

ARTICLE 5

Jackson, G. and Deeg, R. (2008)**Comparing capitalisms: Understanding institutional diversity and its implications for international business***Journal of International Business Studies*, 39(4): 540-561<http://www.palgrave-journals.com/jibs/journal/v39/n4/abs/8400375a.html>**Explanatory note**

This article compares differing approaches to the role of institutions in international business. The approach often adopted in international business scholarship views institutions as environmental variables which can be measured. A second approach, which draws on sociology and political science, sees institutions from a more diverse and interactive perspective, influencing business activities, and in turn being influenced by them. This second approach is termed the ‘comparative capitalisms’ approach. The authors argue that the two approaches, rather than representing conflicting perspectives, offer possibilities for cross-fertilization. For students of international business, the comparative capitalisms literature, which is reviewed by the authors, presents a multidimensional perspective on institutions that has implications for MNE strategies.

Some notes on terms

- **Distance:** The notion of distance between home and host countries is used broadly with reference to institutions, not simply in the context of cultural distance.
- **Comparative advantage and competitive advantage:** The authors refer to ‘comparative institutional advantage’ when discussing national institutions such as conduciveness to different sorts of economic activity or innovation. ‘Competitive advantage’ is used in relation to business strategies of firms.
- **Path dependency:** National capitalisms may be said to follow particular paths as a result of historical development of the country, and institutional change in the country can be path-dependent. The underlying assumption is that established institutions tend to persist, and there are high costs involved in changing them, even when new challenges must be confronted.
- **Arbitrage:** In this article, arbitrage between institutional systems refers to MNE strategies which locate specific activities in particular locations to benefit from the institutional advantages offered.

Chapter link

This article is of relevance to chapters 3, 7, 5, 12 and 15. The authors refer in particular to the resource-based view of the firm, which is discussed in Chapter 7.

Questions

Part A: Grasping key points

1. Describe the main characteristics of the IB approach and the comparative capitalisms approach to institutional diversity.
2. What are the main approaches within the comparative capitalism literature?
3. How do liberal market economies differ from coordinated market economies in their implications for MNE strategy?

Part B: Building skills in critical thinking

1. On what grounds do the authors criticize the view of institutions in IB literature? (p. 545)
2. How can the comparative capitalisms approach overcome the weaknesses referred to in the previous question?
3. The authors urge that a more flexible view of how institutions influence MNE strategies can help in understanding the world's emerging and transition economies. Do you agree and why?