

## **The influence of institutional and supply chain pressures on social upgrading: the role of context and firm's strategy choice**

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### **Introdução**

Institutional and supply chain pressures have an important influence on social upgrading of MNC, but the analyses could not be independent of two aspects: the context and the firm's strategy choice. Our results show that institutional and supply chain pressures alone have a negative effect on social upgrading. However, when the MNC hosted in the emerging country adopts an innovation differentiation strategy, the interaction between strategy and pressures (institutional and supply chain) has a positive effect on social upgrading.

### **Problema de Pesquisa e Objetivo**

Although social upgrading is not new in the literature our research discusses two points that need to be deepened. On the one hand, the still incomplete discussion of the dichotomy of pressures from institutions versus market competition to promote social upgrading in MNCs. On the other hand, the specificity of this discussion when analyzing MNCs installed in emerging markets. The objective is to understand the relationship between innovation differentiation strategy and institutional and supply chain pressures in MNCs in emerging countries.

### **Fundamentação Teórica**

The institutional pressures on companies that lead to social upgrading (the process of improving the workers' rights, improving the quality of their employment) can be explained by institutional theory. In developing countries, institutional and economic structures, civil society, policies and supporting sectors influence social upgrading issues in terms of poverty and gender policy, while labor practices and market regulations are applied different between and within these countries, depending on the specifics of companies, institutions, regulatory traditions and working conditions.

### **Metodologia**

The first step of the analysis was to check for common method bias – CMB. Next, we made an exploratory factor analysis - EFA to reduce the constructs' variables and simplify the model. After that, a varimax rotation was applied and summated scales of the variables with factor loadings equal to or higher than 0.7 (ibid.) were used to calculate the factors. After, we stated the adequacy of representing each construct by a confirmatory factor analysis – CFA with all constructs to validate the measurement model. Finally, we tested the hypotheses using structural equation modelling – SEM.

### **Análise dos Resultados**

Given the strategic choice and the context, there is no significant direct relationship between innovation differentiation and social upgrading. This reinforces the idea that MNCs already have their internal social aspects well developed. Companies with the innovation differentiation strategy would tend to maintain the level of internal social aspects, excluding other variables. The effect of the strategy would only offset the negative effects caused by institutional and supply chain pressures on these social aspects.

### **Conclusão**

Innovation differentiation-oriented MNCs respond positively to social upgrading as long as they are pressured by institutional and supply chain forces. This means that when discussing social upgrading in MNCs, the context matters (Doh et al., 2017), as does the strategic direction (McWilliams, 2006).

### **Referências Bibliográficas**

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### **Palavras Chave**

Social Upgrading, Institutional Pressure, Supply Chain Pressure