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Multinationals' political activity for institutional change: Evidence from Spain during the international crisis of 2008

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ABSTRACT

International crises generate uncoupling between multinational enterprises (MNEs) and the institutional environment. In these settings, industry associations of MNEs have an incentive to engage in institutional change by taking a role as *institutional entrepreneurs* in order to generate change within the existing, unsuitable institutions. However, MNEs can also try to *avoid* such institutions or try to *adapt* to them. Because the antecedents and outcomes of these three forms of engagement in institutional change (institutional *avoidance, adaptation, and entrepreneurship)* have been scarcely studied in Europe, this reflection examines the case of Spain during the international crisis and analyses the coordinated action of MNEs through their associations in seven industries. The discussion of 30 pieces of evidence regarding the engagement in institutional change in Spain suggests a model that proposes relevant antecedents of different forms of engagement and the expected outcomes resulting from the chosen forms, among them: co-evolution and co-involution.

1. Introduction

Institutional change is a complex process that breaks the institutional status quo, hence altering existing institutions or creating new ones (Battilana, Leca, & Boxenbaum, 2009), this is, changing the rules of the game for economic actors (Gertler, 2010). Frequently, institutional change is desirable or needed in a particular field because institutions became unsuitable for economic, business and social development, and the changing efforts made fail (Wright & Zammuto, 2013). This is so because institutional change is a strong political process that relates to the relative power of organised interests and the actors who mobilise around them (DiMaggio, 1988, p. 13). Competing interactions between change actors that try to achieve their ends by creating or transforming institutions, and institutional defenders that try to achieve their ends by maintaining the status quo (DiMaggio, 1988; Maguire, Hardy, & Lawrence, 2004; Seo & Creed, 2002), will result in an uncertain outcome. The outcome of the changing process will depend on two main types of factors (Battilana et al., 2009): actor-level conditions, like the relative power of actors, and field-level conditions that many times act as forces resistant to the change (Greenwood & Hinings, 1996; Seo & Creed, 2002).

Multinational enterprises (MNEs), especially those of big size can mobilise their social and power resources in order to change institutions to benefit their own interests (DiMaggio, 1988; Holm, 1995; Maguire et al., 2004), hence performing as *institutional entrepreneurs and political actor.* But they do not always engage in politics, sometimes MNEs, when dealing with unsuitable location-specific institutions, just adapt to the new institutional environment or even avoid it divesting in that particular location (Cantwell, Dunning, & Lundan, 2010). Actor-level conditions that are essential in taking on the role of institutional entrepreneur are those related to the position a firm is in to cooperate with other agents

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(Lawrence, Hardy, & Phillips, 2002) and their legitimacy in the eyes of stakeholders (Maguire et al., 2004). In this respect, a coordinated action by MNEs through their business associations can be a relevant way to increase the social and power resources needed to influence institutional change (Seo & Creed, 2002). Specifically, industry associations can exert the traditional lobbying activities to encourage legislators to prioritise action on some issues over others (Walker & Rea, 2014).

Field-level conditions include those that keep the status quo of the institutional environment (i.e. barriers to institutional change), and those that destabilise it by breaking the inertia and providing the conditions to facilitate change (Battilana et al., 2009), like periods of crisis. As crises cause governments and firms to perceive the risk of poor economic performance unless changes are implemented (Courvisanos, 2009; Dutton, 1986), and both governments and firms are able to promote institutional change (Greenwood, Suddaby, & Hinings, 2002), crises may destabilise the status quo and offer an exceptional context to study antecedents of institutional change.

The global crisis of 2008 negatively affected private businesses and public-sector services (Curran & Zignago, 2011) in many parts of the World, being its effects clear in Europe. In this context, location-specific institutions acquired great relevance, as they condition the kinds of ownership advantages MNEs may develop (Dunning & Lundan, 2008), and thus their available options for coping with such a crisis. As a consequence, identifying the conditions under which firms with their joint action through industry associations may take a role in the changing of existing, unsuitable institutions during that crisis has inspired this reflection on Europe.

Our focus on a European country, Spain, as a context of analysis turns out to be particularly interesting if we take into account the peculiarities of the European perspective on the political engagement of firms, different from the lobbying activities often exerted by American corporations. According to Rasche (2015), in North America, there is a strong tradition of political donations and election campaign contributions, which pool individual contributions to electoral campaigns. Therefore, firms usually become politically active for instrumental reasons, lobbying governmental actors out of self-interest. Meanwhile, Europe's understanding of firms' engagement in politics has mainly rested on a multi-stakeholder perspective, which has been part and parcel of the EU strategy on corporate social responsibility. According to this view, firms together with governments and civil society actors are expected to address social and environmental problems (in certain cases partially providing public goods that complement those offered by public sector). Nevertheless, even the corporate social responsibility discourse can hardly neglect that self-interest to improve firm performance is a dominant driver of corporate behaviour in practice (Rasche, 2015), so we could expect to find instrumental reasoning for political engagement in Europe, especially during the crisis, when firm survival and adaptation to new field conditions are at stake; but also a more multi-stakeholder perspective. This is the reason why we have chosen to base our reflection on a qualitative and inductive methodological approach.

Based on the literature on corporate political activity (Lux, Crook, & Woehr, 2011; Schuler & Rehbein, 1997), it is possible to assume that MNEs (and the national as well as international associations they belong to) will try to estimate the net impact on its national and international performance due to institutional change. Business association do analyse relevant information about national and international economy and events that may affect their members. They develop valuable knowledge that may be an instrument to negotiate with governments and political groups.

Because the behaviour of industry associations of MNEs acting as institutional entrepreneurs has not previously been analysed in periods of crisis, nor have the field- and actor-level conditions that affect such behaviour, we have focused at contributing in two areas: field- and actor-level conditions that affect the ways in which industry associations of MNEs engage in institutional change in Europe during such periods, and examining how these conditions affect the outcomes of these forms of engagement.

Accordingly, we structure our analysis as follows. We first review key concepts: on reverse-legitimacy and corruption as barriers to institutional change, forms of engagement in institutional change, the joint action through industry associations and co-evolution. Second, we describe the context of our empirical research and the main methodological aspects. Third, we report our findings in four sections: Spanish institutional reaction to the economic crisis, engagement in institutional change and their antecedents, barriers to institutional change and outcomes of engagement in institutional change. We end our reflection with a section of conclusions.

2. Reverse-legitimacy and corruption as barriers to institutional change

We consider that there exist barriers to change when any type of force resistant to the institutional change is identified. These barriers exist as there are relevant transaction costs to changing institutions, so that organisations usually initiate these changes with caution (Dunning & Lundan, 2008). To this respect, it must be highlighted that institutional change is a strongly political process, and so it relates to the relative power of organised interests and the actors who mobilise around them (DiMaggio, 1988). It is widely recognised that in any institutional change there will coexist change actors and institutional defenders (DiMaggio, 1988; Maguire et al., 2004; Seo & Creed, 2002), and this will be so regardless the reason that guide their intentions to change or maintain the status quo: self-interest or social ends. As a result, competing interactions will occur between change actors and defenders that can cause institutional change efforts to fail (Wright & Zammuto, 2013). Outcomes will therefore depend on the relative power of actors and other field-level conditions (Battilana et al., 2009) that act as barriers to change (Greenwood & Hinings, 1996; Seo & Creed, 2002), as it is the case of reverse-legitimacy and corruption.

Institutionalism suggests that firms must conform and adapt to institutions if they wish to gain legitimacy in the eyes of stakeholders (DiMaggio and Powell, 1983) and success within an organisational field (Scott, 1995). However, Riaz (2009) states that this legitimacy flows both ways. According to this author, not only does conforming to institutional pressure affect organisational success 'but organisational success in turn confers a "reverse-legitimacy" to certain institutions that are deemed to play a role in the success of organisations associated with these institutions' (Riaz, 2009, p. 29). Therefore, this author states that the survival or failure of institutions and organisations in the context of 'reverse-legitimacy' are intricately connected. Consequently, the success of firms that take advantage of the current institutional framework will lead them to defend the status quo in order to protect their success, which results in reverse-legitimacy becoming a barrier to institutional change.

In addition, corruption can also be a barrier to institutional change. Following the definition provided by the World Bank, corruption can be understood as the abuse of public power for private benefit. As privileged and corrupt actors are to some extent benefiting from the current institutions, they will likely support the institutional status quo. That is relevant because corruption can affect regulative institutions because some laws may be passed in return for a corrupt payment or in anticipation of receiving a corrupt payment in the future (Breen & Gillanders, 2012), which, in turn, will have an effect on national economic development (North, 1990) because regulation conditions the kinds of ownership advantages that firms are likely to develop (Dunning & Lundan, 2008). However, the existence of corruption can, in turn, be conditioned by the quality of institutions (Breen & Gillanders, 2012), such as the quality of regulation (regulative institution), the national culture (normative institution) and business customs (cognitive institutions). For example, some countries may consider corruption as a social behaviour that is not morally reprehensible, or as an accepted business practice that facilitates the functioning of business within industries. Thus, corruption influences and is influenced by the institutional framework. In addition, in cases where corrupt actors are empowered by the existing institutions, they will act in defence of the status quo, making use of the current institutions in an attempt to undermine change efforts (Misangyi, Weaver, & Elms, 2008). It will result in corruption becoming a barrier to institutional change.

3. MNEs engagement in institutional change

As institutionalism states, institutions change first and firms follow afterwards, trying to fit in with the new institutions (Meyer & Rowan, 1977; Misangyi et al., 2008). However, evidence shows how the effect of these external changes on MNEs' behaviour is diffused as MNEs respond to them with different forms of engagement. In this respect, engagement in institutional change refers to the degree to which firms involve in response to institutional conditions to maintain or enhance their viability, the following being possible: institutional avoidance, institutional adaptation and institutional entrepreneurship (Cantwell et al., 2010).

Institutional avoidance occurs when MNEs take the external institutional environment as given. These include decisions such as stopping operations in a particular country (Cantwell et al., 2010) or the delocalisation of some activities from one country to another with a more favourable institutional framework (Jackson & Deeg, 2008). For example, the slower pace of institutional change among some countries may be associated with divesting decisions as MNEs try to escape from the institutional constraints (Witt & Lewin, 2007). With institutional adaptation, MNEs also consider the institutional environment as given, but try to adapt their internal practices to fit better to the conditions and emerging perspectives of the new environment. Studies have shown how the economic, political and social institutions in a country can be especially favourable to some strategies and business practices (Meyer & Nguyen, 2005), and hence, they condition the choices of MNEs that decide to adapt to such an environment (Chan, Isobe, & Makino, 2008).

Although institutional avoidance and institutional adaptation have received much attention in the international business literature (Dunning & Lundan, 2008), changes in the institutional environment introduced by governments have diffuse effects on MNEs as firms' responses do not always correspond to authorities' expectations. This occurs because changes attempted by authorities, based on new regulations, fail when normative and cognitive institutions do not accompany them – i.e. they are incomplete – (Williamson, 2000), or when new rules are incoherent with the local institutional framework – i.e. they are inappropriate – (North, 2005). In these situations, social norms will become resistant forces to regulative impositions (North, 2005).

Second, many MNEs have the social and economic power to exert some influence over the environment and cannot be considered as ‘passive players submissively seeking legitimacy in their interactions with institutions’ (Riaz, 2009, p. 28). Instead, MNEs can behave as institutional entrepreneurs or change agents (Cantwell et al., 2010; Oliver, 1991). When MNEs act as institutional entrepreneurs, they will consider institutions as resources within the environment to be experimented with in order to face the firm's challenges, rather than a framework to avoid or adapt to (Seo & Creed, 2002).

4. Co-evolution and the joint action through industry associations

As the outcomes of attempted institutional changes are uncertain (Dunning & Lundan, 2008), managers may be willing to increase their participation in business associations in order to jointly perform institutional experiments and adopt joint political actions to change institutions, while reducing the risks and transaction costs associated with such actions. Indeed, institutional entrepreneurs can be individuals, groups, organisations or collectives (Misangyi et al., 2008) and industry associations, among others.

Industry associations are particularly relevant for our discussion as industries are affected by different institutional conditions (Pajunen & Maunula, 2008), meaning that a coordinated action of MNEs at this level can help to initiate institutional changes that allow the industry to cope with an economic crisis.

These sector-wide organisations analyse the competitive structure of the industry, both at national (domestic) and international levels, as well as the institutional framework that affects it. Thus, they are specialised in their industries and in the role of the companies that operate within them. They pay great attention to the potential joint influence of the associated firms over the national and international economy. Considering this, industry associations identify the problems faced by the entire industry (and so the associated companies) and elaborate sets of recommendations to improve the conditions that affect their industries, which frequently have implications for the formulation of public policies. In this respect, their reports are quite often sent to political parties, Parliament and Government (Presidency, ministry responsible for the target industry, regional authorities, etc.).

Because of the role of industry associations, MNEs that operate in a given industry may have an incentive to join them and contribute to their maintenance by providing funds, so gaining the opportunity to participate in debates that eventually may enable a ‘consensus’ on the desirability of boosting specific institutional changes that might facilitate MNEs' operations and objectives, among them coping with the crisis. The joint action through the association will provide MNEs with increased power to influence the government, so making possible the choice of institutional entrepreneurial behaviour, as opposed to the institutional avoidance and adaptation alternatives, to deal with the institutional environment. From this perspective, industry associations can be considered as lobbies that exert the traditional lobbying strategies to encourage legislators to prioritise action on some issues over others (Walker & Rea, 2014).

However, political action on the part of industry associations can also be a social process involving reciprocity and exchanges between lobbyists and policy makers (Walker & Rea, 2014), which may generate co-evolution. Co-evolution refers to an institutional change that emerges from ‘[…] a dynamic and interactive process that occurs over time with actors both being shaped by and shaping the institutional environment’ (Khavul, Chavez, & Bruton, 2013, p. 32). Thus, unlike changes that occur at specific national or organisational levels, co-evolution refers to the outcomes of the interaction between processes of change at these two different levels (Pajunen & Maunula, 2008).

Indeed, lobbying strategies could be considered an aid to legislators because efforts to gain political influence can facilitate the work of legislators with agendas consonant with business interests and needs (Hall & Deardorff, 2006), which is relevant in periods of crisis when governments perceive the need to make urgent changes to their policies (Courvisanos, 2009). Thus, the joint action of MNEs through industry associations to engage in politics can be useful for several purposes, e.g. to address economic, social and environmental problems that affect the industry (next to the multi-stakeholder perspective that the European academic tradition emphasises), and to lobbying governmental actors out of self-interest, as the US's tradition has highly considered.

5. Spain: a paradigmatic European country in needs for institutional changes to overcome the crisis

The empirical evidence for our reflection is based on a highly suitable context within Europe: Spain during the international crisis (from 2008 until 2013). Spain is among the group of European countries that deeply felt the effects of the crisis. The Spanish unemployment rate was higher than 25% and the youth unemployment rate exceeded 50% at the peak of the crisis; the public sector's surplus of 1.9% fell to a deficit of 11.2% in only the first two years of the crisis. Additionally, in contrast to other countries that faced the crisis and were eventually bailed out by the European Union, the size of the Spanish economy made a ‘whole rescue’ almost impossible, thus Spain became the focus for the institutional changes required to overcome the crisis.

Besides, Spain was characterised by significant institutional shortcomings that negatively affected their firms' competitiveness during the crisis. First, *regulative institutions* included laws favourable to construction and a ponderous judicial system (Harrington, 2011; Powell, 2012). A multi-level system of government regulation caused firms to face different and sometimes conflicting legislation and prevented national market unity and increased firms' economic costs in learning how to operate in 17 different, decentralised regions within the country (Servulo-González, 2013). Regulative institutions also included electrical, fiscal, labour and bureaucratic regulations that harmed business competitiveness (Harrington, 2011). Furthermore, there existed high structural costs because of intense regulation – e.g. firms faced the highest electricity prices in Europe; bore the costs of track changes because of the non-standardised width of train tracks within Europe. In addition, there was not enough support for exports, innovation, etc. (Powell, 2012). Second, the *normative framework* included some new and some old unsuitable institutions – e.g. recent cultural acceptance of high debt and home mortgages coexisted with longstanding bureaucratic and political bribing (Harrington, 2011; Powell, 2012). Additionally, there existed a lack of political responsiveness to economic challenges and a lack of long-term vision (Powell, 2012). This generated a non-stable regulatory framework, with some laws being changed with divergent objectives and generating uncertainty in business activity. Finally, *cognitive institutions* comprised firms' usual quest for short-term, large profits or for business opportunities frequently linked to soil requalification and public investment.

We obtained the evidence for our analysis from Spanish associations of MNEs that try to influence institutions through their joint action. We focused on seven industries, two because of their relevance to Spanish GDP (hotels and automotive) and five because of their potential for the future diversification of the Spanish economy (renewable energy, chemical and pharmaceuticals, technology consulting services, fashion and food manufacturing).

From May to June 2013, we conducted semi-structured interviews with managers from MNEs' industry and cross-sectorial associations to identify how they engaged in institutional change, as well as conducted additional interviews with government officials and other social experts to triangulate the data. In December 2013, we sent results to the participants[1] for validation. Participants were in all cases the individual of each association responsible for collecting requests from associated MNEs and participating in the negotiation process with the government. We categorised, analysed and compared the compiled information and identified 30 evidences of engagements in institutional change (see Appendix).

6. The Spanish institutional reaction to the economic crisis

After analysing all the compiled information, we identified three phases of the Spanish crisis. The ***first phase*** encompasses years 2008 and 2009 when it was believed that the crisis would be short-lived and, accordingly, only shallow and practical changes were undertaken. For example, whereas government passed regulations to boost the economy and avoid the collapse (e.g. bonuses towards the purchase of cars made in Spain, stimulus through public work programmes), many Spanish MNEs acted inflexibly and kept the set of structures and practices established over time. For example, they responded to the new context in 2008 and 2009 by reducing the costs in an attempt to halt profit declines and waited for an expected, early economic recovery. For this reason, experts agree that government and firms were slow to recognise the severity of the crisis, which delayed the implementation of the much-needed deep reforms.

The ***second phase*** involves years 2010 and 2011, when it was thought that the crisis could be more serious than had been initially expected, and so government initiated more profound changes, which were, however, few in number. For example, new regulations were mainly related to public deficit reduction (i.e. public spending was decreased at this time whereas tax pressure increased), the labour market, the savings and banking system and the pension system. It encompassed measures ranging from a mere reduction of the speed limit on motorways to save on oil to constitutional amendment limiting the public deficit to zero. In this second phase, MNEs became aware of the severity of the crisis and initiated major changes in their private institutions. The highest strategic option chosen was the spreading of international operations, which included exports, new territories in which to operate, foreign direct investment (FDI), relocation and offshore outsourcing activities.

Finally, in the ***third phase***, from 2012, the severity of the crisis was apparent and widely recognised by all the economic, political and social actors, hence deep structural changes that were high in number were initiated by the government. In this period, the new regulations passed were again related to public deficit reduction, the labour market and the savings and banking sector. In addition, other measures were innovative, such as liberalisation to stimulate trade, or boosting the economy by supporting entrepreneurs, although experts complained that very few funds were allocated for the implementation of that law. According to experts, the Spanish government arranged some critical reforms with the European Union, leaving aside MNEs and other local economic actors (e.g. the public deficit reduction). As shown, national authorities changed some regulative institutions in every period, with some regulations being reformed twice. When regulative institutions in this third phase of the crisis are compared to the first one, and

[1] The Spanish Association of Automobile & Truck Manufacturers (14 partners), The Spanish Confederation of Hotels and Tourist Accommodation (64 partners), The Spanish Photovoltaic Union (306 partners), The Spanish Solar Thermal Industry Association (64 partners), The Business Federation of the Spanish chemical industry (46 partners), The Spanish Association of Consulting Firms (25 partners), Leading Brands of the Spain Forum (97 partners), The Spanish Business Circle (188 partners), and The Spanish Institute for Foreign Trade.

according to the institutional indicators of the World Competitive Yearbook (WCY), some changes were visible. For example, with the exception of the banking regulations, the regulative evolution was positive, albeit Spain remained in a bad position when ranked against the 59 other countries analysed (Table 1). Thus, the regulative framework was still considered unsuitable for businesses in 2012. Indeed, an uncoupling between ownership advantages that firms sought in order to increase the overseas expansion since 2010–2011 (the second phase) and home country institutions was evident.

In this setting, many MNEs increased their investment abroad, thus avoiding the unsuitable home institutions that eroded firms' competitiveness (e.g. managers censured the dense and complex regulative framework, the high transport and energy costs). Other new strategic options included greater attention to customers' needs, the strength of technological capabilities to increase innovation, and the quest for better brand reputation. All these practices and strategies persisted in the idea of reaching a position based on high value-added products and services in the international markets to enhance operations abroad. In addition, firms progressively turned to networking, both intra- and inter-industries. This cooperation allowed Spanish MNEs to reduce the transaction costs associated with international expansion, innovative activities and the electricity supply, which were adverse in Spain.

In addition, changes based on new regulations, as intended by Spanish government, are incomplete when normative and cognitive institutions do not accompany them (Williamson, 2000). However, according to indicators from the WCY, in 2012, normative and cognitive institutions have not improved enough (Table 1), with the exception of labour productivity (Spain ranks 10th, although this is because wages dropped because of the crisis). In addition, some aspects of normative institutions (e.g. bureaucratic corruption, people's flexibility in facing challenges) and cognitive institutions (e.g. the adaptability of companies and the entrepreneurship of managers) fell in rank during this period. In our opinion, rather than a worsening of these institutions, Spain was gaining a greater level of awareness of the weaknesses of its institutions. Before the crisis, such institutions were erroneously considered valid as they allowed firms to succeed and Spain to grow economically. Thus, Table 1 shows how Spain is slowly recognising its weaknesses, this being critical to the emergence of the conditions for change.

7. Evidences of engagement in institutional change and their antecedents

Before the onset of crisis, Spanish economic success, which was to a great extend based on the housing bubble, can be explained from an institutional perspective. Organisational success confers a 'reverse-legitimacy' to certain institutions that are deemed to have a role in the success of organisations associated with these institutions (Riaz, 2009). Specifically, firms operating in the financial, construction and real estate sectors, among other industries, because of their own success, legitimated the Spanish institutions that had a role in their achievements (thereby causing a form of reverse-legitimacy to emerge). Thus, despite the lack of institutions to support economic growth and business competitiveness abroad, institutions were considered suitable. Therefore, the survival of institutions in Spain was connected to the success of organisations. In this setting, many MNEs merely conformed to external institutions, avoiding making internal experiments or changes to properly fit or adapt to the unsuitable environment. For example, they might have gained advantages from the existing munificent (albeit unsuitable) institutions and at the same time tried to generate ownership advantages in order to be prepared to compete under new institutional conditions in the future. Instead, they simply adopted institutions, played the game proposed by them, and tried to reach a high level of performance as easily and quickly as possible. We call this business practise *institutional adoption*, implying no proactive political action towards institutional change. Therefore, we consider that ***MNEs' economic performance*** is as an ***antecedent of institutional change***, assuming that the success of firms that take advantage of the existing institutions will lead them to defend the status quo in order to safeguard their success.

During the first years of the crisis (mainly 2008 and 2009), Spanish institutional status quo based on reverse-legitimacy persisted; but there was an unstable equilibrium: the institutional environment and MNEs were being forced to change because of the crisis. A need to modify the economic model based mainly on the housing bubble became evident. The new model should have been founded on firms' higher involvement in the external sector, as Spanish firms increasingly perceived, especially from 2010 (the second phase of the crisis). However, this was a challenge.

First, the development of ownership advantages had been overlooked by less internationalised firms because high domestic demand allowed them to achieve growth. They simply took

Table 1
Spanish institutional changes identified from WCY.

Regulative changes			Normative changes			Cognitive changes		
Institutions	Change in rank 2008-12	Rank[a] 2012	Institutions	Change in rank 2008-12	Rank[a] 2012	Institutions	Change in rank 2008–12	Rank[a] 2012
Legal framework encourages the competitiveness of enterprises	+6	43	Political responsiveness to economic challenges	+18	44	Adaptability of companies to market changes is high	−2	54
Fiscal policy. Collected total tax revenues as % of GDP	+6	41	Bureaucracy does not hinder business activity	+9	36	Entrepreneurship of managers is broad in business	−3	58
Finance and banking regulation is sufficiently effective	−17	56	Bureaucratic corruption does not exist	−4	29	Customer is emphasised in companies	+7	48
Restrictions to foreign organisations do not exist	0	26	Labour productivity	+7	10	Technological cooperation between firms	+6	47
Judicial system efficiency (Justice is fairly administered)	+8	36	Flexibility of people to face challenges	−2	54	Employee training is a high priority in companies	−2	57
Political transparency (transparency of government policy is satisfactory)	+12	31	Value system in the society support competitiveness	+2	48	Productivity of companies is supported by global strategies	+4	51

[a] Sample integrated by 57 countries in 2009 and 59 in 2012.
Source: WCY (2009; 2012).

advantage of Spanish institutions. Indeed, companies often based their business models on public investment, so disregarding the development of ownership advantages, which are necessary for being prepared to international expansion (e.g. R&D, innovation and cost efficiency), as well as for dealing with upcoming new, less favourable institutional conditions. In this context, firms that used to grow based on sponsoring international projects and moved away from inertia were an exception. Most corporations must overcome organisational inertia (cultural values and long-standing business practices) – including the persistent expectation of recovering past benefits from public activities, which acts as a barrier to change – in order to be ready to commit to the development of the new economic model. Thus, the ***existence of barriers to change within the firm*** can be also considered an ***antecedent of institutional change***, the assumption being that such barriers put change at risk.

Second, the required changes to the economic model made the uncoupling between MNEs and institutions visible. Although the uncoupling had occurred gradually over time, actors were not aware of it because of reverse-legitimacy before and during the first year of the crisis. Only in the second phase of crisis, when the uncoupling between firms' ownership advantages and the institutional environment became noticeable, did opportunities for change appear. Thus, the perceived ***quality of a country's institutions*** in the eyes of political, social and economic actors can be considered another ***antecedent of institutional change***.

Besides institutional shortcomings from the past economic model, the Spanish government passed several regulations from 2010 to 2013 that aggravated the conditions for firms to develop competitive advantages. For example, the deficit reduction reform included tax increases and expenditure cuts, which contributed towards a contraction in domestic demand and a narrowing of firms' profits. In addition, energy regulation changed to limit the growth of the renewable energy industry, and energy costs remained high when compared with prices elsewhere in Europe. Changes in regulations aimed at reducing the public deficit also had a negative effect on firms. As the previous choice to merely adopt the wrong institutions no longer seemed feasible for remaining profitable, firms were forced to make the decision to change through institutional avoidance, institutional adaptation or institutional entrepreneurship. To find patterns of antecedents and outcomes of forms of engagement in institutional change by industry, we analysed 30 evidences (see Appendix) that are numbered from 1 to 30 to refer to them and facilitate our discussion.

As expected, because institutions can provide specific strengths and weaknesses for different industries (Jackson & Deeg, 2008), we observed that each sectorial association perceived the quality of the country's institutions differently, and consequently used diverse approaches to engage in institutional change. For example, we found some optimism about the future among associations of MNEs from food manufacturing, fashion, hotels and automotive, but strong pessimism in chemical and pharmaceuticals, technology consulting services and renewable energy. The adverse institutional conditions for business competitiveness in high-tech industries and the lack of expectations about upcoming institutional changes encouraged *institutional avoidance* by renewable energy (evidence 21) and technology consulting services industries (evidence 26). That is, MNEs increasingly used FDI, relocation and the offshore outsourcing of activities to escape from the unsuitable Spanish institutional conditions that affected them (e.g. electrical energy regulation, deficit reduction reform with contraction in domestic demand, logistic inefficiencies, uncertainty about the future and a dense and volatile regulative framework). Many of these firms started international operations years before the crisis under unfavourable conditions in the environment, so they were ready to expand the scope and scale of their operations abroad. Other MNEs decided to adapt to the new framework. Specifically, cost reduction and exports were the main strategies used to adjust to adverse external conditions and fulfil the survival objective by the automotive industry (evidence 1), hotels (evidence 6) and some MNEs in renewable energy industries (evidence 22). Both institutional avoidance and adaptation show the influence of institutions over MNEs, which change in response to the environment.

In addition, the power resources of industry associations seem to be relevant for Spanish MNEs to choose political action using their industry associations to create communication lobbies and influence the government's decisions. It is believed that, in the past, some industries had influenced the governments' decisions and received fair, or even preferential treatment, so MNEs had an incentive to establish suitable relationships with the government. Thus, the relational strategy was not new in Spain, but MNEs made more frequent use of it because there was a need to be heard in order to improve institutions. Analysing these lobbying efforts, we have identified evidence of co-evolution for relevant industries in Spain, such as the automotive, hotel and brand value-based sectors (evidences 2, 7, 12 and 13). They frequently interacted with the government and maintained a positive cooperation and perception of influence. For example, the hotel and automotive industries asked for a labour market reform in order to reach more flexible staffing arrangements and less expensive adjustment plans (evidences 5 and 8). Attending to this request, the government eventually reformed the labour market. MNEs in the automotive industry made use of the new regulation to arrange uninterrupted operations and back shoring of R&D activities at home base. Certainly, MNEs in several industries made use of the advantages that new regulations could provide when adopting adjustment plans. In addition, it must be highlighted that other changes required by the same associations of MNEs operating in relevant industries were not reached (e.g. evidences 3, 4, 9, 14 and 15). In particular, the standardising of train track width in line with the rest of Europe (evidence 3) and the establishment of a balanced energy mix (evidence 4), which were also required by other industries with less influence (evidences 16, 17, 24 and 25).

In addition, the Spanish case shows how industry associations with lower power resources to influence the government (e.g. chemical and pharmaceuticals and renewable energy) were not able to achieve any intended change in institutions (evidences 16 to 19, 23 to 25 and 27). In addition, some changes required by all the seven industries were not reached. For example, the ensuring of national market unity (evidence 28), the reduction of a regulative framework (evidence 29), and the restructuring of the different levels of public administration (evidence 30). When analysing the causes of such failures on the base of the compiled information, we found relevant barriers to institutional change (see next section).

Finally, and in order to face the unsuitability of some external institutions, several associations of MNEs engaged in institutional entrepreneurship projects in order to build new internal and relational private institutions without the intention to influence the government. For example, firms progressively turned to networking in order to exploit synergies and increase opportunities to face the crisis (evidence 20). This cooperation allowed MNEs to reduce common transaction costs associated with international expansion, innovative activities and the electricity supply. Cooperation is a profitable endeavour when there is a need to face an uncertain environment (Krug & Hendrischke, 2008), as is common during a crisis. Thus, some industry associations of MNEs have replied to institutional deficiencies by internalising transactions within their networks, thereby creating an institutional microclimate to economise on transaction costs as was stated by Carney, Gedajlovic, and Yang (2009).

8. Corruption and other barriers to institutional change

We have found formal and informal obstacles to institutional change in Spain. Formal obstacles include those of a regulative nature, such as low attention to factors that affect industrial products' competitiveness other than workers' wages (evidences 3, 17 and 18). Informal obstacles are related to normative and cognitive institutions, such as organisational inertia (evidences 19, 20 and 25), political inertia (e.g. evidences 3, 17, 19 and 29), lack of cultural values related to cooperation in either the public or private domains (e.g. evidences 20 and 28) or close economic–political proximity – 'revolving doors' (evidences 4 and 16). However, the most relevant barrier to institutional change is corruption (e.g. evidences 28 and 30) as we have found that this normative institution limits firms' willingness to implement the changes needed to successfully face the crisis. In addition, this informal barrier precludes coordinated action and institutional cooperation among different actors in order to reach suitable changes to overcome the crisis. Therefore, we can state that *the existence of barriers to change*, both within the firm and in the environment, is a relevant *antecedent of institutional change*. To be more specific, we discuss below two evidences as illustrative examples.

First, embedded actors usually use their position in the environment to act as institutional defenders that protect the current status quo (DiMaggio, 1988), especially when they consider attempted changes by other actors as a threat to their privileges (Battilana et al., 2009). Our results support this approach and provide evidence of the supremacy of the electrical power industry in Spain, which interferes with the changes sought by associations of MNEs acting in other industries. For example, it prevents a gradual change to a new mix of fossil-renewable energy by making use of its high level of influence over the government. Indeed, the development of the renewable energy sector in Spain can be considered as the result of a political gamble with two successive regulations from 2004. In response to these regulations, Spanish firms strongly invested in R&D, resulting in a cutting-edge technology, which led Spain to worldwide leadership in this sector. However, since 2010, the government has gradually cut the political support for this sector and, in 2013 and 2014, barriers that limited industry growth were even set. Experts refer to this process as 'kidnapped energy'. This is an example of what we call *co-involution*: institutional change whose result is a worsening of institutions. Furthermore, the lack of transparency regarding the true cost of producing electrical energy is widely accepted. We have analysed the source of political power of MNEs acting in the electrical power industry, and we have found that it stems from a relevant public–private connection. Specifically, it is known that government officials and politicians become part of some MNEs' boards of directors (named as revolving doors effect). This close interaction ensures that the interests of MNEs from this industry can be informally present in the decision-making processes that take place in the public domain. Therefore, the high degree of power held by these MNEs prevents not only the institutional change and other MNEs' successful implementation of strategies, as previous literature suggests (Ahlstrom & Bruton, 2010; Khavul et al., 2013), but it also harms MNEs' willingness to act as institutional entrepreneurs because of a certain fear of direct confrontation. This is so, even though institutional entrepreneurship is attempted by coordinated actions through associations.

Second, although institutional change is always a challenging process, the difficulties associated with it are greater when actors, such as government (i.e. national and local), are multi-level entities (Meyer & Rowan, 1977) with different interests across these levels (Child, Rodrigues, & Tse, 2012). Even though MNEs in all industries highlight the need for a Spanish national market unity (evidence 28), regional governments do not seem to be willing to give up part of their autonomy or reach relevant agreements with other local units. Not sharing a common purpose, empirical evidence from Krug and Hendrischke (2008) and Child et al. (2012) shows how relationships between different actors are relevant and necessary to construct and use a relational framework to negotiate and reach agreements. Our evidence shows that there is a strong structure in each regional territory with public companies employing individuals that are, at times, hired by nonprofessional processes and/or in return for 'gifts' (i.e. political favours). The disassembling of these administrative structures could generate a 'loose tie' that would leave fired employees free to reveal the use of practices, which have not always been lawful. Given this scenario, past corruption can be a barrier to the government's ability to freely implement institutional changes.

There exist other barriers, which hamper MNEs' internal institutional changes. For example, MNEs must change their cognitive institutions in order to develop new ones highly based on the relevance of gaining ownership advantages. Although many MNEs have perceived the need for this change and are working to reach it, others remain stuck because of two barriers: organisational inertia and managers' expectations of recovering past benefits that stem from public activities. Specifically, as the finance of political parties from private businesses is restricted by law in Spain, political donations have institutionalised corruption, resulting in business benefits expected in exchange of fraudulent payments to political parties and/or to some of its leaders.

9. Outcomes of engagement in institutional change and their antecedents

Our empirical evidence shows the existence of three relevant antecedents that affect the choice of engagement in institutional change and the expected outcomes of these choices in a European country (Table 2). First, the quality of country's institutions (i.e. how suitable they are for supporting firms' competitiveness in a given industry); second, the MNE's economic performance; and third, barriers to institutional change, this is the obstacles that prevent advances in the change process and that can be present within the MNEs (e.g. organisational inertia) or in the environment (e.g. corruption and economic–political proximity).

If barriers to institutional change are prevalent both within firms and in the environment, it can be expected that neither MNEs nor government will wish to promote change. Firms will conform to the current institutions, likely making as few internal changes as possible. Coherently, MNEs in cells 1 to 4 are likely to use the institutional adoption form. In these settings, although the quality of institutions is low, some firms – or firms in specific industries – might benefit from these unsuitable institutions and reach a high level of performance, but not all firms. In cell 1, firms that attain a low level of performance in the presence of poor quality home country institutions are included, as barriers to change are high, institutional adoption will be expected and these firms will likely fail. This is the case of some Spanish firms during the first two years of crisis that eventually faced business closures. In cases where the low quality of institutions allows firms to achieve a high level of performance (cell 2), many firms could use institutional adoption to take advantage of unsuitable institutions and reverse-legitimacy would emerge. These firms would probably enjoy a high level of performance until any unforeseen event came along to break the institutional status quo, thus changing the environment, as is shown in the case of Spain until the onset of crisis.

In addition, when the quality of institutions is high, but firms

Table 2
Antecedents and outcomes of engagement in institutional change.

Quality of country's institutions for a given industry	MNEs' economic performance	Barriers to institutional change		
		High barriers in the MNE and in the environment	Low barriers in the MNE and high in the environment	Low barriers in the MNE and in the environment
Low	Low	**Cell 1** *Institutional adoption*: Likely failure, bankruptcy	**Cell 5** *Institutional avoidance*: Outward FDI, relocation, offshore outsourcing	**Cell 9** *Institutional entrepreneurship*: Co-evolution through cooperative and competitive interactions
	High	**Cell 2** *Institutional adoption*: Taking advantage of unsuitable institutions; reverse-legitimacy	**Cell 6** *Institutional adaptation*: New organisational strategies and practices; ‘unseen business champions’	**Cell 10** *Institutional entrepreneurship*: Co-evolution through cooperative and competitive interactions
High	Low	**Cell 3** *Institutional adoption*: Likely failure, bankruptcy	**Cell 7** *Institutional adaptation*: New organisational strategies and practices to take advantage of suitable institutions.	**Cell 11** *Institutional entrepreneurship*: Co-evolution and co-involution through cooperative and competitive interactions
	High	**Cell 4** *Institutional adoption*: Taking advantage of institutions; co-legitimacy	**Cell 8** *Institutional adaptation*: New organisational strategies and practices to increase current performance	**Cell 12** *Institutional entrepreneurship*: Co-evolution likely through cooperative interactions

achieve a low level of performance (cell 3) as they try to avoid internal changes, because of the high organisational barriers to change, institutional adoption will again result in firms' failure. Finally, in cell 4, where quality of institutions and firms' performances are high, institutional adoption allows MNEs to succeed while taking advantage of current institutions. Corporations reach legitimacy while conforming to institutions that allow them to succeed, while institutions are enforced as they permit firms to succeed. We call this process *co-legitimacy*. Co-legitimacy will provide a higher level of stability to institutions.

Cells 5 to 8 show few barriers to change within organisations and the existence of numerous barriers in the environment. In cell 5, the quality of institutions is low and institutions negatively affect some firms that will, therefore, only attain a low level of economic performance. In these cases, as there are few organisational barriers to change, but many external ones, MNEs will likely use institutional avoidance to escape from such unsuitable, but stable environments (e.g. outward FDI and offshore outsourcing). Evidences 21 and 26 illustrate this in renewable energy and consulting services industries. In cell 6, the unsuitable institutions allow firms to reach a high level of performance. However, as firms are ready to introduce internal changes (e.g. they are not immersed in organisational routines), they will behave differently from firms in cell 2 and will likely use the institutional adaptation form. These firms will find and implement new organisational strategies and practices to gain advantages from the current unsuitable, but munificent institutions, as well as prepare themselves for future institutional conditions. Business experts label these firms as ‘unseen champions’. In cell 7, ready-to-change firms are aware of the existence of high-quality institutions, albeit they are not able to reach a good performance in such a suitable context. Therefore, they will likely use institutional adaptation and try to find better ways to fit the environment in order to benefit from the suitable institutions; here, a restructuring process may be necessary. In cell 8, firms enjoy a high level of economic performance operating within a proper institutional environment. Therefore, institutional adaptation will be the response. As there are no internal barriers to change, firms will try to discover new organisational strategies and practices to increase their performance.

The last column in Table 2 includes those settings where barriers to change do not exist, either in the firm, or the environment. We also consider here the cases in which the existing barriers come to be almost irrelevant when facing the requests of MNEs with strong power resources. In fact, we could expect that the limits of government to force firms to fit institutions will depend on firms' economic power (Child et al., 2012). Therefore, with no barriers or barriers that are weak in the eyes of MNEs, conditions to institutional entrepreneurship are present. The Spanish case revealed that the ways in which institutional entrepreneurship takes place would depend on how institutions affect firms' economic performances, and on firms' power to influence (constraint) the environment through their industry associations. For example, in cell 9, those MNEs that attain a low level of performance in a context of poor institutions are included. These firms will use institutional entrepreneurship and will try to change the environment to enhance institutions, as well as to develop new strategies to cooperate with other actors in order to improve their performance in an adverse environment (evidence 20). Furthermore, it can be expected that the greater the power of these firms in the aggregate, the more frequent the use of competitive interactions to achieve an institutional change that will mainly benefit their industry; otherwise, they will likely look for an agreement to enhance the environment through cooperative interactions. In cell 10, firms' forms of engagement in change are similar to cell 9. Although in cell 10, firms are able to reach a high level of performance, many of them will try to enhance the unsuitable institutions because there are no relevant barriers that obstruct the change and institutional improvement is necessary. We have found several evidences related to cells 9 and 10 in our study (evidences 2, 4, 5, 7, 8, 12 and 13).

In cell 11, firms are not able to reach a high level of performance even though the institutional conditions are suitable, and likely favourable, for other firms in the same or in different industries. Under this situation, some unsuccessful MNEs with power may try to pressure government to pass new regulation and implement those institutional changes that only favour their own interests, against the interests of other firms and the community: co-involution can emerge. Evidence from the adverse change in the regulation of renewable energy demonstrates this case, and is a good example of lobbying policy makers out of self-interest. Obviously, other firms in the same cell, but with little power to pressure the government – or even with different ideologies about using their resources in such a way – may look for cooperative interactions, seeking changes in institutions and in their own organisations to reach a co-evolution favourable for all the parties involved. This could be an example of a multi-stakeholder's perspective on the political engagement of firms. In cell 12, firms reach a high level of economic performance while acting in a suitable institutional environment where no strong barriers to change exist. The favourable perspectives are likely to stimulate firms into utilising cooperative interactions to smoothly co-evolve, since it is unlikely that in the absence of barriers or when weak barriers to change exist, firms will decide to remain steady.

10. Conclusions

We have found that, for a successful institutional building, a mixed interplay of cooperation and competition among actors is crucial. Cooperation and competition took place within and between associations of MNEs from different industries – e.g. networks were established in order to reduce energy costs, as well as between industry associations and the government – e.g. hotels negotiated a labour market reform to reach more flexible staffing arrangements. This has given rise to a convergent co-evolution that contributed towards reducing the uncoupling between MNEs and institutions. At the same time, institutional competition has involved actors with different interests with respect to key issues in Spain – e.g. energy, deficit reduction priorities. This has caused some change efforts to fail – e.g. the reaching of a truly integrated Spanish market, but also others to result in a divergent co-evolution or co-involution, where institutional conditions worsen at the end of the change process (e.g. 'kidnapped energy'). Therefore, institutional change processes do not always end positively for all parties involved or solve every conflict of interest in a country facing a severe crisis. MNEs can prevail over the considerations of others in the eyes of governments when a multi-stakeholder perspective is missing.

Besides evidences of MNEs acting as institutional entrepreneurs, we also found that institutional adaptation and institutional avoidance choices were frequent, and that an additional form of engagement in the process is possible: institutional adoption. This means that MNEs merely conform to external institutions without making internal changes to properly adapt to the environment. Institutional adoption is conceptually different from institutional adaptation as the latter includes attempts by firms to enhance performance within a given and stable environment, while also trying to develop competitive advantages suitable for competing in the upcoming institutional settings.

Analysing how Spanish MNEs adopt, avoid, and adapt to the institutional environment, but also behave as institutional entrepreneurs through their industry associations, in order to influence institutions, have allowed this reflection on corporate engagement in institutional change in Europe. Summarising, we can affirm that a positive corporate engagement in institutional change will depend on firms' power resources and the interests of the government and other actors involved in the process, as well as the existence of barriers to change (e.g. corruption and organisational inertia). We also confirm that, at least during periods of crisis, European corporations engage in politics using the traditional US lobbying activities but also with a more multi-stakeholder perspective associated to the EU foundation.

We would like to finish our reflection with a relevant message to managers and another to policy makers and government officials. First, we think that managers should be continuously analysing – from a critical perspective – the process of institutional change, even in cases where the environment allows firms to achieve expected goals, otherwise, they could fall into an institutional trap (reverse-legitimacy) and lose the opportunity to prepare their companies to compete and survive in an international environment under diverse institutional frameworks. A more dynamic perspective of organisational strategies is needed in order to be able to identify, in advance, the possible measures needed to adapt to, adopt or avoid expected future institutional changes. Finally, and focusing on the government role, it is necessary to recognise the need for complementary changes in regulative, normative and cognitive institutions to successfully reach institutional change, especially those of a normative nature as corruption, as they affect the change and the compliance of other aspects of institutions. The success of institutional change will increase if economic actors from different industries and the government interact and cooperate. Thus, in periods of crisis, the government should use an inclusive relational and multi-stakeholder framework that, at the very least, balances the widespread use of institutions.

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Appendix. Associations' forms of engagement in institutional change by industry

Action/required changes	Form of engagement in changes	Outcome/*barriers*	nº of evidence
Automotive industry			
Relevance of the industry: High (it accounts for about 20% of the total merchandise exports; in 2012, Spain was the 12th largest vehicle producer in the world, nearly 2 million units)			
Interplay with government: **Frequent** (the government listens, understands and supports but does not rush all the needed changes to the sector's competitiveness)			
Marketing adaptation and cost reduction strategies	Institutional adaptation	New organisational strategies and practices are implemented	1
Request for government support by offering incentives to customers	Institutional entrepreneurship	**Reached**. Incentives to customers were approved for two years	2
Request for government modify width of train tracks, to standardise with Europe. Improving connections with fabrics, and trains' speed and size	Institutional entrepreneurship	**Not reached**. Talks were progressing and perhaps the standardisation of the tracks will be reached over time, but *barriers such as political inertia and low attention to factors that affect industrial products' competitiveness (different from worker's wages) harm possibilities of change*	3
Request for balanced energy mix to reduce the price of energy	Institutional entrepreneurship	**Not reached**, because of *close economic-political proximity (revolving doors)*. However, MNEs are supported to control their energy prices by government decision to keep a pay for possible power outages	4

(*continued on next page*)

(*continued*)

Request for government change of labour market regulation to facilitate the adjustment plans	Institutional entrepreneurship	**Reached**, and so MNEs backshored R&D activities to save in transport costs and so increase external competitiveness; also, they face adjustment plan easily because of lower severance pay	5
Hotels and tourism industry			
Relevance of the industry: High (the largest contributor to the GDP and a traditional sector in Spain)			
Interplay with government: **Constant** (the industry association has a high perception of influence)			
Marketing adaptation strategy and search for tourism from non-traditional tourist source countries in Spain.	Institutional adaptation	New organisational strategies and practices are implemented	6
Request for government support in order to for applying the new strategy of marketing adaptation	Institutional entrepreneurship	**Reached**. Support of Spanish consular staff in peak demand and regular coordination meetings between the industry and the government to ensure the capability of each consulate to give travel visas on time	7
Request for a new labour market reform to reach more flexible staffing arrangements	Institutional entrepreneurship	**Reached**. Government listens and reforms the labour market a second time. However, it does not include one requirement of the industry (allocation of work with 24 h' notice), albeit there is a move towards it	8
Reduction of the value added tax	Institutional entrepreneurship	**Not reached**, because *government priority to deficit reduction*	9
Delay in the application of the coastal law that requires the demolition of hotels close to the sea in 2013	Institutional entrepreneurship	**Reached**. The application of the law is suspended for 70 years	10
Brand value-based industry: Food manufacture and fashion			
Relevance of the industry: High (brand companies have high international reputation; they are the corporate image of Spain; Government is a member of the association)			
Interplay with government: **Constant** (strong and positive cooperation with government)			
International geographic expansion	Institutional adaptation	New organisational strategies and practices are implemented	11
Request for government to pass laws to protect well-known brands	Institutional entrepreneurship	**Reached**. Negotiations took place and agreements on new law was reached	12
Request for government attention to keep interactions and share concerns about barriers to increasing geographic scope	Institutional entrepreneurship	**Reached**. Concerns were regularly shared and, as a result, joint initiatives were developed, regardless of who proposed them (e.g. 2013–14 'Year of Spain' in Japan)	13
Request for tax incentives and financial support	Institutional entrepreneurship	**Not reached** because of *government priority to deficit reduction*	14
Facilitate residency cards and citizenship to highly qualified personnel	Institutional entrepreneurship	**Not reached** because of *different ideological and/or technical approaches*	15
Chemical and pharmaceutics industry			
Relevance of the industry: Medium to low (50% of sales are exports)			
Interplay with government: **Medium** (Technical meetings, the industry association has a low perception of influence)			
Request for balanced energy mix to reduce the price of energy and the dependence on foreign fossil resources	Institutional entrepreneurship	**Neither reached nor expected** because *Spanish government does not appear to know how to solve the energy problem as they are conditioned by close economic–political proximity (revolving doors)*	16
Request for width of train tracks standardised with Europe	Institutional entrepreneurship	**Not reached.** Talks seems to progress, and the standardisation may be reached over time, but barriers such as *political inertia and low attention to factors that affect industrial products' competitiveness risk it*	17
Request for tax deductions for R&D	Institutional entrepreneurship	**Not reached** because of *deficit reduction priority and low attention to factors that condition competitiveness*	18
Request for a development of a 'learn the error' cultural value; reduction of the 'risk-averse culture'	Institutional entrepreneurship	**Not reached** *because a highly consolidated economy culture overcomes the innovation culture, and inertia both in government and in several organisations setback the change*	19
Boost cross-industry networks to internally make transactions in order to reduce energy costs	Institutional entrepreneurship	**Reached to some extent**. Networks take the form of institutional microclimate to economise on transactions that exist in the environment. *Some firms remain apart because of inertia and lack of cooperation values*	20
Renewable energy industry (thermoelectric solar and photovoltaics)			
Relevance of the industry: Medium to low (Worldwide leadership, Industry with high prospects for future growth; but still with low contribution to the GDP)			
Interplay with government: **Low** (Government does not take the needs of these industries seriously; it informs, but does not listen or negotiate; the industry association has null perception of influence)			
Outward FDI and business closures	Institutional avoidance	Higher proportion of facilities and business transactions in foreign countries	21
Increase the exports	Institutional adaptation	New organisational strategies and practices are implemented	22
Request for a stable regulatory framework	Institutional entrepreneurship	**Not reached**, which increases future uncertainty. It is because of *barriers such as political inertia*	23
Request for removing the unlimited suspension of construction, and allow at least the annual construction of a thermoelectric solar plant	Institutional entrepreneurship	**Not reached** because of *barriers such as political inertia (e.g. lack of confidence in new industries and lack of shared vision and future projects for Spain)*	24
Request for government to keep the status quo and not establish a toll for self-powered photovoltaics	Institutional entrepreneurship	**Not reached** because of *barriers such as political inertia and action of institutional defenders (electrical power industry)*	25
Consulting services industry			
Relevance of the industry: Medium to low (Worldwide leadership of the industry with high prospects for future growth; but still with low contribution to the GDP)			
Interplay with government: **Low** (Government gets information about industry's needs but does not understand or negotiate them, and the industry association has null perception of influence)			
Outward FDI and offshore outsourcing	Institutional avoidance	Higher proportion of facilities and business transactions in foreign countries	26
Request for political support in and out of Spain	Institutional entrepreneurship	**Not reached** because of *barriers such as political inertia (e.g. lack of knowledge and trust in sector)*	27
All industries in the study			
Request for government to ensure national market unity because different, and sometimes conflicting, legislation is approved by regional governments	Institutional entrepreneurship	**Not reached**, maybe because of *political inertia, as well as political debts and a likely intention to purchase silence; also, incapacity to agree and share a common purpose for the country (lack of cooperation values)*	28

(*continued*)

Request for government to reduce the regulative framework to provide flexibility to firms. Every law should pass a test of competitiveness (smart regulation)	Institutional entrepreneurship	**Not reached**, maybe because of *political inertia and low attention to factors that affect industrial products' competitiveness*	29
Request for government to make benchmarking with efficient countries and taking them as models to re-structure the different level of public administration	Institutional entrepreneurship	**Not reached**, maybe because of *political inertia, as well as political debts and a likely intention to purchase silence*	30

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