How are institutional capabilities transferred across borders? The case of an Indonesian property developer in Vietnam

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Abstract

We develop the idea that an emerging economy firm can develop institutional capabilities at home that can be transferred to institutionally proximate emerging economies. Drawing upon the organizational capabilities, internationalization process, and institutional work literatures, we define institutional capabilities as heuristics, skills, and routines that facilitate the execution of institutional strategies in host countries. Since institutional capabilities gestate over a long period of time, we narrate a longitudinal case study of a property developer operating at the blurred boundaries between state and private enterprise in two Southeast Asian countries.

Keywords:

Institutional capabilities, host country institutions, emerging economies, MNEs, family business, political ties, institutional entrepreneurship, Indonesia, Vietnam, Ciputra.

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Introduction

How does an emerging economy firm develop the capabilities to navigate weak institutions in one country and subsequently transfer and leverage those capabilities in another? A growing body of literature details the phenomenon of emerging economy multinational enterprises (EEMNEs) expanding into foreign but equally challenging markets (Cuervo-Cazurra & Genc, 2008; Cuervo-Cazurra & Genc, 2011; Wright, Filatotchev, Hoskisson, & Peng, 2005). Ramamurti (2009) describes an "adversity advantage" that some EEMNEs may develop based on experience in dealing with institutional challenges. Similarly, Guillén and García-Canal (2009) identify EEMNEs' "institutional entrepreneurial ability". Some scholars even suggest that MNEs may directly shape institutional conditions in host countries (Kostova, Roth, & Dacin, 2009; Tracey & Phillips, 2011). However, both the specific features of institutional capabilities and how they are transferred across country borders remain obscure.

This paper sheds light on these issues by theorizing the concept of institutional capabilities. We view such capabilities as heuristics, skills, and routines that enable a firm to navigate in a context of institutional voids. The latter term refers to the absence or paucity of institutional facilities, norms, and regulations that enable arms-length contracting in more advanced markets (Khanna & Palepu, 2000). To illuminate the concept of institutional capabilities, we narrate the longitudinal case study of the Ciputra Group, an Indonesian property firm that developed and leveraged its institutional capabilities in Asia's emerging property markets. We document how the Ciputra Group first developed its institutional capabilities to diffuse an innovative business model in major Indonesian cities by offering social, physical, and regulatory infrastructure, which in advanced economies are typically provided by government. In so doing, the firm simultaneously straddled and redefined boundaries between the realms of the public and private sectors in a high-growth and rapidly urbanizing emerging economy. The Ciputra Group subsequently implemented the model in Vietnam and other Asian countries.

To develop the concept of institutional capabilities, we draw upon the institutional economics and institutional theory literatures. This is a risky project since institutional theory and institutional economics literatures have developed not only in isolation but sometimes in direct opposition to one another (Campbell, 2004). This is because they are based upon divergent assumptions about the nature of entrepreneurial agency, the processes of institutional change, and what constitutes an institution (Pacheco, York, Dean, & Sarasvathy, 2010). Nevertheless, there are signs of rapprochement as recent work on the phenomena of EEMNEs seek to integrate insights from both perspectives (Peng, Wang, & Jiang, 2008).

We contribute to the EEMNE and internationalization process literatures by conceptualizing the types of capabilities that have value to a firm in addressing institutional challenges across emerging economy borders. In particular, we draw from several streams of institutional literature to identify network penetration, relational contracting, and business model innovation as dimensions of firm specific capabilities that are complementary to the firm's technical and organizational abilities. We conceive of capability development as a long term, incremental and iterative process that enables firms to overcome the liabilities of outsidership (Johanson & Vahlne, 2009). Our case study illustrates how institutional capabilities accumulate through the performance of institutional work (Lawrence & Suddaby, 2006) and the acquisition of embedded knowledge and information gained through concrete personal relationships (Lawrence, Suddaby, & Leca, 2011). Specifically, we see institutional capabilities as emergent from engagement, negotiation and problem solving with external actors. As such, institutional capabilities represent heuristics, skills and routines "that underpin successful institutional strategies" (Tracy & Phillips, 2011: 36). Conceptualizing dimensions of institutional capabilities as phenomena emerging from institutional work explicitly recognises the potential for two-way relationships between an EEMNE and the multiple institutional environments in which it operates. In so doing, the paper responds to numerous recent calls for greater recognition and study of the relationship between institutions and actor agency in international business (e.g., Kostova, Roth, & Dacin, 2009; Phillips, Tracey, & Karra, 2009; Regnér & Edman, 2014).

The paper is organized as follows: we first motivate our study by reviewing the literature and defining our key constructs after which we discuss our methods and present our empirical study. We then analyze the case and draw out major implications for theory and future research, as well as for managers and policy makers. We conclude by highlighting the paper's contributions to the literature on the role of institutions in international business.

1. Development and cross-border transfer of institutional capabilities

Institutions are commonly referred to as “humanly devised constraints that structure political, economic and social interaction” (North, 1991: 87) and firms may develop a variety of strategies to deal with institutions, ranging from full compliance to opportunistic manipulation (Oliver, 1991). Institutional strategies refer to the “comprehensive set of plans and actions directed at leveraging and shaping socio-political and cultural institutions to obtain or retain competitive advantage” (Marquis & Raynard, 2015: 291). The actions carried out by companies towards institutions to implement such plans, such as those associated with creating, maintaining and disrupting institutions, are also known as “institutional work” (Lawrence & Suddaby, 2006: 2015). We define institutional capabilities as the heuristics, skills and routines that facilitate the execution of such institutional plans and actions.

To develop our arguments, we draw parallels with the transferable organizational capabilities (Jensen & Szulanski, 2004) and internationalization process (Johanson & Vahlne, 2009) literatures that identify the iterative process through which organizational and international capabilities are accumulated over time. The grounding for our argumentation is based upon an emerging literature on institutional work (e.g., Lawrence, Suddaby, & Leca, 2011) that emphasizes the social embeddedness of actors in institutional settings and highlights the importance of “day-to-day equivocal instances of agency that, although aimed at affecting the institutional order, represent a complex mélange of forms of agency—successful and not, simultaneously radical and conservative, strategic and emotional, full of compromises, and rife with unintended consequences” (p. 52-53).

We distinguish between technical/organizational and institutional capabilities. The former are codified routines embodying organizational and technical knowledge

(Winter & Szulanski, 2001) that can be reliably replicated across geographically dispersed organizational units (Jensen & Szulanski, 2004). We describe a parallel phenomenon with respect to the firm's institutional capabilities in the context of emerging economies, where the rules of the game are in flux and both domestic and foreign firms must figure out "how to play the game" (Peng, Wang, & Jiang, 2008). With regard to the cross-border transfer of these capabilities, we see considerable scope for experiential learning and the development of cogntive assumptions about commitment to a context. Hence, we view the accumulation and cross-border transfer of institutional capabilities as an unfolding and iterative process (Johanson and Vahlne, 2009).

Experiential learning is reflected in the cognitive element of institutional capabilities, and is captured by the idea of heuristics. The dynamics capabilities literature considers heuristics to be higher order decision rules that trigger the exercise of lower order skills and routines (Teece, 2007). Heuristics permit the application of simplifying problem-solving logic that enables actors to process insights based upon qualitative information and tacit knowledge and 'to make strategic decisions in complex situations where less complete or uncertain information is available' (Wright, et al., 2000: 592). In a context where the rules of the game are constantly evolving, actors can synthesize heuristic-based logic and unfolding information to find new solutions. Given their larger role in emerging economies, it is notable that the owner-managers of family firms have greater scope to exercise such heuristic logic, since they are typically less accountable to minority owners and thereby have less need to rationalize their actions in the form of more formal logic and factual information (Carney, 2005).

Similar to organizational capabilities, we view institutional capabilities as intangible firm-specific assets. This view builds on and complements Boisot and colleagues (2011), who propose that firms operating in emerging economies acquire an "institutional competence" that involves the ability to cope with rapidly changing business systems. The view an institutional competence is an "ability to work the system (and) is often hard to articulate and typically hard to imitate" (Boisot et al., 2011: 87) has significant value for the international business literature. The ability to operate effectively in a difficult institutional context is generally framed as a generic country-specific asset that is widespread among firms operating in such environments (Cuervo-Cazzura & Genc, 2008). Consistent with the resource-based view, and the work of Boisot and colleagues (2011), we consider institutional capabilities as *firm-specific* phenomena that are rare and difficult to imitate (Peteraf, 1993). We suggest that some firms accumulate these unique institutional capabilities through cumulative experience in conducting institutional work (Lawrence, Suddaby, & Leca, 2009) and through the exercise of institutional skills (Fligstein, 1997). The firm specificity of institutional capabilities is further differentiated from country-specific phenomena due to the integration, or bundling of institutional capabilities with the firm's organizational and technological capabilities. Our novel theoretical contribution is to suggest and explore how institutional capabilities can be transferred across borders beyond the environment in which they were created.

Through a process of experiential learning, firms may accumulate heuristics skills and replicable routines that constitute a competitive advantage of EEMNEs (Cuervo-Cazzura & Genc, 2008; Guillén and García-Canal, 2009; Ramamurthi, 2009). There are several major streams of literature that probe the abilities of firms to cope with institutional weaknesses, including those focused on political strategy (Boddewyn, 1988; Faccio, 2007; Sun, Mellahi, & Wright, 2012), institutional strategy (Fligstein, 1997; Greenwood, et al., 2011; Marquis & Raynard, 2015), and substitution of institutional voids (Cantwell, Dunning, & Lundan, 2010, Mair & Marti, 2009). Although these literature streams do not directly refer to "institutional capabilities" they do identify types of business activities that facilitate firm success in systematically dealing with institutions and thereby creating competitive advantage. Based on our reading of these literature streams, we identify three important, sequential dimensions of institutional capabilities: network penetration, relational contracting, and business model innovation.

1.1 *Network penetration*

A distinctive feature of emerging economies is the interpenetration of state and business actors and the blurred boundaries between the two. An accumulating body of literature has documented the importance and value of social ties (Ellis, 2000) and political ties, in particular in emerging economy settings (e.g. Faccio, 2007; Fisman, 2001). Political ties establish reliability with actors who mediate access to local resources in the political and regulatory domains (Oliver & Holzinger, 2008) and provide a social ‘license to operate’ that can be denied to unconnected outsiders. Nevertheless, political ties come with the expectation of reciprocity and can be costly and risky in emerging economies (e.g. Siegel, 2007; Sun, et al., 2012), including Indonesia (Dieleman & Boddewyn, 2012; Fisman, 2001) and Vietnam (Malesky & Taussig, 2009). Moreover, identification of appropriate political ties is not straightforward as firms often maintain a balance among a portfolio of conflicting political ties (Zhu & Chung, 2014).

Political ties and relationships with specific individuals generated in one country are unlikely to have value in another. However. Frynas, Mellahi, and Pigman (2006) build on case studies of advanced economy MNEs in Nigeria, China, and Russia to advance their view that “knowledge of how to cope with the political process is transferable across borders (p. 340)”. We frame the problem of transferring institutional capabilities dealing with networking as one primarily composed of penetrating and achieving salience in a new institutional setting.

In the language of the internationalization process literature, the task for the firm is one of achieving recognition as an insider in a host-country government-business network by demonstrating reliability and trustworthiness among its members and thereby overcoming the liability of ‘outsidership’. This enables firms to identify relevant institutional actors in order “to determine how they are connected in often invisible and complex patterns” (Johanson & Vahlne, 2009: 1415). We see the institutional work lens (e.g. Lawrence, et al., 2009) as valuable in understanding this process due to its emphasis on the information gained through personal relations. We reason that outsiders seeking to penetrate host-country state-business networks should exhibit skill at inserting themselves into relevant relationships such that they are recognized as representing legitimate subject positions whose role and scope for action is mutually understood (Reay, Golden-Biddle, & Germann, 2006).

Whereas the calculative objective of the focal firm may be to achieve participation in such networks, network ties also provide opportunities for mutual influence, cooperation, and co-creation of solutions to shared problems through negotiation and mutual adjustment (Zietsma & McKnight, 2011). Thus, the conduct of institutional work 'highlights the awareness and reflexivity of individuals and collective actors in pursuing their objectives' (Lawrence, et al., 2009: 7). As such, trust building and government-business network penetration is a costly and time-consuming process. But neither the institutional work literature nor the international business literature has investigated how prior experience in penetrating and influencing a particular institutional domain can generate relevant knowledge that will provide firm-specific advantages in the speed and efficiency of network penetration in foreign domains.

1.2 *Relational contracting*

Penetrating and achieving prominence in a host-country state-business network represents the first movement in the transfer of institutional capabilities. We reason that the subsequent maintenance of enduring relationships and the capacity to cope with unforeseen contingencies is achieved through a process of relational contracting (Williamson, 1985). Relational contracting is a term developed in the institutional economics literature and refers to the structuring of self-enforcing mechanisms through which individuals make credible commitments toward exchange partners "in a sequence of transactions over time such that the ending date is unknown and uncertain" (Williamson, 1985: 169). Williamson conceived of relational contracting as a governance solution for market failures in complex and long-term exchanges wherein vertical integration is infeasible. Zhou and Poppo (2010) argue that "relational reliability" is an essential feature of successful transactions between firms in emerging economies where formal contract enforcement mechanisms are weak. In fact, relational contracting capabilities are likely to be of greatest value in countries where formal enforcement is weakest (Taussig & Delios, 2015).

In addition to institutional economics' calculative and rational approach to relational contracting, the international business literature has also incorporated a more affective understanding of relational contracting with a focus upon the development of trust, information sharing, and learning among network partners (e.g., Madhok, 2006). The institutional theory literature similarly emphasizes the affective role of proactive leaders and their capacity to make moral commitments in order to win trust and sustain cooperation among institutional constituencies (Fligstein, 1997; Kraatz, 2011). Moreover, this perspective recognizes that relational contracting applies to both business partners, potential competitors and other actors in the business-government network, providing insights into the processes through which contested boundaries for legitimate action may be negotiated and mutually clarified (Zietsma & McKnight, 2011).

More generally, institutional theorists suggest that action in institutional domains calls for the development and skillful exercise of a range of routines. Fligstein (1997), for example, conceives of institutional action as consisting of a broad repertoire of relational skills such as the ability to motivate cooperation, framing issues empathically in a manner that reflects the needs of referent others, and mobilizing support for a position. The international business literature, however, has not yet fully addressed how skill with affective and calculative dimensions of relationships helps firms to leverage their institutional capabilities across borders.

1.3 *Business model innovation*

Achieving prominence and sustaining relationships in a cross-border business-government network constitute key elements of institutional capabilities but the focal firm should also possess an appropriate business model suited to prevailing socio-economic conditions and able to cope with institutional weaknesses in the target country. The early international business literature established that firms from emerging economies possess country-specific assets related to operating in specific institutional settings (e.g. Lall, 1983; Lecraw, 1977), such as flexible production processes in response to chronic uncertainty. More recently, the EEMNE literature suggests that social and economic conditions in emerging economies are fertile environment for the development of innovative business models. For instance, a population of low-income consumers stimulate business models embodying frugal innovations, or 'good-enough' products and services that are both affordable and of acceptable quality (George, McGahan, & Prabhu, 2012). Indeed, an emerging literature suggests that entrepreneurs create business models to fill institutional voids (Mair & Marti, 2009). To compensate for the absence of physical and market infrastructure entrepreneurs often bundle new activities into business models to make them viable (Liu & Wei, 2013). Others incorporate novel governance arrangements that enable the mobilization of value creation initiatives for a wider socioeconomic community (Sanchez & Ricart, 2010).

Business model innovations are less likely to be initiated by insiders or industry incumbents since new models are likely to disrupt and cannibalize existing businesses (Teece, 2010). Thus the introduction of a new business model is likely to be initiated by new players that are typically encumbered with legitimacy deficits and high liabilities of outsidership. For example, Progressive Insurance, a marginal player and the originator of the pay as you drive (PAYD) automobile insurance model, confronted numerous obstacles in launching its novel business model in 1996, as it was illegal in most US states and held up by concerns about driver privacy. Progressive profitably launched PAYD in 2010 after some 15 years of work with technical partners and regulators. Subsequently, Progressive enjoyed a less contested entry into the European market with a licensing model based on cooperation with established automobile insurance companies (Desyllas & Sako, 2012). Hence, we expect that successful business model innovation in the domestic market will reflect a focal firm's prior period of institutional work with local stakeholders to gain their support by adapting the model to 'fit' local needs. Such work is likely to entail experimentation, feedback and incremental refinements to a business model (Cantwell, et al., 2010) and is likely to be beneficial in overcoming the liabilities of outsidership in overseas markets.

We reason that because institutional contingencies loom large in emerging economies, firms from these markets are more likely to devote greater attention to managing them. Tracey and Phillips (2011) suggest emerging economy entrepreneurs will be more attuned to the need to reduce uncertainty and pay greater attention to bridging institutional distances. Similarly, Maguire, Hardy & Lawrence (2004) contend that outsiders will need to make connections between existing and new practices within that particular institutional context and seek to align their new practices with the values of stakeholders. Cantwell et al. (2010) call for rigorous empirical research to address unanswered questions about such processes, including what makes firms better at this process than others and how they create variety in their institutional practices.

While several streams of literature have documented the existence and importance of these three phenomena outlined above, they typically give insufficient attention to the processes through which these firm-specific institutional capabilities are created and leveraged across geographical boundaries. We shed light on these processes by narrating an in-depth case study of an emerging economy firm, which we follow over a period spanning some fifty years.

2. **Methods**

Statistical methods involve selecting cases that are representative of a population. However, qualitative research involves choosing cases because they more clearly illuminate phenomena that have not yet been fully understood (Eisenhardt, 1989). Although institutional studies in international business largely eschew rich empirical description (Redding, 2005), the institutional work literature has benefitted substantially from insights derived through longitudinal case studies. This allows the latter to better map the specific processes through which firms may come to influence institutions. We adopt a longitudinal single-case study design to derive insights into the formation of institutional capabilities and explore their potential transferability across country borders. Our purpose is to theorize on the cross-border transfer of institutional capabilities.

2.1 Case selection

We selected the urban development sector for our case study because it is particularly prone to institutional voids, market failures, and resource constraints (UNCTAD, 2008). Urban development projects are particularly interesting in emerging economies because rapid urbanization tends to outpace government capacities to provide appropriate infrastructure, which then in turn constrains economic and social development (Ramamurti & Doh, 2004). Having pioneered the creation of new towns on the outskirts of Indonesia's overburdened cities the Ciputra Group was seen as an innovator in Indonesia's property market. The Ciputra Group was one of the first emerging economy firms to apply this business model to other Asian markets.

The timeline for our case spans a turbulent period in the histories of both Indonesia and Vietnam. It includes the experience of post-colonial independence, the rise and decline of communism, and the ascent of neoliberal policies of free trade and transnational investment. Following the departure of the Dutch colonial administrative elite in Indonesia, a nationalist government embarked on the task of modernizing society and industry. President Sukarno and Jakarta governor Soemarno relished the idea of refashioning Jakarta, Indonesia’s capital, into a truly modern city (Silver, 2008).

Mr. Ciputra, who like many Indonesians goes by one name, graduated as an architect in 1960. He responded to Sukarno and Soemarno’s modernization project and co-founded the Jaya Group, a firm jointly owned by private investors and Jakarta’s provincial government. He prospered as Indonesia's economic growth accelerated under Indonesia’s second president, Suharto (1967-1998) and as Jakarta’s population increased by approximately two million people every decade (Silver, 2008). He played a leading role with the Jaya Group for 35 years, working closely with long-serving city governors such as Ali Sadikin (1966-1977). Jaya group constructed the earliest privately built townships in greater Jakarta, including Pondok Indah and Bintaro Jaya (Winarno, 1987).

Mr. Ciputra was credited with a several innovations in urban planning in Indonesia, most prominently for the creation of new towns (satellite cities) in large areas, sometimes exceeding 1000 hectares. In the 1980s, he also founded the Ciputra Group together with family members. The Ciputra Group continued developing towns around Jakarta and in Indonesia’s second city, Surabaya. His commercial and residential property development projects progressively incorporated the construction of physical and social infrastructure such as roads, water treatment plants, educational institutes, and medical facilities, as well as the continuing maintenance, security, waste management services, and other utilities. The business model entails the sale of property, while retaining control over infrastructure and services, since it is the quality of the latter that shapes the value of the underlying real estate (Dieleman, 2011).

Ciputra Group listed three firms on the Indonesian stock exchange. It almost entered bankruptcy in the wake of the 1997 Asian financial crisis but re-emerged, according to its directors, with a commitment to reduce is financial exposure to

Indonesia. In the mid-1990s, the Ciputra Group began its expansion into other emerging economies, including Vietnam, India (later sold), Cambodia, Poland, and China. Most of these ventures were developed in private (unlisted) companies. A Ciputra Group director said in 2009 that about 40 percent of the group's revenues came from international projects. The group's largest overseas project was in Vietnam, where it teamed up with the Hanoi city government to build a new town near the airport.

2.2 Data collection

We relied on multiple data sources, as recommended for this type of study (Yin, 2003). Table 1 details the interviews, news articles and videos, annual reports, and company-commissioned books from which we drew qualitative data for this case. One author travelled to Indonesia 10 times from 2007-2012 to gather data through semi-structured interviews. Other interviews were performed in Vietnam and Singapore. Most interviews were conducted in English, and a few in Dutch (with a former minister and an advisor to Mr. Ciputra). Where necessary native speakers were employed to translate materials into English.

Given our interest in the relationship between organizations and institutions, our interview questions focused upon the origins and effectiveness of Mr. Ciputra's business model and upon his activities and relationships with business partners and government officials. We wanted to identify factors that differentiated his policies and practices from industry norms, and how industry norms and practices had developed in Indonesia and Vietnam. We were introduced to Mr. Ciputra by a trusted family advisor and he agreed to cooperate with the research, facilitating meetings with directors and providing relevant Ciputra Group documents (e.g., Harefa & Siadari, 2006).

To obtain multiple perspectives on Mr. Ciputra and the Ciputra Group, we sought a range of opinions, including former Indonesian cabinet members, local and overseas competitors, advisors, bankers and property experts. Given that the Ciputra Group's largest foreign project was in Vietnam, we decided to make it the focus of our investigation of the transfer of institutional capabilities. To allow respondents to speak freely, anonymity is maintained for all except the founder, Mr. Ciputra. We made elaborate notes of interviews, except for the interviews with Mr Ciputra, which were taped and transcribed. We gathered all annual reports up to 2007 of the three publicly listed Ciputra Group-owned firms. We also carried out a structured search in the Lexis Nexis database to retrieve international news articles using the keyword “Ciputra”.

2.3 Analysis

We combed through the data several times, organizing raw data into conceptual process and content categories drawn from the international business and institutional theory literatures described above. Our first step was to organize our data chronologically and to create a narrative of the Ciputra Group’s internationalization process, grouping together all of our data from interviews, media, annual reports, and books.

There was considerable information on the development of the Ciputra Group’s unique business model in Indonesia (see also Dieleman, 2011), but comparatively less on the firm’s internationalization. Therefore, our second analytical step was to explore specifically how the different dimensions of institutional capabilities (network penetration, relational contracting, business model innovation) might be replicated in a new context, relying primarily on interview transcripts of Ciputra Group executives and their partners.

Recognizing that some of the statements made could not necessarily be taken at their face value, we paid careful attention to the interests and background of the interviewees as a third step. Throughout the overlapping data collection and analysis, we sought to critically engage with the interview data and situate them within the broader context of informants’ interests and social position. By comparing and contrasting views and meanings from different actors, we decreased possible bias and, we believe, interpreted the data in a more nuanced manner (i.e. triangulation), as recommended for our type of study (Yin, 2003).

In line with the interpretative nature of this study, we went back and forth a number of times to interpret our material and reflect on how it advanced our understanding of international business and the constructs used in the literature.

We paid attention to standards for case studies in our research tradition (e.g. Gibbert, Ruigrok and Wicki, 2008), such as construct validity (does the study investigate what it claims to; is the design/operationalization adequate), internal validity (plausible relationships between variables and results), and external validity (theoretical generalization).

Construct validity primarily relates to the data collection phase (Yin, 2003). Eisenhardt (1989) notes that defining constructs and building evidence to measure these is often an iterative process. We focused our data collection on firm strategies in connection to the institutional environment, which informed the data collection strategy in terms of respondents, data sources, and the specific questions asked in interviews. We took care to include in our data collection different "voices" including those of government officials, critics, and competitors, so that we could create a more complete and nuanced view of Ciputra's institutional capabilities. This design helped us in the data analysis phase, as it allowed us to contextualize information and to compare across a variety of sources (data triangulation). We connected the multiple data points to the three dimensions in an iterative process and we found a number of different actions associated with the three theoretical dimensions. In so doing we engaged in what Eisenhardt (1989, p. 542) describes as using "multiple sources of evidence to build construct measures, which define the construct and distinguish it from other constructs". The process linking theoretical constructs to multiple indicators is further described in the discussion section of this paper.

Internal validity refers primarily to the data analysis phase, and the relevant steps depend on the type of case study (Yin, 2003, p. 34). As our case is an exploratory (rather than explanatory) case, we used the following steps. One step was to match predicted patterns to observed patterns. We first took our theoretical framework with three dimensions and searched for information relevant to these dimensions in our case database. We found that our case database contained many pieces of information on these three dimensions. We subsequently explored whether our case database contained evidence on whether these three forms of institutional capabilities might be replicated across borders. In particular, we looked for evidence of links between Ciputra Group's institutional strategies used in Vietnam and those developed in Indonesia. We then selected the most relevant quotes to illustrate the manner in which institutional capabilities played a role in Ciputra Group's internationalization. We then used our database to better understand how and why this happened (explanation building). In this last step we benefited from our design which included divergent views and rich data on the context of the firm and the institutional environments it operated in, and we continuously considered alternative explanations and further nuances that emerged from our data (triangulation). As such, we aimed to build plausible explanations for *how* institutional capabilities might be transferable across national borders. We do not claim that all firms use institutional capabilities, or that firms possessing institutional capabilities would necessarily be able to leverage them abroad, or that leveraging institutional capabilities abroad is the most important aspect of firm internationalization. Our more modest aim is to suggest that the Ciputra Group represents a relevant phenomenon that requires us to revisit our understanding of emerging market firm internationalization. Therefore, in terms of external validity, we aim for analytical generalization (rather than statistical generalization) by plausibly arguing that institutional capabilities should be perceived as embedded firm-specific attributes, which lead to competitive advantage that can be leveraged abroad, and we enrich the literature by illuminating how this process may unfold. In presenting this case, we thus hope to re-direct future research efforts on the relationship between EEMNEs and institutions, in particular in the context of internationalization.

3. Case study findings

"The government does not take care of education?
It's an opportunity!
The government does not have money for healthcare?
Opportunity!
The government has no infrastructure?
That's an opportunity."
- Mr. Ciputra

3.1 Developing Institutional Capabilities in Indonesia

Mr. Ciputra is first and foremost an entrepreneur who sees opportunities where others might see problems. As a young architect, Mr. Ciputra envisioned a modern urban landscape for Jakarta. For instance, while the city was oriented towards the south, he envisioned a beach city oriented towards Jakarta's northern seaside. He convinced Jakarta's governor to support his vision, even persuading the authorities to relocate a cemetery and reclaim a large mosquito infested swamp in an area believed to be occupied by evil spirits (e.g. Winarno, 1987).

From his initial insight about the nature of entrepreneurial opportunity at the boundaries of the public and private sectors, Mr. Ciputra's business model evolved to encompass the supply and integration of a growing range of public utilities and amenities into his own projects. Because municipal governments lacked resources, the entrepreneur took on responsibility for building roads and water treatment plants as well as soft infrastructure such as schools, universities and hospitals. The high quality of this modern public infrastructure, in turn, proved attractive to an emerging middle class. Interviews with partners confirmed that the Ciputra Group always retained full control over the design and construction of a new town, but that it sought partners to supply the land, expertise other than property (e.g. hospitals), capital, or political connections.

To cover the costs of physical and social infrastructure, large scale was essential. As a result, Ciputra Group's projects steadily increased in size over three decades. Through replicating and fine-tuning this model, Ciputra Group accumulated a much broader skill set than rival developers (according to both its partners and rival developers), including advanced and unique soft-service skills in areas such as traffic control, city governance, and urban planning.

The group continued to expand the range of infrastructure it was capable of providing, increasingly substituting for the role of government. A Ciputra Group director described this as follows:

> "The satellite city was an opportunity ... but the government could not provide infrastructure ... We picked the location, we requested the permit. The local government had no ideas for the area."

And according to a former minister:

> "[Property developers] run garbage disposal and water, for which they also collect a fee. The fee collected is shared between the developer and the government. Sometimes there are informal arrangements with the local populations. So the government gives the developers the right to tax."

As the business model evolved, the Ciputra Group increasingly absorbed responsibilities for town governance. Towards this end, a "city manager" was usually hired to take care of a "regulatory framework" and its enforcement. One of Ciputra Group's competitors explained that local officials in these formerly rural areas were used to looking after farmers and had little expertise with affluent and demanding new residents. Ciputra Group executives developed routines to fill this void, including traffic management in its properties, for example. City managers created handbooks that outlined fines and punishments for rule violations. A private "police force", i.e. security, was also often maintained in Indonesia's new towns, due to the corruption and limited capacity of government police. Ciputra Group's executives and rival developers refer to this practice discretely as "supporting" or "helping" the police. One executive said: "When we catch a thief, we say that the police caught the thief."

While Indonesian law stipulates that physical assets such as water treatment plants and roads should be transferred to the government after completion, in practice developers retain control of them. One Indonesian developer told us: "I cannot hand all this over to the government because they cannot maintain it. For example, we have some pretty sophisticated water treatment plants; the government does not have the expertise to maintain them." Hence, developers operate in a grey area, negotiating and implementing mutually beneficial schemes with local governments and inhabitants that are well beyond compliance with formal regulations.

In implementing this business model and incrementally developing the organizational capabilities necessary to support it, Mr. Ciputra gave close attention to managing the institutional domain. He founded and headed the Indonesian Real Estate Association and the Asian Real Estate Foundation, and served as president of the International Real Estate Federation (FIABCI) from 1989 to 1990. His son-in-law remains active in international associations and was president of the International Urban Development Association (INTA) from 2007 to 2013.

Like many Indonesian entrepreneurs, in his public utterances, Mr. Ciputra emphasizes the contributions of his firm to Indonesian society. In interviews with us, he claimed that profits were not a goal but a tool to build the nation, and that new town development would solve the problems of Jakarta. When asked on TV how he wished to be remembered, Mr. Ciputra answered: "Someone who builds for the needs of the country." Our interviews with former Indonesian ministers suggest that Mr. Ciputra built a strong reputation with Jakarta's government officials, who subsequently solicited his views on his vision for the city.

We found that the Ciputra Group's business model was widely imitated and had become the norm among Indonesia's main property developers. In time, the government tolerated and even encouraged developers' encroachment into the provision of public utilities. With limited state capacities for tax collection, property developers became an important source of tax revenue for provincial and city governments. Developers also took the initiative to create new towns, especially after the 1980s, when they proactively re-negotiated regulations or created urban master plans (e.g., Cowherd, 2003; Sujarto, 2003; Winarso, 2002). The shift toward the private leadership in urban planning is underlined in the following quote:

> "Indonesia had a drastic change from government-led urban development policies in the 1980s, but after deregulation, it became private sector-led. The private sector took over, and mainly those with close personal connections to the political elite."
>
> - Former Indonesian Minister

That the Ciputra Group and other property developers were actively involved in seeking to influence government seems undisputed. Mr. Ciputra's son-in-law, a company director, was also a member of the People's Consultative Assembly of Indonesia. A former Minister for housing sat on the board of Ciputra Development, one of the listed companies belonging to the Ciputra Group. Such political ties are far from unusual among Indonesian property groups.

According to several former government ministers we interviewed, the negotiable nature of government regulations and public urban development plans made significant personal contacts with local and central government essential. Property experts we interviewed agreed: Jakarta had spatial plans, but they were not consistently implemented. The head of the city's planning agency was quoted in a local newspaper saying that businessmen would lobby ministers, who would then order lower bureaucrats to change laws or issue special permits that were not in accordance with the law or with spatial master plans (Jakarta Post, February 14, 2002). This was a practice that everyone in the property development sector already suspected. It was not unique among developers but, according to some insiders interviewed, the company was not necessarily the most proactive or successful at it.

As an interim insight, we tentatively determine that Mr. Ciputra had developed a novel business model in the sector that became widely imitated but that his political networking activities and arrangements with the government conformed to common industry practice in the Suharto era. We found that in Indonesia, new towns became commercially successful and gained wide acceptance with the affluent middle class. The former ministers we interviewed conceded that, compared with the government, the Ciputra Group and its local competitors eventually developed superior capabilities in urban planning and management – and that in the eyes of the public and the government, privately constructed and operated towns became the norm. A Ciputra Group executive described his role in relation to the government as one of "setting higher standards". He explained that the local government sent its sanitation engineers to the town for training, a practice that was corroborated in interviews with rival developers. The outcome is an increased legitimacy for property development firms such as Ciputra Group for the provision of desired "public infrastructure".

To summarize, our case study suggests that during a period of rapid urbanization in Indonesian society between 1960 and 1990, Mr. Ciputra's Jaya Group and later Ciputra Group was proactive and imaginative in shaping Indonesia's emergent approach to urban planning, infrastructure provision and governance. Whether in the pursuit of the public good or private profit, Mr. Ciputra exercised initiative and developed benchmark capabilities in the provision of public utilities. In so doing, the business model contributed to the establishment of standard practices that came to be adopted by a wave of subsequent development firms.

3.2 Leveraging institutional capabilities in Vietnam

In their book on Mr. Ciputra, Harefa and Siadari (2006) dedicate a substantial section to Mr. Ciputra's practice of "innovation by creative adopting". They describe Mr. Ciputra's philosophy as one of taking best practices from one context and "adopting" them into the new context and of "combining them to be something better" (pp. 51-53). As the president of FIABCI, Mr. Ciputra travelled widely, taking along family and staff (Harefa & Siadari, 2006). This allowed him and his associates to accumulate contacts and to perceive opportunities abroad, noting the absence of comparable capabilities among local property developers. For instance, in the early 1990s, Mr Ciputra sent his team to Hanoi, and they remarked that "there were only several traffic lights" and "I used to bring a towel and mineral water every time I went to Hanoi because of being worried not to get a good hotel", which strengthened Mr Ciputra's intuition that this was the right time to invest in Vietnam (Harefa & Siadari, 2006: p22). Mr. Ciputra and his directors concluded that some Asian countries displayed conditions similar to postcolonial Indonesia decades before, and that Ciputra Group's demonstrated capabilities in building and managing large-scale integrated property developments were not yet locally available (according to several interviews). Harefa and Siadari (2006) similarly quote Mr. Ciputra as saying "If I could successfully build new cities in Indonesia, I would also believe that I could do it in another place, considering that Indonesia is not an easy location so it has trained me well" (p. 24). The new towns Ciputra Group subsequently constructed in other emerging economies were based on the master plan developed and refined in Indonesia.

To our question concerning the rationale for choosing foreign markets, Mr. Ciputra told us: "We don't go to Australia, Europe because they are already developed…. Now we are looking at Africa also. Big companies don't come there: opportunity!" We then asked how he could make money in African countries, Mr. Ciputra replied:

> "Why not? Because we go to the richer countries, Ghana, Nigeria, not to the war countries. Don't go there. After there is democracy, we will go to Burma. But timing is very important. Don't go there if there is still a war".

With regard to foreign market opportunities, the primary focus of our interviews was with the Vietnamese project. After 1986, that country gradually opened its doors to foreign investment. Ciputra Group first entered its property market in 1995 with a joint interest in a large hotel in Hanoi, the capital city. There were significant risks:

> "[Mr.] Ciputra owned shares in a hotel in Hanoi, and he asked the government to give him a bigger piece of land and he got 350 hectares. At the time few investors came to Vietnam. But when the US lifted the embargo it became booming. So the government tried to change the rules and up the land price. We have to negotiate and lobby. We were afraid that they would take away the project. We managed after a few years. But you have a risk in these countries."
>
> - Ciputra Group executive

Few foreign firms from the West or more developed Asian economies showed interest in investing in high-risk Vietnam market in the mid-1990s. Instead, it was a small number of developers from other emerging economies that possessed the requisite skill set for new town development. On why the Vietnamese government chose his firm, Mr. Ciputra said:

> "Concepts! I recommended an international city for Vietnam. At the time, the Vietnamese built only less than 10 hectare, but I built more than 100 hectares and I stretch to the international community. We already have the international school; the American embassy will be in our project."

Mr. Ciputra's decision to focus on these high-risk markets limited the range of competition he faced. He told us: "You are going where other people do not dare to? Opportunity!" The less capable the government was to provide infrastructure, services and facilities, the greater the demand for what Ciputra Group had to offer. In the words of a former Indonesian minister: "Developers like Ciputra [Group] thrive in immature systems, they find loopholes, that's why they go to Vietnam, Cambodia – those are also immature systems". One of the Ciputra Group executives phrased it as follows:

> "Developing countries are not yet so established in their regulation, legal framework and urban planning. Everything becomes a grey area. It is both an opportunity and an uncertainty."

As an early mover in Vietnam, Mr. Ciputra and his family felt comfortable with being 'first' in a new country, even when it involved a large long-term project in an uncertain business environment. We believe he understood this to be his specific area of competitive advantage. Mr. Ciputra said:

> "Then we went to a country. There were so many bureaucrats there. We said it's an opportunity! Because the big US companies will not come! The Singapore companies will not come! So we go there."

In this sense Ciputra Group's urban development capabilities appear well attuned to Hanoi's urban development needs. The colonial-era city centre is densely populated and heavily congested, with very few modern buildings. As a business partner of the Indonesian firm explained:

> "[Mr. Ciputra] really created the benchmark in the Vietnamese housing market. The market was very backward at the time, in 1995. Initially the competition was from Taiwan and Hong Kong, but they were not very good. They (Ciputra Group) are good builders. He [Mr. Ciputra] built satellite cities. To build a satellite city you need a design team, the internal resources and the technical capabilities. It must be your core business. You need to put in sewage, urban planning, etc. [Mr. Ciputra] did very well in Indonesia. When they went to Vietnam, he already knew how to do it. They already had a master plan."

It appears to us that Mr. Ciputra understands his personal reputation helped him gain access to local government decision-making. He also understands that politics are always local, so he picks local partners carefully. The Vietnamese international city project was established as a joint venture with the Hanoi public works department as a principal partner. Another Indonesian partner provided capital, but Ciputra Group took the lead when it came to the master plan. One of its executives shed light on the process of establishing the project:

> "By going to those developing countries it seems easier to grow because it is a developing country. But the risk is also high. It depends on the political situation. In other countries we have a problem with this, but in Indonesia we know the situation. We work with local partners in Vietnam and Cambodia; these partners are close to the power of the country. They have to be close to the military or the government, otherwise it does not work. If they are not close to the central government, it cannot be successful because you cannot get the scale. We first

> invite the partner to come over to Indonesia to see one of the projects. We even helped the government in Hanoi to develop their city plan."

A Ciputra Group partner said:

> "Our advantage is that Indonesian groups know how to bring bureaucrats, military and business together. Vietnam is like Indonesia in the 1970s. The military controls most of the land."

Aware of the government's limited capacities, Ciputra Group could "sell" the project using language that persuades bureaucrats. In the words of one of the Ciputra Group directors:

> "We always say that the project is commercially justified, so we feel the government should not go for it. Second, it is a large-scale project, which is easier to supervise for the government than a lot of small property projects. Third, by building on a large scale within the master plan, we can provide better facilities. If you have 20-30 hectares, you can't build a hospital, school, etc. The government benefits from our projects, the market also benefits compared to if you live in small-scale property projects. By having facilities, the price will increase more. Everybody benefits."

In other words, just as had been the case in Indonesia, the project would lighten the government's fiscal burden by fulfilling government infrastructure responsibilities without requiring government expenditure –while generating additional property taxes.

Having learned this lesson at home, Mr. Ciputra and his son-in-law nurtured political connections in Vietnam for a long period. When the financial crisis of the late 1990s strained its financial capacities, these accumulated political connections gave Ciputra Group the flexibility to delay implementation without losing the trust of the Vietnamese government. The project eventually began in 2002. Subsequently, the Vietnamese property market experienced setbacks in 2009 and the Ciputra Group reduced but did not derail the pace of the projects realization. According to an interview with a Ciputra Group executive, the Hanoi city project housed only 6,000 residents in 2012. The original goal was 50,000 inhabitants by 2010.

> "Of course in Vietnam the market is very slow, we just sit on our assets and wait. However, we do no borrowing so we are not that much affected."

- Ciputra Group executive

The value of patience and willingness to persevere with commitments despite setbacks in emerging economies came up frequently in our interviews about Ciputra Group:

> "[The Vietnamese] prefer Indonesian groups above Singaporean groups. Singaporean groups are already process driven, evaluation driven. If it is not according to plan, they dump it. But if we come, we come to stay."
>
> - Ciputra Group Partner, Hanoi Project
>
> "It matters that we stuck through the crisis. Mr. Ciputra said, 'I'm personally committed. I met with Vietnamese leaders and said I was doing this project'."
>
> - Ciputra Group executive

Although our material generally suggests that the Ciputra Group successfully leveraged its Indonesian-built capabilities, its mode of operating in Vietnam as a foreign entrant was certainly not without drawbacks. A local Vietnamese developer who became a competitor commented that, "[Mr.] Ciputra made many mistakes because he did not know the local market. For instance, the house design looks nice but it is difficult to maintain. Even if the property is only 3-4 years old, it looks more like 20 years old." He added that, "Ciputra [Group] worked with the local government for land. We have our own land, so it is easier." The setbacks of working with the government were also underlined by a Ciputra Group executive, who said: "The government has to have its say; we sometimes have to do things they want that really don't make much sense."

In summary, the Ciputra Group appears to have deployed the capabilities and routines developed in Indonesia to good effect in a transitional economy marked by significant institutional voids, and its presence had significant effects on the Vietnamese property industry. However, a careful reading of our evidence suggests that the process of transfer has been non-linear, and marked by trial and error and significant delays.

--Table 2 around here –

4. Discussion

4.1 Results

The case study documents how an emerging economy firm developed and leveraged institutional capabilities to create new largely privately regulated satellite cities that enable citizens and firms to minimize the problems of low capacity government. The case further documents how the firm successfully transferred these capabilities across country borders. The lessons we draw from our case are consistent with previous work on the potential for such leveraging of institutional capabilities, but provide further insight into understanding the features of these capabilities and the processes involved in transferring them across country borders. We summarize our results in Table 2.

Network penetration. While much literature has established the existence and value of government-business networks we contribute to the existing body of work by giving attention to the ways such networks are penetrated in host countries. A reading of the quotes in the first rows of Table 2 indicates that Ciputra Group executives were aware that Vietnam's bureaucratic networks could be accessed through partnerships. Ciputra Group executives had themselves partnered with an Indonesian firm connected to Suharto in Indonesia when it needed to "work the system" to implement its projects and they knew one needs connections at the right level. On the other hand, the Ciputra Group was also able to position itself as an expert and knew how to communicate this to partners and to the government by showcasing their Indonesian experience. As such, our case demonstrates the specific tactics the company displayed to insert themselves into local networks were rooted in their Indonesian experience and leveraged abroad to overcome the disadvantages from their "outsidership".

Given their previous experience with local government officials of several Indonesian cities the Ciputra Group was aware that the construction of integrated new towns required different branches of the government to coordinate their activities in a way that was unfamiliar to Vietnamese officials. Thus, while Ciputra Group's business model was entirely new in Vietnam and required that the Vietnamese officials to deviate from their established behavioral norms, Ciputra Group executives were familiar with and could commit to the institutional work required to win the support of necessary stakeholders because of their prior actions in Indonesia. They also knew that the need to adapt local regulations along with rolling out a new business model would deter potential competitors from more developed nations that were unaccustomed to such institutional work. In addition, Mr. Ciputra's achievements in Indonesia, and presumably also his presence in international industry associations, legitimized Mr. Ciputra's position as an expert and won him recognition. This, in turn, facilitated his entrée into the Hanoi government-business network. Rather than seeking licenses, the Ciputra Group found its way into the local scene through reciprocal actions. Ciputra Group executives helped the Hanoi government in Vietnam with city planning, based on their Indonesian experience.

Relational contracting. The institutional economics literature emphasizes the rational and calculative dimensions of relational contracting and the institutional work perspective emphasizes the affective commitments. Our interviews with Ciputra Group executives and their business partners suggest both elements feature in sustaining relationships in long-term projects. The calculative dimension is evident in Ciputra Group executives' awareness of their advantages and routines in bringing different branches of the Vietnamese government together, and that their skills were appreciated. Having had experience in multiple cities throughout Indonesia, Ciputra Group executives appreciated that dealing with government officials and the military in another emerging Southeast Asian economy would also require adjusting and adapting their business model to fit local circumstances and preferences.

Mr. Ciputra's commitment to the Hanoi project spanned a long period of time. He and his son-in-law spent some seven years establishing relationships in Vietnam before a shovel was ever put in the ground in Hanoi. Our analysis suggests that Mr. Ciputra's long-term institutional work with the Vietnamese military and with national and local government actors was crucial to achieving trust and legitimacy and that this also involved exercising influence over institutions. Several quotes by Ciputra Group executives suggest that they felt they possessed the routines that helped them adjust to unfolding circumstances compared with more "process oriented" companies who were primarily concerned with planned milestones rather than network maintenance. Their low-debt strategy enabled them to "sit on their assets" and continue even when faced with adverse economic circumstances. The trust Ciputra Group developed with these local partners through repeated interactions proved particularly important when constraints caused by the financial crisis in Indonesia forced a further delay in its Vietnam project.

Our case highlights that, while specific relationships cannot always be transferred abroad, the practice of relational contracting can become a transferable capability. Our quote of Mr. Ciputra communicating to Vietnamese officials that “he would do it” illustrates this capacity to make credible moral commitments to government partners. Ciputra Group’s advantage in this respect is communicated in the quote from one of the partners that, while Singapore-based companies will drop a project if things do not go according to plan, the Ciputra Group was prepared to honor its commitments and complete the project. We propose that the concentrated authority structure at the Ciputra Group, typical in founder-managed family firms, helped establish a credible reputation with Vietnamese officials. This observation is consistent with legal scholarship suggesting that established family firms’ incentives to uphold the family reputation by honoring their commitments can be an effective substitute for efficient contract law in emerging economies (Gilson, 2007).

In this regard, we address an issue specific to the institutional work literature concerning the “type of actors who are likely to engage in institutional work and factors that support and hinder their success and failure” (Lawrence et al, 2009: 10). Our case study reminds us that, like many executives in family firms, Mr. Ciputra and his son-in-law have exceedingly long tenures in their respective roles compared with senior executives in professionally managed firms. In this respect the capacity for relational contracting in the family-controlled Ciputra Group in Vietnam shows that senior executive discretion by family members can also constitute an advantage abroad. While reputational assets tend to be geographically circumscribed because the costs verifying reputation increase with distance (Gilson, 2007) our study suggests that given an appropriate timeframe reputations can be established abroad through the processes of institutional work and the capacity to uphold commitments with overseas network partners.

Furthermore, consistent with the institutional work literature, we find evidence in our case study of Ciputra Group executives utilizing skill to mobilize support and promote cooperation among stakeholders holding different interests. With the experience accumulated in several Indonesian cities Ciputra Group executives were prepared with arguments and incentives to motivate different government entities that the project would be a win-win for all stakeholders. As such, skill in performing institutional work, including developing trust, persuading government officials, and mobilizing stakeholders to collaborate (Fligstein, 1997) were representative routines that Ciputra Group executives could draw upon in both their home and host countries.

Business model innovation. In the 1970s and 1980s, Ciputra Group created and refined its business model through a period of economic growth and urbanization with the several projects in major Indonesian cities. Thus when Mr. Ciputra first visited Vietnam in the 1990s, his prior experience in Indonesia, coupled with his entrepreneurial instincts, offered insight into the future property and urban development needs of a nascent Vietnamese middle class, which was on the cusp of a comparable trajectory of economic urban growth. Mr. Ciputra was known in Indonesia as a visionary first mover and following some minor development projects in Hanoi, he (Mr. Ciputra) differentiated himself from rivals by floating the concept of an 'international city'. The Ciputra Group had accumulated more experience than local competitors in building on a large scale and in anticipating the future needs of the emerging middle class. Ciputra Group executives were also aware that local governments were constrained in meeting these needs, since they lacked urban planning skills and lacked much of the capacity needed to produce modern physical and social urban infrastructure. However, the concept of an international city resonated with the aspirations of the Vietnamese political class who were increasingly outward looking and open to foreign investment.

Hence, the opportunity Mr. Ciputra perceived in Vietnam was one specifically arising out of the host country's institutional weaknesses. In this context, the Ciputra Group found the conditions to exercise their capability of spanning institutional voids (Tracey & Philips, 2011) and operating in the absence of a "supporting" environment (Cuervo-Cazurra & Genc, 2011). The group had previously assembled the necessary technical and organizational experience to construct the necessary infrastructure and city governance mechanisms. However, Ciputra Group executives were also alert to the need to exercise institutional sensitivity. Lawrence et al. (2009) distinguish between creating, maintaining and disrupting institutions. Our case study shows Ciputra Group was careful to play a game of "creating" new and appropriate institutions with its business model, rather than one of disrupting old ones, which would likely invite resistance from local stakeholders. It pioneered new institutions in the form of novel public-private collaborations to create a new type of integrated international city, which was embedded in a new policy environment and led to a new standard in property and urbanization. Ciputra Group worked to 'bring in', share credit with, and provide resources and know-how to local actors, thus providing value to the wider local community.

Our findings are consistent with Tracey and Phillips (2011) and Cantwell et al. (2010), who describe international institutional entrepreneurship as transferring a new business model across country borders and helping to make it a norm in a new host country setting. But our findings go beyond the transfer of a regular business model, in the sense that Ciputra Group co-created what might be called "proto-institutions" – new institutional logics that emerge from negotiation and collaboration among multiple actors (Zietsma & McKnight, 2009). The Ciputra Group achieved this by bundling existing products (property) with missing public infrastructure, in a context of institutional voids, in a way that was similar to their prior Indonesian experience. In contrast with contemporary depictions of institutional entrepreneurship as a 'hyper-rational' and 'heroic' phenomenon we do not consider the Ciputra Group to have executed a pre-conceived institutional project with the explicit intention of changing the institutional environment. Rather, to the extent that Ciputra influenced urban planning practice in Vietnam, we view this outcome as indicative of the unintended consequences emerging from the firm's entrepreneurial attitude and its accumulated experience in institutional work.

In summary, Ciputra Group combined, reproduced, and utilized skills related to the three dimensions of institutional capabilities: network penetration, relational contracting and business model innovation. It used these to enter a new country with similar institutional weaknesses and similar needs arising from rapid urbanization.

4.2 Contributions

The paper makes three contributions. Conceptually, we further develop the concept of institutional capabilities and advance the literature by suggesting these can be utilized beyond the institutional context in which they were originally developed. We conceive institutional capabilities as heuristics, skills and routines and draw specifically from the institutional work and the institutional economics literature to theorize what such capabilities may entail and how processes of agency towards institutions play out. We advocate the idea of institutional capabilities and distinguish it from institutional strategies, since the latter implies the execution of preconceived plans and objectives. Implicit in our view of institutional work lies a posture of openness and the willingness to compromise with actors and interests beyond the firm. It is such a posture that enables a focal firm to create shared solutions and mutually beneficial outcomes. In so doing, Ciputra Group was able to overcome the liabilities of outsidership, which plagued their rivals from Singapore and Hong Kong. As such, our study responds to calls by Kostova et al. (2009) to incorporate into the international business literature a broader and more nuanced understanding of MNE agency towards institutions in host countries. In this respect, Ciputra Group's institutional capabilities represent a midpoint on the continuum between the constraining effects of institutional isomorphism and the powerful agency demonstrated by institutional entrepreneurs who were able to insert their institutional projects into an existing social fabric.

Secondly, we contribute to a core question in strategic management and international business literatures that asks: "where do capabilities come from (Ethiraj, Kale, Krishnan, & Singh, 2005)? We believe that the prevailing view in the international business literature of the origins of institutional capabilities are reflected in a country of origin argument that suggests firms operating in difficult institutional conditions develop a generic capacity to operate in the context of uncertainty that provides a transferable advantage to similar contexts. The idea is richly illustrated in Michael Porter's (1990) *The Competitive Advantage of Nations,* which seeks to identify country-specific origins of a nation's firms' international competitiveness. Porter provides numerous examples suggesting generic institutional capabilities:

> "Italian construction firms were particularly successful in Africa and the Middle Eastern countries… Italian entrepreneurs were good negotiators, and the

> sometimes Byzantine Italian regulatory environment made them unusually skillful at dealing with the complexities of doing business in developing nations… (1990: 269).

The country-specific origins of institutional capabilities have recently been emphasized in the work of Cuervo-Cazurra and his colleagues (2006; 2008) in documenting the competitive advantage of emerging market multinationals. Contrarily, other findings suggest firms frequently fail to adjust to difficult domestic institutional conditions and internationalize their activities as a means of escaping to more hospitable environments (Boisot & Meyer, 2008; Witt & Lewin, 2007). Our contribution to this debate emphasizes the organizational heterogeneity and firm-specificity of institutional capabilities as reflected by inter-firm differences in heuristics, skills and routines with respect to network penetration, relational contracting and adjusting business models to fit new contexts.

While much of the EEMNE literature is focused upon the creation and acquisition of organizational and technological capabilities, we draw attention to the importance of institutional capabilities as necessary complements in a portable bundle of firm specific resources. In this regard, we believe future research might fruitfully examine what kinds of firms are more likely to develop institutional capabilities, and under which circumstances institutional capabilities facilitate an EEMNE's entry and sustained success in other emerging economies. Although we argued that institutional capabilities are particularly salient in a context of institutional voids, future research could also address whether institutional capabilities might benefit EEMNEs in their quest to enter advanced economies with highly developed institutional environments.

Third, we show that skills in network penetration and relational contracting are characterized by long gestation periods and may be sticky to individuals and their family members. If so, the existence and value of such capabilities might plausibly explain the prevalence of family owned and managed firms in emerging economies. We conjecture that the aging oligarchs of these family firms prolong their close involvement in management because their skills and reputational assets may be imperfectly heritable by other family members and not fully embodied in organizational routines that are independent of the actors who develop these assets. The imperfect transferability of their relational assets to other members of the organization might explain their long tenure since retirement may result in significant loss of value in the firm's capabilities for operating in such environments. If institutional capabilities are sticky to the individuals that created them the question arises about whether they can be codified and routinized in the same manner as organizational capabilities in professionally managed organizations. It seems more probable that such organizations will develop routines to restrict executives from relational contracting to accommodate the wishes of key stakeholders. However, Chandler argued that the role of the headquarters in the professionally managed multi-divisional firm carried out "the most essential function of handling relations of the enterprise as a whole with legislators and other governmental bodies" (Chandler, 1991: 33). The depiction of European oil multinationals' political resources as a transferable and long-lasting firm specific advantage suggests that professionally managed firms find alternative mechanisms for codifying these assets (Frynas, et al., 2006). We conjecture that the institutional capabilities of professionally managed firms will reside in the experience of long-serving senior executives. Future research might fruitfully examine the extent to which EEMNEs' institutional capabilities can be successfully depersonalized and routinized thereby facilitating their transfer to family successors and professional executives.

4.3 Managerial- and policy implications

Our study shows that firms operating in emerging economies benefit from developing firm-specific institutional capabilities, in addition to more conventional organizational and technical capabilities. We argue that such firm-specific capabilities are not necessarily entirely location-specific. Firms can utilize these capabilities across countries, though their transferability may not be unlimited, even with experimentation and adaptation. These institutional capabilities may involve building and sustaining relationships with the government and other stakeholders, and being able to commit to long-term projects and engage in repeated relational contracting. Our study suggests that such networks may enable firms to exercise influence over institutions, provided they build legitimacy and trust with relevant stakeholders. In addition, our study shows that firms operating in a context characterized by institutional voids may benefit if they can bundle regular products or services with missing institutions, so as to benefit the wider community of stakeholders.

There is significant underinvestment in infrastructure in many emerging economies, leading to the persistence of institutional voids in physical and social infrastructure. Global best practice standards for private sector investment in infrastructure call for the establishment of formal contracts known as public-private partnerships (PPPs) but many emerging economy governments have little experience with such practices (UNCTAD, 2008). Our study highlights an alternative possible arrangement that generates institutional innovations where firms take a leading role. The public-private cooperation discussed in our study redirects policy makers' attention to private firms' unintended creation of proto-institutions with broader effects on local governments and communities.

4.4 Limitations

One limitation of the single case study methodology is that we are unable to claim that our narrative of Ciputra Group's entry into the Vietnamese property market constitutes a representative sample of EEMNEs institutional capabilities. Indeed, the three types of institutional capabilities we depict at the Ciputra Group are firm- and context-specific. It is well known that emerging economies display a wide variety of institutional settings. With our type of research design, we are unable to comment on how "similar" institutional contexts need to be for particular institutional capabilities to be successfully transferred. In particular, we explored the cross-border use of institutional capabilities in a context of institutional voids. Our constructs may not apply in other institutional settings or beyond emerging markets. However, we believe further attention to the contingencies associated with the transfer of institutional capabilities would be a fruitful line of further study and a source for further theorizing. Nevertheless, we provided a rigorous grounding for the notion that that firm-specific institutional skills and routines can be created and transferred across borders in emerging markets. As such, we expect that other cases would unearth different types of capabilities by other firms in different economies.

5. Conclusion

This paper proposes that some emerging economy firms develop proprietary firm-specific capabilities to span voids in the existing institutional fabric. We further propose and illustrate how a firm's institutional capabilities can be sufficiently well codified in heuristics, routines and skills to transfer across borders to markets with similar institutional conditions. These ideas are consistent with an emerging institutional work literature (e.g. Lawrence, et al., 2009), in the sense that high-agency institutional entrepreneurship attempted by foreign actors in unfamiliar settings is likely to be constrained by the liabilities of outsidership. However, influence by outsiders over the development of institutions is not impossible, and is likely to involve the penetration and deep immersion in existing networks and interests and the formulation of a business model adapted to local institutional circumstances. Our case study points to the ways in which institutional capabilities can create a market for missing institutions by bundling public and private goods and services in the business model, and signalling trust worthiness and long term commitment through the discretion available to owner-managed family firms. We hope our conception of institutional capabilities as a firm specific phenomenon, and our theorizing on the dimensions of institutional capabilities and their transferability will prove fruitful in advancing international business research on EEMNEs capacities for navigating in dynamic institutional and market conditions.

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Table 1: Ciputra Group Case Data Sources

Source type	**Sub-categories**	**Amount**
Interviews	Ciputra Group Executives	13
	Government Officials (former minister & director general)	6
	Competitor	2
	Partners	6
	Property/urban planning specialists	3
	Bankers/analysts/others	9
	Subtotal:	*39*
Annual Reports	Ciputra Development (1994-2007)	14
	Ciputra Surya (2000-2007)	8
	Ciputra Property (2007, plus IPO prospectus)	1
	Subtotal:	*23*
News Articles	Lexis Nexis search term “Ciputra” (1980-2007)	2170
Video	Author’s translation of a TV interview of Mr. Ciputra by Peter Gontha on October 20, 2004 for Q TV, available at http://www.youtube.com/watch?v=9aLKpoqA7X8&list=PL97EE51DFCB2DD19A&index=1 (accessed 22/4/2013)	1
Books	4 company-commissioned books	5

Table 2: How Ciputra Group leveraged institutional capabilities across borders

Institutional work (actions)	Institutional capabilities (heuristics, skills, routines)	Leveraging institutional capabilities abroad	Illustrative quotes
Access local bureaucrats through partnerships	Network penetration	Use locally developed mechanisms of partner selection and partner roles	"We work with local partners in Vietnam and Cambodia; these partners are close to the power of the country. They have to be close to the military or the government, otherwise it does not work." (Ciputra Group partner)
Legitimate positioning in network	Network penetration	Use local experience to position company	"At the time, the Vietnamese built only less than 10 hectare, but I built more than 100 hectares." (Mr. Ciputra)
Perceive and act upon partner needs	Network penetration	Use local achievements to convince overseas partner	"We first invite the partner to come over to Indonesia to see one of the projects. We even helped the government in Hanoi to develop their city plan." (Ciputra Group partner)
Act upon and stick to personal commitments	Relational contracting	Use long term horizon and family business owners' credibility in new context	"It matters that we stuck through the crisis. Mr. Ciputra said, 'I'm personally committed. I met with Vietnamese leaders and said I was doing this project'." (Ciputra Group executive)
Convince and negotiate with government players	Relational contracting	Use prior experience to forge sustainable partnerships	"Our advantage is that Indonesian groups know how to bring bureaucrats, military and business together." (Ciputra Group Partner, Hanoi Project)
Provide missing institutions	Business model innovation	See government weaknesses as opportunities	"The government has no infrastructure? That's an opportunity! " (Mr. Ciputra)
Combine property with missing public infrastructure	Business model innovation	Codify bundled offering into master plan and modify to suit other contexts with similar institutional voids	"To build a satellite city you need a design team, the internal resources and the technical capabilities. It must be your core business. You need to put in sewerage, urban planning, etc. Ciputra did very well in Indonesia. When they went to Vietnam, he already knew how to do it. They already had a master plan." (Ciputra Group Partner)