

**THE MULTIFACETED EFFECTS OF INSTITUTIONS ON FIRM STRATEGIES  
AND ENTREPRENEURIAL ACTIONS**

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## **Abstract**

The emergence of a global economy is blurring the boundaries of firms as we know them. With these changes, country specific institutions have become prominent by influencing strategic actions of domestic and foreign firms thus, in turn, affecting the country's economic activity. For example, regulatory, political and economic institutions affect the amount of direct investments in a country by foreign companies. Specific institutions also affect the strategic behavior of firms, domestic and foreign, competing in local economies. These effects are evident through the influence of such institutions as the rule of law on the formation and outcomes of strategic alliances between domestic and foreign partners. In addition, institutions affect entrepreneurial behavior to the extent that weak institutions or institutional voids cause entrepreneurs to develop larger networks to access the resources needed for successful ventures. Thus, understanding institutional environments is critical in today's global competitive landscape. This chapter provides an overview of the body of literature that examines the effects of institutional environments on firm performance in both developed and emerging markets. We will provide future avenues for research in this important area of international strategy.