ministry, so that they push for us to win the business...it is an explaining kind of lobbying, we don’t show up with a briefcase”	Lobbying to obtain contracts	Advocacy
MNE 4 <i>normative</i> : Islamic practice	“We have a program of adaptation of new employees...I explain that you should avoid scheduling meetings on Friday afternoons because people go to prayer... We ask expatriates to respect the month of Ramadan and avoid drinking coffee in front of others”	Conform: adapted to local institutions	
MNE 4 <i>cognitive</i> : lack of understanding about technological services	“We try to push everything that is technology. And for these types of services we need to explain our expertise... They don’t always see the benefits of some of the services. That’s why we need to explain”	Lobbying the government and telecommunications operators	Advocacy
MNE 6 <i>regulative</i> : lack of regulation of informal economy	“We fight against that [counterfeit goods] by hiring outside agencies. and training customs officers so they can identify fake products... authorities are very keen on this, we provide them with the tools to do that...”	Training customs officials	Educating
MNE 8 <i>regulative</i> : delays in getting authorizations	“The public affairs department manages relationships with public authorities.. so we do a little lobbying and try to influence things but in a transparent and ethical way”	Lobbying authorities	Advocacy

The Impact of the Arab Spring on MNE subsidiaries

The period during and following the Arab Spring events provided a rich setting to analyze the strategies of MNE subsidiaries as it was a period during which the existing social order was temporarily called into question. All companies indicated that the Arab Spring movement had an impact on their business operations in Morocco and in the other regions of the Arab world where they operate. The impact was felt by MNE subsidiaries at the level of business operations, processes, revenue, security and internal and external relationships. In terms of revenue, many companies with public sector clients lost contracts because the state budget was voted in with delay as a result of the political and government instability in 2011. Some MNE subsidiaries were impacted because the government changed priorities and began focusing more on basic necessities rather than investing in technology. The MNE subsidiary in the hotel industry experienced declining sales and revenue due to the political instability that resulted. Many of its international clients cancelled seminars they were supposed to have in Morocco (in the company's hotels) and held them in other countries. The MNE in the express logistics industry was impacted because there was less trade conducted in North Africa and fewer investments being made by foreign investors, which meant that the flow of goods coming in and leaving Morocco declined. Many manufacturing contracts, for example, were moved to more stable regions.

Internally, MNE subsidiaries are well prepared to manage institutional changes or crises internally. They have detailed business continuity plans that provide them with specific instructions on the course of action needed if there are emergencies at their factories or offices and that allow them to continue accessing important data and to work, even if it is remotely.

The government instability that resulted following the Arab Spring increased costs and greater challenges for MNE subsidiaries; however, they were able to alleviate some of the pressure through institutional work.

Opportunities for Institutional Work

This research demonstrates that MNE subsidiaries are constantly engaging in institutional work to adapt to or create a more favorable institutional environment, however, the institutional change brought about by the Arab Spring events provided some of these MNE subsidiaries with more opportunities to engage in institutional work.

The subsidiary of MNE 10, in environmental services, was the company that experienced the greatest amount of institutional pressure as a result of the Arab Spring. The company was directly targeted by the protestors who called for it to leave the country and accused it of charging excessively high prices for public utilities. In addition, the protestors accused it of not investing enough in infrastructure for water and electricity services in Morocco. The MNE's relationship with the authorities was also strained - it lost its legitimacy during the Arab Spring and the authorities did not want to be associated with it. One of the strategies that the MNE employed to attenuate some of the pressures it experienced was to reassess its relationship with external actors and to use lobbying as a means to build a dialogue with its different constituents. The company's objective was to address the negative attitudes towards it (normative perceptions), improve its reputation and gain legitimacy. Prior to the Arab Spring, the MNE engaged mainly in high level lobbying at the level of ministers to discuss contracts for projects. However, following the Arab Spring events and the protests that directly targeted it, the company began lobbying the government, civil society and other local actors to overcome institutional pressures. For example, before building a new pipeline in a street, the communications team started working with NGOs in the area and engaging in awareness raising activities regarding the need to renew the pipelines

and the benefits that it would bring to the neighborhood. According to Communications Director of MNE 10, in the past, the company would begin their projects without warning the residents, building animosity against the company. The Director noted: “Lobbying involves explaining to all involved parties – authorities, civil society, etc. And we are able to do it today because we have partners within civil society and other local stakeholders. We have proved to them that we are their partners. Before we just made the changes and did not consult with any local stakeholders.” The institutional work of advocacy has enabled the MNE subsidiary to rebuild some of its external relationships following the Arab Spring.

The MNE 10 subsidiary has also engaged in definitional institutional work as it created a new role within its subsidiary. In order to be successful in its lobbying efforts, including at the grassroots level, the company created a position for a Director of Branding and Reputation who would be solely in charge of managing the company’s relationships with NGOs and other local actors and to rebuild them. “Since we launched a grassroots strategy, we decided to work from the bottom up, and we needed someone with enough awareness and expertise, that knew the field, that would be capable of lobbying at different levels, speak to the poor, to the authorities, etc. So the person in charge does a lot of footwork” (Communications Director). The Director of Branding and Reputation monitors criticism against the company, including from NGOs who participated in the protests against the company during the Arab Spring. He asks informants to attend meetings of these NGOs on his behalf and to monitor any upcoming demonstrations against the company.

The subsidiary of MNE 3, in the express logistics sector, also took advantage of the uncertain environment and used advocacy to advance its interests. The subsidiary indicated that the changes that took place following the Arab Spring provided it with an opportunity to influence regulations to be more effective. It took advantage of the government’s greater

willingness to improve business conditions in Morocco following the Arab Spring: “So today, you can actually knock on their [government officials] doors, and somebody will answer. They will sit and listen. They’re beginning to see the bigger picture – making the Moroccan economy more competitive. Previously, they were all very suspicious about what is coming in, they still are, but they try to promote best practices” (Country Manager). One of the regulatory changes that the company succeeded in obtaining was a dedicated customs office in its new shipping hub in the Casablanca airport. This was revolutionary in Morocco, because up until then all the express and logistics companies shared the same customs offices that processed the shipments of all companies, slowing down the process for the company. Within its new shipping hub, the MNE provided customs officers with offices, training, and knowledge to be able to work efficiently at processing the shipments that it expedites throughout the world.

The subsidiary of MNE 3 also worked in partnership with the Minister of Transport and other businesses to promote Morocco as a safe and stable place to invest in following the Arab Spring. They attended conferences and exhibitions in France, Spain, Italy and Portugal to market the country and to improve customer and investor confidence. The Country Manager of the MNE presented the strength of the logistics infrastructure in Morocco, while the Minister of Transport spoke about the stability of the country and aimed to reassure potential investors. They jointly marketed Morocco and spoke about the country’s stability, the strength of its infrastructure and the quality of its goods and services.

CSR Strategies as Institutional Work

The Arab Spring had an impact on societal-level institutions as it raised greater awareness on the existing social inequalities in Morocco and particularly on the youth unemployment issue. Young people between the ages of 15 and 29 make up 30 percent of the Moroccan population, yet 49 percent are neither in school nor in the workforce (World Bank, 2012). Many youth

participated in the Arab Spring events to voice their discontent concerning lack of opportunity in Morocco. In fact, the Arab Spring in Morocco signaled a greater democratic opening, as people were able to protest and voice their opinions, with less resistance from the regime as before. Furthermore, during the Arab Spring there were more questions about the way that companies were supposed to behave and their role in society and a concern for greater transparency and less corruption. According to the General Manager and Finance Director at MNE 2, companies were impacted by changes in normative conditions: “there is a greater awareness about social issues and about redistributing wealth. Companies do not want to have problems due to the great social inequalities and realize that wealth should be redistributed within society.” Although all MNE subsidiaries surveyed had been working on CSR programs in Morocco for a couple of years, several respondents indicated that following the Arab Spring events, they increased their social responsibility programs or re-oriented them to better address the current societal problems. In fact, several MNE subsidiaries specifically put in place CSR programs to address the socio-economic issues brought to the fore following the Arab Spring. They participated in these CSR activities to maintain or gain legitimacy within their host environment in the eyes of various stakeholders: employees, the authorities, citizens and civil society. This research has shown that the Arab Spring gave rise to important corporate social responsibility trends, which include:

- Support to national socio-economic challenges including employment and entrepreneurship
- CSR That Aims to Maintain or Rebuild Reputation in MNE Local Environment
- CSR to Anchor Organization in Local Environment

Support to national socio-economic challenges including employment and entrepreneurship

Following the Arab Spring, the subsidiary of MNE 5, in the computer software industry, re-oriented its CSR strategy to focus on youth employability. The company has been collaborating with the National Office of Vocational Training and Labor Promotion and has provided information technology certification training to more than 20,000 individuals, including the trainers who will train youth. The company is also investing in youth startups and is currently accompanying young entrepreneurs for three years by giving them the tools, technology and the training that can help them launch successful IT startups. The company specifically implemented a CSR program that would address the needs of the population, and youth in particular: "...before the Arab Spring, a lot of CSR was geared towards the government, whereas now the CSR is geared towards the people" (Country Manager). In addition, as a response to the recognition of Berber languages by the new Moroccan constitution, the MNE introduced Amazighe [Berber] language on the operating systems that it sells.

CSR That Aims to Maintain or Rebuild Reputation in MNE Institutional Environment

The subsidiary of MNE 8, in the pharmaceutical sector, has been investing in corporate social responsibility actions that focus on the patient, the planet, employees and ethics since 2010. As part of its CSR ethics dimension, since the Arab Spring, the company has taken specific measures within its organization to increase transparency in its practices. The company has established measures to decrease corrupt practices such as paying doctors or giving them material compensation such as electronic devices (ex. iPads) or trips. In addition, as it has a large relational network with the medical community and invites members of this community to conferences and seminars, the company has established a maximum threshold that can be spent per individual at these events to guard against unethical practices. The MNE has also put in place measures to prevent unethical practices within its processes. According to the Communications Director "the sources for corrupt practices are multiple in all sectors of activity [not just the

pharmaceutical industry] and we have put in place measures to guard against them.” These new measures have been taken following the Arab Spring and are in line with Morocco’s political will to curb corruption.

To address accusations of not being sensitive to the economic realities of the population, change negative perceptions and build legitimacy, MNE 10, in environmental services, launched a CSR program specifically tailored to the segments of the population that could help improve its image within society. One of the major stakeholders the company targeted were poor working mothers in the north of the country, who have a lot of influence on their families in Moroccan society. The company collaborated with local NGOs to launch several initiatives aimed at helping women in the neighborhoods where it operates, including the creation of day cares for women with young children, embroidery classes for women to teach them new skills, and encouraged the creation of cooperatives. The MNE subsidiary and its partner NGOs also launched literacy classes for women, a health caravan, and cultural activities. The company engaged in these activities to be able to continue working in the neighborhoods that were protesting against its presence in Morocco, something that had become difficult and dangerous for the company to do following the Arab Spring protests (see case study in appendix). By supporting women that live in these neighborhoods, the company sought to improve its image and to appear as a good corporate citizen and regain legitimacy in the institutional environment.

CSR to Anchor Organization in Local Environment

Prior to its new CSR strategy, most of the social initiatives of MNE 10 were sustainable development projects in the South of Morocco launched by its CSR foundation in the Paris company headquarters. However, after the Arab Spring events during which people were protesting against its presence in the country, the company had to rethink its CSR strategy and decided to leverage CSR to become a more Moroccan and local company. It launched CSR

strategies that were adapted to the local institutional context. According to the Communications Director: “ We had to find a way to be local, not just follow the headquarter instructions... We had to show that we were a Moroccan company that is really in sync with the environment. So now our CSR programs are 100% local.” One strategy that the MNE employed was to begin inviting local communities to events, where the Moroccan flag was set up and the national anthem was played, practices that MNE did not engage in previously, as it had considered itself as a French and secular company. In addition, prior to supporting social causes such as literacy campaigns for women, the company ensured that it had the buy-in of Islamic religious leaders as to minimize the risk of offending the most conservative segments of society. Following the Arab Spring, the company capitalized on cultural and religious nuances to better implement itself and to gain legitimacy.

Stakeholder relations

Following the Arab Spring, some MNE subsidiaries had to reassess their main stakeholders and to manage their relationships with these constituents more effectively. As a company that offers environmental and public services, MNE 10, has many stakeholders to manage, including government actors (court of auditors, Ministry of Interior, municipal councils, etc.), customers, local and international NGO, the media and the public. The Arab Spring events strained many of its stakeholder relations and the company had to make a deliberate effort to initiate a dialogue with all of its stakeholders and to rebuild its legitimacy. Specifically, the company’s CSR initiatives, which it collaborated on with NGOs, helped it rebuild its relationship with customers and the public. The communities that benefited from the programs helped promote the company to the media and local government actors such as elected officials in municipal councils. The company gradually succeeded in rebuilding its legitimacy through CSR strategies, which facilitated interaction with all of the company’s stakeholders.

The MNE 3 subsidiary, in the express logistics sector, indicated that it had to build stronger relations with some of its key stakeholders, including the police and royal gendarmerie. Because it operates in the express and logistics industry, there are some important security risks for the company and the country. The company transports materials in aircrafts, which could present an opportunity to transport illegal weapons. Due to the political instability associated with the Arab Spring, the company cooperates even more with the police and works in partnership with them, and alerts them if there are suspicious occurrences. According to the Country Manager: “It has brought the partners closer together, from a security perspective and from a partnership perspective and has allowed further dialogue to be done.”

The subsidiary of MNE 1, in the hotel industry, indicated that it had to make a concerted effort to build relationships with new government actors following the Arab Spring. According to the Business Development Director of the subsidiary, “With the Arab Spring, there was a reshuffling of cards, so we had to make greater efforts to rebuild trust, develop relations and explain that it is in the interest of the country to host a business like [MNE 1].” The company’s relationship with the unions were also impacted following the Arab Spring, as employees at a large hotel in Rabat, the capital, demanded better working conditions. The company addressed these challenges by building a dialogue and negotiating with the unions and addressing some of their grievances.

CSR Strategies of MNE subsidiaries in Egypt and Tunisia Following the Arab Spring

After interviewing the Country Manager of MNE 5, a global company that offers computer software and hardware, he suggested that I speak with the Country Managers of the Egyptian and Tunisian subsidiaries and provided me with their contact information. The subsidiaries in Egypt and Tunisia evolved in a very different institutional context than in Morocco and they faced greater pressure during the Arab Spring protests. In both Egypt and

Tunisia, the regimes that had been in power for decades were overthrown which had far-reaching consequences; local, as well international firms were deeply impacted by the government instability that ensued. After interviewing the country managers of the Egyptian and Tunisian subsidiaries, some interesting findings emerged pertaining to CSR strategies, which I include in the next section as well as in the appendix.

Egyptian Subsidiary

Following the Arab Spring, the Egyptian subsidiary developed a 3-year CSR strategy focusing on employability, which it identified as an important area to target in the current institutional environment. The subsidiary invested \$5 million in kind and in cash in different areas to build the capacity of NGOs that specialize in the field of employability, and to strengthen an existing employability portal that supports Egyptians, including youth, recent graduates and women. The portal includes job postings, career advice and skills development modules. The company is also supporting an employability initiative that specifically targets women to provide them with more opportunities, either by finding work or becoming entrepreneurs. According to the respondent, in the Arab world, women do not have the same opportunities as men and this project has been launched to address this societal issue. This is an important example of an MNE working on an initiative that can influence an institution, in this case “the gender institution”. It is during times of uncertainty and change that MNE subsidiaries may have the greatest opportunities to influence and alter some practices or norms in society (Karam and Jamali, 2013).

In terms of stakeholder relationships, following the Arab Spring events, the subsidiary strived to maintain positive relations with its external stakeholders including its customers, its partner ecosystem, which includes suppliers, distributors, solution providers, etc., the public and government and political actors. However, due to the changes in government actors, the company has needed to reintroduce its products and services and has faced some resistance due to the lack

of understanding about technological services. In order to show its value proposition to the authorities, the company worked through other key stakeholders. For example, to convey its value to the Ministry of Education, it reached out to teachers and provided them with software so that the Ministry of Education would perceive the company as valuable to one of its key stakeholders – teachers: “We worked with our stakeholders to present ourselves” (Country Manager.) The company also strengthened its relationships with the NGOs it was working with and leveraged them to deliver more relevant projects for the country.

Tunisian Subsidiary

The subsidiary in Tunisia experienced major pressure and legitimacy concerns during the Arab Spring because it had collaborated extensively with the previous regime and was accused of having been involved in corrupt practices. The company launched a CSR strategy to rebuild its reputation. It collaborated with the new government in place to demonstrate that it had not been involved in any corrupt or unethical practices. It also assessed the current challenges that Tunisia was facing and launched development programs to address unemployment, startup skills development, and entrepreneurship. It collaborated with NGOs, associations, government agencies, and the private sector to work in these areas. After implementing the CSR campaign, the company communicated about it using public relations and communications tools. This helped improve the image of the company and prompted the media and civil society to perceive the MNE in a more positive light. According to the Country Manager “Corporate Social Responsibility is a strong tool in moments of crisis – it shows that the company cares about its people in the specific local context, and that it cares about its partners.” The company’s initiatives have been successful “there have been communications improvements and the company has a higher credibility. It is being highlighted for its value and local relevance in the country” (Country Manager).

Table 6: Examples of institutional pressures following the Arab Spring and corresponding responses

Institutional Conditions	Representative quote	Response of subsidiary	Institutional work
MNE 1 <i>regulative</i> : government instability and change in government/political actors	“So when you have a person that comes out of nowhere after the Arab Spring and that you didn’t know, you have to invest a great deal in the relationship so that it becomes closer”	Lobbying and relationship building	Advocacy
MNE 10 <i>normative</i> : negative attitudes towards the company (for charging high prices, etc.)	“We decided on a grassroots communications campaign, which is mainly socially oriented. We launched a CSR campaign... We decided to target the elements that we felt were the most intelligent for our strategy”	Launched CSR campaign, made efforts for rapprochement with authorities	CSR Advocacy
MNE 5 <i>cognitive</i> : youth employability issues should be addressed by the private and public sectors	“We had to focus on youth employment... we introduced certifications in Morocco at a very subsidized price.. we are also investing in youth.. So there was a refocusing...”	Launched CSR activities	CSR
MNE 5 <i>cognitive</i> : recognition of different cultures and greater pluralism	“We lobbied [parent company] so that inside Morocco you don’t see the separation of the Sahara on the map... We introduced Amazighe [Berber] language on [operating system]”	Launched CSR activities	CSR
MNE 3 <i>normative</i> : Arab world perceived as no longer safe to invest in	“Along with the new Minister of Transport and other businessmen, we tackled a few conferences exhibitions in France...and promoted Morocco as a stable place to invest in.”	Engaged in promotion/lobbying at conferences	Marketing Advocacy

DISCUSSION

Many international management studies focus on the importance of institutions and the ways that institutions influence MNE activities. However, little research has looked at the ways that MNE subsidiaries influence institutions in their local business context. This study attempted to explore the ways MNE subsidiaries interact with local institutions and the strategies that they use to respond to institutions, in particular during periods of institutional upheaval. The research demonstrated that subsidiaries are constantly engaging in institutional work by interacting with the various constituents in their local environments including government and social actors, and that during and following the period of the Arab Spring, these companies had to reassess their role in the impacted countries and to respond in various ways to maintain or rebuild their legitimacy within this environment. Some MNE subsidiaries capitalized on the institutional change occurring to engage in advocacy and to bring about regulatory changes that were more favorable for business in Morocco. Others gave support to social causes, such as youth unemployment by promoting entrepreneurship and innovation. Therefore, the study suggests that institutions can be constraining for firms but that the latter can also actively engage in institutional work to bring about changes, improve their business environment and effect positive social change in the long-term. The study contributes to the research on the relationship between MNE subsidiaries and institutions and provides insights on some of the responses of MNE subsidiaries to institutional pressures or challenges in their environment.

Institutional Work

The study identified three types of institutional work from Lawrence and Suddaby's taxonomy that MNE subsidiaries engage in: 'advocacy', 'defining', and 'educating'; the institutional work is aimed at facilitating MNE subsidiaries' business operations in Morocco by

helping them adapt to the challenges or constraints in the institutional environment, allowing them to maintain or gain legitimacy, or giving them access to resources and new opportunities. The research found that advocacy was the type of institutional work that was most often employed by MNEs and involved mobilizing the support of key political or government actors. In fact, the MNE subsidiaries maintained a collaborative relationship with the authorities to overcome regulative constraints such as administrative slowness and to be able to engage successfully in advocacy when they needed to advance their projects. The subsidiaries are effective at engaging in this type of institutional work because they have adapted their strategies to the local institutional context; the effort that they exert to change some aspects of their institutional environments is done locally, by interacting with local actors. Therefore, although the MNE subsidiaries all originated from developed countries and are international in their processes and structures, the research found that they have adapted and localized many of their practices, which helps them navigate within the institutional environment, manipulate and influence it. MNEs negotiate with actors within their environments because they need legitimacy and resources from the external environment; at the same time, however, they provide technology, capital, and employment and can contribute to economic development in the long run. Following the Arab Spring, when many government and political actors were replaced, some MNE subsidiaries had to make a deliberate effort to develop ties with the new authorities so as to be able to collaborate with them and engage in lobbying in the future.

CSR as Institutional Work

The Arab Spring events caused government instability and changed certain societal norms, including expectations concerning the role of business in society and brought to light the important constraints that young people in the Middle East and North Africa face such as lack of opportunity and high unemployment rates. The study found that MNE subsidiaries responded to

societal pressures by adopting more CSR programs, and programs that specifically addressed the needs of young people to support them in gaining the skills and abilities to promote their employability. Therefore, CSR is a type of institutional work that actors use to gain legitimacy by appearing as more responsible economic actors.

MNE subsidiaries' CSR projects are aimed at giving back to the local community while gaining legitimacy from both internal and external stakeholders in their environments; therefore their projects are adapted do the local environment. In fact, the research found that many of the CSR initiatives were micro-projects tailored to the needs of small and local communities. This is consistent with previous research that argues that CSR in developing countries tends to be less formalized and more philanthropic in nature (Amaeshi et. 2006; Visser, 2008). In addition, our study confirms Jamali's (2009) and Visser's (2008) assertion that CSR in this part of the world is related to deeply engrained cultural and religious values and primarily targets local communities. These findings are important because MNE subsidiaries can use CSR strategies to become more local and to capitalize on the religious and cultural nuances in their institutional context to gain greater legitimacy. In fact, several companies following the Arab Spring used CSR strategically to alleviate institutional pressures, such as negative perceptions towards Western companies.

MNE subsidiaries can influence institutions in the societies in which they operate through their strategies, including CSR. For example, many of the MNE subsidiaries in the information technology sector launched training programs on technology and supported the activities of youth start-ups to encourage innovation in the Middle East. Since the situation in the Middle East was highly unstable following the Arab Spring, these companies wanted to promote entrepreneurship and self-employment as a viable career option for youth. Many MNEs also launched CSR programs to support women or gave support to organizations that provide training and mentoring to women to encourage them to work and to reduce the gender gap. These examples show that

MNE subsidiaries can bring about positive social change and influence societal institutions through their CSR strategies. At the same time, however, MNE subsidiaries are cautious about the social causes they support because they do not want to be perceived as promulgating Western values or ideologies in the countries in which they operate. For example, the subsidiary of MNE 10 wanted to launch several micro-projects that specifically addressed the needs of poor working mothers in Morocco to increase its legitimacy in the environment. One of the initiatives that it supported was a literacy campaign for women who could not read or write. Before launching the campaign, the subsidiary secured the buy-in of Islamic religious leaders to make sure that its initiatives were not deemed inappropriate within the environment. Therefore, the study suggests that MNE subsidiaries need to tread carefully when attempting to shape local institutions, especially institutions such as gender which are sensitive and are associated with moral foundations that can be highly immutable. MNE subsidiaries have to perform a balancing act of respecting the norms and cultural specificities within a society to gain legitimacy and of capitalizing on the changes occurring to bring about positive social change.

The study also suggests that MNE subsidiaries can influence the business practices of local firms. For example, local firms increasingly understand the role of CSR projects and the impact it can have in garnering support from society in general and in raising the morale of employees. Subsidiaries also influence local firms, especially their suppliers, when they encourage them to obtain certifications or to have better personnel practices employees including respecting their employees and giving them benefits.

As mentioned above, the research suggests that MNE subsidiaries adapt their strategies to the local environment and at the same time negotiate with actors in the environment and influence local business practices. An additional insight is that while adapting their strategies to the local environment, MNE subsidiaries also change internally. For example, the subsidiaries are

increasingly hiring local individuals, including at high levels in the organization because the latter can more effectively navigate the institutional environment as a result of their understanding of cultural nuances. Other internal changes include creating new professional roles in the organization to fulfill a function that is particular to the country or environment in which the subsidiary operates. These findings are significant because they suggest that as subsidiaries become increasingly local, their practices will gradually diverge from those of their parent companies and they may gain more autonomy from them.

MNE Agency

This study contributes to the discussion that focuses on the relationship between institutions and MNE subsidiaries and demonstrates the ways that proactive MNE subsidiary managers interact with local business institutions and influence them. Institutional research in the past few decades has tended to focus on the taken-for-granted characteristics of organizational environments and on the ways the structure of institutions dictate the behavior of firms while underestimating the roles of agency or strategic responses in organizations (Beckert, 1999). Drawing from the concept of institutional work, this study sought to contribute to the more recent institutional research that has demonstrated that organizations do have strategic choice. On the one hand, institutions exert pressure on MNE subsidiaries and constrain some of their actions, but on the other hand, organizations have the ability to put pressure and influence regulatory, normative and cultural-cognitive institutions. The extent to which MNE subsidiaries will use strategic action to effect change to these institutions depends on the outcome that they are seeking to achieve. For example, the study found that MNE subsidiaries responded strategically to normative and cognitive demands by conforming to them, as it was advantageous for them. On the other hand, they manipulated certain regulatory pressures in order to advance their interests. In fact, the MNE subsidiaries have proactive subsidiary managers who engage with complex

local institutions and purposefully attempt to shape them. Thus, institutions are not just constraints but can provide unique opportunities for firms. For example, the research showed that MNE subsidiaries leveraged host country institutions such as professional organizations to defend or promote their interests within the Moroccan business environment; MNE subsidiaries work actively around institutions as opposed to passively accepting them.

The study also contributes to the research on institutional plurality by outlining some cases where MNE subsidiaries are faced with complexity stemming from the fact that they must respond to several environments, including their home and host environments. Legitimacy pressures on subsidiaries are strong and complex (Kostova and Zaheer, 1999). It is difficult to reconcile pressure from parent and external host country institutional environment. The study finds that while MNE subsidiaries are accountable to the parent organization, they also have agency in responding to the local institutional environment in which they exist.

Limitations

The study, which aimed to explore instances of institutional work, has several limitations. First, it makes generalizations about strategic responses based on only 10 MNE subsidiaries operating in Morocco. Second, some of the MNE subsidiaries in the sample are small while others are large; smaller subsidiaries are less likely to interact with actors in the institutional environment and to be dependent on them for resources. Another important difference between the MNE subsidiaries is that some have been operating in Morocco for decades while others have been in Morocco for only a few years; the longer a subsidiary has been in Morocco, the more likely it has become local in its practices and functioning. Adapting to the local environment helps promote the survival and success of MNE subsidiaries. In addition, MNEs that have international experience in many different institutional contexts can adapt more effectively than those with less experience. Finally, some MNE subsidiaries experience a greater amount of

institutional pressure as a result of industry regulations or standards or a fluctuating demand for the services that they provide, while others less so. Therefore, making comparisons across these different companies is considered a weakness of this study and could be improved by having a larger sample size. Another limitation of the study is that it does not capture the full complexity of the MNE subsidiary or the parent company. For example, the individuals interviewed may not have all the information regarding some of the strategies of the company. One way the research attempted to overcome this limitation was to conduct additional research by collecting archival data. However, even by employing this strategy, MNE subsidiaries are large entities with interrelated operations and strategies and capturing their full complexity in a single study is not an easy task to accomplish.

CONCLUSION AND SUGGESTIONS FOR FUTURE RESEARCH

An enduring debate in the international management literature has centered on the question of MNE subsidiaries' autonomy from their parent companies and how much they need to adapt to the institutional environment to survive. Research in the past gave less importance to the pressures exerted on subsidiaries from local institutions, and focused more on pressures stemming from subsidiaries' headquarters. Today, there is an increasing amount of scholarly literature suggesting that subsidiaries localize the practices that are critical to their success while recognizing that MNE headquarters also set institutional pressure. This study's findings are consistent with this research and found that MNE subsidiaries in Morocco adapt their strategies and actively engage with local actors in their environment to influence practices or institutions to be more favorable. Following the Arab Spring, many MNE subsidiaries experienced greater institutional pressure and capitalized on the changes that took place to advocate for changes that were beneficial to their operations in Morocco. In addition, many subsidiaries increased their involvement in social causes that increased their legitimacy within the environment and contributed to positive social change.

The primary contribution of this research was to provide examples of MNE agency through institutional work and to show that firms have a wide range of actions at their disposal to influence institutions or practices. Suggestions for future research include conducting a longitudinal study to investigate how MNE subsidiaries influence specific local institutions over the long term. For example, the study found that MNE subsidiaries in Morocco have well-established CSR programs; it would be worthwhile to explore whether MNE subsidiaries' CSR practices or international environment standards are becoming institutionalized and adopted by local firms. Such a study would also allow researchers to gauge the effects of isomorphism on local firms. Another suggestion for future research would be to conduct an in-depth study on the

process that MNE subsidiaries use to devise their CSR strategies and to investigate the amount of autonomy MNE subsidiaries have from their parent companies in terms of designing CSR programs.

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APPENDIX

Case Studies

Multinational enterprises can influence the institutions within their host environments through important innovations such as the introduction of new technologies or processes, which are highly visible and dramatic but also through day-to-day mundane actions over the long-term that take a long time to be visible such as lobbying to change regulations or building relationships with local partners to acquire resources or build legitimacy in the local environment.

Case studies were developed to complement the interview data collected and to demonstrate the ways in which MNE subsidiaries employ strategic responses to the institutions that permeate their institutional environments. The case studies have been compiled from both interview data and information drawn from online articles and company websites and highlight the ways in which the subsidiaries of multinational enterprises in Morocco have influenced local institutions. During the Arab Spring, which resulted in institutional change, some of the MNE subsidiaries were able to capitalize on the transition occurring to bring about changes leading to an improvement in their business environments.

The case studies provide a brief overview of the MNE subsidiaries historical presence in Morocco (or Egypt and Tunisia for the two MNE subsidiaries in those countries), as well as the ways in which the MNE subsidiaries engage in institutional work to adapt to some of the constraints that they face. In addition, the individual case studies demonstrate the ways in which some MNE subsidiaries in the study were able to influence their institutional environment during the Arab Spring.

MNE 1

Global MNE	Moroccan subsidiary
Industry: <i>Hospitality and Tourism</i> Company size: <i>170,000 employees</i> International presence: <i>Present in 92 countries</i> 2014 revenue: <i>\$6.141 billion US</i> Headquarter location: <i>France</i> Founded in: <i>1967</i>	Company size: <i>3500 employees</i> Organizational age: <i>1993</i> Ownership: <i>Joint Venture</i>

Company Background

MNE 1 is a French global firm in the hospitality and tourism industry with business operations in Europe, the Americas, Asia, the Middle East and Africa. The company's presence in Morocco dates back to 1993 when it took over the management contracts of two holiday villages in the south of the country. To reinforce its presence in Morocco, in 1996, the company signed a convention with the Moroccan government, and invested 100 million dollars to build 14 new hotel projects. The establishment of the MNE was an asset for the tourism sector because it attracted other foreign investors in the hotel and tourism industry. Since its establishment in Morocco, the company has built several hotels ranging from 2-star hotels to luxury establishments.

Institutional Environment

As it increased its involvement in the country in the 1990s, the company experienced some major constraints relating to the acquisition of land. The first issue was the high cost of acquiring land to build its hotel projects. In many instances in Morocco, international investors are asked to pay for land more than 10% of the project value. The second constraint that the company faced was related to the complicated administrative procedures to make land acquisitions as a foreign entity. To overcome these constraints in the Moroccan business environment, the MNE partnered with a group of Moroccan institutions that included banks and insurance companies to create an investment company, which would allow it to develop its hotels in Morocco more easily. Both the company and the institutional partners have invested financially in the company's projects. The company is the major

shareholder with 34 percent of the shares of the investment company. According to the respondent, the company's Business Development Director: "We have a particular kind of business development and this is what has allowed us to develop more rapidly in Morocco than in other countries in the region." The partnership has not only enabled the company to invest in many different projects as a result of the financial support from its institutional partners, but it has also allowed it to leverage and use the institutional partners' contacts and resources to obtain authorizations for projects more easily and rapidly than if it had been operating on its own in the market.

In fact, one of the biggest constraints that the company faces in Morocco to conduct business is the length of time it takes to obtain authorizations for projects. The company engages in lobbying and negotiation to obtain approvals and authorizations. For example, in 1999, the company needed to obtain approval from the municipal council in Casablanca for a large-scale hotel and business complex that was going to be built on part of the municipality's property. Initially, the company and the municipal council did not agree on the conditions of the project (including the sale price of the land) and it was only following difficult negotiations that lasted 18 months that the company and the municipal council were able to reach an agreement. The company solicited the help of key government actors to support in its lobbying efforts.

The MNE subsidiary is also a member of professional associations including *la Confédération Générale des Entreprises au Maroc* (CGEM), the General Confederation of Companies in Morocco. The CGEM helps the company build relationships with local actors and is a source of lobbying to change laws or legislation. For example, through the CGEM, the company is seeking to change a law in Morocco that grants fiscal advantages only to large-scale projects. The company is actively lobbying the government to lower the minimum investment amount from 200 million to 100 million Dirham to be eligible for fiscal advantages.

The company also collaborates with other companies in the industry. In 2010, the subsidiary and other companies in the industry created *l'Association Nationale des Investisseurs Touristique*, the

National Association of Tourism Investors. This association allows investors to develop relationships with local actors and to lobby the Ministry of Finance, the Ministry of Commerce and the Ministry of Tourism and to influence regulations and laws.

The Impact of the Arab Spring

The institutional instability that was caused by the Arab Spring events in Morocco had a financial impact on the MNE in Morocco. There was a marked decline in sales from January 2011 to April 2011 as many of the company's clients, many of whom are international companies, opted to hold their seminars in hotels in other regions. The company responded by communicating with its different stakeholders including its customers to reassure them of the safety and stability of the country.

Opportunities for Institutional Work

The company was also impacted by the government instability that resulted following the protests. The company has been operating in Morocco since 1993 and has built a strong relationship with the authorities: "we develop relationships with the different administrations and ministries to be able to develop our business and continue operating in the host country" (Business Development Director). In order to conduct business in Morocco, the company has been developing relationships with local actors and engaging in lobbying to advance its interests. Thus, in the context of the post-Arab Spring, during which many institutional changes took place, including new government officials coming to power, the company had to build ties with new actors.

The company also had to manage some of its relationship with societal actors. The Arab Spring brought to the forefront the great social inequalities that exist in the Middle East and created an environment where individuals felt freer to challenge the existing social order. According to the respondent "there was a small impact on the group's relationships with the unions." As a result of the events, employees were more vocal about their rights. At one of the company's hotels in Rabat, the employees sent a letter to hotel management, to the delegation of Labor and to the governor of the

Rabat region to request an improvement in their employment conditions. The company responded to some of the requests of the employees because it strives to maintain social harmony within its hotels and an ongoing dialogue with all of its partners. The respondent noted the importance of maintaining a good relationship with its employees: “We have to manage these issues because if there is a two-day strike at one of our hotels then our sales will decline. Clients won’t stay at the hotel, they will be unhappy and won’t return, and our brand image will be negatively impacted.”

This case illustrates the ways in which the company strives to overcome institutional constraints by developing strategic relationships with local political and government actors and by engaging in lobbying and discussions with these same actors to establish and maintain its projects in Morocco.

MNE 2

Global MNE	Moroccan office
Industry: <i>Electrical Industrial Services</i> Company size: <i>22,000 employees</i> International presence: <i>presence in 30 countries</i> 2014 Revenue: <i>\$43.58 billion US</i> Headquarter location: <i>Saint-Denis, France</i> Founded in: <i>1913</i>	Company size: <i>2500 employees</i> Organizational age: <i>1946</i> Ownership: <i>Wholly-owned subsidiary</i>

Company Background

MNE 2 is a French company with operations in more than 30 countries including France, Brazil, Indonesia and several countries in the Middle East and Africa. The company offers technological services in the fields of electricity, information technology and communication, climatic and thermal engineering, and mechanical processing. In Morocco, the company's main activities involve building infrastructure and providing high voltage electricity across the country on behalf of *l'Office National d'Électricité (ONE)*, The National Electricity Office and *l'Office Cherifien des Phosphates (OCP)*, The National Phosphates Office. The Moroccan subsidiary also provides services in renewable energy, transport, telecommunications, and water and waste treatment. It has been operating in Morocco since 1946. As a result of its long experience in Morocco, it has developed a privileged relationship with the authorities. It shares its knowledge and experience with the ONE and OCP and provides these organizations with advice on projects.

Institutional Environment

The main challenges that the company faces in operating in Morocco are obtaining permits or administrative forms from government administrations due to the complicated and inefficient bureaucracy. In addition, acquiring permits can be subject to preferential treatment and can involve petty corruption. In order to obtain authorizations or to legalize a form, the company conforms to the institutional environment and pays small sums to government officials. The company also strives to overcome administrative constraints by leveraging the connections that it has developed through its

long experience in Morocco. It has built relationships with government officials at the national level (ex. Ministry of Energy) and at the local government level (ex. municipalities).

The company also collaborates with industry associations to advance its interests. For example, it is a member of *La Confédération Générale des Entreprises du Maroc (CGEM)*, an employer's association and of *la Fédération Nationale de L'Électricité, de l'Électronique et des Énergies Renouvelables (FENELEC)*. These associations act as information brokers and lobbyists for firms. As a member of the CGEM workgroup committee, the MNE subsidiary gives its opinions on legislation or tax proposals made by the government. For example, after holding discussions with the different members, the CGEM met with the authorities and criticized certain provisions in the Finance Bill of 2013, which did not meet business expectations, including the creation of new taxes for companies in the energy sector. The MNE subsidiary also leverages the FENELEC to lobby the government for regulations. Therefore, working with professional organizations opens up doors to push company agendas more easily than if the company worked on its own.

Another challenge that the company experiences in the Moroccan market is the prevalence of counterfeit electrical appliances and equipment. The company cooperates with other companies in the industry, with customs, and with the Ministry of Commerce, Industry and New Technologies to fight against the import of counterfeit electrical equipment.

The Impact of the Arab Spring

The company was impacted by the institutional change that followed the Arab Spring events. As a result of the changes in government, the state budget was voted in with a lot of delay and many of the company's contracts were delayed or cancelled. The second issue that the company experienced were greater delays in payment from its public clients such as the ONE and the OCP; the change in government actors aggravated the delays.

Opportunities for Institutional Work

The company responded to the instability by striving to build relationships with new government actors that could support it in its business development efforts in Morocco. In terms of delays in payment, the company has been lobbying the authorities to impose penalties for delays in payments that exceed a certain time frame.

MNE 3

Global MNE	Moroccan office
Industry: <i>Express Logistics</i> Company size: <i>480,000 employees</i> International presence: <i>Operates in 220 countries</i> 2014 revenue: <i>\$63.6 million US</i> Headquarter location: <i>Bonn, Germany</i> Founded in: <i>1969</i>	Company size: <i>300 employees</i> Organizational age: <i>1987</i> Ownership: <i>Wholly-owned subsidiary</i>

Company Background

MNE 3 is a logistics company that provides international express mail services. The company has been operating in Morocco since 1987 where it provides express mail, and freight logistics services. It is a wholly owned subsidiary of the multinational, which is headquartered in Bonn, Germany. The company has about 300 employees in Morocco and is a market leader with 57% share of the market.

Institutional Environment

When the MNE opened an office in Morocco in 1987, it signed an agreement with l'Office Nationale des Postes et Télécommunications (ONPT), National Posts and Telecommunications Board, which had a monopoly on express post. Since the 1987 agreement with the ONPT, the company has been paying a monthly fee in exchange for operating in the express post industry. According to the respondent, the Country Manager of the MNE, the company has been working to revise the law, as it is outdated: "The Post has diversified and set up its own express products and it longer makes sense for [the MNE] to pay royalties." The company has been calling for meetings to be held between the President of the Post and the company to revise the agreement. However, the law needs to go through a certain process and there are many other law revisions that are given bigger priorities.

The company faces additional regulative constraints including inefficient customs clearance procedures and slow processing of its goods by customs officers. In partnership with the government,

the MNE has been providing training to customs officers to help them become more efficient; the company brings best-developed practices from other countries, such as the United Arab Emirates to train customs officials to promote faster clearance.

The Impact of the Arab Spring

The Arab Spring had a financial impact on the MNE as fewer companies were shipping their products from and to Morocco. Morocco is an outsourcing hub, companies in different industries including textile and automotive manufacture their products in Morocco and export them to other countries. As a result of the turbulent events in the region, many of the subsidiary's contracts were cancelled as companies decided to do business in other regions than the Middle East and North Africa. "The perception was that North Africa (including Morocco) was a risky region to do business in. It reduced the possibilities for foreign direct investment and there was a decrease of trade taking place between North African countries" (Country Manager).

The events did not have an impact on the company's relationship with the authorities. However, the company is working more closely with the authorities for security purposes. The company brings aircrafts that are full of materials and therefore cooperates with customs, with the police and the royal gendarmerie to make sure that the shipments don't present any security risks.

Opportunities for Institutional Work

The company responded to the events by working to improve customer confidence. Along with the Moroccan Minister of Transport and Equipment and other businessmen, the company country manager attended conferences and exhibitions in France, Spain, Italy and Portugal to promote Morocco as a safe place to invest in. The company explained that Morocco had an effective logistics infrastructure, and that the company could deliver goods, safely and quickly. The Minister of Transport spoke about politics, to reassure potential investors that the situation in Morocco was stable: "We played a role in promoting Morocco as a place to do business in and tried to attract companies."

Following the Arab Spring, the company also seized the opportunity of the uncertain environment to lobby the authorities to advance its interests. It capitalized on the government's greater willingness to improve business conditions in Morocco to lobby it to have dedicated customs officers working exclusively for the MNE in its regional hub. This represents the first time that a company has in-house customs solely processing its shipments. Prior to this agreement, the company had to prepare files and send them to the customs officials who also worked on the files of other express companies.

MNE 4

Global MNE	Moroccan office
Industry: <i>Telecommunications</i> Company size: <i>118,706 employees</i> International presence: <i>Offices in 180 countries</i> 2014 revenue: <i>\$27.74 billion</i> Headquarter location: <i>Stockholm, Sweden</i> Founded in: <i>1876</i>	Company size: <i>200 employees</i> Organizational age: <i>1984</i> Ownership: <i>Wholly-owned subsidiary</i>

Company Background

MNE 4 is a multinational enterprise that provides communications technology and services to network operators in more than 180 countries. The company has been active in Morocco since 1984 when it signed its first contract with the National Posts and Telecom Board (ONPT) to provide telephone fixed-line infrastructure. Several contracts followed in 1986, 1989 and 1990 and 1993; through these projects, MNE 4 has provided fixed-line infrastructure that cover a large of the part of the Moroccan territory. Following the deregulation in the telecommunication industry in 1997, the ONPT was split into Maroc Telecom and Postes Maroc and an independent regulatory body, the National Telecommunication Regulatory Agency (ANRT) was created. This opened the door for major investments by foreign firms in the telecommunications industry including MNE 4 who became a supplier of GSM network infrastructure to Maroc Telecom, the incumbent telephone operator. In 2000, MNE 4 completed the GSM network infrastructure for Meditel, the second operator.

Institutional Context

Similarly to local firms and other MNE subsidiaries in Morocco, the company faces some constraints related to bureaucracy and administrative slowness. For example, when it was building the second GSM network in Morocco, it had difficulty accessing some of the sites on which were going to be installed the features of the network due to the multiple stakeholders involved in obtaining

authorizations (municipalities, urban agencies, and *mouqaddems* (representatives of neighborhoods)). The company was able to receive the authorizations after soliciting the Ministry of Interior who facilitated the process by intervening on behalf of the company.

Another challenge that the subsidiary faces is important delays in payment from its clients in the public sector, including government administrations and ministries. The company works to accelerate payments for services it has offered by being in contact with the organizations' finance departments and by inquiring about the delays.

As a technology company, the subsidiary works with its different stakeholders including ANRT (the telecommunications regulatory agency), telephone operators, the government, NGOs and citizens to promote the use of technology. However, it faces resistance because many of its stakeholders lack the technological knowledge to understand some of the company's products and services. The company responds to these cognitive pressures by actively interacting with operators and other partners to provide them information on new features or services and invites them to business training sessions to enable them to acquire the new skills necessary to integrate new technologies. For example, the company has been lobbying the Ministry of Transport to introduce a service that would enable individuals to pay for highway tolls by phone - a service that already exists in other countries - and has been organizing meetings to explain this service to representatives of the Ministry of Transport.

The Impact of the Arab Spring

In Morocco, the government instability that followed the Arab Spring protests had little impact on the company's operations. However, in the other Middle Eastern countries where the company has operations, "there was an impact at the level of the business, at the level of processes, how to adapt the processes and on the morale of the employees" (Human Resources Director). The company also experienced financial losses because clients stopped making investments in telecommunications services. The new governments that came to office in Egypt and Tunisia did not

have the necessary budgets to invest in telecommunications and did not view these services as a priority.

The company also experienced some administrative difficulties as a result of the instability in Egypt and Tunisia: “There was a change in government, which meant there was no more governing and no more political leaders. To obtain papers it was difficult” (Human Resources Director). In addition, government officials were often replaced and the company had to start or submit the same files several time to ensure that they were completed. Although it was a difficult and unstable period for the company, it maintained its business operations and focused on optimizing the networks and making them function under high traffic loads: “we had more requests to stabilize the networks in Egypt and Libya [as people were communicating more during this period]. And this was more work for us but it didn’t translate into more revenue. With everything that was happening, we couldn’t ask to be compensated for the extra efforts. That was a challenge” (Human Resources Director).

Opportunities for Institutional Work

Social media and mobile communications played a major role during the Arab Spring events. The protesters used social media platforms and mobile technology as tools to organize protests, stay connected and share information about the events. The MNE acknowledges this trend in its 2011 corporate social responsibility report: “the tide of mass protests that swept through the Middle East in early 2011, and became known as the Arab Spring, emphasized the role of modern information communication technology (ICT) and digital media to spurt democracy.” At the same time, media reports criticized technology companies including MNE 4 for providing Middle Eastern regimes (the same regimes that people were denouncing during the protests) with surveillance technology to monitor their citizens. The technology included tools to monitor the information that users were accessing online or to block access to websites. MNE 4 used CSR tools to respond to the media reports and maintain its legitimacy. It stated in its 2011 corporate social responsibility report that it was committed to respecting human rights throughout its business operations. It also stated that it had

been holding meetings with its different stakeholders including investors, governments, non-governmental organizations and international organizations to discuss ICT and human rights. In addition, it has adopted the United Nations Guiding Principles on Business and Human Rights, which were published in 2011 and has updated company policy and governance framework to reflect this commitment (2011 Corporate Social Responsibility Report). The MNE is also calling for the development of clearer guidelines for telecom companies that would guide them in promoting the use of information and communications technology to uphold human rights and to ensure that the technology is not misused. It has been participating in discussions with other companies, governments and civil society to discuss this issue and is calling for a coordinated effort to define clear guidelines.

MNE 5

Global MNE	Moroccan office
Industry: Computer software and hardware Company size: 128,000 employees International presence: Offices in 100 countries 2013 revenue: \$86.83 billion Headquarter location: Albuquerque, New Mexico Founded in: 1975	Company size: 60 employees Organizational age: 1984 Ownership: Wholly-owned subsidiary

Company Background

MNE 5 is an American multinational that develops, manufactures, licenses and sells computer software, consumer electronics and personal computers and services; it was founded in 1975 and today operates in more than 140 countries. The company has been active in North Africa since 1993 and has offices in Morocco, Algeria, Tunisia, Egypt and Libya. The company has been operating in Morocco since 1993 and the Moroccan office is the headquarters for North and West Africa. The Moroccan subsidiary employs approximately 60 people.

Institutional Environment

The MNE works with public and private institutions, small and medium enterprises and other actors in the national economy to provide them with information technology and training to use its products and services. The company is confronted with challenges in its institutional environment related to an inefficient bureaucracy and corrupt practices, however according to the respondent “we follow compliance rules that are very strict and we have work perimeters that help us do our work and protect us” (Country Manager). The company also has concerns about the government limiting access to the Internet, which would deter innovation and technological advancement. The company lobbies the government and engages in discussions with Ministers to warn them of the harm that would be caused in terms of innovation and business creation if the government were to limit the use of the Internet.

Impact of the Arab Spring

As a result of the government instability that followed the Arab Spring events, some of the company's contracts with the government were stalled; for a period of time there was no government in office, which meant that contracts could not be signed. There were also government budget cuts and several of the company's contracts were canceled.

Opportunity for Institutional Work

The company implemented several measures to accompany the societal-level changes that took place following the Arab Spring. For example, one of the demands to the government from protestors was the recognition of the Amazigh (Berber) language and culture. The new constitution recognized the Amazigh language as an official language in Morocco and the MNE subsidiary introduced the language in its operating system to accompany this national reform.

The protests, led by youth, brought to the forefront the obstacles that youth face including limited work opportunities and lack of education and skills. To contribute to a solution to these issues, in September 2011, the company decided to reorient its national strategy to focus on youth employability. The company signed a convention with L'Office de la Formation Professionnelle et de la Promotion du Travail, *The Office of Professional Training and Labor Promotion* to train 20,000 individuals in the company's software, information technology, the administration of networks, and in customer relationship management systems. The company invests in training professors who in turn conduct the training of the youth. The company also started supporting youth startups by providing young people with tools, technology and the training that will help them succeed in their entrepreneurial activities. "We have been engaging in CSR since 1998. For example, we did a lot of training for the unemployed. But before the Arab Spring, a lot of the CSR was geared towards the government, whereas now the CSR is geared towards the people" (Country Manager).

MNE 6

Global MNE	Moroccan office
Industry: <i>Consumer goods</i> Company size: 118,000 <i>employees</i> International presence: <i>Offices in 70 countries</i> 2013 revenue: <i>\$83.06 billion</i> Headquarter location: Cincinnati, Ohio Founded in: 1837	Company size: <i>210 employees</i> Organizational age: <i>1958</i> Ownership: <i>Wholly owned subsidiary</i>

Company Background

MNE 6 is an American multinational with a history dating back to 1837. The company commercializes consumer products including detergents, hygiene and cleaning products and has operations in approximately 80 countries in North America, Latin America, Europe, Asia, Africa and the Middle East. The company has been in the Moroccan market since 1958 and operates two factories where its products are manufactured. It also imports many of its consumer goods that cannot be produced locally.

Institutional Environment

One of the main challenges for the company in terms of doing business in Morocco is administrative slowness. For instance, to import its consumer goods from the United States or other locations, there is a large amount of administrative work required (especially for the import of new products) and obtaining authorizations can be a lengthy and complicated process. To facilitate the process, the company has put in place a department that manages the registration of new products and obtaining authorizations. This department regularly meets different ministries to present to them the company's products and some of the issues that it encounters while doing business. The company works to accelerate processes by being informed of administrative procedures and by leveraging contacts. According to the respondent: "To register products that we import we have created procedures and take the time to meet the administrations to explain to them what our products are for" (Human Resources Director). However, the company does not engage in any type of inducement

to obtain authorizations or paperwork more rapidly: “This is a principle of the company, no matter where it is based in the world, there is no bakchich [petty corruption]. If we were solicited, we would prefer not to do any business than to enter into a system like this.”

The second regulative constraint that the company faces is the prevalence of counterfeit goods. The MNE subsidiary hires external agencies that carry out investigations on counterfeiting in the North African region and collaborates with the authorities in the fight against counterfeit goods. It organizes joint training with the government to train customs officers to identify fake products. “The authorities are very keen in collaborating with us for these trainings because we give them the tools to identify counterfeit consumer goods” (Human Resources Director).

The Impact of the Arab Spring

In Morocco, the Arab Spring had a small impact on the company’s business as sales declined slightly during the three months following the protests. As the company markets consumer goods, it is highly subject to consumption patterns and when consumption declines it is reflected in lower sales for the company. In Egypt, the impact on the company was greater, the subsidiary was closed as soon as unrest occurred on the streets, and staff was asked to work from home. However, in Morocco, the company monitored the events but did not close its office or factories. The company has a corporate security department within its headquarters in the United States that is responsible for monitoring events in the world and for informing the company subsidiaries of any safety measures that need to be taken.

Opportunities for Institutional Work

When there are changes in government and different individuals come into office, the company’s external affairs office and General Director take the time to meet the new government representatives and explain to them the work that the company does. Through its long experience in Morocco, the company has established relationships with government actors and works to maintain them. The company lobbies the government to change regulations or improve standards: “we do not

engage in an unhealthy kind of lobbying, but rather we explain why certain regulations need to evolve or we notify the authorities if a norm or standard is missing to regulate a type of product” (Human Resources Director).

MNE 7

Global MNE	Moroccan office
Industry: <i>Automotive</i> Company size: <i>121,807 employees</i> International presence: <i>Group present in 128 countries</i> 2013 revenue: <i>\$46.1 billion US</i> Head quarter location: <i>Boulogne-Billancourt, Hauts-de-Seine, France</i> Founded in: <i>1899</i>	Company size: <i>8500 employees</i> Organizational age: <i>1966</i> Ownership: <i>Subsidiary, Moroccan institutional partners</i>

Company Background

MNE 7 is a French vehicle manufacturer with a history that dates back to 1899. Today, it is the third largest European automaker. The company has been operating in Morocco since 1928 through the presence of a commercial concession that imports and sells the company's cars in the country. In 1966, the company signed a convention with the Société Marocaine de Construction Automobile (SOMACA), *Moroccan Society of Car Manufacturing*, to assemble some its car models in the Moroccan factory. In 2005, the MNE acquired SOMACA to launch a new economy car and the company became its subsidiary. More than 90,000 vehicles annually are produced at the SOMACA, a part of which is exported to Europe (mostly France and Spain) and Egypt and Tunisia. Because the economy car was so successful in Europe, the company decided to open another factory in Morocco. In February 2012, the MNE opened an automobile manufacturing plant in Tanger, which manufactures several of the company's models, including economy cars. Some of the vehicles are sold in Morocco but approximately 85% are exported. The manufacturing plant is a joint venture between the MNE who owns 53% of shares and the Caisse de dépôt et de gestion (CDG), *Deposit and Management Fund*, a state-owned financial institution which owns 47% of the shares. Apart from the SOMACA, there was no automobile manufacturing in Morocco prior to the construction of the new plant. In fact, the MNE's investment in Tanger has placed Morocco on the world map of the automobile industry. The company employs approximately 8,500 individuals in Morocco.

Institutional Environment

Similarly to local and international firms, MNE 7 experiences some constraints such as administrative slowness, specifically for the import and export of vehicles and other equipment. To facilitate procedures, the MNE created a dedicated in-house service in its subsidiary that works directly with Moroccan customs for import and export. The company also has a logistics service that manages the shipping of cars from ports. In addition, to facilitate processes and transactions, the company tries to establish long-term relationships with both government and non-government actors. It is often in contact with local administrations and authorities such as the Ministry of Industry, the Ministry of Economy and the Supervising Ministry for matters that have an impact on the company. Given its long experience in Morocco and that it knows the institutional context very well, including government actors, the company is able to lobby the government to promote its interests. In fact, it has extensive market knowledge and has developed relationships with government actors.

On the non-government side, the MNE interacts with associations for automobile importers such as Association des Importateurs de Véhicules Automobiles Montés (AIVAM), *Association of Importers of Motor Vehicles*. These associations play a role both as a channel to interact with political actors and as an important source of information about the market and the industry. For example, AIVAM collects information on sales and exports for the different car brands. AIVAM's members also work with different ministries to militate for and defend the interests of car companies. Many topics are presented to the ministry such as road security and counterfeiting laws. The MNE subsidiary works with and leverages these professional associations and has its own dedicated services such as the public affairs division that communicate directly with different ministries to promote the interests of the company.

The Impact of the Arab Spring

The political unrest in Morocco and in the other countries in the Middle East had an impact on the company's sales. During the revolution, the company stopped exporting the cars it produced to

Egypt and Tunisia because of the political instability in those countries. In fact, Morocco's position as a car-exporting manufacturer was weakened during this period because the demand for cars in the Middle East declined.

Opportunities for Institutional Work

Following the protests in February and March 2011, the King of Morocco announced that a new constitution would be introduced and Morocco became one of the most stable regions in the country. Drawn by Morocco's stability, the extensive infrastructure of the Mediterranean port and fiscal advantages made available by the state, the company signed a convention with the CDG, a state owned institution, to open a large-scale automotive factory in the city of Tanger.

With the opening of the plant, the MNE has contributed to building an automobile manufacturing culture in Morocco. As no formal educational programs on automotive manufacturing or engineering existed in Morocco, the MNE created a training institute specifically for operators that were hired; each new operator received between 3 to 6 months of training. When the institute had just opened in 2012, expatriates conducted the training until the knowledge was transferred to locals. Since the institute's creation, more than 100 million hours of training were provided to new recruits. This is an example of educating local actors with skills to support a new institution, the factory.

As the MNE increased its physical presence in Morocco, it also developed more CSR programs. The company developed projects to promote road security, an important initiative to help prevent accidents. In partnership with the Ministry of Ministry of Transport and Equipment and NGOs, the company launched a program to promote road safety and targeted different groups including students, youth, the subsidiaries' employees, and professional drivers. The company has also launched support programs for their employees and educational programs for children in the region where its plant is located: "We have implemented CSR projects that aim to provide support to the people in the areas where [the MNE] is implanted that relate to different themes, including education and road safety. In short, we strive to give meaning to our industrial activities; and this will

help strengthen our territorial anchoring as well as our image of being a responsible economic actor”
(Communications Director).

MNE 8

Global MNE	Moroccan office
Industry: <i>Pharmaceuticals</i> Company size: <i>employees</i> International presence: <i>Presence in more than 100 countries</i> 2014 revenue: <i>\$38 billion US</i> Headquarter location: <i>Paris, France</i> Founded in: 1973	Company size: <i>900 employees</i> Organizational age: <i>1965</i> Ownership: <i>Wholly-owned subsidiary</i>

Company Background

MNE 8 is a multinational pharmaceutical company headquartered in Paris, France. The company produces and sells medicine in several therapeutic areas, including diabetes, oncology and cardiovascular disease and has operations in more than a 100 countries. In Morocco, the company operates two subsidiaries – one that it owns at 100% and another that it owns at 85%. The company has 900 employees, which represent about 17% of the pharmaceutical sector in Morocco.

Institutional Environment

In 1965, the Moroccan government introduced a regulation that companies selling medication in Morocco must also have an industrial presence in the country. The MNE subsidiary manufactures medication and other products for companies that do not have an industrial presence in Morocco through its second subsidiary, the one that it owns at 85%.

The pharmaceutical industry in Morocco is highly regulated and the company conforms to the rules and regulations set by the government. For example, to introduce a new type of medication, the company must submit a scientific file to the health authorities, and then obtain an approval as well as a selling price to market the medication. The procedure of registering the medication can be lengthy and the subsidiary has been lobbying the Ministry of Health to review drug policy in Morocco that would accelerate administrative procedures, including for the registration of new medication.

The company also leverages associations such as Maroc Innovation & Santé (MIS), *Morocco Innovation & Health*, to relay messages to the authorities such as proposals or counterproposals. MIS

provides information on the pharmaceutical industry and brings together different stakeholders including industry, government, health professionals, and civil society. MIS has held meetings with the government to discuss medical coverage for drugs, which remain insufficient in Morocco. The subsidiary, in partnership with MIS, has been lobbying the government to increase medical coverage for patients as medical coverage helps spur innovation in the pharmaceutical industry.

The Impact of the Arab Spring

The Arab Spring events had an indirect impact on the company's activities. The subsidiary gained a greater awareness about social issues and the importance of taking into consideration employees' needs and launching relevant corporate social responsibility initiatives. According to the company's Communications Director: "Today companies are realizing that they have to promote and increase CSR; companies must generate profit but they must also be involved in CSR."

Opportunities for Institutional Work

The MNE has introduced new regulations in the subsidiary to increase accountability and transparency. These regulations determine the types and amounts of gifts that can be offered to doctors or other health professionals. These changes within the company are consistent with Morocco's political will to curb corruption following the Arab Spring.

MNE 9

Global MNE (newly-formed joint venture)	Moroccan office
Industry: <i>Energy</i> Company size: <i>2000 permanent, 1185 retail</i> International presence: <i>presence in 16 countries</i> 2013 revenue: <i>\$192 million US</i> Headquarter location: <i>London</i> Founded in: <i>2011</i>	Company size: <i>710 employees</i> Organizational age: <i>2011</i> Ownership: <i>Joint Venture</i>

Company Background

MNE 9 is a joint venture created in December 2011 by three companies – 2 multinational energy companies and a private investment firm. One of the MNE subsidiaries had been operating in Morocco since 1928 and sold 80 % percent of its shares to the other two companies to create the joint venture. The merger created a pan-African company with subsidiaries in 16 African countries and 1400 service stations throughout Africa, including 330 in Morocco. The company’s main products and services include commercial fuels for the aviation, marine and mining sectors, liquefied petroleum gas, lubricants and pumping stations. The company employs 710 people in its Moroccan subsidiary.

Institutional Environment

In Morocco, there are limited national energy resources available and the country is strongly dependent on foreign supplies of oil, natural gas and coal. Fossil fuels are imported and are then provided at below-market rates to local consumers.

The structure of the energy sector is one of the biggest constraints for the subsidiary in the Moroccan market. Distribution companies such as the subsidiary either import or buy fuel products in Morocco and then sell them to consumers at a price that is fixed and imposed by the government. The price at which the companies buy the fuel products is higher than that at which they sell them; the companies are then reimbursed for the difference by the state’s compensation fund. However, the reimbursement process can be lengthy and companies have to manage these financial costs for long

periods of time until the compensation fund reimburses them. To respond to this issue, the subsidiary has been working within the Groupement des Petroliers Marocain, *Grouping of Moroccan Oil Companies*, a professional association that regroups companies in the distribution of fuel and gas in Morocco. Through this association, the subsidiary and other distribution companies have been pressuring the government to reimburse them in more reasonable time frames.

Impact of the Arab Spring

The company was only moderately impacted by the government instability in Morocco; the company experienced greater delays in being reimbursed by the compensation fund.

In 2012, the government adopted a national energy strategy with the goal of diversifying the energy mix and of minimizing the energy sector's impact on public finances by developing programs to stimulate local production in alternative energy sources and reduce fuel subsidies. However, according to the Communications Director of the MNE 9 subsidiary "there was a change in government and some reforms were introduced but we were only moderately affected by these reforms."

Opportunities for Institutional Work

Although the company was only moderately impacted by the institutional change, it continues to participate in meetings with different associations, including the Groupement des Petroliers Marocain, the FENELEC and CGEM to ensure that its interests are protected. It also maintains its relationships with key government actors including the Ministry of Energy, with whom it holds discussions when there are changes in legislation that have an impact on its business operations in Morocco.

MNE 10

Global MNE	Moroccan office
Industry: <i>Environmental Services</i> Company size: <i>330,000 employees</i> International presence: <i>Offices in 48 countries</i> 2013 revenue: <i>\$ 26.2 billion US</i> Headquarter location: <i>Paris, France</i> Founded in: <i>1853</i>	Company size: <i>4000 employees</i> Organizational age: <i>2002</i> Ownership: <i>Wholly-owned subsidiaries</i>

Company Background

MNE 10 is a French multinational firm in the environmental services industry with a history dating back to 1853 and has operations in Europe, the Americas, Africa and Asia. The company has been present in Morocco since 2002 and provides outsourced management services in the fields of water supply, electricity and liquid waste management. The management of these contracts is a form of public service concession where the MNE has entered into an agreement with the government to fulfill the management of public utility contracts. MNE 10 employs about 4000 people and operates through its subsidiaries in the cities of Tanger, Tetouan and Rabat-Sale. The MNE has contributed to improving water, electricity and liquid waste management services in Morocco; for example, the coverage of drinking water and sanitation systems rose from 15% to 30% in some cities where it operates. In addition, more than 70,000 social connections were made to increase access to drinking water. In 2006, the company worked in partnership with the government and connected approximately 60,000 households in marginalized neighborhoods in Tanger to water and sewage networks.

Institutional Environment

The company faces regulative constraints in its institutional environment as a result of excessive bureaucracy and slow administrative procedures, which have an impact on the company's business operations. According to respondent: "I have a pile of papers to sign every day. And the government doesn't recognize emails or any electronic forms" (Communications Director). In

addition, because the company is providing a public utility service it is accountable to several government actors, which increases the number of administrative procedures that it must undertake to operate. The company is accountable to the Court of Auditors, a government organization that has the mandate of reviewing all the expenditures of public companies that render a public service and to make sure that the rules of project tenders are done properly and that all fiscal rules are respected. The MNE must also work with the Ministry of Interior, which oversees all concessionary services, the Delegating Authority, which is made of locally elected officials in municipalities that grant public utility contracts to the company, and the Permanent Support service which oversees the day-to-day activities of the company. When the company wants to invest in a project such as a pumping station, it must obtain an approval from the Delegating Authority through the Permanent Support Service, which ensures that the amount invested and the site chosen for the project is appropriate.

Despite the company's contribution to improving environmental services in Morocco since it arrived in 2002 by providing better services to citizens in sanitation and water supply and by optimizing resources, the company has had a negative image in Morocco. Citizens view the company's prices as too high and are critical of the company's procurement of contracts, arguing that the company was being granted concessions rather than participating in tenders to obtain projects, which reduced transparency and credibility. In 2006, consumers protested against the high prices of water and electricity and called for the company to leave Morocco. To attenuate the demands of the protestors, the local authorities asked the MNE to revise the clauses of the contracts it fulfilled, including the services rendered and its pricing procedures. Therefore, it was within this tense and volatile environment that the company was operating in when the Arab Spring erupted in many countries in the Middle East, including Morocco.

The Impact of the Arab Spring

In February 2011, protesters in Tanger, in the North of Morocco gathered and protested against the company, which again was accused of charging exorbitantly high prices for public

utilities. The protesters campaigned to boycott invoice payments in the different cities where the subsidiary operates. In order to bill water and electricity usage, the company's employees have to physically verify electricity and water meters at different households; these employees were also targeted by the protestors. Company property was damaged as vehicles were set on fire. For the three months following the Arab Spring, the company was unable to receive payments from its customers, particularly those in poor and working class neighborhoods and its cash flow was severely impacted. During the protests, the company was also targeted by the local branches of international NGOs that militate for the protection of the environment and water sources.

The Arab Spring events had an impact on the company's relationship with the authorities. The municipal government of the city of Tanger accused the company of having failed to invest in improving services as had been outlined in its contract and presented the company with a penalty of 55.3 million Dirham (6.27 million USD) for delays in the execution of investments in the context of their delegated management contract from 2002 to 2008. In addition, there were fewer interactions between municipal officials and the company. According to the respondent: "they saw us [the company] as toxic, when they did talk to us, it was to tell us to get our acts together. They were afraid of how the population would react" (Communications Director). Government actors were striving to retain their legitimacy within the tense political environment and did not want to be associated with the company, which citizens were protesting against and demanding to leave Morocco.

Opportunities for Institutional Work

The company engaged in several forms of institutional work to rebuild its legitimacy in Morocco. It changed its communications strategy to reach the individuals that were protesting against its presence and to improve its image in Morocco, it worked to improve its relationship with government and social actors and implemented measures to become more integrated and local in the institutional environment.

Changes in Communications Strategy

Following the Arab Spring events, the company made several changes to address its negative image in Morocco. The company replaced its Chief Executive Officer, and hired new marketing and communications teams to revamp the company image. A new communications director who had prior experience in crisis management was hired to devise a communications strategy that would address the negative publicity that the company had received in the months following the Arab Spring. The communications team built their strategy to respond to the needs of Moroccan citizens. For example, they created advertising materials that were more culturally sensitive to the conservative segments of the population than the materials that had been published in the past. The company also stopped advertising on new services such as new payment methods (i.e. through automatic teller machines or using a phone to pay bills). The respondent noted: “We were accused of being greedy, of stealing money and not investing in the country. If we kept advertising on how to pay for invoices, then what we were saying is – all we care about is making money.” The MNE used its advertising budget to launch a corporate social responsibility (CSR) program that was aimed at providing support to marginalized individuals in Morocco. Most of the CSR campaign targeted individuals in the north of the country where the company was most violently targeted. One of the major projects that the company launched focused on improving the lives of working mothers from marginalized neighborhoods; the company worked with local NGOs to come up with initiatives that addressed the needs of these women. As a result of the CSR campaign, the company initiated several programs, including literacy training, embroidery skills development, and day cares to assist working mothers. The company also launched an educational bursary program for children from marginalized neighborhoods.

Strategies to Rebuild Relationships with Social and Government Actors

Following the launch of CSR projects in the cities where it operates, the company starting organizing events and inviting locally elected officials (municipal councils) and other local

government actors and involving them in some of its CSR projects. For example, the company worked in partnership with the authorities for the launch of an educational bursary program for children. The company's image improved as it increased its engagement in Morocco through the CSR programs: "We rebuilt relationships with everyone in our environment through CSR initiatives. Our CSR was based on micro projects, at the local level, with a grassroots approach" (Communications director). The company became more greatly aware of the need to consider its stakeholders following the Arab Spring events and started engaging in lobbying to explain the value of projects to its different stakeholders. For example, before building a new pipeline in a street, the communications team started notifying NGOs in the area to assist the company in raising awareness about the importance of the project. Other teams in the company lobbied at the level of the authorities to inform them of projects. According to the respondent "In the past, the company hardly did any lobbying. After the Arab Spring, the lobbying has been ongoing and at every level – from the top to the bottom."

The company also hired a Director of Branding and Reputation, which was a new role within its organization, to manage the negative image of the company and to help repair relationships with social actors such as NGOs and local authorities. The Director of Branding and Reputation monitors the activities of NGOs that organize protests against the company. He also participates in promoting the company's projects to youth, women, and neighborhood associations to dissuade them from participating in further protests organized by NGOs.

As a company that provides public utility services, the subsidiary is accountable to several government divisions and has worked to improve its relationship with different government actors following the protests. Prior to the Arab Spring, the company engaged primarily in discussion for projects and investment opportunities with the Ministry of Interior and did not engage much in dialogue with municipal elected officials in the cities where it operates. In fact, during the Arab Spring, elected officials were very critical of the company and accused the company of not investing

enough in water and electricity services infrastructure. Following the Arab Spring, the company has organized more discussions with locally elected officials and the exchanges are more partnership based.

Strategies to Become More Integrated in Local Institutional Context

In order to regain legitimacy in the institutional environment, the subsidiary implemented several strategies to be perceived as a local company. For example, the company ensured that all of its advertisements were culturally sensitive and would not offend the more conservative segments of society. Another strategy was to make sure that the events or other initiatives it organized had a local character; during events in which the company invited locally elected officials or other government or social actors, the company set up a Moroccan flag and played the national anthem.

The CSR program launched by the company was also a strategy to help anchor its presence in Morocco. The company's new CSR campaign specifically targeted working mothers because in Moroccan society mothers have an influence on their families. The company wanted to improve its reputation amongst these women who may begin to view the company in a more positive light, which would help the company to start working in marginalized neighborhoods again. The respondent explained that: "My goal was very clear: to bridge back the gap between the company and the people, authorities, elected officials, civil society and to go back to those areas where the employees no longer felt safe. I wanted to make sure that my colleagues in uniform regained their pride in working for the company" (Communications Director).

Prior to the Arab Spring, the company's main CSR projects were sustainable development initiatives in the South of Morocco launched through the CSR foundation of the headquarters in France. According to the respondent: "what [parent company] was telling us to do was leading us to hit the wall" (Communications Director). Following the Arab Spring, the company implemented CSR programs in the cities and neighborhoods where they had most of their operations to become local and more in sync with the environment.

In terms of local CSR, the company has also been hiring both international and local contractors for large-scale projects such as the construction of water treatment facilities. “Since the Arab Spring, the company is now more sensitive to the fact that when it has tenders that Moroccan companies respond to the tenders” (Communications Director). The company started a project of social progress that ensures that the contractors hired for the projects have ISO standards, declare their employees to social security, treat them fairly and train them. The MNE sends inspectors to construction sites and encourages local companies to have proper standards.

MNE 11

Global MNE	Tunisian office
Industry: Computer software and hardware Company size: 128,000 <i>employees</i> International presence: <i>Offices in 100 countries</i> 2014 revenue: <i>\$86.83 billion</i> Headquarter location: <i>Albuquerque, New Mexico</i> Founded in: 1975	Company size: <i>40 employees</i> Organizational age: <i>1993</i> Ownership: <i>Wholly-owned subsidiary</i>

Company Background

MNE 11 is the subsidiary of an American multinational that develops, manufactures, licenses and sells computer software, consumer electronics and personal computers and services, with a history dating back to 1975 and with operations in more than 140 countries. MNE 11 has been active in North Africa since 1993 when it opened a sales office in Tunisia. It offers sales services and local consulting support in Arabic and French.

Institutional Context

The subsidiary of MNE 11 has worked extensively with the Tunisian government to identify how software and related technologies and services can bring governments and industry closer to their objectives. In 2006, the company signed an agreement with the government of Tunisia to support its electronic government initiatives and the development of the local information technology (I.T) industry. The subsidiary helped the government upgrade and modernize its computer and networking capabilities and invested in programs, knowledge transfer, support for I.T skills growth and educational efforts. As part of the company's strategic agreement with the government, the company opened an innovation center in 2006, the first of its kind in North Africa, to support the development of the Tunisian software industry by stimulating innovation and entrepreneurship and boosting industrial partnership.

Despite the opportunities that the subsidiary has in Tunisia, it also faces some important constraints including the lack of software upgrades by both public and private sector enterprises and

the lack of anti-piracy enforcement, which means that many of the company's products are pirated and sold for a lot less in the informal market which decreases sales for the company. The company has been lobbying the government to introduce more effective sanctions against the sale and use of pirated products.

The Impact of the Arab Spring

As a result of the government instability following the revolution, several contracts between the company and the government were cancelled or delayed for services that the company provides to the government; the company's sales declined during this period. In addition, the company experienced difficulties in holding discussions with the interim governments that came to power following the revolution.

During the period of the Arab Spring there was a strong anti-American sentiment in Tunisia and other regions in the Middle East, which was of concern to American multinational corporations, including the subsidiary of MNE 11. The population protested against Western influences in Tunisia and questioned the impact of western companies in the country. The situation was aggravated for the MNE when a WikiLeaks document showing some of the terms of the 2006 strategic agreement between the subsidiary and the Tunisian government, where the subsidiary provided the government with new software. According to the document, the subsidiary agreed to train Tunisian law enforcement officers on cyber criminality in exchange for the government buying the company's software. Increasing government officials' capabilities through I.T training can be positive but given the authorities' interference in citizen's use of the Internet, questions were asked on whether this increased the government's ability to monitor the actions of their citizens. In fact, prior to the revolution that toppled the government, Tunisia's former President, Zine El Abidine Ben Ali, firmly controlled elections and the government imprisoned political opponents including bloggers and journalists. As a result of the WikiLeaks document that surfaced, the population accused the MNE of

supporting an oppressive regime. The company responded to the divulged information by stating that it works in partnership with governments all over the world for business opportunities:

" [The MNE] partners with countries around the world to help spur local IT innovation and job creation, help broaden access to IT, and to enable governments to adopt IT in the delivery of services to citizens. This has been the focus of our work in Tunisia. Any training was provided as part of the standard global programs — including the Security Cooperation Program — that we have in place." (ZDNet.com)

Opportunities for Institutional Work

In addition to communicating on the ways that it had contributed to improving the IT infrastructure in Tunisia, the company also responded to legitimacy pressures by developing a new CSR strategy to respond to the needs and priorities of Tunisians. The company assessed the country's major challenges and priorities and invested in programs on employment, entrepreneurship and IT skills development. MNE collaborated with local NGOs, associations, government agencies, and the private sector to work on these programs. The company communicated on these initiatives and used public relations tactics to dismiss rumors of unethical collaboration with the previous regime and to improve its public image: "Corporate Social Responsibility is a strong tool in moments of crisis – it shows that the company cares about its people in the current context as well as about its business partners" (Country Manager).

MNE 12

Global MNE	Egyptian office
Industry: Computer software and hardware Company size: 128,000 employees International presence: Offices in 100 countries 2013 revenue: \$86.83 billion Headquarter location: Albuquerque, New Mexico Founded in: 1975	Company size: 160 employees Organizational age: 1995 Ownership: Limited Liability Company

Company Background

MNE 12 is the Egyptian subsidiary of an American multinational that develops, manufactures, licenses and sells computer software, consumer electronics and personal computers and services. The company was founded in 1975 and today operates in more than 140 countries. MNE 12 was established in 1995 as a representative office. In 1997, it became a limited liability company to enhance its presence in the Egyptian market. The MNE offers a wide range of localized and customized products and services to the Egyptian market.

Institutional Environment

The subsidiary of MNE 12 has had a positive impact on Egypt's economic development, including in supporting Egypt to develop an information technology infrastructure. In 2006, the company opened an innovation center in Cairo for applied research. The company has worked with the Ministry of Education to promote the use of information technology in education; it has contributed to training more than 80,000 teachers to help educators merge technology with the educational process.

The Impact of the Arab Spring

Since its establishment in Egypt in the late 1990s, the subsidiary has been working in collaboration with the government on various projects and has supported its economic and social initiatives. Therefore, when the government was overthrown in February 2011, following the Arab Spring protests, the instability that ensued had an important impact on the subsidiary. The

government actors with whom the company had collaborated were replaced and the company had to manage these important changes: “The situation was complicated – in the three years that followed the revolution, there were five different prime ministers and five different cabinets. Every time a new government was in place, we had to reintroduce the company and what we were trying to accomplish in Egypt” (Country Manager). The company had developed a collaborative relationship with the authorities; following the Arab Spring it had to reintroduce its goals and objectives and the value it was contributing to the country. The company experienced a significant loss of revenue because the government was one of its clients and following the Arab Spring government priorities changed, including less of a focus on technology.

Similarly to the subsidiary of the MNE in Tunisia, the Egyptian subsidiary was also confronted with anti-American sentiment and pressures during the period of the Arab Spring. The population protested against Western influences in Egypt and questioned the value and impact of western companies with business operations in the country. The company responded to these normative pressures by presenting and explaining some of the initiatives it had launched since its establishment in Egypt and the ways in which it has contributed to economic development, including the launch of training programs for students in information technology, and supporting the country in building an information technology infrastructure.

Opportunities for Institutional Work

The subsidiary used various strategies to cope with the institutional changes occurring in Egypt following the revolution and to maintain its legitimacy within the institutional environment. It attempted to rebuild its relationship with government actors by reintroducing its business and its value proposition. In addition, the subsidiary leveraged different stakeholders to demonstrate to the new government the important role that it had in Egypt. To demonstrate its value to the Ministry of Education, it provided teaching and information technology tools to teachers, one of the stakeholders

of the Ministry of Education. According to the respondent “we worked with different stakeholders to present ourselves to the government.”

Furthermore, to support the transition that Egypt was experiencing, the company decided to invest in skills development, employability, and entrepreneurship initiatives for Egyptians. The company contributed \$5 million in kind and in cash for CSR programs including training youth in information technology skills and contributing to an employment website that supports young Egyptians in their job search. The company also provided support to women to encourage them to join the workforce either by finding employment or launching their own businesses. The Arab Spring made the company more greatly aware that Egyptians were not only centralized in the big cities – Cairo, Alexandria, and Giza – and the company expanded some of its CSR programs to other Egyptian governorates. It organized events and training on employability, entrepreneurship, and business startups for youth in these regions. As a result of the turbulent events, the company is more implicated in the institutional context and is striving to contribute to solutions to improve the situation for young people and has a greater role in contributing to the country: “we try to leverage NGOs to deliver more relevant projects in these tough times” (Country Manager).

Interview Guide

I. Information about the respondent

1. What is your position in the company?
2. How long have you been working at the company?
3. How much experience do you have working in Morocco or in another emerging market?

II. General company information

4. Is the multinational enterprise a wholly owned subsidiary? To what extent are decision-making procedures influenced by the parent company?
5. How long has the company been operating in Morocco?
6. What are the main projects of the subsidiary in Morocco?
7. How many employees does the company have in Morocco?
8. What is the proportion of local staff versus expatriate staff?

III. International experience of the multinational enterprise

9. What are main obstacles, barriers or challenges to doing business in Morocco? (example: regulative, normative, cognitive demands)
10. How does the company manage the challenges that it encounters?

IV. Relationships

11. What are the subsidiary's most important relationships (ex. customers, suppliers, politicians, NGOs, other subunits, parent company)?
 - a. How does the company manage these relationships?
12. How does the company manage relationships with political/government units? Do they present opportunities/challenges?
13. Does the company belong to an industry, trade or business association?
 - a. Do these relationships allow the company to overcome some of the obstacles to doing business mentioned above?

V. Critical events

In 2011, the Arab region experienced political and economic instability due to the ‘Arab Spring’ events.

14. Did the Arab Spring have an impact on the company’s business operations in Morocco? (Examples: cancelled contracts, delays, regulatory changes)

15. Did these events have an impact on how the company managed its relationships with key actors? If so, how?

VI. Corporate Social Responsibility (CSR) as a legitimacy tool

16. I saw on your website that you have established (x) program to assist in the development of the country. What other kinds of social activities does the company have in Morocco? Please provide examples of these programs.

17. Did the company undertake more social activities after the Arab Spring events?

VII. Looking forward

18. How does the company view its future operations in Morocco? Are there any major concerns in terms of the social/governmental environment for doing business in Morocco?