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Strategic Responses to Institutional Pressures

Understanding Finnish MNCs' Strategic Responses to Institutional Pressures

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ABSTRACT:
In recent years, Finnish multinational corporations (MNCs) have been subject to significant institutional shocks and have faced growing regulatory scrutiny. Consequently, the ability to correctly recognize and influence institutional demands is becoming increasingly important. Furthermore, while institutional theory and more specifically strategic responses to institutional pressures have been a popular theory in research, their research focuses predominantly on liberal market economies, such as the United States, leaving the Nordic and Finnish context largely uncovered. This study aims to provide an understanding of how Finnish MNCs strategically respond to institutional pressures to achieve their desired outcomes in their multinational environment, that is characterized by local customs and increasingly global and fast changing institutional pressures.

The research was conducted as a qualitative study, with the data collected through semi-structured interviews. The sample consists of nine executives from nine large Finnish MNCs across different fields of industry. The findings were analyzed deductively through the research's theoretical framework, consisting of different categories of institutional pressures, local context, strategic responses and organizational learning from previous strategic responses.

The findings suggest that Finnish MNCs respond to institutional pressures in some respects differently than existing theory conceptualizes. Their institutional environment is different, valuing dialogue between the source of institutional pressure and its recipient. Therefore, this study presents an extension to existing theory by introducing new strategies and processes that show how organizations respond to coercive institutional pressures using proactive strategies, such as consensual lobbying and influencing constituents

This study also suggests that mimetic institutional pressures are less unanimous and direct than normative and coercive institutional pressures, with them being less noticeable and unconscious. Therefore, their role in strategic decision-making for Finnish MNCs is less important in a direct way and are rather masked as attributes of normative pressures especially, when uncertainty is high.

As a result, this study extends previous research by applying it to new contexts and further expanding understanding of how different contexts and institutional environment's differences influence the way firms respond to institutional pressures to achieve their desired outcomes. This study also presents practical recommendations that managers should consider, to ensure their ability to strategically respond to institutional pressures more effectively and allow them to reach their desired outcomes.

KEYWORDS: strategic planning, international corporations, compliance, institutional theory

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Tiivistelmä:
Suomalaiset monikansalliset yritykset ovat viime vuosina olleet suurien institutionaalisen ympäristön shokkien vaikutusten alaisena ja ovat kohdanneet kasvavan sääntelyn aiheuttamia haasteita, minkä vuoksi kyky tunnistaa ja vaikuttaa oikein institutionaalisiin vaatimuksiin kasvaa tärkeydessään. Tämän lisäksi, vaikka instituutioteoria ja teoria strategisista vastauksista institutionaalisiin paineisiin on kasvattanut suosiotaan, niiden konteksti käsittää suurimmaksi osin liberaalit markkinataloudet, kuten Yhdysvallat, jättäen Suomen ja pohjoismaiden kontekstin pitkälti huomiotta. Tämä tutkimus tähtää kehittämään ymmärrystä siitä, miten suomalaiset monikansalliset yritykset vastaavat strategisesti institutionaalisiin paineisiin saavuttaakseen tavoittelemansa päämäärät monikansallisessa kontekstissa, jonka tunnusmerkkejä ovat paikalliset tavat sekä kasvavasti globaalit ja nopeasti muuttuvat institutionaaliset paineet.

Tämä tutkimus toteutettiin kvalitatiivisena tutkimuksena, jonka data kerättiin puolistrukturoiduilla haastatteluilla. Tutkimuksen otanta koostui yhdeksästä eri toimialoilla toimivien suomalaisten monikansallisten yritysten johtajien antamasta haastattelusta. Löydökset analysoitiin deduktiivisesti teoreettisen viitekehyksen avulla, joka sisälsi institutionaalisten paineiden eri kategoriat, tavoitteet, strategiset vastaukset sekä organisaatiollisen oppimisen.

Löydökset viittaavat, että suomalaiset monikansalliset yritykset vastaavat institutionaalisiin paineisiin joissain konteksteissa eri tavoin kuin olemassa oleva teoria ehdottaa. Niiden institutionaalinen ympäristö eroaa erityisesti institutionaalisen paineen lähteen ja kohteen vuoropuhelun merkityksessä. Täten tämä tutkimus esittää laajennusta olemassa olevaan teoriaan esittelemällä uusia strategioita ja prosesseja, jotka hahmottavat, kuinka erityisesti lainsäädännöllisiin paineisiin vastataan tässä kontekstissa enemmän proaktiivisilla strategioilla, jotka hyödyntävät yhteisymmärryksellistä muotoa lobbaamisesta ja sidosryhmiin vaikuttamisesta.

Tämä tutkimus esittää myös, että mimeettiset institutionaaliset paineet ovat vähemmän yksiselitteisiä ja suoria, kuin lainsäädännölliset ja normatiiviset paineet, ja ovat täten huomaamattomampia sekä alitajuntaisia. Tällöin niiden rooli strategisessa päätöksenteossa on suomalaisille monikansallisille yrityksille pienempi. Siispä mimeettiset institutionaaliset paineet vaikuttavat päätöksentekoon epäsuorasti ja ovat pikemminkin piiloutuneet osaksi normatiivisia paineita epävarmuuden ollessa suurta.

Täten tämä tutkimus laajentaa aiempaa teoriaa soveltamalla sitä uuteen kontekstiin ja laajentamalla ymmärrystä siitä, miten erilaiset kontekstit ja institutionaaliset ympäristöt vaikuttavat tapoihin, joilla yritykset vastaavat institutionaalisiin paineisiin saavuttaakseen tavoittelemansa päämääränsä. Tämä tutkimus esittää myös käytännön suosituksia, joita johtajien tulisi hyödyntää taatakseen yrityksensä kyvyn vastata strategisesti institutionaalisiin paineisiin tehokkaammin ja mahdollistaakseen haluttuihin päämääriin pääsemisen.

KEYWORDS: strategic planning, international corporations, compliance, institutional theory

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Abbreviations

MNC = Multinational Corporation
AI = Artificial Intelligence

1 Introduction

This paper seeks to understand how Finnish Multinational Corporations utilize strategic responses to influence institutional pressures to achieve their desired outcomes. This introductory chapter presents the background and context of the study, followed by the research problem, questions and objectives, after which it proceeds to define key concepts and definitions, and lastly the structure of the study.

1.1 Background

With global tensions between nations rising and environmental restrictions and limitations evolving, companies are facing a more complex and more rapidly changing environment of different institutional pressures than before. These pressures - mostly laws and regulations (coercive pressures) but also factors such as norms (normative pressures) or uncertainty (mimetic pressures) (Struckell et al. 2022, p.3), affect companies' operations significantly and can create major constraints to firms if not addressed properly (Oliver, 1991).

As the United States imposes major tariffs often in a fast and unpredictable manner, small European countries such as Finland face potential risks on the horizon, as the United States is often their largest export market (Finnish Customs, 2025). The ongoing war in Europe creates constraints and rising costs for firms, further exacerbating uncertainty and speculation, as the environment can be subject to even more rapid change (J.P. Morgan, 2025). Moreover at the same time, European companies also face stricter regulatory scrutiny from environmental regulations as the European Union executes its plan to be carbon neutral by 2050 with stricter regulations introduced annually to reach these goals (European Parliament, 2024).

Therefore, as the Finnish and by extension Nordic environment has its differences, when compared to liberal market economies, the multinational corporations (MNCs) from these countries face a unique environment, which needs further understanding.

According to Engelstad et al. (2015, p.17-18), market liberalization in the Nordics is relatively recent, and the state has traditionally played a large part in market action. Social Democratic political parties have historically been popular in the Nordics, creating a large public sector and universalist principles, that have created “The Nordic Model” countries of the Nordics (Lund & Nielsen, 2019). “The Nordic Model” refers to the welfare state, in which taxes are relatively high and the state provides a basic income and benefits such as free healthcare or retirement payments (Engelstad et al. 2015, p.17). This political environment has created a “consensual democracy” in which the political system enjoys a large amount of legitimacy, and the social divisions are small, with most political decisions discussed in the parliament until there is a strong consensus among decision makers of how to proceed (Engelstad et al. 2015, p. 17-18; Lund & Nielsen, 2019). Collectively, these factors have made these states some of the most stable in the world (World Bank, 2023), which has historically been complemented by an active role from the government and high trust in the system by the general public. Furthermore, the general consensus in the Nordics has been that the state solves problems rather than creates them, which is a stark contrast to liberal democracies such as the United States, where a smaller role of the state has traditionally been assumed (Lund & Nielsen, 2019).

Moreover according to Lund & Nielsen (2019) this high legitimacy of the state and trust in the system has generally meant, that the firms do not enjoy as much freedom as in more free markets such as the United States. While the firms still participate in active market discussion, they are bound by a larger burden of regulation. For instance, the professional unions have generally been powerful in the Nordics, and the firms are required to negotiate generally applying terms of employment with them, rather than with each employee separately if the degree of unionization exceeds a certain amount (Engelstad et al. 2015). This has traditionally meant that each new change to the institutional environment has been discussed with each party involved but has since changed to lobbying and influencing via external communication agencies.

Therefore, even though some of the stabilizing factors have been removed and the market has been liberalized, the Nordic countries are still continuously ranked among the

most stable countries in terms of institutional environment with low corruption and high degree of rule of law (World Population Review, 2025). This according to theory in strategic responses to institutional pressures generally means that firms try strategically respond with less active strategies, as the coercive pressures are strong. However, there are exceptions to this as well.

Moreover, even though institutions are strong, and corruption is low in Finland, companies are shown to often engage in utilizing other responses to institutional pressures than conformity. According to the Finnish Justice ministry (Oikeusministeriö, 2021) Finnish companies tend to influence decision-making discretely with directly lobbying to ministers, but in some cases even protest publicly against institutional pressures.

For Finnish MNCs, operating in foreign countries can pose challenges, if the institutional environment is significantly different. For instance, according to Aklamanu (2014, p.139) Russia has noticeably more corruption and the institutions might exert pressures to benefit themselves, rather than following the rule of law and good governance. This sets Finnish MNCs into a position, where they have to learn to balance conflicting institutional pressures. They can either follow the normative pressure of Finland, where it is expected that the law is followed and corruption is not encouraged, or follow the normative pressures of Russia and engage in corruption to better their position. This may create an environment, where the Finnish MNCs face heightened mimetic pressures to engage in corruption or other behavior that is considered unethical in their home country. Furthermore, the applicability of such instances can further generalize to other countries with varying institutional environments, when compared to for instance Finland.

Furthermore, large foreign markets with strong pressures for differentiated ways of conduct from the home country's ones such as China place another level of institutional complexity to Finnish MNCs. For instance, utilizing subcontractors in China can give the firm noticeable cost benefits, but the traceability of these value chains has proven to be problematic at some instances (Lehr, 2020, p. 9). For instance, social issues with the working condition are possible, with the Chinese government masking some of the operations by restricting process auditing (Uyghur Human Rights Project, 2024). These

issues have created strong normative and coercive pressures from the home country's stakeholders in western countries, making balancing the institutional pressures paramount for the MNC, as the losses of legitimacy from such instances have been highly damaging to some firms' reputation in the past (Flynn & Walker, 2021, p. 298).

Aside from coercive pressures, such as the regulatory pressures mentioned before, firms also face pressures from other directions. An environmental restriction might be following laws, but stakeholders can demand a stricter addressing of the issue, if they feel that it should be considered more carefully. As firms start to increase their environmental actions, it becomes a norm and stakeholders start to expect it, creating a normative pressure (Durand et al. 2019, p. 302). Therefore, it is paramount that firms react and respond to unofficial pressures correctly as well. Durand et al. (2019, p. 302-303) argue that firms must prioritize the normative pressures they face with a cost benefit calculus, that determines whether a normative pressure is important enough to respond and does the firm have the ability to do so. Finnish firms face heightened scrutiny from different stakeholders in the form of normative pressures from Finland and other countries they operate in. Being able to balance and properly address conflicting institutional demands is only heightened with MNCs who must correctly navigate multiple normative environments at the same time. Moreover, according to Oliver (1991, p.152) in times of uncertainty, firms are often not entirely sure how to proceed and therefore often choose the least risky course of action. This creates a strong isomorphic pressure for the firms to mimic the market leader or the firm that seems to fare the best in the given situation.

This combination of uncertainties creates an environment of risk that needs to be addressed with effective and agile strategies to remain competitive in a fast-changing environment, (Doz & Kosonen, 2008) where institutional pressure can pose significant risk to a firm's profitability. Also, the potential public backlash from failing to properly respond to the right pressures, increases the risk on firms' public image and endangers their legitimacy, underpinning Doz and Kosonen's (2008) notion of agile responses in strategy development.

Therefore, Finnish MNCs must both understand their local context and the institutional pressures they face. This study addresses and examines companies' strategies to react to different institutional pressures by utilizing the "Strategic Responses to Institutional Processes" -theory by Christine Oliver (1991) and further complementing it with later studies to provide a deeper understanding of how companies can achieve and keep competitive advantage with these pressures present.

1.2 Research Problem, Questions and Objectives

This study's research problem is Finnish MNCs' strategic responses to institutional pressures and their utilization in influencing of their desired outcomes. This research focuses on specifically Finnish MNCs since most notable research in institutional theory focuses predominantly on the United States and countries with different institutional environments are left with limited amounts of research. The Nordic countries and Finland feature distinctly different institutional environment to that of the United States in multiple ways, the most prominent being the larger role of the state in business and different normative environment, with different normative values. Moreover, Finland is a member of the European Union, which creates its own differences to the coercive environment of the United States.

This study aims to answer the following research question: "How do Finnish MNCs' strategic responses to institutional pressures influence the achievement of their desired outcomes?"

To evaluate this question, this research poses its research objectives as follows.

- Identify the institutional pressures Finnish Multinational corporations face.
- Explore which strategies they use to strategically respond to institutional pressures.

- Analyze the institutional pressures and the strategic responses and how they are utilized to achieve desired outcomes.

To achieve these objectives, this study utilizes a qualitative study on its empirical research, with semi-structured interviews as its data collection technique. This allows the study to explore the strategic responses and understand how they are utilized, creating understanding of the Finnish MNC context and its nuance.

The main structure of the theoretical framework is based on DiMaggio and Powell's (1983) theory of institutional isomorphism and Oliver's (1991) theory of "Strategic Responses to Institutional processes", with the institutional pressures based on the former and strategic responses on the latter. Therefore, there is some overlap between the two main theories, mainly in terms of mimetic pressures (Dimaggio & Powell, 1983) and imitate tactics, which are treated as the pressure towards mimetic behavior and the action of engaging in mimetic behavior consciously or unconsciously.

As institutional theory is a broad theory with diverse phenomena included in it, it should be noted that this study concentrates on external institutional pressures such as laws, regulations, industry norms and societal expectations and the strategic responses at the organizational level. It does not seek to evaluate the performance or outcomes of each strategy in depth, nor does it delve into a firm's internal processes. Additionally, the empirical investigation centers on large Finnish MNCs, therefore, findings may not directly generalize to small or medium sized firms or companies in different institutional contexts.

Moreover, in terms of generalizability, the qualitative nature of this study imposes limitations. Therefore, as the ability to achieve generalizability in qualitative research is according to some scholars not possible, this study seeks to ensure trustworthiness and to find underlying meaning and explanations, rather than generalizable findings (Carminati, 2018; Lincoln & Guba, 1985).

Furthermore, to disclose this study's limitations and to ensure ethical writing, an artificial intelligence (AI) disclosure is necessary. OpenAI's ChatGPT-4o was initially utilized in brainstorming and planning of the thesis, but due to the author not being satisfied with

the results, this was discontinued at an early stage. Therefore, isolated sentences in the introduction and theory chapter were initially produced by AI, with potential vocabulary or grammar associated with AI, but these sentences have all been thoroughly checked and modified from required parts to ensure factuality and accurate representation of the topic. These sentences, however, account for less than five percent of the thesis. Open AI GPT 4o was also used in initial drafting of the interview guide but was considerably altered to ensure that all parts of the theoretical framework are presented accurately. All parts that were written by AI were individually checked and fixed to be factual. DeepL translator was used to translate the interviews from Finnish into English. The author, however, went over both versions in detail and made the necessary adjustments to ensure accuracy. Moreover, all direct quotes were confirmed with interviewees to ensure accurate representation. In addition, Google Gemini 3 was used for proofreading and suggesting adjustments to grammar and all propositions were individually checked, judged and applied by the author to the text. All figures and tables were made by the author without AI assistance.

1.3 Key Concepts and Definitions

Institutional Theory

According to Struckell et al. (2022, p. 2-3) institutional theory explains why organizations develop remarkably similar practices and characteristics. According to institutional theory, firms seek to gain legitimacy by adopting institutional norms behaviors and beliefs, that are created by different institutions. This development towards increasingly similar practices is categorized as isomorphism, which is further divided into three subcategories: coercive (laws and regulations), normative (norms and morals) and mimetic isomorphism (uncertainty). The process of isomorphism is complicated by strategic elements of business, thus mitigating the isomorphic forces firms face (Uchida, 2023).

These isomorphic forces create institutional pressures, that force firms to adapt practices, that the source of the institutional pressure demands (Zhu et al. 2021).

Institutional pressures are divided similarly to coercive, normative and mimetic pressures and are the demands behind isomorphic forces.

Multinational Corporation

According to Safari et al. (2020, p. 2) Multinational corporations (MNC), are corporations that engage in foreign direct investment and own or control value-added activities in more than one country. MNCs often expand via forming joint alliances with each other, making them a key player in the global economy. They are often embedded in different institutional profiles and features, raising critical discussion, on whether and to what extent they apply their home standards or logic when expanding to new markets.

1.4 Structure of the Study

This thesis is organized into five main chapters. Chapter 1 is an introduction, which sets the background for the research and its relevance. The introduction also presents the research question, research objectives and its delimitations. After that key concepts are defined. Chapter 2 presents the literature review and theoretical framework. It establishes the study's conceptual foundation by reviewing institutional pressures, desired outcomes and strategic responses to institutional pressures, presenting a theoretical framework that will guide the qualitative study and its analysis. Chapter 3 details the research design and methodology. It explains the qualitative approach used, describes data collection and outlines the methods of analysis, including considerations of research quality. Chapter 4 presents empirical findings of this study. Chapter 5 discusses the findings in the light of the literature of the theoretical framework and addresses the study's theoretical and managerial contribution. Lastly, this chapter presents its limitations and suggestions for future research.

2 Theoretical Background and Literature Review

This chapter reviews the theoretical literature that forms the foundation of the study on how Finnish MNCs respond to institutional pressures in their business environments. Firstly, this chapter defines the outcomes MNCs pursue in the context of institutional theory. Secondly, it explains the theoretical context, that the Finnish MNCs operate in. Thirdly, it reviews the different types of institutional pressures. Fourthly, it describes the array of strategic responses used to address these pressures. Finally, a theoretical framework is presented, that is used as a basis for the empirical study.

2.1 Intended MNC Outcomes

Literature finds that firms pursue three general outcomes from their responses to institutional pressures. Firstly, firms seek legitimacy, which gives their business greater approval and acceptance Struckell et al. (2022, p.2). Secondly, they seek to turn this improved legitimacy into enhanced competitive advantage, that allows them to do their business more efficiently (Gomez-Trujillo et al. 2024 p.112), which they in turn utilize to achieve sustainable growth, that in turn allows them to grow their businesses in a way that is able to capture and facilitate the gained growth.

2.1.1 Improved legitimacy

Struckell et al. (2022, p.2-3) point out that legitimacy is an especially important concept in institutional theory. They argue that organizations gain legitimacy and partly survive by adopting societal and governmental norms that represent the congruence of the organization's activities and their internal culture with their external environment's norms. Suchman (1995, p.574) argues that legitimacy is a societally constructed concept that reflects the beliefs of the community and what it as a whole deems appropriate and virtuous. Struckell et al. (2022) continues to argue that firms can also use legitimacy to

their advantage to do normally inappropriate actions when enough peer support from other firms are presented. This is further extended by Suchman (1995), according to whom firms may diverge from societal norms without losing legitimacy, as long as this is concealed due to legitimacy's socially constructed nature.

Suchman (1995) further argues that firms seek legitimacy to enhance continuity and credibility either actively or passively. Oliver's (1991, p. 174) framework of responses to institutional pressures supports this by providing strategies that are apparently active or passive in their nature. This divide in the types of legitimacy seeking further pinpoints the dynamic nature of firms' responses to institutional pressures and the complicated nature of factors that contribute to a given decision, which also highlights the fluidity of legitimacy as a concept, rather than a fixed set of goals for firms to strive towards.

Also, MNC's operating in multiple markets face a complex environment, where they have to effectively balance between multiple countries, all with different issues regarding legitimacy (Sun et al. 2021, p. 1819). This creates an environment of contradicting institutional logics, which may need to be prioritized according to the firm's priorities. According to Greenwood et al. (2012, p. 319) institutional complexity and its implications for social legitimacy may influence a firm's access to critical resources, which in turn underscores the importance of securing approval from important constituents in key areas.

Furthermore, institutional constituents, such as regulatory bodies, industry associations or international investors, play a critical role in defining what practices are considered legitimate. According to Ren and Wang (2023, p. 40609), these actors enforce norms through both coercive mechanisms such as regulations, sanctions and normative expectations. For example, in the context of corporate green innovation, provincial officials and CEOs are seen as key actors whose influence can either amplify or mitigate the effects of these pressures (Gamache et al. 2020).

2.1.2 Competitive Advantage

Improved legitimacy is often utilized to gain a competitive edge against competitors, but this is not the only aspect of institutional theory that can be utilized to pursue competitive advantage. According to Martin (2014) institutional theory can be utilized to achieve institutional competitive advantage by utilizing pre-existing resources and undertaking actions that prompt the local institutional environment to enable further resource accretion. Martin (2014, p. 65) further argues, that this deviates from the classical notion of institutions directly and homogenously influencing firms. According to Oliver (1991, p.149), firms also act in their best interest to enhance their legitimacy and competitive position. Durand et al. (2019, p.299) concur with this notion by arguing that firms engage in a cost benefit calculus to determine whether they should comply with a normative pressure, as the given pressure may not be aligned with the firm's competitive interests and therefore deviate the firm away from its core goals if compliance with the pressure is pursued.

Multinational aspects of competitive advantage bring complicated factors to consideration. Seeking competitive advantage in multiple markets at the same time bring the different competitive environments and institutional pressures of each market that the MNCs have to balance. The Uppsala model (Vahlne & Johanson, 2020) further explains this difference by physical and cultural distance; a physically close country might have a different cultural environment, which differentiates the two markets, so that same response might not work in the given markets if the cultural distance is high. Furthermore, physically distant countries might have different and contradictory institutional pressures that increase institutional complexity, whereas physically and culturally close markets, such as those in the Nordics, might have a rather similar institutional pressures.

2.1.3 Sustainable Growth

Sustainable growth is the third general outcome firms pursue. Growth can be acquired by capturing share from an expanding market, gaining market share from competitors

and expanding to new markets. Kim and Mauborgne (2004) define the latter as the most favorable, as competition is the lowest by inventing a new way to differentiate a given product. This allows the firm to sail on a “blue ocean” without competition and avoid the attritive competition of “red seas”. For MNCs or to be MNCs, expanding to new markets also means expanding to physically new markets, such as a new country. According to Zhao et al. (2014, p. 858) new markets and especially emerging markets allow firms to chase lucrative and challenging business environments, which present MNCs with complex stakeholder environments and institutional changes. Zhao et al. (2014, p.858) further argue that the ability to recognize institutional pressures and reacting to them correctly allows MNCs to gain sustainable returns in emerging markets.

The United nations (N.D.) defines sustainable growth as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs”. For firms this means addressing possible chokepoints in their operations that contradict this ethos. Furthermore, in their paper Kramer & Porter (2012, p.6-7) argues that recent increases in normative pressures towards more environmentally and socially sustainable business have driven firms to pursue legitimacy from addressing these issues. This in turn has re-conceptualized growth as a concept in business that also includes creating value for stakeholders, which in turn creates shared value for the larger community, rather than only for shareholders as is the traditional view. According to Kramer and Porter’s (2012, p.17) paper, by creating shared value, firms are able to achieve increased legitimacy, that allows them to further gain competitive advantage, by appearing more concerned about the consumer’s issues and not only as another firm, but that also prioritizes short term profits above all else. Kramer and Porter (2012, p.5) also conceptualizes that reconfiguring firm’s operations towards creating shared value allows them to also create innovation, which in turn creates business growth from more efficient and better use of resources.

According to Zhao et al. (2014, p. 858-859) it is paramount for MNCs to properly address the normative pressures arising in new countries in order to secure enough legitimacy with new stakeholder groups in the market. This amplifies mimetic pressures towards

similar issues in other markets, and the presence of human capital and experience is paramount. Faroque et al. (2022, p.11) argue that new international ventures such as born globals can face heightened danger or having to pull out of the new market, as the know-how for potential issues is not yet gained. This increases mimetic pressures towards competitors, which in turn might not be as effective as in-house knowledge on the matter. Therefore, being able to address normative pressures and utilize sustainable growth in all markets the firm operates in is paramount. Utilizing existing knowledge to acquire human capital allows the firm to address potential issues and create innovation, that in turn can be utilized to grow sustainably.

2.2 Types of Institutional Pressures

Literature divides institutional pressures generally into three categories: Coercive pressures, Normative pressures and Mimetic pressures, that are based on the seminal work of DiMaggio and Powell (1983). According to institutional theory, these pressures cause institutional isomorphism, which drives firms to adapt similar practices (Kauppi & Luzzini, 2022, p. 79). These three are discussed in detail below.

First, however, it is important to distinguish the different definitions of institutional pressure categories, as this paper utilizes theories that define institutional pressures differently. Oliver's (1991) typology, that converges both institutional theory and resource dependence theory differs from the standard division to three mechanisms and extends the divide further to five "institutional factors": cause, constituents, content, control and context, that predict the strategic response (figure 2). With resource dependence theory, Oliver (1991, p. 146) proposes a more active role for the firm's agency and independence to make choices that enable it to achieve favorable outcomes. While Oliver's institutional factors are seminal to the field of institutional theory, this study utilizes the three classic categories (coercive, normative and mimetic) to link the paper better to the larger institutional theory field and less to that of resource dependence theory to ensure conciseness and focus. Furthermore, while this study assumes the active role of agency for firms,

it does it from the perspective of institutional theory and not from the perspective of resource dependence theory.

2.2.1 Coercive Pressures

Bromley & Powell (2012, p.8) posit that legal mandates may compel organizations to adopt specific practices, even if these practices may not be entirely aligned with a firm's internal objectives and may direct time and attention away from core goals. Moreover, especially when legal coercion is high, the local laws and regulations create a baseline of unanimous compliance in most instances, that the firms must follow in order to avoid legal or legitimacy related losses (Oliver, 1991, p.168).

DiMaggio and Powell (1983, p.150) define coercive isomorphism as pressures, that are exerted by organizations to other organizations that depend on them. Coercive powers include official institutional pressures such as laws, directives and tariffs and are therefore the only institutional pressures with a legal mandate. Some form of coercive pressure is always present, as every country possesses laws that regulate a firm's external environment. Oliver (1991 p.160,168) argues that coercive factors are among the strongest factors, that encourage firms to comply with an institutional pressure more effectively than most other factors.

Coercive factors are strengthened by strong institutions. Therefore, disclosed organizational corruption weakens legitimacy for both the firm and the institution (Schembera & Scherer, 2017, p.301-302). Zyglidopoulos et al. (2020, p.338) argue that corruption is beneficial for the MNC when the risks are low and there are payoffs in engaging in corruption. According to Oliver (1991, p. 169) low legal coercion discourages firms from complying, as the punishments are relatively weak or nonexistent and the effect on legitimacy is low. Zyglidopoulos et al. (2020, p. 339) further argue that MNCs who engage in corruption are often from a country of low legal coercion and high corruption operating in countries with similar conditions. However, this does not imply, that corruption only happens in low legal coercion countries, but rather that it is less common, as the

risks outweigh the benefits and the damage to legitimacy is high. (Zyglidopoulos et al. 2020, p.341).

Though coercive pressures face less objection and are more likely to be complied with, they still face other reactions than absolute compliance. Raaijmakers et al. (2015, p. 85) argue that coercive pressures are especially vulnerable to delays from the firms to fully comply. Raaijmakers et al. (2015, p. 85) further argue, that institutional complexity is especially important factor in determining how quickly the firm complies. According to Raaijmakers et al. (2015, p. 102-103) increased institutional complexity increases the delay's length, as the decision makers to adopt a new practice if the adoption can provide uncertainties with important constituents. Furthermore, Oliver (1991, p. 168) argues that strong coercive pressures face more moderate noncompliance, and firms seek rather to compromise and delay their response rather than utilizing more directly not complying with the pressure, concurring with Raaijmakers et al.'s (2015) notion of delayed compliance.

2.2.2 Mimetic Pressures

According to Oliver (1991, p.152-153) mimetic isomorphism is usually encountered when organizations face uncertainty. This causes firms to mimic other firms that are successful or dominant in the market. According to Huang et al. (2022, p.2) mimetic pressure is considered as the pressure firms face, when they do not implement a choice that their peers have implemented which is believed to be a competitive advantage. This pressures the firms toward isomorphism in that area and weakens the competitive advantage of the firm that first adopted the said choice.

Huang et al. (2022) extend Oliver's original notion (1991, p.152-153) of mimetic pressures occurring mostly in times of uncertainty to also discuss environmental restrictions. Huang et al. (2022, p. 14) argue that increased mimetic pressure towards environmental innovation leads towards more environmentally favorable choices, as innovations in

environmentally sustainable matters become a norm, but also a concern of having to catch up eventually, which could lead to an unfavorable competitive position.

As Oliver (1991, p. 160) emphasizes, when the external environment is volatile, firms face higher risks of noncompliance, hence, the pressure to conform increases. These pressures further drive firms to seek successful strategies from their competition for strategies, that seem successful during hardships (Oliver, 1991, p. 170). Özbek et al. (2022, p. 18) however state, that mimetic pressures, while often present in times of uncertainty can also occur with new innovation, that appears to competition as the prevailing new way in their field. Therefore, while mimetic pressures are often associated with uncertainty, they do not only appear in adverse conditions, but also in times of innovation, that have the potential to shape the industry permanently.

Bamberger (2008, p. 839, 844) also argues that recent advancements with contextual factors in research and technology give firms more possibilities to consider the effect of context and the interplay of micro- and macroeconomics in their decision-making. For Finnish MNCs, this implies, that the ability to understand their competitive environment allows them to utilize competition's actions in both negative and positive conditions to recognize new and winning strategies.

Mandrinos & Lim (2023) also highlight that the level of international exposure can intensify institutional pressures. Greenwood et al. (2011, p. 354) further discuss how the interconnectedness of institutional fields creates a complex environment where firms must simultaneously satisfy local and global expectations. Brammer et al. (2021 p. 303) also argue that MNCs dealing with multiple institutional logics are bound to face inconsistencies between different markets. These inconsistencies force firms to weigh the importance and necessity of conflicting institutional pressures. This in turn may increase mimetic pressures, as mimicking competition may provide a working solution relatively easily.

2.2.3 Normative Pressures

Durand et al. (2019, p. 301) define normative pressures as "the evaluative and obligatory dimensions of an organizational order that weigh on an organization to gain, maintain, and defend its legitimacy." Normative pressures can manifest as sustainability issues, work conditions or other diverse problems (Durand et al. 2019, p. 301), that are the norm in the given environment (Oliver, 1991, p. 162). Normative pressures are not controlled by any official body but are rather a product of a certain country or area's collective thought of what is "right". Durand et al. (2019, p. 302) argue that for example the recent interest in environmental responsibility from the public has made environmental consciousness a new "norm" and therefore if a firm gets caught not taking the environment into account enough, it will face normative pressure to do so.

Durand et al. (2019, p. 304) Normative pressure issue salience depends also highly on the issue context; more apparent and urgent issues to the firm are prioritized, as resources are limited. This way the firm does not have to respond with all of its resources to an issue that might be more relevant in another field of business. Furthermore, as normative pressures are defined by public opinion, stakeholders are an especially important group to consider, as they legitimize the issue salience, by demanding or expecting it (Durand et al. 2019, p. 302.

Ownership structure and international scrutiny are also important for forecasting the level of normative pressures faced. Firms with significant foreign ownership face heightened scrutiny, which in turn amplifies the pressure to conform to local pressures (Shi et al. 2020 p.84). State ownership can also be an important factor to consider, as according to Cui & Jiang (2012, p.280) it can increase willingness for compliance over non-state-owned companies. Therefore, as many Finnish companies are in varying degrees state-owned, the potential for pressures varying due to this is plausible.

Normative pressures also differ between countries, for example, environmental values might be more important in Europe than in Asia. This is especially problematic for MNCs, who operate in multiple normative environments at the same time. These institutional

logics differ and sometimes contradict each other increasing the potential for error, as normative pressures might not necessarily be as clear as coercive or mimetic pressures, due to their inherently changing and fluid nature. Therefore, MNCs must dedicate resources to monitor normative pressures especially closely.

2.3 Strategic Responses

Institutional theory has evolved over several decades and has grown to accommodate diverse empirical phenomena (Glynn and D'Aunno, 2019, p.301). In particular, the early emphasis on conformity is complimented by theories such as Oliver's (1991) or Durand et al.'s (2019), that state that firms act on their best interest to influence their environment and adjust their strategic responses based on calculations and prioritization.

While Finnish MNCs must conform to institutional norms to secure legitimacy and resources, they also actively influence these norms to achieve their desired outcomes. However, while doing so, they must also balance conflicting demands from different constituents. According to Greenwood et al. (2011, p. 336) institutional complexity points out that firms face overlapping and sometimes contradictory pressures from multiple institutional environments. Especially with contradictory institutional pressures firms are forced to balance or choose to which demands they see as important and which less so, with their responses adjusted accordingly. Furthermore, conflicting institutional demands from different countries place Finnish MNCs in a position, where they must potentially choose to prioritize different markets, in order to suit one institutional environment's needs better. Therefore, institutional theory provides the necessary perspective to capture the characteristics of Finnish MNCs' strategic responses.

Oliver's (1991) theory divided the strategies into five different categories: acquiescence, compromise, avoidance, defiance and manipulation. These strategies are then divided into smaller subcategories (tactics) which refine out the response even further. According to Clemens and Douglas (2005) acquiescence is a passive reaction, meaning that when a firm utilizes acquiescence, they agree to the institutional pressure in different

contexts. According to Oliver (1991, p.160), acquiescence strategies are utilized when the pressure faced is enforced by a strong stakeholder, such as a legislator or an important shareholder, with high coercion over the firm. Moreover, with these strategies the conflict between demands is low and the content of the pressure is consistent, with low constraint on the firm's operation. In terms of uncertainty, these strategies are especially common in uncertain situations, where the pressure is linked to the larger institutional environment.

The other four, on the other hand, represent active strategies, which require the firm to actively engage in the strategy and to make a conscious decision to proceed for it to happen. Compromise strategies are in simplified terms the mildest of the active strategies. According to Oliver (1991, p.152, 160) with compromise strategies the firm often faces multiple demands from different stakeholders, with demands that have less legitimacy than pressures with acquiescence and are a moderate constraint to the firm's operations. However, the defiance of such pressures is often less ideal, as the stakeholders are still important, with moderate coercion over the firm. Furthermore, the uncertainty and interconnectedness are still both relatively high with pressures that lead to compromising. With compromise strategies, the response is often less substantial and includes more emphasis on interacting with the pressure's assertor to find a solution that allows for an easier solution to the firm, rather than agreeing or denying to said pressure completely.

Avoidance strategies are according to Oliver (1991 p.152, 160) common with pressures that put a major constraint on the firm's operations, but the source of the pressure still has moderate control over the firm and direct defiance is more difficult. However, the pressure's cause has low legitimacy and the firm's constituents have opposing demands of the pressure. These strategies emphasize the ability to avoid or shorten the amount of time needed to comply with the pressure, with the objective being less or no compliance, without the possible negative effects of direct noncompliance.

Defiance strategies on the other hand are visible noncompliance of an institutional pressure, in a way that openly defies the pressure with the tactics varying on the level of

activity, that the firm uses to work against the pressure, with the more passive strategies emphasizing visible nonconformity, but more active tactics attacking the source of the pressure (Oliver, 1991, p.156). These strategies are utilized when the firm has less to lose from noncompliance and high constraints when complied in terms of the determining factors for the institutional pressure. Factors such as the assertor's control and the institutional environment's uncertainty or the pressure's interconnectedness to the institutional environment are, according to Oliver (1991, p.160) low in such instances, which further mitigate the potential risks of defiance and enable the defiance and isolate the behavior from potential losses of legitimacy for the firm.

Manipulation strategies according to Oliver (1991, p.160) happen in similar environments as defiance strategies, with the main difference being the active willingness to shape the institutional pressure or exert power over the content or sources of the pressure. Oliver (1991, p.157) further defines manipulation as purposeful and opportunistic action to control, influence or co-opt the institutional pressures or evaluations. This distinction separates manipulation strategies from lawful lobbying in this context, due to the context given by Oliver (1991, p.160) in terms of the environment and criteria (p.157). Therefore, these actions, while in part similar to distinctions of lobbying, feature similar aspects, the undertone for these actions is rather to change or manipulate existing beliefs and rules, rather than to influence new bills and legislation.

Strategies	Tactics	Examples
Acquiesce	Habit	Following invisible, taken-for-granted normsImitate
	Imitate	Mimicking institutional models
	Compliance	Obeying rules and accepting norms
Compromise	Balance	Balancing the expectations of multiple constituents
	Pacify	Placating and accommodating institutional elements
	Bargain	Negotiating with institutional stakeholders
Avoid	Conceal	Disguising nonconformity
	Buffer	Loosening institutional attachments
	Escape	Changing goals, activities, or domains
Defy	Dismiss	Ignoring explicit norms and values
	Challenge	Contesting rules and requirements
	Attack	Assaulting the sources of institutional pressure
Manipulate	Co-Opt	Importing influential constituents
	Influence	Shaping values and criteria
	Control	Dominating institutional constituents and processes

Figure 1, Strategic Responses to Institutional Pressures (Oliver, 1991, p.152).

Predictive factor	Strategic Response				
	Acquiesce	Compromise	Avoid	Defy	Manipulate
Cause					
Legitimacy	High	Low	Low	Low	Low
Efficiency	High	Low	Low	Low	Low
Constituents					
Multiplicity	Low	High	High	High	High
Dependence	High	High	Moderate	Low	Low
Content					
Consistency	High	Moderate	Moderate	Low	Low
Constraint	Low	Moderate	High	High	High
Control					
Coercion	High	Moderate	Moderate	Low	Low
Diffusion	High	High	Moderate	Low	Low
Context					
Uncertainty	High	High	High	Low	Low
Interconnectedness	High	High	Moderate	Low	Low

Figure 2, Predictive Factors and Predicted Strategic Responses (Oliver, 1991, p. 160).

Figure 1 displays the tactics and examples for them. Figure 2 displays the predictive factors and strategic responses according to Oliver's (1991) theory.

As Oliver (1991) conceptualized that these strategies are influenced by the nature and strength of institutional pressures. This hypothesis is also confirmed by later studies (Clemens & Douglas, 2005). According to Oliver (1991), strong coercive pressures are the most likely to foster passive strategies and less active strategies, such as manipulation, whereas according to Clemens & Douglas (2005, p. 1209) legitimacy related pressures are more likely to foster active strategies.

Clemens and Douglas (2005, p.1211) Argue, that profitability is a strong incentive for firms to choose an active strategy, in a scenario, where otherwise a more passive strategy would be utilized. They argue that despite compliance, the ability to be profitable is paramount. Moreover, the interconnectedness of the firm's environment is according to them a strong predictor of what to some extent strategies the firm preferred; more actively cooperating firms were, according to them, less likely to utilize active strategies, whereas less cooperative firms were more likely to utilize active strategies. Therefore, the more cooperative the firm is with the regulators and other firms, the less likely it is according to Clemens and Douglas (2005, p.1211) to utilize active strategies. Furthermore, these firms often utilize compromise strategies in order to prosper in their environment, but also manipulation strategies in some cases. The presence of manipulation however somewhat conflicts with Oliver's (1991) original typology, which sees manipulation as one of the "riskier" responses which is more commonly utilized in situations where the legal coercion and risk is low.

This can however be a "retreating cat effect" as described by Kaptein (2022, p. 302), where the more ethical the firm becomes, the more freely they are able to proceed with looser oversight, as regulators start to trust the firm more blindly as they believe that the firm is proceeding as required. This creates an opportunity for the firm to abuse this situation and proceed more freely, usually resulting in doing what is easiest for the firm and not how they are assumed to do. This is further strengthened by the "forbidden fruit effect" in which according to Kaptein (2022, p. 304) the more ethical the firm becomes, the more tempting the wrongdoing becomes. As the firm does as the regulators and

stakeholders demand, the more expensive it becomes, making the cheaper and easier profit a “low hanging fruit”

This is further extended by Durand et al. (2019) who introduce a model explaining how organizations respond to normative pressures by focusing on two primary factors: the willingness to act, captured through issue salience and the ability to act, determined by a cost–benefit analysis for compliance with the normative pressure. According to this model, the decision to respond is not uniform. According to Durand et al. (2019, p.303,314) the firm’s managers assess the importance of the normative pressure based on stakeholder influence and the alignment with the firm’s identity and then evaluate the expected economic and social benefits against the costs incurred when mobilizing resources towards the pressure. According to this model, as issue salience increases, the perceived benefits of action initially outweigh the costs until a threshold, beyond which further increases in salience lead to diminishing net benefits due to rising resource mobilization costs (Durand et al. 2019, p. 310–311). In contrast, the net benefit of inaction declines steadily with higher issue salience, as the social and reputational penalties for non-response become increasingly severe (Durand et al. 2019, p. 304–305).

Durand et al. (2019) state that while Oliver’s (1991) framework is seminal to the field, it overlooks some aspects that have later found out to be important. According to Durand et al. (2019 p. 302) drivers for companies’ willingness and ability to conform are largely overlooked. However, as Durand et al. (2019) mention, Oliver’s (1991, p. 152) large repertoire of responses created a comprehensive springboard for later theoretical advancements to build upon.

Building further on this, another response is reversion, which Uchida (2023, p. 771) defines as temporary compliance with institutional pressures followed by a deliberate retreat to previous practices when the pressures are less binding or when managers’ interests diverge from institutional expectations. According to Uchida (2023) firms initially adopt practices that signal compliance but later revert to their old ways when faced with performance pressures or managerial discretion. Conversely, Kaptein (2022, p. 303-304) argue that firms may comply briefly, to avoid stricter oversight from regulatory bodies,

that make it harder for the firms to revert to more suitable practices. Moreover, according to Uchida (2023, p.777), factors including foreign ownership, high standing in the organizational field and international scrutiny increase the likelihood of initial compliance by pressuring firms to signal their commitment to institutional norms.

Furthermore Uchida (2023) points out that previous studies such as Oliver's (1991) or Greenwood et al.'s (2011) assume that once a firm has done a strategic response to an institutional pressure it would be irreversible. Uchida (2023) however argues that reversion cancels this presumption as according to them, responses can be reverted, if needed or deemed appropriate by the firm. According to Uchida (2023), this points out the temporary nature of responses in this area and suggests that the field of responses to organizational pressures is constantly evolving.

By further integrating Durand et al.'s (2019) notion of cost-benefit calculus to reversion, enables the ability to gain further insights into firms' strategic decision-making. As according to Durand et al. (2019) firms' willingness and ability are utilized in a cost-benefit calculus to determine responses, utilizing Uchida's (2023) notions of reversion this same logic could possibly be applied longitudinally in terms of time to discover, whether the concept of reversion can be utilized in broader contexts.

Furthermore, Mandrinos and Lim (2023, p. 66-67) point out that firms may choose to pull out of certain markets as an extension to a strategic response. According to them, the process of de-internationalization is not merely a result of a failed internationalization process or poor market performance, but instead a deliberate choice, that is influenced by the institutional environment they operate in. However, according to Tang et al. (2021, p. 279) de-internationalization can also occur after a failed internationalization, especially with younger firms. The risk for potential unwanted de-internationalization is especially high with firms, who have less experience with internationalization and are not able to utilize their dynamic capabilities effectively (Tang et al. 2021, p. 279). However, this has limited applications to this study, as all participants are more mature firms, with decades of international experience. In terms of Oliver's (1991) responses, de-internationalization can be seen as an extension of an escape tactic, but also an integration

of international business theory to institutional theory, that allow this research to utilize its multinational context better in terms broadness and accuracy of concepts and theory.

2.4 Theoretical Framework

The main objective of this thesis is to understand how Finnish MNCs' strategic responses to institutional pressures influence the achievement of their desired outcomes. Specifically, the paper aims to recognize the institutional pressures, the strategic responses to these pressures and how Finnish MNCs use said responses to influence the achievement of their desired outcomes. This is achieved by combining several models and theories (Oliver, 1991; Durand et al. 2019; Greenwood et al. 2011; Uchida, 2023; Kaptein, 2020) and combining aspects of them into a comprehensive theoretical framework that will address issues raised by single theories.

By integrating these theories into the framework, it can better account for the interviewed firms' responses to institutional demands and pressures. By further expanding this with other related theories, the framework can utilize a holistic approach on the responses, that offers a comprehensive approach to analyze them. Furthermore, the importance of gaining human capital and learning from previous strategic responses is emphasized. As Greenwood et al. (2011) argue, responses are often characterized by multiple feedback loops and learning to achieve the optimal result. Moreover, the fluid nature of institutional theory (Glynn & D'Aunno, 2023.) underpins the necessity to present the framework as a loop rather than a one-way process.

The looping nature of strategic responses to institutional pressures presents a longitudinal perspective as well; as firms respond to institutional pressures, they learn in the process what works and what does not (Greenwood et al. 2012, p.352). This development of human capital in the process allow firms to better adjust for their reactions and influence the pressures they face. Integrating the circular and longitudinal nature of strategic responses to institutional pressures allows potentially for new insights and empirical evidence of developing knowledge in the matter to better influence the institutional

pressures without for example loss of legitimacy, which could potentially be the “normal” consequence of trying to influence decision-making processes. Furthermore, the absence of longitudinal perspective from previous studies could implicate a further research gap in the area.

Figure 3 presents a theoretical framework that synthesizes these ideas.

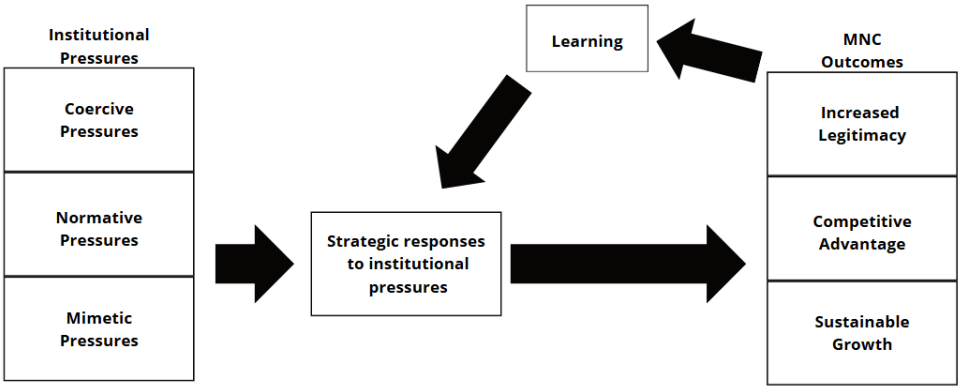

Figure 3, Theoretical Framework.

For Finnish MNCs, this framework implies that strategic responses will not be in most instances monolithic and are instead often characterized by a complex multitude of interconnected determinants (Král & Schnackenberg, 2024). Managers will face the institutional pressure, weigh the costs of full compliance against the potential benefits of deviating the given institutional environment’s norms, evaluate their desired outcome and respond to the pressure. Consequently, their responses are the result of both cost-benefit calculation and learned processes, from previous experience of institutional pressures. This response is then executed and the resulting outcome and the level of success achieved will then start a learning process, leading to utilization of improved strategies for the following strategic responses. The development of human capital for challenging situations allows the firm to survive with less constraints as with a firm with little to no experience (Faroque et al. 2022), which in turn allows the firm to gain

increased legitimacy, competitive advantage and sustainable growth more efficiently from these pressures.

Based on the literature review, this framework suggests that:

1. Finnish MNCs will respond to institutional pressures with active and dynamic responses, that are dependent on the type of institutional pressure exerted and context.

2. Coercive pressures will foster fewer active strategies and more passive strategies in Finnish MNCs.

3. Finnish MNCs will revert their responses to gain more favorable outcomes.

4. Finnish MNCs learn from previous strategic responses and will respond utilizing learned strategies in the future.

5. Finnish MNCs' strategic responses are rarely straight forward and simple but will rather be complex and influenced by multiple factors and learned behavior.

3 Methodology

This chapter defines the research methodology. Sachdeva (2008, p. 7) defines research methodology as the underlying theory and analysis on how the research does or should proceed, which is often influenced by discipline. To formulate a research methodology, the researcher must choose philosophy, approach, strategy, method, time horizon, techniques and procedures for the data analysis. This chapter defines all the steps and discusses the decisions made for this research and the rationale behind them. The structure follows Saunders et al.'s (2007) research onion. Data collection process is also described along with an analysis of the data quality.

3.1 Research Philosophy and Approach

Alharahsheh & Pius (2020, p. 41) state that it is highly important for a researcher to understand the key research philosophical underpinnings, since the assumptions they make determine the outcome of the research and thus their comprehension allows them to take into account and improve the research's quality. Research Philosophy is discussed through three distinct ways; epistemology, ontology and axiology. Epistemology is concerned with how reality is known by the researcher. It dictates how the researcher plans to uncover knowledge to reach reality, but also as what the researcher sees right or wrong and the world around them (Alharahsheh & Pius, 2020, p. 40). Ontology discusses the nature of reality and the commitment to holding views about it (Alharahsheh & Pius, 2020, p. 40). Axiology is about values and how a researcher's values play a part in every stage of a study (Alharahsheh & Pius, 2020, p. 41).

Saunders et al. (2007) further argue that business research has five main philosophies: critical realism, positivism, pragmatism, interpretivism and postmodernism. This study utilizes interpretivism, as it underpins that the researcher understands the differences between humans as social actors. Furthermore, it recognizes that social actors cannot

create generalizable laws but rather seek understanding and deep connections between subjects.

Furthermore, according to Saunders et al. (2007, p. 106-107) interpretivism focuses on studying people and their actions rather than, for example, machines of numerical data, which suits institutional theory well due to its socially constructed nature. Saunders et al. (2007, p. 107) further argue that interpretivist perspective is highly appropriate for business research in fields such as organizational behavior, due to its unique nature in every firm. As institutional theory and organizational behavior are two highly interlinked theories (Zilber, 2012, p. 88), that discuss closely about similar phenomena, it stands to reason, that interpretivism not only suits institutional theory as a research philosophy, but is a solid methodological choice, which allows for discovering deep connections and hidden meaning in the research.

In terms of research approach, Bryman (2012, p.24-25) defines two distinct approaches: deductive and inductive. Deductive approach utilizes existing theory, that is analyzed to develop hypotheses, that are then tested or explored through the study, from which the theory is then revised. Inductive approach utilizes the hypothesis less and develops the theory from the study. This study follows the deductive approach, as it determines hypotheses, analyzes literature to develop a theoretical framework, that is utilized as a basis for the study, that then goes to measure the hypothesis, which is a clear deductive structure. However, due to institutional theory's fluid and evolving nature, some inductive aspects are always present and therefore while this study possibly extends the theory, the main point is more to understand the existing theory in a different context, rather than simply developing new theories based on it.

3.2 Research Design

Saunders et al. (2007, p.130-131) define research design as the process that turn the research questions into a research project and as a plan about how the research questions will be answered. According to Saunders et al. (2007, p. 130) research design can

be divided into three different layers: research strategies, research choices and time horizon. These three layers formulate the techniques and procedures that make the research happen in practice and it is therefore vital for the research success, that these choices are right.

Saunders et al. (2007) define research purposes as: exploratory studies, descriptive studies, explanatory studies and evaluative studies or a combination of them. Exploratory studies are utilized to seeking new insights and clarifying understanding of a given problem, particularly in cases where the precise nature of the problem might be unclear (Sachdeva, 2008, p. 14). Exploratory studies are of a flexible nature and allow the researcher to start from a broader focus and narrow the focus down as the study progresses. Descriptive studies on the other hand are according to Sachdeva (2009, p. 15) studies, that portray the situation, that is being studied, describing the data as it is and its features or attributes. They can be utilized in conjunction with exploratory studies to further complement them either as a piece or extension (Saunders et al. 2007). For this study, the descriptive purpose gives it the ability to better describe and explain the possibly differing ways that Finnish MNCs utilize to strategically respond to institutional pressures, which have not been formally been researched and defined as much as for example firms based in the United States, giving the descriptive purpose ability to better take this into consideration in conjunction with the exploratory purpose.

As institutional theory is fluid and evolving in its nature it stands to reason that a flexible and comprehensive study is needed to achieve a clear understanding of the underlying mechanisms and connections. This further underpins the importance of the study; institutional theory studies are mostly quantitative and focus on a United States centric viewpoint. Moreover, scientific research in strategic responses to institutional pressures in a Finnish MNC context is a relatively sparsely researched topic. Therefore, utilizing exploratory and descriptive research purpose gives a potential for new findings and understanding for the reasoning behind them.

There are two general research methods: qualitative and quantitative (Baškarada, 2014, p.1). Quantitative research focuses on numerical data and analysis, that is generalizable

to a larger population (Baškarada, 2014, p.1). Qualitative research focuses on data that cannot be analyzed via quantitative analysis, but is more contextual such as interviews, which the researcher analyzes to find hidden meanings, deeper understanding and causalities, that could not be otherwise found. It analyzes human experiences and what they mean to individuals in the context of everyday life and each individual's meanings and explanations (Draper, 2004, p. 642). As this study aims to find the strategies Finnish MNCs utilize to respond to institutional pressures, finding the reasoning and meaning to each response allows for explanation and potential new discoveries with qualitative interviews allows these discoveries to be made in a way that gives reasoning and context for the findings. Furthermore, the exploratory nature of the study further allows for more depth for the findings, as its purpose fits qualitative research better (Saunders et al. 2007, p. 133-134).

According to Saunders et al. (2007) qualitative research has six research strategies, which formulate how the data collection and analysis is formed: narrative inquiry, grounded theory, action research, ethnography, archival documentary and case study. This study utilizes the latter, which Saunders et al. (2007, p. 139) defines as a qualitative approach, which allows the researcher to investigate real life bounded cases through in-depth and high detail data collection, with multiple information sources. Case studies provide a possibility for deep and holistic view to a problem and facilitate understanding, explaining or describing of the research problem or situation (Baškarada, 2014, p.1). For this study, nine people from nine different companies, who all present a different perspectives, in terms of industry, firm, position and personal experiences, therefore making them all independent units of analysis for the same phenomenon that is being researched.

The last point in research design is time horizon. Saunders et al. (2007, p.148) explain that the research can be either cross sectional, which analyzes only one point of time or longitudinal, which measures change over time. As this is a master's thesis and MNCs change slowly, it can be argued that it is not possible to conduct this study longitudinally, as that would require years of time to reliably see a change. Therefore, this study is cross

sectional and will examine the strategic responses to institutional pressures in a Finnish MNC context and will not utilize multiple time points for this study.

3.3 Research sample, data collection and analysis

According to Carminati (2018, p. 2094-2095), where quantitative research seeks to find universal laws and generalizable findings, qualitative research seeks to provide in-depth understanding and meanings, rather than to generalize accurately to a larger population. While generalizability is possible with qualitative research, the ability to find rich data rather than a representative sample is more the aim with this method. As Finnish MNCs operate in numerable fields and presenting them all would be inefficient and too costly for a master's thesis, the author decided, that representing all of them would be impossible.

The sample selection was done with purposive sampling. With purposive sampling, the researcher utilizes cases that are according to the research criteria suitable for the research and to answer the research question (Saunders et al. 2007 p. 230-232). For this study, in order to gain reliable data with diverse examples from multiple industries, the author chose to utilize nine different companies instead of snowball sampling multiple interviews from one firm. The author contacted large Finnish multinational companies across all industries. This process took place from early June to late October of 2025 and in the end nine interviewees from large Finnish MNCs were found. As the study utilized nine different companies instead of snowballing, finding the interviewees was more time intensive, as all nine interviewees had to be separately found from different companies. Moreover, due to the broad and holistic nature of the study's structure, the interviewees had to have knowledge of strategic responses to institutional pressures on a firm level, which narrowed the potential interviewees to upper and middle management in sustainability, compliance and public relations. The author contacted Finnish MNCs at both the firm and individual interviewee levels, depending on information availability.

This study utilizes interviews as its research technique, which according to Muzari et al. (2022, p. 17) is a two-person conversation, that the interviewee initiates for a specific purpose of getting relevant information and data for their research. Muzari et al. (2022, p. 17) state that, interviews may be either structured, semi-structured or non-directive. This study utilizes semi-structured interviews, as they allow the questions to be pre-determined, but the order and wording are up to the interviewer's discretion in each interview (Kallio et al. 2016, p. 2955).

According to Denny and Weckesser (2022, p.1166) semi-structured interviews are a versatile data collection method, that allows the researcher to gather data from people's perceptions and opinions or emotionally sensitive issues, but also about subjects the interviewee is knowledgeable in. However, according to Qu & Dumay (2011, p.246), semi-structured interviews are most importantly able to disclose important information and hidden facets of human and organizational behavior and is often the most effective way of getting information. Qu and Dumay (2011, p.246) further argue that semi-structured interviews allow the researcher to learn about the organization's management and organizational issues more comprehensively than other interview techniques. This allows it to be utilized to analyze strategic responses to institutional pressures, as their fluid and complex nature might not suit more structured approaches. The interviewer must, however, make sure that every topic gets covered by guiding the conversation in different ways (Qu & Dumay, 2011, p. 246). For this study, the interview guidelines were sent prior to the interview to the interviewees, so they could familiarize themselves with the topic.

The interviews were conducted between June and November of 2025, with an approximately two-month break between late June and August due to summer leave season. To ensure data reliability and validity of the data, the author decided to prioritize the sample size in terms of companies and interviewee profession inside the firm. This lengthened the interviewee finding process by about two months. The sample was according to the planned sample, consisting of nine upper to middle management directors, with at least two years of experience in the job. The companies were all large Finnish MNCs,

that all operated at least in multiple European countries. Of the nine companies interviewed, 5 had substantial operations outside the European Union, with four having production facilities outside Europe.

Of the companies interviewed two operated in forestry, two in logistics, one in mining equipment, one in packaging materials, one in healthcare, one in food production, and one in construction.

Table 1, Overview of Interviewees.

Interviewee Number	Interview Type	Interview Length	Interviewee Field of Industry	Interview Date	Company Size
Interviewee 1	In person	53min	Forestry	17.6.2025	Large
Interviewee 2	Microsoft Teams	49min	Forestry	16.6.2025	Large
Interviewee 3	In person	54min	Heavy industrial equipment	16.9.2025	Large
Interviewee 4	Microsoft Teams	49min	Packaging	23.10.2025	Large
Interviewee 5	In person	45min	Health care	24.10.2025	Large
Interviewee 6	Microsoft Teams	58min	Logistics	27.10.2025	Large
Interviewee 7	Microsoft Teams	47min	Construction	3.11.2025	Large
Interviewee 8	Microsoft Teams	44min	Food	29.10.2025	Large
Interviewee 9	Microsoft Teams	45min	Logistics	19.11.2025	Large

The interviews were conducted in person and by Microsoft Teams according to the interviewee's preference. Of these interviews three were in person and six virtual. The duration of the interviews was on average 49 minutes, with the longest being 58 minutes and the shortest 44 minutes. The interviews that were conducted via Microsoft Teams were transcribed automatically by the app and the interviews that were in person were recorded and transcribed after the interview. All the interviews were conducted in Finnish, due to all the interviewees being native Finnish speakers, which was translated into English and coded and analyzed in English. As automatic transcription and translation was utilized all transcriptions were checked and corrected by the author after the transcription and translation.

The translated transcriptions were analyzed with a systematic deductive coding process. Firstly, the original data was read through and labeled with labels from the existing theory, which were categorized according to the theoretical framework to gain an initial

understanding of the data. Saunders et al. (2007, p.480) state, that categories must adhere to two aspects: internal, with the categories being meaningful to the data and external with the categories being meaningful in relation to the data, and as this study aimed to explore an existing theory in a new context, the categorization was done based on the theoretical framework's theories and the framework itself. After this, the data was thoroughly read through and coded again in the light of the initial coding. The second round of coding was then categorized into the theoretical framework's categories and subcategories. The macro-groups were formed from the theoretical framework along with the sub-themes. The findings were then analyzed and described in the following chapter. However, due to the interview process taking relatively long, the coding and analysis was done iteratively by re-analyzing and rewriting the analysis, as new data came available. While this potentially poses some limitations, this was acknowledged during the process and of the analysis was updated and rewritten from the needed parts when new information was added.

3.4 Quality of the data

According to Eriksson and Kovalainen (2016) the author should evaluate the quality and trustworthiness of the study. This ensures that the research is transparent and assures the reader that the research is trustworthy. Therefore, it is vital that the researcher sets criteria for the research quality. According to Eriksson and Kovalainen (2016) the classic terms for measuring research quality are reliability, validity and generalizability. However, Eriksson and Kovalainen (2016) also point out that the utilization of these criteria to measure the quality of qualitative research and their suitability is debated in the academic community. These criteria are adapted from quantitative research, which tries to find generalizable and universal laws from sophisticated and representative samples, whereas qualitative research seeks to find in-depth explanations and meanings, rather than to generalize accurately to a larger population. Therefore, this study will instead utilize Lincoln and Guba's (1985) trustworthiness, that is specifically developed for measuring criteria for quality of qualitative studies, rather than adapted criteria, that does not

completely support the distinct features of qualitative studies. Trustworthiness consists of credibility, transferability, dependability and confirmability.

According to Kakar et al. (2023, p. 155), the most important factor for trustworthiness is credibility, which is considered the equivalent of internal validity in qualitative research. Credibility is concerned with presenting the data as truthful interpretation of the interviewee's experiences and views. Moreover, according to Carminati (2018), to improve the credibility of the study, the researcher must put enough effort in unfolding and explaining the interactions in the study, in order to being able to present it as credible. Therefore, the author has decided to discuss the methodology and its limitations, but also the findings comprehensively, in order to present a sufficient amount of transparency behind the processes, that ensure the study's credibility.

Transferability is concerned with the ability to generalize the research's findings to larger contexts (Lim, 2025, p. 223). For a research to be considered transferable, population which was not a part of the study to feel that the study represents their experience of the area studied. According to positivist paradigm, qualitative studies do not represent generalizable results, due to their sample size being always too small and specific to larger contexts, and therefore the arguments presented are only of those specific persons (Kakar, 2023, p.156; Carminati, 2018). A counter-argument is that unique cases are part of a larger group; therefore, if individuals recognize the study's situation as similar to their own, the findings may be generalizable. However, to achieve this Lincoln and Guba (1985) stresses the importance of context and the researcher's responsibility in providing the needed contextual information to provide accurate representation of the situation. Consequently, to ensure that these factors are met, this study provides detailed explanations and context to both methodology and the study's findings.

The third criterion is dependability, which is concerned with consistency over similar contexts (Kakar et al, 2023, p. 157; Lim, 2025). Kakar et al. (2023, p. 157) continue to argue that the dependability of the research in a qualitative context is dependent on the researcher's ability to indicate its reliability. Conversely, according to positivist paradigm, for a qualitative to be considered dependable, it should foster similar results, if

replicated, however, a more balanced view recognizes the presence of dynamic and evolving phenomena, and therefore the possibility of not entirely similar but still dependable results (Lim, 2025, 222-223; Kakar et al. 2023, p.157). As Lim (2025, p.223) suggests, this study will utilize triangulation to ensure dependability.

Confirmability refers to the study's ability to maintain objectivity with the research's findings (Lim, 2025, p.223). It is concerned with the researcher's personal views and biases and the ability to prevent them from interfering with presenting the truthful presentation of the data gathered from the interviews (Ahmed, 2024, p.2). The confirmability of this study was ensured by member checking the utilized interview extracts from the interviewees in order to avoid misrepresentation and to ensure validation from interviewees (Ahmed, 2024, p. 2).

In order to ensure that trustworthiness and rigor are presented, a study should use triangulation (Janis, 2022, p. 246). This thesis utilizes triangulation in multiple forms to achieve trustworthiness. Firstly, the data is gathered from nine different companies across multiple industries. Secondly, Triangulation through interviewee roles. The interviewees represent different strategic responsibility areas, which allows the examples be collected from broader points across the companies and the data will thus not only represent a single profession's experience of the topic. Thirdly, triangulation through examples. This study focuses on examples that allow the research to be connected to real world instances of the theory and allows the data to contain rich insights via overlapping examples and reflection.

4 Findings

This chapter presents the research's findings. The chapter utilizes the same structure as the literature review and interviews and goes over the main themes found in them. First, the chapter presents a subchapter on how the international context of the study influenced the answers and how the interviewees saw international context in their institutional environment. This is followed by a description of the institutional pressure environment from the interviewee's perspective, how they strategically respond to them and how they learn from them. Lastly, a discussion of the findings in the theoretical framework's context.

4.1 International Context

Out of the nine companies interviewed, all had significant operations in foreign countries, with all having decades of experience from multinational operations. Of these companies all had operations in the European Union, with 3 having operations in less than 10 countries. These three companies provided basic services, that were necessary for a country to function properly, which in Europe are often provided by domestic providers in relatively fragmented industries on a European level.

> *Another industry might be, in a way, similar or easier to scale. However, social sector and our industry are very national, and both the legislation and funding model and, sort of, the culture related to our field are different everywhere. (Interviewee 5)*

The rest of the interviewed companies had substantial operations outside the EU and got a large portion of their revenue outside of Finland and the EU. These companies provided products and services related to their products, with one exception of providing only services. All the companies that operated outside the European Union and operated production facilities also had production outside Europe along with facilities in Europe.

Institutional pressures in Europe were generally homogeneous in terms of legal requirements; however, some ratings varied between countries. The coercive environments outside the European Union differed more substantially. While all of the companies emphasized that they operated in a country only if they could ensure that it was ethical, risks were still present predominantly in some Asian and African countries where the companies had encountered for instance corruption.

> *I feel the company has learned that sometimes the best decision is not to even enter or to withdraw. (Interviewee 1)*

The interviewees from companies that operated only within the EU focused more on examples from Finland, with legal examples often concerning the EU. Companies with global operations gave examples more broadly from global contexts but the legal examples were still most commonly from the EU. The EU had also the most active role in dialogue with the companies about how legislation should be implemented.

> *The European Commission very much expects and wants industry representatives to comment and offer suggestions on how things are implemented in practice. (Interviewee 4)*

Normative pressures varied within the union and substantially outside the union. Local context was mentioned as a key factor in adapting into other normative environments. Knowing the local ways and being able to integrate into the local environment was a necessity in terms of successful operations. Values that were important in Europe were not necessarily supported to a same degree in for example Asia or South America. The ability to recognize differences in culture and local values helped the firms influence and adjust their strategies accordingly to navigate the local institutional environment in a more beneficial way.

> *You cannot simply export Finnish ways of doing things to another country and expect them to work. (Interviewee 9)*

> If we think about being a Finnish company out in the world, I'd definitely say that absolutely, if we're talking very different places like China or India, local know-how is absolutely essential – the local management needs to know the environment and know how to operate there. (*Interviewee 4)*

4.2 Understanding institutional pressures for Finnish MNCs

Nordic and Finnish coercive environment is strong and stable (Lund et al. 2021), therefore, with EU's legislative environment, the expected theoretical distribution of institutional pressures is coercive heavy. Furthermore, the interviewees had their expertise in legislative and compliance professions. The combination of these factors potentially limits the data's generalizability in terms of how the institutional pressures are distributed. However, this study does not try measure the ratios of different institutional pressures to each other, but rather it seeks to give an accurate representation of the institutional environment Finnish MNCs operate in and seek to create an understanding of what kind on strategic responses they create to the institutional pressures in said environments.

Other factors that contribute towards the institutional environment such as institutional complexity were also present. Conflicting institutional demands were present with both coercive and normative pressures, with most interviewees mentioning institutional complexity as a factor in their institutional environments. Most common complexities were in coercive pressures conflicting shareholder demands and changes in laws and regulations while they were still in development. Once a law was finalized, it eased the institutional complexity, as it had to be followed and there could not be conflicting demands demanding otherwise.

> *It is actually easier for us, since there's a law behind it – no one can really object to it. (Interviewee 3)*

4.2.1 Coercive Pressures

All interviewees mentioned coercive pressures as the most substantial and mentioned a coercive pressure as an example when asked to name an institutional pressure they have previously faced. The coercive pressures faced were divided into local government pressures and pressures coming from the EU. The EU does not enact laws directly but establishes directives that set a minimum standard, which each member state must incorporate into national legislation. These directives are meant to set an even competitive

environment across the union and simplify cross-border operations. Therefore, most of the coercive pressures that the interviewees faced originated from the EU.

> *If the EU packaging regulation currently on the table goes ahead as planned, then I would say that there is perhaps a significant burden compared to some other sectors. The level of detail and the ambition of those requirements compared to where things are now. (Interviewee 4)*

> *If I consider industry pressures or social pressures, no, they have no significance. In the end, we must follow all laws and regulations. So, it is the authorities that we answer to, not so much any other external pressures. (Interviewee 3)*

All the interviewees operated at least within the EU, with some having substantial operations outside the union. Of these operating outside the union, all mentioned EU's coercive demands as considerable. Other countries, such as China had also strict requirements with some products, but the overarching theme between all interviews was that the EU's coercive and normative environment had the most requirements.

> *Both this and the previous taxonomy reporting directive have led to significantly more bureaucracy in reporting requirements. (Interviewee 7)*

In terms of penalties, one interviewee mentioned, that the United States had the steepest monetary consequences for noncompliance. While the United States' coercive environment was in most ways towards the same direction as in the EU, their requirements were in many ways country specific and not same as in other legislative areas. Moreover, the objective of the EU was according to another interviewee to participate actively in dialogue with firms for the legislation's execution.

> *Here in Europe the penalties are small. In the US it is a whole different matter, there the penalties are immediately talked about in millions and billions. So, in terms of how to act, here the authorities also try to see it from companies' viewpoint, they're not immediately just out to punish. (Interviewee 3)*

The EU's coercive environment had according to most interviews the strictest reporting requirements as well, with some mentioning it as a substantial strain on resources.

> *One significant change has been the Corporate Sustainability Reporting Directive (CSRD), which required listed companies of our size to adopt very detailed and burdensome reporting. (Interviewee 9)*

Most of the interviewees underpinned the importance of early lobbying of the industry's viewpoint. One interviewee mentioned that the ability to influence an industry specific directive allowed the firm to operate considerably more easily than the original draft of the directive would have allowed.

> *The earlier you can get your messages across—usually to the preparers and the civil service—the better. (Interviewee 8)*

The interviewees reported different requirements in different parts of the value chain, but were all, however, affected directly or indirectly by considerable legal regulation. Coercive environments differed between industries, but a baseline of requirements touched all industries. Sectors such as health care were heavily regulated due to patient protection, but environmental regulations were the most overarching theme. Interviewees whose companies were involved with food packaging mentioned that industry specific regulation was considerably ambitious and posed uncertainty in terms of the field's future.

> *We depend on materials or products. If we think about it, if we were a steel producer or a concrete producer, then it would probably have a more direct impact on us than, for example, what happens with carbon tariffs in the EU, because in practice, of course, it affects us. (Interviewee 7)*

> *This field is, for good reason, very, very heavily regulated, and from our operational perspective it has a huge impact what happens in regulatory developments… (Interviewee 5)*

Furthermore, Interviewees noted, that businesses prefer a steady and predictable regulatory environment, where coercive pressures keep a steady course towards a clearly communicated goal. Many of the interviewees stated, that recent changes in the EU's and the US's legislative line changes created uncertainty, which made them hold off investments. While for example, the new EU commission's changes towards lowering regulations were welcomed by the interviewees, the sudden change and uncertainty drove a clear negative reaction. Moreover, the changing nature of the regulations and the impact of industry lobbying has on the final version of the directive further challenges the ability to successfully plan ahead.

The regulatory environment in the company's various countries of operation is changing all the time. In recent years in particular, the bills coming from the EU level has been pretty contradictory regulation, meaning the EU unfortunately doesn't always communicate with itself. (Interviewee 6)

Legislation is very complex and, for example, the EU process evolves – first there's one proposal, then comes the Parliament's position and the Council's position, and then suddenly you realize that now it has gone in a totally different direction. (Interviewee 8)

4.2.2 Normative Pressures

According to the interviewees, normative pressures especially towards sustainability issues are generally higher in Europe and Nordic countries. Areas such as Asia are less concerned about sustainability, but more towards product quality. Furthermore, in Europe, the Nordic countries according to one interviewee were more concerned with social issues than for example Baltic countries.

Climate issues, things like that… They're not nearly as significant to consumers there as they are in Europe. For example, our carbon-neutrality target, which we talk about a lot here, doesn't really resonate much with consumers over there. (Interviewee 8)

Most of the interviewed companies aimed to go over the required actions in sustainability, which according to the interviewees increases goodwill towards them and improves legitimacy, but faced normative pressures for environmental action from the public and NGOs. Moreover, they mentioned an active dialogue with local communities and activists to increase transparency. Many of the interviewees saw going over the requirements in terms of sustainability action as a competitive advantage.

All of our own housing projects in Finland will be built to energy class A, and there's no legal requirement that they should be built to a higher energy class. (Interviewee 7)

Stakeholder and investor pressure further drives towards many of the companies interviewed towards going over the required. Some of the companies had a co-operative ownership model, where their producers owned a substantial stake in the firm, which in

turn drove their requirements towards fairer prices and more sustainable actions with a longer-term timespan in many decisions.

> *That in a way enables us as a company to develop over a really long term, even if it might not show at an annual or quarterly level as financial performance for the company. We basically have an owner base that especially values long-term development. (Interviewee 2)*

Other firms operated in sectors such as health care, in which stakeholders value trust and data protection especially due to a large data breach in a local firm. This created a strong normative pressure in the industry towards ensuring that a given firm was reliable and would handle the customer's data responsibly.

> *Social and health care is an extremely sensitive field and, and we as well… We have two million Finnish customers who have effectively given their health data into our hands, so that in itself is an enormously huge – and a wonderful, but huge – responsibility. And it definitely creates pressure so that we all have our work cut out for us. (Interviewee 5)*

Normative pressures with high salience issues were also present. One interviewed firm tried to gain financial benefit from breaking a norm, which was strongly opposed by stakeholders, which created extremely strong normative pressures on a national level towards complying with the norm. The continued negative publicity forced the firm to re-evaluate their stance on the matter, as it created a higher salience issue, that needed to be addressed due to its damage to the firm's legitimacy and public image. The firm's cost benefit calculations suggested that the damage did not outweigh the consequences and decided to revert. While in this case the ability to revert from the decision was available, the willingness was created by the normative pressure's salience for stakeholders and damage to the firm's legitimacy, that created an issue, that the cost benefit analysis deemed too steep to ignore. This demonstrates that while such examples were relatively rare in the interviews, they were still present, and the willingness and ability play a part in responding to normative pressures as Durand et al. (2019) suggested.

> *But in this case, pressure from different directions didn't exactly force us, but it was deemed wise that the possible business benefit and revenue from that service wouldn't be in line with the reputational damage and stakeholder pressure we faced. (Interviewee 6)*

However, while examples of normative pressures were given in each interview, they were considerably less mentioned by the interviewees, with only a few interviewees giving a normative pressure as an example, without the interviewer separately asking about them. This can be partially explained by the informal nature of normative pressures in most cases and the fact that most of the interviewees worked directly with the firm's coercive pressures in some capacity. Moreover, as many interviewees mentioned, coercive pressures have the largest Burden of work and are the most substantial pressures they face, which is bound to reflect in the number of different types of examples.

> *The largest pressures come from regulatory changes and industry shifts. (Interviewee 9)*

4.2.3 Mimetic Pressures

Most respondents reported that competitor actions play a secondary role compared with regulatory and normative pressures. For example, one interviewee stated, that industry or societal pressures have "no significance" because legal requirements drive all processes and that they follow laws rather than competitors. Another acknowledged that competition is intense but noted that strategic choices are guided more by regulation and stakeholder expectations than by mimicking rivals.

> *They come from within the organization. We see what [regulation] says, how it would affect us. Then we do an analysis… We do not look at competitors to decide. (Interviewee 8)*

> *If I consider industry pressures or social pressures – no, they have no significance. In the end, we have to follow all those laws and regulations. (Interviewee 3)*

Of the interviewees, one stated that competitor actions play a part in their decision-making during times of high uncertainty. While the interviewee stated that they monitored competitors and the market, they do not state that they take immediate action because of this. However, despite the mimetic behavior being "not complete" this is a clear contrast from the other interviewed from other companies, that denied potential mimetic behavior and emphasized own decision-making.

> *We definitely monitor competitors and the market. We are not in a bubble. We look at what is happening both in our immediate region and among similar-sized and larger logistics companies globally. (Interviewee 9)*

While this instance is more in line with Oliver's (1991) and the general theory of mimetic behavior during uncertainty, it leaves questions about the stark difference between the theories of mimetic behavior and the answers of this study. Potential explanation for this can be difference in resource intensity of the industry, as Oliver (1991) suggested, that firms with more resource intensive businesses are less likely to show mimetic behavior. Many of the companies interviewed were from more resource intensive fields, such as manufacturing heavy equipment, or timber, but this does not explain the phenomenon as a whole and needs further research to prove, more clearly, whether this generalizes to larger populations.

4.3 Strategic responses

Oliver (1991) divides strategic responses into five categories; acquiescence, compromise, avoid, defy and manipulate. Of these five categories Acquiescence and compromise were most prevalent in the interviews. Many of the responses included aspects of multiple tactics for these two strategies and emphasized complex and longitudinal natures of institutional pressures.

4.3.1 Acquiescence

Acquiescence category responses were present in each interview, as each interviewee stated that their companies followed the local laws and regulations. Some of the "comply" answers however also have compromise category elements, as all the interviewees also stated, that their companies participated in actively influencing decision-making by participating in conversation with the legislative bodies via trade confederations and direct discussions with lawmakers.

> *We always first evaluate – we see that if it is legislation, then we have no choice but to comply with it. (Interviewee 3)*

Habit tactics are by their nature following of invisible taken for granted norms, which while possible to measure from the interviews, can be difficult to express in an interview with limited time due to their invisible and taken for granted nature. Multiple interviewees mentioned, that laws would just had to followed no matter what, which would imply at least some degree of habit due to the automatic nature of the decision, but as Oliver (1991) defines habit following "invisible taken for granted norms" and laws are often not norms taken for granted in their full content, as for example in this instance CSRD or other complex EU framework, it can be assumed, that this instance is rather a compliance tactic with some features from a habit tactic. However some companies had implemented an automated system, that would screen orders and block them automatically if they came from a sanctioned country, implying that habit tactics are possible to utilize with coercive pressures in some regard.

> *The one absolute is always that we comply with official requirements. That's a given – there's no compromising on that. (Interviewee 4)*

> *We implemented a certain system which automatically does screenings. It blocks the order if someone accidentally or knowingly tries to deliver to a sanctioned country or sanctioned customer… Obviously no one can manually monitor hundreds of thousands of orders. (Interviewee 3)*

Imitate tactics were scarcer in the study's context than Oliver's (1991) would imply. When asked to give an example of an event of high uncertainty institutional pressure and a follow-up question about mimetic organizational behavior, none of the interviewees answered that they had experienced it. On the other hand, responses with the best available information, which were later adjusted as more information became available were mentioned, which could imply towards a delayed response.

> *It is sometimes hard to see what will really change in three years and what today looks like it will change but maybe won't. These things keep happening, and then you just end up saying, OK, we reacted a bit too late – but better to react late than not at all. (Interviewee 4)*

Compliance tactics were the most common strategic response to especially coercive institutional pressure situations. All of the interviewees stated that compliance to coercive pressures was their norm. However, they all stated that they engaged in at least some form of lobbying or other influencing to the laws and restrictions that concern their actions. In terms of stakeholders other than legislative bodies, the answers varied. From the four institutional factors (Oliver, 1991), Control and constituents were the two factors, that forecasted the compliance tactic, when they were high. Shareholders and owners were often also a strong constituents, that often had compliance tactic as a response, however the interviewee responses were less absolute on owner demands than with legislative demands. Furthermore, laws and regulations faced a more permanent compliance, whereas owner pressures were more flexible.

> *The one absolute is always that we comply with official requirements. That's a given – there's no compromising on that. (Interviewee 4)*
>
> *On issues identified as critical … we engage both directly and through industry associations. (Interviewee 1)*
>
> *We almost always go through organizations or other interest groups, as we do not have our own. (Interviewee 7)*

Furthermore, one interviewee mentioned that legal mandates simplify the pressures with contested subjects, as their strong coercive force forces the firm to comply, rather than figuring out the best way forward by themselves with conflicting stakeholder demands. This also points towards institutional complexity and that being able to comply with a legal mandate allows the firm to ease the conflicting stakeholder demands, that were previously present in the matter.

> *We cannot pick a side, because – and in a way it is good that internally, when something changes and people gripe "why is this so hard, it requires so much," we just say "those aren't options – if we want to do business, you just have to deal with it, so to speak. In that sense it is actually easier for us, since there's a law behind it – no one can really object to it. (Interviewee 3)*

However, with highly technical documentation an absolute compliance is almost impossible, and the possibility of a human error is present, even if the firm's response is "comply". This is due to limited resources with large amounts of technical data and the

possibility of human error in some parts of the process, especially when resources and attention per problem are limited. This could imply a balancing tactic, as the firms balance financial viability by complying with all possible legislation, which both are strong incentives that ensure the firm's survival and ability maintain its legitimacy.

> *But if we truly wanted to drive for 100% compliance, that would require a completely different army of people – and the added value of that is, of course, questionable. (Interviewee 3)*

> *It is absolutely a resource question, because everything we do still needs a human. (Interviewee 3)*

4.3.2 Compromise

Almost all strategic response examples given by the interviewees had some features from compromise strategies. The firms had complex networks of stakeholders, who each had their own demands. Furthermore, the active role of every interviewed firm in shaping legislation made compromise category strategies common. As companies operate in a complex environment of stakeholders and demands, they try actively to balance these demands and expectations in more favorable directions. This active role with stakeholders ensures that most responses feature at least some aspects of compromise strategies, complicating the unanimous categorization of a strategic response.

Balance tactics were the most common with companies and situations, that had multiple conflicting stakeholder demands, as Oliver's (1991) framework suggests. Therefore, it could be assumed, that co-operative ownership models would have a lot of conflicting demands. This was however not the case and these companies had in some cases less conflicting demands from co-operative owners. Conversely, companies that faced public scrutiny were more likely to find themselves in a situation with conflicting stakeholder demands. To balance these expectations, the response was often paired with aspects of "bargain" strategies, as open dialogue with stakeholder groups such as environmental activists was often utilized in such situations.

> *This has been about finding a balance—what's our clear message about what we already do (the reality), versus what environmental groups are hoping for. (Interviewee 1)*

Pacify tactics were especially common with stakeholder demands, that were considerable enough, that they could not be ignored, but substantial enough to change the firm's core operating procedures due to it. These tactics were the most often utilized with stakeholders such as shareholders, activists and general public to gain legitimacy and social "license to operate". Factors such as communication and communication strategies were utilized in these examples along with other visible but less substantially demanding procedures.

> *Regulatory pressures, for example, have a direct impact on things like business models or the service network. Whereas maybe societal expectations and stakeholder pressures guide more communication and the way we implement the business strategy. So they're maybe a bit like one is perhaps more about operations and the other is more about the substance itself. (Interviewee 6)*

> *So yes, we have also over there, very systematically since then, built an even, sort of, better quality management system – the capability to identify, identify and find problem areas. (Interviewee 5)*

Of the strategic responses utilized, the most had bargain tactic elements. Due to the complex and fluid nature of institutional pressures and environments, the pressures rarely exist in a vacuum of singular and one sided demands, therefore many of the interviewees highlighted that the institutional pressures and the strategic responses to them are often a part of a larger picture, that includes multiple moving parts and that the response to a singular institutional pressure is often not something that they do, but it is rather a sum of decisions and deciding factors, with multiple institutional pressures that come together for the strategic response. This complex interplay of different factors includes often conversation with the relevant stakeholders, including the stakeholder responsible for the pressure. Therefore, the presence of "bargain" strategies can rarely be ruled out entirely but is rather present in most responses in different degrees.

> *It is hard to categorize something as 'coercive pressure', normative pressure,' or mimetic pressure, because they're usually collective wholes that then kind of develop together. There are often big trends or even megatrends that change the*

> *operations. And perhaps the most important thing for companies in responding to these pressures is to participate actively in the societal discussion and in that systemic change. (Interviewee 2)*

Furthermore, bargain tactics were often utilized with high coercion stakeholders without an official mandate such as activists or employees. Active dialogue was often utilized when stakeholders made demands that could damage the firm's reputation or make their operations harder. Bargaining was often utilized first, with a pacify tactic utilized after that to facilitate the stakeholder demands with least damage and cost to the core business. Utilizing bargaining in conjunction with pacify allows the firm to give legitimacy for the stakeholder demands making. Moreover, active regular communication with the firm's main stakeholders to keep expectations and demands in line was utilized to maintain stakeholder satisfaction and prevent sudden changes in their demands.

> *Regarding our regional service pricing, due to stakeholder pressure, it was decided to postpone that indefinitely. (Interviewee 6)*

Furthermore, Proactivity was an overarching theme in the examples with the majority of the strategic responses. The ability to actively negotiate in advance to prevent sudden changes in institutional environment and pressures was utilized for all stakeholders to prevent conflicting stakeholder and institutional demands was a priority in all examples concerned with the subject.

> *First and foremost we react through dialogue and advocacy. … We try to anticipate as much change as possible, whether it is related to regulation or institutional pressures or market changes or shifts in the operating environment and to evaluate those demands in advance, to take part in the discussion and put forward our views. Overall, the idea is that alternatives are assessed and impacts are widely evaluated before the decision-making itself. (Interviewee 6)*

4.3.3 Avoidance

Avoidance strategies were noticeably rarer than acquiescence and compromise strategies in the interviews. As avoidance strategies, especially with coercive pressures might include operating in a legally gray area or against it, the responses towards institutional

pressures with legal elements included did not constitute towards avoidance strategies in most cases. In terms of normative pressures, avoidance strategies were more common, especially with public and unwanted attention. Moreover, institutional shocks such as the Russian invasion of Ukraine fostered avoidance strategies in many of the interviewed companies indicating, that these strategies have their place in Finnish MNCs' strategic responses. It should also be mentioned, that the avoidance strategies that were utilized were not towards the normative pressure, but rather following the norm in avoiding a certain contested subject.

Conceal tactics were not present, when coercive pressure was asserted. Furthermore, conceal tactics were uncommon with other institutional pressures as well. The interviewed companies emphasized open communication with all stakeholder groups and compliance, which could indicate a relatively smaller use of conceal tactics with for example United States, where most of the literature is produced that this thesis utilizes. Another option for this is that the applied conceal tactics were not disclosed in these interviews, due to potential reputational damage, even with interviewee confidentiality. Furthermore, the small sample size of the study could also lead to not all of the 15 tactics being present in the interviews. Buffer tactics were not present in the interviews either.

Escape tactics were utilized when the potential for major reputational damage was imminent. In the situations given by the interviewees the normative pressures and coercive pressures without legal mandate were high for continuing as before. Instance of this is the Russian invasion of Ukraine in 2022. While there was no official ban on conducting business there, the companies left voluntarily, as public pressure towards it was growing. In other examples a similar formula repeated. An event happened that would have potentially major negative impact and the firm retreated from that market or partnership as precaution. This viewed the firm as doing ethical conduct and allowed them to dodge potential negative press from continuing as before.

> *Although in principle you could still trade certain products with Russia, we made the decision–that nothing would be delivered, meaning we won't send anything there at all. Thus, in that sense the decision was made perhaps influenced by outside expectations, to avoid the reputational damage of doing business there even*

> *if it would be legally possible. It is clear to the company that the reputational harm would be greater than the benefit of whatever business would be done. (Interviewee 3)*
>
> *Sometimes the best decision is not to even enter or to withdraw. (Interviewee 1)*

Moreover, the ability to utilize tactics such as "escape" in fast normative shock situations, such as the Russian invasion of Ukraine depends also on the firm's resource intensity and tied resources in the country. For firms that have manufacturing or other large capital assets in the area might be hesitant to quickly drive the business down, as the investments to such facilities are often substantial. On the other hand, firms that have less tied capital in the region may be better able to react quickly to answer such shocks. The interviews pointed towards such as well. Consistent with resource dependence theory (Oliver, 1991), companies with less capital in Russia were more likely to do faster actions, whereas companies with more capital tied into the area were more likely to take more time to leave the area, suggesting, that assets act as a moderator for both escape tactics and de-internationalization.

> *Our organization is structurally lean, which allows us to react quickly. We own very little equipment. Because we are not tied up in assets, we can change routes and scale operations up or down quickly. Companies with large fleets cannot adjust as easily because their capital is tied up in equipment. Our asset-light model makes us more agile.* (Interviewee 9)

4.3.4 Defiance

Defiance strategies were among the rarest of the strategies presented in the interviews. Direct defiance of coercive and normative pressures is rare in Finnish business environment, as legal coercion is high and the interviewed companies care highly of their public image. Furthermore, most of the lobbying and making statements with Finnish MNCs is done via industry confederations, which perform these actions from behalf of the industry's firms. While the confederations are known to have made controversial statements in Finland from time to time, direct defiance strategies are rare even on a national level in Finland, making these cases easily recognizable.

Therefore, the defiance strategies present in this study were towards institutional pressures with no legal mandate and low coercion, as the institutional environment with such pressures more suitable for more active strategies with higher resistance towards the pressures. This implies that the firm has to make active and visible decisions that challenge the source of the pressure, which in some instances can be illegal. This narrows down the examples presented considerably, as most of the interviewees had experience of coercive pressures with legal mandates.

However, Interviewee 6's one European country's local branch's demand for lower racial diversity in advertisement can be interpreted as a challenge tactic to a normative and coercive pressure. The local claim while against both pressures had high local legitimacy and as the branch was recently merged into the firm's brand, the firm had only moderate coercion for the branch and conflicting existing institutional logic in the local environment, the firm's response in turn was compromise to prevent further damage and to prevent potential loss of legitimacy in the local market under a new brand. Furthermore, this demonstrates the presence of institutional complexity and how conflicting demands can influence a firm to accept a decision, that normally would not fit in its values in order to answer into other institutional environment's pressure more favorably and to take into account other internal factors. While normally the parent firm's response in this case would have been to challenge the claim, the local institutional logic and internal complexity the response towards essentially a decoupled compromise tactic.

> *It is a key element of our HR policy. So, balancing these things, like how to still find a way forward that also supports the development of our business in those countries. (Interviewee 6)*

4.3.5 Manipulate

As manipulate strategies are the most active and require the firm to actively make action against the asserted institutional pressure, they were also among the rarest and examples of them were only done intermediately via industry confederations. Some actions such as influencing EU directives via official channels, for instance during their

commenting period while technically active manipulation of the law is a basic operation procedure with EU decision-making with the EU promoting it to create solutions that can be executed, rather than actively trying to change what is considered acceptable behavior from companies, as Oliver (1991) describes manipulate strategies.

Despite there being no clear indication that explicit manipulation strategies were utilized, some strategies uses could possess some elements of, for instance, co-op tactics. Interviewee 1's invite of activists to meet with their executives to prevent them from interfering with their meeting. While this is considerably more cautious than Oliver's (1991, p. 157-168) examples of co-opting, it could imply to some degree of strategic utilization of institutional ties to demonstrate the organization's worthiness and acceptability to the activist group and thus a certain degree of co-opt tactic usage.

> *So, we arranged in advance with the NGO that they could meet our CEO before the meeting, and we set up a short meeting. They were very happy to get that opportunity, since it is rare to get to meet the CEO. Because of this, they did not interrupt or storm the stage at our meeting. (Interviewee 1)*

4.4 Learning

Out of the interviewees all mentioned, that their organization actively learns from previous activities in their institutional environment. Out of these interviewees many mentioned that organizational learning had improved their ability to strategically respond better to institutional pressures. Moreover, the absence or small emphasis of organizational learning in many of the institutional theory's seminal articles conflicts with how the interviewees saw the importance of organizational learning when strategically responding to institutional pressures.

> *We strive to learn and ensure we have as close to real-time a picture as possible of the situation in different operating countries – their operating practices, operating environments, regulatory environment and how it is developing – and to share those good practices and lessons at the group level and use them in the strategic development of our businesses and the group. (Interviewee 6)*

This learning had been both formal and informal, which had developed processes and people to better understand, decide and analyze the effects of response, sometimes automating the process completely. Moreover, this learning was often incorporated into further general strategy development, which would imply that learning is an integral part of strategic responses to institutional pressures.

> *Whenever a strategy renewal comes, we try to learn from things that perhaps were overlooked in the previous strategy period. (Interviewee 2)*

Furthermore, institutional learning allowed the interviewed companies address problems in a more agile manner and change their strategies to combat the current issue, rather than utilizing the same response to every issue. Developing the readiness to respond in an agile manner was for many interviewees one of the most important goal their organization had achieved and developed from recent strategic response, and this was a recuring theme with most interviews. Moreover, the capabilities to respond to institutional pressures have developed considerably in the last 10 years in most companies. The main driver for these capabilities had been fast shocks that considerably altered their operating environment, such as the Russian invasion of Ukraine, which for many of the interviewed companies meant quick and unpredictable changes to their core businesses.

> *We believe here, just as we do in our own business, in gathering as good a knowledge base as possible and then making agile decisions based on that, decisions which we then follow, and later we make corrections if there is reason to. (Interviewee 5)*

> *We try to operate more flexibly so that we understand what the customer really wants and how we can help them, rather than just waiting for competition material. (Interviewee 7)*

Proactiveness and the ability to influence processes was also a key subject that the interviewees mentioned. This was especially apparent with EU decision-making, where the ability to bring the firm's perspective forward early enough was seen as a key issue. Moreover, the ability to also keep up with all possible changes with especially EU decision-making was also mentioned as a key takeaway. Furthermore, the ability to apply

these to a fast macroeconomic shock was vital in terms of strategic response effectiveness in many of the example instances given in the interviews.

> *We generally try to be ahead of legislation. For example, with sustainability legislation in Europe, we tighten our own requirements already in advance, once we know something is coming. … We've already created an internal guideline, even though the law is still under negotiation. (Interviewee 1)*

Many of the interviewees mentioned that their firms had pivoted towards more formal processes in monitoring and responding to external pressures and lobbying. This was described as learned behavior from past interactions with legal processes and other institutional pressures, indicating a clear process in organizational learning. However, the similarity between the answers and denial of mimetic behavior indicates a presence of unconscious isomorphism that happens through the organization operating and learning from their institutional environment. Coercive isomorphism does influence processes and procedures, but the described isomorphism is done also via voluntary actions that enable the firms to respond and influence their institutional environment more effectively and actively. While this does not completely suit DiMaggio and Powell's (1983) description of coercive and normative isomorphism, it can be interpreted as a continuation of that, rather than its own category of isomorphism, due to its resemblance of the mentioned theories and its occurrence predominantly because of these two isomorphisms, rather than due to other factors.

> *In terms of monitoring the legislative side, we have increased our resourcing and capabilities internally. Because before I joined the company, I understand it wasn't very systematic, which meant that some things slipped by that we perhaps could have influenced positively or at least anticipated better. As a result, we've essentially bought that kind of capacity. (Interviewee 4)*

> *We rarely nowadays get surprises where some pressure comes and we failed to anticipate it, we really haven't had something like that in years. Somehow our prior experiences have strengthened our understanding of the importance of anticipation and early influence, and how we can develop our stakeholder cooperation and of course internal processes. (Interviewee 6)*

5 Discussion and conclusions

This chapter presents discussion of the research findings and a conclusion for the thesis. Firstly, a quick summary of the research's main objectives followed by the adapted framework, which has been modified based on the research's findings. After this, a detailed description of how the findings influenced the framework in the light of the theory's literature. After this, this chapter presents its findings in the form of theoretical and managerial contributions. This is followed by presenting the research's limitations and proposing future research.

5.1 Summary of the study and Discussion

This study aimed to understand the strategies Finnish MNCs use to respond to institutional pressures. In particular this thesis sought to answer the research question: "How do Finnish MNCs' strategic responses to institutional pressures influence the achievement of their desired outcomes?"

Furthermore, the study aimed at answering these questions by addressing the following research objectives:

- Identify the institutional pressures Finnish MNCs face.
- Discover which strategic responses Finnish MNCs use to respond to these pressures.
- Analyze the institutional pressures and the strategic responses and how they are utilized to achieve desired outcomes.

The first iteration of the theoretical framework synthesized the literature and theoretical perspective to reach the study's objectives and to answer the research question. The

second iteration features the empirical findings and incorporates them into the framework. This incorporates a more niche and detailed understanding of the subject and allows for more context specific approach for Finnish MNCs.

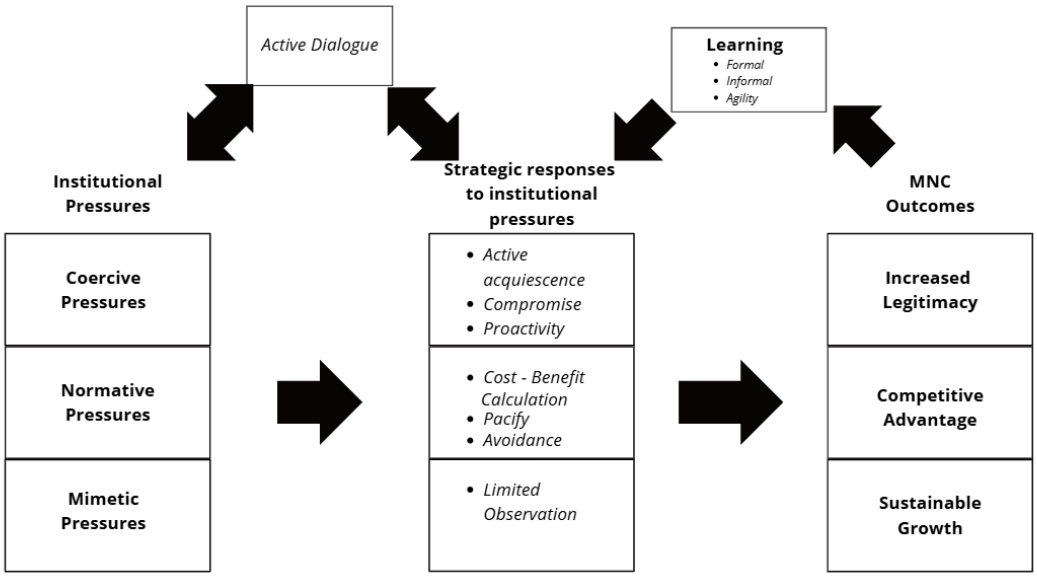

Figure 4, Revised Theoretical framework

The structure of the framework remains relatively similar; however, based on the research findings, the role of active dialogue with the source of institutional pressure is now emphasized. This is due to the active role of dialogue with each strategic response, as the findings emphasized an active dialogue with the source of the institutional pressures. Moreover, the role of activity with each strategic response has been emphasized with most responses being active. The interconnection between institutional pressures has also been noted, with only one arrow between each stage. This signals both the fact that most institutional pressures do not fit in a singular category but are both directly and indirectly connected to other institutional pressures and demands, and the fact that the strategic response is often a compromise of different responses and dialogue. Furthermore, despite the fact that the dialogue is also categorized as a part of a strategic response, the prevalence of it and its continuous nature in many instances underpins the necessity of separating it from strategic responses to a separate part of the framework,

as its occurrence outside the strategic responses with stakeholders, but also within the strategic responses, giving its role proportionally accurate representation.

The first objective of the study was to examine the institutional environment and pressures Finnish MNCs face in their operations and identify their type of categorization. It was considered relevant to analyze different industries and types of international footprints, to gain a deep understanding of the institutional pressures Finnish MNCs face in a broad international context.

In terms of the institutional pressures that the interviewed companies faced, the findings were in many parts consistent with the literature. Firms faced diverse coercive and normative pressures, with demands that influenced the interviewed companies' operations in different ways. These pressures were present with all interviewees. However, the absence of mimetic pressures was noticeable. Only one of the interviewees stated that competitor actions influence their decision-making, even when uncertainty was mentioned. This stark difference from literature was not disclosed by the interviewees, but literature offers some explanations.

Firstly, the nature of isomorphism is often invisible and unconscious, which implies that many isomorphic actions are done without acknowledgement of the isomorphism that is present, with Dimaggio and Powell describing isomorphism as invisible forces, that drive firms to adapt to similar practices. This is especially apparent in situations as the Russian invasion of Ukraine in 2022, which drove western companies to stop their operations in Russia. This was done in broader lines relatively similarly, a normative pressure drove the companies to cease operations in Russia, as the companies wanted to show that they operated ethically. While exceptions exist, the answers given by the interviewees were similar in their nature. Even when other considerations exist for such action, the example shows action that can be described as isomorphic in a high uncertainty situation. This implies that mimetic pressures are not seen as strictly mimetic pressures, but rather as normative pressures with mimetic undertones, implying that strict categorization of institutional pressures, while typologically and theoretically necessary, has the potential to bury aspects of other institutional pressures, that are less apparent.

Secondly, Uchida (2023, p. 801) states that due to the presence of a strategic element in organizations' responses to institutional pressures, isomorphism may play a smaller role than originally theorized. This helps to explain the absence of pressure towards mimetic isomorphism and why the interviewees recognized mimetic behavior only in limited contexts. Furthermore, as many of the institutional pressures and the response to them were complex, the determinants behind such strategies to be complex as well. Therefore, the possibility of different intended outcomes influences the strategic decision-making towards less uniform strategies and towards more individuality.

The coercive pressures Finnish MNCs face created noticeable coercive isomorphism, as DiMaggio and Powell (1983) suggested. The most substantial isomorphic force that the interviewees faced was laws and regulations, for which compliance was unanimous once the law was implemented. Moreover, coercive pressures were the strongest for Finnish MNCs when compared with normative and mimetic pressures, as Oliver (1991 p.160, 168) suggests. The study further confirmed Bromley and Powell's (2012, p.8) point of firms adapting practices, that legal mandates impose, despite the possible the misalignment and harm for their core operations. This was especially apparent with reporting directives, which many of the interviewees described as a burden for their firms. Furthermore, coercive pressures also imposed institutional complexity, which was imposed especially with changing institutional logics.

Coercive pressures faced more passive strategies in terms of compliance but also showed nuance in the actions leading up to the implementation of especially laws. While Oliver (1991) states that more passive strategies are utilized when coercive pressure is asserted, the active role of the firms before a law is passed was noticeable. Many of the firms engaged in active dialogue both with national and EU legislators to influence the laws in their favor. This was especially normative with EU directives, where an active discussion between firms and legislators was incentivized. This active conversation between the two includes features from both compliance and compromise tactics, which implies a hybrid response between the two. On the other hand, lobbying and dialogue

with the legislator is utilized extensively when the law or regulation is in the making, but the firm fully complies with it once it is passed.

This active role, that the firms have in shaping the institutional environment features distinctive features from multiple strategies and tactics. While compliance is the norm and compromise explains the discussion with lawmakers and stakeholders, the activity the firms utilize can in some aspects be argued to resemble "influence" tactics as well. While a legal tactic in this context, the activity the interviewees presented in their processes materialized in lobbying, discussion and influencing of stakeholders to shape the institutional pressures towards more favorable outcomes. While the processes the interviewees described were lawful and did not include influence with illegal means such as corruption, the difference to Oliver's (1991, p.160) typology, where the predictor for both coercion and legitimacy for the asserted pressure are low in "manipulate" strategies deviates from these processes.

Therefore, while lobbying is utilized in the US, where most of the institutional theory's literature is published, the active part the regulatory bodies play in the EU differs and creates a distinction between the two legislative areas. This also projects the cultural differences between the two continents; in Europe, the state often has a larger role in the society and in business, especially in social democracies such as Finland (Lund et al. 2021). Thus, these differences also carry therefore over to legislative norms and procedures with legislation and create isomorphic tendencies for the firms, that are faced with such coercive pressures.

Consequently, to define the behavior of actively influencing the institutional pressure and the dialogue between the firm and source of the institutional pressure. Therefore, this study proposes, that such behavior be defined as "active dialogue", however both parties participate to such behavior and is therefore an interactive process. This behavior differs from Oliver's (1991, p. 158) influence and control tactics, by happening between the source and target of the institutional pressure and does not try to for instance, change public perception of a certain institutional pressure, but to provide understanding of the institutional pressure's target's operations to the source of this pressure, which

is in most cases a legislator, so that they may understand the influence the pressure has on that field of industry. Active dialogue does not try to assert control over the constituents involved in the process, as Oliver's (1991, p. 158) control tactic, but rather work as the medium between the two parties to provide a consensus and compromise of what is the best solution for both parties and is a systemic feature of the institutional environment, rather than a strategic response or an institutional pressure. This dialogue can happen both directly and via industry associations, with the main objective of providing understanding of the pressure's potential impact and influence.

However, active dialogue and active acquiescence while similar-sounding concepts have their distinctions. Active dialogue is the process that happens during active acquiescence, where active acquiescence is the umbrella concept, that includes both the active dialogue and the acquiescence, that happens after the bill is passed and becomes a law. Therefore, this does not rule out the utilization of active dialogue in other contexts, than active acquiescence and coercive pressures.

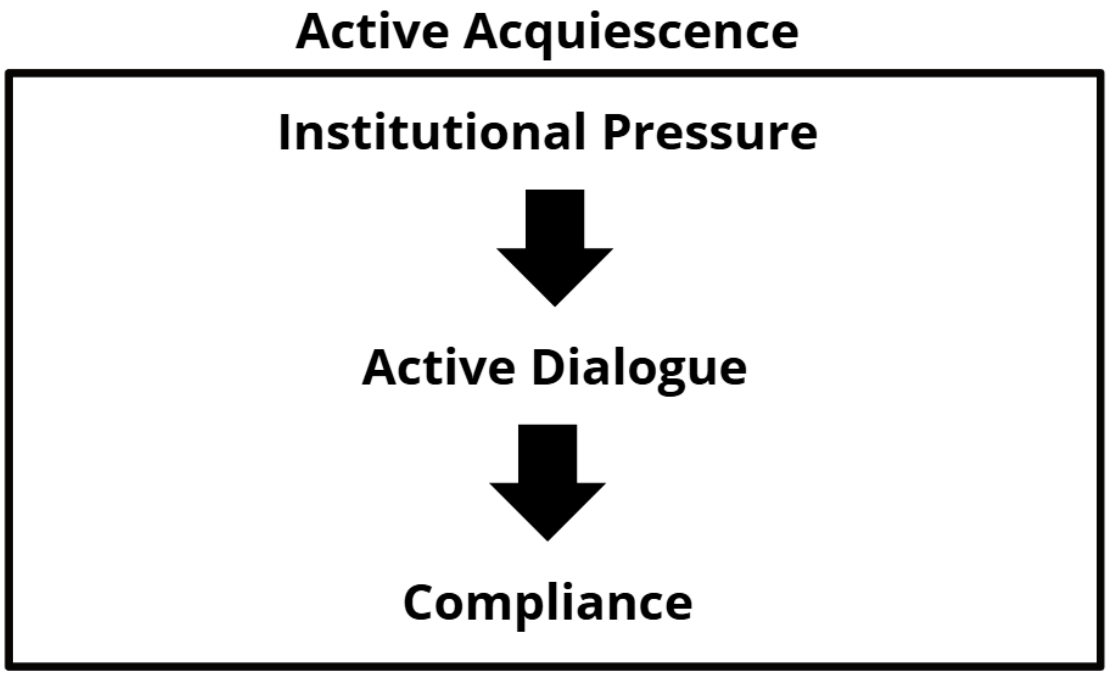

Figure 5, Active Acquiescence

Moreover, tactics such as reversion were not popular with the interviewed companies, despite many pressures they faced being unfavorable. The emphasized proactive nature of the responses could potentially explain the missing of reversion. The interviewees often stated that proactivity allowed them to better respond to institutional pressures rather than reversion. While some strategies were fixed as the institutional pressure started to take form, especially with bills as they change, no concrete evidence supported reversion in a manner that would allow the study to make conclusions based on it. This implies that further cultural differences exist as well. Notably, Uchida's (2023) study was done to Japanese firms, that operate in different institutional and cultural environments, where similar mechanisms may not play a part as in Finnish MNC environment. Therefore, same mechanisms may not completely generalize to a Finnish setting and behavior such as active acquiescence and active dialogue are more commonly utilized.

Furthermore, coercive pressures, especially with sustainability, were in many cases faced with overcompliance and the firms often faced their sustainability actions towards normative pressures for such actions. Many of the companies stated, that this created extra value for their brand, which in turn allowed them to pursue sustainable growth. This concurs with Kramer's and Porter's (2011) concept of "shared value" and the notion, that the firms gain legitimacy and innovation with such approach. Such behavior was especially apparent with firms, that operated in consumer business and publicly "visible" fields, such as forestry.

Firms, that operated further from customer business or were "not as visible" often saw less value in concentrating in as much in sustainability in their operations. This further concurs with Durand et al.'s (2021) model of "willingness and ability", as while the firms would be able base a higher value for environmental actions in their operations, the cost benefit calculation between issue salience and cost for business make less sense for firms, whose customers value such actions less. Therefore, it can be argued, that the integration and compliance of normative pressures into the firms operations is subject to issue and subject cost benefit analysis and normative pressures while present and considerable for Finnish MNCs, impose less constraints on them and that the responses to them are more flexible in terms of substance in most applications, focusing more on "pacify" tactics and communication, rather than compliance, such as with coercive pressures.

Moreover, as Uchida (2023) states, the presence of a strategic element has an impact on the degree of isomorphism, which is especially apparent with normative pressures. In the context of Durand et al.'s (2021) cost-benefit calculation and issue salience, normative pressures, that are misaligned with the firm's strategies and are not attractive in terms of issue salience and cost-benefit calculus, did not create isomorphism necessarily as for instance DiMaggio and Powell (1983) theorize, but rather in instances where it has applications for the firm's strategies. Furthermore, while normative pressures are strategically responded to, the response was not necessarily isomorphic, but rather

response, that considered the firm's objectives and strategy and was thus tailored towards that specific context.

The Russian invasion Ukraine also proved the utilization of de-internationalization as a strategic response. While similar as a response to "Escape" tactics, it more specifically targets retreating from a certain market as a strategic response, which was utilized by several interviewees in that exact context as an extension of an extension of an escape tactic. Furthermore, its occurrence with strong normative pressures should also be noted, as other, less substantial normative pressures did not foster such responses. Therefore, this notion further justifies issue salience and cost benefit calculation with normative pressures, as the type of normative pressure asserted greatly affects the strength and type of strategic response utilized, as normative pressures faced the most diverse responses, ranging from merely communicational to major shifts in the core business of the firm, implying the importance of context.

Furthermore, this study confirms the theoretical framework's presumption of learning's role in strategic responses. Previous experiences and accumulated human capital played a key part when building processes to better respond to institutional pressures and to answer institutional pressures themselves. Moreover, Greenwood et al.'s (2011) notion of institutional pressures being complex and often part of larger entireties with the response often going over multiple feedback loops, as the firm deals with the institutional pressure. However, the learning was also utilized in strategy development and developing processes, that allow the firm to better respond to the institutional pressure, which implies, that learning plays a more important role than previous literature mentions. This is especially apparent in the institutional environment, where Finnish MNCs operate due to its active nature, especially with coercive pressures. The ability to learn from previous experiences directly allows the firm to better influence decision-making to gain more favorable results, which underpins its necessity in the aforementioned institutional environments.

5.2 Theoretical and Managerial Contributions

This thesis provides both theoretical and managerial contributions to the topic. In theoretical terms, this study firstly contributes by emphasizing the role and integration of organizational learning into institutional theory. This research confirms that Finnish MNCs utilize organizational learning to both improve their internal structures and processes but also to better understand and respond to different institutional pressures. Consequently, this study integrates organizational learning into the broader institutional theory, as previous theory in most parts overlooks its importance in organizational responses to institutional pressures.

Secondly, this study suggests that, that Finnish MNCs utilize context and institutional pressure dependent active and dynamic responses, that both follow Oliver's (1991) typology of strategic responses but also extend it, by incorporating active dialogue with proactivity to strategically respond to institutional pressures. Finnish MNCs engage in active dialogue, which they utilize to work with both national and supranational regulatory and legislative entities such as national governments or the EU to influence new bills towards their desired outcomes. Therefore, this study challenges the presumption that coercive pressures foster fewer active strategies and more passive strategies in Finnish MNCs. Moreover, this challenges the presumption of Finnish MNCs reverting their responses to gain more favorable outcomes, as they showed more evidence of proactive responses, rather than later reversion of done decisions of strategic responses. Finnish MNCs also strategically responded with complex strategic responses, that were influenced by multiple factors and stakeholders, confirming that the institutional pressures they face are rarely simple and straight forward.

In terms of managerial contributions, this research first contributes by providing a heuristic for the institutional environment Finnish MNCs face, giving managers a formal framework of institutional pressures in Finnish MNC context. This framework allows managers to better understand their institutional environment, enabling them to invest in regulatory foresight and develop their strategies accordingly, to shifting their responses from reactive compliance to active acquiescence. Secondly, this research

contributes by providing managers understanding of what strategies Finnish MNCs utilize and how other Finnish MNCs strategically manage institutional pressures allowing managers to differentiate their strategic responses based on the institutional pressure they face. Specifically, this study suggests that managers utilize active acquiescence with coercive pressures and cost-benefit calculated context specific responses with normative pressures. Managers should also formalize their processes for learning from previous strategic responses, which allows them to further combat institutional pressures and larger institutional shocks with clear and comprehensive strategies that consider the firm's specific needs and previous experiences. Finally, this research provides a framework of the Finnish MNC institutional pressures and what strategies they can utilize to manage coercive and normative pressures.

5.3 Limitations and future research

While methodological choices were chosen to prevent unnecessary limitations this research still has several. The first limitation is the nature of institutional theory, due to its relatively unknown nature in this context and the confidential nature of many of the subjects discussed. The concepts and terms in institutional theory were relatively unknown for most of the interviewees. This was mitigated by providing an interview guide for all interviewees before the interview and explaining the needed concepts in the interviews, but as the concepts were new a certain margin of error is to be expected. Ensuring confidentiality provided its challenges in terms of interviewee firm confidentiality. While it is important for context to mention the firm field of industry, Finnish economy is at ultimately relatively small on a global scale and the amount of large MNCs, that are headquartered in Finland in one field is relatively small, with in many instances only one eligible firm per industry, of which the contacts were limited. In order to ensure confidentiality on a satisfactory level some generalizations had to therefore be made, which could limit the research's generalizability to more specific contexts.

Other limitations include the sample size and the qualitative nature of the study. As the research is qualitative, the generalizability is limited to the sample and possible claims of generalizability beyond that are not possible. Furthermore, while the interviewees worked all in middle to upper management, their roles in the firms were not standardized due to availability, as the eligibility and availability of interviewees was limited. This also explains the uneven distribution of industries in sample. Significant resources were utilized in terms of time and effort to ensure, that the sample would consist of different large Finnish MNCs and it would not have been possible or reasonable to find an accurate representation of the industries Finnish MNCs are in terms of representation per industry, as the number of eligible firms was limited.

However, the limitations of this study also provide new possibilities for new research. Firstly, and most prominently, there was a limited amount of direct evidence of mimetic pressures present in the interviews. Almost all interviewees stated, that mimetic pressures played no part in their decision-making, which deviates significantly from general institutional theory (Dimaggio & Powell, 1983; Oliver, 1991). Furthermore, presence of normative and coercive pressures, mostly in line with literature apart from contextual and other explainable deviation suggests, that mimetic pressures indeed play a smaller role in Finnish MNCs' strategic responses. The possibility of mimetic pressures existing is certainly present, but in a more invisible or covered way that this research was not able to find due to its limited sample size or interpretivist qualitative nature. Therefore, this thesis suggests further research into mimetic institutional pressures in Finnish MNC or European MNC context.

Other possible areas for future research include the influence of the coercive pressure's assertor's activity during the formation of the pressure. This study found considerably more active responses to high coercion pressures, which were accredited to the active role of the legislator and their dialogue with firms in the drafting and finalization of a bill into a law, which could potentially have further implications on larger contexts, if this behavior generalizes into other contexts. Furthermore, in institutional theory, new research could also concern the age of the firm and experience in dealing with institutional

pressures to further provide insight into learning with strategic responses, as being able to influence the surrounding institutional pressures more effectively by learning from operating in it has a notable lack of literature. Therefore, the ability to research further on how firm age and human capital's influence on the effectiveness of strategic responses or of how younger companies learn from their strategic responses could provide further contribution to a less developed area of the field.

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Appendices

Appendix 1, Interview Guide

Interview Guide

Thesis Title: Strategic Responses to Institutional Pressures: How do Finnish MNCs' strategic responses to institutional pressures influence the achievement of their desired outcomes?

Interview Type: Semi-structured

Estimated Duration: approximately 60 minutes

Purpose: The purpose of this interview is to understand how Finnish multinational corporations respond to various external pressures, such as regulations, public expectations, or competitor actions and how these influence strategic decisions. Your experiences will help the research better understand not only how firms respond, but also why they choose certain approaches, whether that's full compliance, negotiation, resistance, or innovation, across different institutional contexts.

This interview is part of a master's thesis in International Business and contributes to developing a more nuanced understanding of strategy and institutional theory in complex international environments.

The interview will be conducted as a semi-structured interview. This means that the questions are the same for every interviewee, but the wording and order may vary. The interviewer may also ask follow-up questions that are not listed in this guide, in order to better understand the interviewee's perspective.

Introduction & Context

1. Could you describe your company's industry, size and international footprint?

2. Can you describe your role and the strategic areas you oversee?

3. In what institutional contexts does your company operate (e.g., regulatory, societal, industry)?

4. What are the main external pressures you regularly deal with?

Institutional Pressures

5. Could you tell me an example of a time when your organization was significantly influenced by external pressure?
    a. Follow up (if needed) Do different kinds of institutional pressures affect your strategic decision-making differently?

6. When operating in multiple countries, how do you experience or navigate conflicting expectations or rules?

Strategic Responses

7. In what ways does your organization typically respond to institutional demands that might challenge your existing strategies or values?

8. Can you think of a case where you followed a pressure temporarily but later changed direction or reversed the decision?

9. What role does stakeholder perception, such as that of customers, regulators, or investors play in shaping how visibly or substantively you respond?

10. How do you assess whether an institutional pressure is worth responding to?

Learning, Adaptation & Strategy Evolution

11. Can you give an example of how previous experiences with institutional pressures shaped your firm's current way of responding?

12. Have your company's strategies evolved as institutional expectations have changed?

13. How does your organization manage and learn from operating across different institutional environments?

Reflection & Wrap-Up

14. Looking back, is there a pressure your organization underestimated or handled poorly?
    a. Follow up (if needed) What would you do differently today?

15. Is there anything else you'd like to share that could help this study better understand how your organization navigates institutional pressures or anything else you would like to clarify regarding this interview or anything I misunderstood or you'd like to correct before we finish?

Thank you for your time!