

Izvorni znanstveni rad
UDK: 005.21:334.726
Datum primitka članka u uredništvo: 4. 6. 2020.
Datum slanja članka na recenziju: 8. 10. 2020
Datum prihvatanja članka za objavu: 30. 11. 2020.

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PRESSURE APPLIED: COERCIVE ISOMORPHISM AND STRATEGIC DECISION-MAKING PROCESS IN MNC

PRITISAK PRIMIJENJEN: PRINUDNI IZOMORFIZAM I STRATEŠKO ODLUČIVANJE U MULTINACIONALNIM PODUZEĆIMA

ABSTRACT: Achieving and maintaining legitimacy is a structured process for multinational companies because of the unclarity of the process, the complexity of the business and the complex legitimate environments within which the subsidiaries operate. Coercive isomorphism can be seen as a means of achieving legitimacy for multinational subsidiaries. In this paper, the authors explored the embodiment of coercive isomorphism for strategic decision making in MNCs (*Multinational Companies*). The starting point was that business activity of MNCs is unique and specific and that the adopted theoretical postulates of particular emergent forms of institutional isomorphism are focused solely on coercive isomorphism while achieving legitimacy (of subsidiaries). In this paper, the authors focused solely on the study of the influence of formal pressures in the context of coercive isomorphism, that is the ultimate source of coercive isomorphism, while informal pressures, although significant, serves the purpose of creating the intensity of the coercive isomorphism. The results of quantitative and qualitative analysis are presented in this article. The theoretical part of the paper summarizes the key ideas of coercive isomorphism, while the empirical part of the paper consists of quantitative and qualitative research. The relationship between the form of forced isomorphism and the decision-making process was examined by multiple regression cross sections.

KEYWORDS: coercive isomorphism, multinational companies, international management, strategic decision-making process, top management teams

SAŽETAK: Postizanje legitimnosti strukturiran je proces za multinacionalna poduzeća zbog nejasnog procesa, složenosti poslovanja i okruženja u kojem podružnice posluju.

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Prinudni izomorfizam može se promatrati kao sredstvo postizanja legitimnosti za multinacionalne podružnice. U ovom su radu autori istraživali utjecaj prinudnog izomorfizma na strateško odlučivanje u podružnicama multinacionalnih poduzeća (MNC). Polazišna osnova jest kako je poslovanje multinacionalnih poduzeća jedinstveno i specifično te da su trenutno usvojeni teorijski postulati pojedinih oblika institucionalnog izomorfizma usredotočeni isključivo na prinudni izomorfizam kao sredstvo postizanja legitimnosti. Autori ovog rada su se usredotočili isključivo na proučavanje utjecaja formalnih pritisaka u kontekstu prinudnog izomorfizma obzirom da isti predstavljaju ultimativni izvor prinudnog izomorfizma, dok neformalni pritisci služe stvaranju intenziteta prisile. Rezultati kvantitativne i kvalitativne analize predstavljeni su u ovom članku. Teorijski dio rada sažima ključne ideje prinudnog izomorfizma, dok se empirijski dio rada sastoji od kvantitativnog i kvalitativnog istraživanja. Veza između oblika prinudnog izomorfizma i procesa strateškog odlučivanja ispitana je s višestrukom prostornom regresijskom analizom.

KLJUČNE RIJEČI: prinudni izomorfizam, multinacionalna poduzeća, međunarodni menadžment, strateško odlučivanje, vrhovni menadžment

1. INTRODUCTION

Institutional theory places institutional isomorphism as a central element of this theory, explaining it by the fact that organizations within their environment and organizational field, implement those business practices and structures that are considered legitimate and socially eligible. Why organizations adopt the same policies and practices has been explained by sociological institutionalists through institutional isomorphism; organizations become more similar as they adopt socially defined elements that are considered legitimate and are imposed by the institutional environment.

In this paper, the authors tested whether coercive isomorphism influences strategic decision-making process in MNCs (*Multinational Companies*). They assume that the business activities of MNCs are unique and specific, and that the classical postulates of certain emergent forms of institutional isomorphism are focused solely on coercive isomorphism in order to achieve legitimacy. In this paper, the authors focused on investigating the influence of formal pressures alone in the context of coercive isomorphism, since they represent the ultimate source of forced isomorphism, while informal pressures, although significant, serve the purpose of creating the intensity of the coercive isomorphism.

For the purposes of this paper, the definition of a multinational company has been further modified. Essentially, a multinational company refers to an entity that operates in multiple countries. In this paper, a multinational company refers to (foreign) entity whose share capital is at least 50% foreign owned, that is, the majority owner is a foreign company. Domestic multinationals are excluded from the research.

2. THEORETICAL BACKGROUND

The research work of scholars in the field of institutional theory and isomorphism within international management offers a rich theoretical basis for a better understanding

of the theory. Multinational companies significantly differ in their characteristics from domestic companies mainly due to the combination of multidimensionality and heterogeneity (Doz and Prahalad, 1991). Multinational companies face the environment, which, due to its geographical distribution, is subject to conflict situations, cultural differences, language barriers, complex internal environments with inconsistent interests and practices (Kostova, Roth and Dacin, 2008). The legitimacy of MNCs is of interest to researchers both because of the complexity of the business and because of the complexity in the external environment, the internal organizational environment, and the legitimation process itself (Kostova and Zaheer 1999).

Coercive isomorphism, as one of the three forms of institutional isomorphism, is a result of institutional pressures by those organizations under which other organizations depend on (DiMaggio and Powell, 1983). Mainly, formal pressures are projected from the state, legislatures, regulatory agencies but also the cultural expectations that society has from the organization (Tipurić, 2014). Formal institutions, according to Buck and Sharim (2005), represent the system of governance, shape the structure of the organization and observe the role of top management teams in corporate governance. Furthermore, formal institutions focus on the legal aspect and the rules regulated the competition (Lewin and Kim, 2004).

Formal pressures are emphasized in situations where powerful organizations or institutions force organizations that depend on them (and have less autonomy) to act in accordance with certain rules and codes of regulations to achieve legitimacy (DiMaggio and Powell, 1983; Edwards, Mason and Washington, 2009). Acceptance and compliance with coercive formal pressures is defined as conscious and deliberate obedience to the implementation of values of norms and institutional demands from the environment. The benefits of such behavior include increasing the availability of resources, achieving legitimacy, accreditation, and avoiding sanctions (Oliver, 1991). An institutionalized environment where emphasis is placed on the action of governments, professional bodies and associations that impose rules and standards is a characteristic of an environment subject to coercive pressures, and organizations operating within it respect the pressures imposed in order to achieve benefits and legitimacy.

Formal pressures, and consequently coercive isomorphism, arise from relations of power; formal or informal requirements. Although the legal formulation provided by the government and the legislative system of a country is first and foremost, informal pressures involving the cultural expectations and ethical standards of a country also contribute to creating the intensity of coercive isomorphism (Edwards, Mason and Washington, 2009). Formal and informal pressures on organizations that enjoy better status impose behavioral rules on other organizations that depend on them and have an obligation to meet societal expectations (DiMaggio and Powell, 1983).

Although organizations are under pressure from governments and other stakeholders such as end-users to adopt legal, social and economic formulations into their businesses to be perceived as legitimate (Sarkis, Zhu and Lai, 2011), more powerful organizations within the organizational field often use their status to manipulate other organizations to adopt more favorable practices (Liu, Ke, Wei, Gu and Chen, 2010). Coercive isomorphism ultimately leads to adaptations of practices that appear to be isomorphic, but institutional theorists argue that this does not necessarily lead to efficiency gains (Miemczyk, 2008).

The homogenizing effect of coercive isomorphism stems from formal and informal pressures on organizations not only on a legal basis but also on cultural expectations of the society in which the organizations operate. Coercive isomorphism thus manifests itself directly and indirectly, allowing but also limiting available resources depending on the degree of compliance (Beckert, 2010).

Institutional theory argues how multinational companies face the institutional pressures of host countries to become isomorphic to local practices. Kostova, Roth, and Dacin (2008) implied that the activity of multinational companies and subsidiaries is a challenge to institutional theory, especially in the part of institutional isomorphism, and that the pressure on subsidiaries to become isomorphic to the local institutional context is limited.

Doz and Prahalad (1991) discuss the specifics of MNCs and conclude that the consequences of multidimensionality and heterogeneity make the crucial difference between MNCs and other entities, with the inevitable fact that internationalization of business results in fragmented and conflicting external environments. The internal organizational environment of MNCs is complex; in addition to spatial and cultural diversity, it is also characterized by conflicts of interest, values and business routines used in particular organizational units. Recognizing the above, Kostova and Zaheer (1999) emphasize the importance of achieving the legitimacy of subsidiaries that are subject to additional focus in the host country precisely because of the complexity of the business structure and organizational behavior. Finally, Kostova, Roth, and Dacin (2008) conclude that the heterogeneity and complexity of MNC environments narrows the overall application of neoinstitutional assumptions to these entities; they do not reject it but suggest a more optimal and adaptive approach. Kostova and associates (2008) argue that institutional isomorphism in the context of multinational companies is limited. They argue that, although there are constraints and pressures from the host country, they are mainly focused on the regulatory framework and the legal dimension of the context and only sometimes will result in complete local isomorphism. To a certain extent, these companies, their subsidiaries, are often protected and exempted from the phenomenon of institutional isomorphism. They enjoy institutional freedom as long as they operate and respect the regulatory framework of the environment, allowing them to choose the degree of the pressures of the local environment. They conclude that requirements for adoption of local requirements and compliance are focused on regulatory requirements while the normative and cognitive components are marginalized.

Coercive isomorphism can be perceived as a means of achieving legitimacy for multinational subsidiaries. Achieving and maintaining legitimacy is a complex process for MNC due to the ambiguity of the process, the complexity of the business and the multiple legitimate environments within which the subsidiaries operate but also because of the organizational structure. Different institutional environments have different institutional requirements and variations related to specific requirements in order to achieve legitimacy create different institutional profiles based on the normative, cognitive and regulatory dimensions of the environment.

The legitimacy of MNCs is achieved at multiple levels and requires internal and external legitimacy. External legitimacy refers to requirements generated from the host country, and internal legitimacy includes requirements generated from the country of origin (the parent company). In situations where the requirements of internal and external legitimacy conflict, it is directly reflected in the activity of the subsidiaries as they are the ones that

must implement both sets of requirements simultaneously (Kostova and Zaheer, 1999). Institutional theory further assumes that the notion and perception of legitimacy is not always uniquely and uniformly adopted, so it is logical that “foreigners” will have a different image of what is legitimate and are not so attached to social settings and are less inclined to simply adapt to what is they are imposed (Ahmadjian and Robinson 2001). Kostova and associates (2008) argue that MNC subsidiaries are committed to negotiating in an institutional setting and manipulating imposed constraints, using hybrid solutions to build a social profile using a proactive approach, and not passively subject to local practices. In this way, the obtaining legitimacy makes the subsidiary conditional on isomorphic local practice.

The same authors conclude that these companies are even more eager need to obtain legitimacy in order to be eligible and established in their host country environment. However, the provocation focuses on the mechanisms by which these companies achieve legitimacy. They argue that it is impossible to achieve legitimacy through isomorphism at a certain *meso* level, because compliance with a large number of regulatory, cognitive and normative sources is impracticable in practice. Consequently, they propose alternative mechanisms for achieving legitimacy, that include negotiating with actors relevant to achieving legitimacy. Often, these companies choose the legitimacy spillover tactic; a case in which MNC links their business activity with those that already have gained legitimacy and are known and recognized as legitimate players in the environment (Kostova and Zaheer, 1999), thereby using their good reputation are creating a positive image as newcomers. An additional option is for the subsidiary’s executive staff to decide to conflict the sources of legitimacy of the parent company and the host country, given that the institutional situation allows them to potentially obtain an exemption or at least a reduced need for compliance.

3. SAMPLE AND METHODS

The authors of this paper started from the assumption of limited institutional isomorphism proposed by Kostova, Roth, and Dacin (2008). They tested the hypothesis that coercive isomorphism through formal pressures effects the strategic decision-making process in MNCs in Croatia and creates the basic prerequisite for proving the existence of limited isomorphism.

The examination of the hypothesis was carried out by triangulation and the combination of qualitative (in-depth interview) and quantitative research. Triangulation uses multiple methods or data sources, primarily in qualitative research, in order to describe the observed phenomenon as accurately and with as many aspects as possible (Patton, 1999). The main characteristics of triangulation include quantitative and qualitative procedures and strategies for collecting empirical data and linking different theoretical perspectives and paradigmatic systems using multiple data sources and methods. This paper linked the above; using different sources (primary and secondary) and different methods (surveys and in-depth interviews), extensive research was done on formal pressures of coercive isomorphism. In this paper, the authors used the methodological triangulation that involves the use of multiple data collection methods on the same phenomenon (Polit and Beck, 2008) and usually includes in-depth interviews, field notes, surveys, etc.

The questionnaire and the interview were used for top management teams of foreign-owned multinational companies in Croatia. Purposive sampling was applied in sample selection. Large and mid-sized companies (presidents and members of the board of the companies) were used as sampling frame. Ownership was considered in addition to the above criterion; 50 % or more of foreign capital in the overall ownership structure. In this paper, a multinational company is a (foreign) company whose share capital is at least 50 % foreign-owned, i.e. whose majority owner is a foreign company (Krajnović, 2019).

This part of empirical research was conducted in the period between March and June 2018. Questionnaires were sent via email to board members, presidents of the boards or persons having powers of representation according to the Court Register of the Ministry of Justice of the Republic of Croatia. A total of 374 questionnaires were sent. Survey sampling resulted in 105 filled-in questionnaires, representing a return rate of 28 %.

Links between coercive isomorphism and decision-making process were examined through multiple regression analysis. Quantitative data was analysed using the *EViews* statistical software. Qualitative data was analysed using *Nvivo* analysis software.

According to Frumkin and Galaskiewicz empirical analysis is based on cross-sectional regression.

General form of the model can be written down as follows:

$$Y_j = \alpha + \beta_j X_j + \mu_j Z_j + \varepsilon_j$$

$j = 1 \dots 105$ (number of analysed companies)

Y_j represents the dependent variable. In this paper, five different dependent variables have been defined, based on which five separate regression models are evaluated. X is the vector of explanatory variables based on which the extent to which multinational companies analysed in the paper are exposed to coercive pressures (isomorphism) is tested, i.e. how they affect the decision-making process. The direction of the effects is defined by the prefix of parameter β_j . The impossibility of uniquely defining the strategic decision making process and adjusting it in the context of coercive isomorphism, the authors of this paper used 5 dimensions of strategic decision making process, each dimension representing one dependent variable: systematical decision making model (F1), centralization of strategic decision making model (F2), stalling in strategic decision making model (F3), rationality in strategic decision making model (F4) and confidence in strategic decision making process model (F5).

Systematical decision-making is an extremely demanding process because it involves a large amount of information in order to perceive the problem from different perspectives and find solutions to the problem. Systematical strategic decision-making implies the engagement of all the activities of the decision-making process and the use of all data and information needed to make quality decisions. This dimension of strategic decision-making process examines the extent to which this form of isomorphism affects systematical decision-making process, ie whether respondents use and seek every available information when making a strategic decision to reduce risk and uncertainty or still have to act in the moment and do not wait for the decision and conditions come to a perfect stage.

Another dependent variable is the centralization of strategic decision-making, which examined the extent to which coercive institutional isomorphism affects the centralization (or decentralization) of strategic decisions. Centralized leadership and strategic decision-ma-

king define those members who have the strongest influence on organizational outcomes (Jensen and Zajac, 2004) directly shaping the degree to which organizational outcomes reflect the collective experiences, ideas, and values of team members. Centralization in the context of institutional theory affects the way in which national corporate governance systems define the role of the member and / or chairman of the board and their formal decision-making powers. More specifically, legal and regulatory systems encourage centralization when they assign ultimate responsibility to the individual and formal authority to appoint and replace other members of top management (Olie, van Iterson and Simsek, 2012).

With stalling the individuals seek to avoid making demanding decisions and seeks to shift responsibility to other organizational departments through delegation. For decisions that are of strategic importance, it is expected to be resolved in a timely manner and without delay, given that the delay potentially entails harmful consequences for the company. This dimension of strategic decision-making, placed in the context of institutional isomorphism, is potentially influenced by the pressures imposed by the institutional context and the aim is to test whether and which pressures significantly affect it.

The fourth dependent variable is rationality in strategic decision-making process, that unlike, intuitive decision-making, requires precise information from the (strategic) decision-maker in order to make a decision faster and to facilitate the decision-making process (Milić, 2014). However, the question arises as to whether in today's time characterized by hectic working timeframe and high levels of stress, it is realistic to expect that decisions will be made only with a high level of necessary information. Rational decision-making includes a number of activities: collecting necessary data, interpreting information, understanding and analyzing the competitive environment, identifying challenges and opportunities, following certain formal procedures, using decision-making techniques and methods (Bulog, 2014) in order to alleviate uncertainty in the environment.

The fifth dependent variable is confidence in strategic decision-making process. From the aspect of strategic decision making process, confidence is the self-assessment of the decision-maker about their own abilities in a particular situation and the presence or lack thereof can affect the decisions made. In the case of risky decision-making, as strategic decisions are, individuals with a high level of self-confidence have a much milder defensive attitude toward making such decisions and rely heavily on their own assessment of their abilities in a positive way (Rebellow and Patra, 2017).

In line with the above explanations and definitions of various forms of isomorphism, independent variables have been constructed as independent answers or arithmetic means of answers of selected measures of isomorphism: *coercive power*, *reward power* i *legal legitimate power*.

If the relationship of institutions and / or dominant entities in the environment with other entities that depend on them is perceived as a dyadic relationship, power derives from an asymmetric relationship and the ability of the dominant entity to influence others (Hart and Saunders, 1998). Although the literature offers six sources of power and categorizes them into three categories, for this analysis the category of mediated power is of interest for this research since has gained consistent empirical support over time.

The formal pressures in this research were examined through measures of mediated power and its sources, that is, coercive power, rewarding power, and legally legitimate po-

wer. Coercive power is defined as the ability of the dominant entity to “mediate the penalty”, ie to sanction the companies that depend on them if they do not follow the imposed rules. Reward power relates to a rewarding depending entity if their market behavior meets the rules that the dominant entity imposes. Legal legitimate power entitles a dominant entity to have a direct impact on the business operations of the entities that depend on it (Weiling et al., 2009). These sources of power cannot be influenced on and the depending entity must comply with. Over time, this will, lead to uncertainty in an environment and, although controlled by the dominant entity, will result in a negative perception of the dominant entity in terms of losing of autonomy (of depending entities) (Benton and Maloni, 2005). Excessive mediated power ultimately diminishes the social satisfaction of a dependent entities, and the dyadic relationship will be damaged in the long run, regardless of the potential economic benefits that they may obtain in the short term through the power of reward (Boyle, Dwyer, Robicheaux and Simpson, 1992; Ramaseshan and Pae, 2006).

4. DISCUSSION

The table below represents the results of the effect of formal institutinal pressures on strategic decision-making process, which is defined by three explanatory variables: *coercive power*, *reward power* and *legal legitimate power*

Table 1. Results of regression analysis of the effect of coercive isomorphism on the strategic decision-making process

	Model F1	Model F2	Model F3	Model F4	Model F5
Constant	0.94***	3.50***	2.95***	2.96***	2.92***
The main explanatory variables					
Coercive power	0.15*	0.03**	0.07*	-0.04*	-0.04**
Reward power	-0.05	0.13*	-0.05	-0.03	0.05
Legal legitimate power	0.03	-0.05	0.07	-0.01	-0.03
Control variables					
Activity	0.10	0.12	-0.01	0.03	-0.05
Orientation	-0.24*	-0.32*	-0.23**	0.13	0.01
Rivalry	0.13	-0.31*	0.09*	-0.24**	0.04*
Size	-0.11	-0.03	-0.09	0.05	0.09*
R-square	0.34	0.36	0.31	0.22	0.32
*** significance at 1%, ** significance at 5%, * significance at 10%					

The dependent variable in the first model is systematical decision-making process. The results of the analysis show that the effect of the variable coercive power is statistically significant at a significance level of 10%. The direction of the estimated parameter suggests that stronger pressure increases the level of systematicity when making strategic decisions.

The estimated parameters with the variables reward power and legal legitimacy power are not statistically significant, so the interpretation of these parameters makes no statistical implication.

In the second model, the dependent variable is centralization in strategic decision-making process. The results of the analysis show that the effect of the variable coercive power is statistically significant at the significance level of 5%. The direction of the estimated parameter suggests that stronger pressure increases the level of centralization of strategic decision making. The effect of the variable reward power is statistically significant at the 10% level, and the direction of parameter also indicating that exposure to coercive isomorphism increases the degree of centralization of decision making. The estimated parameter with the variable legal legitimate power is not statistically significant, so the interpretation of this parameter makes no statistical implication.

In the third model, the dependent variable is stalling in strategic decision-making process. The results of the analysis show that the effect of the variable coercive power is statistically significant at a significance level of 10%. The direction of the estimated parameter of this variable suggests that the presence of formal pressures reduces stalling in making strategic decisions. The estimated parameters of the variables rewarding power and legal legitimate power are not statistically significant, so the interpretation of these parameters makes no statistical implication.

Rationality in strategic decision making is the dependent variable in the fourth model. The results of the analysis show that the effect of the variable coercive power is statistically significant at a significance level of 10%. The direction of the estimated parameter of this variable suggests that the presence of formal pressures increases the level of rationality in making strategic decisions. The estimated parameters with the variables reward power and legal legitimate power are not statistically significant, so the interpretation of these parameters makes no statistical implication.

In the fifth model, the dependent variable is confidence in strategic decision-making process. The results of the analysis show that the effect of the variable coercive power is statistically significant at the significance level of 5%. The direction of the estimated parameter of this variable suggests that the presence of formal pressures increases the level of confidence in making strategic decisions. The estimated parameters of the variables reward power and legal legitimate power are not statistically significant, so the interpretation of these parameters makes no statistical implication.

The results of the regression analysis of the influence of formal pressures of in coercive isomorphism on the five dimensions of strategic decision-making process show that formal pressures have a significant influence on strategic decision-making process, with the most significant influence being the variable coercive power.

Additionally, tests of heteroskedasticity, autocorrelation and tests of residual normality were conducted, which is the standard approach in regression analysis (Bahovec and Erjavec, 2009). In order to be able to define whether the data used were normally distributed, the Jarque-Bera test with the theoretical value of the distribution was used. The heteroskedasticity in the models was examined by White's test, that showed no presence of heteroskedasticity in any model. The autocorrelation of the models was tested with the Ljung-Box test, and the results showed no presence of autocorrelation in any model. The quantitative results show that the hypothesis cannot be rejected.

Qualitative research of this paper was conducted in a semi-structured interview with top managers from 10 companies of different industries. A semi-structured interview was used to collect information on the impact of coercive formal pressures on the strategic decision-making process of top management teams in multinational companies. Each interview was conducted live, as a regular meeting, and began with an introduction to the research topic and an explanation of the concept of institutional isomorphism with an emphasis on coercive isomorphism and formal pressures since no respondents encountered the observed concept. After introductory questions about the current position as well as the level of education, the interview began with their attitude and perception of strategic decision and strategic decision-making process in the companies in which they work. All examinees described the industry in which they operate as a highly regulated industry. Rules, procedures, and regulations are the common feature of their everyday business. The overall legal context is considered depending on the structure and nature of the strategic process, if it is a product placement, it must have all the necessary validations and certificates for launch, and any strategic decision must be fully adapted and subordinated, not only to the legal framework of the Republic of Croatia, but also to the EU regulations.

An excessive number of rules and regulations leads to a certain hyperinflation of formalised rules and legal prerequisites to be adopted, becoming increasingly difficult to follow. Strategic decisions are becoming derivatives of legal and regulatory infrastructures. Inertia and sluggishness of the system, untimely reactions of the state as a regulator to specific problems and lack of understanding of real economy needs makes day to day business and strategic decision-making more difficult, potentially endangering competitiveness and flexibility.

Legal framework forces the management to adapt their strategic decisions to conditions set by the regulator, punishing any form of non-compliance. While formal pressures of the state eliminate any possibility of negotiating, the pressures exerted by parent company are lesser in situations where the parent company is not as familiar with the local framework as the subsidiary. In this case, the subsidiary mitigates such pressures, accepting others, such as organisational structure, communication methods, product or service placement, in the manner set by the parent company. However, the pressure from the parent company is on additional formal reporting that is not imposed by the legislation of the Republic of Croatia. Finally, formal pressures from state and other regulators are being accepted and such formal structures are being adopted regardless of the limitations that result from them, since there is an objective fear and sanction awareness if they are not accepted.

Some examinees cited the case when the parent company's initiatives were not in compliance with the legislation of the Republic of Croatia and that such initiatives were not adopted; all respondents place the pressure of the state and the laws of the state in the first place, and only after the legal frameworks are adopted, the inputs from the parent are taken into consideration. Such inputs are again adapted to local specificities. Attempts to sensitize regulators to market needs and business specificities in each industry through associations or initiatives are largely unsuccessful and require additional expense and effort.

A qualitative analysis gave a clearer insight into the quantitative part of the research. Qualitative results support quantitative results and support the theory of limited institutional isomorphism.

5. CONCLUSION

Institutional theory and its key argument institutional isomorphism is a relatively young theoretical perspective that enables understanding of phenomena and business processes through the structure and performance of contemporary organizations in order to achieve legitimacy that other theories do not offer.

Although the requirement for legitimacy is unblemished in multinational companies, it is achieved through formal pressures; more specifically the legal framework of the host country. The isomorphic action of strategic decision making is evident through coercive isomorphism. Legitimacy is achieved by adopting and aligning with dominant practices within the organizational field. Coercive isomorphism assumes that environmental pressures are conducive to legitimacy for organizations, whether adopting standardized business practices, certifications or regulatory requirements. Achieving legitimacy from the perspective of institutional theory, that is, coercive isomorphism, increases the chance for organizations to survive. Since such an environment is a web of interrelationships between organizations that create an institutional context, strategic actions and strategic decisions are limited and sometimes imposed by themselves. Logically, pre-imposed regulations and standards increase the likelihood that those organizations within the same industry will use and adopt the same strategic solutions. These results support the provocations proposed by Kostova, Roth and Dacin (2008) linked to the institutional isomorphism and MNCs. These companies enjoy institutional freedom to the extent that they obey the laws of the country. This research confirmed this.

Undoubtedly, this research creates a passage for future research of phenomena that has so far been overshadowed by much more popular and attractive theoretical perspectives. This research is potentially a major step forward in perceiving the strategy of the company, that in this case is not the combination of unique resources, but the ability to shape and adapt its behavior within the given frameworks imposed by institutions. Research based on rationalist explanations of organizational behavior is shifting towards recognizing that organizational behavior and organizational processes are part of the cultural and political context. Furthermore, the essence of this research is that the focus is not to explain heterogeneity across firms, but rather the opposite; proving their similarity. Finally, this research has contributed to the clarification of a concept that has been unfairly neglected while its applied impact in business practice is undeniable.

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