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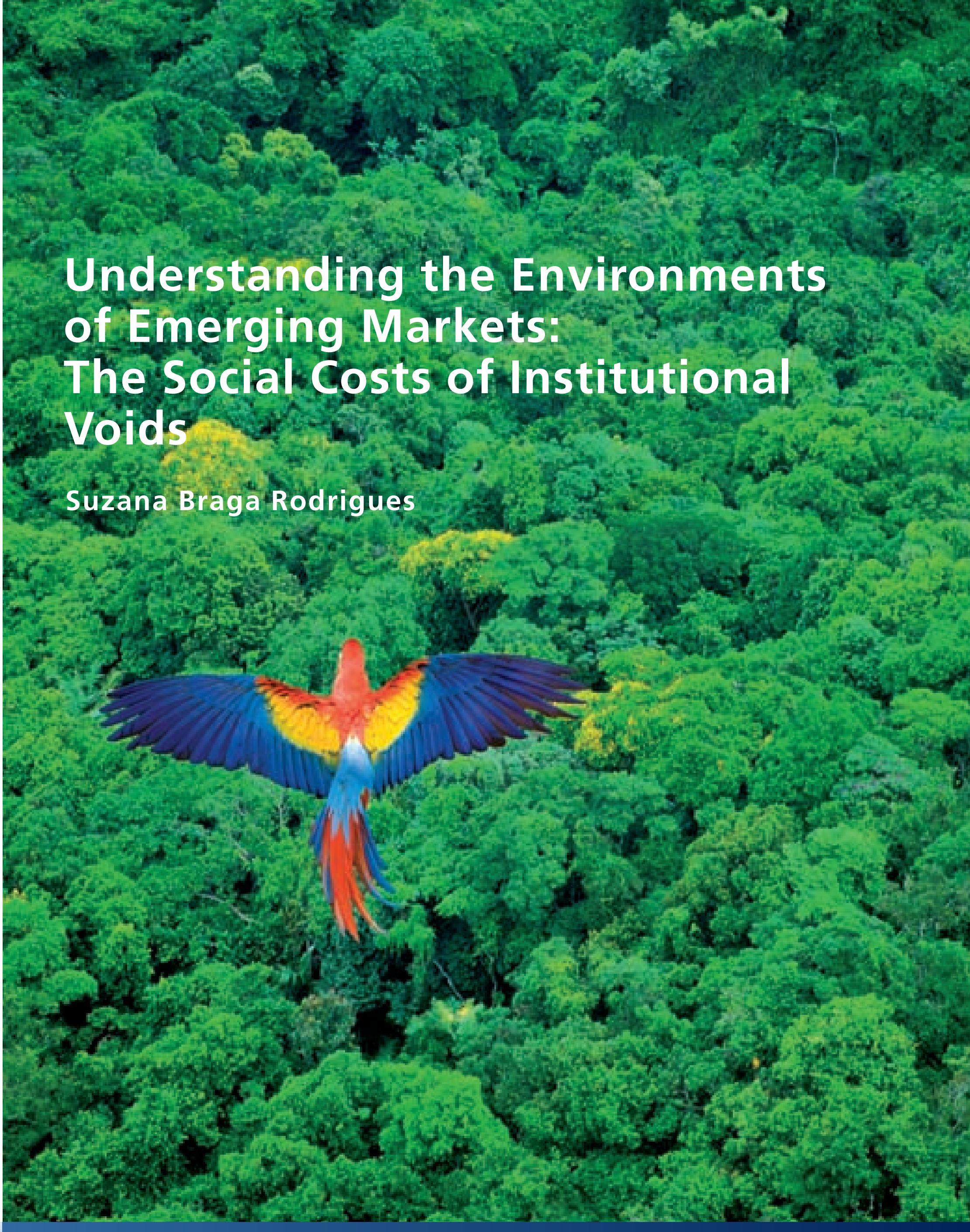

Understanding the Environments of Emerging Markets: The Social Costs of Institutional Voids

Suzana Braga Rodrigues

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Understanding the Environments of Emerging Markets: The Social Costs of Institutional Voids

Farewell Address

Address given in shortened form on the occasion of her farewell
as Full Professor at the Rotterdam School of Management, Erasmus University,
on Thursday, June 13, 2013

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Samenvatting

Opkomende markten hebben een snelle groei doorgemaakt in de afgelopen tien jaar, maar ze lopen nog steeds achter op ontwikkelde landen op het gebied van een aantal belangrijke sociale dimensies. Een van de redenenen voor deze onevenwichtige groei is de veelvuldigheid van institutionele vacuüms. Institutionele vacuüms worden doorgaans gedefinieerd als kloven tussen regels en hun doelen, en de effectiviteit van hun uitvoering. Ze ontstaan wanneer de economie zich sneller ontwikkelt dan sociale en institutionele raamwerken. Hoewel de vacuüms positief kunnen zijn door ruimte voor nieuwe bedrijven en ondernemerschap te creeëren, is het ook belangrijk te bedenken dat deze hiaten ongewenste gevolgen voor de samenleving kunnen hebben, zoals overmatige exploitatie van personeel of van natuurlijke hulpbronnen.

Abstract

During the past decade, emerging markets have had extraordinarily high growth rates compared to developed countries. Many agree that a distinctive characteristic of emerging markets is their rhythm of growth. Over the past thirty years, emerging markets have been encouraged to shape their institutions to foster the development of business, both domestic and international, under the assumption that the efficient functioning of markets is core to economic growth. Although emerging markets have achieved fast growth rates in the past, and are expected to do so in years to come, there is evidence that they still lag behind developed countries in several key areas, such as human development, institutional competence, transparency levels and other social features. I argue that institutional weakness is one of the main reasons for this disappointing performance. The view that markets provide superior mechanisms to incentivise economic activity has dominated academic perspectives on economic growth. A major challenge for a perspective whose goals are centred primarily on economic growth is that it tends to ignore the potential benefits of institutions in shaping other features of society which are core to a more comprehensive view of growth, i.e. one that takes into account its sustainability. In this lecture, I define institutional voids as gaps between rules and their purpose and the effectiveness of their implementation. Though institutional voids can be positive to business in many respects, by creating opportunities for new business and entrepreneurship, it is also important to consider that voids emerge when economic growth advances faster than social and institutional structures. Hence, voids can also generate unwanted consequences for society, such as the over-exploitation of human and natural resources. In this lecture, I will consider two types of voids: structural and contingent. Structural voids relate to the distance between rules as they are in the book and the institutional capacity for their enforcement. Contingent voids arise from a combination of factors unique to given environments such as the social and economic contexts in which they are embedded, i.e. pressures for growth.

I will discuss some examples of structural and contingent voids mainly in the Brazilian context and propose a model to analyse how they emerge, in order to indicate how institutions can address the issue of voids. I suggest that emerging markets can only make the leap forward to a stage of sustainable growth if attention is focused on institution building and effectiveness, through a design that considers intra- and inter-institutional coordination together with strategies aimed at achieving embeddedness in both practice and behaviour. I now want to share with you some ideas about economic development, the institutional environments in emerging markets and the costs of growth.

Profile

Prior to joining RSM, Suzana was Professor of International Management and Organisation at Birmingham University, UK and at UFMG, Brazil. At Birmingham, Suzana was one of the founders and Director of the MSc International Business. She was also a founder and Director of CIBOR – Centre for International Business and Organisation Research at the University of Birmingham. She was elected a Visiting Fellow of Lucy Cavendish College, Cambridge and in 2002 was invited to become a visiting fellow of St. John's College, Cambridge.

She obtained her PhD from the University of Bradford Management Centre, UK for a study on strategic decision making in British companies. After returning to Brazil, she chaired the MBA Programme at UFMG. Suzana was Director and President of the Brazilian Academy of Management for six years. In Brazil, she was appointed as Professor of International Business in 1990 at UFMG. There she set up the Centre for International Business Studies at the Department of Management and also established UFMG's Centre for Technology Transfer.

Suzana has received several awards for her contributions to the development of management knowledge and education in Brazil. In 2009, she received the prestigious George R. Terry Book Award from the Academy of Management for her outstanding contribution to the advancement of management knowledge.

Suzana has published several books and articles in peer reviewed journals in international business, corporate governance and organization studies. Her work has appeared in *Human Relations, Journal of International Management, Journal of Management Studies, Management and Organization Review, Management International Review*, and *Organization Studies*. She is a co-editor of the Organization and Strategy Series published by Edward Elgar and member of the editorial board for *Organization Studies* and several peer reviewed journals in Brazil.

Content

Foreword

Dear Rector Magnificus of Erasmus University,
Dear Chair of Erasmus University and members of the University Board,
Dear Dean of Rotterdam School of Management, Erasmus University,
Dear colleagues, friends, students and members of the audience,

It is my pleasure and honour to be here today for another public lecture at Erasmus University. The title of my lecture is "Understanding the Environments of Emerging Markets: The Social Costs of Institutional Voids".

Rather than considering this as a retirement address, I see it as an opportunity to make a statement after four years as Chair in International Business and Organization. This time has been an extraordinary experience for me, which has contributed significantly to my professional and personal growth.

Today is also a chance to tell you a little about myself and share with you some of the ideas that I intend to develop in the near future. The time has gone so fast. It seems like only yesterday that I started my career in Brazil, when I began my psychology course at the Federal University of Minas Gerais (UFMG). My fascination with academia dates from the first lecture I attended, which happened to be an inaugural address on cognition. At that time, I promised myself that one day I, too, would stand in front of a university audience and make my own professorial statements.

So, right from the start, I had a pretty clear notion of what I wanted to be. It may sound far- fetched but I was initiated into research and teaching at a very early stage. I obtained my first research grant from the Brazilian National Research Council, when I was in the third year of my degree, and started my final year as an assistant professor in research methods. I obtained my Master's degree in Administrative Sciences from UFMG, a program that was initiated in early 1970s through a link with some American universities. My Master's thesis was about the strategic contingency of intra-organizational power, following Perrow's study on organizations and environments and David Hickson who, together with Bob Hinings, elaborated the theory of organizational power that is today applied to understand the relationships between multinationals and their subsidiaries. Professor Hickson became my PhD supervisor at Bradford University in the UK, an exciting place for doctoral studies at that time.

I belonged to a research group on decision-making and had the opportunity to exchange ideas with Peter Buckley, David Wilson and Stewart Clegg. In 1980, we were already talking about globalisation and cross-cultural management. I also witnessed at first hand David Hickson's involvement with the creation of European Group for Organization Studies [EGOS] and its associated academic journal, Organization Studies. Back in Brazil during my doctoral degree, I spent the best years of my career in institutional building. At that time, I was only the third person in Brazil with a PhD in management. In 1985, I obtained a Fulbright scholarship for post-doctoral studies, which gave me the opportunity to visit some of the best universities in the USA and to enter into research discussions with several eminent scholars such as Charles Perrow, Jeffrey Pfeffer, and Richard Scott. However, as I wanted a proper academic career, and as I also had a special fondness for England, I decided to pursue my ambition there. In England, I had the opportunity to learn from John Child the virtues of the Cambridge collegial tradition of theory construction through debate. He also incited my curiosity about China, and a significant event in my career was my visit to that country in 1994, as a consultant in strategic alliances on behalf of the Brazilian government. This also gave me a unique experience of doing research on negotiations for strategic alliances between Brazilian and Chinese firms.

At Birmingham University I continued to develop my teaching, research and leadership skills. One of my major achievements was the book on Corporate Co-evolution: a political perspective, which received the Terry Award at the 2009 Academy of Management Meeting.

Erasmus University gave me further scope to develop even more, thus fulfilling the ambition I had held since my very first class in psychology. In the next stage of my career, I hope to contribute to the development of management studies both as a discipline and practice because I believe that management from these two perspectives can offer much more to society than it currently does. I also intend to carry on contributing to my country more effectively by developing the research, which I started at Erasmus University and by working at FUMEC University, an ambitious and fast growing university in Belo Horizonte.

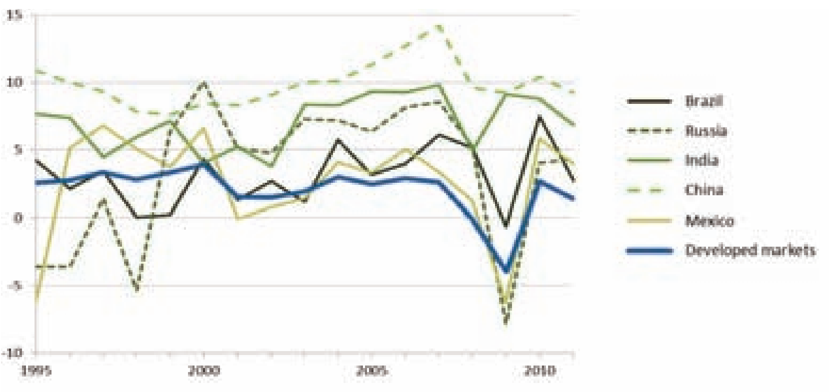
My lecture today is a result of this experience, of having worked in a vibrant and promising country like Brazil, of having years of service at Birmingham and Erasmus, and as a visiting scholar in China and America. Rather than being a farewell, I see it as a celebration of all the people and places I have been privileged to know.

1. Introduction

Over the past two decades, the global landscape has undergone some major transformations, such as the rapid development of various emerging economies and the reduction of economic growth in developed countries. For emerging markets, the main challenge is continuity of growth: not simply maintaining and building on the economic progress already achieved, but making the leap to a level at which sustainable growth is key. For developed countries, one of the main questions is whether and when previous levels of growth can be recovered.

Historically, the promotion of rapid economic growth has been viewed as the principal means of enhancing the health, welfare and development of a nation (Szreter, 1997). A strong economy is considered instrumental in enhancing both quality of life and institutional capabilities (Khan, 2002). Gross Domestic Product [GDP] has been widely adopted as the principal measurement of performance (Colman, 2001; Wen, Zhang, Du, Li and Li, 2007; Shin, 1978; Szreter, 1997) and the main criterion for distinguishing developed from emerging and less developed countries (Glaeser, La Porta, Lopez-de-Silanes and Shleifer, 2004). During the past decade, emerging markets have had extraordinarily high growth rates. In fact, many agree that a distinctive feature of emerging markets is their rhythm of growth and that this separates them from others (Khanna and Palepu, 2010). As you can see in Figure 1 below, emerging markets – the BRIC countries (Brazil, Russia, India and China, including Mexico) – have shown higher growth rates than developed markets.

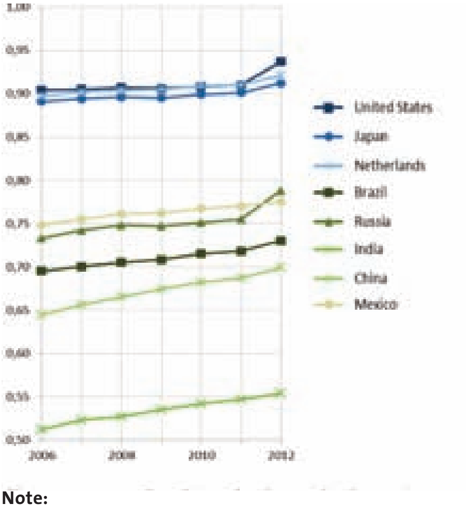
Figure 1. GDP growth rates (1995-2011)



Source: based on UNCTAD (2013)

Yet, most of these countries lag behind developed countries in other dimensions, such as human development (Figure 2), institutional competence (Figure 3) and transparency levels (Figure 4).

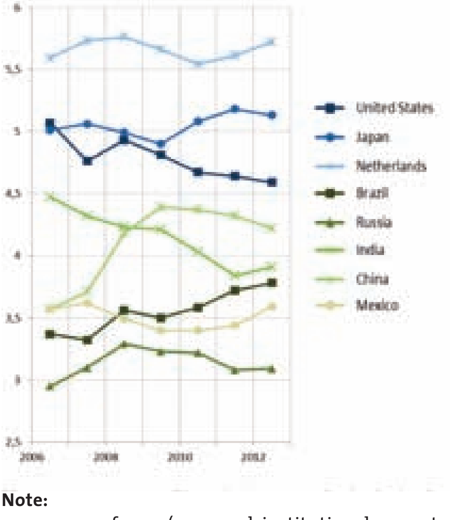
Figure 2. Human Development Index



Note:
scores range from 0 (very low human development) to 1 (very high human development)

Source: based on UNDP (2013)

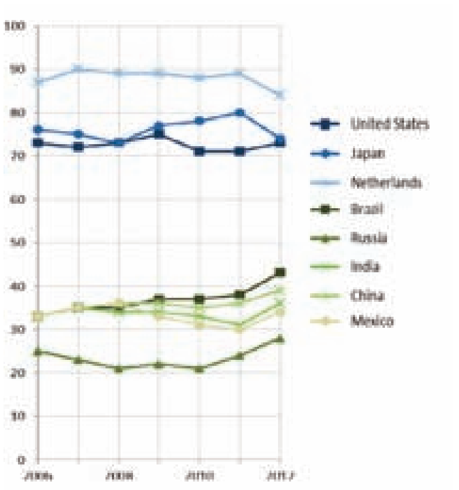
Figure 3. Institutional Competence



Note:
scores range from 1 (very weak institutional competence) to 7 (very strong institutional competence)

Source: based on WEF (2013)

Figure 4. Transparency Index

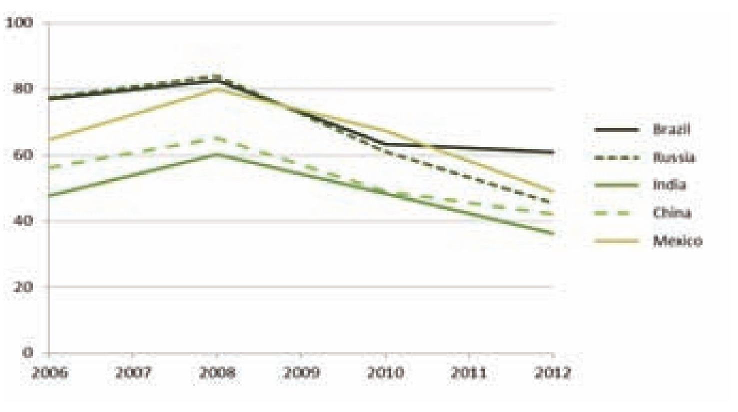


Note:
scores range from 0 (low transparency, very corrupt) to 100 (high transparency, very clean) and refer to public sector corruption

Source: based on Transparency International (2012)

It is also interesting to see that the environmental conditions in emerging markets have declined, despite the fast growth of these economies. As shown in Figure 5 below, in most BRIC nations this decline started in 2008. Focusing on environmental issues is a significant challenge for emerging markets.

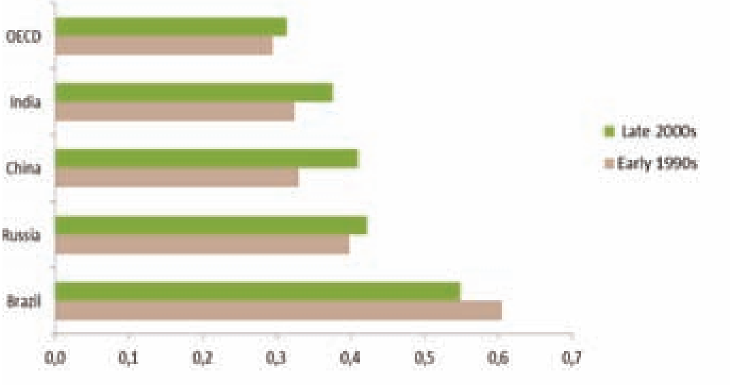
Figure 5. Environmental Performance Index



Source: based on Yale University (2013)

Moreover, despite the increase in GDP over the past ten years, most emerging markets have increased levels of inequality since the early 1990s, with exception of Brazil (OECD, 2011). In addition, the rates of inequality for emerging markets are significantly higher compared with those for OECD countries (see Figure 6).

Figure 6. Inequality



Note:
scores range from 0 (perfect equality) to 1 (perfect inequality)

Source: based on GINI index of OECD (2011)

Hence, despite the attractiveness of a burgeoning GDP, the index does not effectively capture the social dimensions of this growth. Indeed, many dimensions of society can evolve slowly, remain stagnant, or even deteriorate while economic indicators remain buoyant.

In this lecture, I will reflect on the continuous quest for growth and explore the undesirable consequences of rapid economic development in emerging markets, one of these being institutional voids. Institutional voids have been defined in several ways: as absent or weak institutions (Khanna and Palepu, 2010), as institutional imperfection and ineffectiveness (Pinkse and Kolk, 2011; Santangelo and Meyer, 2011), as gaps in rules (Kolk and van Tulder, 2005) and liabilities in resources that prevent a society from functioning properly (Carney, Gedajlovic, Heugens, Essen and Oosterhout, 2011; Carney, Dieleman and Taussig, 2012).

I define institutional voids as gaps between formal rules and norms, and their enforcement in daily practice. They can arise from a lack of legitimacy or weak systems of accountability. Voids become salient particularly when economic growth advances faster than social and institutional structures, as it is difficult for the latter to anticipate or follow market dynamics. Such disparities are more noticeable in periods of transition, i.e. when there is a sudden increase or contraction in economic growth and governments are pressured to adjust the scope of institutions to address the situation. The history of emerging markets such as Brazil has been marked by periods of growth and shrinkage, acceleration and deceleration, each of which is likely to exacerbate institutional system failures, thus creating or intensifying voids.

Let me begin by stating that although voids may also occur in developed countries, they can be endemic in emerging markets because they are rooted in the structure of the institutional system and already present in the mindset, and as such, they could even be regarded as intrinsic to everyday life. I would like to explore how and when these voids arise, particularly under conditions of fast growth and in the face of institutional weaknesses. First, I would like to examine the concepts of markets and institutions, and elaborate on their role in economic development and the wider social context. Then, I will discuss institutional voids and explain why certain types are likely to have a greater impact on emerging markets. Here, I will also address the social costs of these voids. Next, I will develop a model that conceptualises how economic growth, voids, and social costs are interconnected. Building on this model, I will then propose a framework for designing better institutions. Finally, I will suggest how a strategic perspective can contribute to knowledge, and also practically address the issue of voids.

2. The role of markets and institutions in economic growth and society

In this section, I argue that in order to achieve sustainable growth, markets and institutions must develop concurrently. I will first discuss the role of markets. Next, I will consider the role of institutions beyond the creation of market incentives.

Markets

The efficient functioning of markets is perceived as being critical to growth. The view that markets provide superior mechanisms to incentivise economic activity has dominated academic perspectives on economic growth (e.g. Chang and Evans, 2005; Glaeser, et al., 2004). The core belief that free markets are vital to economic growth and prosperity, has further been inculcated by the recommendations of international organizations such as the World Bank, IMF, and OECD. Such recommendations involve norms and sanctions to encourage countries to reform their institutional systems to attract business and international investors. These pressures have gained strength in the context of the free market ideology, which embraces the view that institutions typically obstruct the functioning of markets. As such, their monitoring of firms' behaviour should be relaxed.

The problem with international pressures of this nature is that they tend to coerce countries to conform and apply uniform policies regardless of the stage of development of their institutions. The 'one size fits all' approach is clearly not feasible in this regard. Moreover, if institutions are viewed as obstacles to market forces, the question arises as to why governments should care about them in the first place. I am not defending dysfunctional bureaucracies that hinder business development. I am simply stating that this narrow perspective on institutions can be used to justify government failure to support institutional development. As I will point out in this lecture, the lack of a well-developed institutional framework is likely to create too much flexibility in the market, with the unhindered pursuit of individual interests coming at a high social cost (Coase, 1960; Dixit, 2009; Greif, 2005; Fligstein, 1996; North, 1994).

My argument, therefore, is that sustainable growth in emerging markets depends on the concurrent growth of appropriate institutions. I will proceed by taking a more detailed look at the concept of institutions and discussing their role in economic growth and society.

Institutions

Institutions have been described in many different ways. The most conventional definition is that they are 'rules of the game', i.e. purposely manufactured constraints that shape and govern human interaction (North, 1990: 3). As Scott (1995:33) notes: "They consist of cognitive, normative, and regulative structures that provide stability and meaning to behaviour". Other authors have also defended a broader role for institutions (e.g. Hollingsworth, 2002). The mission of institutions is to create stability, reduce uncertainty in economic and social relationships and promote a fair society (North, 1990; Pejovic, 1999; Colombatto, 2011). Ideally, institutions should function under the principles of universalism and inclusion (Redondo, 2005). As such, rules should apply to everyone, and institutions should offer protection for the most diverse actors in society – collective or otherwise.

In order to achieve such universalism and inclusion, rules should be properly enforced. This can be a challenging task, as poor enforcement can occur at many different points in the hierarchy. At the institutional level, there are challenges such as gaps in rules and regulations, inefficient enforcement and poor mechanisms for the promotion of inter-institutional coordination. At the individual level, there are different problems, such as those concerning the internalisation and externalisation of rules (Berger and Luckmann, 1966). As highlighted by the latter, adherence to rules depends on their internalisation; in other words, a process through which they are accepted and considered important by the relevant individuals. Externalisation, i.e. the certainty that these individuals have embraced the new norms and rules, only becomes tangible through compliance. Compliance can therefore be seen as a complex process in which rules are validated through habits and routines (Guiso, Sapienza and Zingales, 2006; Oliver 1991). Hence, at the same time that institutions influence actors, the actors themselves also shape institutions, thus generating a continuing dynamic between rule making and adherence (Essen, Heugens, Oosterhout and Otten, 2012; Nee and Ingram, 1998; Peng and Khoury, 2008).

Institutions are defined in terms of the effectiveness of their actions and in terms of their impact on society. They are recognised as such due to a combination of two elements, because they are guided by a common purpose, effectiveness and legitimacy (Selznick, 1957). In order to perform effectively and yield a positive impact on society, they must not only enforce rules but also secure legitimacy (Deephouse and Suchman, 2008). In their initiatives to provoke change in society, they must rely not only on their authority mandate, but also on legitimacy from the grassroots – local practice by ordinary people (Deephouse and Suchman, 2008; Colombatto, 2011; MacLean and Behnam, 2010). As North (1990) points out, societies are more intensively regulated by informal interactions than by formal rules, even in the most advanced societies. Informal interactions, hence, have the potential to reinforce or undermine formal rules, affecting both their legitimacy and the capacity of institutions to enforce them. While self-enforcement by a group of individuals can encourage imitation by other social actors, the lack of it tends to create chaos, instability and ambiguity in relationships as well as between institutions and their stakeholders. Thus, obtaining cooperation from the public or stakeholders is vital for a new convention or law to take root and gain legitimacy (Lawrence, Hardy and Phillips, 2002; Tyler, 2006).

Institutional stickiness in different societies

Societies differ in the way in which their institutions are considered legitimate and 'sticky', i.e. the extent to which they are embedded in indigenous culture and values (Guiso et al., 2006; Hollingsworth, 2002; Burns and Carson 2002). There is some evidence that the likelihood of formal rules becoming institutionalised depends on whether they emerge from indigenous practices or are imposed top-down (Boettke, Coyne and Leeson, 2008). The transplantation of rules through centralisation and authoritarian coercion tends to generate non-compliance and resistance to institutional change (Posner, 1986; Posner, 2010; Villegas and Rodriguez, 2003). Research in comparative development economics suggests that rules tend to become more easily internalised in countries whose legal systems have derived from common law than in those where civil law has been transplanted from their countries of origin (Djankov, La Porta, Lopez-de-Silanes and Shleifer, 2008; Glaeser and Shleifer, 2002; La Porta, Lopez-de-Silanes, Shleifer and Vishny, 1998; Posner, 1986).

In general, Brazil and Latin America have adopted the European civil code, in which the legal system is constituted top-down. The literature on Brazilian culture and its legal system abounds with criticism of its institutions, in particular with respect to their detachment from social relations at the grassroots level (Brito and Barreto, 2011). Historians suggest that the Brazilian legal system was directly transplanted from Portugal to Brazil at a time when civil society did not exist. Research on Brazilian culture suggests that the historical incongruence between the two countries and the difficulties of implementing the laws that the Portuguese crown sought to impose encouraged the development of the so-called *jeitinho*, a pragmatic, sometimes arbitrary way of responding to the enforcement of such legislation (Amado and Brasil, 1991; Da Matta, 1979; Duarte, 2006). Even though the *jeitinho* is nowadays not so well accepted and in many cases ineffective, debates as to whether a new piece of legislation is likely to stick frequently feature in the Brazilian media. Thus, the level of embeddedness of the rule of law is low, not only in Brazil but in most of Latin America. Experts on law in this region suggest that its history of authoritarian regimes explains the way in which the rule of law is perceived and put into practice. Villegas and Rodriguez (2003) suggest that one of the main characteristics of legal systems in Latin America is plurality, in which informal and formal institutions coexist and compete as guides to practice. As these authors point out, a new law can generate suspicion, distrust, resistance or outright rebellion. In Latin America "obedience to the law is often ruled out, negotiated or in the best of cases adapted to each new situation" (ibid, p.47).

The relatively poor legitimacy, embeddedness and enforcement of rules and laws observed in Brazil and Latin America are common to emerging markets in general. In fact, as I explained at the start of this lecture, such gaps or voids are a salient characteristic of emerging markets. In the following sections, I will discuss the concept of institutional voids, the conditions in emerging markets that foster them, and their attendant social costs.

3. Institutional voids and their social costs in emerging markets

The concept of institutional voids has recently gained salience in strategy research with the work of Khanna and colleagues (Khanna, Palepu and Sinha, 2005; Khanna and Palepu, 1997; Khanna and Palepu, 2011). These studies tend to see voids in a positive light, viewing them as opportunities to be seized by firms and entrepreneurs. Institutional voids can therefore appear beneficial to economies experiencing transition and growth. In a similar vein, Mair, Marti and Ventresca (2012) describe how entrepreneurs in Bangladesh have taken advantage of institutional voids to innovate socially, in a strategy of inclusion. Lane and Wood (2012) also suggest that the "fuzziness" of property rights helped China to make the transition from a state command economy to a capitalist one. In Brazil, the combination of fast growth and institutional gaps has given rise to a significant number of new businesses, professions and entrepreneurs. Between 2000 and 2010, the total number of companies in Brazil increased by two million, which exceeds the total number of companies in many developed countries (Exame, 2012).

What are institutional voids and how do they manifest themselves in emerging markets?

There are two types of voids that are characteristic of emerging markets. The first has its source in the structure of the institutional system and is therefore difficult to change. The second is contingent upon changes in the rhythm of economic growth. In a nutshell, structural voids indicate the rules of the game, while contingent voids indicate the way in which the game is actually being played (rather than as it should be, i.e. in accordance with the rules).

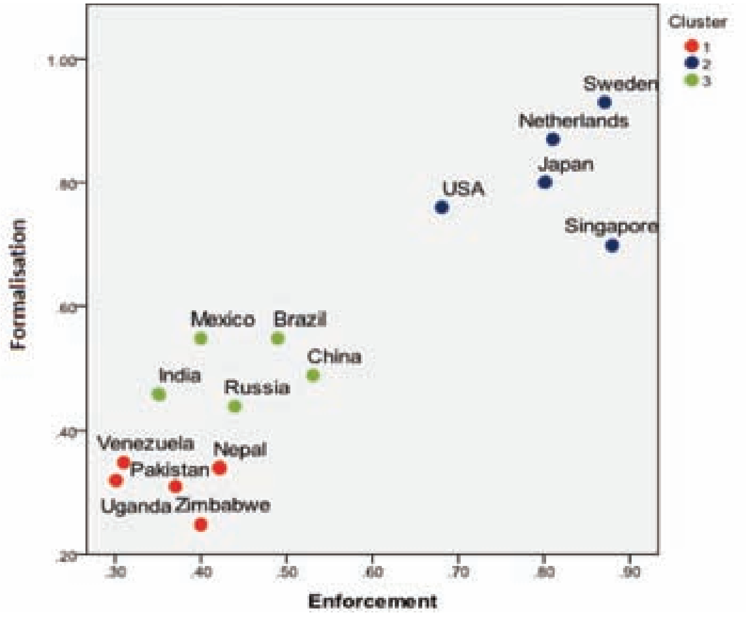
Structural voids: the rules of the game and how the game should be played

Structural voids arise when the logic of the law in the statute books is not the one actually implemented or experienced in practice. They are gaps and fractures in the existing institutional system, which express the distance between formal rules and informal rules (Essen et al., 2012). Formalisation refers to the levels of structuring in an institutional system as to whether rules and laws are formally written and universally applied (Boisot and Child, 1996), while enforcement refers to the capacity of the institutional system to guarantee compliance by citizens. It covers the capacity of an institutional system to consistently implement formal rules, coordinate different enforcement agencies and create incentives for compliance.

In order to illustrate structural voids in emerging markets, I will start by showing how their institutional systems can be structurally different from mature and less developed economies in terms of the formalisation of their legal systems and their capacity to enforce the rule of law. Data from the World Justice Project's (WJP) Rule of Law Index (WJP, 2012-2013) have been used to perform a cluster analysis in which the level of formalisation is mapped against the level of enforcement for various countries. The emerging markets assessed include those of BRIC plus Mexico. Also included in the analysis are a number of well-known benchmark countries that represent different regions of the world and are at the extreme ends of competitiveness rankings according to the World Economic Forum's Global Competitiveness Report (WEF, 2011). The Ward and Centroid cluster methods were used, and ANOVA and Tukey tests confirmed a difference between the three clusters obtained at the 0.05 level.

The findings are reported in Figure 7. The vertical axis represents the level of formalisation of a given country, which is measured by three items of the WPJ report that reflect whether the laws are publicised, stable and accessible. The horizontal axis represents the level of enforcement, which is measured in this same report by the extent to which regulations are enforced effectively, without improper influence and unreasonable delay.

Figure 7. Formalisation and enforcement in countries with different levels of competitiveness



The cluster analysis shows a clear pattern, in which the most competitive nations cluster around high formalization and high enforcement, and the least competitive nations cluster around low formalization and low enforcement. The BRIC countries are clearly distinct from both categories, but are still closer to the least competitive countries. The cluster analysis also suggests that some emerging markets are stronger with respect to formalisation (i.e. Brazil and Mexico), while others (i.e. China) are stronger in enforcement. India is lower in both dimensions than most of the other BRICs. Overall, this figure tells us that emerging markets diverge in the quality of their institutional system in terms of their capacity to establish, communicate and enforce rules.

Contingent voids: habits and mindsets change the way the game is played

Contingent voids arise from a combination of factors unique to given environments, such as the social and economic contexts in which they are embedded. Contingent voids centre on the micro relations between individuals and collective actors, while structural voids occur within the legal framework of such transaction. As mentioned before, emerging markets have commonly been defined in terms of their fast growth rates, proliferating middle classes and several other macro dimensions inconsistent with their level of economic growth. While this perspective sheds light on structural voids, an understanding of contingent voids requires a perspective that takes embeddedness into account (Granovetter, 1985). To this end, I define emerging markets as comprising a multitude of emerging fields, new activities, products and services for which shared rules and norms are not yet in place (Maguire, Hardy and Lawrence, 2004). Many businesses and entrepreneurial activities therefore remain informal. They operate in an invisible economy. They are unregistered and as a result of these factors, they are not subject to regulation. In 2006, the size of the informal economies in Brazil, Russia and Mexico corresponded to approximately 39%, 42% and 29% of GDP respectively. In India, the size was about 21% of GDP and for China about 12% (World Bank, 2010). Many informal business actors emerge in situations where there is market failure, when market mechanisms are inefficient in the allocation of resources and / or when there is an imbalance in demand and supply (Randall, 1983). Such void filling actors, eager to grab an opportunity, may operate their businesses informally and on the basis of improvisation, with little concern for forward planning.

As successful enterprises encourage similar business undertakings, the market may become overcrowded as a result of an increasing number of actors competing in the same field (Brittain and Freeman, 1980), which in turn can overstretch the capacity of institutions to cope with voids. Some new occupations prosper in these circumstances (e.g. household organizer, ceremonialist, personal message deliverer), many of which lack proper certification and thus the means to guarantee their services. In Brazil, 82 new occupations gained a formal classification, but many lack recognition and the legitimacy provided by formal institutions (Rao, 1994; Zucker, 1987). Yet, they may still survive because of their ability to fulfill certain requirements, not least that of reputation deriving from relational embeddedness (Baum and Oliver, 1992). However, an unforeseen outcome of this unconstrained space is that it also offers opportunities for rent-seeking[1].

An example of such crowdedness is found in the Chinese solar panel industry. Eager to exploit the global demand for polysilicon[2], over twenty Chinese companies, whose combined output could potentially double the world's current production, have entered the market over the past few years. However, the increase in the number of actors and diversity of activities within this particular industry has had some undesirable consequences. For example, a vast amount of toxic waste has been generated, which is being illegally dumped in ways that currently lie beyond the control of the Chinese authorities. Furthermore, although it lacks the institutional capacity to resolve this problem, the Chinese government has actively promoted the solar panel industry and, in fact, seems willing to overlook its socio-environmental consequences for the time being (Harris, 2010; Washington Post, 2008).

How do institutional voids become endemic in emerging markets?

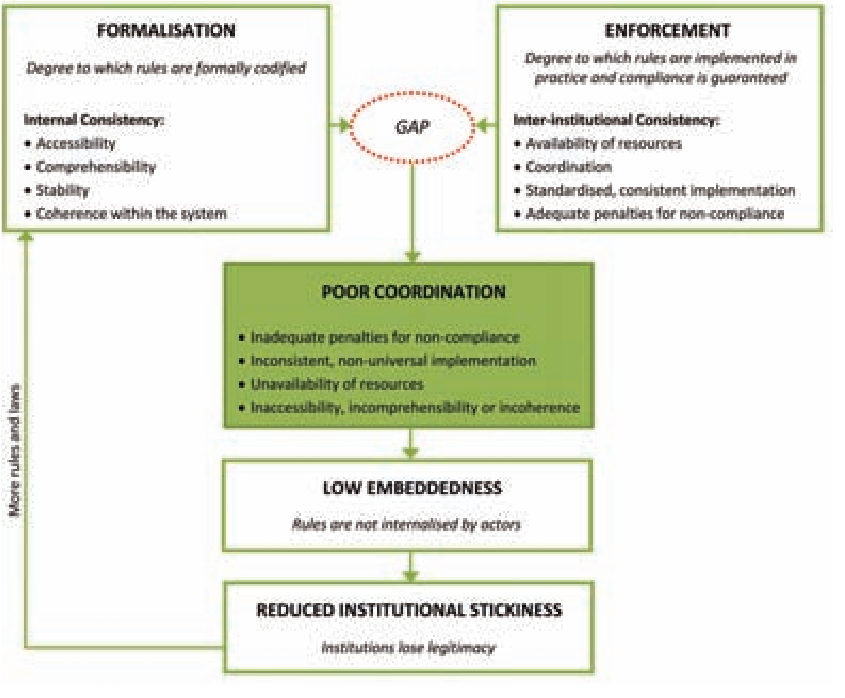
By now, it has become easier to understand why and how institutional voids manifest themselves in emerging markets. Although institutional voids can give rise to positive outcomes, they can also facilitate illegal activities and generate social costs that negatively impact sustainable growth. As I explained in the introduction, an important characteristic of emerging markets is their contradictory nature, in which rapid economic growth goes hand in hand with weak performance across several other dimensions. As we will see, structural and contingent voids exert a reciprocal influence in emerging markets.

1 The concept of rent-seeking has been widely used in institutional economics to represent seeking excessive returns from activities (Mudambi and Navarra, 2004; Tollinson, 1982). Rent-seeking is different from profit-seeking in the sense that its net effect is to reduce total social wealth because resources are spent to increase one's share of existing wealth, whereas profit seeking involves the creation of new wealth. Here, I refer to rent seeking to describe situations of excessive, unconstrained wealth seeking in situations where institutions are weak. Also see Toms (2006) for the use of this concept in the context of voids.

2 The key component of sunlight-capturing wafers used in solar panels.

Figure 8 summarises the conditions that give rise to structural voids. As shown in this figure, voids emerge when the conditions for intra- and inter-institutional consistency are not in place. This situation generates a gap between the conception and the implementation of rules. As the WPJ report suggests, an institutional system is likely to function well when rules are accessible, comprehensive and stable, and when there is a reasonable degree of internal coherence (WPJ, 2012–2013). While intra-institutional consistency is a prerequisite for the effective formalisation of rules, consistency between institutions is a condition for the efficient enforcement of those rules. The latter requires sufficient allocation of resources, coordination, standard and consistent implementation procedures, and adequate penalties for non-compliance.

Figure 8. Conditions that give rise to structural voids



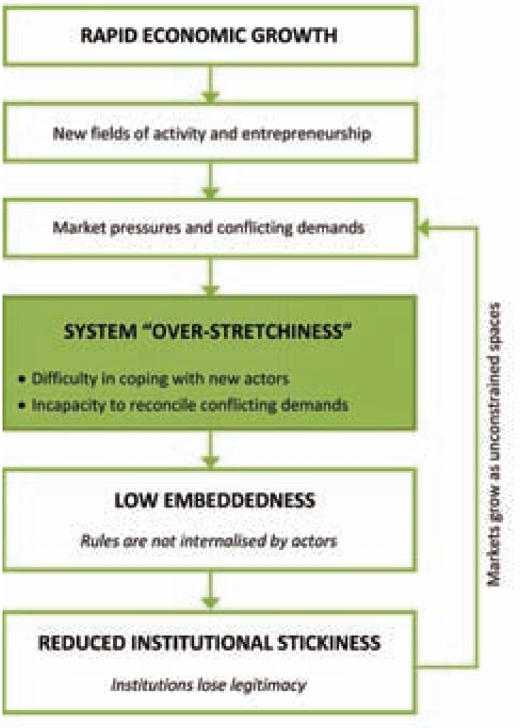
A structural void is likely to ensue when intra- and inter-institutional consistencies are prevented by poor or non-existent coordination mechanisms. This type of failure weakens the institutional system and is evidenced inter alia by inadequate penalties for non-compliance, inconsistent and non-universal implementation of legislation, resource deficiencies, inaccessibility of informa -

tion and the absence or incoherence of rules. In some legal systems, the penalties for breaching the law can be of little significance compared to the gains obtained from transgressions. Important outcomes in this context are low embeddedness, i.e. low internalisation of rules by actors. The decoupling of policies and practices, of formal and informal rules, in turn, reduces the level of institutional stickiness, which has implications for level of legitimacy attained by their policies and practices. (Bromley and Powell, 2012; Villegas and Rodriguez, 2003). In responding to these voids, authorities often seek to address the problem by introducing more laws and regulations rather than enforcing existing ones.

Contingent voids may be endemic in emerging markets because fast growth puts conflicting pressures on institutions. As mentioned previously, disparities between market and social pressures demand a capacity to simultaneously respond and reconcile multiple pressures, which are not always consistent (Bromley and Powell, 2012; Greenwood, Raynard, Kodeih, Micelotta and Lounsbury, 2011). Voids can thus arise from the incapacity of an institutional system to calibrate multiple demands, such as how much weight is given to markets vis-à-vis social or sustainable issues (Hall and Soskice, 2001).

Figure 9 summarises the conditions that foster contingent voids in emerging markets. Contingent voids tend to intensify in periods of fast growth. During such times, market opportunities may attract a range of entrepreneurial firms and actors constituting new fields of economic activity (Carney et al., 2012). The increasing number of actors in these new fields of activity, all with their own priorities and demands, is likely to pose unsustainable pressures on institutions. These factors, combined with resource deficiencies, are likely to affect the capacity of institutions to respond effectively to voids. The inability to reconcile different demands (i.e. resource over-exploitation for growth vs. environment preservation) is likely to incentivise weak embeddedness at the level of individual transactions, in which formal rules suffer from poor legitimacy. Instead, market growth is unrestrained, introducing new pressures and demands and thereby, creating a reciprocal dynamic that further weakens the institutional system.

Figure 9. Conditions that give rise to contingent voids

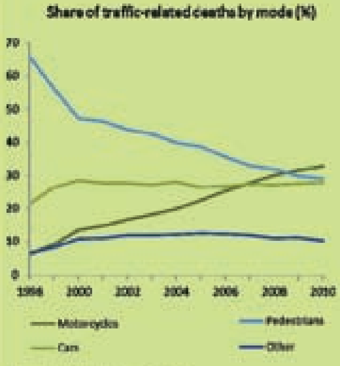


Examples of structural and contingent voids and their social costs in Brazil

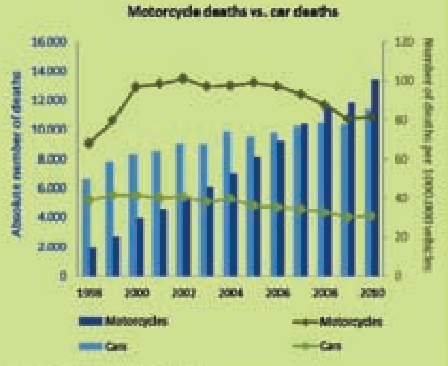
Having explained why and how structural and contingent voids manifest themselves in emerging markets, I would now like to give you some Brazilian examples that illustrate the social costs associated with these institutional voids.

Example 1 Emerging fields compensating for market failures in supplier–customer relationships: multiple voids and social costs

This example concerns the void-filling activities that have emerged in the form of a growing number of motorcycle delivery services to compensate for failures in customer-supplier transactions, in the context of the fast and uncontrolled verticalisation of cities. Economic growth and congestion on the roads have created new market opportunities for these actors in highly urbanised centres. However, they have also generated some unintended social costs in the last few years: an increasing number of traffic accidents involving motorcycles. In 1998, a total of 1,894 motorcyclists died in traffic-related incidents. By 2010, this number had increased by a shocking 610%, to 13,452 casualties. Motorcycle accidents now account for almost a third of all traffic-related deaths in Brazil. Death rates per 100,000 vehicles also show that the motorcycle is a dangerous means of transportation (Instituto Sangari, 2012).



Source: Instituto Sangari (2012)



Source: Instituto Sangari (2012)

The authorities have done little to address the situation. A possible reason for this may be the absence of regulations on the safety and working conditions of motorcyclists. Responding to the issue would require coordination between several institutions operating under conflicting agendas: e.g. those responsible for encouraging employment and economic outputs, and those responsible for safety. Inevitably, there is a conflict of interest between market demands on the one hand and public safety demands on the other.

In this struggle, economic interests seem to override concerns about employee well-being. Frequently, business owners have almost uniformly adopted a business model in which delivery agents are paid according to performance, incentivising motorcyclists to cross the city at high speeds, weaving between cars and buses to arrive more quickly at their destinations. Heedless of traffic regulations, these risk-taking motorcyclists manage to escape punishment by simply covering their licence plates while racing through radar traps or red lights. In this context, public authorities have done very little to enforce traffic laws. It would appear that not only the firms but also the municipality wanted to protect the interests of delivery firms because of their contribution to the local economy. Civil organizations showed little interest in the situation, while the motorcyclists themselves lacked a strong association to safeguard and promote their interests as employees.

The good news is that, more recently, new safety rules have been introduced. Motorcyclists are now compelled to take several periods of rest during their working day and a number of mandatory training sessions on safer driving habits have been introduced (Alcântara de Vasconcellos, 2012). Also, trials with dedicated motorcycle lanes have been started. Nevertheless, an informal discussion as to whether this new legislation is going to 'stick' is ongoing.

In summary, this first type of void concerns an emerging field of business activity, in which private actors entrepreneurially exploited the fact that relevant norms and regulations had not been established and enforcement was poor. Even though new legislation had been introduced two years earlier, measures for its implementation were only announced in early 2013. The lack of an effective infrastructure to successfully implement the new regulations was used by the motorcyclists-delivery union to justify its negotiation of the rules, leading to a public protest by these professionals on February 2013 (Globo G1, 2013).

Example 2 **Demand intensification under conditions of weak infrastructure: multiple voids and social costs**

Another example of institutional voids created and exacerbated by growth relates to the disturbing situation in Brazil's truck transport industry. Export and economic growth have generated huge demand for transport services, which have to haul heavy loads over poorly maintained roads. A recent report of Brazil's National Confederation of Transport (CNT) revealed that 62.7% of Brazilian roads do not meet the required standards (Confederação Nacional de Transporte, 2012). Besides problems with road quality, the industry is having a hard time finding sufficient truck drivers to keep up with growing business. As a result, drivers often have to work long hours. A study that sampled 300 truck drivers showed that almost 70% worked more than 10 hours per day (Da Silva-Júnior, de Pinho, de Mello, de Bruin & de Bruin, 2009). It also revealed alcohol (50% of drivers) and drug use (30% of drivers) as serious issues. Other system failures further exacerbate the situation: mandatory vehicle inspections, for example, only cover those vehicles hauling hazardous materials and transporting cargo in the Mercosul region. Driver training is also lacking, and licensing generally allows drivers to legally operate a truck that has very different handling characteristics from the one they trained and qualified for (UMTRI, 2012). Together, these factors have caused the number of related road traffic accidents and deaths to increase. The scale of the problem is illustrated by crash fatality rates, which report a rate of 17.7 fatalities in truck crashes per 10,000 trucks for Brazil, compared to a rate of only 6.7 for the U.S. and 4.3 for Australia (UMTRI, 2012)

In an attempt to reduce the number of accidents, a 'Resting Law' was passed by the Brazilian Congress in July 2012. Under this law, truck drivers must have at least 11 hours of rest each day and must take a break of 30 minutes after four uninterrupted hours of driving. If drivers violate the rules, they risk losing five points on their driving license and a fine of R$127.69 (approximately US$62.50) (Portal Brasil, 2012).

While the goal of the new law is laudable, many are wondering whether it will 'stick' in the long-term. Commodity companies fear a fall in their margins as the number of hours a truck can be on the road is reduced and costs and delivery times increase. Moreover, implementation of the law had to be suspended for six months after it was first launched due to complaints by trucking companies and independent drivers about the scant number of rest stops and supportive infrastructure along Brazilian highways. Indeed, for sustainable improvements to be achieved, enforcement agencies and infrastructure should evolve in tandem with the development of the vehicle fleet and overall freight industry. Legislation and enforcement should also be coordinated. In the current situation, Brazilian roads are under the jurisdiction of different levels of government, including federal, state and municipal. Data on safety issues are independently collected by each of these bodies, and data systems are not mutually compatible. Similarly, enforcement is decentralised, with the Federal Roadway Police responsible for enforcement on federal roads and the Military Traffic Police for state roads (UMTRI, 2012). Such fragmentation of responsibility, coupled with a lack of coordination, render data sharing difficult and hinder an integrated approach to enforcement.

Similar to the first example, this one indicates how both firms and employees collude to make the best use of an institutional void. Failure in legislation and enforcement already existed but the combination of these with fast growth rates and export pressures have yielded serious consequences for employees and society in general. New legislation aimed specifically at the haulage industry will not in itself prevent accidents and deaths on the roads. My argument is that the success of any new laws and initiatives designed to eliminate these voids will depend on the wider context, i.e. whether institutions will be able to coordinate the mindsets, interests and efforts of the private and public actors involved.

Example 3 Environmental costs, rent-seeking and multiple institutional voids

A final example of growth-induced voids relates to the rent-seeking behaviour of firms and the associated environmental damages. These voids are particularly common in the extraction industries such as mining and oil. Brazil has substantial mineral deposits and has become one of the largest mineral producers and exporters of these materials in the world. Most is destined to meet the insatiable demand of Chinese infrastructure projects.

Although Brazil has laws and institutions in place that demand restoration of the landscape and prevention of environmental damages, such as the National Environmental Policy (NEP) and the Brazilian Institute for Environment and Renewable Resources (IBAMA), compliance by large extraction companies is still a serious problem (Kellman, 2001-2002). As Bryner (2011-2012) points out, although the law in Brazil is strong, compliance is weak due to cultural responses to rules and a lack of effective enforcement.

There is evidence that the persistence of environmental problems also results from the high level of impunity for environmental crimes (Brito & Barreto, 2011). Although the government has been increasing its investments in surveillance and enforcement activities (SECOM, 2010), there are serious problems with the efficient use of these funds. A report by IBAMA itself showed that between 2005 and 2010 less than 1% of the value of all environmental violation fines had actually been collected. In the same period, the number of fines issued fell by 42%, from 32,577 fines in 2005 to 18,686 in 2010 (Estado de São Paulo, 2011).

According to IBAMA, the low percentage of fines actually paid reflects the complexity of the procedures of inquiry and assessment of environmental violations: "The administrative process of assessing environmental violations does not have the power, in itself, to guarantee the payment of a fine" (Estado de São Paulo, 2011). Together with other experts, the institution further argued that the high rate of unpaid fines is also the result of the sphere of informality in which many companies operate. "When fined, these companies appear to have no officially registered assets or resources, and hence the fine is not paid", explained a prosecutor of the state of Pará (Estado de São Paulo, 2011).

In addition, corruption and lack of personnel to follow up on cases have been identified as major factors contributing to the low efficiency of applying and enforcing environmental regulations (Brito & Barreto, 2011). Furthermore, the inaccessibility of environmental data at IBAMA and other institutions has prevented civil bodies from participating in the struggle against the violators and generating initiatives to promote payment of fines (Brito & Barreto, 2011).

In this example, voids already existed but they became more visible when the exploration and exploitation of natural resources intensified (March, 1991). Here, the context is highly complex, since it involves an activity that generates high revenues for the state and for the country, with strong market forces. Mitigation seems to be the only way forward, because addressing environmental depredations caused by the activities of large firms requires interfering with the over-exploitation of natural resources by powerful economic political actors. Again, these actors have been taking advantage of unrestricted situations in which institutional inefficiency and the lack of resources allocated to enforcement agencies are both significant factors.

The solution to the problematic effects of these kinds of institutional voids would require a collective mobilisation that goes beyond national social initiatives. It requires collaboration with international movements and greater accountability of multinational companies, in particular, those that are state owned and accountable to taxpayers, their main stakeholders. Since these voids are caused by an institutional incapacity to enforce and the lack of appropriate and sufficient resources rather than inadequate legislation, governments have an important role to play in improving transparency, public participation, capacity for implementation and the accountability of economic actors (Imazon, 2011).

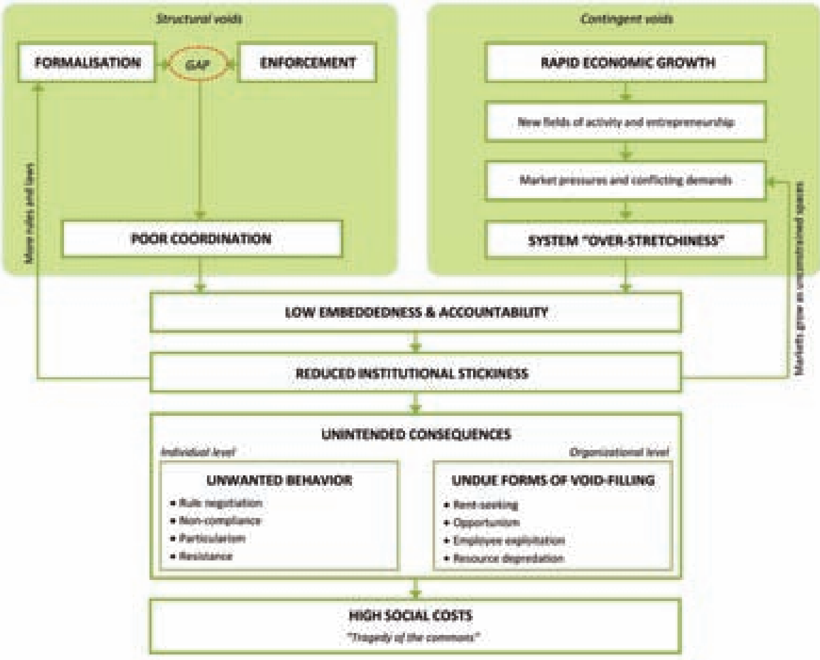
4. A conceptual model

The cases just presented give us interesting insights into the conditions under which fast growth can give rise to contingent voids, the negative impact of which is exacerbated by the structural voids already in existence. In all three cases, there were gaps in the relevant laws and regulations, coupled with poor coordination between the various enforcement agencies and organizations. Similarly, penalties were insufficient and inadequate. The truck drivers and motorcyclists were not sufficiently penalised to change their behaviour, even after new legislation was implemented. In the case of the mining companies, fines were also insufficient to deter wrongdoing and exploitation of opportunities beyond limits. There was also ambiguity surrounding the roles of the institutions responsible for collecting fines. Furthermore, low stickiness constituted a challenge in all three cases and resulted in economic actors resisting and trying to modify the rules. This happened in the first and second cases, in which truck drivers and motorcyclists both objected to the new regulations.

Figure 10 summarises both types of institutional voids and how they interacted in the three cases. The figure also shows how structural voids were intertwined with contingent voids. Overall, low embeddedness results from a combination of insufficient formalisation and ineffective enforcement. This is further complicated by rapid economic growth, which causes new fields of activity to operate without restraints due to system "over-stretchiness". Rules become less and less internalised by actors, and ambiguity in responsibilities creates a dilemma concerning who should be held accountable for wrongdoings and institutional failures. As a result, the institutional system loses legitimacy and becomes less sticky. Such reduced institutional stickiness in turn gives rise to unintended consequences: collateral damage, as it were.

At the individual level, unwanted behavior is prominent. In the two cases in which new legislation had been passed, there was considerable resistance. Coercion by the authorities triggered blatant attempts by the interested parties to negotiate and change the rules. Refusal to comply and attempts to avoid enforcement through particularism were also present in the dynamics of implementation. Rather than improving enforcement mechanisms, the authorities tended to issue new rules.

Figure 10. Structural and contingent voids and social costs in emerging markets



Furthermore, where inequality is high and the state is incapable of performing some of its most basic functions, fertile ground may be created for illegal groups and gangs to gain local legitimacy (Filho, 2011). This, in turn, undermines the authority of official bodies. In the slums of Rio de Janeiro, for example, local gangs provide a parallel state structure and alternative rule of law (Goldstein, 2003). The residents in these communities recognise drug lords as their leaders and follow the social norms and morals established by them.

At the organizational level, undue forms of void filling emerge. Deficiencies in enforcement mechanisms create unconstrained spaces that allow a greater discretionary power to entrepreneurs. Under such conditions, newcomers are likely to over-exploit opportunities and taking advantage of the permeable boundaries that separate profit-seeking from rent-seeking – employment creation from employee exploitation and resource exploration from resource depredation (Ngo, 2009; Tollison, 1982).

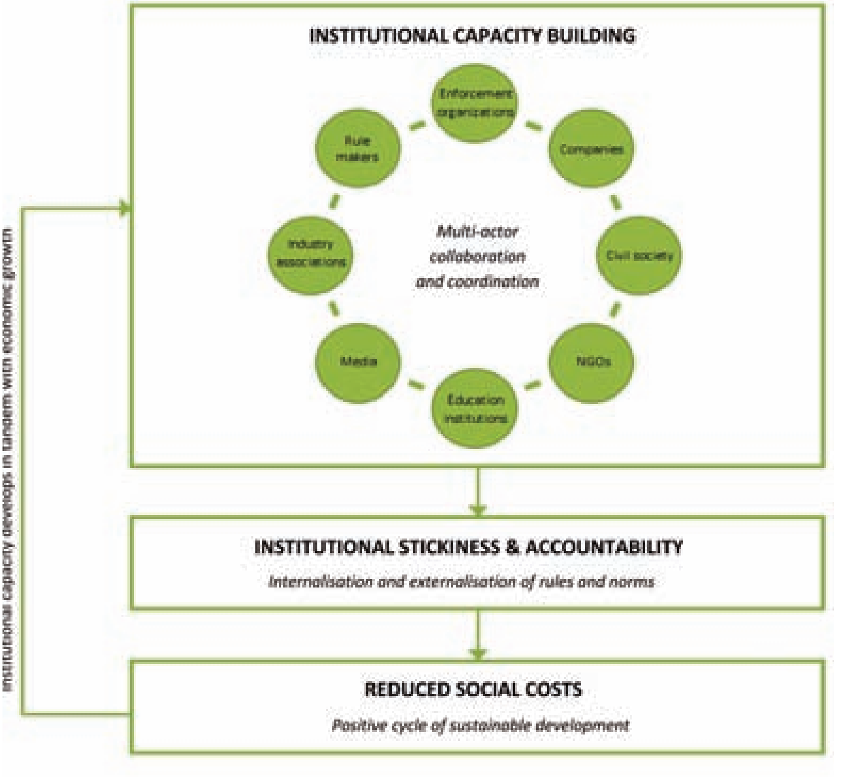
The persistence of institutional voids in which ambiguity holds sway is likely to lead to the so-called 'tragedy of the commons'[3] (Hardin, 1968) in which benefits and wealth accrue to restricted groups or individuals while the social costs are borne by a much larger community (Coase, 1960). The 'tragedy of the commons' is evident in the imposition of supplementary regulations, which typically generate suspicion and resistance. Significant institutional change, instead of this 'papering over the cracks' approach, is likely to happen only when ambiguity and improvisation reach critical levels, mobilising public opinion on a national and ultimately international scale.

3 The 'tragedy of the commons' refers to a metaphor that was first used by Hardin (1968) to describe a situation in which selfish and over-exploitation of resources leads to resource degradation. Hardin's theory has been mainly applied in the literature on economics to describe the consequences of resource over-utilisation and misuse of resources, while in this paper, my intention is to draw attention to a situation in which over-exploitation by a few results in high social costs for many.

5. Designing better institutions

An institutional field results from the mutual influence between an institutional structure and the behaviour of key actors that shape the field (Bourdieu, 1987; Scott, 1995; Fligstein, 1996), such as national governments, legislators, enforcement organizations and the public at large. While the previous figures have identified the conditions that give rise to institutional voids and their social costs in emerging markets, Figure 11 illustrates the role of actors in shaping institutions. It suggests that gaps in the links between formal rules and enforcement, and between the enforcement and 'compliants', can only be closed by actors, both collectively and individually, such as education and training establishments, enforcement agencies and stakeholder organizations including the media, NGOs, firms and others.

Figure 11. How to design better institutions



Within this framework, I argue that institutional change should aim at reducing the social costs of institutional voids, which can only be achieved by addressing the roots of the problem: by improving institutional capacity through a focus on inter-organizational coordination and a response at the grassroots level. Attention should be paid to fostering collaborative schemes between institutions and enforcement organizations to secure the acceptance of rules and accountability of actors responsible for enforcement mechanisms. Information sharing and better integration between enforcers and rule makers are also crucial. Institutional stickiness depends on both the internalisation and externalisation of rules, which requires the collaborative effort of education and training institutions. Establishing feedback loops and communication between the several actors operating in a given institutional field could help to reduce ambiguity across perspectives and create consensus on issues of accountability.

For emerging markets the reduction of social costs, particularly those related to the quality of human life and the environment, is essential in order to enter a cycle of sustainable development. Improving the effectiveness and accountability of institutions is the responsibility of several actors: collective and individual, private and public alike. The good news about emerging markets is that several innovative alternatives are now being developed in these countries, one of which is the adoption and strengthening of NGOs.

NGOs are already very active in some emerging markets. Brazil, in particular, has seen a rise in NGO activity over the past decade. A report by the Brazilian Institute of Geography and Statistics (IBGE) showed that the number of non-profit private foundations and associations rose by 22.6% between 2002 and 2005. Between 2006 and 2010, this increase was 8.8%, reaching around the total of 290,000 NGOs in 2010 (IBGE, 2012). It should be noted, however, that the largest proportion of these NGOs is religious (28.5%). Around 18.6% is dedicated to implementing government policies (health, education, research and social assistance) and 14.6% to the development and advocacy of rights. Professional and employer associations account for 15.5%. Only a very small share (0.8%) is dedicated to preserving the environment and to animal protection (IBGE, 2012).

Another positive development is the collaboration of NGOs and public actors with corporations in public-private partnerships (PPPs). In a special report that was released in early 2013, the International Finance Corporation (IFC) highlighted the achievements of 40 successful PPPs in emerging markets. This report shows that well-planned and thoughtfully implemented infrastructure projects are the foundation for reliable access to good quality services such as clean water, education and health care (IFC,2013). In these partnerships, firms – with their advantages of financial and organizational size, managerial and marketing expertise and operational scale and scope – can help governments and NGOs to enhance their product and/or service offerings and to improve their organizational performance, so as to create more social value for their target public. On the other hand, public actors – with their local market knowledge, legitimacy with civil society players, government ties and expertise – can offer competencies and resources to firms aspiring to do business in markets where they may otherwise be viewed with suspicion and scepticism. In this way, PPPs can facilitate economic and social value to be achieved concurrently, and to be mutually reinforcing (Dahan, Doh, Oetzel and Yaziji, 2010).

In line with this argument and with what has been said throughout this lecture, the most effective way to build institutions and to fill voids is through the collaborative and coordinated actions of multiple actors rather than through coercion. Legitimacy and the enforcement of new rules can only be achieved through embeddedness, i.e. through the internalisation of these rules. This means different public and private actors, including industry associations, educational institutions, environment protection lobbies, NGOs, enforcement institutions and the media, should establish collaborative and integrated networks. Dealing with institutional voids also requires the expertise from several fields such as public administration, law, sociology, education, and others.

So, how can management scholarship help in this regard?

6. Conclusions: how can management knowledge help?

Because of the inherent complexity of the subject, understanding institutions requires both an interdisciplinary and multidisciplinary approach. Management scholars could consider adopting an interdisciplinary approach that integrates knowledge from organization theory, strategy, network theory and macro perspectives, such as varieties of capitalism and international business systems. The organizational perspective on institutions departs from the principle that all organizations are institutions and explored Selznick's tradition that all organizations are infused with value and have therefore developed the tradition that all organizations are institutions. I would argue, in addition, that all enforcement institutions are organizations. Knowledge of enforcement organizations is still scant and has so far received little attention from management scholars.

My message in this lecture is the following: If organizations are institutions (Oliver, 1991; Greenwood, Oliver, Sahlin and Suddaby, 2008) and institutions are also organizations, two issues are consequential to that statement. First, as institutions, organizations must be able to develop both internally and externally the capacity to provide critical solutions to their problems (Selznick, 1957; Scott, 1995). Within this perspective, organizations must be able to combine value added and effectiveness. Second, the focus on effectiveness requires an understanding of institutional capabilities, coordination mechanisms and the integration of strategies and routines, and therefore the need to bring strategy to the fore.

Given the examples provided in this lecture and the context of emerging markets, institutions as organizations need to improve their structure, communications, coordination, integration and information sharing across sister organizations and implementation bodies. They also require improvements in inter-institutional collaboration with NGOs, other state agencies and private organizations. Nevertheless, an important distinction must hold: the role of institutions as organizations is highly distinct from that of firms, whose identity lies in profit making and delivering value for shareholders. Institutions must look for stability and protect the rights of future generations more effectively.

This is where my current interests lie and my future research will take me. When I joined Erasmus University, one of my commitments was to develop research from a perspective that embraced markets, institutions and networks.

Research on the organizational dimensions of institutions does not only require a focus on their organizational design but also an understanding of institutions in their context, which, by implication, demands a multidisciplinary approach that cuts across other fields such as institutional economics and policy making. Institutions are highly important in society. They shape the way in which economic development takes place. While it is true that economic growth cannot occur without firms, firms themselves cannot endure without institutions, and neither can growth.

I hope and intend to enmesh institutional dilemmas and contradictions in order to understand their efforts to address current economic and environmental issues. By so doing, I will seek to carry on contributing to management knowledge and practice.

7. A word of thanks

During my time at Erasmus University I had the pleasure of having many encounters, most of which contributed to my professional development. I have learned a lot with my colleagues and students at the department and at the School. I can only thank them for these opportunities. I would like to thank the Rector Professor Dr. Henk G. Schmidt and Pauline van der Meer- Mohr, President of the Executive Board, for their support and for always making me feel welcome. I would like to thank the former Dean George Yip, who secured the opportunity for my admission to Erasmus University, and our current Dean Steef van de Velde for his kindness and trust during these four years. I want to thank all of my colleagues, in particular, Pursey Heugens, for his support during my time at the Strategy Department. He, Henk Volberda and Frans Van Den Bosch were particularly understanding at a difficult period of my life. I am very grateful to them. Many colleagues were there when I needed them and for that I want to thank Hans Bruining, Gail Whiteman, Rob van Tulder, Slaweck Magala, Barbara Krug, George Hendrikse, Rene Olie, Frank Wijen, Anna Nadolska, and Yan Fan. All my colleagues always greeted me with a big smile, which was no less important to me.

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Three colleagues from Brazil, who are also friends, are here today: Salete Cavalcanti from the Federal University of Pernambuco, Roberto Duarte from the Federal University of Minas Gerais and Gilda Castro from Federal University of Paraiba. Thank you for your friendship and for having accompanied me on my professional journey for such a long time, and for being here on this very special day. My special thanks also to Dani and Richard Batley, Margarida and Michel Schepens for their friendship while working in the UK and in the Netherlands. Most importantly, I am so happy that my family is here today. I want to thank my mother, Lenir Braga, who came all the way from Brazil for this special occasion and for her support throughout my career; my husband, Anielo, who has given up much of his successful career to support mine; my dearest daughters, Angela and Aline, apples of my eye; and Daniel and Carlos Eduardo, who have also flown from Brazil, especially for this event.

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