

10 Unbundling the Institution-Based View of International Business Strategy

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Abstract

Critics suggest that the industry-based view has the five forces framework and the resource-based view converges on the VRIO framework, yet what *specific* propositions or frameworks does the institution-based view of IB strategy have? This article addresses this important and legitimate question, by identifying and articulating the two core propositions underpinning the institution-based view: (1) individuals and firms act rationally according to formal and informal institutional structures; (2) when formal institutions fail, informal institutions regulate exchange relationships. In other words, this article endeavours to advance the institution-based view of IB strategy by *unbundling* the broad proposition that ‘institutions matter’. It leverages and extends contemporary research to illustrate the explanatory and predictive power of the two propositions underpinning the institution-based view of IB strategy.

Keywords: [international business strategy](#), [industry-based view](#), [resource-based view](#), [five forces framework](#), [institutional structures](#), [exchange relationships](#)

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