Coping with Institutional Voids in Cambodia

A Qualitative Case Study on Institutions

Nils Bindler, Monique Sieng Kao

Department of Business Administration
Master’s Program in Management; Master’s Program in Business Development and Internationalisation
Degree Project, 30 Credits, Spring 2018
Supervisor: Zsuzsanna Vincze
Acknowledgments

The authors would like to express their gratitude to the wonderful individuals who made this study possible. To Dr. Zsuzsanna Vincze, thank you for accepting the role of supervisorship ahead of schedule. Thank you also for being patient, encouraging and accessible while the minor field study was underway - communicating with and supervising the authors who were on the other side of the world may not have been easy, but thank you for embracing this role. Moreover, the knowledge and expertise you provided has strengthened this paper immensely. To the authors’ wonderful sets of parents, thank you for being encouraging and supportive throughout the writing process. The practical and academic support the authors have received from all of you has been invaluable if not crucial to the success of the paper. To the wonderful executives and owners of Cambodia’s firms, thank you for offering your valuable time and insight to providing primary data for this research. Each of you has played a critical role in shaping how this thesis turned out. A very special thanks to SIDA for providing Nils Bindler with the MFS scholarship, financially supporting and allowing him to travel to Cambodia for an amazing experience.
Abstract

Although emerging economies have received increased attention by both firms and academia in recent decades, there is still more that can be done. Calls have been made by both academic authors and journals to conduct research within institutionally voided environments, a call that was answered by this study. Specifically, this study answers calls related to: examining institutional strategies; examining the relationship between nonmarket and market exchanges. The purpose of this study was to gain a deeper understanding of how the nonmarket-market relationship affects firm strategies and behavior in Cambodia, an especially voided country due to their turbulent recent history. A second layer of the purpose was to compare firms and explore their similarities and differences to understand the isomorphic pressures of Cambodia.

A qualitative case study approach to the study was undertaken to achieve the study’s purpose. Thirteen semi-structured interviews were conducted with various managers who have the ability to make strategic decisions in their respective firms. All the interviewees were from the private sector but were scattered throughout different industries and were asked about their experiences and perception of the Cambodian business environment, mainly focusing on the institutional context. The data collected were then structured based on three main themes and corresponding subthemes. This thematic division was the basis for the analysis of the study as well as the conclusion.

Based on the analysis of the data, it can be concluded that the nonmarket is indeed superordinate to the market environment in Cambodia. From a macro perspective, the institutional voids affect all firms in Cambodia, and the firms utilize similar variations of four institutional strategies: internalization, substitution, buffering, and bridging. Because the nonmarket environment in Cambodia is so strong, this results in both voids in the market environment and firms becoming more isomorphic. These four strategies were not the only ones identified, other strategies, namely outsourcing and institutional borrowing, were noted as well because of the institutional voids.

Theoretically, this study contributes to revising and improving Institutional Theory and reinforcing both Institutional Theory and the Resource-Based View. Social contributions relate to assisting policymakers in Cambodia to understanding their most problematic institutions and developing or improving those institutions. Practical contributions are aimed at practitioners seeking to or doing business in Cambodia, assisting them in understanding the institutional context of Cambodia and knowing how to navigate within its boundaries. This practical contribution can also be considered a social contribution, as more businesses enter Cambodia and as firms grow, the combination of firm entrance and growth creates more jobs and stimulates the economy.
# Table of Contents

1. **Introduction** ................................................................................................................. 1  
   1.1. Problematization ........................................................................................................... 1  
      1.1.1. The Importance of Emerging Economies ................................................................. 1  
      1.1.2. The Institutional Issues Associated with Emerging Economies ............................ 2  
      1.1.3. Gaps in Current Research ....................................................................................... 3  
      1.1.4. The Importance of this Current Research ............................................................... 4  
   1.2. Research Question ......................................................................................................... 5  
   1.3. Purpose .......................................................................................................................... 6  
   1.4. Theoretical Point of Departure ....................................................................................... 7  

2. **Theoretical Frame of Reference** .................................................................................... 10  
   2.1. Emerging Economy ...................................................................................................... 10  
      2.1.1. The Notion of the Emerging Economy ................................................................. 10  
      2.1.2. The Notion of Institutions ..................................................................................... 11  
      2.1.3. The Notion of Institutional Voids in Terms of Nonmarket-Market Exchange ........... 13  
   2.2. Principles of Firm Strategizing in Emerging Economies ............................................. 17  
      2.2.1. Institutional theory .................................................................................................. 17  
      2.2.2. Resource-Based View (RBV) .................................................................................. 23  
   2.3. Strategies Conforming to an Emerging Economy’s Nonmarket-Market Relationship .................... 26  
      2.3.1. The Notion of Strategy .......................................................................................... 26  
      2.3.2. Market-Related strategies ..................................................................................... 27  
      2.3.3. Nonmarket Related Strategies .............................................................................. 30  
   2.4. Integrating the Theoretical Framework ......................................................................... 32  

3. **Methodology** .................................................................................................................. 34  
   3.1. Preconceptions ............................................................................................................. 34  
   3.2. Research Philosophy .................................................................................................... 35  
      3.2.1. Ontological Assumptions ....................................................................................... 35  
      3.2.2. Epistemological Assumptions ................................................................................. 35  
   3.3. Research Logic ............................................................................................................. 36  
   3.4. Research Purpose & Process ....................................................................................... 37  
   3.5. Research Design .......................................................................................................... 38
3.6. Literature Search .................................................................................................................. 38
3.7. Qualitative Data Collection .................................................................................................. 39
  3.7.1. Sampling & Choice of Interviewees .................................................................................. 39
  3.7.2. Interview Guide Approach & Design ................................................................................. 41
  3.7.3. Interviews & Data Collection Process ................................................................................. 42
  3.7.4. Data Analysis Process ...................................................................................................... 44
3.8. Ethical & Social Considerations .......................................................................................... 46
3.9. Quality Criteria ..................................................................................................................... 47

4. Contextualization of Cambodia ............................................................................................ 49
  4.1. A Brief History of Cambodia from the 1950s-2000s ............................................................ 49
  4.2. Present Day General Institutional Conditions .................................................................... 51

5. Empirical Findings ................................................................................................................ 53
  5.1. Interview Profiling ............................................................................................................ 53
  5.2. Presentation of Findings .................................................................................................... 54
    5.2.1. Cambodia’s Institutional Environment ......................................................................... 54
    5.2.2. Principles of Firm Strategizing Processes ..................................................................... 60
    5.2.3. Strategies .................................................................................................................... 63

6. Analysis and Discussion ........................................................................................................ 67
  6.1. Cambodia’s Institutional Environment .............................................................................. 67
  6.2. Principles of Firm Strategizing Behavior ......................................................................... 71
  6.3. Strategies .......................................................................................................................... 74
  6.4. Comparison of firm’s strategizing processes ................................................................. 77
  6.5. Discussion ........................................................................................................................ 78

7. Conclusion ............................................................................................................................. 81
  7.1. General Conclusions ...................................................................................................... 81
  7.2. Contributions, Implications and Recommendations ....................................................... 82
    7.2.1. Theoretical Contributions .......................................................................................... 82
    7.2.2. Societal Implications ................................................................................................ 82
    7.2.3. Practical Implications and Recommendations ........................................................... 83
  7.3. Limitations and Suggestions for Future Research ............................................................ 83

8 Reference List ........................................................................................................................ 85
Appendix 1 - Letter to Interviewee ......................................................................................... 92
Appendix 2 - Interview Guide .................................................................................................... 93
Appendix 3 - Table 1: Cambodia’s Institutional Environment - the Nonmarket Institutions and Voids ........................................................................................................... 95
Appendix 4 - Table 2: Cambodia’s Institutional Environment - Information & Voids 102
Appendix 5 - Table 3: Cambodia’s Institutional Environment - Market Institutions & Voids ........................................................................................................... 103
Appendix 6 - Table 4: Cambodia’s Institutional Environment - Nonmarket-Market Relationship ........................................................................................................... 106
Appendix 7 - Table 5: Principle of Firm Strategizing Processes - Institutional Effects ........................................................................................................... 109
Appendix 8 - Table 6: Principle of Firm Strategizing Processes - RBV Effects........ 111
Appendix 9 - Table 7: Strategies - Market Internalization Strategy ....................... 114
Appendix 10 - Table 8: Strategies - Market Substitution Strategy ....................... 116
Appendix 11 - Table 9: Strategies - Nonmarket Buffering Strategy ..................... 117
Appendix 12 - Table 10: Strategies - Nonmarket Bridging Strategy ..................... 119
Appendix 13 - Table 11: Strategies - Other Strategy ........................................... 121

List of Figures and Tables

Figure 1: Increasing Prominence of Emerging Markets. 1
Figure 2: The Notion of Emerging Economies 11
Figure 3: Market & Nonmarket Relationship 14
Figure 4: The Role & Implications of Institutions 21
Figure 5: Framework of the Influence of the Nonmarket-Market Relationship on Firm Behaviors and Strategies 33
Table 1: Overview of Coded Interviews 43
Figure 6: Revised Framework of the Influence of the Nonmarket-Market Relationship on Firm Behaviors and Strategies 80
[Page Left Intentionally Blank]
1. Introduction

This chapter first discusses the problem background, which serves to rationalize the importance of focusing on the subject at hand in addition to considering areas of improvement that scholars have suggested for future research. Second, the research question that guide the entirety of this research and a discourse on its purpose are developed. And third, the theoretical point of departure follows, where different concepts and theories that underpin the study are introduced.

1.1. Problematization

1.1.1. The Importance of Emerging Economies

In the past two decades, emerging economies have presented vast opportunities for firms and academic scholars, respectively pursuing economic or scholarly interests. The shift from closed economies to more open capital liberalized markets, advanced technological developments, and the internationalization of firms into new emerging economies have facilitated the reduction of trade and investment barriers (Ingram & Silverman, 2002, p. 3-4; Khanna & Palepu, 2010, p. 1, 3). Accordingly, this has opened up country borders and connected developed and emerging economies in a manner that provides great opportunities for firms, synthetization of innovation and knowledge, and contributions to world economic growth (Ingram & Silverman, 2002, p. 3-4; Govindarajan, 2012, Khanna & Palepu, 2010, p. 1, 3). Trends compiled by the International Monetary Fund (IMF) have determined that world economic growth, once dominantly contributed to by developed economies, is progressively being replaced by emerging economies (see Figure 1). From 2015 to 2022, emerging economies’ real GDP will have increased by 0.7%; whereas, developed economies’ real GDP will have decreased by 0.5% (IMF, 2017). In terms of human content, emerging economies hold 5.5 billion of the world’s population with total GDP estimated to be 30 trillion dollars (Govindarajan, 2012). These trends and data indicate a shift in economic power that calls for increased focus and penetration into emerging economies.

![Figure 1: Increasing Prominence of Emerging Markets.](image)

Note: GDP based on PPP, share of the world; Source: IMF, 2017.
1.1.2. The Institutional Issues Associated with Emerging Economies

Though emerging economies contribute greatly to world growth and economic opportunities, it is not without problems and risks. Emerging economies are plagued with issues such as uncertainties and shocks that are made more prominent by the absence of functioning institutions that facilitate proper economic transactions. This malfunctioning of country systems is more fittingly perceived by the presence of institutional voids (Gao et al., 2017, p. 2147-2148; Back et al., 2014, p. 392). Weak or dysfunctional institutions increase uncertainties and risks by preventing proper enforcing mechanisms and market facilitating intermediaries. Consequently, transaction costs and opportunistic behaviors are increased (Hoskisson et al., 2000, p. 255; Wright et al., 2005, p. 4). The rules of the game, taken for granted because they function well in developed economies, are more prominently acknowledged in emerging economies because they hamper economic transactions. As a result, the strategies that are typically deployed by firms in developed economies do not necessarily function properly nor are they applicable in emerging economies (Govindarajan, 2012; Gao et al., 2017, p. 2148; Peng et al., 2008, p. 922; Wright et al., 2005, p. 6; Kearney, 2012, p. 174).

There is a strong implication that without proper strategies, which align with emerging economies’ institutional context, encountering such voids may be devastating for firms. Moreover, this highlights the role of institutions, reinforcing the notion that institutions are important, serving as more than just peripheralized humanly-devised constructs by influencing actors and their decision-making processes (Peng et al, 2008; Yaprak et al., 2018, p. 199). Rather, “institutions directly determine what arrows a firm has in its quiver as it struggles to formulate and implement strategy” (Ingram & Silverman, 2002, p. 20). To elucidate, firms will make decisions with regards to strategy implementation and resource utilization based upon the rules of the game that they encounter in a particular setting.

The notion of institutions is complicated by the fact that no two countries and their institutions are the same. Though there are common characteristics that are universally shared by emerging economies, there are degrees of differences amongst them as well. For instance, the presence of institutional voids in emerging economies is a well-established notion. However, what differs between countries is that certain countries may face more institutional issues than others that in turn affect firms’ responses. Just as firm strategies in developed economies cannot be effectively carried over to emerging economies, it would be unwise to apply the same strategies amongst emerging economies’ institution without proper understanding of the institutional context (Wright, 2005, p. 2; 6; Hoskisson et al., 2013, p. 1298).

Another complication surrounding institutions and voids is that it is structurally complex, meaning that it can be categorized and studied through different lenses from type and nature to specific voids, e.g., formal, informal, market, nonmarket mechanisms, particular types of voids (capital, labor, political), or simply examining voids in general (e.g., Doh et al., 2017; Gao et al., 2017; Narooz & Child, 2017; Olthaar et al., 2017). The conceptualization of emerging economies, institutions and the associating voids as well are underdeveloped. The combination of the two complications cause scholarly fragmentation whereby studies on the relationship between institutional influences on firm strategies result in varying conclusions and recommendations that require further research (Doh et al., 2017; p. 294-295; Gao et al., 2017; p. 2148, 2164; Narooz & Child, 2017, p. 684; He et al., 2007, p. 152, 164).
Institutions are determined to be restrictive, limiting, and constraining by their very nature due to increasing transaction costs (Dunning & Lundan, 2008, p. 580). This perspective holds for both functional and dysfunctional institutions. For instance, proper enforcing institutions would make opportunism and corruption extremely costly for actors who would chance it for personal gain. Conversely, dysfunctional institutions that prevent market efficient intermediaries from functioning properly would increase the transaction costs via increasing, for instance, uncertainty, information asymmetry, and opportunistic behaviors. However, there is a gradual shift in International Business (IB) scholarship from the view that the nature of institutions is constraining to a more opportunity inducing perspective (Marquis & Raynard, 2015, p. 295). Doh et al. (2017, p. 294) determined that institutions provide a means to act, that each “void is an actionable construct, that can be reacted to or shaped”. Narooz and Child (2017, p. 684) further augments this perspective by asserting that institutional constraints can be overcome by decision-makers’ adaptive capabilities. In alignment with these beliefs, Gao et al. (2017, p. 2148) determined that operational success in institutionally voided environments is determined by the abilities of firms to implement strategies that “overcome, shape, and capitalize” on their surroundings. Dunning and Lundan’s (2008) perception contrasts with that latter group of authors’ views of the nature of institutions. The discussion thus far reflects diverging scholarly views on institutions and resulting firm behaviors. One the one side are pessimists as represented by Dunning and Lundan and on the other side are Doh et al., Narooz and Child and Gao et al. as optimists (Kearney, 2012, p. 167). It is this optimistic view that firms find ways to navigate institutional voids rather than be constrained by them that this current study supports (Marquis & Raynard, 2015, p. 295-296).

1.1.3. Gaps in Current Research

Previous studies have presented areas that require improvements. More specifically, researchers have called for studies to: further conceptualize the notion of institutional voids (Doh et al., 2017; p. 294); develop theories that are applicable to emerging economies (Gao et al., 2017, p. 2148, 2164); examine how strategies are developed that conform to institutionally voided settings, effectively illustrating the prominent role of institutions (Narooz & Child, 2017, p. 684; Doh et al., 2017, p. 293, 295); look at the relationship between nonmarket, which in itself is understudied, and market exchange, and the associating strategies that cater to this relationship (He et al., 2007, p. 152, 164; Doh et al., 2017, p. 295).

Calls for research have not only been made by scholars. Recently, The Strategic Management Journal has called for the development of new theories for institutionally voided environments to further knowledge and integration of “world-wide strategic management” (Bettis et al., 2014, p. 1413). The journal’s call to further research lies in the fact that many theories, recommended strategies and findings are created by or for developed countries and are not or may not be directly applicable in emerging economies (Meyer & Gelbuda, 2006, p. 144). To clarify, many firms from developing economies planning to operate in emerging economies often carry over strategies originating from their developed setting. Influenced by Western theories of how, for example, society and consumers behave, firms expect their strategies that are underpinned by these theories to function properly in the new setting. Firms rarely consider that their strategies would not work due to a neglect of radically different institutional contexts. This neglect is based on that Western firms are used to operating in developed economies and have not explicitly considered the negative effects of institutions. These factors often result in firms struggling to navigate in emerging economies.
economies. Thus, firms from developed economies that wish to operate in emerging economies must adapt their theoretically derived logics and strategies to conform to the emerging context. They cannot expect the context to conform to their own strategies and logics (Govindarajan, 2012).

1.1.4. The Importance of this Current Research

Drawing upon research into institutional and resource-based theories in addition to touching upon a multidisciplinary field of political science, management, and business development, this thesis responds to researchers’ call for studies regarding emerging economies. This current study specifically examines institutions and voids, and how firms develop strategies that conform to the institutional context. Due to the heterogeneity amongst emerging economies, the authors focus their study on one particular emerging economy, namely Cambodia, that is considered to suffer more from institutional voids than many other emerging economies, e.g., BRIC countries. Cambodia’s distinct history establishes a unique opportunity to study the institutional underdevelopment that creates the rules of the game that firms must overcome to be successful. Thus, an important part of this study is to examine how the Cambodian Genocide ultimately engendered and shaped the country’s nonmarket-related institutions and how they in turn influence the market-related institutions. This allows the authors to develop more insights into the role of institutions and its behavior and strategy shaping effects.

The current study is considered to be highly relevant due to the increasing focus of commerce into emerging economies and the resulting shift in economic power and attention. Emerging economies not only provide opportunities for firm growth due to the 5.5 billion people who hail from such environments (Back et al., 2014, p. 391), they also have the ability to shape developed economies. For instance, reverse innovation in emerging economies can lead to breakthrough technologies and services that are assimilated by developed economies leading to changes, namely, in industries, or societies’ way conducting life activities. By developing innovations targeted at the population from the bottom of the economic pyramid, these innovations can be useful for those at the top. Conversely, emerging economies draw on innovations from developed settings to increase the speed of infrastructural development in their own settings. Both types of economies mutually support one another’s development (Govindarajan, 2012). This highlights the critical role of emerging economies in this globalized world. As firms, scholars, governmental and international organizations shift their attention towards emerging economies, this reinforces the need to develop knowledge on how emerging economies function because of the different institutional contexts.

The Theoretical Relevance

Theoretically, this study serves to illustrate the combined importance of institutions and associating resource usage on firm behavior and strategies by incorporating a multi-theoretical framework of institutional theory (IT) and resource-based views (RBV) (Purkayastha et al., 2018, p. 105). This approach also reinforces the respective theories individually, by highlighting their explanatory prowess in detailing internal and external forces that influence firms and their behaviors. Current IB usage of IT has mainly included: defining a country based on the institutional conditions and thus its constraints on firms; defining the processes behind institutionalization and deinstitutionalization; facilitating comparisons of firms within an institutional setting, based upon underlying isomorphic forces and legitimizing goals; reinforcing agentic firm behaviors when encountering institutional environments (Kostova et al., 2008, p. 994, 997, 1001).
However, as IT serves as a foundational theory in this study, there is a revisionary element particularly pertaining to this theory. According to Suddaby (2010, p. 15), IT has been increasingly distorted from its original intention of explaining the hows and whys behind institutional influence on firms to instead discussing organization’s influence on institutions. Thus, a theoretical contribution here is to revert popular IB approaches to examining institutional effects (e.g., agency theory, institutional entrepreneurship) and instead examine institutions using IT as it was originally intended (Suddaby, 2010).

Another important aspect is that examining how firms respond to institutional voids in Cambodia may help support future theory development into emerging economies. By applying the study into an extremely voided environment such as that of Cambodia, the findings may be more applicable to countries that are suffering from institutional voids to a similar degree. If economies, both emerging and developed, and their respective institutions are to be represented by a metaphorical spectrum mediated by the degree of institutional and economic development, countries more related to each other will encounter findings that cater better to them as opposed to countries located on opposite ends of the spectrum. To illustrate, the findings from studying Cambodia’s institutions may be more applicable to Thailand than findings from studying Sweden, due to Thailand and Cambodia being closer to each other in terms of their respective institutional context. Conversely, institutional findings from Sweden would be more applicable to Norway as they are more similar in terms of institutional development (Cuervo-Cazurra & Genc, 2011, p. 446). As mentioned, theories, strategies, and findings are often developed by or for developed economies and are not directly applicable in environments characterized by extreme degrees of institutional voids. Thus, because this study examines institutional effects on firm strategies from the perspective of one of the least developed economies in the world, it could provide further insights and findings that are relevant for other countries suffering from extreme institutional voids.

The Societal Relevance
Socially, this study may support UN Sustainable Development Goals (SDG) by helping to identify dysfunctional institutions in Cambodia that will help policymakers to “develop effective, accountable and transparent institutions of all levels” in line with SDG 16 promoting “peace, justice and strong institutions” (UN, n.d.). Additionally, identifying appropriate strategies that align with the Cambodian context may help to stimulate economic growth, which contributes to SDG 8 of having “decent work and economic growth” (UN, n.d.).

The Practical Relevance
Practically, this thesis may help firms and associating managers in Cambodia and those interested in pursuing commerce in Cambodia and other similar emerging economies develop better functioning strategies that conform to institutionally voided environments. Applying strategies that stem from and cater to the underdeveloped institutional environments may better facilitate survivability in such an environment. Though the study in the chosen context of Cambodia does not produce a portfolio of strategies that perfectly aligns with other emerging economies due to heterogeneity (Wright et al., 2005, p. 2), valuable strategic insights may be extracted.

1.2. Research Question
The empirical research question for this study with respects to the problematization discourse is:
1. How does the relationship between nonmarket and market related institutional voids influence firms strategies in Cambodia?

The research question facilitates more insight into how much institutions actually affect firm strategizing in regard to Cambodia. The question addresses how the institutional relationship in Cambodia will impact firm strategies, alternatively how firms develop strategies that conform to the context in which they find themselves. Studying the nonmarket-market institutional relationship and its influences on Cambodia’s voids will provide the perspective with which this paper will study the role of institutions on firm behavior and decision-making processes. As mentioned, IB scholarship has examined institutions from a variety of perspectives, the focus of market and nonmarket exchange is an attempt at simplifying the structural complexity of institutions, e.g., informal institutions contradict formal institutions; direct effect formal institutions coming into conflict with each other (Olthaar et al., 2017, p. 247-250). Moreover, the necessity of focusing on this nonmarket-market relationship is reflected in the forces that affect firms and their strategy processes. Nonmarket forces influence firm activities in the market environment, and this is more prominent and disruptive in emerging economies where institutions governing this relationship are faulty (Hoskisson et al., 2000, p. 252; Marquis & Raynard, 2015, p. 302). Because of these influences, firm strategies are only effective if they consider this relationship when operating in an environment such as that of Cambodia’s (Baron, 1995). Notwithstanding these facts, focusing on the relationship between market and nonmarket exchanges answers a call to further research and supports the understanding of institutional voids (He et al., 2007; Doh et al., 2017).

Indirectly, the guiding empirical research question enables a comparison of firms operating in Cambodia that are subjected to the same institutional context and voids. This creates an opportunity to examine whether literature-derived strategies are universally adapted in Cambodia or whether certain firms have developed different means for navigating institutional-related barriers when the institutional context is held constant. One point to highlight with regards to this particular question is that this study focuses on private-sector firms located in Cambodia without establishing any distinction between their inherent characteristics, e.g., domestic vs. foreign. The decision to not partition firms as such is an attempt to simplify firm complexity derived from loopholes established by Cambodia’s lack of functional institutions. For example, foreign firm actors have the possibility to exploit the ease of obtaining Cambodian citizenship to bypass certain economic restrictions. As a result, there is complexity in the form of whether these types of firms are considered foreign or domestic seeing as how a foreign owner established their firm in the country rather than bringing their firm into the country. Another reason for not partitioning firms is to provide more opportunities for comparing and contrasting similarities and differences across different industries.

1.3. Purpose

The overarching purpose of the study is to generate insight into how institutions influence firms’ strategic processes. More specifically, the purpose is to examine a particular context, namely Cambodia, and how the country’s distinctive rules of the game allow firms to act and whether they are isomorphic or idiosyncratic (behave differently) when the context is held constant.

It should also be noted that the purpose is not to create new theory but rather to reinforce, improve, and revise existing theories, particularly that of IT. Because this research examines institutional influences within Cambodia, the narrow focus may hinder applicability of theories to explaining a larger region. Thus, this undermines the
notion of creating theories that serve to explain the institutional influence (Bruton et al., 2010, p. 432). Moving forward, the insight developed that supports theoretical developments in IB scholarship, also helps to achieve this study’s other purposes. These include helping support UN sustainable development goals and facilitating Cambodia’s economic development. By identifying the institutions that are most problematic according to the firms in Cambodia, this may help policymakers enact initiatives to develop better functioning institutions. Additionally, by potentially illustrating the effectiveness of empirically supported strategies that current firms in Cambodia utilize to overcome institutional voids, firms intent on operating in Cambodia may find merit in applying their counterparts’ strategies or drawing ideas to develop and deploy their own strategies.

1.4. Theoretical Point of Departure

Khanna & Palepu (2010, location 131) provided a compilation of commonly used criteria to define emerging economies. These emerging economies tend to be: low- or middle-income countries, have low average living standards and are unindustrialized. Looking at capital markets, emerging economies tend to have: low market capitalization relative to GDP, low stock market turnover and few listed stocks, and low sovereign debt ratings. Lastly, growth potential is often looked at, mainly: economic liberalization, open to foreign investment and recent economic growth (Khanna & Palepu, 2010, location 131). However, these criteria are merely symptoms of an underlying issue, namely institutional voids (Khanna & Palepu, 2010, location 164). For this study, Gao et al.’s (2017, p. 2150) definition of an emerging economy is taken, simply stating that emerging economies feature prevalent institutional voids which hinder the connection between buyers and sellers.

The term “institutional void” taken literally may be misleading by implying that institutions do not exist, though this is not the case. When a specific institution does not exist, another institution will take its place and fulfill that role (Olthaar et al., 2017, p. 264). Institutional void therefore is merely an expression to describe a specific context characterized by weak or dysfunctional institutions, not the total absence of institutions. All markets, ranging from developed to emerging, suffer from institutional voids to a degree. The difference between developed and emerging economies is that within emerging economies, these voids will be more prevalent and palpable (Khanna & Palepu, 2010, location 421).

North explained institutions as “rules of the game” that dictate how societies behave and what opportunities firms can take advantage of (Hoskisson et al., 2010, p. 252; Doh et al., 2017, p. 295; North, 1994, p. 361; Wright et al., 2005, p. 11). The creation of institutions is a lengthy process, influenced by a country’s history, culture as well as political and social systems (Khanna & Palepu, 2010, location 236). Market related institutions dictate voluntary economic transactions between actors in the marketplace (Holburn & Vanden Bergh, 2002, p. 34; Doh et al., 2017, p. 297; Baron, 1995, p. 47). Conversely, nonmarket related institutions cover social institutions such as politics and culture, which in turn shape and regulate the market related institutions (He et al., 2007, p. 152). The implication of this relationship is that the existing nonmarket voids will influence the market environment, resulting in market voids.

IT is used to examine how firms are affected by their institutional surrounding (Hoskisson et al., 2000, p. 252; Bruton et al., 2010, p. 422). Transaction cost economics has recently been included in IT because of institutions’ effect on transaction costs (Ingram & Silverman, 2002, p. 8-9). IT is used to understand the external environment
of the firm, in terms of what opportunities and restrictions exist (Ingram & Silverman, 2002, p. 7). To understand the internal environment of a firm, RBV is used (Barney, 1991). This theory describes how firms acquire and maintain competitive advantages based on the unique resources they have at their disposal (Hoskisson et al., 2000, p. 256; Wright et al., 2005, p. 3; Barney, 1991, p. 101). Both IT and RBV are considered variance theories in IB tradition and contribute to understanding the motivation behind firms’ behavior and strategic processes in the emerging economy context (Meyer & Gelbuda, 2006, p. 144). What differentiates the two theories is their outlook and how firms’ behaviors and strategic processes are motivated and triggered (Yaprak et al., 2018, p. 199). With respect to IT, the theory examines the external influences of a firm’s context on decision-making. To reiterate Ingram and Silverman (2002, p. 20), it is the institutional context that dictates how firms will utilize resources and strategize to survive in an institutionally difficult context. Conversely, RBV examines internal firm capabilities and how those resources are used to overcome voided environments (Yaprak, 2017, p. 199). IT and RBV are complementary theories in the sense that IT explores the external environment of the firm and RBV instead explores the internal environment of the firm.

This study empirically examines the institutional strategies used by firms to tackle issues that stem from institutionally voided environments. Institutional strategies are “all plans and actions taken by an organization to strategically manage socio-political and cultural institutions, and/or leverage them to its competitive advantage” (Marquis & Raynard, 2015, p. 296). As this study intends to examine how institutions influence firms and in relation their market actions, rather than how firms influence institutions, minor adjustments to this definition are appropriate. Thus, institutional strategies are “all plans and actions taken by an organization to strategically manage socio-political and cultural institutions” (Marquis & Raynard, 2015, p. 296) in order to allow the organization to partake in market transactions. The notion of managing market institutions will also be incorporated in this adjusted definition of institutional strategy. Additionally, because the focus of the research is to examine how the nonmarket-market institutional relationship affects firm strategizing processes, literature-derived strategies are examined in terms of whether and how firms utilize these particular strategies to respond to this dynamic relationship. To clarify, nonmarket institutions affect how market institutions develop, function, and the overall viability of firm operations (Oltahaar et al., 2017, p. 247; Meyer & Rowan, 1977; Scott, 2014; Marquis & Raynard, 2015 p. 304-305). In the case of Cambodia, the relationship is particularly evident in how much power the political regime has, which may determine firm accessibility to the country’s markets. Connecting this relationship to strategies, Baron (1995, p. 47) posits that effective firm strategies must take into account the influence of nonmarket aspects when working with market aspects.

Two market related institutional strategies, internalization and substitution, are examined in this study to determine whether these strategies are what firms in Cambodia use to isolate themselves from the effects of market related voids, or whether other strategies are utilized. Internalization is a strategy whereby a firm incorporates certain activities within firm boundaries when facing market related voids, such as producing certain components themselves instead of relying on a third party (Doh et al., 2017, p. 299, 300). Substitution is a strategy that deals with the lack of information which is prevalent in an emerging economy. To acquire critical information, firms have to rely on internal sources to compensate for missing public information, cultivated through relationships or extrapolating from previous experience (Doh et al., 2017, p.
Two institutional strategies relating to nonmarket voids are examined, buffering and bridging, to determine whether these are the strategies mainly used or whether firms apply other strategies. Buffering is a strategy where a firm strives to influence its environment to reduce effects on its market strategies, and can be done through, for example, lobbying. Conversely, bridging focuses on a firm’s environment and its adaptive capabilities to meet or exceed stakeholder expectations. This can be done through, for example, incorporating environmental protection policies, which is not only good for public image, but can also reduce operational costs by avoiding fines (He et al., 2007, p. 153).
2. Theoretical Frame of Reference

This chapter establishes a theoretical frame of reference. To achieve this task, critical concepts and notions pertaining to firm strategizing processes in an emerging economy context are explored. By focusing upon the notions of emerging economies, institutions and institutional voids, this facilitates contextual understanding of what occurs in emerging economies that pressure compliance to context. Subsequently, theories are reviewed that explain firm behaviors in an emerging economy. Once the context and the firm behavior theories have been treated, strategies that are intended to be empirically examined are explored. Finally, by combining the contextual phenomenon, the principles of firm behaviors and the strategies, the theoretical frame of reference will be established that serves to support the proceeding chapters.

2.1. Emerging Economy

There is a need to conceptualize the notion of emerging economies that synthesizes and integrates diverging notions of the terminology into a coherent whole. Additionally, as emerging economies have distinct characteristics compared to their developed counterparts, there is a need to develop an understanding of the role of institutions and the absence of functional institutions that pertains to the emerging economy context.

2.1.1. The Notion of the Emerging Economy

Emerging economies have become increasingly prominent in the past two decades. This is due to the setting serving as locations of growth for firms and facilitates the exchange of knowledge and innovations that have supported the development and co-evolution of the world’s economies (Marquis & Raynard, 2015, p. 296, 302; Govindarajan, 2012). Despite the increased attention towards these settings, there is fragmentation in defining an emerging economy (Hoskisson et al., 2000, p. 259; Kearney, 2012, p. 161; Gao et al., 2017, p. 2149). Scholars, governmental organizations, and influential market actors have diverged and respectively established their own definitions in their pursuit of understanding emerging economies. Some have defined emerging economies in terms of economic and market development; whereas, others have defined emerging economies based upon institutional conditions (Marquis & Raynard, 2015, p. 297, 300).

Definitions pertaining to economic and market development have examined a country based upon the degree of economic liberalization, development and integration (Hoskisson et al., 2000, p. 249; Hoskisson et al., 2013). Additionally, focus has been placed upon evaluations of countries’ GDP levels, poverty rates and growth potential (Hoskisson et al., 2000, p. 249). These considerations have given rise to many emerging economy classifications, e.g., BRIC, transitioning, and developing (Marquis & Raynard, 2015, p. 297; Hoskisson et al., 2013). Other characteristics differentiating these countries from their more developed counterparts include more heavy and labor intensive industries and the underdevelopment of factor markets (Marquis & Raynard, 2015, p. 299; Hoskisson et al., 2013, p. 1297; Kearney, 2012, p. 162).

Conversely, definitions of emerging economies in institutional terms have examined the commonality of transactional infrastructure inefficiency, also synonymous with institutional voids. Transactional infrastructure refers to institutions that govern economic input and output exchange (Hoskisson et al., 2013, p. 1297). Simply put, “emerging economies are characterized by greater informality and less developed government and regulatory” (Marquis & Raynard, 2015, p. 300) institutions that impede economic transactions (Khanna & Palepu, 2010, location 165). This suggests that without proper functioning institutions, those operating in such contexts are susceptible
to environmental shocks and information asymmetry. In turn, uncertainties and risks are increased which prevent efficient resource exchange and contracting (Marquis & Raynard, 2015, p. 300; Gao et al., 2017, p. 2147, 2150; Back et al., 2014, p. 392).

![Emerging Economy](Chart.png)

Figure 2: The Notion of Emerging Economies

Inspired by Khanna & Palepu, 2010, location 418.

In light of the diverging thematic definitions, one pertaining to economic and market development and the other embracing institutional conditions, this research uses the institutional definition of emerging economies. More specifically, the notion of emerging economies is hereafter defined in this study as contextual settings whereby “institutional voids leave participants struggling to find ways to bring buyers and sellers together to engage in mutually productive exchange” (Gao et al., 2017, p. 2150). This definition is chosen for a number of reasons. First, as Gao et al. (2017, p. 2150) comment, this definition is broad enough to allow for any country experiencing institutional voids to be defined as emerging. In doing so, this effectively synthesizes and simplifies the differing notions of emerging economies (e.g., developing, transitioning). Moreover, this suggests that there is a continuum of institutional problems, ranging from many, in what is known as dysfunctional economies, to few issues in developed economies (Khanna & Palepu, 2010, location 421). This further allows for all countries to be considered emerging economies with varying degrees of emergence without having to consider the economic and market conditions of each individual country (Gao et al., 2017, p. 2150) (see Figure 2). Second, as Khanna and Palepu (2010, location 131, 164) assert, a country’s economic and market conditions are underlying symptoms of institutional voids. Suggestively, defining emerging economies in economic and market terms rather than institutional conditions, neglects the context shaping facilitator. Additionally, it is the institutional conditions that determine and regulate the economic conditions, which suggests that these two diverging views of the emerging economies are mutually intertwining (North, 1990 cited in Hoskisson et al., 2013, p. 1297; Scott, 2008, p. 436).

2.1.2. The Notion of Institutions

Definition & Purpose

In the quest to understand institutions, two schools of thought dominate academia: Scott’s sociological perspective on the fundamental principles of institutions; and North’s economic perspective, focusing on institutions’ effects on business’ (Hoskisson et al., 2000, p. 252; Peng, 2002, p. 252). Scott proposes that institutions consist of “regulative, normative, and cultural-cognitive elements that, together with associated activities and resources, provide stability and meaning to social life” (Scott, 1995, 2001, 2014 cited in Marquis & Raynard, 2015, p. 292; Björck, 2004, p. 2; Peng, 2002, p. 252). The purpose of institutions is to shape human behavior and provide a stable social order
North’s (1994, p. 360) perspective incorporates Scott’s sociological perspective, stating that “institutions are the humanly devised constraints that structure human interaction”. However, North (1994, p. 360) further develops institutions by integrating an economic perspective into the notion by adding that “they define the incentive structure of societies and specifically economies”. Through this economic perspective, the role of institutions is to create an environment which promotes interactions between buyers and sellers through the reduction of transaction and information costs, uncertainty and risk (Hoskisson et al., 2000, p. 253). This research intends to examine the effect of institutions on firm behavior and strategizing processes. As a result, this study aligns with both Scott’s and North’s definition of institutions because they, respectively, reinforce institutional theory and support the explanation of the presence of institutional voids.

Many scholars in institutional research have aligned with North’s economic explanation of institutions. Institutions provide the “rules to the game”, that shapes critical players’ (e.g., organizations and entrepreneurs) interactions in society (Hoskisson et al., 2000, p. 252; Doh et al., 2017, p. 295; North, 1994, p. 361; Wright et al., 2005, p. 11; Bruton et al., 2010, p. 422). In alignment with North’s (1994, p. 360) notion, there are three fundamental elements of institutions: formal constraints, informal constraints and the enforcement of these constraints. The formal constraints consist of formalized or written rules, laws and constitutions that are created by the government and within firms. These formal constraints can be noticed through the imposition of, e.g., taxes, tariffs and regulations (Kumar & Borbora, 2016, p. 59). Informal constraints are less tangible due to their social nature, relating to norms, culture, religion and paradigms, which manifests themselves cognitively. Finally, there are enforcement mechanics that carry out the constraints, e.g., ensuring contracts or intellectual property rights abide to the law. Institutions are essentially worthless if they are not properly enforced (North, 1994, p. 360; Peng, 2002, p. 252; Kumar & Borbora, 2016, p. 59-60). Together, these three elements established by regulative, normative, and cultural-cognitive pillars create the institutional context which pressures adherence by those subjected to them. In essence, institutions may be perceived as a rulebook as to what behaviors are acceptable or prohibited (Kumar & Borbora, 2016, p. 59; Bruton et al., 2010, p. 422). For instance, if an institutional context legitimizes piracy, then firms will move to incorporate piratic behavior into their operations (North, 1994, p. 361). North (1994, p. 359) further explains that institutions incentivize social behaviors, which contribute to influencing how economies develop. Institutional ties to economic performance is reflected in the aim of institutions. Essentially, the aim is to create and enforce rules and behaviors that facilitate economic interactions and exchanges (Khanna & Palepu, 2010, location 136, 164; Kim & Song, 2016, p. 309), which reinforces the notion that institutions support economic activities (North, 1990 cited in Hoskisson et al., 2013, p. 1297; Scott, 2008, p. 436).

**Institutionalization and Deinstitutionalization of Institutions**

Simply perceiving that institutions are social “rules of the game” does little to elaborate on the creation and transformation of institutions. This is further complicated by the heterogeneous nature and history of emerging economies’ institutions. Institutions are developed over long periods of time, affected by the country’s history, political, social and cultural systems (Khanna & Palepu, 2010, location 236). Path dependence is an important concept for explaining the development of institutions. History has a prominent role in shaping the present and the future. The progression of any society takes place within the cumulative and collective knowledge of previous generations,
being an incremental process of trial and error. Because this cumulative knowledge does not guarantee progression, a large issue for certain societies is that they become locked into their path dependency and fail to develop institutions and systems to solve new societal issues (North, 1994, p. 364). Furthermore, formal aspects of institutions are not necessarily created nor altered to be efficient for society as a whole. The players in an economy with the power to create and shape institutions have incentives to create and shape institutions to protect and aid their interests (North, 1994, p. 360-361). Although much emphasis has been put on the creation and improvement of institutions, a less developed and highlighted notion is deinstitutionalization.

Deinstitutionalization aims to explain the process where institutions decline and potentially disappear, pushing in new beliefs and practices (Scott, 2001 cited in Dacin et al., 2002, p. 46). The three influential sources identified to compel institutional transformations are functional, political, and social pressures (Oliver, 1992, p. 565). Functional sources exert influence on institutions because there are perceived issues in the effectiveness of an institution, both in terms of performance and utility. Political pressures transform institutions through a shift in influence and interest of powerful figures. This disrupts the status quo by undermining the support and legitimization of existing institutions. Social pressures stemming from changes in expectations, e.g., increasingly diversified workforces, result in social questioning of the way things are currently done (Dacin et al., 2002, p. 47). Similar to the creation of institutions, transformations take time. The pressures exerted need to be adapted, given meaning and incorporated into practice, slowly becoming legitimized and in turn, institutionalized (Dacin et al., 2002, p. 48). Because countries have different historical and political backgrounds, and in turn different path dependencies, the rules of the game are different even between neighboring countries that may initially appear similar (Wright et al., 2005, p. 2; Kumar & Borbora, 2016, p. 62). These differences make it harder for firms to exclusively lean on previous experiences when expanding to a new emerging economy.

2.1.3. The Notion of Institutional Voids in Terms of Nonmarket-Market Exchange

Definition of Institutional Void
The term “institutional void” interpreted literally may be misleading. The term void implies that institutions do not exist, which is not the case. In emerging economies certain functions of institutions that developed economies are accustomed might not exist in a similar fashion. When this is the case, intermediaries or other institutions (can be both formal or informal, though in emerging economies it will more often be the latter) will fulfill this role instead (Olthaar, 2017, p. 265; Liu et al., 2017, p. 516; Bruton et al., 2010, p. 426). An institutional void denotes a specific context characterized by weak or dysfunctional institutions which hampers economic exchange (Doh et al., 2017, p. 294; Khanna & Palepu, 2010, location 249; Gao et al., 2017, p. 2150; Ge et al., 2017, p. 408). In an emerging economy, institutional voids will be more noticeable because economic activities will be distorted, forcing firms to adopt actions which allow them to cope with the encountered void (Khanna & Palepu, 2010, location 421; Marquis & Raynard, 2015, p. 302). Institutional voids do not only hamper the functionality of markets because institutions do not function properly, they often pave the way for opportunistic behavior, excessive rents on selected actors, and market power in the hands of a few (Doh et al., 2017, p. 294). These issues combined increase transaction and information costs, uncertainty, risk and information asymmetry of those firms operating in an institutional void (Kim & Song, 2017, p. 310).
The problems in voided settings stem not only from the fact that institutions do not exist or are not functioning as they are known to in the developed world. Specialized intermediaries which normally facilitate the missing institutions also tend to be less established in emerging economies. These specialized intermediaries, for example, consultants have the ability to fill gaps through offering knowledge, expertise, and “being a legitimizing force” (Back et al., 2014, p. 393-394). Everyone from travelers to firms will be affected by these voids. Travelers from developed economies visiting emerging ones will be affected by issues such as not being able to pay with a credit card, to difficulties in booking a hotel online. Institutional voids for firms will be more crippling through difficulties in, e.g., acquiring funding or specialized labor. These are examples of how institutional voids can affect those within that context. The problems range from small to large, and even though some issues might seem minor, they collectively have a negative effect on those within the void. The rest of this section discusses the relationship between nonmarket and market forces and exemplifies institutional voids associating with this relational exchange.

Relationship between nonmarket and market institutions

Nonmarket institutions are superordinate to their market counterpart, undergoing an ongoing process of bargaining to achieve integration and balance of power (Boddewyn, 2003, p. 306). The nonmarket institutions as a whole are responsible for integrating all of society’s subsystems and their related organizations, whilst the market institutions and its firms merely oversee coordination of the economic subsystem (Boddewyn, 2003, p. 320) (see Figure 3). The market institutions have the goal of supporting transformational activities, the production of goods and services. The nonmarket institutions on the other hand govern transactional activities, the exchange of goods and services between firms (Wan & Hoskisson, 2003, p. 48). The market and nonmarket institutions together “help firms capture profitable economic opportunities” (Hoskisson et al., 2013, p. 1297). The superiority of nonmarket institutions is especially prominent in emerging economies due to the strong influence of the society and government (Hoskisson et al., 2000, p. 252). Ruling parties will often have the power to enact regulations and taxes which are favorable to them and not everyone (North, 1994, p. 360-361). Furthermore, because opportunities are controlled by the government to a greater degree in emerging economies, the nonmarket environment becomes especially important for firms to take into consideration (Baron, 1995, p. 49).
Product market voids
Product related institutions aim to control elements connected to the production, sale and delivery of products or services to consumers. Manufacturers, intermediaries, retailers, and consumers play an important role in the functioning of the product market. At the manufacturer level, institutions aim to prevent manufacturers from acting opportunistically, e.g., producing lower than promised quality products to save money at the expense of retailers and consumers. Properly enforced contracts permit retailers or intermediaries to take the manufacturer to court if they did not produce goods according to what was specified in the contract (Khanna & Palepu, 2010, location 368). The product market mechanisms are heavily dependent on both soft and hard infrastructure. Soft infrastructure is built around parties that provide corporate communication (e.g., agencies and media), market researchers and credit rating agencies. Hard infrastructure includes physical elements such as roads and bridges, as well as public institutions. Consumer unions lobby for rules, governments create these rules and then courts enforce the rules of the game. These hard and soft infrastructures will not exist or function properly in emerging economies (Khanna & Palepu, 2010, location 381). Examples can be underdeveloped roads increasing transportation costs, and no market researchers where firms can access information from and make highly informed decisions. To cope with problems stemming from a dysfunctional product market, firms might be forced to conduct certain activities themselves (Doh et al. 2017, p. 300). In the case of insufficient intermediaries, a firm could make the decision of filling that role themselves.

Capital market voids
Capital market institutions have the purpose of nurturing investor communication and activity through different means, such as reducing information asymmetry (Kim & Song, 2017, p. 309; Khanna & Palepu, 2010, location 387). Providing needed information for firms is a key-role for institutions in the capital market, which contributes to proper understanding of an environment (Kingsley & Graham, 2017, p. 325, 326). In developed countries, governments will often collect and present data about the local climate, such as unemployment and inflation. Furthermore, third-party analysts, intermediaries, and accreditors who provide local information and credibility, often do not exist or are not readily available in emerging economies (Kingsley & Graham, 2017, p. 325). Other relevant actors within the capital market which may help firms direct their funds, such as venture capitalists, mutual funds, and commercial banks, might not be well-established (Khanna & Palepu, 2010, location 387). The capital market also has a need to be regulated and enforced by, for example, central banks and securities commissions, to prevent opportunistic behavior. Courts are needed to solve disputes, and managers and directors need to be held accountable for their actions or risk litigations, proxy fights, and hostile takeovers (Khanna & Palepu, 2010, location 393). When capital market institutions are not developed, which is often the case for emerging economies, investment decisions and transactions are hindered because of high levels of uncertainties and risks (Kingsley & Graham, 2017, p. 324). The implications of insufficient capital markets are that firms must acquire capital and local information through alternative means, such as utilizing relationships for information and internalizing capital funding, respectively (Khanna & Palepu, 2010, location 1285).

Labor market voids
Labor market institutions assist both employers and the employees, as well as the connection and interaction between the two. A large foundation is educational
institutions, e.g., schools, which develop the labor force and through graduation requirements they ensure a certain level of consistent quality (Khanna & Palepu, 2010, location 393; DiMaggio & Powell, 1983). Employment agencies further certify a quality of the labor force and assist firms in finding the best suited employees. Regulations and contracts protect both the employee and employer’s interests, ensuring that both parties know what is expected of them, as well as consequences of breaching said contract. Labor unions in turn act as middle-men, protecting employees’ rights from being abused by their employer who are notably more powerful and resourceful. A prominent issue that arises from an insufficient labor market is that skilled labor will be hard to acquire, and a firm must solve this by possibly training their own entry-level employees or integrating employees from other regions (Khanna & Palepu, 2010, location 495).

Nonmarket institutions

Nonmarket related institutions involve the political, legal, cultural and social factors which directly or indirectly regulate the market exchange (Baron, 1995, p. 47; Holburn & Vanden Bergh, 2002, p. 34; Hoskisson et al., 2013; Olthaar et al., 2017, p. 47). The institutions in the nonmarket environment are significantly different compared to their market counterpart, “because of characteristics such as majority rule, due process, broad enfranchisement, collective action, and publicness” (Baron, 1995, p. 47). Examples of nonmarket institutions are stakeholders, government, media, and public institutions. The nonmarket institutions can pressure firms to change both voluntarily and involuntarily, such as a firm developing relationships with governments and government regulations of certain activities, respectively (Baron, 1995, p. 47). Studies have shown how changes in nonmarket factors, such as regulations, public opinion, demography, and taxes can have profound effects on the performance of firms and their respective industry (Boddewyn, 2003, p. 304).

An institutional void in the nonmarket environment will have a profound effect on the market exchange because of the superordinate nature of the nonmarket institutions. A common problem in emerging economies is that the players in power (e.g., large firms, politicians) will have tremendous power to create policies and regulations that benefit them and not society (North, 1994, p. 360-361). The large power of government also increases risk of expropriation for firms, whereby firms cannot protect themselves through rule of law because it is absent (Marquis & Raynard, 2015, p. 306). Selective and excessive regulations, taxes, and government involvement make the market unattractive for both new and current economic actors. When the government plays a central role in shaping institutions, firms will have to depend on the nonmarket to a large degree for support in accessing resources. When firms are more dependent on one source for support, in this case the government, this will force higher levels of isomorphism in the marketplace. Moreover, increased transactions between a firm and their sources of support would also result in conformity (DiMaggio & Powell, 1983, p. 155). Because the government and regulatory systems will be less developed in emerging economies, this will cause reliance issues in, e.g., corporate governance, property rights, and market regulations (Marquis & Raynard, 2015, p. 300). Furthermore, governments in emerging economies are more prone to suffer from external conflicts and internal tensions, increasing risks in exchanges and information flows (Marquis & Raynard, 2015, p. 300). When the nonmarket institutions can change quickly in unpredictable ways, firms will have a difficult time making long-term strategic decisions and invest in growth (Ge et al., 2017, p. 409). Not only are the foundations shaky in the nonmarket environment, the enforcement mechanisms are also inconsistent and selective, which cause more uncertainty for firms in emerging
economies. Institutions and regulations have little to no effect if they are not enforced properly (North, 1994, p. 360; Peng, 2002, p. 252; Kumar & Borbora, 2016, p. 59-60). When the nonmarket institutions and their enforcement are dysfunctional, this will hamper the effective functioning of the market exchanges.

2.2. Principles of Firm Strategizing in Emerging Economies

Several theories classified as variance theories have been developed to better understand how the emerging economy context influences firm behavior and strategizing processes. These theories focus on highlighting the variances in firms’ behaviors, strategies and decisions in a particular period (Meyer & Gelbuda, 2006, p. 144). Hoskisson et al. (2000, p. 263) substantiate the necessity of examining both IT and RBV by determining that at different stages of the emerging economies development, different theories will have saliency. IT will have saliency during emergence, whereas RBV will have saliency more towards developed economies. However, this is not to say that only strictly one theory applies to a certain degree of development. Rather, these theories are mutually interconnecting and reinforcing of one another in attempting to explain firm behavior and strategic processes because they share common characteristics, e.g., responses to markets, efficiency, motives (Yaprak et al., 2018, p. 199). For instance, IT strengthens resource-based views by accounting for the external environment whereas RBV reinforce IT by accounting for the internal environment of a firm. Combined, both theories largely underpin why and how firms make decisions in dysfunctional environments.

2.2.1. Institutional theory

IT rose to prominence with the publishing of the influential paper authored by John Meyer and Brian Rowan in 1977 (Scott, 2008, p. 427). This paper highlighted the implications of institutions on firm behavior (Bruton et al., 2010, p. 422). More specifically, it is an environment’s institutions more than market mechanisms that offer legitimacy and survival capabilities to firms (Meyer & Rowan, 1977, p. 340, 349, 351). This implies that IT is most interested in how firms obtain legitimacy through navigating institutional pressures as opposed to how society perceives and offers firm legitimacy.

Meyer and Rowan (1977, p. 340, 341, 343) determined that these institutions embodied myths, rule-like frameworks, and educational and legal systems derived knowledge. These institutions in turn pressure firms to embrace formal structures that conform to their institutional environment (Bruton et al., 2010, p. 422). By willingly becoming isomorphic to the context, this signals that the firms are subjecting themselves to the prescribed rules of the game and this contributes to accessibility of resources, support, and survivability (Meyer & Rowan, 1977, p. 349, 352; Kostova et al., 2008, p. 997; Ma & Lu, 2017, p. 678; Bruton et al., 2010, p. 422). Despite isomorphism being implicated as instrumental to institutional pressures that allows for legitimacy (Meyer & Rowan, 1977, p. 359-360), Meyer and Rowan (1977, p. 340-341, 355) assert that there is a conflict between firm efficiency and firm isomorphism to its environment. To elucidate, institutions often prescribe rules that are costly for firms whether they conform to them or whether they do not (Bruton et al., 2010, p. 426-427). Neglecting institutions can result in illegitimacy, whereas conforming to them can result in transactional inefficiency (Meyer & Rowan, 1977, p. 340-341). To remedy this conflict, Meyer and Rowan (1977, p. 356-367) contend that firms implement decoupling whereby firms diverge in expected legitimized institutional practices and realized firm practices.
Meyer and Rowan’s (1977) influential article contributed to two aspects of institutional studies and the development of IT: it established the importance of institutions for firm behavior; it served as a point of departure for further studies on institutions. These aspects have been augmented by various authors. For instance, Ingram and Silverman (2002, p. 20) suggest that institutions due to their dualistic constraining and enabling nature, determine resource accessibility and strategic decision-making and ultimately success or failure. Furthermore, because of institutional effects on firms, IT has been increasingly developed to reinforce its importance and supports how firms respond to institutional pressures and changes (Peng et al., 2008; Ingram & Silverman, 2002, p. 20; Scott, 2008). Scholars such as DiMaggio and Powell (1983) and Scott (2008) in their respective studies have contributed to IT development by establishing the underlying mechanisms for firm conformity to their institutional context. DiMaggio and Powell (1983) determined that there are coercive, mimetic, and normative isomorphic mechanisms that pressure firms’ compliance to their context. Developing DiMaggio and Powell’s argumentation, Scott (2008, cited in Scott, 2008, p. 428-429; 2014, p. 60) propose that regulative, normative and cultural-cognitive mechanisms govern institutional workings and are built upon the foundations of the isomorphic mechanisms. DiMaggio and Powell, and Scott’s influential studies effectively highlight the underlying mechanisms that force isomorphism to institutions that allow firms to exist and persist.

The previous discussion has briefly outlined the importance of IT starting with Meyer and Rowan’s prominent 1977 article. The goal of IT is to essentially understand and explain the institutional effects of a context on firm behavior as firms seek ways to legitimize themselves (Meyer & Rowan, 1977; Björck, 2004; Scott, 2008). This theory is even more salient in the emerging economy context because of the presence of institutional voids that hamper transactions between economic actors (Gao et al., 2017, p. 2150). This is because when institutions function properly their role is neglected, whereas when institutions do not function properly, the dysfunctionality is more discernable (Peng et al., 2008, p. 922). Thus, when applying this theory to the emerging economy context, the theory shifts from discussing institutional effects on firm behaviors in general terms to explaining how firms “reduce institutional pressures” and “compensate for institutional weaknesses” (Holtbrügge & Baron, 2013, p. 240). The following discussion explains IT determinants for firm strategic processes in emerging economies. This is accomplished through discussing the key notions of IT - that of isomorphism, legitimacy and decoupling. Second, a discussion on a variant of IT theory in terms of transaction-cost based (Fligstein, 1997, p. 397) is presented.

Isomorphism and the Underlying Institutional Mechanisms

To understand the institutional effects on firm behavior, the underlying mechanisms of how institutions work to pressure compliance need to be elaborated upon. Scott (2008; p. 428) determined there are three elements that reinforce institutional functionality: regulative, normative, and cultural cognitive elements. Regulative elements involve governing and controlling forces such as laws and the associating punishments or rewards for infringement or conformity upon these forces (Scott, 2014, p. 59; Bruton et al., 2010, p. 422). Normative elements “introduce a prescriptive, evaluative, and obligatory dimension into social life” (Scott, 2014, p. 63-64; Bruton et al., 2010, p. 422-423). Cultural-cognitive elements involve the total collective understanding “that constitute the nature of social reality and the frames through which meaning is made” (Scott, 2014, p. 66; Bruton et al., 2010, 423). These three elements combined support social behavior but differ in the ways in which legitimacy is obtained “whether by
virtue of being legally sanctioned, morally authorized, or culturally supported” (Scott, 2008, p. 51 cited in Scott, 2008, p. 429).

Isomorphism can be defined as a phenomenon compelling firms to mirror one another due to the firms’ environment, establishing the same elements of compliance to all firms subjected to that environment (DiMaggio & Powell, 1983, p. 149). This results in firms located in the same environment implementing similar structures, decision-making and strategic processes in order to appear as legitimate (DiMaggio & Powell, 1983; Yang, 2009, p. 45; Meyer & Rowan, 1977). Contrary to popular scholarly belief, it is not the interaction between firms which causes mimicry (though there may be an exacerbation effect). Rather, it is the fact that firms are subjected to the same institutional context and the prescriptions of it, thereby making mimicry between firms a consequence of the institution (DiMaggio & Powell, 1983; Suddaby, 2010, p. 14-15). Isomorphism can be viewed as a pressuring dimension of institutional effect in that it influences firms to behave in three generally perceived ways that in turn support a firm’s attainment of legitimacy (Cuervo-Cazurra & Genc, 2011, p. 447).

The first is coercive isomorphic mechanisms. This is a force that compels firms in the form of force, persuasion, invitation to conform to the institutions upon which they are reliant. Coercive pressures are mainly derived from a political environment that establishes rules and regulations. As the political environment comes to be more pervasive and intrusive, firms increasingly abide by government dictates in order to legitimize themselves (DiMaggio & Powell, 1983, p. 150, 154; Yang, 2009, p. 46; Bruton et al., 2010, p. 428). Coercion in turn supports the regulative element of institutions by controlling how those subjected to this institutional element follows it, thus forcing compliance (Scott, 2014, p. 59-60).

The second is normative isomorphic mechanisms. This pressures isomorphism due to professionalism, defined as the cooperative effort stemming from receiving the same training to establish an occupational framework for professions (DiMaggio & Powell, 1983, p. 152; Yang, 2009, p. 47) DiMaggio and Powell (1983, p. 152) suggest that firm personnel’s education, increased networking in addition to personnel filtering diffuses norms that pressure conformity (Yang, 2009, p. 47). This in turn reinforces the normative element of institution, the norms perceived as obligations developed by, for example, education and interactions (Scott, 2014, p. 59; Bruton et al., 2010, p. 428). A noteworthy element to normative isomorphism is that firm behavior can be impacted by coercive and mimetic forces which can effectively shape norms and obligations and thus legitimacy (DiMaggio & Powell, 1983, p. 152).

The third and final mechanism is the mimetic isomorphic mechanism. This force pressures firm conformity due to the existence of uncertainty that makes mimicry ideal in such situations. Uncertainty causes difficulty in discerning action. For firms, uncertainty can be accounted for as a risk and a viable strategy is to embrace actions that are perceived to be more legitimate or that successful firms are utilizing, which in turn creates legitimacy (DiMaggio & Powell, 1983, p. 151-152; Yang, 2009, p. 46). Mimetic isomorphism reinforces the cultural-cognitive element of institutions, whereby other courses of action are subjected to bounded rationality, due to uncertainty (Scott, 2014, p. 59, 68). Thus, mimetic firm actions are taken for granted and become common occurrences and structural templates, which pressure conformity (Scott, 2014, p. 73; Bruton et al., 2010, p. 428).

Aside from these mechanisms, firms’ isomorphism rates increase due to three factors: the dependency of firms on their institutional environments; increased uncertainties; and
the need for skilled professions (DiMaggio & Powell, 1983, p. 155-156). These isomorphic mechanisms can be viewed as being embedded in the institutional pillars that pressure firm behavior to conform to their institutional influences. Beyond generating legitimacy, DiMaggio and Powell (1983, p. 153) present the incentives for embracing isomorphism: it facilitates transactions; firms can obtain resources; reputation can be increased from being perceived as legitimate.

Legitimacy
Legitimacy is a core concept in IT. This is due to the belief that firms’ obtaining of legitimacy makes up for the fact that resources and technical expertises are insufficient for obtaining acceptability and credibility (Scott et al., 2000, p. 237 cited in Scott, 2014, p. 71; Marquis & Raynard, 2015, p. 304). Legitimacy can be defined as “a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions” (Suchman, 1995, p. 574 cited in Scott, 2014, p. 73). Simply put, Suchman’s definition determines that conformity to institutions are the source of legitimacy, which confers onto firms’ existential rights and the rights to carry out economic activities (Bruton et al., 2010, p. 427; Ma & Lu, 2017, p. 678). Meyer and Rowan (1977, p. 352) further determined that legitimacy stemming from abiding by the prescribed institutional rules of the game allows for firms to access resources and thus survive (Björck, 2004, p. 4). Thus, in IT, there is a demarcation between legitimacy and resources. Contrastive to IT, theories such as resource-dependency and social-exchange treats legitimacy as a firm resource. Institutional theory, however, rejects this notion and argues that “legitimacy is not a commodity to be possessed or exchanged but a condition reflecting perceived consonance” with institutions (Scott, 2014, p. 74). Legitimacy as a result is accorded to firms by figures who hold social power, by abiding to regulations, moral obligations, or common paradigms (Scott, 2014, p. 75-76).

Decoupling
The notion of decoupling involves discussing how firms dualistically abide to the institutional environment and reach efficiency requirements. Meyer and Rowan (1977, p. 340-341) asserted that there was conflict between firm conformity to institutions and being efficient in their economic activities. Furthermore, when firms push to be economically efficient, this causes a misalignment between conformity and firm action which causes loss of legitimacy (Meyer & Rowan, 1977, p. 341). Thus, to reconcile conformity and efficiency, firms implement decoupling. Decoupling can be defined as a process whereby firms superficially adopt institutional requirements to appear legitimate but ultimately actual practice does not align with the institutional requirements (Meyer & Rowan, 1977, p. 341; Scott, 2008, p. 432). Scott (2014, p. 187) explains that there are conditions that trigger decoupling as opposed to the general assumption that decoupling is an automatic process. Decoupling can be triggered when regulative institutions make demands of firms. Decoupling can also occur when both the benefits and costs in abiding by institutional requirements are equally high (Scott, 2014, p. 187). Figure 4 below depicts the relationship amongst the institutional pillars, decoupling, and firm legitimacy.
Institutional Theory in Economics

There are several variants in the study of institutions and its associating theory (Bruton et al., 2010, p. 429-430, 433). Fligstein (1997, p. 397) determined there to be IT in economics based upon the rational actor model and IT in organizational theory highlighting the role of institutional entrepreneurship. Because this study examines how institutions affect firms rather than how firms affect institutions, IT in economics is examined. Moreover, because the context of this study focuses on the emerging economy context whereby institutional voids exist, this compels the study to examine this variant of institutional theory. Augmenting this, North (1992, p. 6, 13) asserted that the role of institutions is to ease transaction costs associated with uncertainty. However, when transaction costs are high, this implies that institutions are not functioning properly as is predominantly the case in emerging economies.

Institutional theory in economics based upon the rational actor model proposes that actors, in this case firms, make choices that are influenced by the institutional context in order to obtain the maximum payoff (Ingram & Silverman, 2002, p. 7; North, 1992, p. 15). Firms in their pursuit of economic interests in the market arena will abide by the institutional constraints placed upon them in the nonmarket arena (Ingram & Silverman, 2002; Liu et al., 2017, p. 516). Within these constraints, firms are able to make choices that are limited by bounded rationality, their abilities to handle information (Williamson, 1998, p. 30). This in combination with the fact that information is costly results in transaction costs (Ingram & Silverman, 2002, p. 8-9; North, 1992, p. 7). Bounded rationality essentially reduces understanding because firms cannot perfectly understand all elements of an exchange ranging from the cost of measuring, the type of exchange, to enforcement (North, 1992, p. 7-8). As a result, bounded rationality poses as a constraint and increases transaction costs. Transaction costs can be defined as the costs associated with “entering into a contractual arrangement and running and monitoring the system” (Taylor et al., 1998, p. 390, 393). More broadly, transactions costs are “all costs incurred in operating an economic system” (North, 1992, p. 6). Thus, because participants in an exchange hold varying degrees of information and because it is impossible to predict all possible, e.g., outcomes, consequences in an exchange, this creates room for opportunism (Ingram & Silverman, 2002, p. 9; North, 1992, p. 14).

Opportunism is a core concept in IT economics because not only are actors’ rationality being bounded, actors are also subjected to opportunism. This is due to markets and institutions being imperfect as a result of these elements being socially constructed (North, 1992, p. 14). Williamson (1998, p. 31) further proposed that humans are subjected to fallibility; humans are essentially opportunistic in nature, thus to consider situations without opportunism is unworldly. Opportunism is defined as actors’ pursuit of self-interest, stemming from bounded rationality which compels actors in an exchange to put themselves over others and partake in exploitive or otherwise harmful
behaviors (Williamson, 1998, p. 30-31; North, 1992, p. 14; Brouthers & Nakos, 2004, p. 232). Alternatively, opportunism can be seen as means to which actors “employ shortcuts or heuristics in decision-making” (Bruton et al., 2010, p. 429). Opportunism increases transaction costs because it requires the establishment of credible commitment (Ingram & Silverman, 2002, p. 9; Williamson, 1998, p. 31). Credible commitment in turn is a notion that describes a statement of commitment that is hard to retract in the present when it is made and, in the future, when the commitment is to be realized (Ingram & Silverman, 2002, p. 9). Promises that are not reinforced by additional safeguarding mechanisms, e.g., enforced contracts, can be broken because a participant in an exchange may find that at some point there is more incentive to behave opportunistically.

In integrating transaction costs and institution, the role of institutions is to facilitate transactions by “re-arrange the incentives of the parties to allow them to make credible commitments” (Ingram & Silverman, 2002, p. 9). Ideally, institutions should decrease transaction costs making opportunistic endeavors costly and thereby effectively decreasing uncertainties. However, in the case of emerging economies, their institutional voids increase transactions costs and uncertainties (Back et al., 2014, p. 391), making opportunism very appealing.

Criticism
IT was predicted by Hoskisson et al. (2000) to become a critical theory in organizational studies and this has indeed become accurate (Wright et al., 2005, p. 22; Suddaby, 2010, p. 14; Marquis & Raynard, 2015, p. 296). Despite the prominence of IT, criticisms need to be addressed. According to Suddaby (2010, p. 14, 15), IT’s “central questions and puzzles” have become distorted by scholars who have previously used other theories and tools. In doing so, these scholars have shaped IT into a theory that conveniently conforms to their views and research purposes. IT’s central questions and puzzles pertain to understanding the meaning behind institutions and how organizations adopt their behaviors to align with these meanings (Suddaby, 2010, p. 15). Gradually, scholars have used this theory to reinforce organizations as “hypermuscular superhumans” (Suddaby, 2010, p. 15) who can overcome institutional pressures and create new organizational paradigms. In doing so, scholars have focused on the notions of isomorphism and decoupling while often neglecting the rationalization for triggering these processes, e.g., legitimacy. In essence, scholars commonly look at the consequences rather than the mechanisms and processes behind the consequences (Suddaby, 2010, p. 16, 18; Bruton et al., 2010, p. 433). This has resulted in variants in IT, e.g., IT in organizational theory highlighting the role of institutional entrepreneurship. In such a case, though institutions are discussed in terms of underpinning actions, the meanings and processes behind institutions become neglected. As a result, outcomes, shaping and influencing of institutions become centralized (Suddaby, 2010).

Another criticism is that IT is insufficient for examining firms’ internal capabilities. IT determines how institutions can give rise to firm legitimacy and can increase resources which contributed to survivability. IT does not consider whether firms have the capabilities to handle the institutional effects - it takes internal capabilities as is and that firms use them to legitimize themselves. What happens when firms do not have the resources and competences to respond to institutional pressures? How do firms develop these resources and competences? Yes, institutions allow firms to access their resources and capabilities (Ingram & Silverman, 2002), but firms also need resources and capabilities that allow them to cope with their institutions.
2.2.2. Resource-Based View (RBV)
Prior to Jay Barney’s (1991) seminal article “Firm Resources and Sustained Competitive Advantage”, most frameworks and theories heavily focused on the external environment of the firm, e.g., Porter’s five forces model. In reaction to these outward looking tendencies, the RBV was created to “examine the link between a firm’s internal characteristics and performance” (Barney, 1991, p. 100-101). The RBV contributes to determining how firms obtain and sustain competitive advantages in their environment, based on the firm’s unique resources and capabilities (Hoskisson et al., 2000, p. 256; Wright et al., 2005, p. 3; Barney, 1991, p. 101; Barney, 1995, p. 50; Yaprak et al., 2017, p. 19). A firm’s resources and capabilities can be partitioned into four categories: “the financial, physical, human, and organizational assets used by a firm to develop, manufacture, and deliver products or services to its customers.” (Barney, 1995, p. 50). The two categories of resources which are tangible are the financial and physical resources. Financial resources revolve around monetary issues such as revenues, debts, and equity, whilst physical resources relate to, for example, machines and facilities used for operational activities. Human and organizational resources on the other hand, are more intangible and tacit in nature than the physical and financial resources. Human resources encompass the cumulative experience, knowledge, and inclination towards risk of the firm. The organizational resources comprise elements such as history, relationships, organizational culture, reporting structures, and compensation policies (Barney, 1995, p. 50; Barney, 1991, p. 101).

VRIO Framework
The first step in determining the competitive advantage of a resource is whether it adds value through both or either the exploitation of opportunities and neutralization of threats (Barney, 1995, p. 50). The environment of a firm changes over time through changing consumer preferences, institutions, and technology, which alters the value of certain resources for better or worse. Because resources do not exist in a vacuum, they are only valuable in the context of the environment, it is imperative for the longevity of a firm to examine their environment and how it changes over time. This examination needs to be done in combination with a continuous evaluation of their resources’ viability in seizing new opportunities and neutralizing new threats (Barney, 1995, p. 51). If a firm does not possess any valuable resources, they will be at a stage of competitive disadvantage.

The next aspect of the competitive advantage of a resource is its rarity. When many or all firms in the competitive marketplace have access to the specific resource, then it does not provide a competitive advantage. If the resource is only valuable and not rare, it is a source of competitive parity (Barney, 1995, p. 52). This is not to say that common resources are without use, they can still be vital sources of survival for a firm. When a resource is both valuable and rare, it has the potential of providing a temporary competitive advantage for the firm.

To go further than just a temporary competitive advantage, a resource needs to be inimitable. If the resource in question is more expensive or difficult to acquire for competitors, a firm can achieve a sustained competitive advantage (Barney, 1995, p. 53). There are two possibilities for competitors to imitate a resource, through duplication or substitution. Duplication is an act of imitation where competitors try to acquire the same resources or capabilities which give the sustained competitive
advantage. Substitution on the other hand, raises the question whether there are other means, which are either as cost effective or cheaper to achieve the same result. If either duplication or substitution is possible by competitors, then the resource is imitable, and the temporary competitive advantage is lost, pushing the firm back to a situation of competitive parity. Although many reasons for inimitability might exist, Barney (1995, p. 53) explains that most reasons can be narrowed down to three broad categories: the history of a firm, the importance of small decisions, and socially complex resources. These three categories highlight the importance of immaterial resources and capabilities for a firm to sustain a competitive advantage. Although physical resources might be very complex to build, competitors have the ability to simply purchase similar ones (patents being an exception), something which is especially easy in a globalized world. The historical context reflects how firms accumulate knowledge, skills, experience, and resources which make them unique in their competitive environment, explaining how they achieved their competitive advantage (Barney, 1995, p. 53). The imitation of competitive advantages that stem from history will often be extremely costly for competitors. The importance of small decisions explains the fact that the success of most firms is not based on one groundbreaking decision which gave them an advantage. Most often the competitive advantage of a firm will stem from numerous small decisions made throughout operations which develop and exploit their resources (Barney, 1995, p. 54). If the advantage was simply achieved through one major decision, competitors will have an easy time duplicating or substituting this decision. On the other hand, if the success was achieved through thousands of minor decisions over time, it will be extremely difficult and costly, if possible, for competitors to imitate.

The last category of the VRIO framework is the matter of organizational ability. The firm needs to be able to exploit the full potential of their valuable, rare and, inimitable resources and capabilities (Baron, 1995, p. 56). To achieve a sustained competitive advantage, the firm needs to have adequate complementary resources such as their formal reporting structure, management control systems and compensation policies (Baron, 1995, p. 56; Liu et al., 2017, p. 516). These resources are seen as complementary because by themselves they cannot provide a competitive advantage but are valuable for the longevity of a firm’s competitive advantage.

**Market and nonmarket resources**

Firm resources can also be divided into two categories, market and nonmarket resources, depending on whether the resources are developed and used to handle issues related to the market exchange or nonmarket exchange (Cuervo-Cazurra & Genc, 2011, p. 443). Market resources relate to resources enabling competition with other firms in the marketplace, such as production facilities, product innovation, and brand names. Market resources are those which firms utilize in the product, capital and labor market to compete effectively. Conversely, nonmarket resources such as local knowledge about laws, regulations, and local institutions are used for the operation within and interaction with the environment that the firm does business (Cuervo-Cazurra & Genc, 2011, p. 444). Two valuable nonmarket meta-resources within the context of emerging economies are reputation and relationships. A meta-resource is a resource which “allows firms to activate their conventional resources” (Gao et al., 2017, p. 2148).

One important resource that has been described as a “meta-resource” is reputation (Gao et al., 2017, p. 2149). Reputation has been studied through two different lenses, an economic, and institutional perspective. The economic perspective conveys reputation’s ability to signal information about the product or service being sold in a context.
hamstrung by information asymmetry. Observers create expectations about the firm’s attributes and specifically whether they can produce high-quality products or services. This is a rational view where the created expectations are based on the history of a firm, and whether they have consistently been able to sell quality products or services (Gao et al., 2017, p. 2150-2151). Conversely, the institutional perspective looks at reputation through the collective belief of a firm, which is shaped by information and evaluations from institutions, such as industry analysts and accreditors (Gao et al., 2017, p. 2151). In an emerging economy, these evaluating institutions typically do not exist or function properly, rendering it difficult to achieve reputation through this route. Because a positive reputation is hard to achieve through institutions, it becomes rarer and more inimitable, thus being a good source of a competitive advantage.

The second meta-resource, particularly pertaining to the institutionally voided context of emerging economies are relationships. Relationships are essentially social ties between different parties in an economy and can come in different forms, e.g., political connections between a firm and the state (Barney 1991, p. 101; Ge et al., 2017, p. 406; Yaprak et al., 2018, p. 199). In the case of emerging economies, relationships are extremely critical meta-resources in helping firms access scarce resources, information, and generally support strategies (Liu et al., 2017, p. 516). Moreover, relationships also facilitate the protection of property rights which is crucial in encouraging investments (Ge et al., 2017, p. 407). Aside from being considered a meta-resource, relationships are also considered resources that can be valuable, rare, and inimitable which provides sustained competitive advantage to firms (Marquis & Raynard, 2015, p. 305; Liu et al., 2017, p. 518).

Criticism
RBV is not a theory without flaws. Priem & Butler (2001, p. 22) wrote an article about the shortcomings of the RBV because it had been widely used without a critical evaluation of RBV as a theoretical system. A large issue they had with Barney’s (1991) article about RBV was that it needs a substantial amount of work to meet the stringent requirements of a theoretical structure (Priem & Butler, 2001, p. 34). Similar to IT neglecting a firm’s internal environment, RBV neglects and makes assumptions regarding the external environment of a firm. Furthermore, because of the all-inclusive nature of resources, it is difficult to “establish contextual and prescriptive boundaries” (Priem & Butler, 2001, p. 34). Priem & Butler (2001, p. 23-24) also had an issue with how other authors have loosely adapted the RBV in their own research, not fully clarifying the underlying constructs in a sufficient manner. This is however not an issue with RBV itself, but with how other authors are adapting the theory and missing some of the vital fundamentals of it. Within the same issue of Academic of Management Review where Priem & Butler (2001) published their criticism of Barney’s RBV (1991), Barney (2001) was given the opportunity to address the critique. Barney (2001, p. 41) split the criticism into four categories: the RBV is tautological; RBV does not acknowledge that different combinations of resources can provide similar value; the importance of product markets is underdeveloped and; the RBV has prescriptive limitations. Barney (2001, p. 41) rejected the criticism on the basis of them being unfounded, whilst also highlighting other issues needed to be addressed to make RBV more complete. The criticism presented by Priem & Butler (2001) focused on aspects that they thought were underdeveloped in the RBV, even though these issues were highlighted by Barney (1991). In addition, Barney (1991) even provided suggestions as to how these areas could be further developed by others. One important insight that Barney (2001, p. 52) drew from the criticism is an increased importance of the fact that
resources must be examined within their market context. Furthermore, the definition of resources should be reconstructed to simpler terms, such as stating that “resources are the tangible and intangible assets a firm uses to choose and implement its strategies” (Barney, 2001, p. 54).

2.3. Strategies Conforming to an Emerging Economy’s Nonmarket-Market Relationship

Identifying and understanding the institutional context and the combination of features that prevent players from connecting buyers and sellers is the first step in determining what strategies are appropriate for a firm (Khanna & Palepu, 2010, location 436, 1231). Meyer et al. (2009, p. 61) determined that it is first and foremost the institutions that determine the viability of firm strategies. In strategizing, the predominant role of examining IT and RBV is to shed light on firm behavior and decision-making processes, particularly when confronted with institutionally voided environments. These two theories further highlight the need to incorporate and account for institutional influences and resources into strategies that conform to environments that hinder efficient transactions.

IB scholarship has been active in trying to connect IT and RBV to strategies that allow firms to cope in emerging economies, e.g., Gao et al. (2017) using RBV to determine that reputation can be a realized strategy in itself. The following section focuses on the nonmarket-market exchange related voids and the associating strategies that scholarship has presented when focusing on certain aspects of this relationship. Baron (1995, p. 47) augments this intention by proposing that the strategy process requires factoring in and accounting for the nonmarket-market relationship, because these elements frame the business environment. In alignment with this perspective, Marquis and Raynard (2015, p. 306) determined that it is important to align strategies with the nonmarket-market aspect because in emerging economies the boundaries between the two institutional fields are frequently obscured. Thus, a fundamental aim of firm strategies in emerging economies is to provide flexibility when encountering voids (Liu et al., 2017, p. 516). Although many of the strategies and issues might overlap, for the discussion, strategies are connected to the issues they are mainly trying to solve.

2.3.1. The Notion of Strategy

Basic notions of strategies tend to converge upon the idea that firms set long-term goals and implement actions and resources to achieve these goals (Chandler, 1962, p. 64). Gradually, the notion of strategies has been developed to implicate competitiveness as a fundamental goal whereby firms have to consider both resources and the external environment (Baron, 1995, p. 48). These definitions of strategy have been established by scholars in a developed context (e.g., Chandler, Porter) and thus, are suggested to neglect the implications of institutional mechanisms in emerging economies. To clarify, the shortcoming of defining strategy stemming from conventional strategic management, firms in developed economies strategize by examining micro-environmental and industry forces (Khanna et al., 2005, p. 63, 67). In the context of developed economies where institutions are functional and ease transactions, institutions are taken for granted (Peng et al., 2008). Firms will then only consider the external environment and industry forces which influence their degree of competitiveness and survivability in the market. Strategies are thus defined in terms of the process whereby firms set goals to capture and neutralize strengths, opportunities, threats, and weaknesses in the marketplace, by means of distinctive capabilities (Porter, 1991, p. 96-97). This process serves to cement a firm’s competitive position in an
economic market and the strategic definition disregards the institutional mechanisms that supports efficient transactions.

Conversely, in emerging economies where institutions play a more prominent role and the presence of institutional voids are more widely felt (Peng et al., 2008), the notion of strategies should reflect institutional mechanisms. It is simply not sufficient to define strategies in terms of for instance, long term goals or vehicle for competitiveness because emerging economies’ institutional voids pressure firms to behave and strategize differently than in developed settings. Failure to conform to an emerging economy’s institutional pressures results in illegitimacy and undermines survivability (Meyer & Rowan, 1977). Accordingly, in an emerging economy, strategies should first and foremost be defined in terms of institutional strategies rather than competitive strategies. Marquis and Raynard (2015, p. 296) defined institutional strategies as “all plans and actions taken by an organization to strategically manage socio-political and cultural institutions, and/or leverage them to its competitive advantage”. This definition requires minor adjustments by this paper’s authors in order to conform to the research agenda: to examine the institutional influences on firm strategies contrastive to firms’ influence on institutions. Therefore, institutional strategies for the purpose of this research are defined as “all plans and actions taken by an organization to strategically manage socio-political and cultural institutions” (Marquis & Raynard, 2015, p. 296) in order to allow the organization to partake in market transactions. Additionally, the adjusted notion of institutional strategy will also embrace managing market institutions, an aspect that is neglected by Marquis and Raynard’s (2015) definition. This notion of strategy is viable because: it takes into account the prominent role of institutions (Peng et al., 2008); it reflects the nonmarket-market relationship pertaining to emerging economies (Hoskisson et al., 2000, p. 252; Hoskisson et al., 2013; Olthaar et al., 2017, p. 247; Marquis & Raynard, 2015, p. 302); it legitimizes and enables actions geared towards competition and are implications of this notion (Meyer & Rowan, 1977; Scott, 2014; Marquis & Rowan, 2015, p. 304-305), which effectively embeds the notion of conventional competitive strategy in the notion of institutional strategy.

2.3.2. Market-Related strategies

Market-related strategies pertain to firms’ implementation of strategies in the economic market, i.e., capital, labor, and product markets, in order to produce goods and services to capture, e.g., profits, market share (Baron, 1995, p. 47; Hoskisson et al., 2013, p. 1297; Ingram & Silverman, 2002, p. 7). To successfully pursue economic interests, firms’ resources and strategies must conform to their market conditions (Baron, 1995, p. 48). However, conformity to market conditions is rather difficult in emerging economies due to institutional voids in the market related institutions (Khanna & Palepu, 2010). Capital market related voids stemming from governmental neglect and underdeveloped third-party sources hinders accessibility to funds, credibility-related and economic information (Khanna & Palepu, 2010; Kingsley & Graham, 2017). Labor market related voids emanating from underdeveloped education systems and the absence of employment agencies result in difficulties of and rarity in finding knowledge workers (Khanna & Palepu, 2010). Product market related voids originating from deficiencies in soft and hard infrastructure result in high transaction costs and uncertainties which hinder the production of transformational activities (Khanna & Palepu, 2010; Hoskisson et al., 2013, p. 1297; Liu et al., 2017, p. 516-517). These market related voids thus can be partitioned into the actual market-related voids e.g., pertaining to capital, labor, and product factors, and information voids resulting in information asymmetry that hinders economic transactions. Scholars (e.g., Doh et al.,
2017) in turn have proposed appropriate institutional strategies that cater to both market and information-related voids that of internalization and substitution.

**Internalization**

According to Doh et al. (2017, p. 300), internalization strategy refers to the internal development and implementation of firm capabilities, resources, and competences to business activities. This strategy suggests that firms that manage to internalize operations will become more independent than those that externalize operations. Internalization in emerging economies emanates from the “inability to rely on other firms that could reliably perform the same function” (Doh et al., 2017, p. 300). This is due to the presence of institutional voids in the capital, product, and labor markets that make it difficult to properly produce goods or services via increased transaction costs (North, 1992; Khanna & Palepu, 2010; Hoskisson et al., 2013). Examples of internalization strategy would include: firms having the internal capability to train staff from the unskilled workforce; producing parts to be used for the final goods or service because suppliers are either rare or the conditions for trade are predatory; accessing hard to obtain capital and resources through business groups a firm is a member of, because the institutional context does not adequately provide access to either or both (Doh et al., 2017, p. 300; Kim & Song, 2017, p. 309-310).

These examples denote two alternatives of the internalization strategy to cope with institutional voids. In one alternative, firms use their own internal resources to create value. The second alternative creates value through exploiting business groups. Khanna and Yafeh (2007, p. 331) defined business groups as “legally independent firms, operating in multiple (often unrelated) industries, which are bound together by persistent formal (e.g., equity) or informal (e.g., family) ties”. The use of business groups as a coping mechanism in market related institutional voids alleviates opportunism and transaction costs (Marquis & Raynard, 2015, p. 310; Ma & Lu, 2017, p. 678; Back et al., 2014, p. 392). Opportunism can be reduced through two means: formally implementing enforcing mechanisms such as contracts and informally through social abstractions such as blood ties or friendships, which facilitate trust building. The informal mechanism undermines the necessity of enforcing mechanisms because partners in the business group trust that others will uphold their end of an exchange (Khanna & Yafeh, 2007, p. 331, 348). Moreover, transaction costs can be reduced because business group partners may also hold essential information that is otherwise unavailable (Kim & Song, 2017, p. 320; Yapruk, 2018, p. 199).

Internalizing activities through collective means can physically reinforce the development of market-related institutions that alleviate the effects of voids (Ma & Lu, 2017, p. 678; Back et al., 2014, p. 392). As firms in business groups feel the negative effects of one or more market-related void, they may essentially come together to remedy the issues (Khanna & Yafeh, 2007, p. 339; Marquis & Raynard, 2015, p. 310-311). Exemplifying this, firms within a business group who encounter credibility issues would band together to establish an auditing firm that all member firms and alternatively the public can benefit from (Khanna & Yafeh, 2007, p. 339). Though business groups and their collective action is more elaborated upon than the independent firms’ internal strategizing means, the message is the same. Internalizing is an effective means to alleviate the issues pertaining to market-related voids, both factor related voids - capital, labor, and product and information voids (Doh et al., 2017, p. 298).
Substitution

Governmental neglect, underdeveloped market intermediaries, and deficient soft infrastructure represent information voids culminating in information asymmetry (Khanna & Palepu, 2010; Kingsley & Graham, 2017, p. 324). Scholars have examined the notion of information asymmetry and its consequence on different aspects of business transactions. For instance, Kingsley and Graham (2017) examined the influence of information asymmetry on investments decision, asserting that information asymmetry increases uncertainty thereby crippling the incentive to invest. Broadly speaking, information void and information asymmetry are intertwined. Information voids emanating from institutional voids can be defined as “the absence of readily available and credible information” (Kingsley & Graham, 2017, p. 325). This absence obstructs firms’ evaluation of “the economic and political conditions under which they operate” (Kingsley & Graham, 2017, p. 326). Information asymmetry in turn can be defined as disparate holding of information by parties within an economic transaction (Kim & Song, 2017, p. 311). Ingram & Silverman (2002, p. 9) augment this definition by asserting that at some point in an exchange, one side will always hold more information. The information void and asymmetry thus lead to uncertainties that discourage transacting.

Doh et al. (2017) assert that the substitution strategy is an effective strategy for coping with information voids and asymmetries. Substitution strategy involves replacing absent public information with firm cultivated information. Rather than increase transaction costs by attempting to develop missing public information, firms utilizing this strategy would exploit existing knowledge (Doh et al., 2017, p. 300). Kingsley and Graham (2017, p. 329) discuss the underpinning mechanisms that foster firm knowledge, asserting that generating private information stems from relationships. Relationships when connected to information accumulation are most efficient when firms target political figures who hold social power. Additionally, these relationships can help firms internalize information about shifting regulations which can affect business transactions. Firms would therefore benefit in acting more proactively than would otherwise occur if firms were to learn about shifting regulations after its implementation.

Similar to internalization strategy, substitution strategy can also benefit from firms associating with business groups. A business group can internalize information, allowing it to circulate internally and benefiting those within the group (Kim & Song, 2017, p. 320; Marquis & Raynard, 2015, p. 311; Yaprak, 2018, p. 199). Though not explicitly discussed, it can be inferred that business groups may accumulate information in very much the same manner as individual firms: through cultivation of relationships. Firms in business groups may be headed by individuals who are directly or indirectly affiliated with a political regime. In turn, deep insider knowledge would be extracted from the connection, resulting in the internal circulation of the knowledge (Kingsley & Graham, 2017; Khanna & Yafeh, 2007).

In emerging economies where information voids may be quite severe, and information is necessary to determine decision-making and strategic processes, substitution is a critical strategy. The degree of criticality of this strategy will be dependent upon the degree of severity of information voids stemming from institutional voids (Kingsley & Graham, 2017, p. 329).
2.3.3. Nonmarket Related Strategies

Nonmarket-related strategies pertain to “concerted pattern of actions taken in the nonmarket environment” (Baron, 1995, p. 47) in order to access and influence the market environment (Holburn & Vanden Bergh, 2002, p. 34, 36). Baron (1995, p. 48) asserted that the purpose of nonmarket strategies is to affect market institutions, suggesting that the aim is to be able to pursue economic interest within the realm of the market institutions. An alternative perspective is to consider that if firms did not pursue economic activities, the nonmarket institutions would not be as important as they are in such contexts (Baron, 1995, p. 55). In essence, the nonmarket institutions and their associating strategies manage non-economic and social aspects of an economy (Boddewyn, 2003, p. 297; He et al., 2007, p. 152).

Nonmarket-related strategies are considered to be more critical and effective in emerging economies due to the pervasive and intrusive influence of the nonmarket institutions (Hoskisson et al., 2000, p. 252; Marquis & Raynard, 2015, p. 302). Because these institutions hold social power to determine the market conditions and therefore firm action and resources within the market, legitimacy and overall survivability stem from actions accounting for these particular institutions (Ingram & Silverman, 2002; Meyer & Rowan, 1977; DiMaggio & Powell, 1983; Marquis & Raynard, 2015; Scott, 2014; Ge et al., 2017, p. 407-408). In more practical terms, Baron (1995, p. 48-49) asserted that when nonmarket institutions increasingly govern what opportunities are available to firms, this increases the incentive to implement nonmarket-related strategies. Effectively aligning strategies with the nonmarket institutional conditions would contribute to overall performance (Baron, 1995, p. 47; Holburn & Vanden Bergh, 2002, p. 36; He et al., 2007, p. 151) underpinned by legitimizing mechanisms (Meyer & Rowan, 1977; Marquis & Raynard, 2015; Scott, 2014). In light of this discussion, scholars have increasingly studied nonmarket strategies, which resulted in them cataloguing these strategies in numerous ways. Thus, to simplify the variants of nonmarket strategies, actions targeting nonmarket institutions are identified in terms of buffering and bridging strategies (He et al., 2007, p. 152-153).

Buffering

The aim of buffering strategy reflects firm actions in “trying to insulate itself from the external environment” (Meznar & Nigh, 1995, p. 976 cited in He et al., 2007, p. 153). The implications behind buffering is that it proactively enables firms to minimize the influence of the nonmarket environment. In doing so, firms are free to pursue economic activities and competitive strategies without interference from institutional forces (He et al., 2007, p. 153). Buffering strategies may be exemplified by: the act of lobbying involving presenting monetary gifts to electoral causes to sway the ruling regime to grant favors to respective firms; owners and managers having direct or indirect connections to the ruling regime, thereby safeguarding their economic interests from otherwise harmful regulations (Holburn & Vanden Bergh, 2002, p. 36; He et al., 2007, p. 153).

As discussed, emerging economies are plagued with institutional voids. Institutional voids reinforce the power of institutions and the associating authorities who hold social and market power and provides legitimacy that necessitates relationships (Scott, 2014; Ge et al., 2017, p. 408, 410). As a result, relationships serve to reinforce and are reinforced by buffering strategies (Liu et al., 2017, p. 516). This reinforcement can be illustrated by the exemplifications discussed above: owners and managers have relationships that serve to buffer their firms from external pressures; relationships are strengthened through lobbying. In considering the role of relationships in the scheme of
buffering strategies, the notion of relationships is complex because it embodies multiple roles, serving as a meta-resource, a resource and a strategy. Relationships as a meta-resource involves firms striving to foster relationships in order to access resources and opportunities, e.g., funds, preferential treatments and operations permits (Ge et al., 2017, p. 407, 410). Relationships as a form of resource are depicted in substitution strategy: critical information about nonmarket and market conditions derives from firms and business groups having beneficial relationships (Kingsley & Graham, 2017, p. 329). Relationships as a strategy involve deliberate firm actions to increase social legitimacy by influencing external perceptions of the firm. It is surmisable that a well-connected firm is more legitimate because it conforms to the institutional conditions, which effectively encourages others to perceive this firm in a positive light (Ge et al., 2017, p. 410; Meyer & Rowan, 1977; Ma & Lu, 2017, p. 678). The implications of relationships as a strategy is that it fosters reputation building, which can further facilitate firms’ coping mechanisms in emerging economies (Ge et al., 2017, p. 410; Gao et al., 2017; Ma & Lu, 2017, p. 678).

There are several incentives for why utilizing a buffering strategy is ideal in emerging economies. For one, political regimes have a strong degree of control over the opportunities available to firms, e.g., holding resources, having the power to create rules and regulations that force firms to associate with the government (Baron, 1995, p. 49; He et al., 2007, p. 153, 155; Ge et al., 2017, p. 410). Another incentive involves being able to proactively influence the nonmarket institution through strong relationships with the political regime (He et al., 2007, p. 153). However, this incentive is more associated with the agentic view of institutions, that firms can proactively shape their institutional environments rather than how institutions affect firms. Marquis and Raynard (2015, p. 306) augment that the second incentive for buffering may not be effective in emerging economies because these institutions are “generally nontransparent” (Peng et al., 2008, p. 930).

Bridging
Firms utilize bridging strategies in order to “adapt organizational activities so that they conform with external expectations” (Meznar & Nigh, 1995, p. 976 cited in He et al., 2007, p. 153). The implications behind bridging is that firms would align their activities to regulative and normative institutions in order to legitimize themselves in society (Scott, 2014, p. 72). By conforming to what society has determined as appropriate behaviors, firms can pursue economic interests (Meyer & Rowan, 1977, p. 351-352). Whereas buffering is more of a proactive strategy to stay ahead of institutional pressures, bridging is more of an active strategy whereby firms integrate institutional requirements into activities with the intent to build a positive image. Bridging strategy may be exemplified by: conformance to formally prescribed rules and regulations as opposed to informal means of doing business (non-corruptive activities); nonprofit work aimed at bettering society, e.g., providing education to underprivileged children, producing hygiene products for the poor (He et al., 2007, p. 153-154).

An underlying implication of bridging is that it has the potential to generate reputation. Reputation, similar to relationship, is a complex notion because it embraces the roles of a meta-resource, a resource, and a strategy. Reputation as a meta-resource, established by firms’ positive image, facilitates firms accessing or obtaining of conventional resources such as funding, human resources. The meta-resource component also enables firms to reduce transaction costs because partners in an exchange expect that these firms will not behave opportunistically, reinforced by positive reputation (Gao et al., 2017, p. 2151, 2155, 2160). Reputation as a resource is often indicated in RBV as an intangible
resource, whereby firms intentionally and continuously strive to invest and maintain it (Gao et al., 2017, p. 2151; Baron, 1995, p. 62). Unlike legitimacy, which is considered a condition that neglects the notion of obtainment and loss, reputation stemming from perceived legitimacy can be obtained or lost, thus it is considered a resource (Scott, 2014; Gao et al., 2017, p. 2151; Baron, 1995, p. 61). Utilizing reputation as a strategy involves firm deliberate action to use this distinctive capability to defend against threats and seize opportunities. Firms will respectively have flexibility in responding to shocks (e.g., economic recessions) and attracting new target segments and partners that cumulate in increasing transactions (Gao et al., 2017, p. 2157-2159). In turn, reputation potentially begets more reputation, increasing more transactions, which ultimately offsets the effects of institutional voids (Gao et al., 2017, p. 2160-2161).

Institutional conditions create incentives for implementing bridging (He et al., 2007, p. 154). The regulative institutions underpinned by coercive isomorphism force compliance with the rules and regulations established by social power wielding authorities. The normative institutions underpinned by normative isomorphism pressure compliance by drawing upon the moral obligation to perform certain actions (DiMaggio & Powell, 1983; Scott, 2014).

2.4. Integrating the Theoretical Framework

Emerging economies are plagued with institutional voids that hamper efficient economic transactions (Marquis & Raynard, 2015, p. 300; Khanna & Palepu, 2010, location 165; Gao et al., 2017, p. 2149-2150; Ge et al., 2017, p. 408). These institutional voids are experienced in the nonmarket-related and market-related institutions which cause increased transaction costs, uncertainties, and risks resulting in information voids and associating information asymmetry (Liu et al., 2017, p. 516; Kim & Song, 2017, p. 310). This combination of issues stemming from the superordination of nonmarket institutions to market institutions forces firms to navigate their way through a context that undermines economic transactions.

IT and RBV theory serve to explain the underlying external and internal forces that influence firm behaviors and give value to certain strategies and resources (Ma & Lu, 2017, p. 678). IT examines the role of institutions in pressuring firm conformity to their environment through isomorphic mechanisms that results in legitimacy (Meyer & Rowan, 1977; DiMaggio & Powell, 1983; Bruton et al., 2010, p. 422). When institutional pressures conflict with the pursuit of economic interests, firms will decouple their activities to superficially conform to the institutional demands, thereby legitimizing themselves (Meyer & Rowan, 1977). IT essentially explains the process through which institutions offer legitimacy and survival capabilities to firms. Thus, the process of legitimizing through meeting institutional requirements (Scott, 2014) influences how firms will behave, whether through conformity or decoupling and determines the most appropriate resources and strategies that are valuable within a given context (Ingram & Silverman, 2002; Meyer et al., 2009; Ma & Lu, 678). Complementing IT, RBV focuses on the internal environment of a firm. RBV aims to assist firms in understanding which of their resources are able to provide a temporary or sustained competitive advantage through the VRIO framework (Barney, 1995). In the current state of globalization, physical resources will often not alone be able to provide a competitive advantage, because they are easy to access. This pushes firms to develop intangible assets, e.g., relationships and reputation, because generally they are rare, inimitable, and socially complex resources (Barney, 1995). In emerging economies, due to the presence of voids and the associating issues on economic activities, reputation and relationships become critical in alleviating the systematic failures of existing
institutions (Gao et al., 2017; Yaprak, 2018; Ge et al., 2017; Marquis & Raynard, 2015; Ma & Lu, 2017, p. 679). Where the rules of the game are not sufficiently developed to allow firms to focus more on economic interests (Peng et al., 2008; Meyer et al., 2009), reputation and relationships are legitimate means that enable interactions with social power welding authoritative figures (Ge et al., 2017; Khanna & Yafeh, 2007; Gao et al., 2017; Kingsley & Graham, 2017; Ma & Lu, 2017, 678).

The presence of institutional voids forces firms to behave and utilize resources in manners compatible to their context (Ingram & Silverman, 2002) which is reflected in their strategies (Meyer et al., 2009; Liu et al., 2017, p. 516). As noted, scholars have previously studied different facets of institutions and in turn proposed appropriate strategies that cater to that particular facet. As this study examines the nonmarket-market related exchange and institutions, literature-derived strategies were presented that are perceived to effectively respond to voids. Because voids stem from the super ordination of the nonmarket to market institutions, strategies tend to reflect the relationship whilst corresponding to particular voids it attempts to alleviate. In other words, the proposed strategies are intertwining. For instance, where a strategy is utilized to respond to market-related voids, there are elements within the function of the strategy aimed at alleviating nonmarket voids. The strategies proposed for the market-related voids are internalization and substitution that help firms cope with capital, labor, product, and information issues. The strategies proposed for the nonmarket-related voids are buffering and bridging that help firms cope with those who hold social power and bestow legitimacy and survival capabilities onto firms. Figure 5 presents a simplified visual representation that highlights the nonmarket-market relationship on firm behaviors and strategies.

![Figure 5: Framework of the Influence of the Nonmarket-Market Relationship on Firm Behaviors and Strategies](image-url)
3. Methodology

This chapter examines the methodological considerations which underpin this study from both a theoretical and practical perspective. Supported by the theoretical perspective, preconceptions and underlying assumptions that guide this research and its design are discussed. This study’s practical approach focuses on how the theoretical frame of reference was developed and the process behind the qualitative data collection. Moreover, the method whereby empirical data is presented, processed and analyzed is detailed. The fundamental aim of this chapter is to present an opportunity for which the appropriateness of the selected methodologies may be critically assessed or recreated.

3.1. Preconceptions

Preconceptions are an important issue for all scholars to acknowledge, reflect upon, and discuss as it may profoundly affect the study from choice of subject to conclusions being drawn (Bryman & Bell, 2015, p. 40; Nyström & Dahlberg, 2001, p. 339). Ignoring or neglecting the importance of one’s preconceptions may pose a risk that researchers acquire results that mainly reflect their previous understandings and not the reality. This can happen in situations where the researchers are only hearing what they want to hear and are not carefully listening to everything being said. A researcher’s knowledge, insight, and experience play an important role in shaping preconceptions (Bryman & Bell, 2015, p. 40). For instance, a researcher’s background will affect both how things are viewed, as well as what the researcher pays attention to (Bryman & Bell, 2015, p. 41). The effect of preconceptions could lead to one of two things, the facilitation or constrainment of their understanding (Nyström & Dahlberg, 2001, p. 341). Preconceptions are impossible to avoid and will always exist due to their nature of occupying a mental space, and not being fully based on reality (Nyström & Dahlberg, 2001, p. 340). As a result, the only thing researchers can do is to reflect upon their preconceptions, be aware of them, and the risks they pose in order to mitigate the negative effects of preconceptions (Bryman & Bell, 2011, p. 340).

By acknowledging existing preconceptions based upon the authors’ backgrounds, reflecting on them, and bringing them to light, the issue of being negatively constrained by preconceptions can be mitigated (Nyström & Dahlberg, 2001, p. 345). Furthermore, because the authors have vastly different backgrounds, the preconceptions of each author are in turn different, which prevents biases stemming from one source. One author has a Cambodian background whilst the other author has a Swedish/American background and has never visited an emerging economy. Although both authors are enrolled in the same university program, each author has a different specialty in their degree, one focusing on management and the other on business development. This further reinforces the differentiation of the two authors’ preconceptions. Each author brings something different to the table in terms of how things are perceived, as well as what things are perceived. The dichotomous background of the authors allows for a broader combined perception on the subject being studied by holding different values and being used to different societal and cultural norms. In terms of studying in an Asian context, the author with a background in Cambodia will be more used to many customs there, whilst the author who has never visited Asia will be immersed in a completely new experience and observe intensely. One commonality which may bring similar preconceptions is the literature review conducted for the study where the authors are studying the same material. By studying different scholars’ perspectives and viewpoints on concepts, constructs and theories, biased preconceptions from reading the same
material may be avoided. Furthermore, through the authors’ immersion in the context they are studying (spending two months in Cambodia for a minor field study (MFS), as accorded by the SIDA scholarship one author received), this allows a first-person perspective of the socially complex subject being studied.

3.2. Research Philosophy
The authors’ worldviews and the worldviews’ influence on how this research is carried out is based upon the underlying assumptions of the natures of society and science (Holden & Lynch, 2004, p. 2-3; Burrell & Morgan, 1979, p. 1; Balarabe Kura, 2012, p. 3). The implications of this is that if the authors do not align themselves with any reality of sorts, methodological considerations and the research in its entirety is flawed (Holden & Lynch, 2004, p. 15-16). In consideration of the research philosophy, literature has largely focused on ontological and epistemological assumptions. Ontological assumptions pertain to the nature of reality, whereas epistemological assumptions consider the nature of knowledge (Holden & Lynch, 2004, p. 5; Burrell & Morgan, 1979, p. 1). By considering the ontological and epistemological assumptions, this reinforces and establishes the methodological considerations (Holden & Lynch, 2004, p. 15-16).

3.2.1. Ontological Assumptions
Ontological assumptions revolve around the authors’ viewpoints of how reality is perceived, whether reality is external or internal to individuals (Burrell & Morgan, 1979, p. 1). The ontological assumption of which authors align with underpins all other assumptions of a study (Holden & Lynch, 2004, p. 5). The two opposing positions of ontology are objectivism and constructionism (sometimes noted as subjectivism) (Bryman & Bell, 2015, p. 32-33; Holden & Lynch, 2004, p. 6). In the objectivist ontological perspective, reality is perceived as a “concrete structure” (Holden & Lynch, 2004, p. 6) external to those in it (Bryman & Bell, 2015, p. 32). Reality exists without the influence of social actions since it predates human existence, thus measurements through intangible or subjective measures are meaningless (Burrell & Morgan, 1979, p. 4; Holden & Lynch, 2004, p. 7). On the other side of the ontological spectrum, constructionists perceive reality as a social construct, being internal to those in it, and are reflected in the minds of individuals (Holden & Lynch, 2004, p. 6). Reality is constructed through social interactions and through these interactions, reality is in a constant process of change (Bryman & Bell, 2015, p. 33).

Because this study has the intention to examine and understand institutional effects on firm behavior in an emerging economy, the perspective of constructionism is undertaken. The reasoning is that institutions are social constructs, which are created and shaped over time through an ongoing process of social interactions (Dacin et al., 2002, p. 48; Khanna & Palepu, 2010, location 236; North, 1994, p. 364). This idea conflicts with the objectivists’ perspective on social reality, where reality simply exists without an influence from social actions. Furthermore, because institutions are in essence social constructs, it is unreasonable to ascertain that they predate human existence in accordance to objectivism.

3.2.2. Epistemological Assumptions
Epistemological assumptions are concerned with how knowledge is accumulated, processed, and redistributed to others (Burrell & Morgan, 1979, p. 1; Holden & Lynch, 2004, p. 5). In essence, these assumptions seek to understand “how it is possible, if it is, for us to gain knowledge of the world?” (Hughes & Sharrock, 1997, p. 5 cited in Holden & Lynch, 2004, p. 5) and “the nature, validity, and limits of inquiry” (Rosenau, 1992, p.
109 cited in Holden & Lynch, 2004, p. 5). Two major stances are attributable to epistemological assumptions, that of positivism and interpretivism. Positivists ontologically perceive that social reality is not a construct, it is rather concrete, objective, and external to human interactions with them. As a result, positivists seek to develop knowledge by means of testing theories which generalize social reality. Theory testing and development is achieved through the controlling of variables to discover links and recurrent phenomenon which continuously explain reality (Burrell & Morgan, 1979, p. 2-3; Orlikowski & Baroudi, 1991, p. 5; Chen & Hirschheim, 2004, p. 201; Balarabe Kura, 2012, p. 4-5). Conversely, interpretivists approach social reality as a subjective product, being cognitively constructed through human interactions (Chen & Hirschheim, 2004, p. 201). Accordingly, knowledge is to be generated through social interactions to develop an “understanding of the way the individual creates, modifies and interprets” social reality (Burrell & Morgan, 1979, p. 3). A fundamental point of demarcation is that positivists seek to explain social reality, whilst interpretivists seek to understand social reality (Orlikowski & Baroudi, 1991, p. 5). In a nutshell, positivists strive to detail a phenomenon through objective observations; whereas, interpretivists aspire to unravel why social reality is the way that it is.

This study supports the interpretivist perspective because institutions at their very core are social constructs which regulate human interactions (Scott, 2008, p. 429). As research has indicated, social actors, in this case firms and those who make decisions in their firms, are subjected to institutional pressures (Meyer & Rowan, 1978; DiMaggio & Powell, 1983). However, as these are social actors who are independent from one another, they hold their own subjective interpretation of institutions that in turn influences them (Suddaby, 2010, p. 15). This suggests that variable testing is insufficient for explaining the in-depth role of institutions on firms’ behaviors. To exemplify this notion, coercive and mimetic adoptions due to institutional pressures are established to occur (DiMaggio & Powell, 1983); however, the underlying rationalization or motivation for conformity may vary between firms. One firm may determine that conformity is a result of threat whilst another firm’s incentive for conformity is technical efficiency, which is based upon interpretation of the institutions resulting in different actions being undertaken, e.g., to decouple or to thoroughly prescribe to institutional dictates (Suddaby, 2010, p. 16). Therefore, there is a need to interact with these actors within the institutional boundaries to understand how they interpret and are influenced by institutions.

3.3. Research Logic
Theoretical underpinning is an important foundation for research, and scholars connect their theory to their research in different ways (Bryman & Bell, 2015, p. 23). The two approaches mainly used by scholars are deduction and induction. The deductive reasoning approach is more common than inductive and involves the creation of a theoretical structure which is then to be empirically tested (Bryman & Bell, 2015, p. 23). Findings from the data are then analyzed and the hypothesis can be rejected or confirmed. Essentially, the deductive reasoning “draws a conclusion about the particular based on the general” (Mantere & Ketokivi, 2013, p. 71) and is often associated with quantitative studies (Bryman & Bell, 2015, p. 25). The inductive approach has an opposite process to deduction, beginning with observations and then creating or improving theory around these observations (Bryman & Bell, 2015, p. 25). The inductive reasoning begins with an explanation and observation to then create a rule which follows, thus beginning with the specific and moving towards the general (Mantere & Ketokivi, 2013, p. 71). Inductive reasoning is most often used in
combination with qualitative studies (Bryman & Bell, 2015, p. 25). The distinction
between deduction and induction is not always clear-cut and they should be considered
as norms rather than strict rules (Bryman & Bell, 2015, p. 25).

In accordance with the interpretivist epistemology and constructionist ontology, this
study predominantly aligns with inductive reasoning (Bryman & Bell, 2015, p. 38). At
times however, the study leans towards deductive reasoning, utilizing aspects from both
sides of deductive and inductive theory. This study conforms to the inductive reasoning
process for a number of reasons. First, there is no intention to develop hypotheses based
on theory and test if these hypotheses hold true or not, as the deductive process does.
Second, this study has no intention of empirically testing theory as deductive reasoning
commonly does (Bryman & Bell, 2015, p. 25). Moreover, theory creation is usually not
conducted within the context of a single country because this does not provide explicitly
generalizable results to a wider context (Bruton et al., 2010, p. 432). Instead, the goal is
to use existing theories and collect data to see whether they are applicable in the
Cambodian context. Third, inductive reasoning is more in line with this study’s purpose
of interviewing a small sample of people responsible for strategic decisions in their
respective companies for access to the in-depth information required (Bryman & Bell,
2015, p. 38). Fourth, in accordance with inductive theory and qualitative studies, this
study will be “moving from individual observation to statements of general patterns”

3.4. Research Purpose & Process
Research questions indirectly convey the purpose for conducting research. The purpose
can be classified into four categories, that of: exploratory, descriptive, analytical and
predictive purposes. Exploratory research aims to generate deeper understanding of a
phenomena based upon empirical evidence and utilize techniques such as case studies.
Descriptive research serves to describe attributes of particular events or issues.
Analytical research seeks to explain why certain events occur through examining causal
relationships. Predictive research aims not only to examine causal relationships, but to
determine the chances that a particular phenomenon repeats itself in another context
(Collis & Hussey, 2014, p. 3-5). Because the aim of this study is to generate a deeper
understanding of how institutions influence firm decision-making and strategizing
processes through gathering empirical evidence, the underlying purpose can be
identified as exploratory. Additional support for this exploratory purpose can be
identified through utilizing the case study methodology as this study examines how
institutions in one country influence firms within that one particular country, namely
Cambodia.

There are two primary forms of collecting and analyzing data, which pertain to
quantitative and qualitative approaches to research. Quantitative research involves
collecting numerical data and applying statistical tools to assessing the data. This form
of research aligns with positivist studies and focuses on explaining causal relationships.
Moreover, the quantitative approach supports deductive theory testing (Balarabe Kura,
2012, p. 11-12). Despite positivists supporting the preciseness and objectivity of the
approach, the quantitative approach has been criticized for failure to generate deeper
understanding of social events and necessitating qualitative explanations for the data
(Balarabe Kura, 2012, p. 12). Conversely, qualitative research neglects numerical data
and statistical tools in favor of nominal data developed through observations and
interactions with those embedded in social reality. The implications of this approach are
that data collection is carried out in a natural setting where the focus of the study occurs.
Moreover, this approach aligns with social constructionism and the interpretivist
paradigm (Balarabe Kura, 2012, p. 9). Based upon the established research philosophy, logic and purpose, this study supports the qualitative research approach. Institutions are socially complex in nature and social actors affected by them do not have a uniform perception of its role. In voided contexts, these actors may attach different meanings to these institutions, which is portrayed through their decision-making and strategizing processes. Numerical data and statistical tools can only hope to capture a margin of this complexity. On the other hand, in-depth interactions with these social actors in the natural setting in which this happenstance occurs allow for a deeper understanding of this role of institutions in relation to reality.

3.5. Research Design
To answer the empirical research question, this study has conducted a case study. Conducting a case study allows for “an intensive examination of a single case” (Bryman & Bell, 2015, p. 71). This research design is suitable for this study because the intention is to “explore a single phenomenon (the case) in a natural setting using a variety of methods to obtain in-depth knowledge” (Collis & Hussey, 2014, p. 68). For the current study, the case pertains to exploring how firms cope with institutional voids in the context of Cambodia. Furthermore, case studies are commonly associated with exploratory studies, qualitative data collection methods, and interpretivist epistemology (Collis & Hussey, 2014, p. 60).

This case study has different elements to it. One element is the study being an exploratory case study, stemming from “a deficient body of knowledge” (Collis & Hussey, 2014, p. 68). Strategies in emerging economies, and Cambodia specifically, have not been well developed and need to be improved upon by exploring the topic. A second element is that the study is an opportunist case study, whereby an opportunity presented itself to the authors because they have access to certain businesses or people to interview (Collis & Hussey, 2014, p. 68). This study’s initial idea was based on the fact that the authors had ideal access to people responsible for strategy in their respective companies in Cambodia. Moreover, in terms of the financing, this endeavor was offset by the SIDA Minor Field Study Scholarship awarded to one of the authors. There are also elements of an explanatory case study, utilizing existing theories “to understand and explain what is happening” (Collis & Hussey, 2014, p. 69). In the case of this study, it uses theories relevant to emerging economies, namely IT and RBV, and seeks to understand institutional effects on firm behavior in Cambodia.

3.6. Literature Search
The theoretical frame of reference, which is the foundation of research, is constructed through the process of a literature review. The literature review is conducted to understand what research has previously been done in the area of interest (Bryman & Bell, 2015, p. 100). This is done not only to avoid conducting identical research to others, but to identify important concepts and theories, commonly used methods and strategies for research, and research gaps which can be filled (Bryman & Bell, 2015, p. 101). The initial basic idea for this study was merely to conduct a study pertaining to the Cambodian context. The direction was not clear in the beginning. The literature review began in a broad fashion, reading research which had been done within emerging economies to understand which theories and concepts were of importance in such a context. This initial search was also of great assistance to identify which authors and journals were key players on the topic of emerging economies. By reading what previous research had been done, and the gaps which exist, it was possible to create a clear research question which had been called for by other scholars and journals.
Literature was mainly searched through using Umeå University Library website and the connected databases, e.g., EBSCO Business Source Premier and Web of Science Database. Through these sources, peer-review articles could be accessed. To gain an initial grasp of the topic, keywords were used to find literature, namely: institution, institutional void, institutional theory, transaction cost, resource-based view, strategy, emerging economy, Cambodia, market strategy, nonmarket strategy.

From the articles found through databases and using keywords, a type of snowball-effect was achieved whereby each article would lead to more sources of information through their references. This led the way to finding eBooks central to the topic of emerging economies (Khanna & Palepu, 2010; Scott, 2014). Because a large part of this study’s literature review was conducted in Cambodia, access to physical books was difficult. As a result of the difficulty, secondary references were used in certain cases where it was not possible to access the original source of information. When secondary references were used, multiple sources were used in order to ensure that the original information had not been misinterpreted. Website references were scarcely used, only in cases to verify information regarding organizations or statistics.

The literature review was conducted in a systematic manner, adopting a thematic approach to sorting of the literature. This approach entailed categorizing literature based on themes important to the overarching topic being researched (Collis & Hussey, 2014, p. 88). Articles deemed relevant were saved and sorted in Google Excel with short summaries regarding, for example, the articles’ purpose, significance, findings, and relevant references. This allowed for easy access to the information during the writing process rather than keeping a mental record of all articles.

3.7. Qualitative Data Collection

3.7.1. Sampling & Choice of Interviewees

Sampling is an inevitable part of any research, which entails a process of extracting a small sample to reflect a population (Kemper et al., 2003, p. 275; Marshall, 1996, p. 522). Sampling can be partitioned into two overarching categories, that of probability and nonprobability sampling. Probability sampling requires that characteristics of the population be known and that everyone in a population has the same probability of being chosen. This form of sampling aligns with quantitative research with the aim to produce generalizable results (Marshall, 1996, p. 522-523). Conversely, nonprobability sampling is a process whereby samples do not have an equal chance of being selected, implying that samples are chosen based on certain desired attributes (Bryman & Bell, 2015, p. 187). Because the topic under study is complex and in consideration of the established research philosophies and approaches, probability sampling is rejected in favor of nonprobability sampling. The rationalization for this choice is due to nonprobability sampling being able to: provide a deeper understanding of occurrences from fewer more in-depth interactions; present interviewees who are more knowledgeable and insightful in alignment with the research aim than a random person. Nonprobability sampling techniques do have a severe shortcoming in that it hinders generalizability of results due to small sample sizes that result in errors and biases (Marshall, 1992, p. 523). However, as the aim for this research is not to generalize nor explain but to understand and explore a phenomenon, this shortcoming is not considered to pose a large issue (Balarabe Kura, 2012, p. 10, 12).

As this study aims to develop insight into how firms cope with institutional voids in Cambodia, nonprobability sampling techniques, namely purposive and snowball
sampling, underpinned by an element of convenience were adopted. Purposive sampling involves selecting participants based upon their knowledge and role in helping to answer the empirical research question (Marshall, 1996, p. 523; Bryman & Bell, 2015, p. 429). Desired participants in this study were top-ranking individuals whose firms operate in Cambodia. These social actors would have knowledge of their firm operations, the power to make decisions and strategies and are directly influenced by their current institutions. Thus, these individuals would reinforce understanding of how firms make decisions and strategize in such settings due to the interaction process between them and the institutions.

In initiating purposive sampling, the authors contacted an individual who dualistically owns a firm in Cambodia and has contact with other individuals who managed their own respective firms. This initial point of contact instigated snowball sampling whereby the contact person agreed to be a participant in the research and supported the establishment of four interviews with other relevant firm heads within his network (Bryman & Bell, 2015, p. 434-435; Marshall, 1996, p. 523). Purposive and the associating snowball sampling were also utilized when one of the authors deployed relational ties to obtain eight interviews with head of firms. In one situation, the relational tie made use of his work contacts to establish an interview opportunity for the authors, and from this participating firm, another firm contacted the authors unexpectedly. The authors lacked awareness that this particular firm existed prior to the firm instigating initial contact via email with them. Moreover, to add to the unexpectedness, the receiving author’s name was addressed erroneously though the content coincidently conformed with the data collection endeavor. There is an underlying element of convenience in these adopted techniques. Because the authors drew on connections that have existed prior to this undertaking, the relevant interviewees were more accessible (Kemper et al., 2003, p. 280). Contact with these interviewees were initially made through phone calls, text messages, and emails which progressed to face-to-face contact once interviews commenced.

In summation, the empirical evidence for this study was derived from thirteen individuals all of whom occupy high level executive or founding positions within their respective firms. In terms of the characteristics of these individuals: 11/13 are male, whereas 2/13 are female; 10/13 are Khmer, whereas 3/13 are foreigners; 11/13 have foreign academic or work experiences, whilst 2/13 only have experiences working and studying in Cambodia. Moreover, at the time of interviews 12/13 of the interviewees currently live and work in Cambodia though this does not neglect the fact that these individuals travel abroad to conduct various business activities.

For the purpose of anonymity, the participants were appropriated codes that are used for the remainder of this research. It should be noted that due to the sampling technique having a snowball effect, a situation arises whereby some of the interviewees know one another, in terms of knowing that a particular individual has participated in this research. This situation is also exacerbated by the fact that Phnom Penh is a small capital city, whereby business individuals are part of the same or interconnecting network circles. Thus, the sampling technique indirectly influences anonymity to a certain degree. To divulge any information aside from the most general affects anonymity to a larger degree. This was, however, offset by the participants’ willingness and consent to be interviewed, though the interviewers continue and will continue to pursue anonymity for the participants.
3.7.2. Interview Guide Approach & Design

Interviews are a form of data collection whereby there is an interaction process between the authors and interviewees. Questions are asked by the authors and interviewees respond accordingly. A fundamental advantage for interviews is that it allows interviewers to develop more insight through asking for clarifications and elaborations when responses are insufficient (Johnson & Turner, 2003, p. 305). Patton (2002, p. 342) identified three approaches to interviews. Informal conversational interviews are unstructured, and questions are asked in the process of discourse. The general interview guide approach is semi-structured whereby topics and questions are predetermined but may be subjected to change as interviews progress. The standardized open-ended interviews are structurally fixed, implying that topics and questions are predetermined and do not change during the course of the interview. All interviewees are subjected to the same set of questions, asked in the same stream. In light of these interview options, the authors have determined that the general interview guide approach is the most appropriate approach. Utilizing an interview guide allows for the authors to cover critical topics that are in line with the theoretical framework. By conducting interviews in this manner, interviewees are not constrained in any form with regard to their responses. This allows for insight to be generated into why interviewees hold to certain beliefs and their social realities. Alternatively, the topic under discussion may be sensitive. By structuring the interviews in a manner that allows for flexibility, the interviewers may rephrase certain questions to avoid causing unintentional harm to the interviewees whilst obtaining crucial information (Easterby-Smith et al., 2012, p. 132 cited in Collis & Hussey, 2014, p. 134). Responses can take a certain direction that may not have been anticipated and follow-up questions may enrich the interview, thereby limiting the structural constraints placed upon interviewers (Bryman & Bell, 2015, p. 481).

The interview guide (see Appendix 2 - Interview Guide) pertaining to this research reinforces flexibility because the questions asked are open-ended allowing interviewees to interpret and respond to them however they see fit (Bryman & Bell, 2015, p. 481). Additionally, the language used in the interview guide is simultaneously professional and relatable, which entails avoiding academic phrases which are found throughout the theoretical frame of reference (Easterby-Smith et al., 2012, p. 138; Bryman & Bell, 2015, p. 488).

In terms of the content, the interview guide first starts with introductory and ethical considerations, e.g., introducing the authors, the purpose, discussing anonymity and confidentiality, asking for permission to record the interview, and asking whether they would like to see the transcribed version of the interview to avoid any misinterpreted information (Gill et al., 2008, p. 292). The interview guide proceeds to shift the interview in the direction of company and personal information to be used in the analysis. The core of the interview guide is partitioned into two overarching themes: that of the institutional context and questions related to strategies. With regard to the institutional context, interviewees were asked to discuss how they perceive Cambodia’s institutional influence and associating voids. The aim is to understand how each of the interviewees understand the institutional notion and what pressures compliance. In the case of the strategies, interviewees were asked how they responded to voids in both the market and nonmarket institutions. There was a clear intention to avoid using theoretical and strategic terms identified in the theoretical frame of reference, e.g., institutional, voids, resources, internalization, substitution, buffering, bridging. More specifically, the aim was to see whether the interviewees reflected on or discussed the elements within
the theoretical frame of reference without the interviewers leading them towards such notions or strategies. The sensitive nature of these questions also prevents asking the interviewees outright if they have acted a certain way in order to prevent inflicting unintentional harm or discomfort to the interviewees. To clarify this thought, the interviewees for this research are in positions where they represent their firms. Thus, questions are posed in a neutral manner so as not to infer any judgement and in a context where they are free to discuss as much or as little as they wish to.

Pilot Interview
Pilot interviews are conducted to test out interview guides prior to the actual data collection to make sure that questions are understood and can effectively answer the research question. Moreover, it allows the opportunity to re-formulate questions in the event that the pilot interviewees have difficulty grasping certain questions (Gill et al., 2008, p. 292). For this study, there was the initial intention to do a pilot interview with the interview guide. However, the first interview conducted was spontaneous and did not conform to the outlined methodology. The interviewer approached a particular interviewee asking for an interview opportunity at a later date, however the interviewee proposed to do it on the spot. Moreover, the interviewee rejected the notion of a semi-structured interview, opting for an unstructured, unrecorded interview because it was felt that the interviewee could better communicate “from the heart”. The sensitive position of the interviewee within Cambodia’s society also reinforced their refusal to do a semi-structured, recorded interview. However, the interviewer was able to note down the important details of a fruitful interview though on the expressed request by the interviewee to use only what was necessary. From that point, the interviewers opted out of performing a true pilot interview. Rather, the interview guide underwent an iterative process of reformatting. In a sense, it was a learning process for the interviewers whereby as the interviews progressed, they learned what questions needed to be asked, reformatted in the event of recurring confusion, or simply removed.

3.7.3. Interviews & Data Collection Process
Despite there being numerous ways of conducting the semi-structured interviews, the authors chose to undertake the interviews using the face-to-face approach. This decision was considered most appropriate for a number of reasons. One reason is that despite the expensive cost of traveling from Sweden to Cambodia to conduct this research, the cost was partially offset by the MFS scholarship. This presents the opportunity for the researchers to immerse themselves in the phenomena under study and to find appropriate interviewees relatively quickly. Logistic issues once the researchers were in Cambodia dissipated. As all of the interviewees were located in Phnom Penh at the time of interview, traveling around to all of the interview locations was relatively convenient and cheap. Using other means to conduct these in-depth interviews such as telephones or online communication are inconvenient due to the time difference, the instability of the internet in Cambodia, as well as the time it would take to access interviews. This was experienced first-hand by the interviewers during mandatory work-in-progress seminars with their supervisor and group. Moreover, there was the initial fear of having to find translators in Cambodia since neither of the two authors spoke Khmer at the level required to carry out the interview in many of the interviewees’ mother tongue. Another reason for selecting face-to-face interviews was because of the personal contact the interviewers developed with those they interviewed. This allowed them to obtain answers to questions that were complex or sensitive in nature. Also, in conducting the interviews, body language was used as an indicator of whether the interviewers should
rephrase or halt their line of questions to prevent undue harm (Collis & Hussey, 2014, p. 134-135; Bryman & Bell, 2015, p. 491).

The initial point of contact was made using phone calls, text messages, and emails. Upon the interviewees agreeing to be participants in the research, a time and date for interviews were set that conformed to the interviewees’ schedules. The interviewees were also allowed to choose the location of the interviews to minimize any inconvenience (Bryman & Bell, 2015, p. 486). For the most part, setting up the interviews went smoothly, however there were two instances that either deviated from the intended methodology, or the interview setup was complicated. One was identified earlier whereby the interviewee proposed a spontaneous, unstructured, unrecorded interview. The second occurred when there was a slight miscommunication between the two parties caused either by language barriers or other factors. Also, there was a request by this particular firm to do their own recording to make sure that they did not discuss any sensitive information. The corresponding interview was essentially screened, though the firm did not remove any information and was handed over to the authors on a USB several days after the interview.

Prior to obtaining interview permissions, emails were sent out to all of the interviewees explaining the objective of the study and the ethical considerations (see Appendix 1 - Letter to Interviewee). Five interviewees requested the interview guide be sent to them prior to or accepting of the interview. On the day before a scheduled interview, the interviewers contacted the interviewees for a confirmation of the interview time, date, and location. At an interview, introductions and ethical considerations were reestablished for the interviewees. Moreover, the interviewers asked whether the interviewees desired a copy of the transcription to be used for the study as well as requesting that the particular interview be recorded. Only two interviewees wanted a transcribed copy and twelve of the interviewees allowed for a recording to be taken, though one, as mentioned, established their own recording. The respective interviews were carried out by both authors, whereby one author asked the questions and heavily conversed with the interviewee and the other listened, took elaborate notes and interjected on occasions deemed fit. There is value to be obtained in this method because both authors received the same information but can interpret it differently which provides opportunities for discussions (Bryman & Bell, 2015, p. 215, 487). After an interview concluded, the interviewers thanked the interviewees, backed up the recordings onto their laptops in the event that a technical or unforeseen issue arose, and made contextual notes of what occurred throughout the interview (Bryman & Bell, 2015, p. 488-489). Table 1 presents an overview of each coded participant’s interview, detailing the date, time, location, and length.

Table 1: Overview of Coded Interviews

<table>
<thead>
<tr>
<th>Code</th>
<th>Date</th>
<th>Time</th>
<th>Location</th>
<th>Length</th>
</tr>
</thead>
<tbody>
<tr>
<td>P1</td>
<td>March 11, 2018</td>
<td>10:30</td>
<td>Restaurant</td>
<td>≈ 1:00:00</td>
</tr>
<tr>
<td>P2</td>
<td>March 19, 2018</td>
<td>10:30</td>
<td>Office</td>
<td>1:55:57</td>
</tr>
<tr>
<td>P3</td>
<td>March 21, 2018</td>
<td>10:30</td>
<td>Interviewee’s Apartment</td>
<td>1:38:31</td>
</tr>
<tr>
<td>P4</td>
<td>March 22, 2018</td>
<td>9:00</td>
<td>Office</td>
<td>1:40:57</td>
</tr>
</tbody>
</table>
Twelve out of thirteen interviews were conducted in English with the exception of the first interview. The unrecorded interview utilized a mix of English and Khmer whereby the interviewer communicated and questioned in English and the interviewee responded in a mixture of Khmer and English. The language communication did not present any major barriers because the language the interviewee used was conversational Khmer to which the interviewer understood. It should be noted that due to the spontaneity of this particular interview, only one interviewer was present.

In consideration of data saturation, Fusch and Ness (2015, p. 1408) assert that there is no clear requirement or amount at which data saturation is obtained. Rather data saturation level is determined on a case by case basis conditioned by the research design. Guest et al. (2006 cited in Fusch & Ness, 2015, p. 1409) provided that as few as six interviews may facilitate data saturation though Burmeister and Aitken and Dibley (2012; 2011 cited in Fusch & Ness, 2015, p. 1409) assert that data saturation is achieved through obtaining sufficient in-depth data. Relating to these viewpoints, the authors can argue that this study has reached data saturation for two reasons. First, this thesis is supported by 13 interviews which is above the six interviews that Guest et al. (2006 cited in Fusch & Ness, 2015, p. 1409) has suggested. Second, in analyzing the data obtained, each interview was rich in the information that the interviewees provided. The authors had felt that by the seventh or eighth interview, the bigger picture was established that provided an opportunity for analysis. However, other interviews that came after these interviews, though offered certain interesting views or perspectives, only served to reinforce what the preceding interviews presented. That being said, the authors chose not to stop at the seventh or eighth interviews because they wanted to hear more in the hopes that proceeding interviewees would say something new or different.

3.7.4. Data Analysis Process
Audio recordings and the associating transcribing are a critical part of qualitative research (Bryman & Bell, 2015, p. 493-494). This process involves recording the interviews and reconstructing the words spoken onto paper that can be read (Patton,
Benefits of such a process can be that it: reinforces data collection and prevents accusations; refreshes the memory of the incident; allows researchers to read the transcriptions repeatedly for the analysis; generates more insight and understanding (Bryman & Bell, 2015, p. 493; Patton, 2002, p. 441). Following the interviews, analyzing the collected data is a crucial step for all scholars. If time and resources are available, it is very common to conduct full transcription of the interviews. One hour of recorded interview commonly takes six to eight hours of work to transcribe, and this study conducted 12 recorded interviews with an average length of 1 hour and 21 minutes, meaning it would take roughly 110 hours to conduct full transcriptions. The transcription process decidedly was not a complete transcription process. Rather, the authors took thorough, detailed notes of the key points discussed by the interviewees reinforced by note-taking during an interview. The transcriptions commanded roughly six hours per interview due to repeatedly listening to sections throughout the transcriptions. This route was discussed amongst the authors and with the supervisor to ensure that it was an appropriate course of action.

Because this research had a finite amount of time, an approach of data reduction based on thematic analyses was determined to be the most appropriate method for initiating the data analysis process. Data reduction is a process of focusing and simplifying the data from notes taken as well as transcribed information. In practical terms, it requires sifting through the data obtained to sort out relevant information from the irrelevant information. More specifically, it entails “selecting, discarding, simplifying, summarizing and organizing qualitative research data” (Collis & Hussey, 2014, p. 157).

A thematic analysis is one of the more common approaches to analyzing qualitative data (Bryman & Bell, 2015, p. 599). This method involves structuring of data based on “key themes, concepts and emergent categories” (Ritchie et al., 2003, p. 220). Studies utilizing this method would have a distinct thematic framework built from main themes and their corresponding subthemes. Each main theme has its own designated matrix where the columns represent subthemes and the rows represent each interviewee (Ritchie et al., 2003, p. 220).

Although a thematic analysis does not guide the author on how to identify specific themes (Bryman & Bell, 2015, p. 599), in the case of this study, certain main themes and corresponding subthemes were identified prior to conducting interviews. This study has three main themes drawn from the theoretical framework: Cambodia’s institutional environment, principles of firm strategizing processes, and strategies. Each main theme then has multiple subthemes in order to break the information down and to more easily find similarities, differences, and patterns amongst the interviewees. The raw data obtained has been sifted through and processed, where the authors have extracted the most important information that pertains to the overarching theme and the subthemes and placed them in various matrices. Due to the interconnectedness of the themes, various interviewees’ statements and reflections aligned with and were sorted into multiple matrices. The processed data can be examined in the appendix’s 11 tables. Due to anonymity and confidentiality considerations, all statements and reflections have been accordingly coded; some elements of a statement or reflection have been intentionally replaced by x or removed because there was a risk that it could be connected back to a particular individual. These matrices are the method of which data are displayed in this study, presenting a summary of the data from which an analysis and conclusions can be respectively conducted and drawn (Collis & Hussey, 2014, p. 159).
3.8. Ethical & Social Considerations

Research ethics are important aspects for all researchers, especially in terms of the study's participants. Bryman & Bell (2007, cited in Bryman & Bell, 2015, p. 31-32) compiled a list of different principles which researchers must consider when conducting their research: harm to participants, dignity, informed consent, privacy, confidentiality, anonymity, deception, affiliation, honesty and transparency, reciprocity, and misrepresentation. The implications of ethical considerations can differ between qualitative and quantitative studies (Orb et al., 2001, p. 93). Because this study is of qualitative nature, it is this context within which the ethical discussion takes place. Orb et al.’s (2001) paper details the ethical considerations in qualitative research, whereby they structure ethical considerations into three broad categories: autonomy, beneficence, and justice.

Autonomy highlights participants as autonomous individuals with certain rights in regard to participating in the study. Participants have the right to: know what the study is about; decide for themselves whether they want to participate; withdraw from the study at any point in time without any repercussions (Orb et al., 2001, p. 95). Autonomy relates to the ethical issues of informed consent, honesty and transparency and dignity. Because the participants are bestowing a favor onto the authors by consenting to be interviewed, it was important to treat them with dignity. The participants had a right to know the details of the study and its purpose with full honesty and transparency (Collis & Hussey, 2014, p. 31-32). They also had the right to not answer questions without any type of coercion from the researcher (Collis & Hussey, 2014, p. 34). Autonomy was achieved via an email and letter of informed consent that were sent out to all interviewees prior to an interview. The email asked each participant whether they would kindly be a part of the research. Upon consenting, the authors attached a letter to each participant detailing the study, purpose, and the participants’ rights in consenting to be a participant. Moreover, prior to the actual interview, the interviewers orally reminded the interviewees of their rights as well as the research and its purpose. Autonomy was considered to be effectively executed whereby all participants were predominantly forthcoming with their responses, though there was an instance where an interviewee chose to forgo a response, without any consequences or pressure from the authors.

Beneficence is, at its core, about preventing harm to the researchers and participants (Orb et al., 2001, p. 95). Protecting participants from harm entails allowing them to be anonymous and keeping their information confidential. Anonymity entails that the identity of the individual and their organization should not be revealed, as it allows for the participants to answer more freely while simultaneously protecting them from potential harm (Collis & Hussey, 2014, p. 32-33). Confidentiality entails that information provided by participants shall not be able to be connected to the individual, something which is especially important in cases when they are not anonymous. These issues are closely tied to informed consent, as the participants have a right to know how their information is to be published (Orb et al., 2001, p. 95). All participants were informed of their anonymity and confidentiality when initially contacted, and again when meeting them for their interview. Furthermore, the authors achieved verbal consent from the interviewees to record at the time of the interview. Beneficence can be practically witnessed in the coding of each participant in this chapter and in the following chapters.

Justice pertains to the idea that participants should not be exploited or abused (Orb et al., 2001, p. 95). This category relates again to that participants should not be harmed, but also reciprocity, “the research should be of mutual benefit to researcher and
participants” (Collis & Hussey, 2014, p. 32). Prior to the interview, each participant was given the choice of whether they would like a transcribed interview in order to make sure that there was no misrepresentation to which two responded yes. All participants would also like to receive the final copy of research. From the communication with these participants, there was an impression that all of them were eager to share their views and to enlighten the authors on their realities. Some even expressed that the research topic is interesting because of their environments, their current business activities or because it will prove useful. Others communicated their understanding of the importance of this research topic and gave that as a rationalization for their involvement in this research.

Affiliation is related to the researchers, where sources of funding and any potential affiliations need to be declared, as they might influence the research (Collis & Hussey, 2014, p. 32). As mentioned earlier, this research is partially funded by SIDA’s MFS scholarship. One of the authors received this scholarship, at an amount of SEK 27,000 to support the possibility of traveling to an emerging economy to conduct research which tackles developmental issues. This issue also relates to transparency, clarifying how the research is funded. The scholarship does not present any issues in terms of conflicts of interest. The authors are also affiliated with Umea University in Sweden to which this research is assigned by but that too does not influence this research.

3.9. Quality Criteria
Reliability, validity and generalizability are important for researchers to consider and discuss in the study. Both reliability and validity are important aspects for the credibility of the research (Collis & Hussey, 2014, p. 52). Reliability, validity, and generalizability have different implications for quantitative and qualitative research, just like the ethical considerations.

Reliability refers to both “the accuracy and precision of the measurement” (Collis & Hussey, 2014, p. 52). Morrow (2005, p. 252) called this dependability. Being accurate pertains to how repeatable the study is, whether the results can be duplicated again by someone else (Bryman & Bell, 2015, p. 49). For quantitative studies, under positivist paradigms, replication is a crucial factor for the credibility of the study (Collis & Hussey, 2014, p. 53). However, within business research replication is incredibly uncommon and is known as having a “low-status” (Bryman & Bell, 2015, p. 50). For interpretivist qualitative studies, such as this research, reliability relates more to the consistency and logic behind it (Collis & Hussey, 2014, p. 53; Leung, 2015, p. 326). For the authors to have conducted interviews with a semi-structured interview guide, it can be considered fairly unreliable. This is due to difficulties in replication of probing questions that do not appear on the guide. However, this is not seen as an issue for this study, as the focus is instead on being thorough in explaining the logic behind realities and decisions as well as being consistent in this logic. It is important for the researchers to be thorough with their “audit trail” (Morrow, 2005, p. 252), keeping a detailed description of research activities and processes which can be examined by peers, colleagues or supervisors, something this study has achieved. Dependability also relates to confirmability through the means of keeping a descriptive audit trail. Confirmability deals with the issue that researchers are seldom perfectly objective, and must describe and connect their data, analysis process, and findings in a way which is logical to the reader (Morrow, 2005, p. 252).

Validity relates to how well tests measure what the researcher intends for it to measure as well as if “the results reflect the phenomena under study” (Collis & Hussey, 2014, p.
Validity for many is a more important factor than reliability (Bryman & Bell, 2015, p. 50), something which is especially true for qualitative studies on subjective topics. For qualitative studies, validity encompasses: a suitable research question; methodology appropriate for the research question; a research design in accordance with the methodology; correct sampling and data analysis; valid results and conclusions in line with the sample and context (Leung, 2015, p. 325). Based on Leung’s (2015) criteria for qualitative validity, this study generally fulfills those, as it is consistent and logical starting from the research question through to the theoretical frame of reference, the methodology, the contextual background and onwards to the empirical findings and analysis of data. However, the degree of validity could be argued to be decreased due to the fact that the authors have no way of fact-checking what the participants said to indeed be accurate representations of their reality. There were no observations made or inquiries to those around these participants whether what they said holds true. Doing so would bring in ethical issues pertaining to autonomy, beneficence, and justice.

Generalizability, or transferability (Morrow, 2005, p. 252), pertains to how applicable the results are towards other settings or cases (Collis & Hussey, 2014, p. 54; Leung, 2015, p. 326). This factor of credibility is more relevant for positivist quantitative studies, as they commonly have aspirations to generalize their findings to the population which a sample stems from (Collis & Hussey, 2014, p. 54). For this study, generalizability is not the primary goal, instead the intention is to explore and understand institutions effects on firm behavior and strategy in a particular country. Bruton et al., (2010, p. 432) augments this by stating that methodologizing the research in the manner that it currently holds (single case study) does not produce explicitly generalizable results. That being said, this study does have some elements of generalizability in relation to similar settings, namely other emerging economies crippled by institutional voids. This is not to say that the study has a guarantee of having its results “generalized to other populations or settings” (Morrow, 2005, p. 252), but the insights might be useful in some countries compared to others. Furthermore, through the thorough description of research context and processes utilized for the study and the authors’ justification for their chosen philosophies and methods, it becomes easier for others to follow the logic of the study conducted (Morrow, 2005, p. 252).
4. Contextualization of Cambodia

This chapter examines Cambodia’s background and context in order to facilitate an understanding of the country’s present-day conditions that influences firms. To achieve this task, the chapter first examines the country’s history that has largely influenced its current state. The chapter explains the current general institutional conditions that hinder economic transactions.

4.1. A Brief History of Cambodia from the 1950s-2000s

World War II was a transitioning point for Cambodia from a once peaceful country under French colonialism to a country striving for independence from its colonizer (Kiernan, 2002, p. 483). The country succeeded in obtaining independence in 1953, marking the end of France’s 90-year reign in the country and the beginning of a nearly six decades long period of constant economic ideology changes (Chhair & Ung, n.d., p. 2; Chhair & Ung, 2016, p. 214). The first four to five decades were also underpinned by internal conflicts involving civil wars and power struggles amongst the world’s superpowers using Cambodia as a location for proxy wars (Frost, 1996, p. 1; Chhair & Ung, 2016, p. 215; Kiernan, 2002, p. 484, 487; Menzel, 2007, p. 215).

Following Cambodia’s independence, the country was led by King Norodom Sihanouk who adopted a foreign neutral policy and supported a mix economy (Kiernan, 2002, p. 484; Chhair & Ung, 2016, p. 214). Sihanouk’s policy however only lasted approximately a decade with the escalation of the Vietnam War from 1964-1969. Human displacement from Vietnam, communist-anticommunist battles, and the massive bombing program by the US propelled Cambodia into the middle of the conflict. In the midst of the Vietnam War, a civil war was initiated in Cambodia, whereby in 1967, Pol Pot’s followers domestically rebelled. Sihanouk’s regime did not have the capabilities to handle the pressures of both the internal and external conflict and in 1970, the regime was toppled by General Lon Nol. Sihanouk in turn gave his support to his former enemy, Pol Pot. Under Lon Nol’s new regime backed by the US, Cambodia became formally known as the Khmer Republic (Kiernan, 2002, p. 484-485). This new regime supported economic laissez-faire. However, these policies were only temporary as the economy switched to a wartime economy predominantly supported by the US during the peak of the civil war (Chhair & Ung, 2016, p. 215). Similar to its predecessor, Lon Nol’s regime also succumbed to the pressure generated by the Vietnam War and the country’s internal wars. Lon Nol’s hegemony began to waver as the communist war intensified and his army was forced to wage war with Pol Pot’s followers who were supported by China. Simultaneously, Pol Pot amassed a large army due to the US dropping half a million tons of bombs into Cambodia, effectively pushing country folks into his ranks (Kiernan, 2002, p. 485, 487). Ultimately, Pol Pot’s army emerged victorious in 1975 ushering in a new period of economic changes, bloodshed and human savagery (Kiernan, 2002, p. 485; Menzel, 2007, p. 215).

April 17, 1975 marked the day the Khmer Rouge won the civil war, entered Phnom Penh and other large cities, and instigated a process of forced counterurbanization into the countryside (Kiernan, 2002, p. 485; Menzel, 2007, p. 215). The once Khmer Republic became formally known as Democratic Kampuchea (Kiernan, 2002, p. 485) The Khmer Rouge regime supported Maoist Collectivism with the aim to abolish capitalism, and create an agrarian society based on collective forced labor. The implications of this undertaking resulted in complete state ownership of all sectors; private ownership was prohibited, and money was destroyed. The ultimate goal was economic isolation and self-reliance (Menzel, 2007, p. 215; Chhair & Ung, 2016, p.
These changes and goals transformed Cambodia into “a huge labor camp and state-sized prison” (Menzel, 2007, p. 215). In the four years that the Khmer Rouge held power, roughly 1.7 million people perished. Causes for deaths included: starvation, overwork, disease, inadequate health care. Moreover, the Khmer Rouge initiated indiscriminate killings of: the upper and middle class and eventually the lower class; Khmer Republic officials; relatives of officials; soldiers; the educated; any who protested whether peacefully or violently; ethnic minorities. Towards the end of the genocidal years, the Khmer Rouge implemented systematic purges within the Khmer Rouge rank due to increased mistrust. S-21, a prison located in Phnom Penh was constructed for these systematic purges. Roughly 14,000 people were executed there or in a killing field on the outskirts of Phnom Penh (Menzel, 2007, p. 215; Kiernan, 2002, p. 486-487). The Khmer Rouge regime was eventually toppled in 1979 with the invasion of Vietnamese forces in Cambodia, who effectively delivered the Cambodian population from further atrocities (Kiernan, 2002, p. 487).

Cambodia’s liberation from the Khmer Rouge did little to offset the harsh realities. The People’s Republic of Kampuchea that replaced the Khmer Rouge from 1979 to 1989 were confronted with barely functioning infrastructures, industries, and institutions (Chhair & Ung, 2016, p. 216; Hill & Menon, 2013, p. 1-2). Because the Khmer Rouge during their sovereignty effectively eliminated the capitalist economy and wiped out a large portion of knowledgeable and skilled human resources, the new regime implemented a softer form of Marxism with the aim of providing sufficient sustenance. Moreover, in the process of salvaging the war-torn country, the People’s Republic of Kampuchea reestablished the notion of private property rights in the mid-1980s. The process of Cambodia’s reconstruction fully took off in 1991 with the signing of the Paris Peace Accords (Chhair & Ung, 2016, p. 216-217). The Paris Peace Accords was an UN-sponsored initiative signed by 19 countries and Cambodia’s four main factions, requiring roughly 20,500 personnel from 30 countries and costed approximately 1.9 billion US dollars (Frost, 1996, p. 2). Once signed, the accord required that Cambodia’s ruling regime surrendered authority to the UN (Chhair & Ung, 2016, p. 217). In turn, UNTAC worked to bring about political and social peace to Cambodia, foster human rights, alleviate displacement issues, demining the lands, democracy, and a new constitution (Frost, 1996, p. 2). Economically, the UN initiative strove to revert Cambodia back to an open laissez-faire capitalist economy (Slocomb, 2010, p. 289 cited in Chhair & Ung, 2016, p. 217).

Though the accord partially succeeded in its endeavors by bringing about a successful election and new constitution in 1993, thus establishing the Kingdom of Cambodia, the reconstruction initiatives were hindered by past experiences (Frost, 1996, p. i, 4). Frost (1996, p. 5) suggested that “there was little historical or social basis for such institutions and values in Cambodia” because of what occurred during the genocide and civil war. Thus, despite the election and the new constitution, Cambodia’s political and social transitions developed in a manner that reflected years of hostility, suspicion, and the need to pursue self-interest (Frost, 1996, p. 5). Heder (1995, cited in Frost 1996, p. 6) augments this by asserting that Cambodia’s authoritative figures shifted towards seeking prosperity rather than democracy. Furthermore, in their pursuit of such ideals, underpinned by the need for peace, stability, and economic development, these figures worked to repress opponents though “co-opting, cowing, or marginalizing centers of power” (Heder, 1995 cited in Frost 1996, p. 6). Nevertheless, despite ongoing political instability whereby a brief civil war was instigated in 1997, Cambodia has come a long way (Hill & Menon, 2013, p. 2). This is not to neglect the large degree of institutional
weaknesses stemming from institutions near elimination during the Khmer Rouge regime (Frost, 1996, p. 12; Hill & Menon, 2013, p. 1). Cambodia is still recuperating from the limited administrative human and physical resources, which increases the peoples’ incentive to partake in opportunist behavior (Frost, 1996, p. 12, 13). Consequently, Cambodia is plagued by issues, namely “corruption and accountability, infrastructural deficits, labor standards, and corporate social responsibility practices” (Chhair & Ung, 2016, p. 231). The following section discusses Cambodia’s present-day institutional conditions that developed as a result of past historical conditions.

4.2. Present Day General Institutional Conditions
This section discusses the current institutional landscape of Cambodia, and what effects the institutional situation has on the market (product, labor, capital markets) and nonmarket exchanges. The World Bank Group have developed a website called Doing Business, which highlights how easy or difficult it is to conduct business in a specific country (measured by, for example, getting credit, paying taxes, enforcing contracts, starting a business). Out of 190 measured countries, Cambodia ranked 135th overall in the ease of doing business (1 being best, 190 being worst). A large reason for the low placement Cambodia received is because of inefficient bureaucracies, and the institutional damage which occurred during the Khmer Rouge regime.

Hughes and Un (2011, p. 5, 9-10) described Cambodia as a fragile authoritarian state characterized by weak institutions. Accordingly, Hughes and Un (2011, p. 6) traced current institutional conditions after post-Paris Peace Accord signing to a combination of factors: administrative inefficiency, brain-drain induced technical inefficiency, weak rule of law, and insufficient infrastructure. Corruption and opportunism became enduringly legitimized, institutionalized and further reinforced by neo-patrimonialism. Short-termism driven by survival instincts and the need to pursue self-interests was a predominant occurrence. The consolidation of the current ruling party’s power was also supported using patrimonial techniques and have current negative and positive implications. On the one hand, there is a gradual decline of democracy that the Paris Peace Accord strived to establish. On the other hand, the political conditions though unstable in one sense provide a level of stability that was lacking in previous decades and ironically, contribute to a degree of predictability (Hughes & Un, 2011, p. 7-8).

In terms of human capital, this is a large problem for Cambodia due to the underdeveloped educational institutions at all levels of education (Hill & Menon, 2013, p. viii). The lack of human capital can be attributed to what Hill & Menon call the “missing generation” (2013, p. 9). Most of Cambodia’s educational elite (e.g., teachers, lawyers, doctors) were killed or fled the country during the ruling of Khmer Rouge and is denoted by a period of brain drain (Kiernan, 2002, p. 486; Hill & Menon, 2013, p. 9; Hughes & Un, 2011, p. 6).

Infrastructure in the country is also underdeveloped, especially in the rural areas of the country. Roughly three quarters of the country’s roads are in the rural regions, yet only 5% of these roads are paved, posing a large problem for efficient transportation within the country (Hill & Menon, 2013, p. 8). Firms, dependent on storage of products, will also face large problems when trying to construct warehouses in Cambodia. On average, it requires 20 procedures and 652 days to build a warehouse (The World Bank Group, 2017). There are two procedures in particular which take an extreme amount of time, largely because of inefficient bureaucracy. To request and obtain a certificate from the district governor takes on average 182 days but can be as long as 1 year. The lengthiest
procedure by far is to request and receive the building permit, a process which takes 365 days.

Hill and Menon (2013, p. 5) assert that “land is the most important collateral on poor agrarian economies”. Statistically speaking, property rights are a large issue for Cambodia with 60% of all court cases involving property disputes. This is due to a combination of weak civil and commercial laws and enforcing mechanisms. Moreover, because of the elimination of private ownership during the Khmer Rouge regime, ownership of lands has been ill-defined. Ultimately, this has resulted in informal settlement of disputes and corruptive land grabbing, whereby individuals with government influence seize lands and allocate them based on pursued interests (Hill & Menon, 2013, p. 5). In terms of registering property, Cambodia is ranked 123 out of 190 countries measured by the World Bank Group (The World Bank Group, 2017). There are 7 procedures legally required in order to register property, compared to an average of 5.5 procedures in the East Asia & Pacific region (The World Bank Group, 2017). However, Cambodia is slightly more efficient in the time it takes to register property compared to the region, taking an average of 56 days compared to the regional average of 74.5 days. When it comes to enforcing contracts, e.g. solving disputes, this takes an average of 483 days (compared to 565.7 days in the region) but is extremely costly. It costs an average of 103.7% of the claim value (attorney, court, and enforcement fees), compared to the regional average of 47.3% (The World Bank Group, 2017).

Even though Cambodia has its own currency, the Riel, it is one of the world’s most dollarized countries (Hill & Menon, 2013, p. 15). Roughly 90% of the currency in circulation in the country are dollars. This has both positive and negative implications for the country. The large drawback of being dollarized is that the government has limited power to implement monetary policies. In terms of getting access to credit (credit information sharing, and legal right of borrowers and lenders) Cambodia ranks quite high globally, rank 20 out of the possible 190 (The World Bank Group, 2017). A large issue in terms of credit is that the information is exclusively private, with 0% of the adult population and firms being listed in a public credit registry. Furthermore, only 49.9% of the adult population and 0 firms are covered by the private credit bureaus (The World Bank Group, 2017).

Present day systematic institutional failures ultimately stem from failures within state governance. The World Bank’s report (2004 cited in Hughes & Un, 2011, p. 13) indicated that these failures are characterized by dishonest practices, accountability and transparency cultivated by the experiences of previous decades. Innate distrust and the pursuit of self-interest prevents institutional development which regulates accountability and transparency, thereby maintaining institutional voids. The pervasiveness of neo-patrimonialism that gradually accumulated has “rendered the state increasingly dependent upon the Cambodian People’s Party” (CPP) (Hughes & Un, 2011, p. 23). This strongly suggests that the CPP (current ruling regime) has a strong influence on all levels of society. Hughes and Un (2011, p. 23) determined that the CPP “has evolved into a sprawling entity with interests, alliances and subsidiaries in every government agency and every village; within the trade union and the NGO movements; in the private sector; even among the supposed opposition parties”.
5. Empirical Findings
This chapter presents the empirical findings beginning with a general profiling of the interviewees for the purpose of aligning context and responses. The presentation of the findings follows the general profiling according to predetermined themes stemming from the theoretical frame of reference: Cambodia’s institutional environment, principles of firm strategizing processes, and strategies. These themes have corresponding subthemes that break down the main themes to allow for easier assimilation.

5.1. Interview Profiling
The following interviewee profilings are discussed in general terms to simultaneously provide for context and anonymity. The group of interviewees came from diverse backgrounds, which contribute to the richness of the raw data that were collected. Based upon the interviewers’ experiences in interacting with these interviewees, they were all surprisingly forthcoming, which quelled the initial fear of interviewing people stemming from the sensitive nature of the topics discussed with regards to this particular study. Interviewees were perceived to be quite passionate about some of the topics discussed.

**P1** currently embraces an executive position at a large firm with numerous ventures. P1 has had experiences in terms of working and being educated abroad in a developed country.

**P2** has extensive experiences abroad having been born outside of Cambodia and living in other countries for long periods of time. Academically, P2 has been educated in internationally standardized schools in Cambodia and abroad. P2 holds a bachelor’s degree within a business-related field from abroad. Professionally, P2 has worked only in Cambodia, having held a governmental position prior to founding and currently holding an executive position within P2’s SME company.

**P3** has had a large amount of exposure to the Asian Market. P3 holds a bachelor’s degree within a business-related field from abroad. Professionally, P3 occupied an executive position in a company that was carried over to Cambodia when the company decided to enter the country. While the firm was gathering momentum, P3 was a central figure in bringing the firm into operations in Cambodia. Currently, due to the nature of the firm, which results in it being at a waiting stage, P3 has withdrawn to being a shareholder in the SME.

**P4** has had extensive experiences abroad, having been educated and worked in such settings for a long period of time. Academically, P4 holds a bachelor’s and a master’s degrees in business-related fields. Professionally, P4 has had experiences working in both the nonprofit and private sector, locally and abroad. Currently, P3 occupies an executive role in a SME.

**P5** holds credentials from two different countries, and a bachelor’s and master’s degrees from two other countries, thus four countries in total. Professional, P5 has only had experiences working in Cambodia. P5 was a founding figure in P5’s firm and currently occupies an executive position in the SME.

**P6** has had a great amount of exposure abroad, having lived and been educated overseas. P6 holds a bachelor’s degree in an IT-related field. Professionally, P6 does not have any experiences working abroad but prior to being a founder and occupying an executive position in P6’s SME, P6 held a governmental position in Cambodia.
P7 has had no prior academic or professional experiences abroad. Academically, P7 holds two bachelor’s degrees, one in a language-related field and the other in a business-related field from two independent Cambodian universities. P7 had founded another firm that failed, prior to founding and occupying an executive position in P7’s current SME firm.

P8 holds one bachelor’s degree and two master’s degrees in separate business-related fields from Cambodia and abroad, respectively. Professionally, P8 has had numerous jobs in different industries as well as a governmental position predominantly in Cambodia. P8 has also worked abroad for two years. Currently, P8 owns and occupies executive positions in four separate SME companies in two industries.

P9 has academic and work experiences only in Cambodia. P9 holds a bachelor’s degree in a business-related field from a Cambodian University. Professionally, P9 has held a position in a different industry prior to occupying an executive position in P9’s current large firm.

P10 has had no work experiences abroad. Academically, P10 holds two master’s degrees in separate business-related fields from another country. Prior to occupying an executive position at P10’s current SME firm, P10 worked for a different firm’s executive.

P11 has spent many years working in Cambodia. P11 does not hold an advanced degree but has amassed a large amount of experience working from the ground up to the current executive position P11 now has in a large firm.

P12 for the most part was educated in Cambodia though managed to obtain a bachelor’s degree from abroad and a master’s degree in a business-related field from a joint collaboration between a foreign educational institution and a Cambodian ministry. P12 played a founding role in P12’s current firm’s sister company. Following this, P12 moved to work for a firm in a different industry for a time before returning to co-found P12’s current SME firm where P12 occupies an executive position.

P13 has credentials from abroad. Professionally, P13 has worked for various firms in one industry abroad before venturing into Cambodia’s market. Currently, P13 occupies an executive position at the SME firm that P13 associates with.

5.2. Presentation of Findings
This section presents the empirical findings. These processed findings have been consolidated and presented in a condensed manner to highlight noteworthy information to facilitate analysis. The following information can be verified by examining the Appendix’s 11 tables.

5.2.1. Cambodia’s Institutional Environment
The theme of Cambodia’s institutional environment encompasses sub themes pertaining to: the nonmarket institutions and voids, information and voids, market institutions and voids, and nonmarket-market relationship. This theme establishes Cambodia’s current context via partitioning the complexity of the institutional role into prominent elements culminating in how nonmarket institutions affect the market institutions from a firm’s perspectives.

The Nonmarket Institutions and Voids
When discussing the nonmarket institutions and associating voids (see Appendix 3 - Table 1), the interviewees’ statements and reflections tend to converge upon three elements: social, cultural, and political elements. Socially, interviewees have
highlighted the historical context as a fundamental influencer of the current social conditions. P2 reflected that because the country recently emerged from war, Cambodia still suffers from the brain drain: “all of them [have] like masters, PhD, [are] very-well educated, they know everything [referring to Singapore] versus here...uh if I say “hey, drink this, it would make you beautiful”, they would believe it...so you can say that...uh...education-wise...it’s different. Cambodia versus uh Singapore”. P3 reinforces P2’s perception that the education level is low. P2 also views that because of the historical influence, there is a large demographic of the younger population who do not have career-oriented mindsets; many rich people are not entrepreneurial or career-oriented, only knowing how to spend money; 80% of the middle class are predominantly farmers. P12 further linked the effects of war to the rebuilding of infrastructure and human resources. Extending P12’s thoughts, P8 expressed that supporting infrastructure is unavailable. P3, P8, P11, P12 and P13 identified government officials’ and Cambodian people’s’ low salary as a systematic failure that forces individuals to partake in unethical practices in order to survive. Despite these social issues, P13 has a positive outlook, reflecting that though it will take time, there are increasingly more educated individuals occupying “active executive appointments”.

Culturally, P8 described Cambodia as a country with a “culture of sharing” meaning that Cambodians are inclined to share the good, bad, and difficulties of their daily realities. P1 noted that Cambodians also emphasize the importance of connections and relationships which is an underlying aspect of the country’s culture. Contrastive to P8’s cultural views, P6 expressed that “form over substance is a cultural problem for Cambodia”. In essence, individuals superficially present a positive front, but this does not accurately reflect reality.

Of the three elements, the political element has been extensively elaborated upon by predominantly all interviewees. P1 likened the environment to “a disease” because something new always surfaces, whether it be new or changes to laws and regulations; the people in power have new interests to which P8 confirmed. Both P2 and P8 highlighted that changes can occur rapidly, with P2 reflecting “three days, one day...any regulation coming in will be very fast, there’s no process, no preparations, no nothing”. P11 recounted the firm’s experience of being forced to close a previous business activity in a matter of 24 hours without any prior warnings. In terms of the rules and the regulations, participants have varying perspectives ranging from positive to negative outlooks. Positively speaking, P4 and P12 agreed that Cambodia’s regulative framework is more developed than many of their Southeast Asian counterparts, respectively asserting that, “regulator rules are pretty strong...laws are constantly changing but very effective” and “Cambodia is quite ahead in terms of the regulations”.

P6 also voiced that the “Legal frameworks are not fully developed but mostly are there” which establishes a middle ground of sorts. Negatively speaking, P1 asserted that Cambodia’s laws and regulations do not consider the Khmer people in terms of their needs and abilities to respond to them. P8 reflected that laws may not be practical, and this results in difficulties of implementation. P1 and P9 highlighted that this is a consequence of replicating laws from developed economies and placing them on top of one another “like a building block”. Additionally, laws and regulations are not made by a unified body, rather they are created by different ministries that have independent interests. This adds to increased bureaucracy and additional complexities due to lack of synchronization as P3, P5 and P11 noted. P10 integrated these views and determined that it takes time to customize laws and regulations to Cambodia, and that there are no real checks and balances as found in more developed settings. Moreover, P10 added
that, “sometime[s] the regulator does not understand [removed where] the spirit of their own regulation [remove itself]”’. These complexities cumulate to unclarity of laws and regulations. P2 reflected on the adverse effects, “the bad things are...let’s say...under the table...yea...why...why is it bad? Because sometimes, there’s no clear what’s right, what’s wrong”.

P3 highlighted that there exists no clear framework for how a business is to operate, further reflecting that it may be purposive on policy-makers’ parts for their own benefit. P13 substantiated P3 by extending that Prakkahs (laws in Khmer) are fairly broad pertaining to particular wordings that may cause conflict but are not taken to court because parties are not willing to take matters to court. P4 and P10 stated that as a result of unclarity of regulations, most rulings are subjected to interpretation; there is no guarantee that if a firm has been right before that it will happen again. In connection to the highlighted regulatory issues, P8 reflected on the insufficiency of necessary laws. P5, P7, P12 and P13 highlighted that their respective industries are not regulated, that there are no laws to create boundaries in which their firms would then operate in. P4 perceives the lack of laws to be beneficial, asserting that “having no rules is an advantage, versus having rules or having written rules” due to the lack of limitations placed on the firm. Conversely, P7 stated that the lack of regulations in P7’s industry is a headache because it places a transparent firm at a disadvantage resulting in a “messy marketplace”.

The issue of unclear regulatory frameworks or lack thereof underlines an issue pertaining to enforcement. Many interviewees have stressed the issues with weak or nonexistent enforcement. P13 stated, “regulation is one thing, enforcement is another” to which P12 identified is attributable to government officials’ different levels of education, knowledge, personal circumstances, which cumulates into different levels of understanding and motivation. The reality according to P12 is that one cannot expect “that the top say yes and then everyone will say yes”. Contrastive to P12’s view, P10 perceived that interpretation creates inconsistent enforcement; whereas, P8 determined that enforcement is impossible where there are no laws. P6 highlighted that insufficient enforcement stems from lack of human resources to enforce the regulations and to spread awareness on the regulations and resulting sanctions. Irrespective of the various reasons, firms are largely subjected to the consequences. P2 narrated a situation of experiencing property rights infringement whereby another firm copied an element of the firm’s activity; the firm approached the government who in turn responded that nothing could be done. The graveness of the enforcement issue can be ascertained in P4’s reflection on enforcement and arbitration, “Every contract has a territory...if it’s in Cambodia ‘sorry dude, you’re in Cambodia’, if it’s the law of Singapore arbitration at SIAC, you might have an out”.

Information & Voids
In approaching the topic of information and the associating voids (see Appendix 4 - Table 2), many interviewees highlighted that this is an issue in Cambodia. P13 discussed this issue more broadly, “The whole reason why emerging markets have greater return and greater risks is because of too much information asymmetry”. P4 supported P13 by asserting that “You’re always going to be operating with limited information, that’s number one...so risk is inevitable”. In trying to obtain information in this context, P2 stressed that accessing information does not function the same as it does in developed settings. P3 reinforced P2’s view by explaining that when P3 tried to search for basic reporting information, there was no central point of reference; government information and websites were not informative or understandable. P3, P4,
P7 and P9 noted that obtaining information is easy, the difficulty is discerning the quality and validity of the obtained information. In terms of finding public information online, P5, P6, P8, P10, P11 and P13 agreed that though the internet is available, the information is not always sufficient for supporting business activities. P5 illustrated such a reality, “How many percents in manufacturing, agriculture, agro-processing...we don’t have that data. It’s a problem from our private sector side that [does] not have the sufficient data to talk to the government”. P6 identified that a statistics organization exists but does not sufficiently compile enough information. P8 and P10 noted that available information is very basic and not usually “very in-depth” for what’s needed in a specific situation. P11 brought attention to the updateness and validity of certain government websites, “I do not think that most of the government website is up to day except for [the] airport website [removed so] even the National Bank can list the so-called Microfinance company name wrong in the national website”. P13 highlighted the large issue pertaining to information in Cambodia, “The internet provides plenty of non-news, non-information, provides plenty of nothing in this context”.

Market Institutions & Voids
In discussing the market institutions and voids, participants focused on three elements: capital, product and labor voids in the market (see Appendix 5 - Table 3). In terms of the capital market, a large problem for several of the firms is financing. P5 asserted that, “it’s very difficult to raise funds in Cambodia because there[’]s probably a few investors in Cambodia. Most of the investors don’t understand Cambodia and [think that] Cambodia is too small, 16 million... it[’]s too small...the market is too small. The major challenge for SME in the region, it’s access to finance and secured lending without collateral... [there is a] lack of eh investor ecosystem here”. P8 also expressed similar views, “access to finance is difficult in Cambodia as they usually use collateral. Usually collateral is needed for loans...Interest rates are high. If your business has no income, banks are not interested in providing loans”. P2 also encountered issues within the capital market, stating that “capital market institutions are underdeveloped, banks require high interest rates”. Conversely, the underdevelopment of the capital market had previously created incentives to do business in Cambodia as P11 had pointed out, “in the past ten years it has been quite easy to wire money into Cambodia so a lot of people chose Cambodia as a base in Asia because the money comes in easy, or if you want to wire out easily legally through bank so you could see a lot of companies opening or developing in Cambodia now so that’s one of the reasons why they chose this country”.

In terms of the product market, many interviewees experienced varying issues pertaining to different aspects of the product market. P3 established that despite inputs being easy to obtain, “Cambodia is not a country where everything is available”. P8 noted that it was very expensive to obtain technology and there was limited technology available. P10 highlighted that the firm’s products need to be cleared by regulators, “thus preparing, understanding and complying with all regulations is a tricky process in the [x] sector as [one] can’t expect the regulators to say yes or no to [one’s] proposal”. Another aspect within the product market that many firms have trouble with pertains to the knowledge and awareness level of consumers on some of the firms’ products or services. P6, P7, P8 and P12 all encountered trouble with uneducated consumers or potential consumers. P6 explained that the firm has a big problem selling their products from the beginning because they do not have enough informed buyers. For one of P8’s firms, they encountered the situation whereby people had their own [x] and did not see the point of the firm’s [x]. P8 reflected that their targeted customers are “sometimes
resistant to change, especially if they are poor. Even though the people would get discounts to use firm service[s], even though this was done, few people used it”. Similarly, P7 and P12, respectively noted that much of the population does not understand the value behind or how their service functions. P7 narrated this struggle, “There’s the issue with the service, most people don’t really see the value in it meaning that people believe that they can [x] by themselves, why do someone need to pay you for doing nothing; that is because of the market - all of the unlicensed [x], they did not add value to the customer; for the firm - they are professionals, they are licensed, they go through the whole process so they try to add the value to their service but some customers don’t really understand, don’t see the value in it - and complains of why they have to pay the firm 2-3% for the little work that the firm does; these customers don’t see the backend, they just see the frontend, they think that the firm doesn’t really do anything so that’s really challenging.” Other aspects of the product market that proved problematic are hard infrastructure. P4 reinforces this by asserting that “there’s a lot of other facilities and niches infrastructure projects that need to happen”. According to P5 and P8, respectively: “The electricity cost is very high. It’s higher than the...the nearing country. Sometime access to electricity is a challenge as well. It’s not really the price but access to that”; “Cambodia’s roads are underdeveloped, which increases logistic costs and electricity costs also expensive”.

The majority of the interviewees identified the labor market to be problematic in that it is difficult to acquire quality employees. P2 stated that though there are employment agencies, these agencies are expensive and take a long time to do what they are supposed to do. Accordingly, finding good employees is extremely difficult and P2 reflected that “they either don’t know anything, or think they know everything, [there is] nothing in between”. P4 and P10 also discussed drawbacks in employees’ mentality, respectively stating that: “local staff don’t share the same vision, almost like “the head of a lion and the body of a bird”... it’s kind of hard to see where things are going if the operations and the leadership are looking at things differently”; people do not have the right mindset - employees should focus on their own work and not mind others. P3 and P8 shared similar views pertaining to labor: local Khmers do not make for a stable, committed workforce - many would leave once they received their salaries and then return after spending it; employees need to be trained and once they are trained, there is a high risk of headhunting; non-disclosure agreements do not work. P7 highlighted that with respects to the firm’s industry educational institutions are insufficient for producing a trained workforce; there are no current courses or programs at Cambodian universities that train individuals to work in certain industries. Apart from these particular aspects, P4 highlighted that “you overpay for quality in this country, meaning that for the same labor, you might think that this person is pretty good so I could get them to join the company at a cheaper price than they would in Singapore...that’s not always the case, it’s hard to find people at the right price and then adding on top of that, the right values...it’s very difficult”.

Nonmarket-Market Relationship
The nonmarket institutions have a profound effect on the market institutions (see Appendix 6 - Table 4). In the case of Cambodia, the political sphere plays a prominent role in the country in affecting the market environment, something discussed by twelve out of thirteen interviewees. P1 eloquently explained that you must “split the meat and feed the tiger”, which essentially means that if you have meat (money) and you only eat it yourself, the tiger (those in power) will eat you. If you do not want to die, then you have to split the meat and share it with the tiger, so they will leave you alone. P1 further
added that market strategies in Cambodia are not based off of the four P’s (product, price, placement, promotion), instead being the 6 P’s (product, price, placement, promotion, people, and power). Sometimes the political sphere can have sudden, but severe effect on businesses, something that P2, P4 and P8 had experienced. P8 explained that sometimes the government can order them to do certain things that benefits the government, which harms the business, such as lowering the price of what they are selling. P2 and P8 had experienced that the Prime Minister had announced a new regulation which affected the size of transportation vehicles, increasing their transportation costs, and that everyone had 7 days to comply with the new regulation. P11 had experienced an extreme case of political intervention where P11 received a notice, which stated that within 24 hours they had to shut down their operations. The government had officially based this decision on that P11’s operations could negatively affect the citizens’ daily lives. However, P11 believed that real reason was that the firm had been earning a sizeable amount of money without doing anything for the society.

P2 also explained that the minimum wage in Cambodia has increased from $120/month to $180/month over the past 2-3 years due to the ruling party wanting more votes for the upcoming election, which is good for the people but not for businesses and investors. P4 pointed out that last year “the leadership of the country decided to cap the rates of banks, it’s almost like you can’t as a business charge a person above a certain level, a price ceiling”. P6 said that taxes were either designed to be difficult, or there is not a sufficient budget to provide awareness, and that everyone doing business in Cambodia has at least one time or another been slapped with a penalty for not filing taxes properly. P6 elaborated that for small business, these penalties can be significant enough to force bankruptcy. P7 had similar experiences with rules and regulations not being strictly implemented, allowing competitors to operate without requiring licenses and paying correct tax amounts. P7’s competitors made the same amount of money but had less or nonexistent operation costs. P10 also explained that understanding and complying with all regulations in their sector is a tricky process, as all of their products need to be cleared by regulators. P13 experienced that when laws were unclear, it resulted in them having to bring in lawyers, arbitrators to clearly define the law in question, costing time and money.

The social and cultural institutions also affect the market institutions in Cambodia, something discussed by eleven interviewees. P2 discussed how the labor market is still underdeveloped due to long-lasting consequences of the Khmer Rouge and P12 explained that the country is undergoing serious reform from the war-torn country, rebuilding infrastructure and human resources. P7 noted that industry is booming, and demand is high due to “the medium age is about 24.9-24.5 or something”. P4 has noted that highly skilled labor is an issue, much of the talent is imported or expat workers, whilst some returnees are coming back to the country. P3 had experienced that finding local Khmers is an issue as they are not a stable workforce, who have quite low education. For the case of P7, their employees require a large amount of training due to the fact that there are no courses or schools offering support for their industry. P5 explained that “the quality of the staff, experience...they're not that...their technical capabilities is quite challenging. Sometimes they don’t challenge them...challenge themselves enough”. In terms of the social institutions affecting the product market, P5 explained that “traditional technology business, it’s like desktop application and all that, which is not a good idea coming to Cambodia. Most of them are [what] they call digital native comes straight into smartphone. Phone is the main ah the next thing and is it...it...it...work in Cambodia that way”. P6 noted that presently firms have to bring
value as customers are becoming “less stupid”. P6 had further issues when bringing their concepts to the market because they are ahead of their time and had to spend time and resources educating people to understand what they are providing. P8 and P12 had similar experiences of having to educate people about what they were selling or providing. P8 explained that people are resistant to change, especially those who are poor.

In relation to the capital market, P5 said that “it’s all rich people here (laugh). And they [are] willing to put money in but just [serve as] a silent partner. Yea...yee...just put money in and expect a return.”. P8 pointed out that people like to look wealthy from the outside but will often be loaning money from kids who work overseas; they do not have any sustainable income themselves. Furthermore, P8 said that people will take microloans with incredibly high interest rates, lacking knowledge about loans, money management, and interest rates.

Culture also affects the labor market, P4 explained that “for the average Cambodian staff, their decision making in terms of joining a company is the name, the salary and the office - do you tell your parents that you’re joining a startup in this culture or tell them that you’re joining the biggest conglomerate e.g., Chip Mong, your parents would say to join Chip Mong...they do good work, so you can’t discount the power of family decision making in a place like this”.

5.2.2. Principles of Firm Strategizing Processes

This theme focuses on presenting through interviewee responses the respective roles of institutions and internal resources and capabilities in influencing how firms respond to their context.

**Institutional Effects**

Due to how the nonmarket-market relationship functions that are underpinned by the various elements within that particular relationship, firms have converged, e.g., portraying similar behaviors and views (see Appendix 7 - Table 5). Generally, several interviewees have voiced the need to cater strategies to Cambodia’s context. P4 stated that “you can’t take the thinking of these people and impose it on those people...being high-mightedness is a sure way of being irrelevant”. Going forward, P4 elaborated upon this view, “if you impose that corporate mindset [referring to America], it’s a big market - and you carve a little niche and then your business is all done and good...the rules of the game is pretty clear cut but there’s always people who seek loopholes....but for the most part, the rules are set; if you turn back to Cambodia and how things are done here, and if you kind of take those rules and bring it here, there’s going to be challenges”. P6 and P12 aligned with P4, similarly noting that it is impossible to “copy and paste”. Moreover, P6 highlighted the need to change one’s dominant logic and P12 emphasized the need that “Understanding the locals, the laws/regulations - how things work here is very important”.

Many interviewees have identified the power of the government, whether directly or indirectly. P1 voiced that whenever the firm had to deal with extremely powerful government officials, the firm must oblige because they will never win; ultimately, the government holds the power. In alignment with P1, P3 stated that “if there are conflicts, you establish who’s in the wrong. What’s the reason for the conflict? If it’s with the government, you must listen to them”. P6 in turn claimed “You have to work within the government framework. If you want to be successful in Cambodia, you must follow rules as much as possible, so as to not allow the government to break you”. Similarly, P7 explained that “if one day the government says the firm cannot operate the business
without […]x…x…x…], then the firm’s model would have to change”. Narrating a particular instance of how the government had forced the firm to lower the price of [x] for the government’s benefit, P8 asserted that if they did not comply, they “are out of business”. P8 further carried on, noting that “we all are followers without knowing ourselves”.

Because of the shortcomings in the nonmarket institutions that influence the market institutions, many interviewees have stressed the necessity of relationships. Relationships are used to support or achieve different business functions. P3 stressed the need to have relationships with the political sphere in order to do business in Cambodia; P5 and P9 use relationships to access information; P7 uses relationships to facilitate processing and to resolve conflict because “in that kind of external environment, you need to know someone to help solve the problem”; P8 uses relationships to establish distribution channels; P9 uses relationships to avoid paying fees for certain benefits and to access individuals who are difficult to access.

The pivotal role of relationships highlights another of Cambodia’s aspects. P4 eloquently stated, “you don’t take advantage of people for short term, you don’t exploit others, you don’t burn bridges - those things are your responsibility to people around and going back to philosophically, it’s even more important here than in Western countries because it’s a family based… society based culture, and if you’re not doing that well, then it’s going to come and bite you in the butt”. P4’s statement establishes an important element: Cambodia is a society-based culture. As a result, many interviewees are influenced by the social aspect, evidenced by the manner in which they resolve conflict. P1 and P2 asserted that all problem-solving is and should be predominantly done over a discussion whereby the firm and those they interact with try to understand each other without bringing in regulative institutions, “Over here in Cambodia when there’s any problems, solve it between the parties”. P11 also touched upon informal discussions to resolve conflict, “basically meet up in person and talk with them to see what is the best scenario; [Cambodia is] not like the developed country… [we] don’t need to make an appointment, just call, just ask them where to meet up…need to discuss this or that…straight away just meet up, and see what’s the best way to solve the problem”. The societal aspect to resolving conflict is further exacerbated by the shortcoming of the regulative institutions. P2, P11 and P12, respectively voiced: “the moment you go to court, it will never go anywhere, the court will just suck the money”; “don’t go to court over conflict…all of the companies or enterprises in Cambodia doesn’t like to go to court because it would drag you a long…long way, some cases might take up to a few years and it might affect your business”; “in Cambodia, especially in Cambodia…they [referring to firms] avoid going to the legal system for the conflict because there wouldn’t be a solution so you would spend a lot of time/money to resolve that conflict”.

Several firms have highlighted the need to partake in certain activities in order to allow their business to function properly. P8 believes that most other people have unregistered expenses, “It has become [a part of the] normal culture, or rather a habit, in the way of doing business that people need to accept”. P8 elucidated how unregistered expenses affected the firm - “if there is no pocket money, your paper [will] never come out”, and exporting is difficult. P3 similarly reflected, “you have to play the game, that’s basically it. If you are not playing the game, you might as well go home. If you say no, nothing will get done, so you must pay”. P13 does not “believe that there are any firms here [that] has no unregistered expenses” because in emerging economies, “it’s understandable if there are certain convenience fees, small ones to lubricate the
mechanics of things, so long as its uh...uh...you know...just for that little bit of oil and grease to grease the nuts and bolts”. P11 also highlighted the factor of unregistered expenses in facilitating a meeting with the necessary people to get activities done. Both P11 and P13 stressed the low income as a compelling force for having unregistered expenses. P13 determined that “personally, salaries are generally low here, doesn’t matter if it’s private or public sector, sometimes if...if helping a little bit in terms of the daily livelihood...can make their working environment [referring to the recipients of the unregistered expenses] a bit better...don’t want to see something [referring to individuals’ suffering]...it could just be a extra Starbucks for [P13] in terms of the convenience fees”.

RBV Effects
The institutional environment determines what resources are valuable for a firm (see Appendix 8 - Table 6). In the case of Cambodia, 12 interviewees stressed the fact that reputation is incredibly important. P1 explains that reputation is very important in a society that consistently monitors you, and that cash and connections are needed to maintain the level of reputation. Furthermore, P1 said that cash and connections are the most important resources, without one or the other, resources are useless. Cash and connections together foster reputation, which helps the firm obtain more business opportunities. P9 added that “if you have reputation, people will give you a face”, meaning that having a good reputation will give you access to important people. In addition to the importance of the firm’s reputation, P3 also explains that one’s own reputation is important, as well as the reputation of one’s connections. P3 added that reputation becomes especially important when beginning operations because people do not want to do business with companies that have a poor reputation. For P6, reputation is integral to their company and their strategy; reputation is their main source of marketing/advertising. P6’s company has not spent funds on marketing, because they do not believe in it, they instead focus on doing a good job and reputation would follow. P8 follows a similar path as P6 in the sense that they do not believe in marketing and instead allows their reputation to speak for itself. P7 values reputation so much that they will always try to maintain their reputation, even if it costs them money. For P11 reputation is incredibly important because it shows their clients that the firm is capable of solving problems, elaborating that if the firm makes any mistakes, bad things spread fast.

Relationships and networks, according to 11 interviewees, are important resources in Cambodia. P6 noted that in any business, relationships are very important, but maybe more so in Asia, because one needs to know people to talk to someone. This is further reinforced by P2 who explained that in order to get in touch with people, one must go to the top of the organization, something which requires connections. P6 added that without relationships, a firm will become isolated. P3 believes that for people wanting to do business in Cambodia, it is necessary to “establish strong connections, especially with people within the government”. P8 had a slightly different viewpoint on relationships, noting that “if I have a good relationship with myself, then all other relationship will go well by itself”. According to P9, relationships are almost 100% useful and important. If a firm has relationships, the firm would not have to pay extra money to obtain certain benefits in Cambodia, such as having paperwork filed in 1-2 days instead of 2 weeks. P10 however voiced that relationships are important “to the extent that it won’t compromise your core value” and believes that one needs a right mix between personal and professional relationships. According to P11, connections are not mandatory but serve as protection for the company, investments and oneself,
“like...wear[ing a] kevlar vest and the other one without any connections just go naked...nothing”. P12 said that it is important to have a local network that understands the local context to gain an advantage. P13 believes that relationships are everything, as they are “dealing with people, businesses are about people, contracts are all about relationships, relationships is everything”. Comparing relationships to a complex web, P13 says that “poking a hole in one cobweb will strain the rest of the threads and you’ll just break in eventually”, bringing to light that all relationships with different stakeholders are important.

Because Cambodia is still recovering from the Khmer Rouge period, and still suffering from an insufficient labor market, many interviewees stated that human resources and experience are incredibly important to their operations. P3, P5, P6, and P8 stated that one of their more important resources were human. P13 expressed that human talent is their only asset per say, and that their operational experience is everything. For P3, the main driver of their success was having smart people in the company who could execute ideas; they did not begin with any expertise in their industry. P4 stressed this as well, that both they and their people know their industry well, and how to run the company. P6 believes that part of their competitive advantage is that they have local knowledge and are able to identify gaps in the market which they can then serve. Knowing the local environment, and the culture is a factor of comfort for P7. For P9, an important asset for them is that they have knowledge and are able to use it in the right field.

5.2.3. Strategies

This theme reflects the institutional strategies that interviewees have divulged in their responses. Internalization and substitution strategies correspond with market voids; whereas, buffering and bridging strategies align with nonmarket voids. Because interviewees have presented other firm activities outside the boundaries of the aforementioned strategies, other strategies are also presented.

Market Internalization Strategy

According to interview responses, internalization on individual basis and via business groups have been identified to respond to labor, capital, and product market voids (see Appendix 9 - Table 7). Nine out of thirteen firms internally train their staff to facilitate the shortcomings in the labor market. Moreover, in many situations, labor is obtained through informal means, e.g., referrals from friends, family, networks, recommendations, and word of mouth. P2 pointed out that hiring agencies are expensive.

In terms of responding to the capital market and voids, many firms highlighted internalization mechanisms via individual and collective means. P2 divulged that “there's an exchange house around Olympic Area where all the Chinese people and everyone...this is the business area, transfer money...” which allows the firm to borrow funds from two houses facilitated as a result of the establishment of a personal relationship. P5 established that “at the moment I'm using my company fund to invest...and to go further, I need to find somebody else. I'm using that personal relationship to get uh funding in”. P6 individually and collectively via informal means funded the firm and detailed how P6 initially sold off private assets. P7 explained how the firm was funded through the firm’s partners who are considered to be angel investors. P8 divulged that some funds were obtained from relatives. Five firms explained how funds were personally obtained from owners’ or shareholders’ own pockets with P12 explaining how funds were funneled from a sister company.
The product market was not as extensively discussed as the other markets. P2 recounted how the firm internalized marketing because “it’s not their baby [referring to outsourcing of marketing to others]...how...what do I mean by that is they don’t know how to take care of your products as...as much as yourself”. Moreover, P2 explained how a firm partner has another company that facilitates P2’s firm’s operations which allows the firm to get good prices on certain supporting activities. P6 is a partner in a supporting company to P6’s firm that supports the latter firm’s activities. P4’s firm utilizes collective means to achieve firm activities and explained the situation as “you guys are going in, you buying it? I’ll buy it too, that type of thing”.

**Market Substitution Strategy**

Due to the large issue with information asymmetry, all interviewees have in one form or another implemented substitution from similar types of sources, namely informal sources (see Appendix 10 - Table 8). P1 explained that information can be gathered through business associates and friends over meals. P5 revealed how when sufficient information is lacking, P5 reverts to an online group chat P5 has with other business people. Similarly, P6 obtains information from informal connections, stating that there is no need to pay PWC to obtain information. P6 further noted that “relationships are essential for specific information, until such a time where the government provides it”. Both P8 and P11 provide percentages for the reliability of the internet versus informal means. P8 determined that 70% to 90% of information is validly derived from friends, whereas P11 asserted that the firm relies 95% on connections and 5% on the World Wide Web. P3 revealed the firm used their connections to cross-reference information to fact-check whether what individuals are saying and doing are accurate reflections of reality.

**Nonmarket Buffering Strategy**

Nine of the thirteen firms have revealed elements and variations of buffering (see Appendix 11 - Table 9). P1 stated that the firm must “split the meat and feed the tiger”, which refers to how the firm must share their earnings with those in power. P1 exemplifies this statement by explaining that the firm partakes in charitable donations to the Red Cross, further revealing that if the firm refuses to do so, powerful people would look at them and this is not good situation to be in. Several other firms have close affiliations with the government whether through partners that benefit the firm or by once occupying a governmental position. For example, it was ascertained that P6 was once a government official to which P6 jokingly commented that people are intimidated by that role. Several other firms aside from P1 also make charitable donations, e.g., to schools, in events hosted on behalf of a high-ranking government official, to establish goodwill and rapport for future endeavors. Others such as P5 and P12 are active in three different boards for private sector associations that work with the government to improve regulations and policies. These activities involve meeting with government authorities on a regular basis to improve the business environment. Similarly, P13 is also involved in shaping regulations that are currently nonexistent. Another aspect of buffering is unregistered expenses. Both P8 and P13 perceived that almost all firms partake in unregistered expenses as a means of “lubricate[ing] the mechanics of things, so long as it’s uh...uh...you know...just for that little bit of oil and grease to grease the nuts and bolts”. Neglecting to pay, as P8 and P3 perceived, would result in process standstill.

**Nonmarket Bridging Strategy**

In terms of showcasing bridging strategies in their operations, twelve out of thirteen interviewees displayed bridging tendencies (see Appendix 12 - Table 10). For the case
of P1, they had a desire to be good citizens and build the community as well as economically develop the country. P2 usually does giveaways through their business partners, donating products to staff/poor people around the provinces, making sure not to waste resources. When there are local events in their community, P3 would donate a small amount of money to help. On another occasion when a high-ranking government official was going to open a school, they donated equipment that the school needed. P4 also actively sponsors different events pertaining to university incubation programs, gender equality, and education conferences bringing in people from abroad. P5 said that “I normally provide training to small business free of charge. I just mostly using my expertise to...to contribute to those”. P7 also had certain interest in activities aimed at the community surrounding them, setting up a community clean day which keeps the area clean and valuable to their clients. P6 explained how they assisted an NGO with $25,000/year to educate people about things to think about to make an informed purchase. P7 and P12 had similar issues as P6, in that they had to educate people to understand the product they are selling. Furthermore, P8 also made sure to promote sports and activity internally in their company to keep their people in good shape, something which P8 believes will have positive ripple effects in their families. Helping societies out is embedded in their organization, they donated fruits to schools and orphanages, and also donated a small water treatment machine to a school so they could drink clean water. P8 does not like donating money and instead focuses on just helping people and not needing the recognition. P10 also makes donations to local communities, their schools, programs, poor people, and gifts to students. P6 expressed an interesting viewpoint, stating that they do not believe in social enterprises, rather they believe in enterprise social. What they mean is that they make money first, in order to be help people later. P6 has also taken a personal interest in supporting the resurgence of Khmer culture and identities, supporting young Khmer artists financially because they are important for the culture and country.

P4, P6 and P7 firmly believe in transparency with P4 highlighting that the “misnomer is that...alright if you want to have something done under the table, whatever, those things are not within our purview, that’s also frankly not what we’re good at”. Both P6 and P7 achieve transparency in their business by hiring an independent auditor to check and keep their books in order to keep the door open for raising capital in the future. P6 perceived that “transparency is the future currencies of business, anywhere. You have to be above board, if you cannot be above board, people are going to find out”. P7 feels a strong moral obligation to do business both ethically and with integrity, with their firm having values and principles which they follow. P7 seeks to maintain their reputation of not doing anything wrong, even if it hurts their bottom line. P8 explained how they feel that true reputation is knowing that you are doing the right thing, “we do business not just for money, if the business [does] not contribute to people, to human life, I will not do it for sure”. By following international standards, P9 is building a positive, “by the books” reputation, something which they believe helps them in their tax audits. P12 has a similar strategy of doing everything “by the books”, using law firms and various consultants to achieve this. For P13, it is a conscious effort to do things the right way from the beginning to be deemed that they are doing right. This allows them to not attract the wrong partners and to steer clear of certain things they do not want to be involved with. This creates a positive cycle, building a “doing right” reputation reinforces this reputation which in turn enables the firm to come into contact with people who think alike and better talent.
Other Strategies
Other strategies function outside the boundaries of internalization, substitution, buffering and bridging (see Appendix 13 - Table 11). Many interviewees have in different variations compensated for the shortcoming in the nonmarket and market institutions. Several firms have outsourced labor from abroad or allocated training of staff to external sources. P8 and P12 managed to respectively obtain funds from USAID, a French bank, the World Bank and different European development banks. Issues related to the product market in obtaining of critical inputs as P3 has revealed, are solved through importing the inputs from abroad. P6 handles firm issues in the product market by outsourcing education to an NGO for $25,000 USD annually. In order to navigate the complexities of the nonmarket institutions, several firms have revealed that they utilize professional firms, e.g., KPMG to deal with legal, tax, and general regulatory issues because as P5 stated, “...I cannot say I know any... everything about Cambodia”. Another element of responding to the nonmarket institution, particularly in terms of enforcement as P4 and P13 established is taking the arbitration abroad because it is more enforceable in those contexts.
6. Analysis and Discussion

This chapter integrates the theoretical frame of reference and empirical findings by comparing and contrasting the secondary and primary data developed and obtained, reinforced by Cambodia’s context and background. The ultimate purpose for this chapter is to answer the empirical research question established in the introduction. Structurally, the analysis reflects the established themes: Cambodia’s institutional environment, principles of firm strategizing processes, and strategies. This chapter concludes with a comparison of firms’ strategizing behavior and a discussion of the insights which achieves the purpose of the study.

6.1. Cambodia’s Institutional Environment

The development of institutions is a lengthy process affected by a country’s historical path dependency, and political, cultural and social systems (North, 1994; Khanna & Palepu, 2010). In Cambodia’s case, the institutional development was first and foremost impacted by historical path dependency, which progressed into shaping the country’s political, cultural and social systems. The administrative human and physical resources incentivizing opportunistic behavior was a consequence of the near-institutional elimination at the hands of the Khmer Rouge (Frost, 1996; Hill & Menon, 2013). Thus, “corruption and accountability, infrastructural deficits, labor standards, and corporate social responsibility practices” (Chhair & Ung, 2016, p. 231) is linked to a clear path dependency.

The Nonmarket Institutions & Voids

An institutional void denotes a specific context characterized by weak or dysfunctional institutions which hampers economic exchange (Doh et al., 2017, p. 294; Khanna & Palepu, 2010, location 249; Gao et al., 2017, p. 2150; Ge et al., 2017, p. 408). As established theoretically, the nonmarket environment involves the political, legal, cultural and social factors which directly or indirectly regulate the market exchange due to superordination (Baron, 1995, p. 47; Holburn & Vanden Bergh, 2002, p. 34; Hoskisson et al., 2013; Olthaar et al., 2017, p. 47). In examining the empirical findings, responses are divided into three categories: social, cultural and political elements that suggestively reflect a hampering of efficient economic exchange in the market environment.

Socially, several interviewees have pointed to voids that can be eventually linked to market issues. P2, P3, and P12 discussed the issue of Cambodia’s brain drain stemming from the war period that has led to a large portion of society being generally uneducated. The war prior also produced a large portion of the younger generation or large agriculturally inclined population. Other social issues that have been highlighted were unavailability of supporting infrastructure and systematic failures that has resulted in lower wages forcing unethical behaviors. Culturally, Cambodia is perceived to heavily emphasize on relationships and outward displays that may not reflect reality. The political element has been extensively highlighted by many participants. Voids in the political-legal sphere have been identified as: those in power making regulations to benefit themselves and not the country; no system of checks and balances; no clear processes whereby rules and regulations become reality; formation of unpractical and unclear laws; general missing regulatory frameworks in certain industries; enforcement is virtually nonexistent or takes place on a subjective basis.

Considering the notion of voids as being weak or dysfunctional institutions and the evidence derived from the interviewees, it can be determined that Cambodia suffers
heavily from voids in the nonmarket environment in all aspects attributable to the notion of nonmarket voids. The social voids would result in firms encountering difficulties in finding labor and educated consumers. The cultural void can result in transparency issues as well as complications in business processes. The political-legal voids would negatively affect firms through unjust, unclear regulations, processes, exertions of power underpinned by weak rule of law. Thus, empirical evidence suggests an alignment with theory, whereby the nonmarket institution and voids is superordinate to the market institutions. It must be noted that this discussion intentionally circumvents discussing thoroughly the nonmarket-market relationship because that in itself is an integrated subtheme.

**Information & Voids**

According to North (1992, p. 6, 13), institutions serve to lower transaction costs associated with uncertainty. In situations where there are high transaction costs as a result of information asymmetry, as is the case in emerging economies, institutions are perceived to be dysfunctional and voided (Hoskisson et al., 2000, p. 255; Wright et al., 2005, 4). Considering the empirical evidence, many interviewees perceived that obtaining information to make economic decisions is difficult. Public information that should be provided by the government is often times not valid or reliable. The information that is provided is often very basic, inaccurate, or historical. These facts highlight the existence of voids stemming from the nonmarket environment that would then lead to consequences in the market environment. Valid and reliable information that should be widely available to the public is essentially nonexistent, due to weaknesses in supporting infrastructure and weak administrative capacity and human resources. Thus, the issue of information accessibility in Cambodia coincides with general theory pertaining to emerging economies, which describes situations of voids that increases transaction costs and hinders business processes.

**Market Institutions & Voids**

Capital market institutions serve to foster business activities by, e.g., providing funds, information (Kim & Song, 2017, p. 309; Khanna & Palepu, 2010). Underdeveloped capital market institutions would result in hindering of investment decisions and transactions due to high levels of uncertainties and risks (Kingsley & Graham, 2017, p. 324). Information derived from the empirical findings has shed light on Cambodia’s capital market institutions. One important aspect which was disclosed is that there is a lack of relevant investors that help firms fund business activities because of information risks (Khanna & Palepu, 2010, location 387). Another aspect is the underdevelopment or impracticality of banks. One interviewee voiced that in the previous years, banking regulatory frameworks were loose if compared to other countries. Funds were easy to transfer in and out as a result which made Cambodia an appealing country to invest in. Conversely, for many firms without the necessary funds to do business, obtaining funds was rather difficult. Despite banks existing in Cambodia, their policy of requiring collateral combined with high interest rates makes it difficult for firms to obtain loans. Thus, empirical findings support theory: lack of relevant financial actors and difficulty in accessing funds from existing capital institutions has facilitated voids hindering business activities.

Manufacturers, intermediaries, retailers, and consumers are all part of the product market and involves tangible and intangible elements that process a good or service from input to output for consumption. Moreover, the product market is heavily dependent on the functioning of soft and hard infrastructure. However, these soft and hard infrastructures do not function properly in emerging economies (Khanna & Palepu,
Empirical discussions pertaining to the product market have focused more on issues in hard infrastructure rather than soft infrastructure. Cambodia’s product market is ascertained to: have some issues with inputs whereby all necessary inputs are not readily available, expensive or limited; consumers are uneducated or do not see the value in goods or services due to weaknesses in public institutions, e.g., schools; roads are underdeveloped, and electricity access is not widely available or cheap increasing operation costs. Comparing findings to established theory, findings have confirmed that hard infrastructure does not function properly. This confirmation as noted neglects the role or weaknesses of soft infrastructure as firms are perceived to feel the voids in hard infrastructure more.

Labor market institutions are built upon educational institutions and involve actors such as employers, employees and employment agencies (Khanna & Palepu, 2010, location 393; DiMaggio & Powell, 1983). The empirical findings have revealed certain aspects of Cambodia’s labor market. Cambodia has employment agencies, but they are inefficient and expensive. Cambodia’s labor market also poses a large issue for firms because it is difficult to access quality, skilled employees. Moreover, the courses and programs available at Cambodian educational institution may be insufficient for preparing individuals for certain industries. Khmer workers are generally perceived to have substandard work ethics compared to what firms are hoping to find. Due to the lack of qualified, skilled labor, findings imply that there are high risks of poaching and headhunting. Due to other institutional voids influencing the labor market, it has been noted that contracts and enforcing mechanisms, e.g., NDA in this market are ineffective and thus pointless to create. A combination of these factors has resulted in difficulty in accessing critical human resources or important human resources being more operationally expensive. These findings have aligned with established labor market theories and points out large voids in Cambodia’s labor market.

Nonmarket-Market Relationship
To reiterate, nonmarket institutions reflecting political, legal, cultural and social systems are superordinate of market institutions (Baron, 1995, p. 47; Holburn & Vanden Bergh, 2002, p. 34; Hoskisson et al., 2013; Olthaar et al., 2017, p. 47; Boddewyn, 2003, p. 306). Whilst the nonmarket institutions govern transactional activities, the market institutions govern transformational activities (Wan & Hoskisson, 2003, p. 48). According to Hoskisson et al. (2000, p. 252), nonmarket institutions are more impactful for firms in emerging economies than in developed economies (Hoskisson et al., 2000, p. 252) and this is strongly evidenced by the empirical findings. One interviewee mentioned in a metaphorical context that the nonmarket institutions compels the firm to “split the meat and feed the tiger”, which effectively captures the nonmarket-market relationship. The firm is operating in the market environment, making profits and being able to do business relatively undisturbed by will of the nonmarket environment, particularly the government. Thus, in order to remain undisturbed, the firm must transfer a portion of profits to the institutions that facilitates that undisturbed state. It is suggested by one interviewee that to rebel against this established system is to create unwanted disturbances. This interviewee’s reflection corresponds to Baron’s (1995, p. 49) assertion that the more the government holds power and opportunities in an emerging economy, the more important it is to consider them in business processes.

Boddewyn (2003, p. 304) maintains that nonmarket factors and their changes can have profound effects on the firm and industry performance. Accordingly, empirical findings have illustrated solid examples to reinforce Boddewyn. Instances include: extremely rapid changes or implementation of new rules and regulations that come into force...
within days; forcefully shutting down a large firm within 24 hours with barely sufficient rationalization; increasing minimum wage; leadership imposing a price ceiling on firms; unclarity of taxation processes; unclarity or absence of laws governing industries and firms; insufficient educational institutions; large demographic of the population being uneducated, poor; Cambodia’s social-familial-based society.

Breaking each example down, there are clear links to how these nonmarket forces impact market forces. With regards to the extremely rapid changes or implementation of new rules and regulations coming into force in days, these changes would force firms to increase or decrease activities or margins in order to conform to the dictates of a particular law. In the case of shutting down a large firm within 24 hours, this has profound effects in the form of no more business, no more profits. Increasing minimum wage is generally perceived to be good and beneficial for society, however from a business perspective, it increases operational costs which undermines a benefit for doing business in an emerging economy. Imposing a price ceiling by leadership harms profit margins. Unclarity of taxation process results in heavy fines or firm bankruptcy during audits. Unclarity of laws governing industries and firms results in increased transaction costs by means of: being forced to rely on arbitrators to decrease transaction costs which cost time and money; making for a messy marketplace whereby anyone can partake in business activities without actually being a qualified business. The latter point highlights to a disruption of market activities whereby legitimate firms are at a disadvantage over their illegitimate counterparts. Moreover, the illegitimate firm or individual may conduct business in manners that may hurt industry credibility. Insufficient education institutions force firms to increase operation costs to sufficiently train or find employees who have not received adequate instruction. Large uneducated and poor demographics result in difficulty finding employees, informed and smart consumers who see the value behind goods and products offered by firms. Firms would also encounter consumer resistance to change thus hurting firm profitability. In terms of Cambodia’s social-familial based society, firms must consider and often account for relationships. Additionally, due to Cambodian being familial-based, firms cannot disregard the power of family decision making as a participant pointed out. This may influence firms in ways such as difficulty in finding employees, individuals to use offerings because parents do not see the value. In short, these examples have illustrated nonmarket forces affecting market activities through various channels with the end result being to harm variants of firm efficiency or profit. Nonmarket voids as these examples have hinted at contribute to market voids.

An interesting fact to note pertaining to the previous examples is that it reinforces North’s (1994, p. 360-361) view that those in power will influence institutions to benefit themselves. Despite not being explicit, North’s assertion holds true through the implementation of rapid changes or new regulations, increasing wage, and imposing price ceiling. Several interviewees have highlighted that these changes in nonmarket forces benefit the political sphere in the form of securing more votes and increasing the chances for a secure winning in future elections. It is not the firms that influence voting, it is the people. Thus, rules and regulations that benefit the people, whilst imposing constraints on firms in the marketplace, will end up benefiting the government through maintaining power. This clearly has its root stemming from the war era. According to Heder (1995 cited in Frost, 1996, p. 6), Cambodia’s current government has consolidated and amassed such power that it has carried to the present day, reinforced by neo-patrimonial techniques (Hughes & Un, 2011, p. 7-8).
Other interesting considerations are the roles of social and cultural forces in influencing the market institutions. The social and cultural forces clearly have implications for firms in the market. Similar to the political sphere, the social and cultural forces are heavily influenced by the war era. The genocide effectively wiped out nearly all existing institutions, caused a brain drain and left Cambodia in a state of economic destruction (Frost, 1996, p. 12, Chhair & Ung, 2016, p. 216; Kiernan, 2002, p. 486; Hill & Menon, 2013, p. 1-2, 9; Hughes & Un, 2011, p. 6). Consequently, current existing educational institutions may not offer sufficient training which makes it difficult for firms to find skilled employees. Moreover, the fact that a large portion of the population are both poor and uneducated can be perceived to be a negative spiraling circle. This may not accurately reflect reality but on the one hand, individuals may not have the funds to get an education and on the other hand, not getting an education results in remaining in poverty. Apart from the uneducated labor market difficulties, the uneducated and poor also negatively impact the product market. Consumers may not see the value in offerings, may be resistant to breaking away from old habits and product usage, which is troubling for firms that are trying to economically develop the country. Unlike the political and social forces, it is not explicit as to how and whether the current culture is shaped by war period activities in turn shaping market institutions. However, based on findings asserting that Cambodia is a sharing culture, whereby society is inclined to share the good, the bad, and the difficulties of daily reality, it may be logical to deduce that because of the violent history that society experienced together, they developed a culture of sharing, being connected and valuing relationships. Moreover, based on the fact that the genocide produced an agrarian society where essentially the only thing individuals owned was being part of family, this too may have influenced the country’s culture, instilling upon society the importance of family alongside relationships. Connecting this culture to the market environment, not only do relationships influence how firms handle other firms and the government, it also is a tool that firms would use to circumvent the voids in the market environment. The importance of the family and family-based decision making also influences firms via, for instance, how society selects jobs in the labor market, accepts or rejects offerings in the product market. This may force firms to integrate additional activities in order to meet the demands of the cultural force.

In light of this discussion, it has been found that Cambodia’s nonmarket-market relationship have aligned with theory. The country’s nonmarket institutions are superordinate to its market institutions and have profound effects on the firm, the industry, or both (Boddewyn, 2003, p. 304, 306). To simplify this complexity, Cambodia’s nonmarket-market relationship can be perceived as a web: the nonmarket forces influence and are influenced by one another that in turn influence the market institutions. There is no isolating a void in the market institution without reflecting upon its influence by the nonmarket institutions.

6.2. Principles of Firm Strategizing Behavior

The institutions of Cambodia, which provide the rules of the game for the firms operating in the country, will affect how firms behave, strategize, make decisions, as well as what resources are seen as valuable (Barney, 1995, p. 51). IT and RBV theory have the intention to explain the external and internal forces, respectively, which influence how and why firms behave the way they do (Ma & Lu, 2017, p. 678). IT specifically, serves to explore the process by which firms in Cambodia legitimize themselves, a process largely influenced by meeting institutional requirements (Scott,
RBV complements IT because the external environment of a firm affects which resources are valuable, rare, and imitable (Barney, 1991, p. 51).

**Institutional Effects**

Meyer & Rowan (1977, p. 340, 349, 351) determined that the environment’s institutions, more so than the market mechanisms, offer firms legitimacy and survival capabilities. The three key notions of IT are: isomorphism, legitimacy, and decoupling. Scott (2008, p. 428) identified three forces which influence how firms achieve legitimacy: regulative, normative, and cultural cognitive elements. These forces are what pressure firms towards isomorphism, influencing firms’ process of obtaining legitimacy (Cuervo-Cazurra & Genc, 2011, p. 447). DiMaggio & Powell (1983, p. 153) explained the reasons for firms behaving isomorphic: it facilitates transactions; it helps firms access resources; heightened reputation due to a perception of being legitimate. For the interviewees, there are some clear tendencies of isomorphism, albeit not extremely obvious.

Several interviewees explained how the regulative forces affect their operations in Cambodia. P1 shed light on how the government holds the power in the country, and that P1’s firm simply must accept the fact that they will never win versus the government. P6 really exemplified the regulative pressure in Cambodia by stating “If you want to be successful in Cambodia, you must follow rules as much as possible, so as to not allow the government to break you”. But it is not only about following rules; sometimes the political sphere can coerce firms to do certain things, such as the case of P8 having to lower the price of their product or face what P8 believed to be a risk of being out of business. Both P8 and P2 had been suddenly affected by new regulations affecting the sizes of trucks used for transportation, something that they only had to adapt to without much questioning. This is very much in line with what P3 had to say about conflicts with the government, “If it’s [a conflict] with the government, you must listen to them”. For Cambodia, it is noticeable that the government can be both intrusive and pervasive, essentially coercing firms towards compliance in accordance with Scott (2014, p. 59-60). Coercive pressures can stem from the political sphere, other organizations, and by cultural expectations (DiMaggio & Powell, 1983, p. 150). For example, the difficulty of paying taxes and risk of high-fines in Cambodia persuades firms to hire accountants and consultants to meet these requirements.

Normative isomorphism stems from a pressure on firms due to professionalization (DiMaggio & Powell, 1983, p. 152). The two main pressures of professionalization are: formal education and legitimation produced by universities, and the expansion and establishment of professional networks amongst organizations. Because a large majority of the interviewees are highly educated, as well as those working at prominent positions in their firms, this creates a degree of professionalization amongst them. Furthermore, professional networks amongst organizations and individuals are incredibly strong in Cambodia, further reinforcing professionalization. These two factors combined reinforce normative isomorphism, through the sharing of information and that of human resources move around different firms due to headhunting.

Mimetic isomorphism pressures firms to conform because of situations of uncertainty where mimicking others’ behavior is seen as legitimizing (DiMaggio & Powell, 1983, p. 151-152). When the environment establishes uncertainty, which it certainly does in Cambodia, firms “may model themselves on other organizations” (DiMaggio & Powell, 1983, p. 151). Firms in Cambodia certainly become inspired by the firms in their surroundings. One example is that many firms do not pay full tax, giving them an
advantage and pressuring other firms to do the same to be able to compete or reach similar levels of success. Furthermore, many firms are utilizing similar strategies and resources to navigate the Cambodian context, such as relationships, reputation, internalization, and substitution in order to obtain legitimacy.

Acting transparent is a method for many of the interviewees to gain legitimacy beyond the isomorphic tendencies. Legitimacy stems from multiple sources, but as a whole it entails conforming to institutional requirements (Bruton et al., 2010, p. 427; Ma & Lu, 2017, p. 678). Conforming to their coercive, normative or mimetic pressures is important due to the power and deficiencies of the nonmarket institutions within the country. If firms were not legitimate, they would have difficulties in accessing resources and surviving in the Cambodian institutional environment. In line with these notions, all firms are essentially perceived to be legitimate, without which they would not be operating, and the firm heads would not be in positions to offer their insights.

When the institutions pressure firms to do certain activities, and this pressure causes conflicts with their economic interests, firms tend to decouple (Meyer & Rowan, 1977). The act of decoupling is to superficially adopt institutional requirements, conveying to the environment that they are complying, but in practice, the firm does not actually align with the requirements (Meyer & Rowan, 1977, p. 341; Scott, 2008, p. 432). Decoupling amongst the interviewees was not obvious, though there seemed to be certain cases of it. Some individuals were talking profusely about transparency, and doing business ethically, but would also have to use unregistered expenses sometimes in their operations. This is a good example of either having to choose between complying with prescribed rules results in transactional inefficiency or neglecting the institutions which may result in illegitimacy (Meyer & Rowan, 1977, p. 340-341). If the firm decides not to use unregistered expenses, paperwork takes a longer time to get done, harming the firm’s efficiency, but if they are utilizing the unregistered expenses to get it done faster, they might lose their legitimacy.

RBV Effects
As mentioned, the institutional environment determines what resources are valuable for a firm (Barney, 1995, p. 51). For Cambodia, there appears to be an overwhelming agreement amongst the interviewees that intangible resources, specifically relationships, reputation, and human resources are crucial for the success of their businesses. As mentioned in the theoretical framework, resources can be divided into market and nonmarket resources (Cuervo-Cazurra & Genc, 2011, p. 443). The interviewees certainly stressed the nonmarket resources’ importance more profusely than the market resources. Having the right information about laws, regulations and local institutions is more difficult in Cambodia than compared to developed countries.

Reputation can be explored in two ways, the economic and institutional perspective. Since Cambodia is lacking soft infrastructure, the economic perspective is what is more relevant, as there are few or no institutions which share information and evaluations, such as industry analysts and accreditors (Gao et al., 2017, p. 2151). The economic perspective of reputation indicates that it is used to signal information about the service or product being sold in a situation characterized by information asymmetry, something which holds true in Cambodia. The expectations of a firm are based on the history of a firm, if they have been able to sell quality products or services (Gao et al., 2017, p. 2150-2151). Twelve interviewees highlighted how reputation is incredibly important for them. Reputation is certainly valuable in the context of Cambodia, fulfilling the first step of the VRIO framework created by Barney (1995). Although reputation, good or
bad, is not a rare occurrence in Cambodia, having a reputation which successfully signals the firms’ positive intentions could certainly be something rare in the country because of the lacking soft infrastructures. Furthermore, the lack of soft infrastructure, which assists firms conveying their reputation, makes it more difficult for firms to imitate each other’s reputation, as it must be built more organically. In terms of imitating reputation in Cambodia, this becomes more difficult due to the lack of soft infrastructures. There was one interviewee who had experienced a competitor imitating their branding, which worked in the short-run, but not in the long-run.

Liu et al. (2017, p. 516) noted that in emerging economies, relationships are used to access scarce resources, information, and generally support strategies. Based on the response of the interviewees, relationships are certainly used for accessing information, as well as a support for their firms’ strategies. Information is not readily available in the country, and most of the time when firms need specific information, they must utilize their networks and ask for the information to avoid gathering it themselves. Information in Cambodia is a scarce resource, and because of this, it serves a purpose in supporting firms’ strategies. Without specific information, it becomes more difficult to make informed decisions about matters at hand. Relationships are most certainly valuable in Cambodia. Although relationships are not rare in the country, however, having the right relationships where the connection can do what they claim they can do is rare. The factor of imitability also holds true when it comes to relationships, imitating a competitor’s network is no easy task. As several authors noted (Gao et al., 2017; Yaprak, 2018; Ge et al., 2017; Marquis & Raynard, 2015; Ma & Lu, 2017), due to the institutional voids and correlating problems in economic activities, both relationships and reputations are crucial for firms to alleviate issues stemming from the institutional voids.

Since Cambodia is still recovering from the brain drain which occurred during the time of the Khmer Rouge, human resources are very valuable, emphasized by many of the interviewees. Having experienced and knowledgeable employees is certainly rare in Cambodia. Many interviewees expressed how difficult the labor market is, stemming from poor education and experience amongst the local workforce. Human resources, especially knowledge workers, are also incredibly valuable, partly due to their rare nature, but also because there were some interviewees who expressed difficulties with the mindset of the Cambodian workforce. The act of imitating competitor’s human resources does not seem prevalent. However, there seems to be a common occurrence of headhunting, where some of the interviewees had experienced losing employees to competitors, and others had headhunted employees from competitors.

### 6.3. Strategies

Meyer et al. (2009, p. 61) assert that a country’s institutional conditions influence the viability of firm strategies. Furthermore, Baron (1995, p. 47) and Marquis and Raynard (2015, p. 306), respectively commented that the nonmarket-market relationship frames the business environment and that the boundaries are often obscured between the two institutions, which increases the need to focus on both elements. Cambodia’s nonmarket-market relationship and its integration has been identified and analyzed in the first theme. That firm theme presented Cambodia’s contextual background to facilitate understanding of why firms in the country cannot create strategies solely to focus on market activities. The superordination of the nonmarket institutions exudes a large degree of influence on market institutions and hinders any attempt at isolation and focusing only on market institutions. To exemplify, several firms have highlighted that they encounter trouble in the product market due to consumers not seeing or
understanding the value of an offering. In order to solve this, they cannot just focus on market activities, e.g., going about their business as usual. The firms must identify and respond to the issue stemming from the nonmarket institution in order to solve issues in the product market.

*Market Internalization Strategy*

Market internalization strategy reflects strategies aimed at alleviating voids in the product, labor and capital market through internal development and implementation of firm capabilities, resources, and competences to business activities (Baron, 1995, p. 47; Hoskisson et al., 2013, p. 1297; Ingram & Silverman, 2002, p. 7; Doh et al., 2017, p. 300). According to evidence, all firms implement internalization either through individual, collective or using both in order to alleviate certain issues. For instance, due to a combination in the shortcomings in the labor market as well as social-cultural forces in play, many firms informally find important human resources through relationships. Human recruitment firms exist but are costly and inefficient. In another example, due to voids in the capital market, firms would rely on either business groups or own funds in order to do business. As mentioned, Cambodia’s capital markets void mainly involves absence or insufficiency of relevant financial actors, or banks require collateral on top of high interest rates for loans, resulting in inefficiency if firms were to obtain said loans. This internalization technique, also facilitated by social-cultural forces is more efficient than striving to find nonexistent financial actors or taking on banks. These findings align with market internalization theory. Firms have identified using resources such as relationships to offset issues in the market institutions, influenced by shortcomings in the nonmarket environment (Doh et al., 2017, p. 298).

*Market Substitution Strategy*

Market substitution strategy involves replacing missing information emanating from government neglect, underdeveloped market intermediaries and soft infrastructure with firm cultivated information (Khanna & Palepu, 2010; Kingsley & Graham, 2017, p. 324; Doh et al., 2017, p. 300). As established, Cambodia suffers from information voids making it difficult for firms to obtain valid and reliable information. The reason for the large information void is due to weaknesses in supporting infrastructure and weak administrative capacity and human resources stemming from voids in the political and social nonmarket institutions. As a result, all firms use substitution through friends, family, other business groups to cultivate information. Based up other indications, firms also use relationships with government officials to access information. Kingsley & Graham (2017, p. 329) determined that the more emerging economies suffer from information voids, the more substitution is important. This theory as well as the general theory on market substitution seemingly holds true in Cambodia’s context. All participants highlighted the information voids and use substitution to alleviate the void. This hints at the severity of information void that Cambodia suffers from.

*Nonmarket Buffering Strategy*

Nonmarket buffering strategies are a category of nonmarket strategies aimed at alleviating voids in nonmarket institutions in order to influence market institutions (Baron, 1995, p. 47; Holburn & Vanden Bergh, 2002, p. 34, 36). More specifically, buffering involves firms “trying to insulate itself from the external environment” (Meznar & Nigh, 1995, p. 976 cited in He et al., 2007, p. 153). Reflecting on the empirical finding, many firms utilized variants of buffering in order to isolate the harmful effects of nonmarket voids. Several firms highlighted a lobbying element whereby earned profits are redistributed to powerful people or government-affiliated organizations to establish goodwill. What is interesting is that despite one firm revealing
that they use lobbying, they do not identify the positive effects such lobbying would have on business. Another variant of buffering disclosed by several firms is that they have direct or indirect connections with the ruling regime, e.g., through partnerships with government officials or being a former government official. It should be noted that an interviewee highlighted their former government position as a joke. However, joking does not obscure the reality of once embracing such a role. Because the individual previously worked for the government, it is deduced that the individual has established a network within the government which in a sense buffers them from politically-related voids. Buffering strategy is also utilized where interviewees have identified their role in sitting on boards that interacts with the government in order to create policies for their respective industries and the government. Though this hints at bridging, the fact that they have the power to interact with the government and shape policies allows them to alleviate issues and effects pertaining to regulatory voids. Interviewees have also identified using unregistered expenses to lubricate and alleviate the bureaucracy and processing stemming from political-social inefficiencies.

Thus, firm behavior and strategies are confirmed to align with theoretical buffering strategies with an underlying fostering and reinforcing of relationships (Holburn & Vanden Bergh, 2002, p. 36; He et al., 2007, p. 153; Liu et al., 2017, p. 516). The incentive to buffer is particularly prominent in Cambodia due to the ruling regime having power, critical resources, authority to make laws (or in the country’s case, insufficient laws that compel firms to help establish laws) (Baron, 1995, p. 49; He et al., 2007, p. 153, 155; Ge et al., 2017, p. 410; Hughes & Un, 2011, p. 23).

**Nonmarket Bridging Strategy**

The nonmarket bridging strategy has the aim of aligning firm activities to conform to regulative and normative institutions to gain legitimacy (Scott, 2014, p. 72). Bridging is an active strategy where firms integrate the requirements of institutions to both pursue economic interests as well as building a positive image (Meyer & Rowan, 1977, p. 351-352). He et al. (2007, p. 153-154) provided a few examples of bridging activities, such as conforming to formally prescribed rules and regulations; nonprofit work aimed at bettering society. Based on the responses from the interviewees, bridging is an actively used strategy in Cambodia. Many of the interviewees expressed how they participate in various charitable events, ranging from active participation by themselves through donation of equipment, to simple monetary donations for a cause. Some interviewees described how they conducted educational activities for the people, not only bringing business to them but also helping create informed consumers. Based on the discussion with the interviewees, educating consumers is incredibly needed. Another method to conform to the environment of the firms is to utilize consultants or independent auditors to take care of accounting aspects of the firm. When this is done, the firm can then convey to their environment that they are indeed conforming to the regulative and normative institutions, with the goal of achieving legitimacy. This act of transparency not only conveys to potential business partners that they are above board, but also to the government that the firm is conforming with regulative institutions. There are various ways to get away with paying less taxes in Cambodia, but these individuals take it upon themselves to do it the right way. Some of the interviewees expressed that they have strong moral obligation to conduct their business ethically and with integrity.

In Cambodia, firms certainly implement the nonmarket bridging strategy. The act of bridging is likely largely influential in Cambodia due to the lack of soft infrastructure, which normally in developed countries, helps firms convey that they are conforming to their external expectations. The regulative institutions are powerful enough in the
country to force compliance with rules and regulations established. In terms of normative institutions pressuring firms to compliance with their environment through moral obligations (DiMaggio & Powell, 1983; Scott, 2014), this also appears to hold true in Cambodia.

Other Strategies
This paper proposed four strategies that firms operating in Cambodia are assumed to utilize to cope with the implications of the nonmarket-market relationship. Though findings point to the common utilization of the proposed strategies, the strategies are not the only strategies that firms implement to navigate their surroundings. According to findings, these firms supplement internal and external shortcomings with other activities, namely borrowing other countries’ institutions or outsourcing activities to other firms in Cambodia considered to operate outside of business groups or internal networks. Institutional borrowing seems to be quite prevalent among firms. Because other countries’ nonmarket and market institutions suffer voids to a lesser degree or are more developed than Cambodia’s, Cambodia’s firms are identified to take advantage of other countries’ offerings, namely, hiring their skilled workers; obtaining funds and inputs from abroad, or conducting arbitration in other countries. Firms also outsource activities to existing mediators, e.g., utilizing NGOs to educate consumers, or using KPMG. It is reasonable to assume that because Cambodia’s institutions do not provide the sufficient activities to support certain firm activities without incurring heavy costs, firms have to seek it elsewhere. In line with that thought, because firms do not have the internal capabilities to proceed with certain activities, they would outsource activities to firms within Cambodia’s institutional environment because the risks and costs of otherwise attempting activities themselves are too high.

6.4. Comparison of Firm’s Strategizing Processes
Based upon empirical evidence in conjunction with the analysis some similarities between firms have been discerned. All firms whether large or SMEs essentially disclose the same set of critical resources: reputation, relationship, human- and localized knowledge-based resources. The majority of firms, irrespective of whether they are SMEs or large firms, led by foreigners or locals, to a large extent implement internalization strategies to tackle voids stemming from the labor and capital market. The minority also supplement internalization of labor and capital with institutional borrowing of labor and capital. Simply put, whilst these firms internally find or train staff and employees, they also search abroad for human resources or funding. In terms of the product market, there is not a clear indication of whether the firms mainly internalize or externalize product process. Though there are examples of internalizing product process, there is a reasonable margin to assume that internalization of product processes is dealt more externality. The rationalization is that many firms in this study are not dealing with the type of goods that would compel internalization of different inputs to create outputs like a conventional supply chain, e.g., car or garment manufacturing. Rather, many of these firms are SMEs who provide services that could be internalized; externalization is used where there are insufficient internal resources, e.g., using NGOs to raise awareness or consultancy to navigate complexities. In terms of substitution, all firms regardless of size or nature substitute for the information void using informal relations. The only difference in substitution is the information source, e.g., friends, family, business associates, government contacts. In terms of bridging and buffering, all firms are identified to utilize a mixture of buffering and bridging; preferences for and saliency of bridging or buffering are on a case by case basis. It is difficult to distinguish between firms or industry because the strategies are more salient
for certain firms than other even if they are located in the same industry. It should be noted that foreign headed firms have a stronger preference for buffering than bridging though they still utilize bridging. One noteworthy attribution is that the majority of firms interviewed are disrupting the Cambodian economy. They are offering products and services that are not politically or socially acknowledged yet, which forces firms to internalize, substitute, buffer and bridge to cope with the nonmarket-market voids.

Contrastive to the similarities, there are few perceived differences if firms are to be examined from a macro-level. This is not to say that there are no differences. A difference that creates variations in firm strategies is dependent on the industry and how regulated each industry is. Several of the firms have highlighted that their industries or their niches within an industry are not regulated. Though regulatory frameworks do exist in general, the frameworks do not exist for certain particular industries or niches. The implications are that not all firms will be subjected to compliance in the same manner. This influences the saliency of buffering or bridging, implying that some firms prefer one nonmarket strategy over the other based on their specific circumstances. For instance, where an industry is heavily regulated or acknowledged such as transportation, the political sphere will exert more influence. As illustrated, the political sphere lacks the resources or capacity to efficiently create fair regulations. Enforcement and rulings are inconsistent which will influence the saliency of either nonmarket strategies. Logically, buffering would be more useful in such situations than bridging (again, this may not be isolated). Differences are also perceived in resource preferences. Firms headed by foreigners seem to favor relationships also hints at a preference for buffering.

All things considered, it is safe to say that internalization, substitution, buffering and bridging are commonly adopted strategies amongst firms in Cambodia. Though these strategies are used, there are variances within a particular strategy used and the saliency of strategies when handling different aspects of the nonmarket-market voids.

6.5. Discussion
Considering the analysis, it can be determined that Cambodia is a textbook definition of an emerging economy, plagued with all voids that are generally identified within IB scholarship. As noted earlier, this paper focuses on the institutional definition of emerging economies. In line with the definition and descriptions of an emerging economy provided by Gao et al. (2017, p. 2150) and Marquis and Raynard (2015, p. 300), Cambodia fits the description of being characterized by the presence of voids and less government and regulatory institutions which then impedes economic transactions. Lacking proper institutions, compared to developed countries, affects the firms operating in the country due to environmental shocks and information asymmetry. In addition, there is an increase of uncertainties and risks, which prevents efficient resource exchanges and contracting (Marquis & Raynard, 2015, p. 300; Gao et al., 2017, p. 2147, 2150; Back et al., 2014, p. 392).

In terms of the nonmarket-market relationship, and how the nonmarket is superordinate to the market environment according to theory (Boddewyn, 2003, p. 306), this is certainly no different in Cambodia. Hoskisson et al. (2000, p. 252) claimed that the social, political, and cultural nonmarket institutions are especially powerful in emerging economies due to the sheer power of the society and government. One example that North (1994, p. 360-361) gave of why the nonmarket can be so powerful is that the government has enough power to shape and enact regulations which are favorable to them coupled with weak enforcement. There were certainly cases in Cambodia expressed by the interviewees where they felt new regulations were spontaneous, tax
laws were not favorable for businesses, and enforcement was the most problematic. Another issue pertains to the weaknesses stemming from Cambodia’s social sphere. Fractured education systems, a large demographic of uneducated and poor citizens cumulates into voids in the labor, product, and capital markets. Because of this power of the nonmarket environment, those wanting to operate in Cambodia must take it into explicit consideration when establishing strategies.

When comparing the different firms, although there are elements which differ among them, they are marginal differences. From a macro perspective, all firms are influenced by voids in Cambodia, stemming from the nonmarket environment that carried into the market environment. Most firms interviewed conduct strategies relatively similar, utilizing variants of the four institutional strategies identified in the theoretical framework: internalization, substitution, buffering, and bridging. It is the relationship between the nonmarket and market environments that essentially forces the firms to be more or less isomorphic.

Although the four identified institutional strategies were heavily utilized amongst the interviewees, they also implemented other strategies outside of the boundaries of these strategies. Because these other strategies aim to alleviate issues stemming from both the market and nonmarket environments, they cannot be isolated to either market or nonmarket strategies. There were cases of outsourcing as well as institutional borrowing amongst the interviewees. Based on the empirical findings and theoretical framework, it is clear that certain institutions are either weak or nonexistent in Cambodia. These institutional voids compel firms to take advantage of other countries’ offerings, where they have access to better functioning institutions. A firm cannot integrate activities and institutions in their strategies when the country’s context does not provide it for them.

For example, how can a firm find the necessary level of skilled labor if there is none in the country, or how is it logical to implement arbitration in a country where arbitration is weak? Based on the findings of the study, the Cambodian context is too complicated and difficult, especially the nonmarket environment, for firms to work alone. One interviewee voiced that “I cannot say I know any... everything about Cambodia”, something which has pushed for firms to take advantage of consultancy services in the country. Furthermore, using the help of outsiders can be beneficial for a firm. Despite business groups and networks being integral for business activities in Cambodia, not even they can produce all resources and fill all voids in the country. Because of the superordinate nature and relationship of the nonmarket-market environment, the institutional voids in Cambodia, and a lack of the right resources (whether tangible or intangible), it becomes impossible for firms to internalize, buffer or bridge everything.

Some of the interviewees hinted that a firm does not operate within a bubble where they can do everything themselves. When the environment or internal resources are insufficient to support business activities, a firm must look elsewhere for that support.

In light of the empirical findings, analysis, and discussion, a revised version (see Figure 6) of the integrated theoretical framework has been created to accommodate the identification of other strategies utilized by firms.
Figure 6: Revised Framework of the Influence of the Nonmarket-Market Relationship on Firm Behaviors and Strategies
7. Conclusion

This chapter brings this study to a close. The discussion first reviews to what extent the empirical research question and purpose are achieved and shed light on the most valuable findings. Second, theoretical, societal and practical contributions and implications are considered. The chapter concludes with a section on limitations and proposed gaps for future research.

7.1. General Conclusions

Emerging economies are increasingly becoming important locations for world economic growth and opportunities. Despite the shift in power from developed economies to emerging economies, emerging economies are replete with shocks and uncertainties made more problematic by extant institutional voids. As a result, there is an issue of applicability of carrying over dominant logics and strategies from developed economies to emerging economies. The rules of the game that shape human and firm behaviors and strategizing processes vary greatly between the two economic spheres. This is further complicated by the partitioning of institutional voids, which is simplified by approaching the study from a nonmarket-market exchange perspective. Thus, how exactly do the present nonmarket-market institutional conditions in an emerging economy influence firm behavior and strategizing processes? This general question gave rise to this study’s purposes: generate insight into institutional effects; focus on Cambodia and determine whether firms in the country are isomorphic or idiosyncratic to the country’s institutions. The guiding research question to achieve the purpose is:

1. How does the relationship between nonmarket and market related institutional voids influence firms strategies in Cambodia?

Underpinned by previous studies into emerging economies, institutions, voids, the nonmarket-market relationship, IT and RBV, the authors have proposed four strategies that firms may use to circumvent the voided environment. Due to the superordination of nonmarket institutions to market institutions, internalization, substitution, buffering and bridging are considered to be common strategies firms use to tackle respective market and nonmarket voids. Through carrying out a qualitative study justified by the authors’ research philosophy and logic, the study’s empirical evidence is derived from an integration of 13 interviewees’ insight. The accumulation of insights has: established Cambodia’s enduring voids that firms encounter; illustrated the relationship between the nonmarket-market relationship through narratives; exemplified IT and RBV in practical manners; revealed that the authors’ proposed strategies are indeed what firms use due to the influence from the nonmarket-market relationship. These firms have reinforced the superordination of the nonmarket institutions to the market institutions and as a result forces a large degree of firm isomorphism to the country’s environment.

A valuable finding that revealed itself as the study progressed is that the proposed strategies are not the only strategies that firms use to navigate Cambodia’s institutional context. Rather, firms also implement other strategies deemed as institutional borrowing and outsourcing. It is assumed that because Cambodia suffers from institutional voids to a large degree, institutions that are necessary for business activities are so weak or nonexistent that firms must exploit institutions abroad in order to function properly. Moreover, because the nonmarket-market environment makes navigating so complicated, firms must outsource activities, e.g., consultation because they do not have the internal capabilities to internalize via business groups or by themselves. In short, the combination of Cambodia suffering so extensively from nonmarket voids that in turn
establishes voids in the market environment and the compelling pressures of the institutional deficiencies has resulted in firm isomorphism to their environment. Isomorphism is determined through the use of internalization, substitution, buffering and bridging in link with all of the strategies’ implications. Isomorphism is also channeled through institutional borrowing from abroad and outsourcing to respond to extreme voids or internal shortcomings.

7.2. Contributions, Implications and Recommendations

7.2.1. Theoretical Contributions
As noted in the introduction and the methodological research logic sections of this study, the theoretical purpose is not to create or test theory but to reinforce IT and RBV and improve and revise IT. IT and RBV was reinforced by using the theories to explain external and internal influencing forces on firms’ strategizing. Focusing on IT, this study attempts to revise current theoretical usage inclinations. According to Suddaby (2010), many scholars are perverting IT from its original intentions of explaining institutional influences on firms to using the theory to explain how firms influence institutions. Thus, this study contributes to revising IT, shifting it back to its foundations which by implication improves IT.

7.2.2. Societal Implications
The societal implications of this study pertain to the knowledge contribution extracted from its contents to support UN SDG goals. With regards to SDG 16 of promoting “peace, justice and strong institutions” (UN, n.d.), the identification of Cambodia’s institutional voids supported and voiced by the firms that come across them on a regular basis, would contribute to helping policy makers develop better institutional frameworks. This study has revealed that Cambodia’s human resources stemming from the brain drain are extremely weak, which influences the nonmarket sphere and carries over into the market sphere. In the nonmarket sphere, the government cannot produce efficient regulations and enforcing mechanisms due to the different levels of knowledge and education amongst those in power and those who are responsible for enforcing the regulations. This is influenced by society’s low levels of education that contributes to the government’s labor force. The market institutions and firms operating within the boundaries of the market institutions are subjected to voids, e.g., labor and capital voids. Thus, to remedy the voids in the nonmarket and market institutions, a suggestion for policymakers is to focus available resources to strengthen education and training. It is reasonable to assume that better education will result in more effective institutionalization processes. The fact that voids exist in Cambodia is not considered revealing; what is revealing is which particular institutions cause the most trouble for businesses that hinders the full potential of the country’s economic growth. Simply put, understanding the most problematic institutions, which is first and foremost considered to be societal institutions e.g., education, as is revealed in this study, may help policymakers to first work on these institutions before carrying on to others. A better educated country would have a two-fold effect, speeding up the development of the country as well as getting it right the first time. Cambodia has had issues with implementing legal frameworks from other sources which need serious revision to suit the Cambodian environment, costing resources which are not necessarily available or disposable at the moment.

This study also contributes to SDG 8 of having “decent work and economic growth” (UN, n.d.) by establishing strategies that firms currently in operation in Cambodia are prevalently using to navigate institutional shortcomings. Providing knowledge of what
current succeeding firms are doing may help future firms wanting to enter the country but are reluctant to handle the risks associated with such environment push ahead and accept the risks. Inadvertently, more firms entering Cambodia could result in increased labor opportunities for society and increased economic growth for the country. Additionally, as established by Govindarajan, emerging economies such as Cambodia are locations for reverse innovation. Thus, more firms entering offering products or services can result in reverse innovation that could have a carrying effect into developed economies.

7.2.3. Practical Implications and Recommendations
In line with the above discussion, practitioners seeking to conduct business in Cambodia may find it easier to navigate the institutional difficulties that established firms have previously and are currently experiencing. Firms interviewed in this study are understood to implement internalization, substitution, buffering, bridging, institutional borrowing and outsourcing. Cambodia is not a country where all critical institutions that facilitate the effective running of business exists or is strong; thus, when potential firms seek to do business, they need to understand that these strategies are the strategies that will help to isolate firms from the institutional effects contributing to isomorphism. With this regard, being isomorphic is not necessarily a disadvantage when the context is as such, contrastive to dominant logic compelling firms to create their own strategies to create a competitive advantage. The strategies identified in this study are institutional strategies rather than conventional strategies aimed at overcoming voids. To not understand or adapt to a country’s institutional environment, such as Cambodia, is detrimental as voiced by several of the study’s practitioners.

Thus, the authors highly recommend that practitioners should seek to understand a country’s environment, the voids, the prescribed rules of the game, and assess how practitioners who came before them strategize and behave. The latter is advised due to institutions’ compelling influences (e.g., Cambodia as illustrated) that influences isomorphism. Despite the strategies implemented by firms in Cambodia not being generally applicable to all settings, firms desiring to conduct business in similar settings should benefit from understanding the mechanisms of the strategies. Moreover, despite the large degree of inapplicability of the strategies, practitioners should benefit from understanding a fundamental message of this study: the rules of the game differ, thus to increase chances of operation success, one must understand how the rules of a given country are played and what those rules establish as critical resources.

7.3. Limitations and Suggestions for Future Research
This study has several limitations. For one, the authors cannot fact-check everything the interviewees have said is accurate without breaching proper research ethics. Everything must be taken at face value, and this limitation is considered to be a result of diverging findings pertaining to certain matters e.g., the use of unregistered expenses. This issue is not seen as a critical limitation for this study. The subjective nature of the topic being studied means that the interviewees will have had different experiences and different perspectives on topics being discussed. Moreover, divergence of interviewees’ perspectives contribute to a broader understanding of Cambodia’s institutional phenomenon contrastive to if there were uniform interpretations amongst the participants. This then proceeds to another limitation, that of the study topic. The study of institutions, the prescriptions involved are highly complex, subjective and relative as reflected in the empirical findings. For instance, many individuals have highlighted the importance of integrity and transparency, but these terms are relatively subjective as
seen in some variants of the buffering strategy. Coupled with the fact that unregistered expenses are common transaction facilitators in Cambodia but are perceived as a form of bribery in the West, it begs the question of how does each individual’s moral compass function or what does integrity and transparency mean to each of them. Thus, the study was limited by not considering the psychological factors that may push individuals to implement certain strategies.

Other limitations considered corresponds to the methodological considerations. This study was limited to one country. Deeper insights and other behaviors and strategies may have surfaced if other countries were involved; one country’s institutional environment could have affected firms differently than another. Limiting the scope to Cambodia resulted in only understanding how Cambodia’s institutions affected firms. However, due to limited time and resource constraints, it would not have been practical or feasible to undertake such a large-scale study. Language is also considered a limiting factor in this study. English is not many of the interviewees’ mother tongue, thus this may result in barriers in communication. Though interviewees communicated effectively, there may be cases where conversing in another language distorts what an interviewee wishes to convey. That being said, this was not seen as an issue during the interviews as the interviewees seemed perfectly able to express themselves. Excluding the public sector intentionally could also be considered a limitation. There is a possibility that firms in public and private sectors may behave and strategize differently, thus to forgo firms in the public sector may limit potential findings.

In light of these limitations, future scholarly endeavors can undertake studying institutions from a country perspective. Because this study focused only on one country and the country’s institutional effect on firms, future studies can broaden this view to examine multiple countries and their institutional effects on their respective firms and cross-analyze that, while holding the nonmarket-market relationship approach. This can potentially establish more widespread applicable strategies than just focusing on one country. In terms of further building on this study within Cambodia, it is possible to compare and contrast firms in the public and private sector as this study only focused on firms in the private sector. Firms in different sectors may not utilize the same strategies; a new study could facilitate more understanding of institutional influences, whether it is isomorphically compelling across all sectors or if there are idiosyncratic effects depending on the sector. Another suggestion would be to do a study from an industry perspective, comparing and contrasting Cambodia’s institutional effect across different industries. Furthermore, it would be possible for other scholars to conduct future studies on the other strategies identified in this study, namely outsourcing and institutional borrowing. Studying these strategies would allow for further understanding of whether these strategies align more with market or nonmarket strategies. These other strategies were only identified in this study, but it was beyond the scope of this study to categorize outsourcing and institutional borrowing into nonmarket or market institutional strategies.
8 Reference List


Appendix

Appendix 1 - Letter to Interviewee

Dear Insert Name,

Please accept our sincerest thanks for taking the time out of your busy schedule to support our thesis research for our master’s degree.

With regard to this study, we would like to notify you of our topic and purpose as well as ethical considerations that we as researchers are under obligations to inform you as research participants.

In terms of the topic and purpose of our study, we are studying the role of institutions on firm behavior and strategizing processes. We want to gain a deeper understanding of how Cambodia’s institutions (rules of the game) influence how firms navigate and strategize to cope with contextual difficulties. Past research has indicated that firm strategies used in developed country settings e.g., America, Australia, Europe do not work well in emerging countries such as in Cambodia, China, Thailand. The rules of the game which are supposed to help firms make economic transactions instead make it more difficult in emerging economies. This difficulty stems from dysfunctional capital, labor, and product markets reinforced by a lack of reliable information. On top of that, these markets are governed by nonmarket institutions e.g., political, social, and cultural elements. This clearly indicates that there is a relationship between the nonmarket-market institutions. Because your firm is deeply involved in this relationship, we want to understand how your firm handles the nonmarket institutions to gain access to the market institutions and then handle the issues in the market.

This study is assigned by Umeå University in Sweden and partially supported by the SIDA Minor Field Study scholarship program. Contribution to this study is entirely voluntary, which means that you may terminate the interview at any time without any reasons or implications. Also, questions asked may be sensitive in nature, thus if you at any time wish to leave it unanswered, please do not hesitate to let us know. Please rest assured that you and your firm will be anonymous and that the discussion taking place will be confidential unless you permit otherwise. Only me, my thesis partner, and our supervisor will have access to the material. Any information related to you will be coded and assessed as such. If you have any further questions, please do not hesitate to contact us via email - ____________________ or telephone - _______________

Your contributions will have valuable implications for theories, society, and practicality. Theories previously developed may be reinforced; information obtained may help institutional development in emerging economies; understanding how current firms cope and succeed in institutional voided environments may help potential firms understand how to cope in similar contexts thereby leading to economic development.

Thank you again for your time.

Kindest regards,

Monique Sieng Kao & Nils Bindler
Master Students at Umeå University, Sweden
Appendix 2 - Interview Guide

Interview Guide

Introduction

● Introduce ourselves
● Present the purpose of our study and what we want to achieve
● Highlight anonymity & confidentiality of the interviewee
● Ask for permission to record the interview
● Ask if they want to see the transcribed interview before we use it in our research

Background Information

● Please tell us about yourself and your relation to the company.
  ○ Academic background, professional background (abroad?)
  ○ Roles, responsibilities,
● Please tell us about your company.
  ○ History
  ○ Headquarters? Any international presence?
  ○ Company purpose & goals
  ○ Years operating
  ○ Number of employees
  ○ Annual turnover

Experiences in Cambodia

● Please tell us about why you wanted to start operations in this country.
● Please tell us about your experiences working in Cambodia.
  ○ Opportunities/benefits
    ■ In general
    ■ In economic transactions/social-cultural-political environment
  ○ Challenges/difficulties
    ■ In general
    ■ In economic transactions/social-cultural-political environment
    ■ Influences on initial goals/actions/purpose
● Please share with us your views and experiences in interacting with the political environment.
  ○ Interaction frequency
● Can you please share your thoughts about Cambodia’s laws, regulations, and enforcing mechanisms?
  ○ Can you think of any instances where it has failed you?
    ■ If yes, how did you handle the situation
● What do you believe is the most important factors to consider when doing business in Cambodia?
● What influences you most into a certain line of action in terms of decision making and strategies?
   ○ regulations, obligations, following the behavior of others?

Strategies & Responses
● When you started operating in Cambodia, had you created a specific strategy for the country or was it something that developed over time after starting your operations?
   ○ If created before - What did you take into consideration?
     ■ If developed after - What made you change your initial strategy?
● Can you explain what assets and capabilities your firm have?
   ■ Which have been critical for success?
   ■ Strengthen & Obtainment
   ○ Can you share with us how you use your assets and capabilities?
● To what extent do you believe relationships are important and useful?
   ○ Can you please share with us your relationships and how you’ve used them?
● To what extent do you believe reputation is important and useful?
   ○ Is reputation considered into your overall strategy or is it seen as a “by-product”
● Can you please share with us the issues you experience in bringing your goods and service into the market?
   ○ Process of obtaining goods/services for the end good/serves
   ○ Partner selection (how)
   ○ How do you make sure that your partners do not take advantage of you?
   ○ Are there any firms you work with or have worked that helps your current business? If so, how?
● Can you share with us if you’ve experienced opportunistic behaviors in the past?
   ○ What did you do?
● Can you please share with us the issues you experience in terms of financing, making investment decisions?
   ○ Can you explain how you funded or fund your initial and current operations? E.g. personal, angel investors, loans, friends & family, venture capitals etc.
   ○ How easy is it to obtain funds and make investment decisions?
     ■ How do you access information about investments?
● Can you share with us the issues you experience with regards accessing potential employees?
   ○ To what extent does your firm require an educated workforce?
- Skill requirement + obtainment

- Can you share your process of accessing and obtaining information and your views on its quality that you need to do business?
  - How easy do you find it to obtain economic, social, political information?
- To what degree have you experienced issues obtaining information in the past?
  - How do you obtain information about partners, suppliers, customers, investment decisions, changes in government regulations?
- What do you do to avoid uncertainty and shocks?
- How regulated is the industry you operate in?
  - How difficult is it to comply to all of these regulations without harming firm efficiency
- Can you share how you solve conflicts?
- Can you explain any charitable events you partake in?

**Outro**

Ask to see if the interviewee has any further comments on topics discussed.
Discuss any potential topics the interviewee feels we’ve missed.
Thank interviewees for taking the time and effort to be part of our research.

**Appendix 3 - Table 1: Cambodia’s Institutional Environment - the Nonmarket Institutions and Voids**

<table>
<thead>
<tr>
<th>Code</th>
<th>Nonmarket institutions and voids</th>
</tr>
</thead>
</table>
| P1   | - The environment is unstable, “it’s a disease” → something new always pops up, new laws/regulations or changes in laws/regulations because people in power have new interests that the firms have to keep up with  
  - Laws/regulations do not consider the Khmer people & their needs/abilities to respond to them = difficult to abide by  
  - Laws are taken from, e.g., US, Europe, Singapore, Malaysia, Australia when those in power sees a law that is appealing and implements it on top of old laws and regulations “like a building block”; complicates things  
  - Laws/regulations are created by different ministries that have an interest in creating their own laws/regulations. No unified body that makes laws for everyone  
  - The firm has to deal with a governmental authority (extremely powerful ones), they will never win because ultimately the government holds the power  
  - Connections are an underlying aspect of Cambodian culture |
| P2   | - In terms of working in Cambodia, “oh…it’s horrible”  
  - Not a lot of educated people because the country just came out of war, a lot of teenagers, but aren’t really focused on working (don’t have the right mindset), rich people don’t know how to start a business/work, only know how to spend money, medium class = farmers → 80% of the population are farmers, combination of these factors = opportunities  
  - “let’s say if I were uh to start an operation in Singapore for example, I’m...I’m...” |
no one compared to you know the other Singaporeans. All of them are like masters...PhD...very well educated, they know everything versus here...uh if I say “hey, drink this, it would make you beautiful”, they would believe it...so you can say that...uh...education-wise...it’s different. Cambodia versus uh Singapore. I mean, I’m competing against very you know maj...the number of people I’m competing against...it’s small compared to let’s say America or in Singapore.”

- Monetization of the dollar = good for investment, anything that affects the US “you’re in trouble”
- “But then the bad things are...let’s say...under table...yea...why...why is it bad? Because sometimes, there’s no clear what’s right, what’s wrong...they’re just like ‘hey, time to pay...hey, time to pay’. And what’s bad over here is there’s no cle...clear regulation, that’s what I’m trying to say, so uh for example the competitors are not paying taxes”
  - “whoever has money, whoever has a big shot behind them can do whatever they want”
- “Anything that the Prime Minister orders...usually will affect your price”
- Changes can be very fast - three days, one day...any regulation coming in will be very fast, there’s no process, no preparations, no nothing; PM orders smaller transportation cars, boom... all of the relevant authorities...that takes effect within 7 days; he can say it 7 days...or 3 days sometimes... got a heads up around 4 days after he announced this new regulation and the price went up 2 days after...just like that...and this regulation just increased like two weeks ago
- There was a case of property rights infringement whereby a manufacturer copied an element of the firm and they went to the government, the government said nothing can be done about it, so it’s hard to sue so they can copy
- Perception also plays an important role in doing business here e.g., brand from Vietnam - not a lot of people would want Vietnamese brand/product “because it’s perceived as let’s say...as a lemon...like it’s perceived cheap”

P3
- No clear framework for how business operate, legal aspects, tax aspects
- Getting the right licenses to set up a company was a very tedious process, going through different ministries, departments, and institutions.
  - “It almost feels like if they feel like charging you an X amount, that’s the amount, if they wanna charge you more, they certainly can ask for more”
- It did not feel like working with the government, more like working with private citizens. There is no set standard and regulation for working with these people, it depends on what they want to gain from the relationship, and their costs are based on what they want to charge.
- They hoped to sell a byproduct to bring back some capital. Spent a lot of money paying different taxes and so forth for the byproduct they hoped to sell, and in the end, it turned out you could not export it. Nothing could be done, and even though they had spent a lot of money, being told that if they do this and that, they would get a license to sell. The byproduct was, in the end, was destroyed because they could not sell it domestically either, as the costs of doing so outweighed any potential profits.
- Relied too much on consultants and other people do deal with legal issues.
- Language was an issue, as laws were not always available in English, had to rely on people to translate → no clear laws as well, unknown if it’s purposive → may be the case that the laws are left unclear for the policy-makers’ own benefits
  - Laws are kind of neglected partially because they are not readily available/easily understood
  - Sometimes regulations are not enforced strongly
- Government officials’ salaries are inadequate, or they have a job where they can exploit their position for their own benefit.
- Education is quite low

P4
- Opportunities are available in every sector due to having recently emerged from the war
- Easy to get work permits, culturally friendly to expats and it’s an easy place to to live on a “bunch of different metrics”
- “regulator rules are pretty strong,” supervision is key and the “laws are constantly
- Changing but very effective
- There’s a lot of misconception in the market that the government is difficult to work with, lack of transparency, etc., considers it counterintuitive because if “we compare ourselves to other neighboring countries, the regulators and the government are much more receptive to the private sector, it’s just that...you know...it’s a different way of doing things from...from the western standpoint”
- Labor is always a challenge when it comes to highly skilled labor and so what they’ve seen in this market is that there’s a lot of import of talent, expat workers coming into town to fill in the gap, returnees are coming back to Cambodia
  - local staff don’t share the same vision, almost like “the head of a lion and the body of a bird”...it’s kind of hard to see where things are going if the operations and the leadership are looking at things differently
- The rules are not written or if it’s written, it’s flexible depending on who’s reading the rules and sometimes not having any rules is good for business (advantage) largely because there’s no limitation on how things are done e.g., going back to technology, there’s no e-commerce laws yet which sounds like a bad thing but isn’t necessarily a bad thing; it just means that the private sector companies can essentially do as much as they want; “having no rules is an advantage...versus having rules...or having written rules”
- The government, the state-owned enterprises, they realize that they can’t do everything on their own...there’s a lot of forward thinking people within these places and so what they wanted to do is say that, they need to change the way that they do business...they need private sector investor to come in and say that here’s the things that they want to see in a well run company, regardless of who the shareholders are...the government
- There’s a lot of development that needs to take place for the Cambodian court to be on par with international standards e.g., HK or Singapore courts → when there’s arbitration, it’s easier to deal with abroad than in Cambodia
  - Every contract has a territory...if it’s in Cambodia “sorry dude, you’re in Cambodia” if it’s the law of Singapore arbitration at SIAC, you might have an out
- “people matters a lot more in this market”
- There’s a near term positive, there’s a bit of stability in the near term in a sense that there’s certainty around who’s going to be...the status quo will be in place for the most part

### P5

- “If we talk about managing staff...quite...that is a different way in my experience working. The quality of the staff...experience...they’re not that...their technical capabilities is quite challenging”
- “It’s not really competing even in Singapore I’m competing with other firm to partner with a bank for example”
- “my experience for the regulation, I think it’s fine”
- “If we want to register, I...and I want to do it by myself, I just hire a firm to do it. Even they digitize the whole process but there’s still a lot of thing you need to get done right if you know the trick to really get it done so why waste my time and register myself, I just ask somebody to do it.... just pay them a little bit for the professional fee. Tax compliance...I have my tax (indistinguishable word) doing it for me...so...regulation is not a problem”
- Process transparency → “not all...not all...not all, but um...I think...it’s not like Singapore, you know...take a few hours to complete everything but that few hours is done by a professional company secretary, it’s not by me...so...I think it’s ah...on paper it looks transparent but ah...the process is transparent but the time to complete is not really. They keep delaying, everything...you know where’s your document but it’s like it got stuck there”.
- “It’s really risky if you do it by them...yourself because you don’t understand the regulation so there could be a loophole there and you haven’t complied all...like if you register with the Ministry of Economy and Finance, the tax and if you doing agriculture, you need to get another license from the Ministry of Agriculture...so it’s like you need to know all the regulations. That’s why they consult with the lawyer, they consult with accounting firm, that’s...I think that’s uh the right way to do business. If you just like go by yourself, I...I...I... cannot say I know any... everything about Cambodia, especially if
“They are willing to work with us. They is mean national bank and uh Ministry of Post and Telecommunications. I keep in contact with them and the Ministry of Commerce and Finance. It’s like the right (indistinguishable words)...from my experience, working with the government is better than complaining about the government because most of the time private sector does not talk to the government so you don’t...will not be surprised that the regulation came out with something we don’t really expect because people don’t talk to the government so that’s...that’s how we...I don’t...I’m not really worried about that one because I’ve been talking to the national bank, to the Ministry of Post and Telecommunications...what are...what are our needs, you know...what type of regulation that come out that will be help us, not something copy from the neighboring country, because the neighboring country doesn’t have that regulation. Thailand doesn’t have...Vietnam doesn’t have...Singapore are looking at different way...Malaysian also doesn’t have that...so, it’s nowhere to copy it...ah...like there was a case that Australian have that but when ah there was a study visit there, there’s nothing there. So, this is quite new and it’s exciting, so I’m not really worried about that”

“Tax has been very strict at the moment, getting very tight and they enforcing more, which is good. Before, there was a lot of loophole so it giving space for the government official to...to really ah...get the unofficial payment but now...with more, they fill the gap of that...they fill that hole and they enforce more. I think the...the tax revenue really jump, the government tax revenue, which is very good for us as a business, I really...I support that initiative because one we pay everything. We don’t need to worry that we need to pay something else. Um...business registrations...licensing still a problem for most. We really don’t understand...”

“Um...licensing is very difficult. Most of the people don’t understand how to get a license, so registration is one thing. They...they said that uh register a business and running a business, starting a business and running a business is completely different. I don’t think starting a business is difficult in Cambodia, even we rank very low, but doing a business in term of getting a license to operate...that’s ah most of the business ah find it difficult. Here, to start a hotel, you...you run a hotel, there’s a license from ah Ministry of Tourism, but we don’t know who gonna have inspection you know, which authority will...which government offi...uh...institution have the authority to inspect your company...and...and that really create a lot of unofficial payment. So...so...the enforcing mechanism, the best one is tax, the rest still very limited...yea”.

“It’s not really the tax that...the custom... that is the problem. Tax, I think is even, but the custom is the problem because some...most of the people smuggling their good in. Here, if you talk about consumer electronic, if you pay full custom and you pay full tax (VAT’d?), you will be out of business very soon”

“It’s still...the problem is that the custom department and the tax department, even they’re under the same ministry, they don’t talk to each other. You cannot...the data is not synchronized”

“no... no... interministry ah...collaboration is still a way to go [hmm] to really sync. When I talk about custom and tax, they’re not interministry. It’s under the same one minister but it’s too difficult (indistinguishable word) ...there a lot of money in there too. So... you know...if...if you want to impose tax on consumer electronic, we need to get a data from custom. When the custom release the data, they don’t release for individual company, they release for the whole market, so...it...it doesn’t make any sense, the tax can’t do anything”
of awareness. On the government side, legal framework is written pretty good, but the dissemination about information is almost none. Because awareness is poor, it is easy to violate certain laws, which makes people angry. Enforcement is poor. Enforcement mechanisms are poor in the sense that most people do not really know the laws themselves and do not really know the penalties.

- The problem is mainly that government departments do not have the human resources to enforce all rules and laws, and to spread awareness
- Previously there has been low communication between government departments and the business community, something which has become better recently
- Even though the government is willing to improve, an issue is that the people in charge do not entirely know what they are doing - The people in charge do not have the correct skillsets, people get jobs without proper qualifications
  - “Form over substance is a cultural problem for Cambodia”
- Thinks the government needs to improve in providing easy access to information

### P7
- Politics = quite stable, a bit of issue regarding opposition party + upcoming election but still stable compared to previous election
- Interactions are normally with the related ministry, Ministry of Commerce...they are doing a much better job compared to the past years in terms of company registrations, now everything is going online, so it’s easier for the firm to do the check of the company, or check out the firm’s investors, whether the investors are real or not, the firm can check the investor’s company if they’re registered in Cambodia or not; in terms of the tax department, they are upgrading as well
- Available online tax payment, etc. gives them much more efficiency in their operations, don’t have to go and wait for them for hours just to pay taxes, now the firm can go to the bank and pay online through the bank; firm deals also a lot with the Ministry of Economy and Finance regarding licensing → protecting firm from unlicensed workers; now setting up training center for people to go/receive training and have the examination before they are allowed to do the registered business
- Rules/regulations are a headache, some people pay taxes whereas others don’t, needs to be much stricter enforcement to protect the company, there a no law/regulation = messy marketplace
  - Making regulations, P7 does not consider that it could happen instantly on whim of a government official
- Government support in terms of rules and regulations are the most important thing; if the government has set a proper policy/rules/regulation for business, it could be much fairer competition unlike right now because there is no enforcement to the licensing law, there’s no fair competition → it doesn’t encourage people to set up a company at all
- Government support in terms of training and education is also needed

### P8
- There is a culture of sharing
- Usually their real heart is not bad and don’t disturb them, but supporting infrastructure is not there
- Officials salaries are very low, systematic problem, not enough for them for survival. If there is no pocket money, people do not get paid enough
  - it is possible to stop, just needs to be a commitment to restructure
- Looks like a lot of bureaucracy, but they are not super strict in terms of implementation
  - Received little help and information from the ministries in terms of what to do, and what to do next
- Not enough laws yet, still need law to be set up, not just law but also procedures and guidelines; Lawmakers are making laws for the benefit of themselves
- They need enforcement, which is not really happening right now in Cambodia
- The way some laws are written is not practical, difficult to implement correctly
- Since laws are not correct, enforcement is not possible
- Things can happen rapidly, like when the government decided to alter how trucks are packed in Cambodia. No heads up for this change whatsoever, come to work in the morning and learn about the new truck regulation. Came into effect immediately as well
  - Some regulations can come from seemingly nowhere and take into effect immediately
| P9 | • Cambodia is under development, most laws are copied from other countries, lawmakers do not study and write their own law.  
• The government tries and educate the officials overseeing industries, so they can create proper regulations and laws.  
• Every audit the government tries to reassess to get more money, but they challenge it every time because they are doing everything right.  
• Modernized countries find that it is hard to do business in Cambodia, because people do not respect the law, but that is not the whole picture.  
• Whatever the rules say, they enforce. |
| P10 | • Being in the x sector, there are a lot of regulations to adhere to.  
  ○ “It’s how you approach compliance with the regulations as a whole”  
• X have adopted a lot of international best practice issues, it’s a matter of customizing them to Cambodia specifically, which takes time  
• Some uncertainty in terms of law enforcement → A problem is that regulations are borrowed internationally (using other best-practices), however they are not necessarily customized, tailored to the Cambodian environment; No real checks and balances like in the western world  
  ○ Some international funding money comes with strings attached in terms of implementing regulations which might not be suited for Cambodia  
• “Sometime the regulator does not understand where the spirit of their own regulation itself”  
  ○ This causes inconsistent enforcement, different officials might interpret differently  
  ○ Feel like they know better about regulations than those which enforce the rules  
• The framework as a whole exists in Cambodia, just needs to be tweaked for the Cambodian context  
• Most rulings are situational, no guarantee if you’ve been right before that it will happen again |
| P11 | • Now, it’s different after Cambodia joined ASEAN back in 2010 or 2009, a lot of rules Cambodia needs to follow - the ASEAN or AML from international is coming in...all the anti-money laundering things is getting in Cambodia so now it’s going to become a developed country, now even if you want to send 1k to Malaysia or Singapore, they will ask you the purpose...previously it’s been relaxed and now they’re kind of catching up  
• Experiences in interacting with them...it’s more of a casual type, not the same like developed countries - in developed countries you need to set up a meeting, need to have an agenda, need to have your whole company prepare proposals, everything; in Cambodia you could do it more casually...or simply approach the department and try to talk to the chief in charge and they will let you know...and based on connections...they will let you know how much!  
• X was started after the government closed x; basically the firm was the sole exclusive operator of x in Cambodia at that time and they had about x outlets across the country; in one day, in 24 hours, the firm closed all of the shops; there were no headsup → the reasoning was that the company was maybe affecting the citizens’ daily lives, e.g., students getting involved in x, people are not working, people have family issues  
• Law in Cambodia is improving all of these years, it’s getting better and even in enforcement of the law but they are adapting..Cambodian government is learning to execute all of these laws and because of the old habits e.g., someone is protected by someone, all of that need to be gone, they are trying to be more systematic from what the firm daily sees and daily dealings with them; the government is trying to become more professional in terms of governance and managing and it’s improving a lot  
• In terms of the degree of rule/regulation functionality, P11 thinks that everyone keeps on doing these things because the income for government officials or people in Cambodia, the salary is low; even the traffic police only get 120 something if he’s not mistaken and has been adjusted 3-4 years ago, in 2003 they only got 40 dollars per month for their salary and they need these things to survive and for businessmen/managers..they try to manipulate these things and try to get the benefit out of it  
• It can be beneficial and dangerous because they know that Cambodia is slowly
developing to be a more properly governed country, so all of these things may come back to you later on and this is something that they worry about in the not far future

- The government departments are still not aligned = it’s a little bit messy because each department..what they want is different or sometimes they want it fast; like the recent thing that happens to x...the ministry of taxation...they approach the company - so the company’s lawyer are telling the tax department that the company that the firm operate x so they are under the overseeing of MoI/MoF so they should be not be reporting to the tax department, so the tax department is saying otherwise...saying that they do not care about what business the firm is doing or you’re in Cambodia...you need to register with the tax department so the conflict there takes the firm about half a year...do they need to register or do they need to pay tax...more tax or anything else...the firm has their lawyer to sort it out with the tax department and MoF...the verdict is that the firm will wait till the new rules comes out later this year

P12

- In comparison to other countries in the region, “Cambodia is quite ahead in terms of the regulations, human resources, and also the government is also very supporting of the business community”
  - it’s a strong opportunity for the firm as entrepreneurs/business people to contribute to the development of the country and also to be a part of the solution - so they need to help find a better way to manage things
- The country is undergoing serious reform from the war-torn country to rebuilding infrastructure to rebuilding human resources so it’s still evolving; so when things are transforming or evolving, there’s some unclarity of the law/issues of law of enforcement because of the different capacity of the local government, the tax authority - many other things; there are so many things that they need to take care of
- Because of the nature of their industry, regulations do not really exist within Cambodia.
- The enforcement of the law is very difficult to enforce because the level difference in officers.
  - Enforcement is not always consistent with what the law says, because of different levels of understanding/knowledge about the law by the officer
  - When talking about the level, the education, the knowledge, the need of the family...the government officer...the lower government official - the law enforcement...you cannot say that the top say yes and then everyone will say yes...it’s different understanding/motivation but when you have a strong voice/strong support from the top, it’s much easier
- The government officers cannot live with the wage so there are some corruption that they have to deal with; in general it’s very very good but it’s not a perfect system in place because it just started and they have to learn to live with the situations

P13

- In terms of working with the public sector, there are definitely challenges, sometimes...the business friendliness of certain government is good...when it’s overly friendly, it could lead to a fragmentation of industries when the country/sector gives out too many licenses, it could result in sectors not having sufficient critical mass
- More regulations over the last few years, but “regulation is one thing, enforcement is another”
- See a younger generation of well educated Cambodians being placed into the next generation of roles whereby they are getting an active executive appointment
- Sees a greater sense of purpose driving the government compared to many years ago, but that doesn’t mean that it has flown all the way down to the ground hierarchy of the government; it takes time, to expect that things will change overnight...is a fallacy
- A lot of their drafting of Prakkahs (laws in Khmer) are based on what is being done in surrounding countries and customize it a bit; the laws are fairly broad, sometimes further clarity could be/always better, it terms of specific wording etc., in most other countries/developed countries, it is up to the courts to interpret the specific wording if it’s not clear enough or if it leads to disputes, but because of the lengthy court process...without clarity in the wording, without big parties willing to take it to court, business processes, it could be lengthen as result. Regarding enforcement, it’s the key to everything, P13 sees more and more enforcement being down whether from a tax perspective, etc. but there’s always a lot of room for the tightening of enforcement, but
it’s on the right trend

- Most important stakeholders would be the government - not a strong advocate/believer of a total free market, believe that the government plays a very significant role in directing resources, nudging things into a certain way, the social contract that between the people and the government has entered into, by virtue of effect, the government is a group of people that are selected by the people so naturally, as the leaders of the country, their interpretation of business culture/laws/directions that they are setting for the people = more important thing
- Industry is not regulated but this year they will come up with new regulations
  - New regulations → no company...no one likes to be controlled as individuals/companies; but from a macro perspective, P13 thinks that it’s a long-term interest for the entire sector/country to have a certain level of regulations, free play for all is not good
- “personally, salaries are generally low here, doesn’t matter if it’s private or public sector”

Appendix 4 - Table 2: Cambodia’s Institutional Environment - Information & Voids

<table>
<thead>
<tr>
<th>Code</th>
<th>Information &amp; Voids</th>
</tr>
</thead>
<tbody>
<tr>
<td>P1</td>
<td>When the company was first getting started, they had to travel around the country and talk to people to see what these people needed, then built a business based off that.</td>
</tr>
<tr>
<td>P2</td>
<td>If you’re a business owner, if you’re smart, you’ll know how to find your way, just gotta be curious, it’s either you want to know, or you don’t want to know.</td>
</tr>
<tr>
<td></td>
<td>If you’re not going to look for information yourself, you’re never going to find it, you have to look for it yourself.</td>
</tr>
<tr>
<td></td>
<td>Accessing information does not work the same way as in Western countries.</td>
</tr>
<tr>
<td></td>
<td>Little published information about companies (especially financial information).</td>
</tr>
<tr>
<td>P3</td>
<td>No clear framework for how business operate, legal aspects, tax aspects.</td>
</tr>
<tr>
<td></td>
<td>Finding basic information about reporting requirements is difficult, no central point of reference where all the information is provided.</td>
</tr>
<tr>
<td></td>
<td>Not clear what steps or departments were involved in the process of starting a company.</td>
</tr>
<tr>
<td></td>
<td>Information from the government and their websites is not always understandable or offer very little information.</td>
</tr>
<tr>
<td></td>
<td>Information found through Google is not always complete, usually missing specific details and the finer small-print, especially specific details pertaining to laws.</td>
</tr>
<tr>
<td></td>
<td>Sometimes finding information is actually easy, but difficult to assess the reliability of the information.</td>
</tr>
<tr>
<td></td>
<td>Firm have experienced being told one thing, not purposely being misinformed, and then finding out that was not actually the case.</td>
</tr>
<tr>
<td>P4</td>
<td>“You’re always going to be operating with limited information, that’s number one...so risk is inevitable”.</td>
</tr>
<tr>
<td></td>
<td>Hard to rely on publicly available information, relying solely on that you will be left in the dust.</td>
</tr>
<tr>
<td></td>
<td>Data is always historical, and in x, you’re always running ahead of the curve. The power of observation is highly crucial.</td>
</tr>
<tr>
<td></td>
<td>The internet is useful for information, trickier to access information from behind closed doors.</td>
</tr>
<tr>
<td>P5</td>
<td>“How many percents in manufacturing, agriculture, agro-processing...we don’t have that data. It’s a problem from our private sector side that not have the sufficient data to talk to the government”</td>
</tr>
</tbody>
</table>
| P6   | Even if you have access to information, it can be tricky to translate this information to


<table>
<thead>
<tr>
<th>Practice</th>
</tr>
</thead>
<tbody>
<tr>
<td>● Taxation information is very difficult to understand properly.</td>
</tr>
<tr>
<td>● You must seek for the information, otherwise you won’t get it.</td>
</tr>
<tr>
<td>● Poor awareness about regulations, 90% of business owners are unclear about processes to go through and taxes.</td>
</tr>
<tr>
<td>● There exists an organization that collects statistics, but not about everything.</td>
</tr>
<tr>
<td>● Research is very expensive</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>P7</th>
</tr>
</thead>
<tbody>
<tr>
<td>● Mainly finds information online, social media and Google. The issue is confirming the information found online.</td>
</tr>
<tr>
<td>● Secondary data is mainly unused due to validity issues, focuses on primary data.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>P8</th>
</tr>
</thead>
<tbody>
<tr>
<td>● Thanks to internet, it has become a little bit better than before, but still limited</td>
</tr>
<tr>
<td>● Information on the internet is very basic, not in-depth</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>P9</th>
</tr>
</thead>
<tbody>
<tr>
<td>● Finding information is difficult.</td>
</tr>
<tr>
<td>● Some information can be found on the internet, not very accurate, but might be able to dig further upon it.</td>
</tr>
<tr>
<td>○ Only 50% possible to rely on the internet.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>P10</th>
</tr>
</thead>
<tbody>
<tr>
<td>● Online information is very basic and not usually very depth, or what’s needed for a specific situation</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>P11</th>
</tr>
</thead>
<tbody>
<tr>
<td>● <em>Information cannot be found online as in Cambodia, does not think that the most of the government website is up to day except for airport website so even the National Bank can list the so called MicroFinance company name wrong in the national website, so in IT technology part for Cambodia, they still need to catch up quite a lot</em></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>P12</th>
</tr>
</thead>
<tbody>
<tr>
<td>● Industry information is not widely available.</td>
</tr>
<tr>
<td>● Public data is not easily available.</td>
</tr>
<tr>
<td>● Very tough to get information, still in a very emerging state, established data is not easily available.</td>
</tr>
<tr>
<td>● Some information/data can be drawn from online.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>P13</th>
</tr>
</thead>
<tbody>
<tr>
<td>● “The whole reason why emerging markets have greater return and greater risks is because of too much information asymmetry, and this... would allow people who could access to information to gain more out of it while minimizing the risk”; having more resources...it should allow P13 to get more information = monetize information</td>
</tr>
<tr>
<td>● The internet provides plenty of non-news, noninformation, provides plenty of nothing in this context, in emerging markets - public information is limited, information data quality is pretty bad and not much to be relied upon</td>
</tr>
</tbody>
</table>

### Appendix 5 - Table 3: Cambodia’s Institutional Environment - Market Institutions & Voids

<table>
<thead>
<tr>
<th>Code</th>
<th>Market Institutions &amp; Voids</th>
</tr>
</thead>
<tbody>
<tr>
<td>P1</td>
<td></td>
</tr>
<tr>
<td>P2</td>
<td>● Product market - Price and country of origin for a product matter immensely.</td>
</tr>
<tr>
<td></td>
<td>○ Outsources transporting to a partner.</td>
</tr>
<tr>
<td></td>
<td>○ Difficult to sell to x, have to go through x.</td>
</tr>
<tr>
<td></td>
<td>○ Due to seasonal preferences of x, diversification is crucial.</td>
</tr>
<tr>
<td></td>
<td>● Capital market institutions are underdeveloped, banks require high interest rates.</td>
</tr>
<tr>
<td></td>
<td>○ Dollarized economy - Good for investments but heavily affected by the U.S.</td>
</tr>
<tr>
<td></td>
<td>● Labor market is underdeveloped due to long lasting consequences of the Khmer Rogue.</td>
</tr>
<tr>
<td></td>
<td>○ Minimum wage has increased dramatically in the past 2-3 years, from $120 -&gt; $180/month.</td>
</tr>
<tr>
<td>Page</td>
<td>Text</td>
</tr>
<tr>
<td>------</td>
<td>------</td>
</tr>
</tbody>
</table>
| P3   | • Getting the right inputs was relatively easy - Cambodia is not a country where everything is available, most things can be found here  
• Finding local Khmers is an issue. Not a stable workforce. You must invest money or resources to train them to do the job. Also, not the most committed workforce, a lot of them will on a whim just leave, once they get paid. Not as driven, or career-minded as firm hoped. A lot of locals will work for a few months and then go somewhere else. |
| P4   | • Government has made a lot of headways connecting the major hubs through the highway system but there’s a lot of other facilities and niches infrastructure projects that need to happen  
• Labor is always a challenge - local staff don’t share the same vision, almost like ‘the head of a lion and the body of a bird’...it’s kind of hard to see where things are going if the operations and the leadership are looking at things differently  
  ○ ‘There is an issue with labor, you overpay for quality in this country, meaning that for the same labor, you might think that this person is pretty good so I could get them to join the company at a cheaper price than they would in Singapore...that’s not always the case, it’s hard to find people at the right price and then adding on top of that, the right values...it’s very difficult’ |
| P5   | • ‘It’s very difficult to raise funds in Cambodia because there probably a few investors in Cambodia’.  
  ○ ‘Most of the investors don’t understand Cambodia and the Cambodia is too small, 16 million... is too small...the market is too small’  
  ○ ‘The major challenge for SME in the region, it’s access to finance and secured lending without collateral’  
• ‘The quality of the staff, experience...they’re not that...their technical capabilities is quite challenging. Sometimes they don’t challenge them...challenge themselves enough’  
  ○ ‘attracting the best people was the main challenge’  
• ‘Most of them [Cambodians] are they call digital native comes straight into smartphone. Phone is the main ah the next thing and is it...it...it...work in Cambodia that way’.  
• ‘The electricity cost is very high. It’s higher than the...the nearing country. Sometimes access to electricity is a challenge as well. It’s not really the price but access to that’.  
• ‘lack of eh investor ecosystem here. The fund is not really available for Cambodian startups, the government doesn’t have the fund to invest in startup company’ |
| P6   | • Product market is a large problem - Needs to educate people. Has a big problem selling their products from the beginning because they do not have enough informed buyers. No hiccup in obtaining inputs  
• Very hard to find good employees, that’s why they only have less than 20 people working |
| P7   | • Unskilled labor force - require lots of training, no courses/schools at the university for this particular industry = no experience  
  ○ Recruiting is not easy for the firm; face some issues via trying to find experienced people to come and work for them but people with experience don’t really want to come and work for others - alway think that they can earn more by doing it by themselves, and they don’t need the license to work in this profession  
• There’s the issue with the service, most people don’t really see the value in it meaning that people believe that they can x by themselves, why do someone need to pay you for doing nothing; that is because of the market - all of the unlicensed x, they did not add value to the customer; for the firm - they are professionals, they are licensed → they go through the whole process so they try to add the value to their service but some customers don’t really understand, don’t see the value in it - and complaints of why they have to pay the firm 2-3% for the little work that the firm does; these customers don’t see the backend, they just see the frontend, they think that the firm doesn’t really do anything
so that’s really challenging

**P8**

- Very difficult to find right people - Human capital is also limited in the skills they have
- For the case of one company, people had their own x, they did not see the point of x. Had to provide education to those people so they know the effects of harmful substances. People are sometimes resistant to change, especially if they are poor. Even though the people would get discounts to use firm service, even though this was done, few people used it. Houses are quite big, and it looks like people are wealthy from the outside. But since they are loaning money, they are quite poor. They have their kids work overseas and loan money from them and no sustainable income. Take microloans which have incredibly high interest rates. Suggested that people need training to learn about loans, money management, and interest rates, micro-financing so they do not become bankrupt in the short term

- Challenges in technology, human capital, supporting infrastructure
  - Very difficult to find right people and human capital is limited in terms of skill; as well as limited sources of supplying to get technology
  - Very expensive to buy technology, also limited
  - Even though has very skilled employees, they do not have the right skill sets to handle certain issues, still need to utilize consultants for technology
  - Roads are underdeveloped, increases costs of logistics. Electricity costs also expensive
  - Difficult to find a proper distributor

- Access to finance is difficult in Cambodia as they usually use collateral. Usually collateral is needed for loans, houses. Interest rates are high. If your business has no income, banks are not interest in providing loans

- Employee behavior is different in different regions. Some workers will work for a month, get paid, and then leave and relax until the money's gone, and then come back
  - Technical jobs are very difficult to fill and retain them. The people employed do not have the skills first, so they need to be trained. Once they are trained, there is a high risk of headhunting. Very important to make sure employees are retained to not lose the specific employees. NDA’s do not work here, no point in signing

**P9**

- Rate competition, the selling price, is the biggest difficulty. A lot of competition in Cambodia, including international players who have presence all over the world (e.g. Chinese, Australian, American).

**P10**

- All their products need to be cleared by regulators. Preparing, understanding and complying with all regulations is a tricky process in the x sector as you can’t expect the regulators to say yes or no to your proposal

- Getting employees, is difficult. They do not think people have the right mindset yet which they are looking for. Their attitude and mindset have to be trained. Technical capacity is there, but not the right mindset. Changing the attitude is more difficult than training it from scratch. Wants their employees to focus on their own work and not spend too much time thinking about others.

**P11**

- On the financial side, in the past ten years it had been quite easy to wire money into Cambodia, so a lot of people chose Cambodia as a base in Asia because the money comes in easy, or if you want to wire out easily...legally through bank
  - It’s different from other countries e.g., Thailand next to Cambodia...you needed company, agreement, government money in order to wire in so much money...but this was 10 years back...not now...now you need to show that it’s legitimate money...so you could see a lot of companies opening/developing in Cambodia now so that’s one of the reasons why they chose this country

- Even the National Bank can list the so-called MicroFinance company name wrong in the national website, so in IT technology part for Cambodia, they still need to catch up quite a lot

**P12**

- Difficult to find employees, as they need a highly educated workforce.
- The population does not really understand how their service works
P13  ● HR, training and retaining talents that are vital to the success of firm, they basically bank on their human talents, getting the right people with the right attitude/skill sets - soft and hard skills is very difficult for x firm like them, sometimes very reluctantly have to bring them in from other countries, but coming from abroad...they bring their own mindset/mentality which is again a tough fit

Appendix 6 - Table 4: Cambodia’s Institutional Environment - Nonmarket-Market Relationship

<table>
<thead>
<tr>
<th>Code</th>
<th>Nonmarket-Market Relationship</th>
</tr>
</thead>
</table>
| P1   | Cultural + Market = Problems & issues can be resolved easily over a conversation which limits the necessity to elevate issues  
      | Government + Market = “Split the meat and feed the tiger” = which essentially means that if you have meat and you only eat it yourself, the tiger will eat you. If you don’t want to die, then you have to split the meat and share it with the tiger, so it will leave you alone.  
      | ○ Market strategies are not based off of the four ps (product, price, placement, promotion), they are based off of the six ps (product, price, placement, promotion, people, and power) |
| P2   | Government + Market = Minimum wage has increased within the past 2-3 years due to CPP wanting more votes from 120-180, not good for business owners but good for people; not good for investments/investors to come into due to increased labor costs.  
      | Government + Market = Government keeps increasing prices of x, within 6 months x increased 20% because of increased transportation costs.  
      | Government + Market = In one instance, the Prime Minister decided to regulate transportation vehicles which increased the price of distribution, everyone had 7 days to comply to the new regulation. |
| P3   | Government + Market = It took up to a year to get set up with x, compared to x where it takes an hour, or up to 24 hours to get all the right documents. In x and x there are agencies which can help with setting up a company, sometimes with readily available names, with set fees, $1,000-$1,500 for the service. This makes it difficult to acquire assets under the company name, as the company does not exist yet.  
      | ○ Could not get started because they had no proper company, e.g. buying assets, to what company should the invoice be charged. Signing leases could not be done without a company. Can’t work with consultants if one does not have a company name with the right documents.  
      | ○ Had to try and workaround most of the issues. Once you get started it is a tedious process to “tidying up” everything done whilst waiting for the proper paperwork. Taxation issues are hard, accounting issues are difficult as well when expenses are under personal names.  
      | Government + Social + Market = Difficult to work with officials, and at the same time lawyers, to verify that the information is correct, and then these two crossing paths would imply that the connections are not to be trusted = relationship is in jeopardy.  
      | Social + Market = Difficult. Culture has a lot to do with it. Finding local Khmers is an issue. Not a stable workforce. For one, education is quite low. |
| P4   | Government + Market = For people here who have limited budgets...could start a business without having all of the red tapes...to start a restaurant in San Francisco, you need 1 million dollars, 500,000 USD goes into liquor license which is a paper that allows you to sell alcohol, here you just need a bunch of bottles of liquor..there you go, that’s your business  
      | Social + Market = Labor is always a challenge when it comes to highly skilled labor and so what they’ve seen in this market is that there’s a lot of import of talent, expat workers coming into town to fill in the gap, returnees are coming back to Cambodia  
      | Government + Market = The rules are not written or if it’s written, it’s flexible depending |
on who’s reading the rules and sometimes not having any rules is good for business (advantage) largely because there’s no limitation on how things are done e.g., technology, there’s no e-commerce laws yet which sounds like a bad thing but isn’t necessarily a bad things; it just means that the private sector companies can essentially do as much as they want: “having no rules is an advantage...versus having rules...or having written rules”

<table>
<thead>
<tr>
<th>Component</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cultural + Market</td>
<td>“For the average Cambodian staff, their decision making in terms of joining a company is the name, the salary and the office - do you tell your parents that you’re joining a startup in this culture or tell them that you’re joining the biggest conglomerate e.g., Chip Mong, you’re parents would say to join Chip Mong...they do good work, so you can’t discount the power of family decision making in a place like this”</td>
</tr>
<tr>
<td>Government + Market</td>
<td>“last year, the National Bank of Cambodia or rather the leadership of the country decided to cap the rates of banks, it’s almost like you can’t as a business charge a person above a certain level, a price ceiling”</td>
</tr>
</tbody>
</table>

P5

<table>
<thead>
<tr>
<th>Component</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social/Cultural + Market</td>
<td>“traditional technology business, it’s like desktop application and all that, which is not a good idea coming to Cambodia. Most of them are they call digital native comes straight into smartphone. Phone is the main ah the next thing and is it...it...it...work in Cambodia that way”</td>
</tr>
<tr>
<td>Social/Cultural + Market</td>
<td>“The quality of the staff, experience...they’re not that...their technical capabilities is quite challenging. Sometimes they don’t challenge them...challenge themselves enough”</td>
</tr>
<tr>
<td>Social/Cultural + Market</td>
<td>“it’s all rich people here (laugh). And they willing to put money in but just a silent partner. Yea...yea...just put money in and expect a return.”</td>
</tr>
</tbody>
</table>

P6

<table>
<thead>
<tr>
<th>Component</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government + Market</td>
<td>Taxes are a bit tricky as well → Either it was designed in an unclear way, or they did not have a sufficient budget to provide awareness to people = Everyone that does business in Cambodia has at least one time or another been slapped with a penalty for not filing taxes properly</td>
</tr>
<tr>
<td>Government + Market</td>
<td>If small businesses don’t do everything properly they will go bankrupt very quickly</td>
</tr>
<tr>
<td>Government + Market</td>
<td>Political environment does not affect day to day to operations. When political situation is not stable, people are not buying as much, people do not invest in Cambodia and it affects sales</td>
</tr>
<tr>
<td>Government + Market</td>
<td>The problem is mainly that government departments do not have the human resources to enforce all rules and laws, and to spread awareness = lack of awareness + negligence = penalties = harm firm efficiency</td>
</tr>
<tr>
<td>Social + Market</td>
<td>You have to bring value today as customers are becoming “less stupid”</td>
</tr>
<tr>
<td>Social + Market</td>
<td>Big problem is bringing new concepts to the market because P6 is slightly ahead of the time - need to educate people</td>
</tr>
<tr>
<td>Government + Market</td>
<td>If you ask the government for information, they will probably want some money, and it takes time to get it</td>
</tr>
</tbody>
</table>

P7

<table>
<thead>
<tr>
<th>Component</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Society + Market</td>
<td>Industry is booming, demand is high due to “the medium age is about 24.9-24.5 or something”</td>
</tr>
<tr>
<td>Government + Market</td>
<td>The rules and regulations are not strictly implemented here, everyone can do what the firm does without requiring licensing = make same money, don’t have to pay tax, no operations cost</td>
</tr>
<tr>
<td>Social + Market</td>
<td>Unskilled labor force - require lots of training, no courses/schools at the university for this particular industry = no experience</td>
</tr>
</tbody>
</table>

P8

<table>
<thead>
<tr>
<th>Component</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government + Market</td>
<td>A lot of opportunities, few countries allow private sector to provide x service</td>
</tr>
<tr>
<td>Government + Market</td>
<td>The government does not have any supporting funds for businesses → government do not disturb them, but no support</td>
</tr>
<tr>
<td>Government + Market</td>
<td>Document processing is also underdeveloped</td>
</tr>
<tr>
<td>Government + Market</td>
<td>“If there is no pocket money, your paper never come out”</td>
</tr>
<tr>
<td>Government + Market</td>
<td>It has become normal culture, or rather a habit, in the way of doing business that</td>
</tr>
</tbody>
</table>
people need to accept

- Government + Market = Challenge is knowing where to go and what to do when setting up your business
- Government + Market = Sometimes the political environment can affect businesses, order them to do certain things in their favor which harms the business, e.g. requiring lower prices for x
  - If you don’t comply, you are out of business
- Social + Market = For the case of one company, people had their own x, they did not see the point of x. Had to provide education to those people so they know the effects of harmful substances. People are sometimes resistant to change, especially if they are poor. Even though the people would get discounts to use firm service, even though this was done, few people used it. Houses are quite big, and it looks like people are wealthy from the outside. But since they are loaning money, they are quite poor. They have their kids work overseas and loan money from them and no sustainable income. Take microloans which have incredibly high interest rates. Suggested that people need training to learn about loans, money management, and interest rates, micro-financing so they do not become bankrupt in the short term

| P9   | Government + market = Every audit the government tries to reassess to get more money, but they challenge it every time because they are doing everything right. |
| P10  | Government + Market = All their products need to be cleared by regulators. Preparing, understanding and complying with all regulations is a tricky process in the x sector as you can’t expect the regulators to say yes or no to your proposal |
| P11  | Government + Social + Market = x was started after the government closed x; basically the firm was the sole exclusive operator of x in Cambodia at that time and they had about x outlets across the country; in one day, in 24 hours, the firm closed all of the shops; there were no heads-up → the reasoning was that the company was maybe affecting the citizens’ daily lives, e.g., students getting involved in x, people are not working, people have family issues - this is not really the main reason, to the firm it was just an excuse to close them down. The main reason...how to say...the firm has been doing their business exclusively for quite a long time and that’s a company mistake by the boss last time → the firm earned a lot of money but were not doing anything for the society so that was one of the points that they need to close down but they learned from that and just evolved and are doing something else now |
|      | Government + Social + Market = In terms of the degree of rule/regulation functionality, P11 thinks that everyone keeps on doing these things because the income for government officials or people in Cambodia, the salary is low; even the traffic police only get 120 something if not mistaken and has been adjusted 3-4 years ago, in 2003 they only got 40 dollars per month for their salary and they need these things to survive and for businessmen/managers. They try to manipulate these things and try to get the benefit out of it |
|      | Government + Market = The government departments are still not aligned so they might need more time from the company’s side...send people to each department to get more information on how they want to do, and they will try to cope with what they request |
|      | ○ If information is received by the firm that comes into conflict with each other, the firm will go back to MoI/MoF, the initial two department that oversees the x in Cambodia because they are the pioneer in managing x in Cambodia |
| P12  | Government + Market = Enforcement is inconsistent due to various levels of knowledge about the laws being enforced. |
|      | Social + Market = Their intended consumers are not educated in terms of the service they are providing. Had to educate them. |
| P13  | Social + Market = HR, training and retaining talents that are vital to the success of firm, they basically bank on their human talents, getting the right people with the right attitude/skill sets - soft and hard skills is very difficult for x firm like them, sometimes very reluctantly have to bring them in from other countries, but coming from abroad...they bring their own mindset/mentality which is again a tough fit |
● Social + Market = In terms of business processes...education in terms of educating companies...the need to conform to certain international standards of corporate government... “it’s mind baffling, the whole process”, getting them to see that it’s for their long term benefits rather than short-term tax gains, it takes a lot of education/re-education “a lot of brainwashing on their end”

● Government + Market = When specific Prakkahs are not clear, it results in them having to bring in lawyers, arbitrators to clearly define it, and it result it more cost/time

Appendix 7 - Table 5: Principle of Firm Strategizing Processes - Institutional Effects

<table>
<thead>
<tr>
<th>Code</th>
<th>Institutional Effects</th>
</tr>
</thead>
<tbody>
<tr>
<td>P1</td>
<td>The firm has to deal with a governmental authority (extremely powerful ones), they will never win because ultimately the government holds the power</td>
</tr>
<tr>
<td></td>
<td>They have to oblige the governing forces</td>
</tr>
<tr>
<td></td>
<td>All problem solving is predominantly done over a discussion whereby the firm and those they interact with try to understand each other without bringing in regulative institutions</td>
</tr>
<tr>
<td></td>
<td>Problem solving through monetary exchange is a common occurrence</td>
</tr>
<tr>
<td></td>
<td>Interviewee explained they make charitable donations to the red cross → further stating that if they refuse, powerful people would look at them and that is not good</td>
</tr>
<tr>
<td>P2</td>
<td>Regulations affect the business by e.g. forcing increases in x costs</td>
</tr>
<tr>
<td></td>
<td>Finds this information by themselves or through their network</td>
</tr>
<tr>
<td></td>
<td>Uneven taxation in the industry, most competitors do not pay full tax which harms their competitive capabilities if they want to pay 100% taxes, so they don’t.</td>
</tr>
<tr>
<td></td>
<td>Over here in Cambodia when there’s any problems, solve it between the parties, because the moment you go to court, it will never go anywhere, the court will just suck the money, that’s it - if someone has more power over the court, they would usually win.</td>
</tr>
<tr>
<td>P3</td>
<td>If you want to do business in Cambodia, you have to have some connections with the political sphere</td>
</tr>
<tr>
<td></td>
<td>Regulations affect decisions and strategies every step of the way → Sometimes regulations are not enforced strongly, and they can kind of avoid going down that step, or ignore that, or deal with it when it comes up. In most cases their actions are confined by what they can and cannot do</td>
</tr>
<tr>
<td></td>
<td>Due to unclear processes, firm engaged in discussion with other successful firms surrounding them - learning their process of starting, difficulties, what to watch out for; look at what others are doing within the same industry and learn from them</td>
</tr>
<tr>
<td></td>
<td>“you have to play the game, that’s basically it, if you are not playing the game you might as well go home” If you say no, nothing will get done, so you must pay”</td>
</tr>
<tr>
<td></td>
<td>If there are conflicts, you establish who’s in the wrong. What’s the reason for the conflict. If it’s with the government, you must listen to them.</td>
</tr>
<tr>
<td>P4</td>
<td>the relationship in this town/country is a long-term thing and if you’re kind of going for a short/quick win, you might burn a bridge and so they never want to do that, and so the best relationship are the ones that we already have - takes time to build personal relationships with various people and that’s so surprise, that’s in every country</td>
</tr>
<tr>
<td></td>
<td>you don’t take advantage of people for short term, you don’t exploit others, you don’t burn bridges - those things are your responsibility to people around and going back to philosophically, it’s even more important here than in Western countries because it’s a family based... society based culture, and if you’re not doing that well, then it’s going to come and bite you in the butt</td>
</tr>
<tr>
<td></td>
<td>Taints your family your name in a sense if your family business isn’t behaving or doing well, then family name will suffer and is exacerbated by the size of this town, small place, everyone knows each other, if anything, there’s more incentive to not ruin the name</td>
</tr>
</tbody>
</table>
|      | “you can’t take the thinking of these people and impose it on those people...that’s
Partially called colonialism:

- "being high-mindedness is a sure way of being irrelevant"
- If you impose that corporate mindset (referring to America), it's a big market - and you carve a little niche and then your business is all done and good... the rules of the game is pretty clear cut but there's always people who seek loopholes,... but for the most part, the rules are set; if you turn back to Cambodia and how things are done here, and if you kind of take those rules and bring it here, there's going to be challenges.

| P5 | Uses connections to access information which is not readily available. |
| P6 | Now that the government has become stricter, consultancies are becoming even more prevalent because they can get taxes filed correctly |
|     | You have to work within the government framework. If you want to be successful in Cambodia, you must follow rules as much as possible, so as to not allow the government to break you |
|     | Copy paste is not possible, you need to customize your strategy. You need to do extensive market research before coming here. You need to change your dominant logic. |
| P7 | Rules and regulations has a very strong influence to firm planning, strategies, actions because if one day the government says the firm cannot operate the business without...x...x...x..., then the firm’s model will have to change |
|     | Moral obligation to do business ethically |
|     | Firm uses relationships to achieve their means - e.g., relationship with the government is important, if you want to something to go through quick/fast/efficient, you have to know someone inside, and by knowing that person you have less headache in terms of processing certain documents or needing some help |
|     | External conflicts, will first try to seek help from the people in the network, e.g., conflict with the government in certain ministries - check with source on how to solve that conflict, e.g., tax penalty - will go to the tax people that is in network group and see how how to solve that conflict; would not go directly to solve that conflict individually: in that kind of external environment, you need to know someone to help solve the problem |

| P8 | Sometimes the political environment can affect businesses, order them to do certain things in their favor which harms the business, e.g. requiring lower prices for x |
|     | If you don’t comply, you are out of business |
|     | “We all are followers without knowing ourselves” |
|     | Document processing is also underdeveloped, exporting is also difficult with unofficial costs, “If there is no pocket money, your paper never come out”. “It has become normal culture, or rather a habit, in the way of doing business that people need to accept” |
|     | Believes most other people are also paying unregistered expenses |
|     | If P8 stops with pocket money right now, the business would die |
|     | Unregistered expenses are always there, hurry or no hurry. If you are in a real hurry, then it might be a bit higher. |
|     | Relationships are important to establish distributors, was talking to a friend who it turned out could help get their products distributed |

| P9 | They are an international company, and follow international accounting and financing standards, which means that local practices will not affect their business |
|     | Uses relationships to find information and to avoid paying extra money for certain benefits |
|     | Relationships are also used to get in touch with people who would otherwise not take the time |
|     | “If you have reputation, people will give you a face” |
|     | Most of the time decisions will be made because of favors, such as lowering a rate, if they do not lower the rate, a competitor will poach the customer. Obligation to their clients to provide them the service. |

| P10 | |

110
P11

- The major factor if you want to be successful within any business, it’s information and connections
- Basically, regulations need to follow by the book but the firm is good with the tax department...that they can lower the turnover/volume, the tax paid may be lowered - benefits is obtained based on connections
- Just basically meet up in person and talk with them to see what is the best scenario; not like the developed country...don’t need to make an appointment, just call, just ask them where to meet up..need to discuss this or that...straight away just meet up, and see what’s the best way to solve the problem; don’t go to court over conflict...all of the companies/enterprises in Cambodia doesn’t like to go to court “because it would drag you a long...long way”, some cases might take up to a few years and it might affect your business, to a businessman or enterprise, they wish to settle the problem immediately; that’s what he thinks that most of the people want...just don’t drag the thing too long

P12

- In terms of checking the validity of certain partners, they have to ask around to get information about them.
- It’s very important to keep close relations/communications and solve the conflict when it is small, when they meet and talk regularly, conflict will never happen; legal system never been brought into the conflict because in Cambodia, especially in Cambodia...they avoid going to the legal system for the conflict because there wouldn’t a solution so you would spend a lot of time/money to resolve that conflict so it’s better to solve the conflict within the party
- Understanding the locals, the laws/regulations - how things work here is very important...cannot copy and paste what you do successfully in other countries in Cambodia, e.g, in America maybe very successful, but come here you take everything there to here...it won’t work so you have to find...need to really have a team of locals that really understand how the local market work/regulations work/how you solve a problem...that’s the most important

P13

- Regulations/laws influences everything, “to me laws and regulations are the cornerstones of society, of the way we look at investments, without understanding how the...the parameters of a certain sector or a certain country...is...I can’t play...I can’t x” - will need to know all of the parameters, and try to P13’s best to work alongside the parameters to maximize things out of it
- Unregistered expenses...it would be a lie to say that there are totally no unregistered expenses, don’t believe that there are any firms here has no unregistered expenses; but will say that in emerging markets, “it’s understandable if there are certain convenience fees, small ones to lubricate the mechanics of things, so long as its uh...uh...you know..just for that little bit of oil and grease to grease the nuts and bolts”, “but nothing...nothing of a...if it’s over certain boundaries, I would not accept it as matter of principle”; convenience fees - personally, salaries are generally low here, doesn’t matter if it’s private or public sector, sometimes if...if helping a little bit in terms of the daily livelihood...can make their working environment a bit better...don’t want to see something...it could just be a extra starbucks for [P13] in terms of the convenience fees
- “poking a hole in one cobweb will strain the rest of the threads and you’ll just break in eventually”

Appendix 8 - Table 6: Principle of Firm Strategizing Processes - RBV Effects

<table>
<thead>
<tr>
<th>Code</th>
<th>RBV Effects</th>
</tr>
</thead>
</table>
| P1   | - Have a good understanding of the customs/culture/language  
      - Cash and connections to be the most important resources = money talks and every step of a process requires some form of monetary exchange whether small or large; and connections  
        ○ Both are required, without one or the other - the resources are useless → together these foster reputation, which helps the firm obtain more business opportunities |
(makes it more appealing for other firms to want to work with these firms)
- Reputation is quite important in a society that consistently monitors you and you need the other two to maintain the level of reputation that is consistent with the status that society has given you
- In terms of the connections - interviewee only uses them when issues are way out of sphere of influence (which is extremely rare), interviewee said if connections are used at every turn, it won’t be as powerful and useful

### P2
- Must understand consumer preferences, perceptions, and behavior
- Reputation is incredibly important, you have to build reputation in Cambodia
- To succeed, gotta have money - no money, no capital, no nothing. “That’s the blood... that’s the vein of your business”.
- Connections are one of the number one factors, trying to get in touch with people requires going to the top of their organization.

### P3
- It is a given for Cambodia, you need to have some type of political connections.
- Research was not really on how to do business in Cambodia, kind of bypassed that step, mainly because they had connections which could sort it out.
- “Establish strong connections, especially with people within the government”
- Had capital from successful business, had smart people within the company who could execute, did not begin with expertise within x
- Good management team
- Your own reputation is always useful. When you are coming to a new country, no one knows who you are, you then develop your own reputation how you deal with people locally. Reputation of your connections is very important. As you start doing business reputation becomes more important as people do not want to do business with irrefutable companies

### P4
- Firm knows the x sector very well and the people in there, and knows how to run x very well because they came from abroad; and other people abroad can have the same technical expertise, people domestically knows how to run x, who the regulators are...but the firm tries to combine the two - it’s tougher to have both; it’s also a network affect → the firm established their name, relationship and because they have went through the first phase, people are referring businesses to them → and hopefully that continues to the case that the firm is known for x in the market, but that’s not to say that no one can do what the firm does because that’s probably hubris
- The firm has a concerted effort to be out in the market, in terms of reputation building, the biggest thing that makes the biggest difference in the market is your client and what they say about you, if the clients are happy and they speak favorable about the firm, that’s the most marketing that they could do → those things are reputational, marketing, and relationship building for the firm and the community that is a competitive advantage as well that takes time, doesn’t really generate profits per say, very low ROL...

### P5
- Has very strong human resources.
- Strong Branding.

### P6
- Views there to be huge opportunities due to being born/raised in Cambodia = get access to info/local knowledge/understand culture
  - local knowledge = can look for and identify gaps
- Clear mindset and clear directions of what to do
- Not extremely hierarchical, following more of a flat structure like western world, trying to listen to employees and take their opinion into consideration
- Part owns a supporting company P6 started to understand the costs and be able to compete with the big competitors
- Have human resources - team is most important
- In any business relationship is very important. You need to open many doors for business. Without relationships you will be isolated. Important everywhere, but maybe more so in Asia. In the west, P6 can just shoot people an email to get in touch, in Cambodia that does not happen. In Asia, to talk to someone you have to know someone
- Has not spent a penny on advertising or marketing, does not believe in it. When you do a...
good job, people hear about it → Reputation is integral to the company and their strategy. Reputation is what they use for marketing/advertising.

| P7    | • Because of it being P7’s home country, speaking the same language, knowing the culture = more comfort for P7  
|       | • Firm can say that are now one of the top x for x... have experiences, team is composed of good people - partners are supportive/bring to the business their skill sets that support firm activities  
|       | • Relationships are very important → “I believe in the 80-20 rule where you don’t have to go and know everyone, you just know a few people and those few people give you 80% of the business”  
|       | • Always try to maintain reputation not to do something wrong even if it costs money, P7 has to maintain reputation; and in this regard still believes in the 80-20 rules, “whatever I did over the past years, 80% of my effort, I get only 20% the result; but because I try to maintain that rep...that reputation, everybody knows who I am, knows like the brand...my branding, they know...uh...now I just do 20% of the work and I get 80% of the business”  
|       | • Has connections in other countries, e.g., mentor in Singapore to help train if leadership cannot manage |

| P8    | • Team is valuable, people are most important  
|       | • “If I have good relationship with myself, then all the other relationship will go well by itself”  
|       | • Reputation is very important → True reputation is knowing you are doing the right thing, does not like advertise company |

| P9    | • “They have knowledge and can use it, that’s their opportunity. They are able to use the right knowledge in the right field.”  
|       | • Relationships are almost 100% useful and important. If you have a connection you do not have to pay extra money to get certain benefits in Cambodia, such as getting paperwork filed in 1-2 days instead of 2 weeks.  
|       | • “If you have reputation, people will give you a face”  
|       |   • Having a good reputation might allow you to get in touch with people  
|       |   • Following international standards is good to build this positive, by the books reputation. This helps them in their tax audits. |

| P10   | • Financial strength, long-term investment from their shareholders, young generation of their team; Their shareholders has a reliable source of funds and are not just looking for a quick profit. They are expanding a lot and can not expect a short-term profit. Combines knowledge about both their technology and on its capability & limitations in terms of practical use.  
|       | • Relationships are important “To the extent that it won’t compromise your core value”  
|       |   • Need a right mix between personal and professional  
|       | • Reputation is the most important → without trust, the public won’t give them what they need |

| P11   | • The major factor if you want to be successful within any business, it’s information and connections  
|       |   • It’s about how you keep your connections with all of the people e.g., Ministries of Finance/Interior so they’re the people that are governing the x sector so if you are close to them, that is for your company’s safety so even if your competitors are doing something, you would know, so that’s why the firm tries to keep all of these connections close  
|       | • The firm just built a lot of space and rent to x; in term of the intangible capabilities - firm’s service to the renting to x is make sure that they are working legally in Cambodia, safeguard their safety, staff...because the x industry is kind of in the grey area...the firm needs to provide for them/show to them.....in terms of consultancy, the firm doesn’t act as consultant to these parties’ businesses but locally, yes...have a lot of enquiries e.g., whether they need to open companies here, would like to invest here and based off of the experience the firm has in Cambodia, the parties will approach the firm and seek the firm’s advice |
• Connections are not mandatory, can survive without connections but this is just a so-called protection for your own company, to investments, self. "like uh...you..you are try to wear kevlar vest and the other one without any connections just go naked...nothing"
• Reputation is very important as this will show to the firm’s client/tenant that the firm is capable of solving problems for them in terms of e.g., small/major things - investing, etc. Reputation is very important in their line and they need to protect their tenants e.g., workers are well prepared/registered with the government sector, so government people don’t have the chance to arrest the staff because they failed to register...these kind of small things affect reputation a lot so they need to take care of these quite carefully
  ○ When you do a mistake...bad things spread fast

P12
• Understands the locals, and laws and regulations. How things work here is very important.
• Always tries to understand key drivers of the economy, things in the market.
• Having good people, and a local network, who understand the local context is an advantage

P13
• Human talents are their only assets per say, and of course human talents that are focused/trained/and who knows exactly what they are out to achieve. Operational experience are the firm’s capabilities...it is everything → on the ground...having a couple of years in this region distinguishes x here and x from a more developed market
• Relationships, it is everything because what they are dealing with is people...businesses are about people...contracts are all about relationships, relationships is everything. P13 looks at the world as a complex web of relationships, “poking a hole in one cobweb will strain the rest of the threads and you’ll just break in eventually” so every single relationship with different stakeholders is important
• Reputation is very important, would usually steer clear of large conglomerates here that are not deemed to be the best partners so P13 does believe in doing things the right way, not just because it’s a reward in itself but because don’t want to get a bad rep for the self

Appendix 9 - Table 7: Strategies - Market Internalization Strategy

<table>
<thead>
<tr>
<th>Code</th>
<th>Market Internalization Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>P1</td>
<td>Employees are internally trained</td>
</tr>
</tbody>
</table>
| P2   | Prefers to train staff themselves as the most important aspect for employees is having the right mindset. Anything can be learned, it’s all on the person.  
  Staff are mainly found through referrals from friends and staff - agencies are expensive and take a long time  
  In charge of their own marketing via establishing a new marketing division → “it’s not their baby...how...what do I mean by that is they don’t know how to take care of your products as...as much as yourself”  
  Partner in charge of [x] works in the government position, partner’s boss is the head of the [x] department so that’s how the firm get good discounts on the [x]; illegal for a government official to create a business but it’s under wife’s name but partner in charge of the operations  
  There’s an exchange house around Olympic Area where all the Chinese people and everyone...this is the business area, transfer money...it’s cheaper to transfer money through them in a traditional way  
  ○ Firm has around 2 houses they can borrow from  
  ○ Exchange houses are not loan sharks, they transfer money but it’s one of the services these exchange houses offer but the firm has to know them...after using their transfer service constantly, they offer these kinds of services to help you (private service); they don’t do it for everyone (mutual helping)  
  ○ Relationship went from business to personal |
| P3 | • Employees are internally trained; No type of agencies or job listings |
| P4 | • Due to the nature of the firm in dealing with what they do, firm uses business groups/network groups - "you guys are going in, you buying it? I’ll buy it too, that type of thing" |
| P5 | • "[In reference to employees] we tend to build from like kind of blank page and then we can write a lot of thing on it. Shape them the way we want them to go”  
  • "At the moment I’m using my company fund to invest in this. And to go further, I need to find somebody else. I’m using that personal relationship to get uh funding in.” |
| P6 | • Partner in a supporting company, P6 started to understand the costs and be able to compete with the big competitors - brought the capital and P6’s partner brought the skills, split profit  
  • Funded initial operations through selling some private assets. Also raised money through informal relations.  
  • The current employees came from P6’s network - from other top companies/industries = headhunts |
| P7 | • Firm have network abroad that refers them business & vice versa; have business partner in a supporting industry → supports their core activity = brings skillset to the firm  
  → partner also facilitates connections to different people so if the firm wants to do something that is beyond their capacity, they can approach these partners who will then link them to others to come and help  
  • In terms of the staff, the staff are trained by regulating training schedule e.g., when there’s a new project coming in, first the firm trains them on the product of the project, then establish training techniques by x manager → train every week (Monday), bring in the team and brief them about the challenges they face and then try to give them some new ideas of how to deal with those challenges  
  ○ Brings staff overseas to train as well  
  • Employees are found through networking or referral - if one person is recruited, the firm tries to get that person to introduce to the firm people that they know → personally prefers personal introduction from friends or from people that the firm know  
  • Initially, P7 came out with the idea/business proposals and proceeded to talked to partners and they were all interested in the proposal and so they were the ones who injected the funds in so essentially, they are angel investors - have a share in the company; these angel investors have the power to make decisions, but the main decisions are left to P7 |
| P8 | • Relationships are important to establish distributors, was talking to a friend who it turned out could help get their products distributed  
  • Borrowed some money from relative  
  • Mixture of internal and external training |
| P9 | • The Cambodian operation was funded internally (through the owner).  
  • Prefers to hire fresh graduates from University, everyone gets training within the company. Sometimes training is done externally. |
| P10 | • All funded from their shareholders, all personal |
| P11 | • Initial funds were from the boss, because boss earned quite some money in the past on the x...so every money is in Cambodia; could say it’s personal investment from the x’s boss...currently now...current operations is funded from earnings because x’s boss makes a very big pool  
  • Employees are obtained from ex-colleagues, from website...there’s a very good human resource website in Cambodia called CamHR.... employees are both local/expats; website allows for the firm to post any employment you want on the website and people will approach you  
  • If they obtain an experienced staff, the staff can start to work any time, so they don’t have to spend the 1.5 months to train the staff...firm will have managers to arrange a time |
The company was initially funded internally through one of their other companies and privately.
Conducts a lot of onsite training, sometimes bringing them abroad.
Network is the key to finding employees. Instead of advertising for a position, they ask around.

Limited partners have their own very strong networks of companies/relationships regionally/globally...in the working world...relationships is everything → sometimes it’s just a matter of a phone call, then they can get contact to this or that, get a certain company overseas to do a certain due diligence or help them understand whether this potential x is going to be a dud or going to be a unicorn

Initial operations are from own pocket
They have been hiring largely from word of mouth, recommendations

Appendix 10 - Table 8: Strategies - Market Substitution Strategy

<table>
<thead>
<tr>
<th>Code</th>
<th>Market Substitution Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>P1</td>
<td>● Obtaining information got easier via internet (partner’s credibility, reputation, activities can generally be found on the internet), through discussion with business associates, friends over meals, etc.</td>
</tr>
</tbody>
</table>
| P2   | ● In terms of partner selection, you must do some research and ask around to check these partners and their trustworthiness.  
  ● Conducts their own market research to get information  
  ● Gets information from their suppliers - “It’s just relationships, once you get into this business, it’s just very small”. |
| P3   | ● To verify that that connections can do what they claim, you must cross-reference with other connections. It’s a small social community, everybody knows people to some extent.  
  ● Had to rely on connections to find that information. It’s easy in the sense that you can just call a connection and ask for information  
    ○ You cannot just go to a department, find a reception and ask for information, no such thing in Cambodia. You must rely on people who know people who work in that department, and then what their rank is within the department affects the validity.  
    ○ Connections are there to help, need to be active in talking to them to find out about issues. Have dinners with other associates to find out information. The more connections you have, the better access you can get to difficult things. The larger network you have, the larger chance to find new beneficial connections. |
| P4   | ● Information is obtained from people  
  ● Happens more on an informal basis, some of the information sources that P4 relies on/finds useful are not purely business relations, it’s kind of what are these persons...do they like you enough to tell you what they see in the market? It’s essentially observations, sharing what they hear |
| P5   | ● When collaborating with various boards, substitutes the nonexistent public information with their own private information (collected from their own data).  
  ● Drew information from publicly listed companies in the same industry, to be able to study their progression in terms of strategy.  
  ● If they can’t find information online, asks for help within a group they have with other business people. |
**P6**
- Gets access to information through friends, informal connections, does not need to pay PWC, just calls friends and can sit down and get some information
  - You need to learn from experience of talk to friends with experience to figure out the tax environment
- **Relationships are essential for specific information, until such a time where the government provides it**

**P7**
- Does own research → gathers primary data mainly → secondary data comes from checking valid sources online
- External conflicts, will first try to seek help from the people in the network, e.g., conflict with the government in certain ministries - check with source on how to solve that conflict, e.g., tax penalty - will go to the tax people that is in network group and see how how to solve that conflict; would not go directly to solve that conflict individually

**P8**
- A lot of information is found through relationships and their team, mainly from people
  - Feels like the information is 70-90% valid from friends. Information on the internet is very basic, not in-depth, just initial info

**P9**
- Utilizes relationships and connections to be able to easily find information.

**P10**
- You need insight, network, and observations to know what’s happening. News is unrestricted in today’s internet world, social media etc.

**P11**
- When you know someone from the Ministry of Finance you can know what direction the country is going e.g., they want to do a stock market like previously, then firm have the advance knowledge to go with the government
  - Information cannot be found online as much in Cambodia
  - Rely 95% on connections and 5% on world wide web

**P12**
- Online data is used from other countries, such as Thailand, for benchmarking purposes because this information does not exist in Cambodia.
- Has to use their network and relationships to access certain information.

**P13**
- Information is obtained through hanging out at Starbucks a lot more, meeting up with friends/associates, etc. People like to talk, P13 likes to listen

### Appendix 11 - Table 9: Strategies - Nonmarket Buffering Strategy

<table>
<thead>
<tr>
<th>Code</th>
<th>Nonmarket Buffering Strategy</th>
</tr>
</thead>
</table>
| **P1** | “Split the meat and feed the tiger” = which essentially means that if you have meat and you only eat it yourself, the tiger will eat you. If you don’t want to die, then you have to split the meat and share it with the tiger, so it will leave you alone.  
  - Government interference is very rare due to power/reputation of the firm/owners, average ministry officials don’t dare to cause trouble  
    - When low level government subordinates do ask for money they just give it to them to prevent a headache  
  - Interviewee explained they make charitable donations to the red cross → further stating that if they refuse, powerful people would look at them and that is not good |
| **P2** | Partner in charge of [x] works in the government position, partner’s boss is the head of the [x] department so that’s how the firm get good discounts on the [x]; illegal for a government official to create a business but it’s under wife’s name but partner in charge of the operations  
  - Usually does giveaways through business partners, donating products to staff/poor people around the provinces. These business people are usually affiliated with the government. |
If you want to do business in Cambodia, you have to have some connections with the political sphere. You must work with people who are in government to have things done, and make things happen for you. If there are any local events in the community, they would donate a small amount of money to help. They helped in an event for the [x] where they were going to open a school, so they donated equipment to the school. This is mainly done to gain some favor from the government, and if they need help in the future, they would know who they are and could help. Done under their own names so they are accredited with that.

Is active in three different boards for private sector associations, that work with the government to improve regulations and policies.

has a background working in the government which intimidates people (said jokingly)

Document processing is also underdeveloped, exporting is also difficult with unofficial costs. “If there is no pocket money, your paper never come out”. It has become normal culture, or rather a habit, in the way of doing business that people need to accept.

It’s about how you keep your connections with all of the people e.g., Ministries of Finance/Interior so they’re the people that are governing the x sector so if you are close to them, that is for your company’s safety so even if your competitors are doing something, you would know, so that’s why the firm tries to keep all of these connections close.

Connections are not mandatory, can survive without connections but this is just a so-called protection for your own company, to investments, self, "like uh...you..you are try to wear kevlar vest and the other one without any connections just go naked..nothing”

Connections are built by having regular meetings - just talk about other businesses and sometimes do other business together out of the x sector → the firm partner with government officials to do business; these government officials do not have a stake in the company; different projects, e.g., in the future they might find out that the government will develop a certain part of Cambodia and the firm and the government official might jointly invest in land/building.

Mostly the firm participates in donations to Cambodia People’s Party, a city hall or sometimes to some temple just to give back.

Is part of an association which represents the private sector and works with the government to improve policies and regulations.

Meets with the various ministries within the government on a regular basis to improve the business environment.

Sometimes it still takes a fair amount of time/sharing of P13’s two cents

This year they will come up with new regulations; not worried, embracing it, helping the government with the regulations; in terms of the insight into the new regulations → P13 has = no company...no one likes to be controlled as individuals/companies; but from a macro perspective, P13 thinks that it’s a long term interest for the entire sector/country to have a certain level of regulations, free play for all is not good.

Unregistered expenses…it would be a lie to say that there are totally no unregistered expenses, don’t believe that there are any firms here has no unregistered expenses; but will say that in emerging markets, “it’s understandable if there are certain convenience fees, small ones to lubricate the mechanics of things, so long as its uh...uh...you know..just for that little bit of oil and grease to grease the nuts and bolts”, “but
nothing...nothing of a...if it’s over certain boundaries, I would not accept it as matter of principle”; convenience fees - personally, salaries are generally low here, doesn’t matter if it’s private or public sector, sometimes if...if helping a little bit in terms of the daily livelihood...can make their working environment a bit better...don’t want to see something...it could just be a extra starbucks for P13 in terms of the convenience fees

## Appendix 12 - Table 10: Strategies - Nonmarket Bridging Strategy

<table>
<thead>
<tr>
<th>Code</th>
<th>Nonmarket Bridging Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>P1</strong></td>
<td>Desired to be good citizens, build the community, economically develop the country</td>
</tr>
<tr>
<td><strong>P2</strong></td>
<td>Usually does giveaways through business partners, donating products to staff/poor people around the provinces. (Elements of both bridging and buffering, bridging is the fact that they are using resources efficiently and not throwing them away, buffering because the giveaways are done through partners with political affiliation).</td>
</tr>
<tr>
<td><strong>P3</strong></td>
<td>If there are any local events in the community, they would donate a small amount of money to help. They helped in an event for the deputy prime minister where they were going to open a school, so they donated equipment to the school. This is mainly done to gain some favor from the government, and if they need help in the future, they would know who they are and could help. Done under their own names so they are accredited with that.</td>
</tr>
</tbody>
</table>
| **P4** | “misnomer is that...all right if you want to have something done under the table, whatever, those things are not within our purview, that’s also frankly not what we’re good at”  
Firm sponsors a bunch of events, but don’t really play the leadership role here; events would include university incubation programs, gender equality stuff, education conferences that brings in people from abroad; but for the most part, there’s no large-scale events, can’t afford to do that |
| **P5** | “I normally provide training to small business free of charge. I just mostly using my expertise to...to contribute to those”. |
| **P6** | Believes in transparency, organization is very transparent, wants an independent auditor to check books, so if P6 wants to raise capital in the future there won’t be any problems  
You have to work within the government framework. If you want to be successful in Cambodia, you must follow rules as much as possible, so as to not allow the government to break you  
Does not believe in social enterprise, believes in enterprise social - makes money and then P6 can help people  
“Transparency is the future currencies of business, anywhere. You have to be above board, if you cannot be above board, people are going to find out”  
Even though P6 is a main partner in a construction company, all orders are put out for tender, and if they are not the best, they do not get it  
Regulations will not harm efficiency, might hamper profits a bit. If you are going through loopholes and all that, you have to spend time and resources for that as well. Better to do things right from the beginning, might hurt your bottomline a little bit, but not your efficiency  
Pays an NGO $25,000/year to encourage young people to buy x and inform them about what things to think about before purchasing  
○ Not only educating customers about x, but since P6 is following what P6 is preaching, it leads customers to them as well.  
Wants to support identities to bring back Khmer identities. Helped support young Khmer artists financially, because it is important for the culture and country |
| **P7** | Moral obligation to do business ethically; never tries to benchmark anyone, even if |
someone is doing something that is not right even if it’s making money, will not get involved with that - whatever the firm does, the firm has values/principles and try to follow that - principles is to always do business with integrity

- Think long term and believe that once they have all of the accounting books cleared, when they want to raise funds or need any investors to join them, the firm feel more confident than if they tried to escape the taxes
- Always try to maintain reputation not to do something wrong even if it costs money, he has to maintain his reputation; and in this regard still believes in the 80-20 rules, “whatever I did over the past years, 80% of my effort, I get only 20% the result; but because I try to maintain that rep...that reputation, everybody knows who I am, knows like the brand...my branding, they know...uh...now I just do 20% of the work and I get 80% of the business”
- They want to do a community clean-up day for the rural area because it’s in the area of their business activity, so they want to set a community clean up day to clean up the neighborhood for them to express their intention do business there but want to keep the area clean and try to make the area valuable to their clients
- Have not made any charitable donations on behalf of anyone but plans on doing it - plan to do it by this coming April, just a little donation and some flowers/candy/money for the kids on the street so as to give them something; it’s just an idea right now, haven’t done it yet - this is not on behalf of anyone, purely from this company

P8
- True reputation is knowing you are doing the right thing, does not like advertise company
- Focus on doing good and “reputation will come by itself”
- Had to provide education to those people so they know the effects of harmful substances.
- “We do business not just for money, if the business is not contribute to people, to human life, I will not do it for sure”
- Firms is solving pain points in society. X helps people get x, whilst the x aims to reduce wastes. Sometimes they support employees, give them loans and let them pay back step by step
- They went out to schools and brought fruits to support them, also orphanages. Promote sports and activity internally in the company. If you keep your people in a good shape, it ripples out to their family. Gave a school a small water treatment machine so they can drink clean water. Helping societies out is embedded in the organization. Does not like donating money through people, just helps and does not need recognition

P9
- Following international standards is good to build this positive, by the books reputation. This reputation helps them in their tax audits.

P10
- Donated ~$50,000 last year. Donates money to local communities, their schools, programs, poor people, gifts to students. No donations on behalf of people.

P11

P12
- Had to educate their intended consumers about the service they provide
- Does everything “by the books”, uses law firms and various consultants for this.
- Believes that their business is not just about profit, but also about contributing to society.

P13
- In terms of business processes...education in terms of educating companies...the need to conform to certain international standards of corporate government… “it's mindbaffling, the whole process”, getting them to see that it’s for their long-term benefits rather than short-term tax gains, it takes a lot of education/re-education “a lot of brainwashing on their end”
- Firm doesn’t seek to get an unfair advantage through illegal means so their conscious would be clean, whatever they do, it’s open
- It’s a conscious effort to do things the right way from the beginning to be deemed that they are doing right right way, don’t want to attract the wrong partners/wrong type of people knocking on their doors - save a lot of time/energy/steer clear of certain things that they don’t want to be involved with; but it becomes positive cycle → more you do
that, the more better rep you get = gets the firm, people who think alike, flock together, better talent, better quality x

**Appendix 13 - Table 11: Strategies - Other Strategy**

<table>
<thead>
<tr>
<th>Code</th>
<th>Other Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>P1</td>
<td>Management mostly brought from abroad</td>
</tr>
<tr>
<td>P2</td>
<td>- [In terms of following others] prefers to see what the competitors to do about it first because it’s good to act first but it’s also not good - easier if they act first and then see what they do and then edit, see what’s working and what doesn’t; giving time to think about different plans while simultaneously waiting for the leaders to make a decision and once they do, they can act accordingly; or sometimes they will act first..depends usually look at the opportunity, which is better, usually if they are indecisive..they want to see what others are doing...they want to see their effect, but if they are 1000% percent sure, they would go with it first</td>
</tr>
<tr>
<td></td>
<td>- Uses KPMG</td>
</tr>
<tr>
<td>P3</td>
<td>- Had to rely a lot on intermediaries to do these issues; relied on other people to deal with these issues; Relied too much on consultants and other people do deal with legal issues</td>
</tr>
<tr>
<td></td>
<td>- Hired their own lawyers to have a look at some of the issues they were confronted with</td>
</tr>
<tr>
<td></td>
<td>- Could recruit people who knew about x.</td>
</tr>
<tr>
<td></td>
<td>- If inputs could not be found, then import them from overseas</td>
</tr>
<tr>
<td></td>
<td>- Had to bring a lot of workers in from x; expertise is brought in to train</td>
</tr>
<tr>
<td></td>
<td>- The high-skilled jobs like finance and accounting are outsourced here in Cambodia → management team brought from x</td>
</tr>
<tr>
<td>P4</td>
<td>- Sometimes they structure things abroad where arbitration and intellectual property is much more enforceable</td>
</tr>
<tr>
<td></td>
<td>- Depending on the situation involving different legal systems, in the contract...does it say which countries the arbitration is in, simple as that? Every contract has a territory...if it’s in Cambodia “sorry dude, you’re in Cambodia” if it’s the law of Singapore arbitration at SIAC, you might have an out</td>
</tr>
<tr>
<td></td>
<td>- there’s no formal training, excel class, etc., the firm pays for people to go learn law/regulation seminars, essentially outsource their training;</td>
</tr>
<tr>
<td>P5</td>
<td>- “We hire a professional firm...so...and most of the multinational company coming to Cambodia, they don’t do it by themselves. They hire PwC, KPMG...these are global firms. They handling....they handling all that process...it’s really risky if you do it by them...yourself because you don’t understand the regulation so there could be a loophole there and you haven’t complied all...like if you register with the Ministry of Economy and Finance, the tax and if you doing agriculture, you need to get another license from the Ministry of Agriculture...so it’s like you need to know all the regulations. That’s why they consult with the lawyer, they consult with accounting firm, that’s...I think that’s uh the right way to do business. If you just like go by yourself, I...I...I... cannot say I know anything everything about Cambodia”</td>
</tr>
<tr>
<td></td>
<td>- Outsource tax work</td>
</tr>
<tr>
<td>P6</td>
<td>- Firm has a small number of employees who in turn deals with subcontractors = outsourcing element</td>
</tr>
<tr>
<td></td>
<td>- Employees can seek outside training if they want; firm doesn’t really train employees</td>
</tr>
<tr>
<td></td>
<td>- They need to employ people to go out and collect research, which costs a lot of money</td>
</tr>
<tr>
<td></td>
<td>- Pays an NGO $25,000/year to educate</td>
</tr>
<tr>
<td></td>
<td>- Trying to create awareness in x market</td>
</tr>
<tr>
<td>P7</td>
<td>- Has connections in other countries, e.g., mentor in Singapore to help train if leadership cannot manage</td>
</tr>
</tbody>
</table>
- can get someone to come over and train the staff - even though the firm operates local, but they have access to international access to expertise
  - Firm tries to collect primary data. The firm needs to go there and check information firsthand, go and have the team check and get all the document to verify whether data is reliable or not
  - don’t really use a lot of secondary data, mainly uses primary data through surveys in certain areas

| P8       | ● Even though has very skilled employees, they do not have the right skill sets to handle certain issues, still need to utilize consultants for technology
          | ● Used foreign aid (USAID) to help fund initial startup & Could finally get a good loan from a French bank to x as P8 already has income from the other two stations
          | ● Mixture of internal and external training |
|----------|-----------------------------------------------------------------------------------|
| P9       | ● At first, they followed strategies from the head office. The strategy however had to be changed over time. For the company advantage, they had to change. Certain HQ practices were difficult to follow, had to simplify certain things for the local conditions. |
| P10      | ● They do not have time or resources to train their own employees, must hire trained from other sources. |
| P11      | ● Employees are obtained from ex-colleagues, from website...there’s a very good human resource website in Cambodia called CamHR.... employees are both local/expats; website allows for the firm to post any employment you want on the website and people will approach you |
| P12      | ● Have funds from the World Bank and European development banks to support business process |
| P13      | ● Soft and hard skills is very difficult for high x firm like them, sometimes very reluctantly have to bring them in from other countries, but coming from abroad...they bring their own mindset/mentality which is again a tough fit
          | ● They will take it to arbitration in other countries...the local arbitration...it’s improving, there’s still more room for improvement |
[Page Left Intentionally Blank]