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Strategic Responses to Domestic and Foreign Institutional Pressures

The Case of the Chinese Toy Industry

Abstract: *This study investigates how firms respond to domestic institutional constraints and to host country institutional frameworks. A substantial number of firms are active in international business, and yet they remain domestic by staying in their home countries—exporters and outsource service providers come to mind. How these firms react to changes in both domestic and foreign rules of the game, as well as the interactions between these two sets of rules, remains underexplored. Taking advantage of a product recall crisis, this exploratory study probes into how firms in the Chinese toy industry strategically react to the institutional pressures from both home and abroad. Implications for a strategic response framework are discussed.*

An institution-based view of strategy posits that firms strategically respond to the opportunities and constraints presented by institutional frameworks (Peng 2003; Peng and Khoury 2008; Peng et al. 2008). While the proposition that institutions matter is hardly novel or controversial, what is inter-

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esting is *how* institutions matter (Hafsi and Farashahi 2005; Meyer et al. 2009). Some scholars have investigated how firms respond to domestic institutional conditions (Bourgeois and Eisenhardt 1988; Dacin et al. 2002; D'Aunno et al. 2000; Flier et al. 2003; Oliver 1991, 1997). Others have focused on how foreign entrants, primarily multinational enterprises, respond to host-country institutional frameworks (Child and Tsai 2005; Chung and Beamish 2005). Relatively unexplored is the nontrivial question of how firms strategically respond to both domestic and foreign institutions, especially to the interactions between them (Zhou and Li 2007).

A substantial number of firms are active in international business, and yet they remain domestic by staying in their home countries—exporters and outsource service providers come to mind. To these firms, both home-country and host-country institutions dictate the rules that they must obey because they need legitimacy from both countries to stay in the game. How do these internationally active but domestically based firms strategically respond to institutional pressures from both home and abroad?

We take advantage of a recent toy recall crisis in the Chinese toy industry to probe this interesting but unexplored question. According to Wang and Zhang (2007), 72 percent of the toys in the world market were made in China, 70 percent of which in Guangdong province alone. Thus, in this article, we examine toy manufacturers in China that were subject to recalls from the United States, especially those in Guangdong, using both print and online publications as sources. We have also conducted online searches in both English and Chinese, using keywords “toy recall in the U.S. + year” in Google and *wanju zhaohui* (“toy recall” in Chinese) + year” in Baidu (China’s most popular search engine), because the reaction from the Chinese side—the focus of this article—may differ from that of the U.S. side. The results are shown in Figure 1, which is indicative of the unprecedented scale and scope of these recalls as reported by both English and Chinese online media. Announcements of toy recalls is released by the Consumer Product Safety Commission (CPSC), an official U.S. government agency whose main concern is to ensure the safety of consumer products, such as toys, cribs, power tools, cigarette lighters, and household chemicals. According to the CPSC (Bapuji and Beamish 2007), a U.S. manufacturer announced the first toy recalls in 1974. It was not until 1988 that the first recall announcement was released on toys made in China. The number of recall announcements has grown ever since. Figure 2 illustrates the increase in the number of recall an-

nouncements in the United States over the past two decades.

In this exploratory study of Chinese toy manufacturers, we look at the strategic responses of firms facing institutional pressures in both China and the United States that are exporting to the U.S. market or contracting with U.S. toy companies. Extending a strategic response framework (Clarkson 1995; Oliver 1991; Peng 2006, 2009), we use exploratory illustrations in the context of toy recalls, which can be viewed as a natural experiment, to see how firms react differently.

While there is no shortage of press reports, academic studies on the Chinese toy recall mess are rare. A practitioner-oriented report by two scholars (Bapuji and Beamish 2007) and two teaching cases by the same authors (Bapuji and Beamish 2008a, 2008b) constitute the entire universe of academic work that we have uncovered in our research. The three pieces by Bapuji and Beamish (2007, 2008a, 2008b) focus on U.S. toy companies, especially Mattel, and are descriptive in nature. As a result, there is a dearth of research on how the other side of the product recalls reacted. To the best of our knowledge, our article is not only the first academic study that investigates how the Chinese toy exporters have responded but also the first such study that draws on theoretical frameworks such as the institution-based view (Peng et al. 2008).

While our article enjoys some first-mover advantages, it, unfortunately, also comes with many typical first-mover disadvantages. The events are recent. The dust has not all settled. Data are incomplete and hard to access. Some of the firms are bankrupt. In one extreme case, the executive of a firm committed suicide, making further extraction of information impossible. Emotions are high on both sides—ranging from angry parents and disappointed officials on the U.S. side to depressed Chinese executives who argue that they have become scapegoats for mostly design flaws and officials who worry about damage to the “China brand” on the Chinese side (Bapuji and Beamish 2007). Nevertheless, we suggest that the contributions of this article outweigh its drawbacks because exploratory work such as ours is not only timely but also interesting in the best tradition of Davis (1971) and Smith (2001).

Theoretical background

The institution-based view argues that both formal and informal institutions comprise the rules of the game that firms need to follow in order to retain legitimacy (Meyer et al. 2009; Peng 2003; Peng et al.

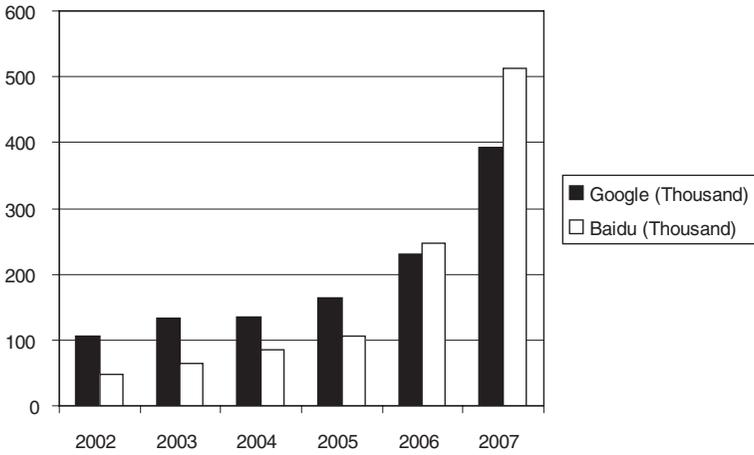


Figure 1. Recall related news (2002–2007)

Sources: www.google.com (English) and www.baidu.com (Chinese).

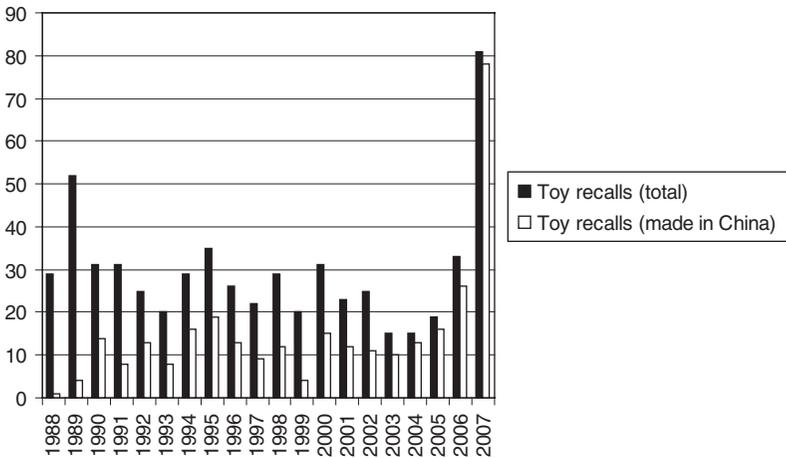


Figure 2. Number of toy recall announcements in the United States (1988–2007)

Source: www.cpsc.gov.

2008; Peng et al. 2009; Scott 2001). Legitimacy for a firm also derives from acceptance of the firm by stakeholders in its environment (Kostova and Zaheer 1999). Thus firms need to respond to pressures from their stakeholders and institutions to gain and retain legitimacy (Hafsi and Farashahi 2005). In addition, firms in international business face diverse stakeholders and different institutions from various countries (Xu and Shenkar 2002). Firms that are active internationally and yet remain domestic by staying in their home countries, for example, exporters and outsource service providers, need to obey both home-country and host-country institutions in order to maintain their legitimacy in both, thus allowing them to remain in the game. Chinese toy manufacturers in this context are ideal for our study for the following reasons.

First, the Chinese toy manufacturers involved in international business by manufacturing toys domestically and exporting them to foreign importers face both domestic and foreign institutions and also need to deal with both domestic and foreign stakeholders to maintain their legitimacy in the market. Second, they need to comply with domestic and foreign institutions. To remain legitimate in their domestic market, Chinese toy manufacturers need to comply with regulations and social norms (Carroll et al. 1988; D'Aunno et al. 2000; Edelman and Suchmen 1997) in the Chinese toy industry. Furthermore, they need to act according to institutional demands stemming from their foreign partners to remain legitimate in the eyes of foreign stakeholders, such as importers, consumers, and governments.

Third, domestic institutions can be influenced by foreign institutions. In our case, the Chinese government issued regulations and legislation to further standardize the toy industry after receiving pressure from U.S. institutions, forcing Chinese toy manufacturers to become alert to possible interactions between the institutions of both countries. Consequently, only firms that are aware of and obey these rules have survived (Sherer and Lee 2002; Tolbert and Zucker 1983). Thus, for Chinese toy manufacturers that export to the United States (which is their largest market), institutional pressures from both home and host countries together determine their legitimacy at home and abroad. Figure 3 illustrates the pressures that the Chinese toy manufacturers face.

Institutions assert their influence informally (through norms and values) or formally (through regulations). While informal means take their effect relatively slowly, formal pressures, often by the stroke of a pen, can materialize almost immediately. Product recalls represent an

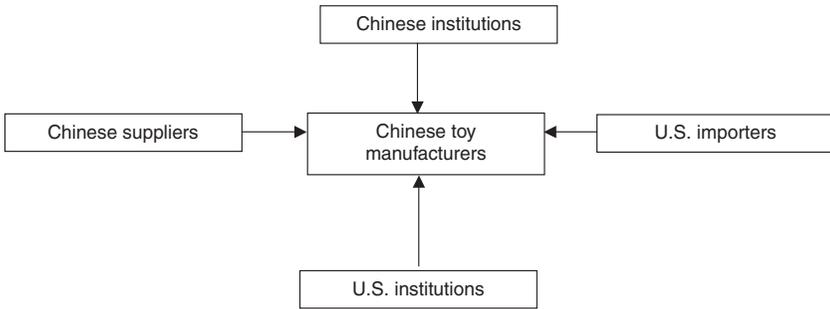


Figure 3. **Various sources of pressure on Chinese toy manufacturers**

example of immediate formal pressures backed by the coercive power of governments (Bapuji and Beamish 2007).

The institution-based view also argues that when firms make strategic choices, they tend to adopt the strategies that are perceived as legitimate by their stakeholders and institutions (Flier et al. 2003). Often, these strategies pervade the industry and are perceived as legitimate (Greenwood and Hinings 1996; Meyer and Rowan 1977), giving us a reason to look for a strategic response model to explain how firms react under pressure from institutions. However, firms need both internal and external pressures to adopt these legitimate strategies (Sherer and Lee 2002). Firms in the Chinese toy industry are diverse in size, capability, resources, and ownership. Some firms become early adopters of certain strategies for technical-competitive reasons, and some become late adopters because they are driven by a quest to conform to legitimate strategies (Sherer and Lee 2002; Tolbert and Zucker 1983). Moreover, some firms may not join the adoption process because of a lack of resources or pressure.

Approximately 10,000 factories in China export toys. At issue is how these toy exporters strategically respond to foreign recalls if they are to remain in both domestic and international business. Not surprisingly, their strategic responses differed, leading to a strategic response framework, outlined below.

A strategic response framework

At its core, the institution-based view focuses on how institutional conditions affect strategic choices (Peng 2003; Peng et al. 2008). A strategic response framework on how firms strategically respond to challenges from the institutional environment was first developed by Clarkson

(1995) and Oliver (1991) and more recently extended by Peng (2006, 129). We further extend this framework by adapting it to the realities of the toy industry. We argue that the two key dimensions are attitude toward responsibility and the timing of taking action. Shown in Figure 4, three broad strategic choices along these dimensions are: (cell 1) passive, (cell 2) defensive, and (cell 3) proactive strategies. Theoretically firms can exist in cell 4, where they deny their responsibility but still are able to act before receiving recalls. However, in the Chinese toy industry, we could not find any examples that fit this cell. Therefore, we refrain from commenting on it.

Passive strategy

Firms that are active in international business and yet remain domestic by staying in their home countries face internal pressures to follow the formal institutions in their country, such as the laws, regulations, and product standards of their industry, because they need the approval of their home country's formal institutions to remain legitimate in the game domestically (Kostova and Zaheer 1999; Peng et al. 2008). They also face a multiplicity of host-country institutions because they need the acceptance of their foreign partners or importers. Multiple institutional environments create different requirements for firms to maintain legitimacy in a global setting (Kogut 1991; Kostova and Zaheer 1999). These requirements may be different from the firms' domestic settings, thus making it difficult for them to adapt and conform (Oliver 1991). When facing such foreign institutions, firms do not feel compelled to adhere completely to foreign industrywide norms that value quality in the absence of formal pressures or disasters. Firms may deny their responsibilities in the global market and fail to respond in a timely manner when being pressured by host-country institutions. When disasters come from abroad, it may be too late for them to choose any strategic plans for survival. Although they are staying at home, when they lose their legitimacy in the global market, they face difficulties in competing with other firms that value foreign institutions and conform to the host country's rules. As a result, they may lose their position in their domestic market. When domestic institutions change to align with foreign institutions, the nonconforming firms may eventually lose their legitimacy at home and perish. To sum up, we theorize this type of strategic response as a *passive*

| | Deny responsibility | Accept responsibility |
|-------------------|---------------------|-----------------------|
| Act after recall | Passive | Defensive |
| Act before recall | * | Proactive |

Figure 4. **A strategic response framework**

* Research did not uncover any firm in this cell.

strategy. In this process, firms that choose a passive strategy fail to convey their responsibility to stakeholders in the international business arena and develop in a way that will introduce more problems and lead to a loss in profits in the end.

Some family-owned firms in the Chinese toy industry fit into this category. The Chinese toy industry began its development in the 1980s. Many firms are family owned. They often make strategic decisions based on individual relationships of their owners. Although foreign investments from Japan, Korea, and other countries have flowed into China, the main actors in the industry are still family-owned, private Chinese firms. These firms are the most likely to ignore the problems that exist in their operations and overlook the mistakes they make during their development. They also tend to act only after recalls are announced because only damage to their profits attracts their attention.

To better illustrate this concept, we use Lee Der Toy Company as our example.¹ Lee Der was founded in 1993 in Foshan, Guangdong. The company is a joint venture established by the Fenjiang Industrial Company in Chancheng district, Foshan, and Lee Der Industrial Company in Hong Kong. Each parent company owned 50 percent of the stakes of Lee Der. For more than ten years, Lee Der had been producing toys and

toy parts for Mattel. Before the recall, Lee Der was the second-largest toy manufacturer in Foshan.

On August 2, 2007, Fisher-Price, a subsidiary of Mattel, reported the recall of 967,000 plastic preschool toys made by Lee Der to the CPSC (Bapuji and Beamish 2008a, 2008b). These toys were reported to contain an excessive amount of lead paint. Reacting to pressure from the public, Fisher-Price revealed the name of its Chinese contract manufacturer, Lee Der, to the press. It was the first time a U.S. company involved in a recall released its Chinese supplier's information directly to the press.

The reason the toys contained excessive lead is that Lee Der's paint supplier, Dongxing New Energy, supplied Lee Der with "fake paint." Mattel had asked its Chinese suppliers to use paint from its contract paint suppliers or to test each batch of paint purchased from a noncertified supplier. Lee Der apparently violated these requests. Dongxing was not on Mattel's contract paint supplier list, and Lee Der did not test the paint from Dongxing. In fact, the boss of Dongxing is a friend of Shu-hung Cheung, vice chairman of the board of Lee Der. According to company records, Cheung owned one-fourth of Lee Der. He was also the primary strategic decision maker in the company. After the recall, Chinese officials temporarily banned Lee Der from exporting products. The action taken by Chinese officials was a result of pressure from U.S. institutions. In all, the recall cost Lee Der US\$30 million. After the recall, Lee Der found itself in a difficult position, facing criticism from both institutions. Lee Der tried to make amends after the recall. For example, it produced new toys, which it claimed passed quality testing and were in accordance with U.S. standards. However, everything seemed in vain. Two weeks later, Cheung committed suicide in his factory warehouse, bringing an end to Lee Der, which went bankrupt.

In this illustration, Lee Der represents a firm that chose a passive strategy to deal with institutional pressures from both home and host countries. It denied its responsibility as a supplier and contract manufacturer and violated the rules of the game. Its behavior after the recalls made it more passive even under increasing institutional pressures. When both domestic and foreign institutional pressures arrived, Lee Der became vulnerable and helpless. Especially when home-country institutions changed under pressure from the host country's institutions, Lee Der lost its last hope—dependence on support from its domestic institutions. Once a firm ignores the existing problem or its mistakes, it overlooks the possible negative outcome from those mistakes. When

institutional pressures come to bear, such as recalls announced, it may have no time to respond strategically, not to mention a lack of resources to help it through the crisis. In summary:

Proposition 1: Firms that ignore both domestic and foreign institutions and respond passively to institutional pressures face the highest probability of losing their legitimacy in the face of an international crisis.

Firms adopting a passive strategy often put themselves in an awkward position of losing the most as a result of denying their responsibilities and acting only after recalls. They may even face a so-called death penalty of being forced out of the market as a result of their lack of adherence to the rules from both home and abroad. According to the press conference held by China's central government on January 14, 2008,² the General Administration of Quality Supervision, Inspection, and Quarantine (ADSIQ) conducted a general investigation of toy manufacturers in China and withdrew export licenses for more than six hundred toy companies that were not qualified to produce safe toys. This is a warning for the Chinese toy industry: As long as companies remain passive in their strategic responses, they will find it difficult to maintain host-country legitimacy.

Defensive strategy

Like firms choosing a passive strategy, firms that choose a *defensive strategy* also face pressures from both domestic and foreign institutions. The only difference between them is that firms adopting a defensive strategy acknowledge the influence of both formal and informal institutions and accept their responsibilities. They admit their mistakes and try to improve. While they pay attention to the institutions' demands, they do only what their domestic institutions require of them. Their response to foreign institutions is relatively defensive, depending on whether the pressures from the institutions present problems for their legitimacy in international business. They act only after foreign institutions apply direct formal pressure on them (Kostova and Roth 2002), such as making recall announcements. It seems that they lack the will and ability to change ahead of time. This may be a result of the fact that these firms fail to consider the legitimacy they need from the informal institutions, which is more difficult to sense (Gersick 1990; Kostova and Zaheer 1999). When firms choose the strategy of defensively responding to pressures

from foreign institutions, they create an image of ignoring rules of the international market, which jeopardizes their reputation in international markets, thus, costing them dearly in terms of their reputation as well as their profits. Although they may improve after the recalls, they cannot compensate for the loss in their reputation among partners and competitors by their subsequent acts. When home-country institutions change according to foreign institutions, these firms are also likely to lose their positions in the domestic market. In sum, they face a high probability of being eliminated by a marketplace governed by formal and informal institutional frameworks.

LeQu Toys will serve here as an illustration of this concept.³ LeQu Toys was a family-owned company established in 1987 in Dongguan, Guangdong. The owner of the company, Gamguan Dang, built LeQu from scratch. By producing toys for foreign companies and developing its own brands, LeQu became the third-largest toy manufacturer in Dongguan. Unlike Lee Der, LeQu had its own design team and was able to produce its own brands, such as Di Qu educational toys. However, most of its profit was from its foreign sales. Also unlike Lee Der, LeQu had been careful to follow the manufacturing practices of domestic institutions. LeQu exported toys to the United States, Europe, and Africa and enjoyed a good reputation among partners and competitors since its establishment.

Dang was overwhelmed by the success of LeQu. As a successful entrepreneur, he became a billionaire. He failed to anticipate the serious consequences that the recalls would cause him and LeQu. In fact, he did not do much to prevent recalls from occurring. In 2007, LeQu also received recalls from Mattel. The firm was so vulnerable that it did not survive the recall because of lack of experience, preparation, and sufficient working capital. It was also in 2007 that the Chinese government issued several regulations to standardize the toy manufacturing industry in China. This further diminished LeQu's chances of survival. In early 2008, LeQu Toys filed for bankruptcy, and afterward Dang sold the factory buildings of the firm.

Like many other toy companies in China, LeQu failed to pay attention to foreign institutions. Although it had a long history of relationships with companies from around the world, it did not learn much from them about the institutional differences. Only after the recall was announced did LeQu realize the importance of complying with foreign institutions. However, their late responses led to serious consequences. Firms that

adopt a defensive strategy, such as LeQu, face the possibility of losing legitimacy in international business. They may also become vulnerable when domestic institutional pressures become strong after foreign institutional pressures are brought to bear. In summary:

Proposition 2: Firms that ignore foreign institutions and respond defensively to institutional pressures may lose their legitimacy in the face of an international crisis.

Proactive strategy

Firms that value both domestic and foreign institutions are likely to adopt a *proactive strategy*. However, in our study, few Chinese toy manufacturers adopted such a strategy. This is due in part to the firms' perceptions of and attitudes toward global institutions. Another reason may be the high cost for an individual firm of acknowledging the differences between domestic and global institutions (Kostova 1999; Kostova and Roth 2002; Kostova and Zaheer 1999). Thus, help from the host government may be important in helping them to adopt a proactive strategy. Some firms may improve their understanding of institutional differences when the government provides the necessary knowledge about domestic and foreign institutions, especially domestic institutional changes that result from pressure by foreign institutions. The more information a government can provide to its domestic firms on foreign institutions, the higher the probability the domestic firms will consider those institutions when making strategic decisions. However, a firm can learn the institutional differences through other means, such as from their foreign partners or domestic competitors (Kostova and Zaheer 1999). They can also learn from experience gained from previous recalls. Firms adopting a proactive strategy take advantage of these methods and pursue knowledge of foreign institutions by investigating continuously through various approaches. These firms accept their responsibilities and comply with both home- and host-country institutions. Thus, they have a higher chance of maintaining legitimacy under institutional pressures. In fact, they often act before recalls are announced. This not only gives them a first-mover advantage but also helps them to maintain legitimacy in the long run.

Early Light Industrial (ELI) is a case in point.⁴ ELI is a private company owned by Francis Choi, an entrepreneur in Hong Kong who started the company in 1972. In 1983, he became one of the earliest entrepreneurs to

establish factories in mainland China. After two decades of development, ELI became one of the largest toy manufacturer in the world, producing for leading toy brands such as Snoopy.

ELI faced the same problem experienced by Lee Der: excessive lead levels. Also in 2007, ELI received a recall from Mattel to remove 436,000 Sarge toy cars from the U.S. market. However, this did not become a disaster for ELI. In fact, the toys involved in this recall were not manufactured in ELI's factories but, rather, by ELI's subcontractors.

Before the recall was announced, ELI had already found that problems might occur from the uneven quality of its paint suppliers. Unlike Lee Der, ELI did not tolerate the problem and took several actions to avoid future problems. First, ELI built new factories to integrate each process in toy manufacturing in 2005, far earlier than the 2007 recall. Then, ELI signed contracts with several subcontractors to deal with the increasing demand in the market to support its expansion. Only those with good quality and high productivity were considered. In addition, ELI built its own inspection team to test for hazardous materials and ensure the quality of the toys that it made.

However, there were still problems that ELI could not control with limited resources—its subcontractors made mistakes, too. This seems to be the reason ELI was subject to a recall in 2007. After the recall, ELI realized that it needed to make itself less dependent on subcontractors in the future. Accordingly, ELI planned to reduce production made by its subcontractor to 10 percent in 2008 and aimed to use no further subcontractors. Although other Chinese toy firms changed only after being subject to increasing numbers of U.S. recalls, ELI did not suffer much.

Companies that value their responsibilities and continuously improve themselves according to domestic and foreign institutions' expectations often act before recalls take place and avoid possible losses ahead of any crisis. Thus, these companies have a higher chance of maintaining legitimacy under institutional pressures. In brief:

Proposition 3: Firms that comply with both domestic and foreign institutions and respond proactively to institutional pressures may maintain their legitimacy in the face of an international crisis.

As toy recalls increased in number, the Chinese government introduced several pieces of legislation to strengthen standards for toy manufacturing and enhance product inspections. The Chinese government's actions reveal that institutions from a host country may influence a home country's institutions. Thus, even domestic firms that ignore foreign

institutions and stay within their domestic market for a while after losing their position in the international market may still be forced out of the domestic market as a result of changes in home-country institutions in response to foreign institutional pressures. Thus, the lesson for firms active in international markets, even if they remain mostly domestic, is that they need to take into account both domestic and foreign institutions and consider the interaction between both countries' institutions.

Discussion and conclusion

Overall, this article contributes to the literature by documenting the diverse strategic responses to institutional pressures from home and abroad, which were previously missing in research on the institution-based view. The institution-based view, which grew out of research in developed economies (Dacin et al. 2002; Oliver 1997), has resonated especially well with the realities of emerging economies (Li and Peng 2008; Meyer et al. 2009; Peng et al. 2008; Wright et al. 2005). By extending the strategic response framework (Clarkson 1995; Oliver 1991) in international business, we have found support for the framework in the Chinese toy industry. When firms actively participate in international business while remaining geographically confined to their home country, they need to consider institutions found both at home and abroad. The framework we have outlined explains the mechanism that links firms' strategic choices and institutional pressures from all fronts. When firms need legitimacy in the environment to survive, they have to accept their responsibility of conforming to both formal and informal institutions. In addition, they need to consider any proactive strategies they can adopt to change their destiny even before domestic or foreign institutions exert pressure on them (Child 1997; Flier et al. 2003).

Linking developed and emerging economies, Chinese toy manufacturing firms help us to better understand the strategic response framework. Firms in international markets need to attach importance to both domestic and foreign institutions when conducting business in a global market. Firms involved in recalls by the CPSC need to consider the cost of recall announcements by formal institutions from outside their country. Both U.S. firms and their Chinese suppliers need to take these announcements seriously. Although the reason for announcing a recall may not always reside with the Chinese firms (Bapuji and Beamish 2007), they still need to pay attention to the consequences of not responding effectively. Firms

are not alone in the supply chain. They need to interact with other firms as well as different institutions to maintain legitimacy and achieve success. To gamble on profits, as many Chinese toy manufacturers have, is not a sustainable way to do business in a global economy in the long run. This is especially important for Chinese toy exporters that depend on their business partners, as well as global institutions, for their survival. In order to cope with the pressures from home- and host-country institutions, our illustrations clearly advise firms to use a more proactive strategy to avoid possible negative consequences.

Our exploratory study can clearly benefit from further work. Theoretically, the strategic response framework we have articulated can benefit from closer integration with the resource-based view (Barney 1991; Meyer et al. 2009; Oliver 1997; Peng 2001). Obviously, different strategic responses require different capabilities (Yang and Li 2008; Zhou and Li 2007). A historically passive firm, even after it realizes the necessity of a more proactive strategy, may simply fail in its implementation of a proactive strategy because it lacks crucial organizational capabilities. Empirically, more progress can be made along at least four dimensions. First, within the context of the Chinese toy industry, in-depth case studies and larger-scale quantitative work can build on this study. Second, we can explore how firms from developed economies respond to changes in emerging economies to see whether there are any differences between firms from emerging and developed economies. Third, we can compare the strategic responses by domestically based firms in international markets with strategic responses by multinational enterprises. Fourth, we can also consider transitions in the institutions to see how firms respond over time. In conclusion, companies that have the foresight and ability to adopt a proactive strategy may gain a better position in dealing with institutional pressures (Peng 2009) both at home and abroad.

Notes

1. Source for Lee Der Toy Company: *Southern Metropolis Daily* (<http://nd.oeeee.com>) and CNN reports (<http://money.cnn.com/2007/08/13/news/international/bc.news.china.safety.mattel.dc.reut/index.htm>).

2. Source for the AQSIQ reports: AQSIQ Web site (<http://english.aqsiq.gov.cn>).

3. Source for Le Qu Toys: China Central Television (CCTV) reports (www.cctv.com/program/jjbx/20080721/108077.shtml) and company Web site (www.lequ.com).

4. Source for ELI: *Nanfang Daily* (www.infzm.com/content/19228/) and CNN

reports (http://articles.cnn.com/2007-08-14/us/recall_1_polly-pocket-mattel-ceo-toys?_s=PM:US/).

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